



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

ON:

"THE NATIONAL PLAN FOR THE INTRODUCTION OF THE EURO"

(developed by own-initiative)

**Sofia,
May 2022**

The Activity Plan of the Economic and Social Council for 2022 includes the preparation of an opinion on "The National Plan for the Introduction of the Euro."

The development of the opinion has been assigned to the permanent Commission on Macroeconomics, Budget and Finance with the ESC.

Mr. Stanislav Popdonchev - Chairperson of the Commission on Economic Policy, member of the ESC from Group I - Employers, Mr. Veselin Mitov - Chairperson of the Commission on Labour, Income, Living Standards and Industrial Relations, member of ESC from Group II - Workers and Employees, and Mr. Bogomil Nikolov - Deputy Chairperson of ESC, member of ESC from Group 3 - Civil Sector, were appointed as rapporteurs.

At two meetings of the Commission on Macroeconomics, Budget and Finance with the ESC on 10th and 16th May 2022, the draft of the opinion was adopted.

At its Plenary Session held on 27th May 2022, the Economic and Social Council approved and adopted this opinion.

ABBREVIATIONS USED

BNB	Bulgarian National Bank
ERM II	Exchange Rate Mechanism II
MS	Member States
EZ	Eurozone
EC	European Commission
SSM	Single Supervisory Mechanism
EP	European Parliament
EU	European Union
ECB	European Central Bank
EMU	Economic and Monetary Union of the EU
ESC	Economic and Social Council
CM	Council of Ministers
MCM	Monetary Council Mechanism
NPIERB	National Plan for the Introduction of the Euro in the Republic of Bulgaria
MC	Monetary Council
CB	Commercial Banks

MAIN CONCLUSIONS AND RECOMMENDATIONS

1. The discussion on the introduction of the euro is unambiguously and formally completed with the accession to the EU on 1st January 2007. The ESC emphasises that the benefits of the accession to the Euro depend to the greatest extent on the formulated government policies and the implementation of the identified structural reforms.
2. The ESC welcomes the establishment of a mechanism of close cooperation within the European Banking Union and the subsequent decision of 10th July 2020 to include the Bulgarian lev in the Exchange Rate Mechanism II (ERM II). These decisions were taken following the fulfilment of a number of preconditions for improving bankruptcy and liquidation procedures, strengthening supervision of the banking and non-banking financial sectors, the governance framework of state-owned enterprises and anti-money laundering mechanisms. This required full mobilisation and significant efforts on the part of regulatory and competent state authorities to improve the quality of institutions and changes in legislation. A significant part of them already have their positive effect, including the significantly improved security and stability of the banking sector.
3. The accession to ERM II, the establishment of the mechanism of close cooperation of the BNB with the ECB, the determination by Degree of the Council of Ministers (PMS) No. 103 of 25th March 2021 to amend PMS No. 168 of 3rd July 2015 to establish a Coordination Council for the preparation of Republic of Bulgaria for membership in the Eurozone (State Gazette, issue No. 52 of 2015) for a target date for entry into the Eurozone and the adoption in June 2021 by the Coordinating Council for the preparation of the Republic of Bulgaria for Eurozone membership of a draft **National Plan for the Introduction of the Euro in the Republic of Bulgaria (NPIERB)** are critically important steps in the general European integration process and moving the country towards the Economic and Monetary Union (EMU).
4. The ESC points out that the correctness of the decision on accelerated accession to the Eurozone (EZ) is fully confirmed in the current situation, when the need for an adequate and timely reaction to the new geopolitical realities and perspectives comes to the forefront.
5. The crises related to COVID-19, the significant increase in the prices of energy and raw material supplies, the war in Ukraine, the additional commitments made for reforms in connection with the introduction of the Euro, as well as the adjustment of macroeconomic policies for permanent compliance with the requirements of the Pact on stability and growth require the implementation of one-way structural and institutional changes and a reasonable budgetary, economic and supervisory policy.
6. Considering the complications in the geopolitical and macroeconomic conditions, the ESC strongly objects to all attempts to slow down this process and bringing it back to the beginning, including by forming negative public attitudes, ignoring the positive experience of the three Baltic states that joined the EZ, calling for a referendum in contradiction to the already legally binding commitments of the country. In their totality, they render meaningless the efforts made, the fulfilment of the preconditions for accession to the ERM II, as well as the assumed high economic, social and demographic price of the adopted monetary regime model.

7. The project of the NPIERB provides the most general framework of the preparation for the adoption of the Euro, including all important operational activities and measures with which the private, public sector and citizens need to engage, and the specification of the tasks, the deadlines and the institutions responsible for the implementation should be detailed in the Action Plan for the NPIERB.
8. The ESC expresses its full support for the smoothest possible process and with the least disturbance in the introduction of the Euro in the daily lives of citizens, businesses, municipalities, financial and state institutions and the strict application of the principles regulated in the draft of the National Economic and Financial Markets Act, including efficiency, responsibility, transparency, clear rules for currency conversion, security and protection of consumers, prevention of harm to citizens, minimised public costs and special attention to the most vulnerable persons.
9. The ESC emphasises the need for the Coordinating Council for the preparation of the Republic of Bulgaria for membership in the Eurozone to promptly present a comprehensive analysis of the possibilities for meeting the Maastricht criteria within the required time frame, including the price criterion in conditions of general inflationary growth and uncertainty. On this basis, the competent state authorities should implement appropriate tools to successfully counteract inflation and address as efficiently and quickly as possible the assessments of compliance with the Maastricht criteria and the recommendations of the regular Convergence Report of the EC and the ECB, which is expected to be published in the middle of this year.
10. The ESC considers that, in the event of the impossibility of achieving the necessary results reported in the regular Convergence Report, the government should request a review and assessment through an extraordinary convergence report of the ECB and the EC in 2023, taking into account the sharp change in the geopolitical conditions and macro environment that in their entirety are not subject to direct intervention by the responsible state institutions in Bulgaria.
11. In the current situation, the main issue before the Bulgarian society, the executive and financial institutions is **the need for responsible political leadership, clearly demonstrated, and not declaratively political will and justified support for the introduction of the Euro on the specified target date**. In this regard, the ESC considers that the practical preparation should be guaranteed, the decisive actions taken for the general acceleration of the foreseen measures and the timely completion of the huge amount of technical work, regardless of the looming tense work schedule.
12. **The ESC insists that the specified date for accession to the EZ – 1st January 2024, be set as an imperative goal of the short-term macroeconomic and budgetary policy**. In this regard, Croatia's experience in the accession process until 1st January 2023 becomes extremely important and should be the subject of daily attention by the responsible institutions, including as a signal to take urgent corrective and preventive action.
13. The ESC emphasises that at the present time, especially with the new development of the global and European economic environment, the preparations for accession to the EZ must continue even more decisively and intensively, once all identified problems, delayed procedures and unfulfilled preliminary conditions. In this regard, urgent

finalisation, time compression and strict implementation of the general schedule, which will be framed with acceptance by the CM of NPIERB and detailed with an Action Plan.

14. The ESC insists that the 47th National Assembly immediately discuss the report of the Coordinating Council for the Preparation of the Republic of Bulgaria for EU Membership regarding the adoption of the NPIERB and the general progress of preparations for joining the EZ with a view to meeting the set target date – 1st January 2024.
15. The ESC expresses its expectation that the new Law for the BNB will be adopted in a timely manner, providing the necessary clarity regarding the methods of future disposal of the international currency reserves securing the Bulgarian lev, which as of 29th April 2022, exceed BGN 62 billion. In this context the ESC expects the transition from a currency board regime to full participation in the Eurozone to be carried out without risks to the macroeconomic, fiscal and financial stability of the country, with maximum transparency and compliance with the principle of effective and efficient management of financial resources by both the government, as well as from the central bank.
16. The ESC draws attention to the fact that the earlier disclosure and clarification of the measure laid down in the draft of the NPIERB – one month after the decision to introduce the Euro and confirmation of the Bulgarian lev - Euro exchange rate, the requirement for mandatory indication of prices simultaneously in Euro and BGN for a period of 12 months, will help to pre-emptively eliminate concerns about unfair price increases, will facilitate consumers to more easily identify traders and businesses that allowed themselves to illegally increase prices, and will bring the necessary certainty to consumers that their interests will be protected.
17. The ESC draws attention to the fact that in the three Baltic states that joined the EC, whose starting conditions are closest to those in Bulgaria, due to the presence of functioning monetary boards (MBs), in Estonia and Lithuania, and a fixed exchange rate regime in Latvia, the original commitments for conversion at the current fixed rate with a balanced minimum price increase directly related to the introduction of the euro were respected. This circumstance should be brought to the fore when conducting the communication campaign under the NPIERB, especially taking into account the attitudes, concerns and speculations that are still widespread among part of the Bulgarian society.
18. The ESC finds that the delay in preparations for the adoption of the Euro limits the timely inclusion, competent and effective participation of representatives of social partners, the academic community, business organizations, the non-governmental sector and consumer protection organizations in the work of the Coordinating Council for the preparation of the Republic Bulgaria for membership in the EZ and its working groups.
19. Given the possibility for the non-governmental sector and social partners to take part in the working groups of the Council, the ESC insists that competent representatives of the nationally representative organizations of workers and employees, employers and civil society, included in the ESC be attracted for active participation in the work of the working groups groups and subgroups. The inclusion of representatives of the social partners and consumer organizations in the work of the Working Group (WG) "Consumer Protection" and WG "Communications" will contribute to the more

successful prevention of potential incorrect attempts to round up prices upon the introduction of the euro, ensuring a higher reliability in public opinion polling in support of the euro and a wider scope of the information campaign.

20. The ESC draws attention to the fact that Bulgarian citizens, workers and employers have the right to be informed in detail and in a timely manner about the protection of their savings and investments, about the measures to oppose the artificial increase in prices at the time of the transition to the Euro and **to guarantee the preservation of the current exchange rate when switching to the Euro**. In this regard, the ESC notes the significant delay in the activation of the measures laid down in the draft plan for carrying out an information campaign and communication strategy, especially taking into account the growing inflation and widespread fears that the introduction of the Euro may act as an additional factor for its acceleration.

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Zornitsa Roussinova

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL