



RESOLUTION

of the ESC regarding Bulgaria's membership in the Eurozone

(own-initiative resolution)

**Sofia,
October 2023**

The Economic and Social Council (ESC) included in its Activity Plan for 2023 the development and adoption of an ESC Resolution regarding Bulgaria's membership in the Eurozone.

The resolution was drafted by the President's Board with rapporteurs - the vice-presidents of the ESC - Valentina Zartova (Group I), Plamen Dimitrov (Group II) and Bogomil Nikolov (Group III).

At a meeting held on 2 October 2023, the President's Board decided to approve and submit to a plenary session the draft Resolution.

At its meeting held on 13 October 2023, the ESC's plenary session adopted the Resolution.

1. Bulgaria has come a long way to join the Exchange Rate Mechanism II (ERM II) and the banking union in 2020 and signed the Memorandum of Understanding that has allowed Bulgaria to start producing euro coins in 2022 after a series of delayed key decisions, the lack of political will and action, hesitant and inconsistent preparatory steps by the responsible state institutions. As a result, the possibility of adopting the euro from the beginning of 2023 in a jointed package with the Republic of Croatia, which started its preparations much later, was missed.
2. The ESC supported this national strategic choice in its opinions on "Acceleration of the preparation for the Eurozone's accession of the Republic of Bulgaria" (2017) and "National plan for the introduction of the Euro" (2022), as well as in an analysis of the "Impact of Bulgaria's accession to the Eurozone on economic development, inflation and income in the country" from July 2022, commissioned by the 47th National Assembly.
3. The quoted documents analyse in depth the main challenges and benefits of adopting the euro, as well as the effect of ongoing radical changes in macroeconomic and geopolitical conditions in response to widespread concerns and lack of information among different parts of the society.
4. The ESC strongly opposed all attempts to returning this process to the beginning, to delay and block it, including by imposing negative public attitudes, ignoring the positive experience of the three Baltic member states that joined the Eurozone after many years of an active Currency Board and a fixed exchange rate.
5. In this context, the ESC pays particular attention to the fact that the majority of the opinions presented to the Constitutional Court by interested groups, scientists and responsible state institutions outline solid and argument statements regarding the legal groundlessness of the request to establish the unconstitutionality of the Decision of the National Assembly from 07.07.2023 (promulgated in the State Gazette No. 60 of 14.07.2023) on the Proposal for organising national referendum submitted by an initiative committee on 7 April 2023.
6. Overall, the attempts to be blocked the timely adoption of the Euro, may neglect all the efforts made, as the fulfilled preconditions for joining the ERM II and the

banking union, as well as the high economic, social, and demographic price paid, related to the current model of a restrictive monetary regime.

7. These positions, expressed in official documents of the ESC, were the subject of working and public discussions, including with the participation of the Deputy Chairperson of the EC Mr. Valdis Dombrovskis, the Speaker of the 48th National Assembly Mr. Rosen Zhelyazkov and representatives of the political parties presented in the parliament, as well as in other forums with the participation of social partners, responsible state institutions and the civil society representatives. Specifically, the analysis of the ESC on the expected impact of the adoption of the Euro was quoted several times by the Governor of the BNB, Mr. Dimitar Radev, during discussions in the relevant parliamentary committees and at plenary sessions of the 47th and 48th National Assembly.
8. Nevertheless, the ESC draws attention to the fact that the presented statistical information, solid argumentation, analytical assessments, specific recommendations, and main messages of these documents remain outside the attention of civil society and should receive the necessary wide publicity during the information campaign for adoption of the euro.
9. This circumstance contrasts with the wide public lack of information registered in numerous representative studies about the functioning of the Currency Board, intensive instillation of fears among some groups in the society against the timely adoption of the euro, the delayed information campaign, the short life of the previous regular governments, the difficult internal and foreign policy situation and the extremely low public trust in state institutions and the legal order, which are transferred to attitudes towards joining the Euro area.
10. In this regard, the ESC notes the high public support for the Euro and the Monetary Union in countries that have recently joined the Eurozone, with previous monetary councils in place or implemented large-scale rescue programs in response to previously unwise fiscal policies and the excessive government debt. For example, according to the latest Eurobarometer survey from the summer of 2023, support for the European currency in Croatia exceeds 68%, respectively in Estonia - 84%,

Lithuania - 80%, Greece - 84%, compared to 40% in Bulgaria at over 46% overall negative attitudes.¹

11. The ESC reiterates that the rapid adoption of the Euro represents the only possible, reasonable, and effective way out of the Currency Board's regime, introduced as a temporary, experimental, sanctioning, and disciplinary measure under pressure from the IMF in 1997, which is currently implemented by an extremely a narrow circle of countries.²
12. In this context, the public-imposed counter-thesis and debate about the loss of national sovereignty and independence of national monetary policy come into clear contrast with the nature and consequences of the operation of this specific regime of money supply management. It should also be considered that the implemented Currency Board in Bulgaria is of the most restrictive type, insofar as a specific model of the highest security of the monetary base, ever applied in the history of monetary systems, was adopted.³
13. The ESC expresses readiness to engage the expert potential of the organizations from the three groups represented inside the Council to launch an active, broad, and effective information campaign aimed at all interested stakeholders in the main regions and sectors of the economy and society.
14. The ESC considers that communication with the various interest groups in regards the process of adopting the euro should be daily, massively, executed through all information channels. Only in this way, fears of some groups in society can be calmed down. Therefore, the extremely loud and effective campaign against the adoption of the Euro can be opposed. We pay special attention to dissemination activities with vulnerable social groups, who, due to low literacy or social exclusion, may be subject to fraud. Some problems can be expected in small settlements without post offices with the exchange of money.

¹ <https://europa.eu/eurobarometer/surveys/detail/3052>

² Djibouti, Hong Kong, Bosnia and Herzegovina, Antigua and Barbuda, Dominican Republic, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Brunei, most of which are former colonial possessions or have current quasi-state status.

³ In most periods it significantly exceeds 150-160%. In all other functioning PS, liquid foreign exchange reserves cover 90 - 100% of money in circulation, and in very rare cases the excess does not exceed more than 10%. See Kurt Schuler and D. Dobrev. The Monetary Board in Bulgaria: structure, features and management of the foreign exchange reserve. Sofia, 2000, etc.

15. During the public debate and initiated expert discussions, the previous positions, opinions, and analyses of the ESC should be promoted, as well as the latest in-depth studies and achievements of the research and academic community regarding the challenges and advantages of adopting the Euro⁴, by addressing in a clear, specific and understandable manner all expressed concerns, questions and opinions.
16. The ESC emphasizes that the publicly circulated version that inflation increased significantly among the countries that joined the Euro area in the months following their full membership does not correspond to the real data. Careful monitoring of inflationary trends among the countries that joined the Euro area reveals that the main effect on the dynamics of price levels is the specific period of the economic cycle in which the respective country is at the time of its accession, and not the exchange of its national currency with the Euro.
17. The ESC considers that Bulgaria's participation in the European Monetary Union will accelerate the process of real convergence. In practice, bringing the income and standard of living of Bulgarian citizens closer to that of the average European is the most important goal of our country's participation in the EU. In this regard, all actions and measures that lead Bulgaria in this direction of development - such as our joining the Eurozone - must be actively supported. The data on the dynamics of wages after the accession of individual countries to the Eurozone shows that there is a steady growth in the incomes of workers.
18. The ESC notes that joining the Eurozone will bring significant positive effects for the business environment and the Bulgarian economy, including:
 - Growth of trade turnover within the European community, as well as that to third countries - data from member countries using the euro shows that the growth in the Trade sector is between 10 and 26 p.p.⁵.

4 "Economic effects of Bulgaria's accession to the Eurozone", SIA Analysis No. 02/2023. Guntram Wolff, Yoto V. Yotov, Jeffrey Nielsen, Plamen T. Nenov; ANNUAL REPORT 2023. ECONOMIC DEVELOPMENT AND POLICIES IN BULGARIA: ASSESSMENTS AND EXPECTATIONS Focus topic: "Eurozone and acceding Bulgaria", 2023; CHALLENGES BEFORE THE BULGARIAN ECONOMY ON THE ROAD TO EUROZONE MEMBERSHIP. Sofia University St. Kliment Ohridski, 2022 etc.
5 <https://www.elibrary.imf.org/display/book/9781589063709/ch002.xml> – "Real Convergence and Euro Adoption in Central and Eastern Europe: Trade and Business Cycle Correlations as Endogenous Criteria for Joining the EMU"

- Reduction in transaction costs (including currency conversion) – estimates for already acceding countries reveal that this reduction equates to around 0.5% of GDP⁶ to the respective party. In the case of Bulgaria - with estimated GDP for 2025⁷ of BGN 210 billion⁸ – the saved costs for businesses, citizens and the state will amount to about BGN 1 billion.
- Improvement of Bulgaria's credit rating by at least 1 step (according to data from the countries that joined the Euro area)⁹ – a basic prerequisite for the growth of investments in the country, which is the key element that the Bulgarian economy needs in the coming years.
- Increase in domestic demand¹⁰ (which in practice is the driving force of GDP growth in our country in recent years) - conditions are created for the faster movement of goods turnover, which will improve the financial results of enterprises and companies and will support the income of workers to go in a positive direction and others.

19. Calling for timely efforts to be made for Bulgaria's accession to the Schengen area and confirming its Declaration adopted on 5 December 2022 on this matter, the ESC expresses the position that this will provide additional guarantees for the adoption of the Euro and inclusion of the country to the main circle of European integration within the European Monetary Union. In this regard, effective changes should be undertaken in anti-corruption legislation, law enforcement institutions, decisive countermeasures against illegal migration and organized crime, as well as provision of effective foreign policy support, including along the lines of bilateral parliamentary cooperation with the Kingdom of the Netherlands and the Republic of Austria.

20. Taking into account the current challenges, the changes in the geopolitical and regional context, the upcoming European elections in the spring next year and the

⁶ https://ciaotest.cc.columbia.edu/olj/cato/v24n1-2/cato_v24n1-2k.pdf – "Benefits and costs of entering the Eurozone"

⁷ The earliest possible year in which Bulgaria can join the Eurozone from the point of view of the moment when this resolution is being prepared.

⁸ <https://www.minfin.bg/bg/1586> – the data are taken from the Chart of accounts of budget enterprises of the MoF

⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4326297 – "Eurozone Membership, Financial Integration, and Sovereign Creditworthiness"

¹⁰ <https://www.annualreviews.org/doi/pdf/10.1146/annurev-polisci-022615-113243> – „The Eurozone and Political Economic Institutions“

constitution of a new composition of the European Commission, the ESC draws attention again to the need to achieve a clear political and public consensus, to speed up all preparatory steps, adoption of the necessary legal framework and implementation of a prudent and synchronized fiscal and monetary policy, in order to avoid delaying or blocking the country's accession to the Eurozone.

21. In conclusion, the ESC strongly supports the adoption of a new target date for the introduction of the Euro ¹¹ - no later than 1 January 2025 and resolving the main issues and challenges identified in the process of technical and regulatory preparation for the accession of the Republic of Bulgaria to the Euro area.

/signed/

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PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL

¹¹ <https://www.strategy.bg/PublicConsultations/View.aspx?lang=bg-BG&Id=7835>