



## EUROPEAN PARLIAMENT

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DIRECTORATE-GENERAL FOR RESEARCH  
DIRECTORATE A  
DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

### FACTSHEET

Estonia

Chapter 11 - Economic and Monetary Union

#### 1. The acquis <sup>1</sup>

The Treaty distinguishes between Member States which have adopted the euro and those with a derogation. The latter are excluded under Article 122 EC from the rights and obligations within the European System of Central Banks (ESCB).

Candidate countries will participate in Economic and Monetary Union from the date of accession but will not immediately adopt the euro, as the Treaty requires that an assessment be made of the sustainability of their financial position and they are also required to participate in the exchange rate mechanism for at least two years. Participation in EMU implies adoption of the single market acquis, in particular the acquis on the free movement of capital. As there is no opt-out for the candidate countries in respect of EMU, no transitional periods or special arrangements are allowed and none has been requested.

The acquis in this chapter covers **elements which must be implemented in legislation prior to accession**, including:

prohibition of direct financing of the public sector by means such as overdraft or credit facilities conceded to EU institutions or direct acquisition of public debt instruments by the ECB or the national Central Bank;

prohibition of privileged access of the public sector to financial institutions;

Central Bank independence: the Central Bank must aim at price stability as its explicit objective and there must be no external body able to give instructions, approve, censor, be consulted or participate in Central Bank decision-making;

and **elements to be complied with from the date of accession**:

including exchange rate and economic policies, coordination of economic policies through participation in Community procedures and adherence to the Stability and Growth Pact and the ESCB statutes.

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<sup>1</sup> Information largely drawn from the European Commission, DG Enlargement  
<http://europa.eu.int/comm/enlargement/negotiations/index.htm>

## 2. The negotiations

The chapter has been closed with ten countries and provisionally closed with Bulgaria and Romania.

**Chapter opened** first half of 1999

**Status** Closed December 2002 (provisionally closed at end of 1999)

**Transitional arrangements:** none

## 3. Latest Assessment of the European Commission <sup>1</sup>

In its 1997 Opinion, the Commission concluded that Estonia's participation in the third stage of EMU as a non-participant in the Euro area would pose few problems in the medium term. Its central bank legislation was already fully compatible with EC rules in terms of explicit prohibition of budget deficit financing. The successful implementation of the currency board at that date and the relative development of the banking sector were encouraging indicators of the ability of Estonia to complete the restructuring of its financial sector in the next few years.

Since the Opinion, Estonia has made steady progress. The legislation is largely aligned with the *acquis* and the administrative capacity is in place.

The negotiations on this chapter have been provisionally closed. Estonia has not requested any transitional arrangements. Estonia is generally meeting the commitments it made in the accession negotiations.

In order to complete preparations for membership, Estonia's efforts should now focus on guaranteeing the full institutional and personal independence of the Central Bank and its members of the Supervisory Board by adopting amendments to the law on the Central Bank of the Republic of Estonia.

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<sup>1</sup> European Commission, Regular Report on Estonia 2002, p. 73:  
[http://www.europa.eu.int/comm/enlargement/report2002/ee\\_en.pdf](http://www.europa.eu.int/comm/enlargement/report2002/ee_en.pdf)