

# EMU Half-Way Through: The Euro, the Regions and their Public Administrations – An Assessment<sup>1</sup>

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The *Financial Times* wrote on 23 April 1999 “The introduction of the euro will transform Europe... but what is still unclear is whether the euro’s influence will be primarily *regional* or whether it will come to rival the dollar as an international currency”. More than one year later, and in light of the euro’s weakness against the dollar as well as the marginal usage and awareness of the new currency in daily life in *Euroland*, one might come to the conclusion that the euro is indeed primarily of regional, provincial or even local influence and importance. Of course the on-going strength of the North American market with its very favourable economic data does not give the new European currency much room for manoeuvre.

However, what is much more significant, and very well expressed in this statement, is that the introduction of the euro has and will further alter the landscape in which the regions, i.e. the regional and local territories, operate. Further to the gradual blurring of national boundaries (e.g. through the Single European Act, the implementation of the Single Market, EMU etc.), the regions will become a more important protagonist in Europe in terms of their participation in legal, social and political processes, and especially in economic terms.

## **The Role of Sub-National Public Administrations in the EMU**

Among the key players in EMU are undoubtedly the public administration bodies at both national and, in particular, subnational levels in the Eurozone. It is worth remembering that many local and regional government services have the closest contact with the citizens (and especially with the most vulnerable sections of society); they are the providers of information and educational material to the public; they are in many cases active in disbursing the euro (taxes, exchanging money etc.); they are advisors in the field of economic development, especially at local and regional level; and collectively, they are the largest employer in Europe. Indeed, hardly any areas will not have been affected during this three-year transition period, and consequently, after 2002. However, an important prerequisite to ensure the preparation of the regions for the new currency and its challenges is the rapid implementation of the euro regulatory framework at the level of the nation state.

According to several surveys conducted in the Member States, there seemed to be – particularly at the

beginning of the last phase (1999-2000) – delays in adaptation and a certain reluctance on the part of the regional and especially local authorities. Whether this was due to the abovementioned scenario, i.e. a delay at the higher administrative level or to the existence of a lack of commitment to the consequences, difficulties and opportunities of adaptation is open for debate. In general, the regions are active in getting “fit” for the euro although with differing motivation, speed and results. It can be observed among all the subnational participants in EMU that the action mainly taking place in different areas of public administration is as follows: (1) legal adaptation and institutional changes; (2) internal organisational and strategic re-shaping and adjustment; (3) coordination with higher and lower administrative levels; (4) the estimation of the financial implications of the currency change; and (5) external awareness building and public euro campaigning.

## **The State of Affairs of the Euro Preparatory Work in Europe’s Regions: Experiences and Examples**

The following selection of cases gives concrete information on what has so far been done in the regions and their public administrations, what actions and instruments have been introduced, which succeeded or failed, and where do the regions and administrations face challenges, problems, etc., in relation to the abovementioned fields? The cases summarised below do not refer to the more illustrative or more advanced (in terms of adaptation) subnational authorities in EMU, nor should a preference be drawn from their order.

In the case of the **City of Bonn (Germany)**, activities to organise the necessary steps for adaptation to the new currency started in 1996 in the pre-transition period. A euro working group was established, headed by a Euro Commissioner, the assistant to the City Treasurer, who has – in principal – taken over the task of managing, leading and coordinating the adaptation of the city’s public administration to the euro. The euro working group therefore carried out a number of detailed surveys of all areas involved and of all the measures needed to successfully convert the DM into the euro by 2002.

Particularly with regard to the parameters time (required) and costs (involved) to adapt the legal framework during the set three-year period, specific information and estimates have been made available in Bonn (in the so-called *Prompt Book*). For instance, calculations showed that the revision of approximately

1, 200 printed forms will take a year and the costs associated with it are estimated at about EUR 130, 000. The revision and formal legal examination of laws, regulations etc., including those concerning the political decision-making process, will amount to EUR 80, 000 and will also take a year.

Other examples:

Adaptation of cash-operated machines	6 months	EUR 130,000
New books and software for school education		EUR 255,000
Adaptation of 70 computer programmes	2 years	EUR 150,000
Personnel training	in 1998	EUR 10,000
Etc.		

Source: B. Gehrmann (1999)

According to the city administration, the total costs of conversion to the euro are estimated at two and a half million DM (approximately EUR 1,300,000), but no additional human resources will be made available for this. However, in many cases, the replacement, change or new acquisition of software and other goods would have been necessary with or without the euro. It is seen as an investment for the future which will allow the City of Bonn to improve its infrastructure in the long term and, hence, to function in an innovative and progressive manner, necessary in light of facing increased competition from the local bodies and in particular because of the recent loss of the capital status to the city of Berlin.

In one of its latest initiatives – to demonstrate its enthusiasm for and confidence in the euro – the city of Bonn changed its franking machines dealing with all its correspondence into euro in February this year, as part of the launch of the city's *100 weeks countdown to the euro* action plan.

Within a different administrative system, the example of the **Basque Country (Spain)** may be considered a masterpiece of coordination between the four co-existing levels of administration with their exclusive and shared powers in the issues with significant impact on the introduction of the euro: i.e. culture; policy on children, youth and the elderly; tax administration; tourism; commerce and education (see Figure 1).

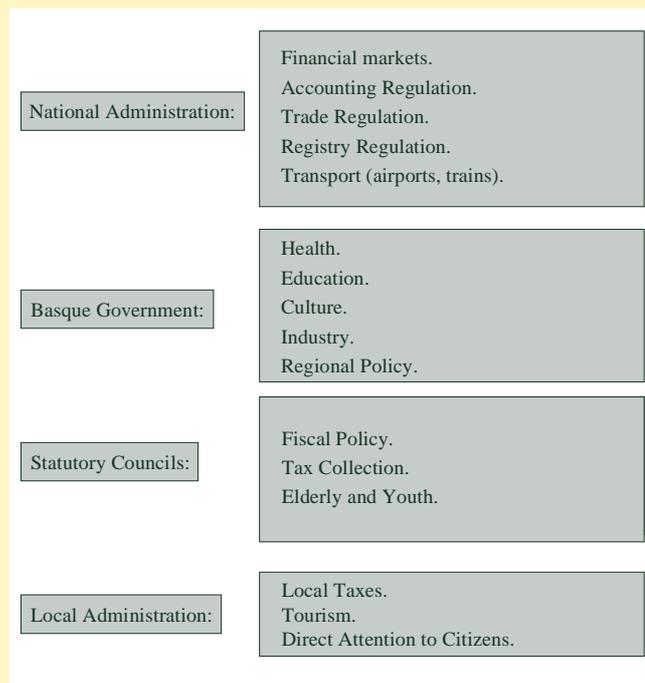
Significant efforts by inter-institutional bodies – such as the “Basque Group for Adaptation to the Euro” – have been made to progressively coordinate their activities according to a common schedule and to the relative importance of the subject matter. Joint activities to avoid duplicating information or broadcasts include, for instance: the “Basque Euro Communications Plan”, the “Euro Adaptation Manual”, a “Training Plan” etc., budgeted in total at approximately 106 million ptas (EUR 637.073) for 1998 and 1999 respectively, and another 142 million ptas (EUR 854.038) for its general campaign for the year 2000.

In this context, the newly established “Euskadi

Euro-Observatory” facilitates use of the Euro-Logo, a symbol common to companies that accept the commitment of learning about and adapting to the euro (currently only 45 out of 33, 000 retail trade companies and 15,000 hotel/catering establishments in the region possess the Euro-Logo).

As a consequence to the above, the key issue pending for the Basque region in the short-term is that of the support offered by the regional government and its administrative bodies to the large number of SMEs in their adaptation process to the euro during the time left.

Figure 1

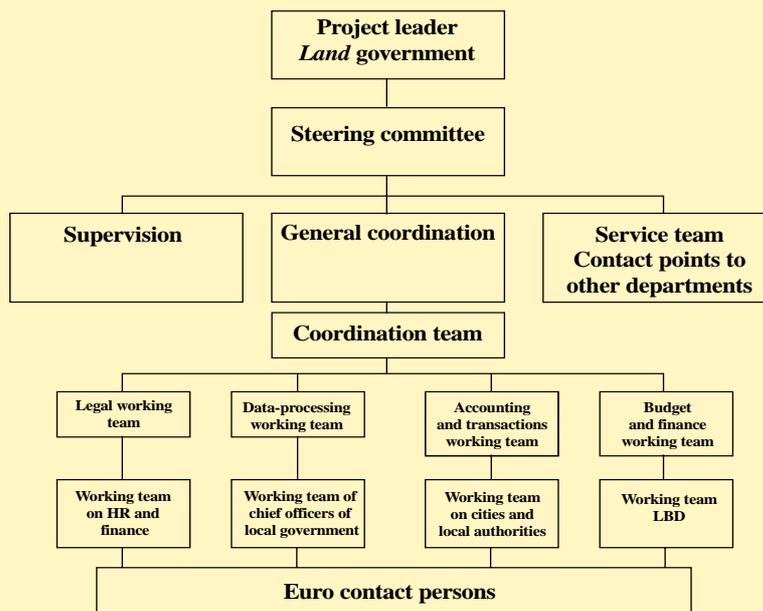


Source: C. Lambarri (1999)

In order to be prepared in particular for the internal organisational and strategic adjustment requirements, the *Land* ministers of finance of all the **Austrian** federal *Länder* took the decision to set up a *Bund/Länder* working group. This group drew up a so-called *Länder* action plan, which serves as a guideline for all public *Land* offices. This *Länder* action plan was the model for the project concept made for the **Land Styria** in Austria, where the specially created *Steirische Aktionsplan* (Styrian action plan) is the cornerstone of the transition to the euro.

The Styrian euro action plan is divided into six sections – (1) a general introduction to the euro, timetable, etc.; (2) the necessary adjustment steps such as rounding rules etc., (3) the transition in subsections of the *Land* administration such as budget, transactions, procurement, grants, etc.; (4) the legal necessity to adjust the *Land* laws; (5) the euro regulations; (6) links to internet sites at the national and European levels. In this context the first part seems worth mentioning in particular, as it first deals with and describes the specific regional and economic characteristics of the Styrian region, before it establishes, in the abovementioned sections of the action

Figure 2



Source: E.Leitner (1998)

plan, the actual connection to the euro as well as to the steps taken to introduce it.

Within the *Land* government, the Europe coordination office has been given the task of coordinating the transition to the Euro (see Figure 2). It is supported by various working teams. To guarantee a smooth drawing-up and implementation of the transition programmes for the respective areas, euro contact persons have been appointed in all sections and departments to provide information and act as contacts.

The fact that, as mentioned earlier, an “internet chapter” has been included in the action plan and that the complete updated version of the plan is available to all departments and employees on-line, is indicative of Styria’s overall strategy to take on a leading role in the area of technology, communication, innovation etc.

For a long time, until the final decision was taken in May 1998 determining the 11 Member States to form *Euroland* there was uncertainty as to whether Italy would be able to fulfil the criteria imposed by Maastricht. Italy had to correct many shortcomings before being admitted into the euro club and still has to prove it can bring public debt to the levels mentioned in the treaty.

Having been accepted for the euro, the Italian public administration, especially at the regional and municipal level, was and currently is facing a situation in which curiosity as regards the euro is certainly at a very low level. The strong administrative decentralisation process that the Italian territories have been implementing in the recent months certainly influences the level of adjustment to the euro in the public system, which lags behind – not so much in terms of organisational adaptation as in a “cultural” sense. The information and awareness building campaign on the euro within an apparently monopolistic administrative system is experiencing considerable delay and is of a low level (Source: S. Pettinato, 1999).

The public bodies of the **Regione Marche (Italy)** are an example of the recent, positive direction of the sub-national Italian levels towards organising themselves in an efficient and proactive manner.

The region of Marche has generally divided its euro programme in internal and external measures and instruments. The *Referente Euro* is in charge of coordinating all the measures taken by the different sectors and local bodies such as the IT, statistics, press and public relations services and the training school for regional staff. Staff salaries are already expressed in both euro and lira as well as other regional tariffs, and the first regional annual budget balance in euro (although as a special edition) was published in 1999.

Externally, since the “Euro Info” points have proven not to be as effective and accessible to the public as foreseen, the focus of the Marche public administration’s euro information has gradually shifted to concentrate on youth. They have been selected as gatekeepers of euro awareness building within Italian families and, hence, can produce the desired multiplier effect on this issue. Beside the establishment of a web site for younger users, an initiative called “A scuola di Euro”, a (peripatetic) “school” on the euro was successfully introduced in June 1999. Under this initiative exhibitions, visual explanations of the EMU and its impact, lectures etc. are held and organised by one local school and the other schools of the region are invited to “learn” together about the new currency. This tour through all of the Regione Marche’s cities and local authorities will be extended and intensified in the course of the year 2000.

Although the year 2000 issue (Y2K) was generally given priority, (in many areas, particularly in the retail sector, the euro situation is perceived more as a 2002 problem), the **City of Dublin (Ireland)** is well aware throughout all its sectors that the potential for its local territory and the opportunity which EMU presents must not be lost. It has major implications for local government, particularly in view of the UK’s decision to currently remain outside the zone, as there is a considerable amount of procurement between Ireland and the UK. Since 77% of all jobs in Dublin are centred on services and a rapidly expanding financial sector, the city government considers the euro to be a window of opportunity to establish itself as a major player in financial services, shared services and e-commerce.

Following the European Council’s confirmation that Ireland had fulfilled the necessary conversion criteria, a *National Changeover Plan* (now in its third edition) was produced and a “Currency Changeover Board” was established to oversee the implementation of the changeover, including areas of public consumer

information. Many decisions relating to local government participation in the planning process have been made at national level (Ireland has a unitary state system). However, these decisions relate more to issues of co-ordination and standardisation of approaches and not to the strategic issues relevant to individual local authorities.

In this context, the *Dublin Euro Project Plan* was drawn up highlighting in a specific, timetabled and costed manner the essential functions of financial monetary systems including their structural management implications. The plan also includes a crisis strategy known as *Plan X*, and is managed by the Deputy City Treasurer and his team. There are literally hundreds of issues to be addressed including for instance accounting in euro, remuneration, pricing policies, property taxes, etc.

The strategy in Dublin is to plan the introduction of the euro ahead of the compulsory deadlines, because the successful adoption of the euro will give the city major economic benefits – such as lower interest rates, improved procurement and the creation of a more efficient and competitive local authority – as part of the European economy, in general estimated to be 10% larger than the USA in terms of Gross Domestic Product (GDP) (Source: M.P. Redmond, 1999).

Considerable effort will be put into the forthcoming information campaigns both internally and externally so that the switch to the euro will not result in a perceived rise in consumer prices, since the Irish pound is the only *Euroland* currency the individual unit of which is higher than the euro (1 euro = 0.787564 IEP).

As neighbours of Ireland (in-country) and its biggest trading partner, but still outside Euroland (pre-in), the UK's "wait-and-see" policy currently followed by Tony Blair's government with respect to the UK's possible entrance into Euroland in the near future is not reflected at all in the administration at the national, and thereby subnational levels. On the basis of a very well elaborated and thought out *National Changeover Plan*, which has already been updated several times (UK is not a member of EMU!!!) and made available on the Internet to the public, a network of "Regional Euro Forums" is in place across the country. Chaired by prominent business people and administered by public bodies, the regional euro-forums aim to ensure that all the strategic key partners (public administration, businesses etc.) work together and provide advice for the euro implementation process. In response to some of the "heavyweight" arguments currently used by anti-euro organisations, parties and/or campaigns, these regional forums are actively engaged in setting-up helplines and web sites, in organising and participating in training seminars for SMEs etc.

### **From Half-Way to Final Countdown**

To summarise, the regional and local public administrations of the European Union (both in the "in" and "pre-in" countries) are indeed aware of what the euro will mean for and bring to their subnational

territories and are therefore active in these areas, although preparatory work and action take place according to the different systems in each country and hence with different priorities, speed and commitment. However – following this mid-term of phase three of transition to the euro, mainly concerned with technical applications – it has become clear to the main actors, i.e. the administrations, associations, business units etc., that adaptation to the common currency cannot only be reduced to meeting the requirements of for instance exchange, transactions and/or the production of goods and services. The euro cannot solely be viewed as an economic entity – it is a multidimensional phenomenon, with an important social dimension.

As a consequence, all the partners in the euro find themselves not only confronted with a low usage of the currency in daily life so far, but also, and logically, with curiosity as regards the new currency reaching a negative peak (this is for example reflected in a reduction by more than half of the assignments of the European Commission's group of euro *conférenciers* during 2000 in some euro countries).

Between now and 2002, this "low" season of the euro currently being faced could and should be used by regional and local bodies to work on and develop new ideas, strategies and policies. The aim would be both to finalise the technical implementation of the euro within their administrative systems as well as to promote it to the public, and to re-think certain issues (e.g. policy on infrastructure, education and training; fiscal and investment policy) connected to their region's overall public identity, its attractiveness as a location, and society as a whole.

To conclude therefore, Economic and Monetary Union will see competition between regions, as opposed to nations, gain in significance. In view of the new economic situation and the policies of sub-national territories related to it, during the time that remains the new dimension – the euro – therefore needs to be tackled in a broader context by all parties, and particularly by public sector bodies at *all* levels.

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### **NOTES**

<sup>1</sup> The article contains – in résumé – selected parts of a number of findings, presentations and discussions drawn from the last four euro-forums organised by the European Centre for the Regions (EIPA-ECR) in Barcelona (E) in cooperation with the European Institute of Public Administration (EIPA) in Maastricht (NL) in 1998 and 1999. This year's euro conference on "*EMU Halfway Through The Transition Period: Experiences and Perspectives*" will be held on 18-19 September 2000 in Barcelona (E) (see announcement).

<sup>2</sup> The author is very grateful to all the forum's contributors for their valuable presentations and debates, which have formed the basis for the author's research on and interest in this issue and in particular of this article. Programmes, lectures and other relevant documents from the euro-forums can be provided upon request to the following e-mail address: a.heichlinger@eipa-ecr.com □