

EESTI PANK ANNOUNCES ESTONIAN EURO COINS DESIGN COMPETITION

FACT

On 18 June 2004, on the eve of the 12th anniversary of the reintroduction of the Estonian kroon, Eesti Pank held a meeting in Tammsaare Park in Tallinn at which Vahur Kraft, Governor of Eesti Pank, announced a competition for the design of the national side of Estonian euro coins.

COMMENT

SPEECH BY VAHUR KRAFT, GOVERNOR OF EESTI PANK, IN TAMMSAARE PARK

Success Story of the Kroon in Retrospect

A few hundred metres from Tammsaare Park the vaults of Eesti Pank safeguard about 80 tons of Estonian currency. The money has been there for 12 years – for tomorrow 12 years will have passed since we got our own currency, the Estonian kroon.

At the time of the monetary reform the participants were guided by the conviction that our own currency was essential and that we were capable of upholding it. We have been upholding and protecting the kroon together with all of you. The decisive launch of the kroon and re-establishing the monetary system created during our first period of independence was a somewhat daring venture, which we can be proud of in retrospect. The kroon has successfully weathered the times that have been difficult for the Estonian economy, e.g. the upheaval caused by the 1998 Russian economic crisis and multiple speculative attacks against our currency.

Pegging the kroon to the German mark at the exchange rate of 1:8 was advantageous in two ways. Firstly, an established exchange rate gave us a sense of security that after turbulent times of energy crises, soaring prices and currency trade there was something stable in our lives. That something was our kroon.

Secondly, another advantage of the fixed currency rate emerged when the single European currency, the euro, was beginning to take a clearer shape. The kroon was tied to the euro through the German mark on 1 January 1999 and during the past years the rate of the kroon has remained unchanged against the euro, i.e. one euro equals 15.6466 kroons.

Together we have been protecting the Estonian kroon for 12 years and have helped it to become sufficiently strong in order to be able to adopt the euro in a few years.

Adopting the Euro in the Near Future

It is the position of the Government of the Republic of Estonia and Eesti Pank now that Estonia has become a Member State of the European Union that some changes in the monetary system will be carried out in the coming years, and the process is to culminate in the adoption of the euro. Namely *some changes*, not a monetary reform. One might ask, why do we need the euro, especially when the kroon has served us so well?

Taking into account the fixed exchange rate, the kroon and the euro are actually more closely linked than they appear to be. Every kroon in circulation is backed by gold and foreign currency, which is mostly the euro. Today the kroon is covered by the euro, like it used to be covered by the German mark, and is thus considered a stable currency.

Meanwhile we must not forget that after the EU accession the obligation to adopt the euro in due course has extended also to the new Member States. But I would not call it an *obligation*, rather an *opportunity*. The kroon has been a good currency, but the euro is at least as good or even better. Indeed, this is a currency that has a global impact, which we could then share in. As many as twelve EU Member States, i.e. more than 300 million people have already adopted the euro and, besides, the role of the euro as an international currency is strengthening.

Why is the Euro Beneficial?

We have sometimes been asked, especially by foreigners, why we are rushing to the euro zone. I think that the question should be phrased vice versa – why are some countries not capable of taking this the next step in the following years? Estonia has pursued conservative economic policy and achieved success. Therefore it is inappropriate to imply that we should wait for others for whom our pace of movement is too fast. The changeover to the euro does not require extensive reforms in Estonia, rather, it is a fuller exploitation of the opportunities offered by Europe.

What Are the Opportunities and Who Has Them?

The euro is playing a substantial role in Estonia's foreign trade already today. As we know, more than 80 per cent of Estonia's foreign trade is with the European Union and most of the settlements are already now carried out in euros. This is an obvious benefit. Besides, the single currency promotes an inflow of foreign investments into Estonia, which in turn means more jobs.

I would also stress the word *credibility* – being a part of a major monetary system and a member of the European Union gives Estonia more credibility in the international economy. The costs related to currency exchange will certainly be reduced, both for companies and private individuals.

But how prepared is the Estonian economy for the changeover to the euro? The European Union measures the readiness of an economy seeking to join the Economic and Monetary Union by the Maastricht criteria based on different economic indicators (inflation, interest rates, exchange rate, budget deficit, and national debt criteria).

The Estonian economic situation today is in many ways unique compared to the other countries that have joined the European Union: the inflation rate is low (1.3% in 2003), Estonia is one of the few new Member States where budget balance is under control, national debt is one of the smallest in the EU, and the exchange rate of the Estonian kroon has been fixed against the euro already for some time.

Compared to the euro zone economies, the greatest peculiarity of the Estonian economy is our comparatively low level of income, but on the other hand, our economic growth is faster compared to the current EMU members. Estonia's present GDP *per capita* amounts to about 42% of the respective EU indicator, while the price level is about 56% of the EU level. Meanwhile, according to different studies, Estonia's potential GDP growth is estimated at 5–6% per year while the respective EU growth rate would be 2–2.5% per year. If the present growth rate differences are maintained, Estonia's income level should reach the current EU average in twenty years' time. Hence the average EU price level will be reached in the course of the following decades, not months.

Prices in the European Union

When talking about the standard of living one cannot avoid the issue of how much our prices are going to rise when the euro comes. Today it is inappropriate to draw parallels with the early 1990s when annual inflation soared to over one thousand per cent. This was another time and another state. Estonia's inflation rate, i.e. annual growth in consumer prices, has been low in recent years and stood at 1.3 per cent last year, as already mentioned.

And yet every fourth Estonian believes that on account of the changeover to the euro, prices will rise fast, thus significantly affecting their welfare. These people worry about their primary subsistence – they are above all afraid that food and housing costs will go up. However, based on the experience of other countries I can assure you that the adoption of the euro itself will not bring about any price rises.

People sometimes perceive price rises to be steeper than they actually are, and in the euro zone countries there is also a tendency to compare today's prices to the prices a few years ago. According to studies, the adoption of the euro cash actually added just 0.1–0.2 percentage points to the inflation level. Even if we compare the price increase in the year of the final changeover to the euro (2002) to the inflation rate in earlier years, we can see that the price rise in the euro zone did not accelerate. For example, the rate of inflation in Finland was even lower in the first year of the euro than it had been in 2000 or 2001. Meanwhile in Denmark, which had postponed the changeover to the euro, price rise accelerated and was even faster than in Finland.

Unsubstantiated price rises under false pretexts in the conditions of market economy are above all prevented by competition between companies, both in Estonia and in the "old" Europe. In the old Member States consumer protection agencies have been of help, which will hopefully be the case also in Estonia. In the course of preparations for launching the euro it is certainly helpful if prices are shown both in kroons and euros at least a year prior to the adoption of the euro.

Besides, always when looming price rises are under discussion, it is worthwhile to soberly contemplate whether such expectations are substantiated. A good example is the accession to the European Union: in May prices in Estonia rose by 2.1 per cent from April, of which 75 per cent accounted for sugar and engine fuel. Since the weight of these products in the consumer basket is high, it overshadowed the fact that clothes, footwear, household products, and several other goods became cheaper. Estonia is a functioning market economy and free competition between companies just does not enable to raise prices of several products unless tradesmen want bankruptcy. Besides the competition factor, we ourselves should not create price scares. The larger the number of the people who believe that there will be a price rise, the more likely it is to happen.

The growth in sugar and fuel prices was known beforehand while the latter was also affected by soaring oil prices in the world market. The overall price hike remained much more limited than many had predicted. One-off price rises related to the EU accession should boost prices for Estonian consumers by some 1.0–1.4 per cent.

Administrative rises in excise duties related to the EU accession, which are carried out in Estonia all at once and not step-by-step, and price increases of other individual goods (such as sugar) should not be associated with the adoption of the euro as a single currency. These two factors are not related, except for the fact that in order to adopt the euro a country has to be a member of the European Union first. But none of these price rises are in the least related to whether and when Estonia is going to adopt the euro in the future.

Kroons to Be Exchanged without Restrictions

As I have just said, we are facing some changes in our monetary system, not a monetary reform. The changeover to the euro is not going to happen before the summer of 2006 with the first likely opportunity to adopt the new currency on 1 January 2007.

The changeover from the kroon to the euro will not reduce anyone's assets, since cash as well as funds in bank accounts will be recalculated at a fixed exchange rate. I assure you on behalf of Eesti Pank that the Estonian kroon will maintain its value and the central bank will exchange kroons into euros at a fixed rate without any time or quantity restrictions. This promise is as binding to the central bank as the word given in June 1992 that from that day on it was possible to exchange eight Estonian kroons for one German mark on any day. For example Germany, Austria, Belgium, and other countries have adopted the same approach. So if in 2011 anyone should find Estonian kroons that had been stashed away, they could go and exchange them into euros without any inconvenience or cost.

Competition for the Design of the National Side of the Euro Coins

At the conference dedicated to the 85th anniversary of Eesti Pank held at the beginning of May I said that in June the central bank would announce the competition for finding a design for the Estonian euro coins. On the threshold of the anniversary of the kroon we are in the position to announce the competition. Why now, considering the fact that there are at least two years before launching the euro? Firstly, we are now a full member of the European Union and a member of the Economic and Monetary Union with a derogation. This year Estonia is to join the Exchange Rate Mechanism II, the so-called waiting room for switching over to the euro, but which also involves several serious demands on the Estonian economy.

If Estonia wants to be technically prepared to adopt the euro in the middle of 2006, we have to know at the start of the next year what our euro coins will look like. As we know, there are altogether eight euro coins. The reverse side of the coins is common everywhere but the front side is different in different countries.

Overview of the Competition Conditions

Anyone who wishes, both private individuals and groups of authors, can participate in the Estonian euro coins design competition. They can all submit more than one design. Naturally, we expect all designs to be originals.

Each competitor must present a set of eight coins. It is up to the author or authors to decide whether the coins should all be alike, all different, or with three different design motifs.

The deadline for submitting the designs is 19 October 2004. The jury will choose the ten best designs from which the public will select the best coin set in a telephone vote. The results of the competitions will be announced by 17 December 2004 at the latest. Eesti Pank will make the conditions of the competition public on its website and in the media.

Euro Coins

I do not know today what the Estonian euro coins might look like. But I believe that many Estonian people have their own visions as to how we could introduce our country and people in Europe. Yes, euro coins will travel around Europe. For example, when you get back change in a Portuguese shop, you can find coins that are local, German, Finnish, or come from other countries. These are valid in all the countries that have adopted the euro. And it will be so also with Estonian euro coins.

I hope that many people will send in their designs and that even more people wish to contribute to selecting the best design. The more there are designs and the more there are voters to single out the best alternative, the better it will be. I am calling on you to participate in large numbers since I believe that our history and present time, folk culture, and nature provide plenty of inspiration for creating memorable and remarkable designs for our euro coins. It is going to be very exciting.

Conclusion

Today, on the eve of the 12th anniversary of the Estonian kroon, we have cast a brief glance at our near past while already looking into the future. Thinking about the comparatively short history of the kroon and the aspiration to find our own euro coins inspires some controversial feelings. To some extent it reminds us of leaving the birthplace where everything is fine, but we have grown up and have now higher and important goals. We are going to a big city to start a better life while making use of the experience and skills gained so far. Giving up the national currency is an emotional event, but one must not forget the important features of money: its value and significance. Thinking rationally, we might say to ourselves that the name and colour of money is not relevant, what is important is that it has value.

In conclusion, I would like to express deep gratitude to all Estonian people: women and men, young and old, all businessmen, politicians, public servants, aunt Maali and uncle Volli, who have believed in the Estonian currency and have upheld it with their trust. Without your trust we would not have arrived where we are now during the past 12 years.

COMMENT

CONDITIONS OF THE COMPETITION FOR THE DESIGN OF THE NATIONAL SIDE OF ESTONIAN EURO COINS

1. Objective of Design Competition

The objective of the design competition held by Eesti Pank is to find a design for the national side of the Estonian set of euro coins.

2. Conditions of Design Competition

2.1 The design competition shall be open to all participants, both private individuals and groups of authors.

2.2 The deadline for submitting the designs for the set of coins shall be 19 October 2004 at 5.00 p.m.

2.3 The designs marked with passwords must be submitted by the deadline indicated in Clause 2.2 at the following address: **Mündižürri, Eesti Pank, Estonia pst 13, 15095 Tallinn**. Each design must be accompanied by an envelope containing the following information about the author: name, address of residence, telephone number, and/or e-mail address. The closed envelope must be marked with the same password.

2.4 Groups of authors consisting of an unlimited number of participants are allowed to take part in the competition. An author or a group of authors may submit more than one design.

2.5 The participants in the competition shall confirm that the designs submitted to the competition are originals.

2.6 The authors or groups of authors of the ten best designs selected by a panel shall be paid a remuneration in the amount of 20,000 kroons, and Eesti Pank shall cover all taxes and fees on the sum as stipulated by the law. Payment of the remuneration shall be conditional on concluding a contract between Eesti Pank and the author or group of authors, according to which all proprietary rights on the design are transferred to Eesti Pank, and the author

of the design gives the bank or a third party authorised by the bank the right to make a plaster model or a three-dimensional model required for producing coins based on the design.

2.7 Eesti Pank may enter into a contract with the author or authors of the winning design to produce plaster models or three-dimensional models based on the coin designs, or for consultation on making the respective models if necessary.

2.8 Eesti Pank maintains the right to enter into supplementary cooperation agreements with the author or authors of the winning design.

2.9 Participants shall cover all costs related to participation in the design competition.

2.10 The designs submitted to the competition shall not be returned to the authors.

2.11 The designs not compliant with the conditions of the competition shall not be taken into account or assessed.

2.12 By submitting coin designs to the competition the participants in the competition agree to the conditions of the competition.

3. Technical Conditions of Coin Designs

3.1 The designs of the national side of the euro coins shall be submitted as sets of 1-, 2-, 5-, 10-, 20-, and 50-cent, and 1- and 2-euro denominations. The following design sets shall be allowed into the competition:

- different designs for all eight coins;
- three groups of different designs (similar designs for 1-, 2-, and 5-cent coins; 10-, 20-, and 50-cent coins; and 1- and 2-euro coins);
- all coins share a common design.

3.2 Designs for coins must be submitted in black and white on A4 format paper, and each coin design must be two-dimensional and drawn on a separate sheet of paper. Only the design for the national side shall be submitted. The sheets must be marked with the password indicated on the envelope.

3.3 The design for the national side must be submitted on two scales – 1:1 and 5:1, and both must be on the same sheet of paper.

3.4 It is advisable to make use of 92 per cent of the surface of each coin, while 8 per cent shall be considered as the protective margin/edge.

4. Assessment of Designs Submitted to Competition

4.1 By 10 November 2004 at the latest a panel drawn up by Eesti Pank shall choose the ten best designs among the competition entries without indicating the ranking. The ten best designs shall be put to the national vote. The panel maintains the right not to select any of the submitted designs and declare the design competition null and void.

4.2 In the national vote the Estonian residents shall evaluate the designs in a telephone vote during one week. One telephone call from each mobile phone number and three calls from each standard phone number shall be accepted.

4.3 The designs that proceed to the national vote shall be introduced on the website of Eesti Pank, on television, and in printed press at least three weeks prior to evaluation.

4.4 The designs submitted to the national vote shall be marked with passwords.

4.5 The design that receives the most votes shall be declared the winner. The result of the competition shall be endorsed by a resolution of the panel drawn up by Eesti Pank.

4.6 If votes are divided equally in the national vote, the panel drawn up by Eesti Pank shall make the decision by choosing between the designs that have collected the most votes.

4.7 The results of the design competition shall be announced by 17 December 2004 at the latest.

5. Awarding the Designs

The award for the winning design is 50,000 kroons, and Eesti Pank shall cover all taxes and fees on the sum as stipulated by the law.

SPECIFICATION OF EURO COINS IN CIRCULATION



1 cent:

Diameter: 16.25 mm

Thickness: 1.67 mm

Shape: round

Weight: 2.30 g

Composition: copper-covered steel

Edge: smooth



2 cent:

Diameter: 18.75 mm

Thickness: 1.67 mm

Shape: round

Weight: 3.06 g

Composition: copper-covered steel

Edge: smooth with a groove



5 cent:

Diameter: 21.25 mm

Thickness: 1.67 mm

Shape: round

Weight: 3.92 g

Composition: copper-covered steel

Edge: smooth



10 cent:

Diameter: 19.75 mm

Thickness: 1.93 mm

Shape: round

Weight: 4.10 g

Composition: Nordic gold

Edge: shaped edge with fine scallops



20 cent:

Diameter: 22.25 mm

Thickness: 2.14 mm

Shape: round, Spanish flower shape

Weight: 5.74 g

Composition: Nordic gold

Edge: smooth, with 7 indents



50 cent:

Diameter: 24.25 mm

Thickness: 2.38 mm

Shape: round

Weight: 7.80 g

Composition: Nordic gold

Edge: shaped edge with fine scallops



EUR 1:

Diameter: 23.25 mm

Thickness: 2.33 mm

Shape: round

Weight: 7.50 g

Composition: outer part – nickel-brass;
inner part – three layers:
copper-nickel, nickel,
copper-nickel

Edge: interrupted milled



EUR 2:

Diameter: 25.75 mm

Thickness: 2.20 mm

Shape: round

Weight: 8.50 g

Composition: outer part – copper-nickel;
inner part – three layers:
nickel-brass, nickel, nickel-brass

Edge: fine milled, edge lettering

GENERAL CONDITIONS FOR DESIGNING THE NATIONAL SIDE OF THE EURO COIN

The outer edge of the national side of all coins must have 12 stars (pentagons) symbolising the European Union, with the stars placed in a circle.

The national side of all coins must show the year of coinage. The anticipated year of coinage is 2007.