

Brussels, 27 June 2004

COMMUNIQUE

At the request of the **Lithuanian** authorities, the ministers of the euro area Member States of the European Union, the President of the European Central Bank and the ministers and the central bank governors of Denmark and Lithuania have decided, by mutual agreement, following a common procedure involving the European Commission and after consultation of the Economic and Financial Committee, to include the Lithuanian litas in the Exchange Rate Mechanism II (ERM II).

The central rate of the Lithuanian litas is set at 1 euro = 3.45280 litas.

The standard fluctuation band of plus or minus 15 percent will be observed around the central rate of the litas.

Following a careful assessment of the appropriateness and sustainability of Lithuania's currency board, it was accepted that Lithuania is joining the exchange rate mechanism with its existing currency board arrangement in place, as a unilateral commitment, thus placing no additional obligations on the ECB.

The agreement on participation of the litas in ERM II is based on a firm commitment by the Lithuanian authorities to pursue sound fiscal policies which are essential for preserving macroeconomic stability and ensuring the sustainability of the convergence process. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic developments. The Lithuanian government's aim to secure a balanced budget over the medium term needs to be underpinned by a credible medium-term strategy with ambitious budgetary targets. Sound fiscal policy and a determination to contain domestic credit growth, assisted by effective financial supervision, will contribute to ensuring the sustainability of the current account position. Structural reforms aimed at further enhancing the economy's flexibility and adaptability will be implemented in a timely fashion so as to strengthen domestic adjustment mechanisms and to maintain the overall competitiveness of the economy.

The compulsory intervention points in the exchange rate mechanism will be communicated by the ECB and the Bank of Lithuania, in time for the opening of the foreign exchange markets on 28 June 2004.