

Official Journal

of the European Communities

ISSN 0378-6986

C 380

Volume 40

15 December 1997

English edition

Information and Notices

<u>Notice No</u>	Contents	Page
	I <i>Information</i>	
	Court of Auditors	
97/C 380/01	Annual report concerning the ECSC (for the financial year 1996), together with the Commission's replies	1

Notice to readers (see page 3 of the cover)

EN

I

(Information)

COURT OF AUDITORS

ANNUAL REPORT CONCERNING THE ECSC

for the financial year 1996

(97/C 380/01)

Article 88 of the Financial Regulation of 21 December 1977 as last amended by Council Regulation (EC, Euratom, ECSC) No 2335/95 of 18 September 1995

TABLE OF CONTENTS

	<i>Paragraph reference</i>	<i>Page</i>
CHAPTER 1 — ECSC SOLVENCY AND CHANGES IN MAIN ECSC ACTIVITIES	1.1 — 1.13	2
Introduction	1.1	2
ECSC solvency	1.2 — 1.7	2
Solvency ratio	1.2 — 1.3	2
Provision for large exposures	1.4 — 1.5	2
Specific value adjustments	1.6 — 1.7	3
Changes in applications of ECSC funds and resources	1.8 — 1.9	3
Changes in the ECSC balance sheet	1.10 — 1.12	5
Conclusion	1.13	7
CHAPTER 2 — ECSC LOANS AND INTEREST SUBSIDIES	2.1 — 2.46	8
Introduction	2.1 — 2.2	8
Loans under the second paragraph of Article 54	2.3 — 2.13	8
Observations on management	2.6 — 2.10	8
Observations concerning effectiveness	2.11 — 2.13	9
Loans with interest subsidies under Article 56 (2) (a)	2.14 — 2.40	9
Audit visits by the Court	2.16 — 2.20	9
Action taken by the Commission in 1996	2.21 — 2.23	10
Action proposed by the Commission for 1997	2.24 — 2.25	10
Eligibility of job takeovers	2.26 — 2.27	10
Combining ECSC subsidies with SME facility subsidies	2.28 — 2.33	11
Sleeping commitments	2.34 — 2.36	11
Recovery of subsidies	2.37 — 2.40	12
Conclusion	2.41 — 2.46	12
CHAPTER 3 — STATEMENT OF ASSURANCE CONCERNING THE ECSC	3.1 — 3.6	13
Commission's replies		14

CHAPTER 1

ECSC SOLVENCY AND CHANGES IN MAIN ECSC ACTIVITIES

Introduction

1.1. This chapter concerns the ECSC's solvency at 31 December 1996 and the changes in its main budgetary and financial activities during the year. The ECSC's solvency is of particular interest for the following reasons:

- apart from some marginal lending from the ECSC's own funds, ECSC loans are financed by bank borrowings and bond issues. It is therefore important for ECSC securities to have the best possible financial market ratings. That, in turn, requires an excellent solvency level,
- since most ECSC loans are back-to-back with the corresponding borrowings (in terms of rates, currency and maturity), the main banking risk to which they are exposed is the risk of non-recovery. Other risks may arise if the balance between loans and borrowings is disturbed by a debtor's defaulting,
- the Treaty of Paris expires in 2002 and in consequence any changes in the necessary own funds must be monitored carefully, in order to safeguard the ECSC's solvency right up to the expiry of the Treaty and, beyond that date, to ensure that the remaining borrowings can be serviced.

ECSC SOLVENCY

Solvency ratio

1.2. Since 1994 the solvency ratio provided for in Council Directive 89/647/EEC⁽¹⁾ has been the main instrument by which the ECSC's solvency is assessed. The denominator of the ratio comprises assets and off-balance-sheet items weighted in accordance with the Directive. For the numerator, however, the Commission takes the Guarantee Fund and surplus not allocated items and omits others which might be considered to form part of the ECSC's own funds (see paragraph 1.8). The definition of own funds used in calculating the solvency ratio is the result of an interpretation of the Directive which provides a sufficiently prudent valuation.

⁽¹⁾ Council Directive of 18 December 1989 on a solvency ratio for credit institutions (89/647/EEC), OJ L 386, 30. 12. 1989, p. 14.

1.3. At 31 December 1996 the ECSC's solvency ratio was 21,07 %, compared with 15,99 % at 31 December 1995. The change was due to the increase in the Guarantee Fund (+8 %) and, to a greater extent, a substantial decrease in the volume of outstanding loans, owing to the reduction in ECSC activity as the Treaty approaches expiry.

Provision for large exposures

1.4. The expiry of the Treaty of Paris in 2002 is already having a significant effect on the level of ECSC activity. The loan portfolio is shrinking steadily and becoming concentrated among an increasingly small number of debtors. The risk generated by such a concentration of liabilities *vis-à-vis* third parties was the subject of a Council Directive on the monitoring and control of large exposures of credit institutions⁽²⁾. The Court referred to the two limits provided for in the Directive in its reports on the ECSC for financial years 1994 (paragraph 1.5) and 1995 (paragraph 1.6)⁽³⁾.

1.5. The Commission established a provision for large exposures in 1995, in order to offset the risk associated with this concentration. The amount of the provision is calculated as a function of the amounts by which the above two limits have been exceeded, as specified in Annex VI of Council Directive 93/6/EEC⁽⁴⁾. Although the Directive is not directly applicable to the ECSC situation, it does result in a policy which is sufficiently prudent as regards the exposures resulting from past transactions. The provision decreased from ECU 55 million at 31 December 1995 to ECU 36 million at 31 December 1996. The change is due to the reduction of the assets in question following repayments in 1996 and the increase in the specific value adjustment for one of the principal debtors.

⁽²⁾ Council Directive 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures of credit institutions, OJ L 29, 5. 2. 1993, p. 1.

⁽³⁾ Annual report concerning the ECSC for the financial year 1994, OJ C 329, 7. 12. 1995, p. 3.
Annual report concerning the ECSC for the financial year 1995, OJ C 377, 13. 12. 1996, p. 3.

The limits apply to the value of the ECSC's commitment to any one client or group of connected clients:

- the total exposure to any one client or group of connected clients must not exceed 25 % of the ECSC's own funds,
- the total volume of large exposures must not exceed 800 % of the said own funds. The exposure is deemed to be large if the total exposure to any one client or group of connected clients is 10 % or more of own funds.

⁽⁴⁾ Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions, OJ L 141, 11. 6. 1993, p. 1.

Specific value adjustments

1.6. Under the Council Directives concerning annual accounts ⁽⁵⁾ ⁽⁶⁾, the asset items on the balance sheet must be valued individually and be the subject of specific value adjustments if necessary. The amount shown on the balance sheet by way of specific value adjustments for loans, including interest, rose from ECU 155 million at 31 December 1995 to ECU 193 million at 31 December 1996 ⁽⁷⁾. The 24 % increase was due to the changed situation regarding one debt due and not received, which was also the subject of a substantial value adjustment in 1995 (paragraph 1.9 of the Court's 1995 ECSC report). Moreover, the Court has already pointed out that although these loans are compatible with the regulations, they were granted on the basis of considerations other than the specific interests of the ECSC (see paragraph 2.10 of the same report).

1.7. The Commission also reviewed the financial position of the other high-risk debtors, namely those

whose debts to the ECSC were not covered by first-class guarantees ⁽⁸⁾, but found no cause to establish further value adjustments.

Changes in applications of ECSC funds and resources

1.8. The commitments for the ECSC operating budget continued to fall in 1996 (28 %, see Table 1), whilst the level of resources generated during the year remained close to that for 1995. The surplus was used for a further allocation of ECU 19 million to the Guarantee Fund (in addition to the ECU 14,4 million from the contributions from new Member States) and a substantial increase in the provision for financing the ECSC operating budget (see Table 2), thus substantially reinforcing the ECSC's own funds (see Table 3). This provision should make it possible to absorb the reduction of the rate of ECSC levy to zero, which is expected to occur in 1999 at the latest.

⁽⁵⁾ Fourth Council Directive of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies (78/660/EEC), OJ L 222, 14. 8. 1978, p. 11.

⁽⁶⁾ Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC), OJ L 372, 31. 12. 1986, p. 1.

⁽⁷⁾ ECSC financial statements at 31 December 1996: specific value adjustments for loans (ECU 134 million, note 5.1) + specific value adjustments for loans, payments due and not received (ECU 47 million, note 8) + value adjustments for accrued income (ECU 12 million, note 9).

⁽⁸⁾ 'First-class guarantees' are guarantees from Member States of the EU or similar (public institutions and public industrial corporations of Member States) and bank guarantees.

Table 1 — Changes in application of funds and resources 1991 to 1996

(ECU million)

Item	1991	1992	1993	1994	1995	1996	Change
					a	b	b — a
A — Application							
Administrative expenditure	5,0	5,0	5,0	5,0	5,0	5,0	—
Commitments	454,4	477,2	531,2	386,4	277,9	201,2	- 76,7
Exceptional applications of funds	—	85,9	7,1	32,5	—	—	—
Total Applications (A)	459,4	568,1	543,3	423,9	282,9	206,2	- 76,7
B — Resources of the year							
Result of non-budgetary operations	254,7	131,5	201,3	112,5	90,8	95,6	+4,8
Levy	175,0	146,5	121,3	107,7	102,3	95,9	- 6,4
Other budgetary resources (fines, rebates, etc)	—	—	—	4,8	11,6	4,4	- 7,2
Cancellations of commitments	32,3	75,8	94,0	63,3	70,7	90,0	+19,3
Exceptional resources	—	—	—	91,9	—	—	—
Total resources of the year (B)	462,0	353,8	416,6	380,2	275,4	285,9	+10,5
B — A	2,6	- 214,3	- 126,7	- 43,7	- 7,5	79,7	+87,2
Transfer from (+) / to (-) the provision for financing the operating budget	- 1,4	+163,2	+105,9	+43,3	+0,3	- 58,6	- 58,9
Transfer from (+) /to (-) reserves	—	+53,0	+22,0	+2,0	+9,0	- 19,0	- 28,0
Surplus for the financial year	1,2	1,9	1,2	1,6	1,8	2,1	+0,3

Source: ECSC financial statements for the years in question.

Table 2 — Movements against the provision for financing the ECSC operating budget in 1996

(ECU million)

Item	Balance at 31. 12. 1995	Utilization	Allocation	Net change	Balance at 31. 12. 1996
1. Available provision for financing the ECSC operating budget	70,6	- 14,6	+73,2	+58,6	129,2
2. Provision for fines and surcharges to be paid subsequently and for subsidies to be recovered ⁽¹⁾	74,1	—	+4,3	+4,3	78,4
Total	144,7	- 14,6	+77,5	+62,9	207,6

⁽¹⁾ Fines, surcharges and interest subsidies are considered as ECSC resources only when they have actually been paid. Until then an amount equivalent to these claims is included in this provision. The ECU 78,4 million in question is thus not yet available as finance for the operating budget.

Source: ECSC financial statements at 31 December 1996, note 16.

Table 3 — Changes in ECSC own funds in 1996

(ECU million)

Item (after allocation of surplus)	31. 12. 1995	Allocation	Withdrawal	31. 12. 1996
New Member States' contributions not yet called	22,1	—	- 22,1	—
Guarantee Fund ⁽¹⁾	435,3	+33,4	—	468,7
Special reserve	170,5	+5,5	—	176,0
Former Pension Fund	65,8	+3,7	—	69,5
Surplus brought forward ⁽¹⁾	0,1	+0,4	—	0,5
Provisions for large exposures	55,0	—	- 19,0	36,0
Available provision for financing the operating budget	70,6	+58,6		129,2
Total	819,4	+101,6	- 41,1	879,9

⁽¹⁾ Own funds used by the Commission in the numerator of the ECSC solvency ratio.

Source: ECSC financial statements at 31 December 1996.

1.9. Cancellations of legal commitments for the year increased from ECU 70 million in 1995 to ECU 90 million in 1996. Despite these changes ECU 1 059 million of commitments was still outstanding at 31 December 1996, which seems very high given the probable decline in the ECSC's budgetary activities between now and its dissolution. A high level of cancellations is, therefore, to be expected in future years (see also paragraphs 2.34 — 2.36).

Changes in the ECSC balance sheet

1.10. The ECSC's balance sheet total declined by ECU 1 703 million (19,5 %) between 31 December 1995 and 31 December 1996 (see Table 4), mainly due to the lower level of loans from borrowed funds. Whereas the level of redemption remained high, the ECSC disbursed only ECU 279,7 million of new loans in 1996, including one loan of ECU 15,6 million to a Romanian steelworks under Article 95 (see Table 5), as part of a financial package of ECU 200 million for the countries of central and eastern Europe.

Table 4 — Changes in the ECSC summary balance sheet, before allocation of surplus, from 31 December 1995 to 31 December 1996

	31. 12. 1995		31. 12. 1996	
	ECU million	%	ECU million	%
Assets				
Loans (to banks and undertakings)	6 174	70,8	4 583	65,4
Liquid assets (bank balances and bonds)	2 166	24,9	2 126	30,3
ECSC operating budget ('ECSC OB') (levy, fines and subsidies for collection)	76	0,9	80	1,1
Tangible and intangible assets	5	0,1	3	0,0
Other assets	30	0,3	20	0,3
Prepayments and accrued income	262	3,0	198	2,9
Total	8 713	100,0	7 010	100,0
Liabilities				
Amounts owed (including bond issues)	5 965	68,4	4 677	66,7
Others liabilities	350	4,0	78	1,1
Accruals and deferred income	208	2,4	160	2,3
Provisions for liabilities and charges	41	0,5	75	1,1
Provisions for large exposures	55	0,6	36	0,5
ECSC OB (commitments and provisions)	1 400	16,1	1 268	18,1
Reserves and surplus	694	8,0	715	10,2
Value adjustment reserve	0	0,0	1	0,0
Total	8 713	100,0	7 010	100,0

Source: ECSC financial statements at 31 December 1996.

Table 5 — Loans disbursed by ECSC under Articles 54, 56 and 95 1989-1996

(ECU million)

Year	Article 54		Article 56	Article 95	Workers' housing	Total
	Article 54.1	Article 54.2				
1989	195,7	30,0	458,4	—	16,0	700,1
1990	243,1	155,2	585,4	—	10,1	993,8
1991	438,7	66,3	859,5	—	17,7	1 382,2
1992	215,2	831,8	426,2	—	13,0	1 486,2
1993	7,6	209,7	688,1	—	12,9	918,3
1994	108,9	347,0	208,8	—	8,7	673,4
1995	60,5	25,7	260,2	42,3	14,1	402,8
1996	52,4	25,2	167,1	15,6	19,4	279,7

Sources: Figures obtained from Commission (DG II).

1.11. The amount of outstanding loans from borrowed funds was ECU 4 500 million at 31 December 1996. This item will continue to decline, falling to around ECU 750 million at 23 July 2002 (before value adjustments), with almost 90 % not covered by first-class guarantees. The last of these loans will mature in 2019. The above figures were calculated on the basis of the loans disbursed before 31 December 1996. Following a Commission Decision (see paragraph 2.2) there must be no new loans to

tie up reserves or mature after the expiry of the ECSC Treaty.

1.12. At 31 December 1996 the liquid asset accounts made up 30 % of the ECSC's assets and constituted the second largest item, after loans. They decreased slightly between 1995 and 1996, mirroring the changes in the main balancing items under liabilities (see Table 6).

Table 6 — Changes in ECSC liquid assets and principal balancing items, 31 December 1995 to 31 December 1996

(ECU million)

Balance sheet item	31. 12. 1995	31. 12. 1996
Liquid assets		
Balances with central banks	1,4	0,6
Loans and advances to credit institutions		
— repayable on demand	16,4	15,7
— with agreed maturity dates or periods of notice	457,0	662,1
Bonds	1 691,3	1 447,4
Total liquid assets	2 166,1	2 125,8
Principal balancing items		
Guarantee fund	435,3	468,7
Provisions for financing ECSC operating budget	144,8	207,6
(Multiannual) commitments for operating budget	1 255,3	1 059,9
Specific value adjustments in respect of loans and advances	155,0	193,1
Provisions for liabilities and charges	41,0	75,0
Provision for large exposures	55,0	36,0
Total principal balancing items	2 086,4	2 040,3

Source: ECSC financial statements at 31 December 1996.

Conclusion

1.13. The 1996 financial year showed a substantial surplus, thus enabling the ECSC to reinforce its solvency substantially and to make the necessary provisions and value adjustments. In view of the expiry of the ECSC Treaty the object of the accumulated reserves is, firstly, to provide for the end of budgetary activities despite the reduction of the ECSC levy to zero (planned for 1999 at the latest) and, secondly, to bring the Guarantee Fund gradually to a level corresponding to 100 % of the amount of loans not backed by Member State guarantees outstanding at 23 July 2002, after deduction of the specific value adjustments.

CHAPTER 2

ECSC LOANS AND INTEREST SUBSIDIES

Introduction

2.1. The Court's most recent observations concerning the ECSC's lending operations were published in Chapter 2 of the Court's Annual report on the ECSC for the financial year 1993⁽⁹⁾ and its Annual report on the ECSC for the financial year 1995⁽¹⁰⁾ (referred to below as 'the 1993 report' and 'the 1995 report' respectively).

2.2. With a view to the expiry of the Treaty of Paris the Commission decided in 1994 to adjust the terms of its policy on ECSC loans and borrowings⁽¹¹⁾ in the direction of a reduction of lending activity. More specifically, it was decided that the maturity dates of ECSC loans decided on or after 1 July 1994 would not extend beyond 23 July 2002 (the expiry date of the ECSC Treaty), although an exception could be made in the case of loans which did not tie up reserves, namely those backed by a government guarantee. There were, nevertheless, some existing loans which will mature after the ECSC expiry date and which tie up reserves (see paragraph 1.11).

Loans under the second paragraph of Article 54

2.3. The object of these loans is to promote the consumption of coal and steel of Community origin by offering enterprises loans at advantageous rates equivalent to 'AAA' rates, to which, in the case of global loans, financial intermediaries may add a surcharge of not more than 1 %. In consideration of this beneficiaries must, amongst other things, use a certain minimum amount of Community coal or steel. The loans are granted as part of a co-financing package and may not exceed 50 % of the amount of the investment.

2.4. In the steel sector, which never benefited from subsidized loans, global loans (loans distributed via financial intermediaries) were granted between 1986 and 1996. As part of its adjustment of ECSC lending and borrowing policy in preparation for the expiry of the Treaty on 23 July 2002, the Commission decided not to

accept any loan applications after 30 June 1994. The last on-lent loan was disbursed in November 1996 and the latest maturity date set is for 2003.

2.5. The observations which follow are based on the Court's audit of global loans disbursed to steel consumers in one Member State (see paragraph 2.12). The total amount of loans paid in this context up to 31 December 1996 was ECU 284 million. The Court examined at the Commission the computer files for 139 on-lendings, i. e. all the on-lent loans in existence at the time of the audit, and carried out on-the-spot audits of one financial intermediary and five enterprises which had received ECU 27,8 million in loans.

Observations on management

2.6. The Commission uses steel purchasing data as the basis for monitoring compliance with the obligation to use Community steel. The purchasing data do not necessarily reflect the actual consumption and, in particular, do not show up purchases intended for other companies (within the same group, for example). The Commission should also, during on-the-spot visits, have verified the consumption in the context of the investments concerned, on the basis of mass balances and technical production data.

2.7. In the course of the on-the-spot audits of the five enterprises referred to in paragraph 2.5 the Court noted one case where the consumption declared in the periodic reports was significantly higher than the amount actually consumed. In these five cases there was no trace of any kind of control activity on the part of the intermediary banks in this regard. The Commission, for its part, performed on-the-spot checks of only three beneficiaries in the whole of the 1986-1996 period.

2.8. Paragraph 1.1 of the working principles applicable to these loans⁽¹²⁾ concerns the eligibility of industrial projects and states that the purchase cost of steel included in the finished product must account for a certain minimum percentage of the total cost of the raw materials used (50 %), or of the total cost of the constituents (20 %), or, lastly, of the selling price of the finished product (5 %). The estimated percentages for a given project must be stated in the loan application. According to the terms of the global contracts financial

⁽⁹⁾ Annual report concerning the ECSC (for the financial year 1993), OJ C 346, 7. 12. 1994.

⁽¹⁰⁾ Annual report concerning the ECSC for the financial year 1995, OJ C 377, 13. 12. 1996.

⁽¹¹⁾ Adjustment of borrowing and lending policy with a view to the expiry of the ECSC Treaty, OJ C 175, 28. 6. 1994.

⁽¹²⁾ Loans which may be granted pursuant to Article 54, second paragraph, of the ECSC Treaty for investment aimed at promoting the consumption of Community steel, Working principles, OJ C 291, 31. 10. 1987, p. 3.

intermediaries may only on-lend to enterprises which satisfy the eligibility criterion concerning the relative amount of steel in the manufactured product. In the five cases audited by the Court, however, the banking intermediaries had never verified this. The Commission's files generally contained no evidence that would have made such verification possible at its level.

2.9. Three out of the five enterprises audited had not fulfilled their contractual obligations in terms of steel consumption, neither overall in terms of the scheduled period, nor by reference to each of the financial years in question. In such cases, the Commission has never called in loans, even in part, although the contracts allow it to do so. The minimum steel consumption clause, which is the essential part of this instrument, thus loses all credibility, because failure to comply with it has no repercussions as far as beneficiaries are concerned.

2.10. Review of the 139 computer files relating to funds on-lent from 1986 to July 1996 showed that in 38 cases beneficiary enterprises' declarations quoted steel consumption figures that fell below their contractual obligations, but the Commission had not taken any action in response to this irregularity.

Observations concerning effectiveness

2.11. The working principles applicable to these loans state that projects should increase or, in the case of restructuring, maintain, the level of steel consumption, but they do not set a minimum level of steel consumption, whether in absolute terms or as a function of the volume of lending. Among the enterprises visited was one which consumed barely 2 000 tonnes of steel per year for an investment of ECU 3,2 million (the equivalent of ECU 1 600 per tonne) and another which consumed more than 320 000 tonnes, having invested ECU 11 million (i. e. ECU 35 per tonne). It is clear that, in terms of the financial resources employed, the second investment was the more effective. The Commission should have laid down precise eligibility criteria on this point and should have fixed a limit below which projects would be deemed to be insufficiently effective in terms of the loan requested.

2.12. Italian entrepreneurs were the only ones to benefit from these loans. Disbursement of them was accompanied by aid from the Italian Treasury, which gave partial cover against the exchange risk. In the other Member States these loans were not combined with similar State aid and proved not to be attractive enough as far as potential beneficiaries were concerned.

2.13. The Commission has never evaluated the effectiveness of this instrument since its introduction in

1986. Such a study could, however, have been a useful factor in deciding whether or not the instrument should be retained or, even, improved. It would undoubtedly have shown up the parameters in terms of which it proves to be more or less effective (activity sectors, size of enterprise, Member State, whether loans are direct or indirect, etc).

Loans with interest subsidies under Article 56 (2) (a)

2.14. The loans disbursed under Article 56 (2) (a) of the ECSC Treaty are accompanied by interest subsidies. They are granted in terms of the number of new jobs created three years after disbursement of the subsidiary loan and maintained by the beneficiary enterprises for two years. If these conditions are not satisfied, the subsidies for the missing posts cease to apply for the whole of that period and any amounts over-paid are recovered from the beneficiary. The penalty for not fulfilling contractual obligations is thus applied retrospectively.

2.15. The responsible Commission departments use the progress reports compiled by beneficiary enterprises and forwarded by banking intermediaries to monitor whether these conditions are being complied with. However, the beneficiaries, who have no desire to lose the subsidies already received, themselves compile the reports which, until 1 October 1996, were accompanied by no supporting documents, and the reports are forwarded via banking intermediaries, which have no desire to upset customer relations. There is thus a risk that declarations will not give a true view of the situation.

Audit visits by the Court

2.16. Audit visits by the Court to France and the United Kingdom at the end of 1995 and the beginning of 1996 revealed high levels (14 % and 35,5 % respectively) of ineligible interest subsidies relative to the volumes audited (see paragraphs 2.16 and 2.17 of the Court's 1995 report).

2.17. Since the 1995 report was drawn up, the Court has also made audit visits to Germany and Italy (at the end of 1996 and the beginning of 1997), which also revealed considerable levels of irregularities. As with the audits mentioned in the 1995 report, the selected files did not, in principle, show evidence of particular risks. In view of the specific characteristics of the subsidy arrangements (spread over five years, payment in three

instalments, retrospective effect of not fulfilling conditions), the Court drew a sample from the files for which one or other condition had expired at any time during the lifetime of the files.

2.18. In Germany the audits concerned one financial intermediary, eight beneficiary enterprises and grants of interest subsidies amounting to ECU 1 284 499. Following the Court audits the ECSC aid had to be cut by ECU 238 000: 18,5 % of the audit total. The cases involving ineligible subsidies concerned three beneficiaries.

2.19. In Italy the audits concerned two financial intermediaries and 20 beneficiary enterprises, for a total of ECU 1 024 366 of interest subsidy granted. This time the downward adjustment was ECU 262 666, or 25,6 % of the audit total, instances of ineligible subsidies having been established at twelve beneficiary enterprises.

2.20. In the course of the audits many of the progress reports detailing the numbers of jobs created proved not to give a true view of the situation. These results confirmed the systems' weaknesses already mentioned by the Court in its 1993 and 1995 reports, but, as in the case of last year's figures, these percentages cannot be projected to the interest subsidies as a whole, because the number of files audited is proportionately too small.

Action taken by the Commission in 1996

2.21. In view of the inherent risks of this instrument, the Court stated in its 1995 report that the situation should be remedied as a matter of urgency. Following that, the Commission ceased to make new payments simply on the basis of beneficiaries' declarations in terms of the number of jobs created and, instead, waited until it had also received progress reports certified by the statutory auditors of the beneficiary enterprises, or another supporting document which corroborated the declared figures.

2.22. These new control measures were put in place in October 1996. For that reason only ECU 7 million (20 %) of the ECU 34 million disbursed in 1996 was subject to them. The ECU 27 million disbursed during the first nine months of 1996 was disbursed under the same conditions as in 1995 and was thus exposed to the same risk of irregularity. The Commission expected to audit on the spot in 1997 around 150 of the payments that had been effected between January and September

1996 and which corresponded to an interest subsidy of more than ECU 50 000 (all tranches combined).

2.23. The results of these additional audits will make it possible to identify any irregularities and to proceed to recovery, but they will be known too late for them to be taken into account in this Report. The Court therefore reiterates the opinion which led it to make an observation concerning this point in the Statement of Assurance for 1995.

Action proposed by the Commission for 1997

2.24. The Commission introduced systematic checks of all payments on the basis of supporting documents in time for the final quarter of 1996, but finds them too restrictive from the beneficiaries' point of view. In effect, beneficiaries are expected to supply additional documentation that has not been required in the past. In some cases, where the subsidies are for small amounts, the administrative burden imposed by this new requirement is out of proportion. The Commission has therefore decided to retain these documentary checks only if the subsidy granted exceeds ECU 50 000. In addition, on-the-spot visits are to be arranged in the following four situations:

- for subsidies of more than ECU 50 000, if the documents received are insufficient, incomplete, or conflicting,
- for subsidies of less than ECU 50 000, on the basis of a random selection,
- to resolve difficult cases,
- where the financial intermediary so requests.

2.25. In the Court's opinion the solution advocated by the Commission seems reasonable, given that the extent of the checks would be disproportionately expensive. This is a problem that ought to have been considered at the stage where the instrument was under development: it is essential to ensure that the eligibility requirements can be verified with relatively limited resources.

Eligibility of job takeovers

2.26. Under the terms of the operational rules⁽¹³⁾, loans may be available where permanent jobs are created or, in the case of investment projects in the coal and steel sector, existing jobs which are under serious threat are maintained. Takeovers of employees as part of the

⁽¹³⁾ Guidelines and operational rules for the granting of conversion loans under Article 56 of the Treaty establishing the European Coal and Steel Community, OJ C 188, 28. 7. 1990, p. 9.

acquisition or privatization of an enterprise are thus eligible for assistance only in the coal and steel sector.

2.27. Since 1990 takeovers of jobs outside the coal and steel sectors during the privatization of undertakings in the former German Democratic Republic have been accepted as eligible. However, the decision on this exception to the rules has never been taken at the appropriate level. From this point of view all the cases where subsidies were granted on the basis of job takeovers in the new German *Länder* were ineligible. It is not possible, however, to effect recovery from the beneficiaries, as the management departments at the Commission deemed that these jobs qualified when the loan applications were accepted.

Combining ECSC subsidies with SME facility subsidies

2.28. In accordance with Council Decision 94/217/EC⁽¹⁴⁾ the Commission grants interest subsidies on loans by the European Investment Bank (EIB) to small and medium-sized enterprises (SME) under its temporary lending facility. The European Council meeting at Copenhagen in fact called on the EIB to earmark a financial package of ECU 1 000 million for strengthening SME competitiveness ('the SME facility')⁽¹⁵⁾.

2.29. These interest subsidies are granted for a period of five years and are intended to reduce by 2 % per annum the interest rate on loans granted by the EIB within the ECU 1 000 million package. The amount of the subsidized loan granted is limited to ECU 30 000, or ECU 3 000 of subsidy, per job created.

2.30. This instrument is very similar to the ECSC 'conversion loans', in terms of its objectives (job creation), nature (interest subsidies) and overall terms of eligibility (the jobs must be created within a certain time frame, have a link with the investment which the loans are used to co-finance and be maintained for a specified period).

⁽¹⁴⁾ Council Decision of 19 April 1994 on the provision of Community interest subsidies on loans for small and medium-sized enterprises extended by the European Investment Bank under its temporary lending facility (94/217/EC), OJ L 107, 28. 4. 1994, p. 57.

⁽¹⁵⁾ The ECU 1 000 million of the SME facility forms part of the ECU 3 000 million added to the ECU 5 000 million temporary lending facility by the EIB at the invitation of the European Council meeting in Copenhagen. The latter facility was created by the EIB on 10 February 1993 at the behest of the European Council meeting in Edinburgh.

2.31. Administration of the subsidies accompanying the EIB loans is delegated to the EIB, which arranges for them to be distributed to beneficiaries through financial intermediaries (banks) via national agents. In the case of ECSC subsidies, it is the appropriate Commission departments that are responsible for the administration of subsidies in the light of data forwarded to them by the financial intermediaries which distribute the loans.

2.32. The agreement concluded between the Commission and the EIB under the Council Decision on the SME facility prohibits the combining of these loans with any other subsidized loans, and those subsidized by the ECSC in particular. It is thus a matter of ensuring that the same new job is not subsidized by the Union twice over. In cases where an enterprise receives two types of subsidized loan, the only way to verify whether this clause is being respected is to include both loans in checks at the point where the files are examined, such as, for example, *ex post facto* checks. In cases where the two loans are granted by two different financial intermediaries it is not possible to check at that level, since access to the two sets of files is necessary and that is precluded by the competitive relationship between banks and, also, by secrecy rules. Even if there is only one financial intermediary such checks prove to be ineffectual, as the Court has already pointed out in its report concerning the ECSC for the financial year 1995, and as the Commission has acknowledged (see paragraphs 2.21 and 2.24 of this report).

2.33. Coordination of the control mechanisms for the two instruments is therefore necessary, in order to ensure that the non-cumulation rule is adhered to, and that can only be done at Community level. Given that the final responsibility rests with the Commission in both cases and, in principle, the latter has access to all the necessary information as regards ECSC loans, arrangements should be put in place whereby the type of data forwarded in the case of the SME facility subsidies is the same, so that cross-checking would then be possible. Such arrangements must be instituted very quickly, because, as far as this facility is concerned, the jobs in question must have been created before 31 December 1996 and beneficiaries must have submitted subsidy applications by 30 June 1997 at the latest.

Sleeping commitments

2.34. The balance of commitments relating to interest subsidies was around ECU 332 million at 31 December 1996. It included 'legal' commitments amounting to ECU 222 million and 'final' commitments amounting to ECU 110 million.

2.35. Legal commitments are commitments which have been the subject of a Commission decision but do not

represent irrevocable contractual obligations to third parties. They may be seen as a reserve of subsidies that will become final commitments in the future. It is only after the disbursement of the subsidiary loan(s) that they become final commitments. Thereafter they represent a debt which the ECSC will be obliged to discharge in the following five years, in as far as the beneficiaries fulfil the necessary conditions.

2.36. The Commission has not been permitted to grant new interest subsidies since 1 July 1997. It therefore had only the first half of 1997 in which to finally commit the ECU 222 million of existing legal commitments, to which the 1997 budget proposed to add a further ECU 7 million. As an indication, ECU 21 million of legal commitments became final during the 1996 financial year.

Recovery of subsidies

2.37. When the Commission notices that the number of jobs created or maintained is less than provided in the contracts, it revises the corresponding interest subsidies downwards. This is done by recalculating any subsequent payments or, if necessary, by recovering all or part of any payments already made. The request for recovery leads to the establishment of a claim.

2.38. The total amount of such claims was around ECU 10 million at 31 December 1996. This figure corresponds to requests for recovery of which more than half date from 1994 and 1995, with the oldest going back to 1991. The Commission must improve its monitoring system so as to speed up recovery of them.

2.39. During an on-the-spot visit the Court found that two claims dating from 1994 had still not been paid in 1997 and that the Commission had not sent any reminders to the enterprises concerned. In one of these two cases it became apparent that the debtor had been bankrupt since 1994. The financial intermediary was aware of this, but had not informed the Commission, contrary to its contractual obligations. Furthermore, some of the claims included in the ECSC balance sheet are irrecoverable because, for example, the debtors in question are bankrupt.

2.40. The weakness of the system for monitoring and recovering subsidies that are to be recovered also has repercussions at the level of the accounts. The Commission's attitude in this area is very prudent in that any claim recorded in the accounts is 100 % covered by a provision and is not recorded as income until the sums due have been collected. However, assuming that the file has been monitored correctly, when the Commission

establishes that a subsidy that is to be recovered will never be paid, it must remove the corresponding claim from the ECSC balance sheet.

Conclusion

2.41. The declared objective of the global loans that are granted under Article 54 paragraph 2 of the ECSC Treaty as aid to steel consumption is to promote Community steel consumption. There is, however, no precise criterion for the implementation of the consumption clause (see paragraph 2.11). The checks that are made in this context lack precision (see paragraph 2.6) and stop at the figures declared by beneficiaries (see paragraphs 2.7 and 2.8). Above all, the fact that an objective has not been achieved is of no consequence (see paragraph 2.9).

2.42. Moreover the only beneficiaries attracted by these loans were those in Italy, because the loans were accompanied by State aid (see paragraph 2.12). Lastly, the Commission has carried out no evaluation of the effectiveness of these loans (see paragraph 2.13).

2.43. As regards the subsidies which accompany the loans disbursed under Article 56 (2) (a), the situation in 1996 was similar to that criticized by the Court in its report concerning the 1995 financial year (see paragraphs 2.20 and 2.23 of this report). However, the control measures that were adopted with effect from the last quarter of 1996 (see paragraph 2.21) and those planned for 1997 (see paragraph 2.24) are a significant improvement.

2.44. As regards these same subsidized loans, the Court noted an eligibility problem: in the context of privatizations in the new German *Länder*, job takeovers were treated as jobs created. This practice was accepted by the Commission staff, whereas it is excluded by the rules (see paragraphs 2.26 — 2.27).

2.45. The Union grants interest subsidies under the Copenhagen SME facility. This has many similarities with the ECSC conversion loans. The aim of both instruments is to promote job creation and there is a risk that the same new job may be subsidized twice over, even though this is prohibited. Only appropriate checks at Commission level could make it possible to prevent or remedy this (see paragraphs 2.28 — 2.33).

2.46. The legal commitments relating to ECSC subsidies appear to have been over-estimated, given that it became impossible for them to be transferred to final commitments after 1 July 1997 (see paragraphs 2.34 —

2.36). Furthermore, the monitoring of the subsidies to be recovered must be much stricter and the corresponding claims must cease to be included in the balance sheet as soon as they prove to be irrecoverable (see paragraphs 2.37 — 2.40).

CHAPTER 3

STATEMENT OF ASSURANCE CONCERNING THE ECSC

3.1. In accordance with Article 45c of the Treaty establishing the European Coal and Steel Community (ECSC) the Court has examined the ECSC's accounts in order to provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.

3.2. The accounts in question are the financial statements of the ECSC at 31 December 1996, which were drawn up under the auspices of the Commission and published in the *Official Journal of the European Communities* ⁽¹⁶⁾.

3.3. In its report on the financial statements of the ECSC at 31 December 1996 ⁽¹⁷⁾, which constitutes a statement of assurance as to the reliability of the

accounts and is published with the financial statements, the Court concluded that the latter 'give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 31 December 1996 and of the results of its operations for the year then ended'.

3.4. In addition, in order to assure itself of the legality and regularity of the transactions underlying the ECSC's accounts for the financial year 1996, the Court carried out audits in accordance with generally accepted international auditing standards, relying, in particular, on analysis of the systems and the results of the tests carried out.

3.5. In the Court's opinion, it has obtained adequate assurance as to the legality and regularity of the transactions as a whole.

3.6. Without prejudice to the above opinion, the Court notes that there are inherent risks in the systems pertaining to the interest subsidies accompanying loans granted under Article 56 (2) (a) of the Treaty establishing the ECSC, as regards compliance with the eligibility criteria. The existence of these risks was borne out by the on-the-spot audits of this expenditure that were carried out in relation to the 1996 financial year: the audits revealed a high frequency of substantial errors ⁽¹⁸⁾, although it was not possible to establish the total volume (see paragraphs 2.17 — 2.20).

This report was adopted by the European Court of Auditors in Luxembourg at the meeting of 12 and 13 November 1997.

For the Court of Auditors

Bernhard FRIEDMANN

President

⁽¹⁶⁾ Financial statements of the ECSC at 31 December 1996, OJ C 242, 8. 8. 1997.

⁽¹⁷⁾ Report on the financial statements of the ECSC at 31 December 1996, OJ C 242, 8. 8. 1997.

⁽¹⁸⁾ According to the terminology used by the Court of Auditors, legality/regularity errors which directly affect the amount of the underlying transactions are described as substantial.

COMMISSION'S REPLIES

CHAPTER 2

ECSC LOANS AND INTEREST SUBSIDIES

Loans under Article 54, second paragraph

Observations on management

2.6. Monitoring on the basis of purchases made enables both the quantities and Community origin of steel to be verified in a relatively straightforward manner, which is not always possible for steel used from stocks.

As the enterprises concerned do not produce steel themselves, purchases are their sole source of supply, and as consumption is continuous, variations between stocks and tonnages consumed are, in principle, assumed to balance each other out over time. It should also be noted that subsidiary-loan applications for activities essentially of a commercial nature have always been turned down *a priori*, and that, as a result, subsidiary loans under Article 54, second paragraph, have been used to finance industrial-type activities only.

In the case of the latter, any sales of steel as raw material (i.e. purchased and resold without having undergone any processing) generally account for a very modest proportion of trading. Moreover, no major reselling activity was detected in the checks which were carried out.

During the next on-the-spot visits, however, the Commission will endeavour to reconcile the technical production data with the purchasing figures.

2.7. The audit visits made related to 16 subsidiary loans out of a total of 147. In the course of these checks, significant disparities between the consumption figures declared in the periodic reports and actual consumption were detected in one case only, as pointed out by the Court.

This financial instrument has no budgetary impact: the loans do not attract any interest subsidies, and hitherto there have been no cases of default among financial intermediaries taking out global loans from the ECSC.

2.8. For most of the subsidiary loans concerned, steel is virtually the exclusive raw material used in fabrication, and in such cases there is no need for special analysis to determine whether the criterion concerned has been met.

In the course of the audit visits, not a single case of non-compliance with this criterion has ever been found.

2.9. For two of the enterprises concerned, a major increase in annual consumption of Community steel was recorded compared with the situation prior to implementation of the project, so that the objective of the loans was essentially achieved. The third enterprise did not succeed by 31 December 1996 in achieving an increase in actual steel consumption compared with the situation prior to the project. After assessing the specific situation of this enterprise, the Commission decided to call in the subsidiary loan.

2.9 and 2.10. The contractual clause on consumption is an evaluation criterion which makes it possible to determine the extent to which the enterprise has achieved its growth target. However, non-compliance with this set-figure criterion does not mean that the general objective of the subsidiary loan has not been achieved. Where an enterprise records a significant and lasting increase in its consumption of Community steel, even at a level below the set-figure criterion specified in the contract, the Commission considers that the general objective has been achieved.

According to the information available to the Commission, the enterprises have, in the vast majority of cases, significantly increased their consumption of Community steel by virtue of the projects co-financed by ECSC loans. The Commission has noted ten subsidiary loans for which there has been no increase in consumption. The enterprises concerned are currently the subject of supplementary investigations, upon completion of which the Commission will assess whether sanctions are warranted.

Early repayment of the subsidiary loan (accompanied by possible compensation) is the only sanction possible in respect of an enterprise which does not meet its commitments. Such a measure is potentially destabilising for the economic situation of the enterprise concerned and should therefore only be applied in particularly serious cases. Hitherto, the Commission has not considered it justifiable to take this drastic measure in cases where non-attainment of consumption targets has been attributable to circumstances beyond the control of the enterprise (for example, a crisis on the markets for the products concerned).

By contrast, from the start of 1997 onwards, the Commission has applied the early repayment sanction where an enterprise has not increased its consumption of

Community steel but upped its non-Community supplies. Similarly, this sanction has been imposed where an enterprise has failed to increase its consumption of Community steel and the nature of the financed investment has been found not to be conducive to an increase in the enterprise's steel-processing capacity.

Observations concerning effectiveness

2.11. The Commission recognises that, at the instrument design stage, the setting of a minimum-consumption-increase threshold (in absolute or relative terms) would have enhanced effectiveness. As the instrument has now been discontinued, however, this suggestion by the Court is no longer applicable.

2.12 to 2.13. Even in the absence of a formal evaluation procedure, the instrument has been subject to continual evaluation. In 1993, the Commission bowed to the evidence indicating that the technical complexity of this instrument and the absence of an interest subsidy and other advantages made it difficult to use this form of loan extensively in countries other than Italy. The Commission in no way encouraged the subsequent use of this instrument.

Loans with interest subsidies under Article 56 (2) (a)

Audit visits by the Court

2.16 to 2.20. As underlined by the Court in section 2.20 of the report, its findings cannot be projected to the interest subsidies as a whole.

Following the remarks already made by the Court in its 1995 report, the Commission checked a random sample of 208 subsidy payments, as being representative of the overall interest subsidies paid between 1 July 1995 and 30 June 1996. The sampling method (variable sampling), the results of the checks made by the Commission and their projection to payments as a whole were examined and approved by an international firm of auditors.

As a result of these checks, an error rate of 5,8 % was determined in relation to the amount of payments covered by the sample. By extrapolating this result, it can be estimated with 95 % reliability that the error rate for the total amount of interest subsidies paid between 1 July 1995 and 30 June 1996 lies in the range of 2,2 % to 9,4 %. Although the conclusion drawn from this representative sampling is less worrying than the findings of the Court, the Commission has nevertheless tightened up its internal control system in order to reduce this irregularity rate.

Action taken by the Commission in 1996

2.22. The irregularity rate in payments made from January to September 1996 can be estimated on the basis of the results obtained from the representative sample verified by the Commission, i.e. 5,8 %, and will be appreciably reduced *a posteriori* following the audits carried out by the Commission in 1997.

Eligibility of job takeovers

2.26. to 2.27. The Commission is of the view that the privatizations in the new German *Länder* carried out by the state-owned *Treuhandanstalt* are not comparable with privatizations as they take place in Western market economies. Instead, they had to accomplish the transition from a centrally planned and administered economy, which was characterized by excessive vertical integration, systematic cover-up of hidden unemployment and overburdening of companies with public tasks like social services and health care, to a decentralized market economy. Therefore the maintenance of employment by way of privatization was considered as the economic equivalent of employment creation under market economy conditions.

This treatment was only granted for primary *Treuhand* privatizations excluding the purchasing price, but considering the takeover of personnel from the former *Treuhand* company as creation of new employment. In order to enhance a rapid modernization of equipment, capital expenditure was only considered as eligible investment to the extent that it went beyond the purchase price the investor had paid to the *Treuhand*.

The decision to apply the abovementioned line to all primary *Treuhand* privatizations for which the investors presented Article 56 ECSC loan applications did not require a Commission decision and was therefore adopted by the competent Commission services. The Commission recognises that this interservice agreement was not fully documented.

Combining ECSC subsidies with SME facility subsidies

2.28 to 2.33. The Commission has asked the EIB to furnish it with the data relating to interest subsidies paid in respect of loans under the Copenhagen SME facility. As soon as it has received this information, the Commission will verify that the same new job has not been subsidized twice over.

Sleeping commitments

2.34 to 2.36. The commitments amounting to ECU 220 million are spread over some 70 global loans and represent that to which the Commission is potentially committed. The exact amount will, of course, not be known until the end of the period required for disbursing subsidiary loans, i.e. early 1998.

What is more, the Commission has closely followed the development of the problem: in its draft amending operating budget for 1997 and its draft operating budget for 1998 (SEC(97) 933 final of 29 May 1997), the Commission took account of the additional cancellations of commitments that will result from the end of the ECSC's conversion policy.

The Commission estimated (point 2, page 10 of SEC(97) 933 final) that at least ECU 140 million of commitments under global conversion loans will have to be cancelled over the period 1997-1998. An initial tranche of ECU 100 million in cancellations is planned for 1997.

Recovery of subsidies

2.38. From 1994 to July 1997 requests for recovery of interest rebates totalling ECU 34,3 million were issued of which ECU 16,2 million have been received and ECU 4,2 million subsequently withdrawn following receipt of satisfactory documentation. A further ECU 1 million is being paid in instalments.

The balance of ECU 12,9 million includes ECU 2,5 million which relates to beneficiaries now in liquidation (see point 2.40 below).

The Commission is in the process of setting up a procedure for serving regular reminders in respect of outstanding claims.

2.40. The Commission will ensure that irrecoverable claims are removed from the balance sheet as soon as the impossibility of their recovery has been duly established.

Conclusion

2.41. The Commission acknowledges that, had the granting of loans been made subject to a set threshold for growth in consumption of Community steel, it would

have been possible to clearly specify the criteria. For the reasons set out in its reply to point 2.6, however, it takes the view that simplified monitoring on the basis of steel purchases was sufficient. It feels that the checks carried out to date, covering 11 % of subsidiary loans, have not invalidated the general reliability of the data communicated by enterprises. Since the beginning of 1997, the Commission has taken action against certain enterprises by demanding the early repayment of the subsidiary loans concerned. This measure was taken only in respect of the most serious cases and related to three subsidiary loans and one direct loan. For the reasons set out in the reply to points 2.9 and 2.10, such action was not applied to all cases of underconsumption of Community steel.

2.44. The Commission treated the maintenance of employment by way of privatizations which had to accomplish the transition from a centrally planned to a market economy as eligible employment creation.

2.45. The Commission has requested the EIB to furnish it with data on interest subsidies granted under the SME facility. Once it has received this information, the Commission will check to ensure that the same new job has not been subsidized twice.

2.46. Final commitments will continue being made until early 1998 as subsidiary-loan applications are submitted for the final disbursements of funds. Unused legal commitments will be cancelled in two tranches - the first in late 1997 and the second in early 1998.

A procedure for serving regular reminders in respect of subsidies to be recovered is in the process of being set up.

CHAPTER 3

STATEMENT OF ASSURANCE CONCERNING THE ECSC

3.6. The Commission has set up appropriate control procedures and instruments; moreover, analysis of the statistical sample used shows that the risk of error is low. Notwithstanding any other consideration, the Commission will continue striving to improve its management (see more exhaustive reply under 2.16 to 2.20)

NOTICE TO READERS

In 1998 several changes to the Official Journal (OJ) L & C subscription will be introduced. This notice aims to help paying subscribers make an informed choice about the new possibilities.

EU LAW SERVICE

Starting in January 1998, the full text (including tables and graphics) of new editions of the OJ L & C will be available in all 11 languages free of charge on the Internet (<http://europa.eu.int>) for a period of 20 days.

OJ L&C CD-ROM

In 1998 a CD-ROM version of the OJ L & C will be published in quarterly, cumulative, single-language editions. Current subscribers to the OJ L & C who purchase the CD-ROM subscription in addition to the paper or microfiche version or CELEX will benefit from a promotional discount of 50% on the CD-ROM. A LAN option will be available. Individual copies of each CD-ROM can also be purchased.

FLAT FEE SUBSCRIPTION TO CELEX

In Spring 1998 a flat fee subscription to CELEX will be available, offering one year's access at a fixed price (960 ECU), independent of consumption. CELEX is the EU's official legal database offering unparalleled coverage of EU legislation since 1951 (<http://europa.eu.int/celex>).

PENALTIES FOR LATE RENEWALS OF PAPER SUBSCRIPTION

Despatch of the paper version of the OJ L & C will be stopped on 31 January 1998 to all paying subscribers who have not renewed their subscription by then. Subscribers starting or renewing a subscription to the OJ L & C after this date may choose:

- (i) not to receive retroactive despatch of missing editions, and pay only for months received;
- (ii) to receive the CD-ROM version of the missing editions, and pay the normal annual subscription fee;
- (iii) to receive the paper version of the missing editions, and pay double for each month requiring retroactive despatch.

Please note it is now possible to purchase all versions of subscription to the Official Journal L & C (paper, microfiche, off-line and CELEX) from any member of the EURO-OP sales networks, except document delivery agents. Please contact your sales agent for further details on the above.

SALES AND SUBSCRIPTION PRICES

Annual subscription (including normal postage)						Single copies (**)		
Price	'L + C' paper version (*)	'L + C' microfiches (*)	Recruitment notices (**)	OJ Supplement (Notices and public contracts) calendar year 1997		1—32 pages	33—64 pages	More than 64 pages
				paper version	CD-ROM			
ECU	700,—	595,—	30,—	800,—	600,—	6,50	13,—	Price determined case by case

Special mailing charges are invoiced separately. The *Official Journal of the European Communities* and all other European Communications publications on sale, whether periodical or otherwise, may be ordered at the sales offices listed below. Catalogues are sent free of charge on request.

N.B.:

The subscription to the *Official Journal of the European Communities* also includes the 'Directory of Community Legislation in Force and other Acts of the Community Institutions' (two editions per year).

(*) Only joint subscription (including delivery) are available to the L (Legislation) and C (Information and Notices) series of the *Official Journal of the European Communities*.

(**) The notices of open competition, which are published as annexes to the C series, are basically available free of charge from the Commission's offices in the Member States. For regular delivery of all notices of competition on a subscription basis a charge is made to cover postage.

SALES AND SUBSCRIPTIONS

<p>BELGIQUE/BELGIË Moniteur belge/Belgisch Staatsblad Rue de Louvain 40-42/ Leuvenseweg 40-42 B-1000 Bruxelles/Brussel Tél. (32-2) 552 22 11 Fax (32-2) 511 01 84 Jean De Lannoy Avenue du Roi 202/ Koningslaan 202 B-1060 Bruxelles/Brussel Tél. (32-2) 538 51 69 Fax (32-2) 538 08 41 E-mail: jean.de.lannoy@infoboard.be Librairie européenne/ Europese Boekhandel Rue de la Loi 244/ Wetstraat 244 E-1040 Bruxelles/Brussel Tél. (32-2) 295 26 39 Fax (32-2) 735 08 60</p>	<p>IRELAND Government Supplies Agency Publications Section 4-5 Harcourt Road Dublin 2 Tel. (353-1) 661 31 11 Fax (353-1) 475 27 60</p> <p>ITALIA Licosa Spa Via Duca di Calabria, 1/1 Casella postale 552 I-50125 Firenze Tel. (39-55) 64 54 15 Fax (39-55) 64 12 57 E-mail: licosa@hibcc.it URL: ic1382.cilea/Virtual_Library/ biblio/vetrina/licosa/ft1.htm</p> <p>GRAND-DUCHÉ DE LUXEMBOURG Messageur du livre Sari 5, rue Raiffeisen L-2411 Luxembourg Tél. (352) 40 10 20 Fax (352) 490 861 E-mail: ml@pt.lu Abonnements: Messageur Paul Kraus 11, rue Christophe Plantin L-2339 Luxembourg Tél. (352) 499 88 88 Fax (352) 499 888 444 E-mail: mpk@pt.lu URL: www.mpk.lu</p>	<p>SVERIGE BTJ AB Traktorvägen 11 PO Box 200 S-22100 Lund Tel. (46-46) 18 00 00 Fax (46-46) 18 01 25 E-mail: btj_c@mail.btj.se URL: www.btj.se/media/ue</p> <p>UNITED KINGDOM The Stationery Office Ltd (Agency Section) 51, Nine Elms Lane London SW8 5DR Tel. (44-171) 873 9090 Fax (44-171) 873 8463 URL: www.the-stationery-office.co.uk</p> <p>ICELAND Bokabud Larusar Blöndal Skjalavörðustíg, 2 IS-101 Reykjavík Tel. (354) 55 15 650 Fax (354) 55 25 560</p> <p>NORGE NIC info A/S Østentveien 18 Boks 6512 Etterstad N-0606 Oslo Tel. (47-22) 97 45 00 Fax (47-22) 97 45 45</p> <p>SCHWEIZ/SUISSE/SVIZZERA OSEC Stampfenbachstraße 85 CH-8035 Zürich Tel. (41-1) 365 53 15 Fax (41-1) 365 54 11 E-mail: urs.leimbacher@ecs.osec.inet.ch URL: www.osec.ch</p> <p>ČESKÁ REPUBLIKA NIS CR - prodejna Konviktská 5 CZ-113 57 Praha 1 Tel. (42-2) 24 22 94 33 Fax (42-2) 24 22 94 33 E-mail: nkposp@dec.nis.cz URL: www.nis.cz</p> <p>CYPRUS Cyprus Chamber Of Commerce & Industry Mail orders: PO Box 1455 CY-1509 Nicosia Tel. (357-2) 44 95 00/46 23 12 Fax (357-2) 361 044 E-mail: cy1091_eic_cyprus@vans. infonet.com</p> <p>MAGYARORSZÁG Euro Info Service Európa Ház Margitsziget PO Box 475 H-1396 Budapest 62 Tel. (36-1) 11 16 061/11 16 216 Fax (36-1) 302 50 35 E-mail: euroinfo@mail.matav.hu URL: www.euroinfo.hu/index.htm</p> <p>MALTA Miller Distributors Ltd Malta International Airport PO Box 25 LQA 05 Malta Tel. (356) 66 44 88 Fax (356) 67 87 99</p>	<p>POLSKA Ars Polona Krakowskie Przedmieście 7 Skr. pocztowa 1001 PL-00-950 Warszawa Tel. (48-2) 26 12 01 Fax (48-2) 26 62 40</p> <p>TÜRKIYE Dünya Infotel A.S. İstiklal Cad. No: 469 TR-80050 Tunel-Istanbul Tel. (90-212) 251 91 96 Fax (90-212) 427 02 10 Fax (90-212) 251 91 97</p> <p>BĂLGĂRIJA Europress-Euromedia Ltd 59, Blvd Vitosha BG-1000 Sofia Tel. (359-2) 80 46 41 Fax (359-2) 80 45 41</p> <p>HRVATSKA Mediatrade Ltd Pavla Hatza 1 HR-10000 Zagreb Tel. (385-1) 43 03 92 Fax (385-1) 44 40 59</p> <p>ROMÂNIA Euromedia Str. G-ral Berthelot Nr 41 RO-70749 Bucuresti Tel. (40-1) 210 44 01/614 06 64 Fax (40-1) 210 44 01/312 96 46</p> <p>SLOVAKIA Slovenska Technicka Kniznica Námestie slobody 19 SLO-81223 Bratislava 1 Tel. (42-7) 53 18 364 Fax (42-7) 53 18 364 E-mail: europ@tbb1.sltk.stuba.sk</p> <p>SLOVENIA Gospodarski Vestnik Založniška skupina d.d. Dunajska cesta 5 SI-1000 Ljubljana Tel. (386) 61 133 03 54 Fax (386) 61 133 91 28 E-mail: belicd@gvestnik.si URL: www.gvestnik.si</p> <p>ISRAEL R.O.Y. International 17, Shimon Hatarssi Street PO Box 13056 61130 Tel Aviv Tel. (972-3) 546 14 23 Fax (972-3) 546 14 42 E-mail: royil@netvision.net.il Sub-agent for the Palestinian Authority:</p> <p>Index Information Services PO Box 19502 Jerusalem Tel. (972-2) 27 16 34 Fax (972-2) 27 12 19</p> <p>RUSSIA CCEC 60-Ieviya Oktyabrya Av. 9 117312 Moscow Tel. (095) 135 52 27 Fax (095) 135 52 27</p>	<p>AUSTRALIA Hunter Publications PO Box 404 3187 Abbotsford, Victoria Tel. (61-3) 9417 53 61 Fax (61-3) 9419 71 54</p> <p>CANADA Uniquement abonnements/ Subscriptions only: Renouf Publishing Co. Ltd 1294 Algoma Road K1B 3W6 Ottawa, Ontario Tel. (1-613) 741 73 33 Fax (1-613) 741 54 39 E-mail: renouf@fox.nstn.ca URL: fox.NSTN.CA/~renouf</p> <p>EGYPT The Middle East Observer 41, Sherif Street Cairo Tel. (20-2) 39 39 732 Fax (20-2) 39 39 732</p> <p>JAPAN PSI-Japan Asahi Sanbancho Plaza #206 7-1 Sanbancho, Chiyoda-ku Tokyo 102 Tel. (81-3) 3234 69 21 Fax (81-3) 3234 69 15 E-mail: psijapan@gol.com URL: www.psi-japan.com</p> <p>SOUTH AFRICA Safo 5th Floor Export House, CNR Mayde & West Streets PO Box 782 706 2146 Sandton Tel. (27-11) 883 37 37 Fax (27-11) 883 65 69</p> <p>UNITED STATES OF AMERICA Bernan Associates 4611-F Assembly Drive MD20706 Lanham Tel. (301) 459 2255 (toll free telephone) Fax (800) 865 3450 (toll free fax) E-mail: query@bernan.com URL: www.bernan.com</p> <p>MÉXICO Mundi-Prensa Mexico, SA de CV Río Pánuco, 141 Delegación Cuauhtémoc ME-06500 México DF Tel. (52-5) 553 56 58/60 Fax (52-5) 514 67 99 E-mail: 104164.23compuserve.com</p> <p>RÉPUBLIQUE DE CORÉE Kyowa Book Company 1 F1, Phung Hwa Bldg 411-2 Hap Jeong Dong, Mapo Ku 121-250 Seoul Tel. (82-2) 322 6780/1 Fax (82-2) 322 6782 E-mail: kyowaz@ktnet.co.kr.</p> <p>OTHER COUNTRIES Please address yourself to the sales office of your choice</p>
--	--	--	--	---

More information is available on the European Union via the INTERNET: <http://europa.eu.int>



OFFICE FOR OFFICIAL PUBLICATIONS OF THE EUROPEAN COMMUNITIES
 L- 2985 LUXEMBOURG