

COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES

**Comments and observations
on the financial activities of the ECSC**

(Annex to the annual report)

Financial year 1977



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I N T R O D U C T I O N

1 This document consists of two parts followed by general conclusions and two annexes.

Part One sets out the Balance Sheet, the Revenue and Expenditure Account of the ECSC and the allocation of the excess of income over expenditure at 31 December 1977 and contains analytical comments on these items.

Part Two contains, for the major sectors of ECSC activity, the observations which the Court of Auditors wishes to make.

The Conclusions restate the main critical observations.

Annex One contains analytical tables concerning entries in the Balance Sheet and Revenue and Expenditure Account and statistical tables illustrating the main operations of the year.

Annex Two sets out the transactions under the scrap equalization system, the current winding-up of which is being carried out by the ECSC. As the ECSC has only an intermediary role in the distribution of equalization resources, the transactions concerned do not appear in its accounts.

2 All data in this document are expressed in European Units of Account (EUA). The Auditor's Report for 1975 (n° 4) describes the transition to this system, which was introduced on 31 December 1975 by Decision 3289/75/ECSC (1).

(1) O.J. L 327 of 19.12.1975

2.1. The EUA is defined as a basket of the following amounts of the different currencies of the Member States:

DKR	0.217	£Irl	0.00759
DM	0.828	LIT	109.00
BF	3.66	£St.	0.0885
LF	0.14	HFL	0.286
FF	1.15		

Its value in any currency at a given date is the sum of the counter-part in that currency of the separate contents of the basket at market rates.

The Commission calculates each day the value of the EUA in the currency of each Member State and in the principal market currencies. The list is published in the Official Journal.

Thus, at 31.12.76 and at 31.12.1977 the value of the EUA in the different currencies used by the ECSC was as follows:

National Currency	Value at	
	31.12.76	31.12.77
Belgian franc (BF)	40.66	40.3535
Danish Kroner (DKR)	6.5396	7.07974
German mark (DM)	2.66938	2.58058
French franc (FF)	5.61696	5.76124
Irish pound (£Irl)	0.662646	0.641652
Italian lira (LIT)	989.293	1 067.50
Luxembourg franc (LF)	40.66	40.3535
Dutch guilder (HFL)	2.77855	2.78938
Pound sterling (£St)	0.662646	0.641652
Swiss franc (SF)	2.7626	2.45698
US dollar (US\$)	1.12999	1.22506
Canadian dollar (CAN\$)	1.14213	1.34065

2.2. Although the EUA has been an important element in the wording of decisions, recommendations, opinions and communications of the Community since 1 January 1976, and financial operations are shown in the books in EUA, the monetary unit used varies according to the nature of an activity and/or the stage of a transaction.

2.2.1. At the stage of the creation of a right or obligation

- all operations of borrowing, lending and investment are still expressed and administered in the national currencies;
- in other matters rights and obligations arising before 1 January 1976 and which were expressed in national currencies are still governed by the regulations in force when they arose;
- those arising after 1 January 1976, decisions on the levy and on financial assistance for coke, for research and for rehabilitation, are expressed entirely in EUA, while decisions on assistance in the form of interest reduction are expressed either in EUA or in national currencies.

2.2.2. At the payment stage

- with the exception of payments for research and rehabilitation assistance based on decisions after 1.1.1976, which are made out of the Commission's current accounts in EUA, receipts and payments are made in national currencies. For transactions concluded in EUA, the counter-value in national currencies is calculated at the rate on the day preceding the transaction.
- all transactions are brought to account in EUA at the rate of the day preceding the transaction or of the date payable. It follows that an entry directly in EUA is valid only on the day of conversion, since the relationship between the EUA and any given currency changes from day to day.

3. A study of the Balance Sheet and the Revenue and Expenditure Account at 31 December 1977 (Tables 1 and 2) requires several preliminary explanations.

3.1. The Balance Sheet

- In view of the last point made in 4.2.2. it is obvious that a comparison between two balance sheets separated by a year is only possible after conversion of items based on national currencies into EUA at the same rates.

This is why the figures in the Balance Sheet of 31 December 1976 have been converted into EUA as at 31 December 1977 and appear in this form in Table 3; items expressed directly in EUA are, of course, not affected by this adjustment.

- All items in the Assets have a contractual basis expressed in national currencies except for VIII B (levy declared for production of December 1977 but payable after 31 December 1977) for which the basis is expressed in EUA.
- Under Liabilities, only the following have an EUA basis: reserves (II), provisions for financial assistance relating to research contracts concluded after 1 January 1976 and to coke and for interest reduction (in part) (III A) other provisions (III B) and that part of the former pension fund (IV) which forms a counterpart or contingent security for commitments for rehabilitation and loans for social housing.

The unallocated balance (VII) may be considered as an amount in EUA but affected by the fluctuations of the EUA in relation to national currencies when the items of the assets and liabilities not based on the EUA are converted at a different rate.

3.2. The Revenue and Expenditure Account

Collection and payment were effected in national currencies. Each operation is firstly entered into both the bank account and the suspense account. This latter account is immediately credited or debited with the counter-value in EUA (at the rate of the day preceding the transaction or of the date payable) by allocation to the main account. The balance of these suspense accounts at 31 December appears in the Revenue and Expenditure Account as the entry "currency adjustments". Thus individual movements are brought to account directly in EUA and the currency adjustment is done globally at the end of the year. It follows that as there was no adjustment of accounts from day to day, no item of the Revenue and Expenditure Account comprises elements which can be compared over a period of time.

It should be noted, moreover, that the excess of revenue over expenditure is made up almost exclusively of national currencies; only the "adjustments for currency parities" is expressed in EUA.

In contrast to assets and liabilities, which can at any time be evaluated on the basis of their value in a given currency, the items in the Revenue and Expenditure Account - fungibles in the accounts - cannot be assessed at the end of the year at a single "real" value (by using the EUA value at the date of the Balance Sheet).

This operation will be possible from 1978 onwards insofar as the Revenue and Expenditure Account will render transactions in the currencies in which they take place.

For the present year, care should be taken not to assess the value of the items in the Revenue and Expenditure Account expressed in EUA by simply translating them into the rate given under paragraph 4.1.

4. Other accounting practices and policies are to be noted.

- Loans from borrowed funds are made in the same currency as the borrowings which serve to finance them, whatever the nationality of the borrower. The term and other conditions of the loan are fixed by reference to those of the corresponding borrowing.
- The portfolio appears at purchase price.
- Recoverable issuing costs are written off over the life of each borrowing.
- Provisions for financial assistance represent the difference between the total allocated to a project and the amount already used at the date of the Balance Sheet.
- Income and expenditure are entered on the basis of actual movements with the exception of the following which are entered on the basis of accruals:
 - receipts and payments of interest
 - levy receipts
 - expenditure on interest reduction.

5. The Balance Sheet (Table 1) and the Revenue and Expenditure Account (Table 2) shown in the present report differ somewhat from the Balance Sheet and Revenue and Expenditure Account published officially by the ECSC in the Official Journal of the European Communities. The reason is that from 1968 onwards the Institution for reasons of simplicity has made these two accounts less unwieldy by amalgamating or rearranging the previous headings and attaching brief explanatory notes. In order to make comparison with previous years easier and to make the Balance Sheet and Revenue and Expenditure Account more informative, the Court has set out the two accounts following the official headings but expanding them to include the headings of the old presentation.

It should be pointed out that in the published Revenue and Expenditure Account, item A of income in Table 2 combines the total revenue from loans granted out of borrowed funds and guarantees (item 1) and interest on loans out of non-borrowed funds (appearing expressly under item III).

ANALYTICAL PART

ANALYSIS OF THE BALANCE SHEET AND REVENUE AND EXPENDITURE ACCOUNT

BALANCE SHEET : ANALYSIS AND COMMENTS

ASSETS

I. - OUTSTANDING LOANS 4 055 192 910 EUA

Tables 4, 5, 6 and 7 show the breakdown, by purpose, of operations in the year 1977, the amounts disbursed and outstanding at 31.12.1977 and, except for Table 7, the breakdown by country.

The increase, in comparison with the 1976 Balance Sheet (624 028 418 EUA) arises from disbursements under new loans or under current contracts (746 027 983 EUA) less repayments during the year (121 999 565 EUA).

A - Loans out of borrowed funds (see details in Table 4)
3 912 527 167 EUA

Table 8 shows the breakdown of loans outstanding by country and by type of security.

For all loans out of borrowed funds the rate of interest is related, on a case by case basis, to the rate for the corresponding borrowing and varies according to fluctuations of the market and to the place of issue. The rates of interest on loans made in 1977 varied between 5.125% and 11.9%.

Borrowed funds not yet lent are included in the accounts of liquid assets at 41 947 447 EUA: 31 471 295 EUA represents that part of issues not yet lent, mostly dating from the second half of 1977 and 10 476 152 EUA comes from the accelerated or premature repayment of loans.

1 - Loans for the financing of industrial investment projects (Article 54 of the Treaty) 3 564 196 660 EUA

Breakdown by industrial sector:

the iron and steel industry	2 674 359 920 EUA
coal and coke	752 033 163 EUA
iron-ore mines	72 622 908 EUA
thermal power-stations	62 484 931 EUA
ship-building	2 695 738 EUA

The balance outstanding increased by 645 412 242 EUA between 1976 and 1977: 55 new loans were made in 1977 to a total of 710 261 566 EUA (97.5% of the total loans made from borrowed funds).

2 - Loans for industrial structural re-organization
(Art. 56) 352 132 000 EUA

Compared with the previous year the balance outstanding decreased by 30 283 240 EUA. 8 new loans were made in 1977, to a total of 16 366 386 EUA. This represents 2.2% of the total loans made in 1977 out of borrowed funds.

3 - Loans to finance social housing construction 23 198 507 EUA

The balance outstanding shows a decrease of 1 424 827 EUA compared with the previous year. Two new loans were made under the 8th programme to a total of 1 680 094 EUA. This represents 0.3% of the total of loans made out of borrowed funds. It is necessary however to take into account that the financing of these projects is principally provided by loans made out of own funds, an activity described below under the heading "Other Loans".

B - Other loans (see details in Tables 5, 6 and 7) 142 665 743 EUA

Disbursements in 1977 were 17 719 937 EUA.

1 - Loans out of the Special Reserve for financing social housing
(82% of the total of loans out of own funds) 117 953 106 EUA

Payments made in 1977 totalled 10 356 047 EUA divided as follows:

- 2 payments totalling 667 848 EUA under the sixth programme
- 4 payments totalling 300 602 EUA under the seventh programme
- 39 payments totalling 9 200 243 EUA under the eighth programme
- 1 payment of 187 354 EUA under the special action programme in aid of the Friuli region.

Table 9 gives a breakdown of the balance outstanding by country and by type of security obtained.

2 - Loans out of levy funds (see details in Table 6) 2 586 596 EUA
(4.5% of the total of loans out of own funds)

- for rehabilitation 275 989 EUA
- for technical research 2 310 607 EUA

No new loan was approved or paid out in these two sectors which, for several years, have been financed by grants (see the analysis of expenditure on research and rehabilitation under Nos. IIB and C of the "expenditure" part of the Management Account). The only changes which have affected the balance outstanding come from regular repayments made during the year.

3 - Loans out of the Former Pension Fund 22 126 041 EUA
(13.5% of the total of loans out of own funds).

- Loans granted to officials of the Communities for them to construct or purchase housing (see details in Table 7) 19 271 708 EUA

In 1977 248 new loans were paid out.

The increase in the balance outstanding (3 355 222 EUA) compared with the previous year is caused by payments made in 1977 (4 509 557 EUA) less repayments (1 154 335 EUA).

- Loan to finance the reconstruction of steel-works affected by the earthquake in Friuli. 2 854 333 EUA

This was a first payment under the loan.

II CASH AND BANK ACCOUNTS (1) 307 698 470 EUA

- current accounts 16 753 095 EUA

- fixed deposits 290 945 375 EUA

Table 12 gives a breakdown of money invested at 31.12.1977 in current accounts and fixed deposits, by currency and by rate of interest.

III SHORT AND MEDIUM-TERM INVESTMENTS (1) 59 165 404 EUA

This amount may be broken down as follows:

- 3 391 604 EUA relates to certain short and medium-term investments mainly consisting of securities assigned to the ECSC and underwritten by the banks which hold them in charge and of bills and bonds with staggered maturities of less than 5 years.

- 55 773 800 EUA is the product of purchases by the Institution of ECSC loan stock before maturity and with a view to cancellation. This item shows an increase of 31 460 199 EUA or 129.4%.

IV PORTFOLIO (1) 104 022 873 EUA

It increased by 29 079 472 EUA (+38.8%) over the purchase price of the stock in the portfolio at 31.12.1976.

Apart from early investments of a more varied nature which are under bank management, the portfolio is composed entirely of loan stock mostly issued by the public sector and deposited with the banks through which they were acquired.

Out of the total funds at the disposal of the ECSC at 31 December the proportion represented by the portfolio has increased by 8.2%.

(1) Table 10 rearranges items II, III and IV above and shows the breakdown by country and currency of the whole of the liquid assets while Table 11 shows, in a comparative form, the changes between 1976 and 1977 in both the size of the investments and the interest rates for each currency.

V - FIXED ASSETS

306 159 EUA

The amount represents the original cost (purchase price plus expenses) of the premises in Washington let to the European Communities who have installed their delegation there.

VI - RECOVERABLE ISSUING COSTS

62 611 936 EUA

This amount represents the costs incurred by the ECSC at the time it borrows funds less the amounts already written off. These are costs such as underwriting fees, bank commissions, redemption premiums (discount), printing costs for security certificates and prospectuses, first listing costs, the employment of legal advisers in the course of these operations etc. but do not include the cost of servicing the loans (interest and fees).

The amounts written off in 1977 total 9 713 478 EUA; the total of recoverable issuing costs remaining to be written off is 62 611 936 EUA. Expenditure in 1977 was for 39 loans (see details in Table 13).

VII - MISCELLANEOUS

156 726 834 EUA

This item shows a considerable increase (78%) over the amount at the end of the previous year. (87 940 990 EUA).

A - Under levy debtors (12 833 667 EUA) is included the amount for the temporary deferment of levy (2 670 698 EUA), sums due from insolvent undertakings (242 748 EUA) and sums which are the subject of proceedings or in arrear (9 920 221 EUA).

Table 14 shows the changes between 31.12.1976 and 31.12.1977, by country, in deferred levy for coal stocked during 1977.

B - Under financial debtors (3 481 515 EUA), a reduction of 4 518 385 EUA in comparison with the figure at the end of the previous year (7 999 900 EUA), there are included redemption premiums (1 397 870 EUA). These are debts owed to the Institution to be paid off by the loan service account and appear, as a counterpart under liabilities, in the form of an increase in borrowings outstanding.

In this item there also appear

- two debts under loans where the recipients have not made their annual repayments for some years now (988 946 EUA);
- two loan payments in arrear (38 513 EUA);

- a recoverable exchange difference (29 139 EUA) arising from the issue of a loan of £5 550 000 out of the proceeds of a borrowing of FF 50 million, with an exchange guarantee from the intermediary bank;
- late payments of coupons by certain financial organizations entrusted with the portfolio service of the ECSC (157 989 EUA);
- advances made to the European Communities from ECSC own funds to operate the scheme for loans to officials (171 248 EUA);
- an amount of DM 450 000 or 174 379 EUA overpaid in respect of the fixed sum for the administrative expenses of the ECSC;
- fines due from one undertaking (9 328 EUA);
- a debt for the rent of the building at Washington relating to the years 1972 to 1976 (32 051 EUA). This debt arises from bringing to account in EUA a debt due to the ECSC originally expressed in u.a. and settled by the administrative budget in US\$ at the rate of 1 US\$ = 1 u.a. When entering this item in the Balance Sheet, the Institution considered that 1 u.a. = 1 EUA. The difference for 1977 has not been brought to account (1);
- tax charged on coupons which has not yet been recovered (357 595 EUA);
- current bank transfers, banking errors not yet corrected and an exchange difference (124 457 EUA);

C - The item entitled "deposits for coupons and bonds due but not yet presented" (140 411 652 EUA) is designed to separate the Institution's free deposits from those which are made with the financial institutions entrusted with the service of coupons and bond redemption in order to cover their payments for these two purposes.

The increase of 77 275 201 EUA is due to the growth in the volume of borrowing, to payment dates close to the end of the year, to numerous delays in cashing coupons and to the premature repayment of two borrowing issues.

VIII - ACCRUED INCOME

101 513 751 EUA

This item covers interest and fees accrued but not yet due on 31 December 1977 (94 614 064 EUA) and levy declared (6 899 687 EUA) for the month of December 1977 but not yet paid.

(1) See comments under No. 7.2.3. (Part 2).

LIABILITIES

I - A - BORROWINGS

3 954 503 760 EUA

Table 15 shows, by currency, the original amounts of the 181 borrowings incurred and the balances outstanding at 31 December 1977.

During 1977 the ECSC received the proceeds of 31 borrowing operations in DM, FF, LF, £St, SF, US\$ and CAN \$ amounting to 727 378 908 EUA (in 1976: 31 borrowing operations for 1 004.85 million EUA). The total consists of US\$ 477 million, DM 382.43 million, FF 360 million, SF 160 million, £St, 20 million, CAN \$ 25 million and LF 500 million. The principal characteristics of each issue are shown in Table 16. The issues carry interest rates varying between 4.5% and 11.375%, the highest rates being those for two operations in FF (11% and 11.375%) and one operation in £ St. (9.625%).

Including borrowed funds not onlent at 1 January 1977, 119.1 million EUA, the Institution had at its disposal during the year resources amounting to 846.5 million EUA. Taking into account new receipts and repayments during the year (190 852 474 EUA), the total of borrowings outstanding shown in the Balance Sheet increased by 536 526 434 EUA.

Table 17 gives, in currency and in EUA, the main characteristics, the original amount and the amount outstanding at the end of 1977 of each loan contracted by the ECSC from the beginning of its activity to 31 December 1977.

I - B - REDEMPTION PREMIUMS TO BE PAID

1 397 870 EUA

This represents the sum of the premiums arising from the difference between the redemption price of certain loans and the issue price.

Thus the total for item I, including the two sub-headings A and B, i.e. 3 955 901 630 EUA represents the total ECSC debt including all obligations contracted, whatever their repayment or maturity dates.

II - RESERVES 317 500 000 EUA

A. Guarantee Fund 183 000 000 EUA

The Guarantee Fund, increased by 23 000 000 EUA is designed to cover any part of the service of borrowings by the ECSC which cannot be met out of receipts from the loans it grants and to cover any call on a Community guarantee for sums borrowed by undertakings directly from outside credit institutions.

B. Special Reserve 134 500 000 EUA

The Special Reserve, increased by 12 500 000 EUA, has been built up out of sources other than the levy. It is intended exclusively for financing programmes of social housing construction ever since, in 1970, sums earmarked for other purposes (interest reductions on loans for structural re-organization, assistance for coking coal etc.) were separated off and placed in appropriate provisions.

III - PROVISIONS 258 529 273 EUA

A. Provisions for financial assistance 190 166 658 EUA

1. Provision for Rehabilitation 119 292 465 EUA

There is a reduction of 10 678 801 EUA in comparison with 31.12.76 as a result of the following movements:

- provision at 31.12.76 (valued at 31.12.77)	129 971 266 EUA
-payments made in 1977 (Management Account rates)	- 30 752 995 EUA
- exchange adjustments of payments to rates at 31.12.1977 (1)	+ 86 821 EUA
- new sums paid in	+ 25 755 250 EUA
- cancellation of commitments	- 5 767 877 EUA
	<hr/>
	119 292 465 EUA

Decisions on assistance made in 1977 concern France (53.7%), Germany (23.1%), Belgium (16.5%) and the United Kingdom (6.7%).

(1) Given that the value of the payments figure quoted in the Management Account represents the sum of the EUA counterparts of each payment, the figure must be adjusted to obtain the value at 31.12.1977 rates. This is true also for payments for research and interest rate reduction.

Table 18 provides a summary by country and sector (coal and steel) of new intervention decisions taken during 1977, 58.5% of the total being for the coal sector.

Table 19 shows, by country and sector (coal and steel), the amounts covered by provisions at 31 December 1977. These amounts are to be compared with those existing at 31 December 1976, converted to the EUA rates at 31 December 1977.

2. Provision for technical and social research 51 235 811 EUA

The provision increased by 823 139 EUA in comparison with the situation at 31.12.76 (50 412 672 EUA) as a result of the following movements:

- provision at 31.12.76 (valued at 31.12.1977)	50 412 672 EUA
- payments made in 1977 (Management Account rates)	- 34 666 008 EUA
- exchange adjustments of payments to rates at 31.12.1977	- 158 218 EUA
- new sums paid in	+ 36 649 276 EUA
- cancellation of commitments	- 1 001 911 EUA
	<hr/> 51 235 811 EUA

Table 20 breaks down the provision by sector at 31.12.77. Table 21 breaks down the provision by sector and type of research.

New sums paid in are broken down as follows:

	Coal	Steel	Iron ore	Industrial Health, Safety and Medicine
1) New contracts	30	58	1	65
2) Riders	7	27		19
3) Payments in respect of 1) or 2)	15 900 900	11 453 800	526 500	8 116 667
4) Related expenses for dissemination of research results	145 200	506 209		

In the sector of industrial health, safety and medicine, the new amounts placed in provision during 1977 are divided into credits committed by duly signed contracts, contained in various general programmes or grouped in individual operations viz:

- safety in mines		585 635	EUA
- fires in mines		979 641	u.a.
- industrial safety		3 067 000	u.a.
- physiopathology	1st programme	3 000 000	u.a.
- physiopathology	2nd programme	3 500 000	u.a.
- traumatology		1 800 000	u.a.
- human ergonomic factors		3 200 000	u.a.
- burns		1 500 000	u.a.
- dust in mines		6 000 000	u.a.
- measures against air pollution in the steel industry		4 000 000	u.a.
- health in mines	3rd programme	6 000 000	u.a.
- arresting dams		432 420	u.a.
- technical measures against pollution in the steel industry	3rd programme	10 000 000	u.a.
- ergonomics and rehabilitation		9 000 000	u.a.
- rescue by drilling		218 299	u.a.
- physiopathology	3rd programme	5 000 000	EUA

3. Provision for interest reductions for industrial structural reorganization 8 173 171 EUA

The provision decreased by 779 012 EUA in comparison with the position at 31 December 1976 as a result of the following movements:

- provision at 31.12.76 (valued at 31.12.1977)	8 952 183	EUA
- payments made in 1977 (Management Account rates)	- 3 368 483	EUA
- exchange adjustments of payments to rates at 31.12.1977	- 91 042	EUA
- new sums paid in	+ 2 680 513	EUA
	<hr/>	
	8 173 171	EUA

New sums paid in concern 14 loan contracts signed to a total of 17 181 780 EUA.

4. Provision for interest reduction on industrial loans (Article 54) 6 890 211 EUA

In comparison with the previous year this provision shows a reduction of 2 288 374 EUA which is explained by the following movements:

- provision at 31.12.76 (valued at 31.12.1977)	9 178 585 EUA
- payments made in 1977 (Management Account rates)	- 3 601 807 EUA
- exchange adjustments of payments to rates at 31.12.1977	7 618 EUA
- new sums paid in	1 305 815 EUA
	<hr/>
	6 890 221 EUA

New sums paid in concern 7 loan contracts signed to a total of 76 729 624 EUA.

5. Provision for assistance to coke and coking coal 4 575 000 EUA

In comparison with the previous year this provision increased by 725 000 EUA as a result of the following movements:

- provision at 31.12.1976 (for the year 1976)	3 850 000 EUA
- payments in 1977	
. for the second half of 1976	3 165 000 EUA
. for the first half of 1977	2 110 000 EUA
- commitment for 1977	6 000 000 EUA
B. Other provisions	68 362 415 EUA

1. Future commitments (44 121 877 EUA) represent a reserve showing the total of decisions taken by the Institution alone which is given nine months in which to obtain the signatures of the other contracting parties in relation to:

- technical and social research	15 510 832 EUA
- interest reduction (Article 54)	4 744 909 EUA
- interest reduction (Article 56)	23 866 136 EUA

The movements leading to the build-up of the total amount for future commitments at 31.12.1977 (28 611 045 EUA) for interest reductions are analysed in Table 22.

2. Miscellaneous Provisions (24 240 538 EUA) (1) consist of:

- the provision for doubtful debts "borrowed funds" (1 588 538 EUA) refers to interest and repayments owing by two undertakings which had received loans out of borrowed funds and to two loan payments in arrear (see item VII. B of the Assets);

- the provision for depreciation of portfolio (822 000 EUA) even though the difference between the purchase price and the market value of the portfolio at the date of the Balance Sheet shows an appreciation of 51 489 RUA;

- a provision for economic and budgetary risks of 3 830 000 EUA intended to cover shortfalls in levy receipts;

- a provision for the 1978 budget (18 000 000 EUA) intended to set aside receipts from interest and from loans out of own funds for application to budgetary expenditure in the coming year.

IV - FORMER PENSION FUND 39 916 421 EUA

The variation in comparison with the total of this fund at 31 December 1976 (39 204 526 EUA) is explained by the attribution of interest paid on loans made out of the fund (686 603 EUA).

V - MISCELLANEOUS 146 355 499 EUA

A. Coupons and bonds payable 140 411 235 EUA

This item represents the debt arising from coupons and redeemable bonds not yet presented. It corresponds under Assets to funds deposited with banks to enable them to meet these claims.

B. Sundry creditors (5 944 264 EUA) comprises various debts arising from:

- fines in course of being recovered (9 327 EUA)

- sums deducted in 1977 for insurance on loans granted to officials to finance their personal housing (14 777 EUA)

- banking errors being corrected (9 EUA)

- sums to be repaid to the Commission of the European Communities for payments made on behalf of the ECSC for technical research (4 683 345 EUA)

- interest on loans made out of borrowed funds paid in advance by the borrowers (802 792 EUA)

(1) These are really a collection of funds put into reserve. They are different from provisions for assistance, where a contract has been signed, and from provisions for future commitments, where the element of reserve is diminished by the fact that a decision has been taken and awaits agreement with the beneficiary. In the interests of clarity this difference should be made apparent in the Balance Sheet.

- a recoverable exchange difference of 29 139 EUA arising from the issue of a loan of £5 550 000 out of borrowed funds of 50 million FF, an operation which carries an exchange guarantee by the intermediary bank. This item also appears in the Balance Sheet (see item VII. B of the Assets).
- an amount still payable in respect of aid to coke and coking coal (254 491 EUA)
- the provisional profit of 150 384 EUA arising out of the sale of \$2 000 000 of the ECSC \$ stock 77-79 with an undertaking to buy it back at the same price in 1978.

VI - ACCRUED LIABILITIES 128 950 122 EUA

This item records interest and commission accrued but not yet due at 31 December 1977.

VII - UNALLOCATED BALANCE 85 592 EUA

ANALYSIS AND COMMENTS ON THE REVENUE AND EXPENDITURE ACCOUNT

(MANAGEMENT ACCOUNT)

EXPENDITURE

I - SERVICE OF BORROWING AND GUARANTEES 312 228 992 EUA

This expenditure represents interest due on borrowings by the ECSC (298 603 376 EUA), fees to custodians and agent banks (2 881 324 EUA), miscellaneous expenditure (1 030 814 EUA) and writing off issuing costs of borrowings (9 713 478 EUA).

Miscellaneous expenditure (1 030 814 EUA) comprises):

- the premium on the 1977 repayment instalment (890 032 EUA) of a French borrowing (12% of the nominal value).

- direct expenditure on printing, publication, stock exchange quotation and safekeeping fees (107 727 EUA);

- a loss on the sale of ECSC securities (33 055 EUA).

II - BUDGETARY EXPENDITURE 95 385 421 EUA

This heading covers a contribution to the administrative expenses of the Communities, expenditure on research, on rehabilitation, on aid to coke and coking coal and on interest rate reductions on loans for structural reorganization loans (Article 56 of the Treaty) and on industrial loans (Article 54 of the Treaty).

A. - Administrative expenditure amounts to 18 000 000 u.a. (17 712 127.75 EUA). It is an integral part of the budget of the single executive and represents the ECSC's annual contribution to the administrative expenses of the Commission of the European Communities, under Article 20, paragraph 2 of the Treaty which merged the executives.

Payment of the contribution for 1977 was made in accordance with the internal rules for drawing up and executing the ECSC operational budget, which have been in force since 2 August 1976. These rules provide that the amount to be paid in the different national currencies for each Budget - u.a. shall be proportional to the amount of those national currencies comprised in the EUA.

Payments were made in eight currencies, as shown in Table 23.

B. Expenditure on rehabilitation was 30 752 995 EUA.
The percentage breakdown by country is as follows:
Belgium 5.5% - Germany 17.5% - France 42.2% - Italy 0.1%
- Netherlands 12.5% - United Kingdom 22.2%.

C. Expenditure on research totalled 34 666 008 EUA and breaks down by sector as follows:

- technical research-iron ore	913 615 EUA
- technical research-steel industry	12 816 019 EUA
- technical research-coal	13 112 512 EUA
- research on industrial safety, health and medicine (including related costs of dissemination and experts' travelling (69 969 EUA)	7 127 863 EUA
- expenditure on the dissemination of research findings :	
. Steel Research	646 534 EUA
(including 18 429 EUA as a contribution towards the cost of filing and keeping patents)	
. Coal Research	49 465 EUA
(including 19 903 EUA towards the cost of filing and keeping patents and adjusted by taking into account the receipt of 5 769 EUA in royalties).	

D. Assistance under Article 56 (3 368 483 EUA) was mainly (3 245 523 EUA) made to reduce interest on loans granted by the ECSC for industrial structural organization, while the rest (122 960 EUA) was paid to undertakings to reduce the interest on loans from other sources.

Assistance granted to reduce the interest on loans under Article 54 of the Treaty (3 601 807 EUA) was to help finance investment meeting certain specific criteria in coal and steel undertakings. The payments were related to loans granted by the ECSC itself.

By means of this assistance the Institution gives a temporary (5 years) reduction of interest on the whole or part of loans out of borrowed funds. For the last 2 years the reduction has been of the order of 3 percentage points. Until 30 June 1976 the assistance took the form of a reduction in the contractual interest rate. In order to keep this separate from the loans and borrowings service account, the Institution draws the cost of the assistance from its own funds - thus making it budgetary assistance - and transfers it to the loan service account which is thus credited with the full rate of interest. For assistance granted from 1 July 1976 the beneficiaries pay interest at the full nominal rate and the Institution refunds them the amount of the assistance.

Assistance towards loans from other sources is drawn directly from own funds and paid to the beneficiary.

E. Community aid to coal and coking coal (5 275 000 EUA) comprises a part of the Community contribution for 1976 (3 165 000 EUA) and for the first half-year of 1977 (2 110 000 EUA) on the basis of Commission Decision 287/73/ECSC.

III - OTHER EXPENDITURE 84 010 EUA

Connected with the ECSC's strictly financial activity this expenditure comprises portfolio management costs (76 636 EUA), sundry banking charges (5 062 EUA) and costs connected with the Washington premises (2 312 EUA).

IV - EXCESS OF INCOME OVER EXPENDITURE 38 264 704 EUA

This balance was allocated to various provisions.

REVENUE

- SERVICE OF LOANS AND GUARANTEES 326 592 113 EUA

A. Income from the service of loans from borrowed funds (326 498 993 EUA) is made up of interest on loans granted by the ECSC (306 087 825 EUA), interest credited to the loan service account (10 307 934 EUA) and miscellaneous receipts (10 103 234 EUA).

1. The first item (306 087 825 EUA) is the total of interest due for 1977 on loans from borrowed funds.

2. Interest credited to the loan service account (10 307 934 EUA) comprises interest (10 237 493 EUA) on borrowed funds not yet lent, calculated at the average yield on liquid assets, and the proceeds (70 441 EUA) from a variety of operations connected with the deposit of funds, by the loan service (transfer of borrowed funds, balances on interest transactions, bank deposits made for the service of ECSC coupons).

3. Miscellaneous receipts (10 103 234 EUA) are made up of:

- assistance payments to reduce the interest on loans made by the Institution under Articles 56 (2 930 749 EUA) and 54 (3 180 066 EUA) of the Treaty. These payments recoup the loan service account for the loss of income arising from the temporary reduction from the full rate of interest on these loans. The payments count as budgetary expenditure in the same way as assistance applied to loans from outside sources and, as such, appear in the commentary to item II. D (expenditure); the differences between the figures quoted under this heading arise from the application of the new system of direct refunds (see the above-mentioned commentary);
- a profit (2 960 403 EUA) realized by the Institution on the purchase and cancellation of ECSC bonds;
- issue premiums (980 836 EUA) obtained on 2 loan stock issues in US\$ and one in CAN\$;
- sundry receipts of 51 180 EUA (tax refunds, time-expired coupons, adjustments etc.).

B. Guarantee fees (93 120 EUA) are what is received by the Institution in return for guaranteeing loans contracted by Community undertakings.

II - INCOME FROM THE LEVY

86 840 594 EUA

This income comprises the whole of the amounts declared for 1977, including those for December 1977 which are payable in 1978.

Table 24 gives a breakdown by country and product group of the levy declared and brought to account in 1977 and the percentage for each country of the total and of each product group.

Table 25 shows the changes in the share of each country in the levy paid from 1976 to 1977.

In its Decision 3115/76/ECSC of 20 December 1976 the Institution kept the rate of levy for 1977 at 0.29% of the average value per tonne of the different types of chargeable product. There was however a change in the method of fixing these values.

The revision of average values consists of a new scale for the amount of a chargeable product which is deemed to be consumed in the process of production of a chargeable product; the chargeable amount of this latter product is thus reduced. The amounts consumed per tonne are fixed as follows for each product:

Products	Amount Consumed
Brown coal briquettes and semi-coke derived from brown coal.	0.03 tonnes of brown coal briquettes and semi-coke derived from brown coal.
Hard coal of all categories.	0.14 tonnes of hard coal.
Pig-iron other than that used for making ingots.	0.774 tonnes of hard coal.
Steel in ingots.	0.450 tonnes of hard coal.
Finished products of iron and steel.	1.262 tonnes of steel

The revision of average values (1) forming the basis for the levy gives the following result :

Product	Average value per tonne in EUA
Brown coal and briquettes and semi-coke derived from brown coal.	20.97
Hard coal of all categories	35.24
Pig-iron other than that used for making ingots	148.06
Steel in ingots	148.35
Finished products of iron and steel	247.25

The two tables taken together give the following scales per tonne for 1977 (2)

Briquettes	0.06081
Coal	0.10220
Pig-iron	0.35027
Steel ingots	0.38423
Finished Products	0.17409

Although, since the coal crisis of 1958, the proportion of the total levy contributed by the steel industry increased annually for many years compared with that of the coal industry, this tendency has been reversed recently. This phenomenon, illustrated by the diagram in Table 27, is explained both by the difficult economic position of the steel industry and by the energy crisis which has encouraged the use of sources which, like coal, had been abandoned due to their excessive cost.

In 1977 the downward tendency of the proportion contributed by steel (78.7%) was accentuated; in fact it showed a negative rate of growth (-3.9%) while that of the coal industry 23.3% increased by the same proportion. The same result is obtained by examining absolute figures.

The decrease in levy receipts from the steel industry, about 9 million EUA, was partly offset by the increase in receipts from the coal industry (about 3 million EUA).

(1) An operation carried out annually since 1.1.1973
(Decision 2691/72 of 18.12.1972)
O.J. L 286 of 23.12.1972.

(2) C.f. also Table 26 setting out, by category of chargeable product, the changes since 1953 in the rates of levy and in the scale of net levy per tonne.

Table 28 shows the changes in the proportion of total receipts from the levy, from the inception of the ECSC up to 1977 accounted for by the four categories of chargeable iron and steel product. The proportion for each product is expressed as a percentage for each year, the total receipts of levy on iron and steel being equal to 100%. It should be borne in mind that from 1 January 1976, when a single category was created for all steels, the table shows only 3 categories.

III - OTHER INCOME

32 530 420 EUA

This heading covers interest from bank deposits and portfolio (30 430 795 EUA), interest on loans out of own funds (2 011 932 EUA), fines and surcharges (8 109 EUA), miscellaneous income (36 398 EUA) and the net effect of adapting transactions to the currency equivalents of the EUA (43 186 EUA).

A. Income from bank deposits and portfolio was 30 430 795 EUA. The overall average annual yield (1) on funds managed by the ECSC was 8.38% (against 7.95% for 1976).

Table 29 gives a breakdown by country of the income for 1977 from the ECSC's investments. This includes income from bank deposits and portfolio securities and the profit or loss from the redemption or sale of bonds held by the institution.

In the case of revenue from the bank accounts and investments of the ECSC it should be noted that:

- interest comprises receipts in 1977 (less interest accrued at 31 December 1976) plus the accrued total pro rata at 31 December 1977;
- the income shown in Table 29 is gross income. Costs incurred in the ECSC's bank operations and the constitution and management of its portfolio (particularly in buying and selling securities) are accounted for under the heading "financial costs".

(1) Based on the relationship between interest generated by non-borrowed funds and the arithmetical average of the ECSC's financial assets during the year.

B. Interest on loans out of own funds, which are generally made at a very low rate of interest (1%) for a rather long term, amounted to 2 011 932 EUA.

C. Surcharges (6 434 EUA) come from eight cases and fines (1 675 EUA) from three other cases;

D. Miscellaneous income (36 398 EUA) comprises the amount received as rent for the premises in Washington (36 318 EUA) and the proceeds of sundry transactions (80 EUA).

E. Exchange adjustments (43 186 EUA) represent the net effect of adapting transactions to the end-year currency equivalents of the EUA.

CRITICAL PART

COMMENTS

1. THE LEVY

In the 1976 Report (No. 36) it was pointed out that in the absence of any indication of the date of payment by the undertaking, it had been impossible to check that the amount collected in currency was correct.

A solution was found to this problem for 1977. It will be recalled that, although calculated in EUA, the levy is received in national currency at the rate of the day before the date of payment (Article 3 of Decision 3289/75/ECSC of 18 December 1975). A large number of undertakings send a copy of their bank transfer to the Institution, at the time of each payment, this being the only means of knowing the actual date of the payment.

1.2. As is known, income from the levy may, under the specific and restrictive terms of the Treaty of Paris (Article 50), only be applied:

- to administrative expenses under Article 78,
- to assistance to rehabilitation under Article 56,
- to assistance to technical and economic research under Article 55, paragraph 2,
- should the case arise and only after calling on reserves, to a deficit in the loan service account or a call on the Institution as guarantor of outside loans raised by undertakings.

Funds applied during the year to purposes which may not be charged to the levy were compared with the total of other income received in the year.

The considerable difference, as appears in the table below, makes it possible to confirm that expenditure for these purposes has not been charged to the levy.

Expenditure (other than loan service) EUA	Receipts (other than loan service) EUA
Interest reduction, Art. 54 1 305 815	Interest on deposits and portfolio 30 430 795
Interest reduction, Art. 56 2 680 513	
Future commitments (for interest reduction) 18 889 026	Fines and surcharges 8 109
Other expenditure 84 010	Interest on own funds 2 011 932
<u>22 959 364</u>	<u>32 450 836</u>

1.3. The Institution considered that, by reason of the deterioration of market conditions, the interval between the production of chargeable products and the receipt of the proceeds of sale was two good months in most current circumstances. It therefore decided (1) to extend the date for payment of levy on coal and steel to the 25th of the second month after the month of production.

This decision explains the reduction in cases in arrear or subject to proceedings (see analysis of the Balance Sheet, Asset, item VII. A.).

Moreover, the Institution collected during 1977 8 109 EUA in penalties for late payment from three undertakings by sending a simple demand without having recourse to a formal notice under Article 36 of the Treaty.

The Institution made individual decisions constituting writs of execution under Article 92 of the Treaty against two steel undertakings which had not paid the levy due in spite of having received formal notices.

Two fines were imposed under Article 47 of the ECSC Treaty on an undertaking which had been subjected to two inspections in 1977 and one in 1978.

Sums demanded as surcharges and fines are recorded separately and only brought to account as receipts when they are received.

1.4. The Court addressed itself to the procedures for ensuring full collection of the levy.

In the nine Member States the Institution's list shows 430 undertakings covering 584 plants divided between 47 collieries and 537 iron and steel works.

This list should be kept continuously up to date. It is possible, as pointed out in previous reports, that certain small United Kingdom collieries and steel-works not part of the British Steel Corporation or the National Coal Board and not belonging to a national association might not yet have been included in the list.

(1) Decision 1968/77/ECSC of 22.7.1977,
O.J.L 187 of 27.7.77.

OVERALL COMPARISON OF FIVE CATEGORIES OF PRODUCTION DECLARED AND PAID ON UNDER THE LEVY WITH THE FIGURES OF THE STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES FOR 1976 (tonnages).

Category of chargeable products	Production according to SOEC statistics (in thousand tonnes)	Production declared and paid on under ECSC levy (in thousand tonnes)	Remarks
HARD COAL	247.695 - 34.677 (14% for in-plant consumption)	192.343 + 8.899 (for stocks of coal granted temporary "deferment of payment")	Our figure 11.776,000 tonnes lower for production declared for the levy, particularly in respect of non-chargeable declarations for -18% flat-rate reductions on production by enterprises which have no washing plant of their own - production by enterprises falling below the monthly declarable minimum of 100 EUA.
BROWN COAL BRIQUETTES	4.390 - 132 (3% for in-plant consumption)	4.258	Our figure 26.000 tonnes higher for production declared for the levy.
PIG IRON	4.644 broken down into: a) phosphorus 386 b) non-phosphorus 3723 c) spiegel and ferromanganese 888 d) special pig-irons 300	5,326	Our figure 91.000 tonnes higher for production declared for the levy despite the fact that: (a) ferromanganese containing more than 30% manganese is not subject to the levy (b) non-integrated small and medium-sized foundries producing their pig-iron in cupola furnaces are exempt from the levy.
STEEL IN INGOTS	134.034 - 1.788 (liquid steels for casting)	132.246	Our figure 99.000 tonnes higher for production declared for the levy.
FINISHED PRODUCTS	97.217 - 160 (for cold rolled sheets over 3mm)	96.950	Our figure 107.000 tonnes lower for production declared for the levy, in respect of tonnage of tube rounds and squares produced by continuous casting included in the official statistics but not, as finished products, declared for the levy.

In conjunction with the responsible officials of the Levy Office the Court compared the tonnages declared and paid on under levy in 1976 with the production figures collected by the Statistical Office of the European Communities for the same year. This comparison - which clearly can only be done a year in arrear - covered five categories of chargeable product which lend themselves to comparison using the necessary adjustments.

For hard coal there is a considerable difference (11 776 000) between production declared for levy and that reported by the Statistical Office. According to information provided by the Institution this difference can be explained by the difference between the returns.

Production declared for levy is expressed in tonnes of product while that declared for statistical purposes is expressed in tonnes of coal-equivalent.

Unlike other adjustments which can be worked out mathematically this explanation can only provide an approximation giving no certainty. For this reason the comparative table below summarizing these results cannot, as in the past, give a reasonable assurance that collection of the levy is complete.

1.5. Ten audit visits by the inspectorate were carried out in 1977 (against 29 in 1976) on undertakings subject to the levy (3 in FR Germany, 1 in France, 5 in Italy, and 1 in the United Kingdom). At 23 January 1978 the reports on all of these audits had been submitted. They have all been worked on by the responsible staff of the Institution but not all have been closed.

An examination of the reports shows that 4 called for no special observations and that 6 called for observations or supplementary declarations but have been settled.

Correcting payments of levy on products in pig-iron and rolled steel cover a total of 161 028 tonnes, most of which refers to one undertaking. This undertaking has been engaged in the production of rolled steel since 1972 and put an electric furnace into production in 1975. The ECSC did not list the undertaking until 1977. It ~~had~~ never declared its production: a fact which the management explained by stating that it had not known of even the existence of the ECSC. In this case the correcting payments of compulsory levy relate to 98 400 tonnes of rolled steel for the period from 1972 to 31.5.1977 and 61 611 tonnes of production from the furnace between 1975 and 31.5.77. The undertaking has promised for the future to keep its records in accordance with the ECSC requirements and to send regular statements.

In another case it was necessary to carry out two audits of the same undertaking which had owed the levy since September 1976. By an individual decision in 1977 its total debt (principal and penalties) was set at 32 272 EUA..

In yet another case defects in the undertaking's records made it difficult to come to a conclusion about its actual production.

The audit reports show that a large part of the differences between quantities declared for levy and actual production is traceable to a lack of information in the undertaking about which products are subject to levy. As previous reports have pointed out, the audit function should be extended and made more systematic not only to protect the revenue of the Community but also to raise the level of information in the chargeable undertakings.

Adequate measures should also be adopted to complete the list of chargeable undertakings; the above-mentioned case of an undertaking which started to pay the debt 5 years after the due date only because of the chance discovery of its business says a great deal in this respect and cannot be an isolated case.

Finally the concern expressed at the statistics brought together in the comparative table commented on above confirms the need for an enquiry into those enterprises liable to levy and the accuracy of their statements.

2. REHABILITATION

This chapter is concerned mainly with analysing reports of the management services of the Commission.

2.1. The services of the Commission, (the Institution) forwarded the reports on 9 audits carried out in 1977: 4 in France, 1 in Belgium, 2 in England and 2 in the Netherlands.

2.1.1. In France the inspections took place at the office of Labour and Manpower in the department of Bouches-du-Rhône and at collieries in the Loire, Provence and Aquitaine coal-fields.

The reports enable the following to be established:

2.1.1.1. The claims for refund sent to the Commission are supported by computer-produced statements. The audits - carried out by checking a sample of individual cases - were therefore directed to reconciling the claims for refund with the documents established at the start of each computer processing. A number of mistakes were found either in the data themselves - causing recipients of ECSC assistance to be wrongly classified - or in feeding the data to the computer.

It was also noted that the multiplicity of factors making up eligible expenditure (basic salaries, premiums, travelling costs etc.) inevitably leads to the need for frequent corrections.

2.1.1.2. These on-the-spot audits were also directed to the state of progress of certain ECSC assistance operations and discovered discrepancies of delays caused:

- by difficulty in obtaining from the appropriate authorities - at the stage of calculating the allowances - the value of the fixed parameters to put into the computer programmes (Aquitaine)
- by incomplete up-dating of these parameters and of their values, which entailed subsequent corrections (Loire, Aquitaine)
- by an error on the part of the office of the department in the issue of ECSC cards for a group of employees in one undertaking, which caused a certain delay in processing the ECSC assistance which had actually been paid to this group of employees (Bouches-du-Rhône).

The occasion was taken to draw the attention of Charbonnages de France to a change of procedure which slowed down accounting audits: in Houillères des Bassins de la Loire et d'Aquitaine the actual extent to which a retirement is premature no longer appears in the refund statement. It is therefore necessary to calculate the period from the date of birth and the date of premature retirement.

2.1.2. In Belgium the Institution concentrated mainly on testing a new computer programme which will make it possible to detect cases where a worker, having received a premium on leaving a coal-mining job, is employed by another undertaking in the same industry.

2.1.3. In the Netherlands the audits were carried out at the headquarters of the Administratiekantoor Zuid - Limburg and of the employment directorate. They concentrated on assistance granted at different times and consisted of:

- overall checks on the expenditure declared and audit of it by comparing the amounts declared each month with the computer statements
- checks on individual cases, either completely or by sample, in order to back up the overall checks on expenditure.
- examination of financial reports.

Once again there were considerable delays in forwarding by the national authorities to the Commission of a number of claims for refund. This makes checking more difficult on account of variations in social regulations.

On this subject it may be mentioned that the Institution refused to entertain a claim for incentive or loss of wages allowances for the period 10.2.67 to 25.4.1968 in view of the delay in presenting it and of the claimant's inability to produce supporting vouchers.

2.1.4. In the United Kingdom one inspection took place at a nationalized undertaking and the other at a private firm. Nothing wrong was found.

2.2. The audit reports forwarded to it have enabled the Court to draw the following conclusions, some of which appeared in earlier reports.

2.2.1. The quality and extent of the internal audit:

- Internal audit by the Institution is not frequent enough; it is only sporadic although assistance is growing in volume, reaching some 52

million EUA over the last two years and, in the past year, represented the allocation of 35.4% of income from levy.

- The audits carried out were confined to book-keeping matters; only too often this limitation and the brief time allowed do not lead to anything more than a simple statement that "no irregularity was found".

Over and above book-keeping matters it would be desirable to examine the efficiency and effectiveness of the assistance.

To this end:

Research would seem indicated into the social impact of the assistance taking account of the situation of a group of undertakings whose labour requirements might be related. Greater importance should be attached to the economic application of rehabilitation operations in view of rapid changes in the economic climate.

It is essential to examine the results of the rehabilitation which has been financed, in particular whether workers who have taken part in training periods have found new jobs and how far the recipients of assistance have been re-employed in undertakings which have undergone conversion etc.

- Without changing the present conception of the internal audit It should be improved and applied to further matters. In this connection:
 - . it should be verified that the recipients are in fact qualified under the conditions for the granting of assistance.
 - . the checking of procedures used should be more coherent since examination of the computer procedures in Member States has shown that they are not immune from error in the supply of data, in up-dating fixed parameters or even in the design of programme which might not take care of particular cases.

2.2.2. Technique for drawing up reports:

- They give little information on the scope of sampling in relation to the number of documents examined, the amounts involved or the sampling technique used.
- Sometimes they do not even indicate the nature of the transactions being examined, the Commission decision concerned or even the total amount of assistance given. It is therefore impossible to know the relative importance of the assistance being audited.

3. TECHNICAL AND SOCIAL RESEARCH

3.1. Examination of new contracts and riders

Our examination of these contracts and riders leads to the following comments.

3.1.1. There are still very long time-lags between decisions and the signature of contracts. Moreover the majority of contracts are signed after the date for the beginning of the work. This situation, as in the past, gives rise to anomalies which go as far as providing in the contract for a commencement date several months earlier not only than the date of contract but even of the decision authorizing it.

We have been told that this practice is explained mainly by the time taken to translate and present the preliminary documents in 6 languages. This is however not valid for riders which nearly always do no more than extend the period of the research. There is generally a period of three or four months between the recipient's request for an extension and the signature of the rider. It even happens that the body concerned continues the work beyond the expiration date of the contract without authorization: the Institution is then obliged to draw up an extension contract with retrospective effect.

3.1.2. Although riders are almost exclusively concerned with extending the period of the research, in some cases they provide for a reallocation of expenditure.

The Court considers that when there is a fundamental change of subject in a research project the rider should also include amendment of Annex I of the contract (purpose and structure of the research).

A research contract designed to develop an effective method of combatting dust in mines, signed in 1965 for an initial period of two years, was extended to 31 December 1974 by four successive riders. The original contract covered trials of a drilling machine of a particular type. The trials having proved unsuccessful, the recipient, arguing that funds were still available, turned his efforts to other types of boring machine, the last one of which was the subject of another ECSC grant under the programme on mechanised gallery excavation. The extension riders made no reference, as they could have done, to the description of the structure of the research. The Institution points out that at the time the original contract was signed there was no provision for a technical annex and therefore the riders did not need to refer to it.

3.1.3. Research contracts contain only rarely a quantitative statement of the work. Under the programme "Chronic respiratory complaints", the recipient of a grant stated in his application that he intended to examine 1 500 sufferers. Annex I to the contract does contain the structure of the research but makes no mention of this quantitative factor.

3.1.4. It should be noted that the "Internal Rules on the Drawing up and Implementation of the Operational Budget" provide in Article 28:

"..... expenditure to be taken into account may not have been effectively incurred before the date of decision to put money in provision, in the case of new research projects.....".

The Institution deduces from this, reasoning a contrario, that expenditure is allowable if it is incurred after the decision but before the signature of the contract.

The Court considers that, in any case, payments should have a legal basis and that any which relate to matters prior to the signature of the contract should be covered by a retrospective clause. It is important that the principle that any financial obligation should derive from a contract between the parties be strictly observed ; the Institution should ensure the contracts are signed before the work begins, departures from this rule being allowed only exceptionally and for as brief a period as possible.

3.2. Examination of the register

The register started by the Institution in 1973 makes it possible to analyse the rate of execution of research projects.

3.2.1. It was ascertained that in the coal sector the closing date for 28 research contracts fell in the period 1 July 1976 to 30 June 1977. They have all - with three exceptions - been subjected to the final financial examination. In two cases not yet closed the recipient has sent in his final scientific report and they may be expected to be closed soon. Five of the cases examined had closing dates before 1 July 1976.

3.2.2. In the steel sector 81 research contracts reached their closing dates in the period 1 July 1976 to 30 June 1977. 56 of them have been subjected to the final financial examination.

The number of cases closed in 1977 was 101, of which 19 go back to before 30 June 1976.

It should be pointed out, however, that 25 recipients have still to send in either the final financial report or the scientific report.

3.2.3. In the industrial safety health and medicine sector the analysis shows that 62 research cases not yet closed had closing dates of 30 June 1977 or earlier, of which 12 were before 30 June 1976. Of the 62 research cases not closed, 12 cases are in order as to submission of the financial and scientific reports and 22 have been subjected to a final or interim financial examination on the spot.

3.3. Examination of closed cases:

The Institution sent 174 cases to the Court for examination, against 64 in 1976.

Examination of the files leads to the following comments on a number of aspects of the management of the Institution.

3.3.1. Progress on closing cases

Closing operations have shown a definite effort to speed up the work and the production of files.

3.3.2. Residual value of equipment

It is known that generally the residual value of equipment bought by the recipient is deducted from the grant when the final account is drawn up.

It was suggested that a rate of depreciation should be laid down at the time of the contract according to the nature of the equipment and to the possibility of its subsequent use, but the Institution thought it better not to bind its hands from the outset and preferred a case-by-case estimation of residual values.

Although it is perhaps difficult to generalize a priori about a system for determining residual values, the Court considers that there is a great deal of room for improvement in what now appears to be a discussion without any real basis. To this effect the technical officer responsible could often give authoritative support to his colleagues charged with settling the financial account.

3.3.2.1. For a research project started in 1970 on the automation of continuous rolling mills, the beneficiary acquired a digital calculator costing BF 1 416 042 of which BF 570 000 was for peripheral equipment. To this must be added BF 15 386 990 for installation costs, site preparation and wiring.

At the final settlement in 1976 the beneficiary and the Institution agreed a residual value of BF 1 500 000 on the grounds of technical advances in this field since the start of the work. The Institution states that in determining the residual value only the peripherals and site preparation were taken into account.

Although considerable advances have been made in electronics, especially in minaturisation and the reduced cost of equipment, it should be borne in mind that equipment bought for research in the industrial field can either be used for later research projects or integrated into the manufacturing process. Reduction of sale value should not be the only criterion for determining depreciation.

3.3.2.2. For a research project in welding the beneficiary constructed an apparatus for causing and measuring fatigue. The apparatus was regarded as having no residual value at the end of the research without regard to its components, which included several measuring instruments. According to the information we have received it was a prototype for which the recipient had no further use after the end of the contract.

3.3.2.3. For a research project into precipitation phenomena under a global programme "physics of metals", the recipient (an institute specializing in metallurgical research) brought into account equipment at a cost of DM 122 651.56.

The residual value set (and accepted without modification by the Institution) was DM 14 072.83.

The purchases included pumps, regulating and measuring instruments and even a pocket calculator, which was considered to have no residual value.

3.3.2.4. The recipient of a grant for a study of the cross-section of hot-rolled wire bought 4 measuring instruments 3 months before the end of his work.

The Institution made a heavy reduction for this equipment. Questions could be asked however, about the technical progress of a research project into measurements lasting 2 years for which equipment was bought in the last months of the contract period. We noted that the recipient emphasized the need for this equipment. in order to complete the work.

3.3.2.5. For a research project into the automation of blast-furnaces the value of the equipment was carried over to another project undertaken by the same recipient.

It is to be noted that at the final financial inspection on the spot no representative of the technical Directorate-General accompanied the representative of the Directorate-General for Budgets, who would have had difficulty in setting a residual value.

3.3.3. Adivisability of Riders

The signature of a rider has no real meaning unless it is done in time. In this respect we note that a project on the "Effect of Dust on Chronic Respiratory Complaints" should have been finished on 30.6.1974.

A rider was signed on 24.7.1975 extending the date to 30.10.1975.

According to indications on the file, the final scientific report was sent in on 29.4.1975, which date should be considered as bringing an end to the work and, as a consequence, to the contract.

Furthermore an apparatus acquired on 4.1.1971 (the date of the suppliers' invoice) and paid for by the recipient on 5.12.1971 was charged to research funds.

The Court considers that in such a case it is the date of the invoice, not the date of the payment, which determines the date of acquisition. As this was before the period of the contract the expenditure should have been struck out of the account.

The Institution states that the apparatus was delivered on trial and that payment did not take place until after a trial period.

3.3.4. Exceeding of estimates

Where the original estimate has been exceeded by any significant amount, there should always be a clear explanation.

3.3.4.1. The file on a research project into distortions in underground workings shows in the final account personnel costs of BF 7.6 million whereas the estimate was BF 3.6 million.

In the same project 50% of the remuneration of a member of the management was allocated to the research. Such a high proportion also deserves some explanation in the file.

3.3.4.2. Another file on research into the application of soil mechanics shows total expenditure as much as 4 times the original estimates. When the Commission asked for explanations the recipient gave only general replies which did not justify the excess.

The Institution is of the opinion that the nature of the research in question did not lend itself to accurate estimating.

3.3.5. Delays in completing work

The Court has discovered several cases where considerable delays occurred, very often without any satisfactory explanation on the file.

3.3.5.1. The same observation can be made about a project on dust in mines. The work was to be completed by 31.12.1975. It was not until 3.3.1976 that the recipient informed the Institution of his intention to abandon the research. This information did not cause any immediate reaction by the Institution; it did, however, come to the conclusion on 28.4.1977 that the recipient should refund the whole of the amounts paid together with interest on the bank account opened for the purpose of the project. A claim for repayment has been sent to the recipient.

3.3.5.2. A project on the structure, heterogeneity and inclusions in ingots should have been completed on 30.9.1976 but was not until the 28.11.1977.

No note on the file - meanwhile closed - explains this delay.

3.3.6. Delays in terminating projects

3.3.6.1. Delays in closing the file were in general due to misunderstandings between the scientists in charge of the research itself and their controlling body.

The following examples may be cited:

Four research contracts signed with the same hospital complex under the programme "Traumatology and rehabilitation", with a closing date of 31.12.1971, had not yet been closed in 1977. No extending rider had been signed.

A research project under the programme "Chronic Respiratory Complaints" was to have been finished by 31.1.1976.

On 11.6.1975 the recipient reported that the work had stopped and asked the Institution to close the accounts. They were not closed until 24.1.1977, when a fund of FF 74 075.72 which had been kept in reserve could finally be extinguished.

Similar occurrences have been noted before (1).

To avoid this, contracts signed with scientific bodies should contain clauses more effectively protecting the Institution against the prejudicial effects of serious delays in the submission of scientific reports and financial accounts.

(1) See the 1976 Report point 44.43.

3.3.6.2. Over the total of the three research sectors - coal, steel and industrial safety, health and medicine - the Court has attempted a quantitative assessment of the consequences of settlement delays in terms of the amounts kept in reserve.

The Court has taken into consideration in this assessment the amounts paid in final settlement, interest on bank accounts held by recipients for their research and the cancellation of reserve funds.

We have counted as delayed in settlement only cases cleared up more than a year after the on-the-spot inspection or the receipt of the final technical report and the final payment.

Delays in settlement have been weighted according to the amounts kept in reserve. On this basis we estimate that some 800 000 EUA have been kept in reserve for nearly 20 months after the end of the administrative procedures represented by the on-the-spot examination of the recipient's accounts.

3.3.7. Setting of interest

3.3.7.1. The Court is unable to form an opinion on the yield from bank accounts as the files do not show the rates of interest.

3.3.7.2. The Institution met difficulty in establishing the interest earned on an account with the national bank of a Member State and credited with all assistance granted to a nationalized undertaking. Negotiations for a settlement of this question led to the cessation of advance payments; the Institution now pays its contribution only after the recipient has incurred the expenditure.

3.3.8. Payments and advances

3.3.8.1. The files passed to the Court show a total of 130 000 EUA for interest obtained by the recipients and deducted by the Institution from its contribution. Although this deduction reduces the Community's expenditure it does indicate that advances are paid out much faster than they are used.

The conclusion can be drawn that the Institution should follow more closely the rate at which its funds are used, since the receipt of a large sum in interest means delays in the work compared with the programmes in the contract.

3.3.8.2. On occasions the first payment by the Institution, made immediately after signature of the contract, is too large or even premature.

The example may be cited of interest earned on the bank account of a recipient of assistance for research in the field of industrialized building.

Interest of LF 100 814 was earned on the bank account credited with assistance of LF 4 800 000. Although the research was originally estimated to take two years, capital expenditure was not expected until near the end of the work. The first advance, in accordance with the terms of the contract, was LF 2 500 000 - more than 50% of the total assistance.

3.3.9. Checking by the Institution

In the course of a contract the Institution frequently undertakes an interim inspection which proves very useful, while no substitute for the examination which should take place at the end of the work. The Court considers that whenever possible the final examination should be done by the same team as did the interim inspection.

3.3.9.1. One project in the field of blast-furnaces was subjected to an interim inspection in the course of the contract. At that time a total expenditure of FF 305 248 50 was applied to the research. The file was closed at the end of the work without any further inspection on the spot although the recipient had applied a further FF 240 854.49, representing 46% of his original estimate.

3.3.9.2. An interim inspection on the spot should not dispense with the need for a final examination except in extreme cases.

A research project on the consumption of oxygen and cardiac metabolism under the programme "Chronic Respiratory Complaints" was inspected on 20.12.74 while the work was still in progress. A rider was signed on 24.7.75 extending the life of the contract to 31.12.75 and amending the estimated allocation of expenditure. No other inspection visit was made.

4. INTEREST REDUCTIONS ON LOANS FOR INDUSTRIAL STRUCTURAL REORGANIZATION
(Art. 56) AND INDUSTRIAL LOANS (Art. 54)

4.1. Three new decisions to grant interest reductions were based on the new criteria introduced in 1977 (1); one concerns a loan under Article 54 and two concern loans under Article 56.

4.2. The two decisions mentioned above, to grant interest reductions according to the new criteria for Article 56, related to instalments of two loans under Article 54 advanced in 1975 and 1976 respectively, thus confusing the scope of Articles 54 and 56.

This procedure amounts to considering that any restructuring operation under Article 54 is an "internal" restructuring (and that "jobs preserved" is the same as "jobs created"), even if the final result is a loss of jobs. This interpretation entails the grant, under Article 56, of interest reductions on ECSC loans to the steel industry even though they could and should have been made under Article 54, on which the loans themselves were founded.

In order to respect the necessary distinction between the fields in which Articles 54 and 56 of the Treaty are applied - for which the Institution has established different criteria for granting interest reductions - loans under Article 56 should be limited to investments which entail changes in the nature of the undertaking's activity whether into a steel activity or not. In other words the change should go beyond a mere restructuring having the effect of reducing costs or increasing productivity - these grounds being confined by the Treaty to action under Article 54.

(1) See OJ C 174 of 22.7.1977 for Article 54.
See OJ C 178 of 27.7.1977 for Article 56.

4.3. The restatement of the criteria for granting interest reductions on loans under Articles 54 and 56 represents a considerable step in the elaboration of a loans policy.

- For Article 54 the new criteria are intended to stimulate investments which show the greatest promise of restructuring the steel industry of the Community and re-establishing its long-term competitiveness. These new criteria, by going to the root of the steel crisis, do more than complement the criteria adopted in 1970 (1) and modified in 1974 (2).
- For loans under Article 56 it must be stressed that since 1967 they have all been made with an interest reduction on the whole or part; there is, however, no clear definition of the priorities determining the proportion to be assisted. The new criteria could become an important and coherent means of pursuing the essential purpose of Article 56 which is, on the one hand, to give former ECSC workers a priority in obtaining jobs which become available if they are still seeking employment and, on the other hand, to compensate for the loss of opportunities for employment and income in those regions which may be affected for several years even after the social problems of the ECSC workers directly concerned have been solved.

4.4. It must, however, be emphasized that the papers leading up to the three decisions to grant interest reductions under the new criteria do not contain any real analysis of the eligibility of the operations financed with the aid of loans under the new criteria.

(1) See O.J. C 73 of 18.6.70

(2) See O.J. C 146 of 25.11.74

5. COKE AND COKING COAL

5.1. State of the Accounts

5.1.1. Under the second system, to which financial transactions have been confined since 1 January 1976, accounts have been finally settled only for 1973 and 1974.

5.1.2. As accounts for 1975, 1976 and 1977 are not yet closed the figures in the table below must be considered provisional.

Countries	Tonnage declared	Tonnage eligible for assistance	Maximum tonnage eligible for assistance	ECSC contribution	
				Reference period	Period of payment
1975				u.a.	EUA
Germany	16 468 857	14 632 458	14 632 458	5 920 000	6 745 500
Belgium	221 909	-	-	-	-
France	132 000	102 095	102 095	-	-
Community	16 822 766	14 734 553	14 734 553	5 920 000	6 745 500
1976				EUA	EUA
Germany	13 700 000	13 700 000	13 700 000	5 645 000	5 645 000
France	4 000	4 000	4 000	-	-
Community	13 704 000	13 704 000	13 704 000	5 645 000	5 645 000
1977 (1st half)				EUA	EUA
Germany	5 000 000	5 000 000	5 000 000	2 110 000	2 110 000
Community	5 000 000	5 000 000	5 000 000	2 110 000	2 110 000

5.1.3. In 1977 Italy paid her contribution for 1974 and still owes the contributions for the later years.

5.2. The provision "Assistance for coke and coking-coal"

The Commission's Decision of 19 October 1977 fixing the "Operational Budget" for 1977 reduced the estimate of "needs" for assistance for coke and coking coal from 6 330 000 EUA to 6 000 000 EUA, thus requiring a corresponding reduction in the provision for the purpose.

The provision had been calculated originally, according to the Decision 73/287/ECSC adopted with the assent of the Council, on the basis of 0.422 EUA per tonne and a maximum amount of 15 000 000 tonnes per year.

It will be necessary to see to what extent this forecast proves justified - this is not possible at the moment. In any event the system remains subject to the basic Decision 73/287/ECSC.

6. BORROWINGS, LOANS AND GUARANTEES

6.1. BORROWINGS

Two premature repayments of stock drew our attention:

- the first concerns the $7\frac{3}{4}\%$ stock, 1971-86 of US \$ 20 000 000 which was issued with a reference clause to LF and with repayment in ten equal instalments of US \$ 2 000 000 each on 1 September. The repayment is made in US \$ but the amount credited to a holder (interest and principal) is calculated by converting it into LF at a rate of US \$ 1 to LF 50, and then reconvertng the resulting sum into US \$ at a rate to be determined by the Luxembourg Commissaire au Contrôle des Banques. Repayment of loans issued out of this borrowing is made in a similar way but at a rate of 1 US \$ to LF 48.5, which represents a loss of 3% to the ECSC.

After a first normal repayment on 1 September 1977 of US \$ 2 000 000 at a cost of US \$ 2 808 988.76 the nominal balance of the issue, US \$ 18 000 000 was repaid prematurely at 101.50% under the same system of reference to LF, therefore at an actual cost to the ECSC of US \$ 25 660 112.35.

The loss of US \$ 7 660 112.35 (6 252 847 EUA) appears in the Balance Sheet under "recoverable issuing costs"; changes in the exchange rate of the US \$ will determine whether the Institution recovers the loss of the loans made out of the borrowing. It has been replaced by an 8% issue 1978-86 of US \$ 25 000 000.

- the second concerns the 8% stock, 1970-85 of 50 000 000 European Monetary Units (£).

The ECSC repaid the outstanding balance of (₣) 40 000 000 prematurely and borrowed 4 loans of DM 20 000 000, one at an interest rate of 5.75% and three at 5.5%.

On the other side several undertakings have repaid prematurely the loans to them out of the ₣ borrowing, to a total of ₣ 10 264 000; others have exchanged such loans for loans in DM to a total of ₣ 21 653 600 (DM 79 252 176). This leaves loans in ₣ of ₣ 8 082 400.

The ECSC did not incur any loss since the undertakings repaid at 102% (including those who exchanged ₣ loans for DM loans) whereas the ECSC repaid holders at 101%.

6.2.

LOANS

6.2.1. Statistical remarks

These remarks refer to new decisions taken during 1977 on loans under Articles 54 and 56.

6.2.1.1. Article 54

- New decisions on industrial loans under Article 54 of the Treaty were taken on 32 loans related to investments of the order of 2 650 million EUA. The ECSC's participation was 884.89 million EUA; the average rate of participation is thus 33.4%.

- The table below gives a breakdown of the loan decisions in 1977 by sector according to whether they refer to programmes of investment for the production of coal or steel (Article 54 paragraph 1) or of works and installations which contribute directly and primarily to increasing production, reducing the production costs or facilitating the marketing of those products (Article 54, paragraph 2). The table also shows the amount of the loans granted interest reduction.

(in million EUA)

Sector	Article 54 paragraph 1 without interest reduction	Article 54 paragraph 1 without interest reduction	Article 54 paragraph 2 without interest reduction	Article 54 paragraph 2 with interest reduction	Total by sector
Steel	500.28	93.20	25.46	-	618.94
Coal	151.75	1.--	-	113.20	265.95

Number of loans according to size:

- 12 not exceeding 10 million EUA
- 6 between 10 and 20 million EUA
- 7 between 20 and 40 million EUA
- 7 exceeding 40 million EUA

- Interest reductions in the loan decisions taken in 1977 in accordance with Article 54 amount, over the 5 years for which they are provided, to 2 491 850 EUA - a reduced level of action in this field (3 400 500 EUA in 1976).

- Six loan decisions in 1977 included interest reduction on all or a part of the loan. Three of these decisions were founded on the influence of the investments on the protection of the environment or on their ability to meet the requirements of public authorities; one loan is for the extension of an industrial training centre and two concern investments in research centres one of which is building a new training centre to train the company's personnel in the use of new techniques and machinery.

- The Reports for 1975 (54.211.13) and 1976 (54.20.116) drew attention to loans granted to help undertakings to take a holding in works and installations in coal or iron-ore mines in countries associated with the Community and in the United States. A new decision was taken referring to investments in a country outside the Community (Brazil) and concerns the supply of pellets for a steel undertaking in the Community. The supply is provided by a joint venture between the above steel undertaking and the most important iron-ore producer in Brazil. According to the terms of the loan decision "at least 49% of the share capital of the new company - whose purpose is the construction of a pellet plant to the financing of which the loan contributes - are held by the Community undertaking".

6.2.1.2. Article 56

- The loan decisions taken in 1977 for industrial structural reorganization under Article 56 of the Treaty concern 9 loans related to investments of 720.75 MEUA. The ECSC's participation was 119.76 MEUA representing 16.61% of the investments.

According to information provided by the recipients of the loans the investments to be financed will permit (a) the creation of 5 388 jobs, 4 115 of them open, in principle, to former ECSC workers and (b) the preservation of 3 920 jobs, including 3 695 in the steel industry.

- All the loans include interest reductions amounting, over the five years for which they are granted, to 17 287 176 EUA.

- Three investment projects directly concern the production of steel; two concern projects in metal working industries; three are towards investments in other sectors of industry but require the creation of jobs for which former workers in ECSC industries will have priority; one loan is to a banking institution which will grant sub-loans to qualifying undertakings.

6.2.2. Audit comments

6.2.2.1. New decisions, Article 54

- The papers forwarded regularly to the Court referring to the preparatory stages of loan decisions are reasonably complete as far as concerns the analysis of the enterprise's financial situation and the consequent economic and social repercussions for it.

- The loan decisions are taken by the undertaking and the most important criterion is the future of the undertaking in the face of the structural crisis of the ECSC industries. It is a "micro-approach" in which other criteria of choice or evaluation are only touched on e.g. the development of the region supplied by the undertaking and its siting or even employment considerations.

- In spite of the quotation of numerous criteria and priorities the papers show no sign of coherent and up-to-date Community coal and steel policies; such policies would explicitly link firstly general objectives, more operational objectives (by sector, product and region) and concrete actions (granting of loans being one) and secondly long, medium and short-term objectives.

These policies would need to be regularly adjusted to take account of developments in the economy and in industrial structures. A true loan policy should be set in a framework of adequately coherent overall policy.

The absence of such framework and, consequently, of a reasonable co-ordination between lending activity and policy is a fundamental hindrance to the external audit which should also be able to express an opinion on sound financial management.

6.2.2.2. New decisions, Article 56

- All loan requests comply with the requirements of Article 56, paragraph 2, a).

- The decisions on loans under Article 56, unlike those under Article 54, consider the projects in a larger context - generally the economic and social position of the region concerned - but they contain less complete information about the financial structure and the economic and social aspects of the company carrying out the investment.

6.2.2.3. Security obtained to cover loans

- The majority of loans granted out of borrowed and non-borrowed funds are covered by a variety of securities (see Tables 8 and 9).

Out of the 3 912 527 167 EUA of loans out of borrowed funds, 24 002 062 EUA is not covered by any security. For the 117 953 106 EUA of loans from non-borrowed funds the part not secured is 41 225 504 EUA.

It is, however, reassuring that these unsecured loans were made to national financial institutions who reassigned them to the ultimate borrower.

6.2.2.4. Doubtful and defaulting debtors

No dispute has arisen since 1968 (1).

Three doubtful debts were commented on in the previous report (2). It appears that:

- the first debtor has in fact resumed normal payments on the dates provided in the contract beginning with 1977,
- the second debt has increased from 839 829 EUA at 31.12.1976 (31.12.1977 rates) to 919 443 at 31.12.77,
- the third debt has increased from 63 166 EUA (31.12.1977 rates) to 69 503 at 31.12.1977.

The increase in the last two debts is explained by repayment instalments due in 1977.

At 31.12.1977 two other defaulting debtors were in arrear to the extent of 38 513 EUA.

At 31 December 1977 loans still outstanding from defaulting debtors (1 027 459 EUA) represented less than 0.03% of the total outstanding of loans out of borrowed funds. To cover these risks, the Institution had a provision of 1 588 538 EUA in the Balance Sheet of 31.12.1976.

6.2.2.5. Loans to officials

- The total outstanding balance of loans to Community personnel (19 271 708 EUA) for the first time exceeds the part of the Former Pension Fund allocated to these loans and amounting, after revaluation and with the addition of interest, to 19 020 450 EUA. However, if this part of the Former Pension Fund had been accounted for in BF - the currency in which it was built up - it would be BF 781 538 565 (19 367 305 EUA).

(1) See 1974 Report (54.25)

(2) See 1976 Report (54.20.4)

- The criteria for selection applied since 1975 show a social character: in 1977, 190 loans out of a total of 194 were granted to officials in categories B, C and D.

- Since the beginning of the present system 974 cases have been audited, 105 of them in 1977. The following comments arise out of the audit:

- . The system of selection awards plus and minus points to each case. These points are affected by the funds available and by the number and nature of the loan requests in hand at the time of selection. The files examined do not make it possible to check the application of the system. For that, it would be necessary to know, for each newly granted loan, the number of points earned and the minimum number required for an award.
- . At first sight, the files appear generally to be correctly drawn up. Examination of them does reveal some defects at certain points.
 - Information about the loan request is not always all shown. No proof is furnished of the personal contribution although it is an essential element in considering the total financing of the project; nor is it entered when the file is closed.
 - In some cases the total cost of the operation is not entirely accounted for in the light of the recipient's original application. Only complete utilization of all the resources entered in the original financing plan should justify a final payment completely using up the loan which has been granted. If expenditure actually shown is less than the estimate, it should be necessary to review the personal contribution and the relationship between the local cost and the ECSC loan before making the final payment to the recipient.
 - Examination of the file does not always make it possible to confirm compliance with Article 8 of the Application Rules for Housing Loans to Officials of the European Communities.

Each payment order to the credit of the recipient should be supported by a report on building progress which should appear clearly in all files; this is not always done.

- Emphasis should be put on the furnishing of written proof that the sums provided have been used for the assigned purpose; this would be mainly invoices creating a legal debt, banker's certificates or receipts as proof of payment, and in the case of payments by instalment, invoices related to the principal transaction.
- Both instalment demands and principal invoices should be in order as regards tax law. Several omissions have been observed in this respect.
- In several cases there is no indication of the recipient's new address to prove that he has entered into possession.
- As was pointed out last year, regular certificates should be furnished to the Institution to show that the recipient is still the owner of the house.

7. MANAGEMENT AND INVESTMENT OF FUNDS

7.1. Statistical remarks

7.1.1. Between 1974 and 1977, the average annual yield on liquid assets changed from 10.1% to 8.38%. This rate is based on the relationship between total receipts and the arithmetic average of the assets which produced them. In 1977 the average value of liquid assets was 486 million EUA.

7.1.2. It is interesting to make a comparison, for 1976 and 1977, of the amounts and the rates of interest earned according to currency.

Table 11 shows a substantial reduction in investments in \$, which is explained by the fact that in 1977 the last \$ borrowing was made in September (November in 1976) allowing the proceeds to be lent before the end of the year.

The table also shows an increase in holdings in £, caused by a lower level of payments in this currency and by exchange operations into it as a result of the very high interest earned on £ investments.

7.2. Audit comments

The audit leads to the following comments, some of which have already been made in the 1976 Report.

7.2.1. The Institution keeps trifling amounts in current accounts which have not been used for several years. These accounts are obviously not necessary and should be closed.

7.2.2. The purchase and sale of ECSC securities by the Belgian national bank in order to steady the market continued in 1977. There were purchases of BF 527 920 000 and sales of BF 94 920 000 and a loss of BF 343 692 for the ECSC. In addition the cost of these operations debited to the ECSC amounted to BF 1 271 388.

Losses and costs of this nature incurred since 1975 amount to a total of BF 5 568 622 (137 996 EUA). Comments on this state of affairs appear at 56.43 of the 1976 Report.

7.2.3. Commission Decision of 9.12.1977 dealt with the rent of the Washington premises. It fixed the rent payable by the administrative budget of the Communities retrospectively to 1 January 1976 at 45 000 EUA per annum, falling due each 1 July and payable 30 June.

Although the 1 July payment in 1977 was made under the old arrangements (\$ 42 000) the Institution, pending receipt of the adjusting payment, which should have been made by 31.12.1977, did not enter the difference (from what should have been paid under the new system) in the 1977 accounts and did not clear up the loss which the ECSC had suffered previously. In fact, the whole of this situation was not cleared up until 1978 and the next report will make detailed comments on it.

Management and maintenance costs of the premises and insurance premiums are reimbursed by the ECSC as they occur to the extent that they are normally borne by the landlord. Expenses during the year incurred in \$ amount to 2 312 EUA. This total includes current maintenance and the replacement of current equipment of the premises to a total of 1 252 EUA which should be charged to the Administrative Budget.

- 7.2.4. A telegraphic transfer of \$ 18.675 million sent without a date of payment caused an interest debit of \$ 7 910.93.
- 7.2.5. Two current accounts remained in debit for several days although substantial funds existed in other accounts in the same bank and in the same currency.
- 7.2.6. The growth of the portfolio (+38.9%) and of the proceeds of redemption by the Institution of ECSC securities (+129%) arises from the closing of deposit accounts in certain currencies for which there had been a considerable fall in interest rates.
- 7.2.7. The ECSC was required to pay to the Administrative Budget 108 125 EUA in interest on "advances" made from the budget. This additional cost was the result of the separation of the accounts branch from the ECSC financial management. All receipts are taken into the funds management account whereas operational expenses are paid out of advances from the Administrative Budget of the European Communities and refunded afterwards.

8. SOCIAL HOUSING

- 8.1. From its inception the ECSC has helped to finance eight standard programmes for the construction of social housing and three experimental programmes. The latter were designed to solve an urgent problem of housing for workers in ECSC industries and to help with pressing problems of housing generally.

The standard programmes are financed by loans from the Special Reserve (73%) and from borrowed funds (27%). The first of the three experimental programmes was entirely financed out of grants for technical research, the second by both grants and loans and the third entirely by loans.

Table 30 shows the amounts of the contribution made towards each programme broken down according to the nature and origin of the funds. In the case of the eighth programme only the first instalment of 25 million EUA has been largely committed.

In 1977 loans were made to a total of 12 036 141 EUA out of the Special Reserve and borrowed funds under the fifth and eighth programmes and the special programme for the Friuli region.

The breakdown of these loans by country is as follows: Germany (5 853 931 EUA), France (870 915 EUA), Italy (2 685 138 EUA), Luxembourg (562 252 EUA), Belgium (860 659 EUA), Netherlands (509 074 EUA), Ireland (190 742 EUA) and Denmark (503 430 EUA).

- 8.2. New decisions in 1977 concern:

- the financing of building projects in Belgium, France, Italy, Luxembourg and Ireland under the sixth and seventh programmes and the first instalment of the eighth programme,
- the assent (1) of the Council under Article 54, paragraph 2 authorizing the Commission to grant, under the second instalment of the eighth programme, loans to a total of 120 million EUA of which 30 million EUA is to be out of the Special Reserve and 90 million EUA out of borrowed funds.

- 8.3. The Special Reserve which finances these loans had increased to 134 500 000 EUA at 31 December 1977.

If we calculate the amount at stake by adding the balance outstanding of loans for social housing from the Special Reserve at 31 December 1977 (117 953 106 EUA) to the amounts still to be paid out at the same date on loan contracts under social housing programmes not yet completed (8 559 827 EUA) we arrive at a total of 126 512 933 EUA.

(1) See O J No. C 179 of 28.7.1977

The allocations decided on or put into effect are thus completely covered by the funds representing the counterpart of the Special Reserve. The position is thus better than that at 31 December 1976, when there was a deficit of 3.5 million EUA; this deficit was, however, covered by the part of the Former Pension Fund devoted to this purpose (1).

Table 31 shows the state of progress of the eight building programmes financed by the ECSC up to 31 December 1977 as shown in the files maintained by the authorizing department.

- 8.4. As before the only systematic element of internal audit consists in sending a paper to each recipient worker via his employer. These documents are filled in with the dates on which work begins and ends and returned, also via the employer, to the appropriate department of the Institution which keeps a check on their return. If a document is not returned the Institution sends a reminder to the employer and manages in this way to complete its records.

In addition the Institution follows the work of regional loan committees and, though not in a systematic way, takes part in visits organized by the committees. The Court would be interested to receive from the Institution reports on the work of the committees and on the visits in which its representatives take part.

(1) In its Decision of 2 March 1970 the Council provided that 40% of the pension fund as it then was (25 509 351 u.a.) should be devoted to additional cover for commitments for social housing. The amount in u.a. of this part did not change until 1974 when it was increased by 60% of 7 million u.a. out of the contributions of the new Member States. The change from u.a. to EUA (at the rate of 1 u.a. to 1.07128 EUA) fixed the part of the fund acting as contingent security for social housing loans at 20 895 971 EUA.

GENERAL CONCLUSIONS

1. In order to formulate an external audit policy and base on it programmes of practical action for the short and medium term, the Court proceeded first to examine the system of internal audit set up by the Institution principally by examining the way in which it is applied to management by the Institution (consistency of Decisions and the efficiency with which they are carried out).

In this respect an examination of papers sent to the Court, whether of an accounting nature or concerned with Decisions, shows that the standard is uneven from sector to sector.

- 1.1. For the levy we noted that the inspections carried out on the spot by the inspectorate of the Commission (Competition Department) on the nature and volume of production forming the basis of the Community tax were unsatisfactory, being too few, not systematic enough and not well enough planned. The inspections reveal, among other things, incomplete listing of chargeable undertakings and inaccuracies in declarations (an effective inspection in this field could usefully be combined with inspections for investments and prices).

The Court cannot be satisfied with overall comparisons of coal and steel production as shown in the statistical returns of the Statistical Office with the total of declarations for levy; this exercise has shown its limitations once more this year.

- 1.2. For rehabilitation the internal audit is essentially concerned with book-keeping; when it is done on the spot it is infrequent and it clearly cannot consider the results of the rehabilitation programmes in comparison with the national objectives supported by the Institution. Being unable to rely on any comparable evaluation, the Court will need to study the efficiency and effectiveness of the policy on the basis of a major audit programme which will need to be carried out mainly on the spot at the undertakings which receive assistance.

- 1.3. For research the Court regularly receives closing reports drawn up by the staff in charge of financial management: once more a definite effort has been put into catching up on arrears. This does not, however, alter the fact that in their present conception, which is entirely financial, these reports will never enable the external audit to judge achievements in the broader context of research objectives in relation to coal and steel policies.

In order to achieve this end the Court would need to undertake a much greater amount of work on the basis of numerous and substantial technical files held by the Authorizing Officers. In view of the limited resources of the external audit it will certainly be necessary to evolve such a system in collaboration with the departments though it would be representative of both sides. Only if such a system is first evolved will the Court be able to draw up an audit programme as a complement to it.

Previous reports have detailed the additional elements which should be found in more systematic working and a more active involvement of the Authorizing Officers in the financial management and the supervision of research.

- 1.4. For industrial loans and loans for industrial structural reorganization the setting of clear objectives, called for in the previous report, has not yet been undertaken; and this in spite of the fact that 1977 has increased the need for such an elucidation in view of the worsening of the steel crisis. In these circumstances it is difficult to ascertain to what policies the actual operations of the year were applied.

One step towards systematic working was taken by the restatement of the criteria for interest reduction which will, however, not bear fruit until 1978.

Another aspect of the internal management's responsibility is the follow-up of cases. For this the services responsible should maintain files and records.

- 1.5. For social housing, apart from the papers returned by beneficiaries, there is no systematic checking giving rise to reports which might enable the Court to verify that the projects put forward by national housing bodies are in accordance with the objectives of the programmes, that the completed work has been applied in accordance with the conditions for occupation, qualification and modernization set out in the programme or that the occupiers fulfil the conditions for qualification.
- 1.6. In conclusion the serious gaps in the internal audit prevent those responsible in the Institution drawing the lessons that should enable them to modify the execution of current decisions and to, better informed, formulate new policies and programmes of financial action.

It stands to reason that, for lack of a system of ongoing inspection, the Institution faces additional difficulties in defining the priorities of its policy objectives and the means of achieving them, all the more so at a time of economic uncertainty.

In these circumstances, the Court of Auditors needs to elaborate a vast programme of work. Firstly, it will have to organize the collection of the most pertinent information so as to reconstruct itself the background and general lines of the policies pursued through the Institution's activities. Secondly, it will have to set up a coherent system of audit activities, mostly conducted on the spot, in order to supplement this information and give an account of the Institution's financial management, which can then be assessed.

2. Apart from the audit as defined in Article 78 (f) of the 1975 Treaty, the Court is required to certify the Balance Sheet and Accounts every half-year. These receive publicity at the time of borrowing operations, a procedure required by lenders who regard them as the usual assurance required in financial markets.

In order to undertake this task the Court must satisfy itself, by a complete verification of the accounting procedures, about the validity of the items making up the Accounts and Balance Sheet. It must therefore previously have obtained from the Institution the insertion of any corrections required as a condition of signing the certificate. It must be remarked that this year the negotiations for this purpose delayed until 8 November, the final settlement of the Balance Sheet and Revenue and Expenditure Account which are reproduced in the following pages.

EUROPEAN COAL AND STEEL COMMUNITY BALANCE SHEET
AT 31 DECEMBER 1977

(All amounts are stated in European units of account)

A European unit of account represents the exchange value of the various currencies at the following rates of conversion: 1 European unit of account (EUA) = DM 2.58058 = Bfrs 40.3535 = Lfrs 40.3535 = Dkr 7.07974 = FF 5.76124 = Fl 2.78938 = Lit 1 067.50 = £ 0.641652 = £ Irl 0.641652 = Sfrs 2.45698 = US \$ 1.22506 = E 0.705077 = Can.\$ 1.34065 = u.a. 0.601596

ASSETS		LIABILITIES	
I. Disbursed loans	4 055 192 910.18	I. A. Borrowings	3 954 503 760.21
II. Cash and bank accounts	307 698 469.52	B. Reimbursement premiums to be paid	1 397 869.49
III. Short and medium-term placements	59 165 404.15	II. Reserves	
IV. Investments	104 022 873.42	A. Guarantee fund	183 000 000.—
V. Fixed assets	306 158.88	B. Special fund	134 500 000.—
VI. Recoverable issuing costs	62 611 936.42	III. Allocations	
VII. Miscellaneous	156 726 833.78	A. Financial aid	190 166 658.33
VIII. Accrued income	101 513 750.32	B. Other	68 362 414.28
		IV. Former pension fund	39 916 420.57
		V. Miscellaneous	146 355 498.75
		VI. Accrued liabilities	128 950 122.47
		VII. Unallocated balance	85 592.57
	4 847 238 336.67		4 847 238 336.67
Suspense accounts:		Suspense accounts:	
I. Enterprises' liabilities under guarantees	17 922 327.54	I. Liabilities under guarantees	17 922 327.54
II. Due on debentures	2 035 018.60	II. Debentures to be paid	2 035 018.60

Note of the Court of Auditors

We have examined the accompanying financial statements comprising the Balance Sheet of the European Coal and Steel Community at 31 December 1977 and the Statement of Income and Expenditure for the year ended on that date.

Our examination has been carried out in accordance with the provisions of the Treaty of 22 July 1975, which amended certain financial provisions of the Treaties establishing the European Communities. On the basis of our examination, we certify that these financial statements are in accordance with the books and records of the Commission. In our opinion the Balance Sheet and the Statement of Income and Expenditure present fairly the financial position of the European Coal and Steel Community at 31 December 1977 and the result of its operations for the year then ended.

Luxembourg, 23 November 1978.

M. N. MURPHY
President

P. GAUDY
Member

European Coal and Steel Community

Commission of the European Communities

F.-X. ORTOLI
Vice-President
of the Commission

A. NICOLETTI
Director-General
for Credit and Investments

**EUROPEAN COAL AND STEEL COMMUNITY REVENUES AND EXPENDITURES
FROM 1 JANUARY TO 31 DECEMBER 1977**

(All amounts are stated in European units of account)

EXPENDITURE			INCOME	
A. Servicing of borrowing operations and guarantees		312 228 991·87	A. Servicing of lending operations and guarantees	328 604 045·32
B. Budgetary expenditure:			B. Levy	86 840 594·20
— Administrative expenditure	17 721 127·75		C. Other income:	
— Expenditure for research	34 666 007·61		— Interest to deposits and portfolio	30 430 794·40
— Expenditure for rehabilitation	30 752 994·56		— Fines and increases for overdue payment	8 108·38
— Assistance to coking and coke	5 275 000·—		— Miscellaneous	36 398·25
— Assistance (Article 56)	3 368 483·14			30 475 301·03
— Assistance (Article 54)	3 601 807·34		D. Adjustments — currency parities	43 186·34
		95 385 420·40		
C. Other expenditure:				
— Financial expenditure		84 010·45		
D. Excess of income over expenditure		38 264 704·17		
		445 963 126·89		445 963 126·89

Note of the Court of Auditors

We have examined the accompanying financial statements comprising the Balance Sheet of the European Coal and Steel Community at 31 December 1977 and the Statement of Income and Expenditure for the year ended on that date.

Our examination has been carried out in accordance with the provisions of the Treaty of 22 July 1975, which amended certain financial provisions of the Treaties establishing the European Communities. On the basis of our examination, we certify that these financial statements are in accordance with the books and records of the Commission. In our opinion the Balance Sheet and the Statement of Income and Expenditure present fairly the financial position of the European Coal and Steel Community at 31 December 1977 and the result of its operations for the year then ended.

Luxembourg, 23 November 1978.

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*Vice-President
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*Director-General
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ANNEX I

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TABLE 1
Financial position of the European Coal and Steel Community at 31 December 1977
(Balance Sheet)

ASSETS		LIABILITIES	
		EUA	
I. Disbursed loans (1)			
A. Loans granted out of borrowed funds			
- to finance industrial investments	3 564 196 660		
- for industrial structural reorganization	325 132 000		
- to finance social housing construction	23 198 507	3 912 527 167	
B. Other loans			
- out of the Special Reserve to finance social housing construction	117 953 106		
- out of levy funds			
. for rehabilitation	275 989		
. for research	2 310 607		
- out of Former Pension Fund			
. for housing loans to officials of the Eur. Cties.	19 271 708		
. to finance construction of steel-works in the Friuli region	2 854 333	142 665 743	
		4 055 129 910	
II. Cash and banks			
A. Current accounts	16 753 095		
B. Fixed deposits	290 945 375	307 698 470	
III. Short and medium-term investments		59 165 404	
IV. Portfolio		104 022 873	
V. Fixed Assets		306 159	
VI. Recoverable issuing costs		62 611 936	
VII. Miscellaneous			
A. Debtors under the levy	12 833 667		
B. Financial debtors	3 481 515		
C. Deposits for coupons and bonds due but not yet presented	140 411 652	156 726 834	
VIII. Accrued income			
A. Interest and fees accrued but not yet due on deposits, portfolio, loans and guarantees	94 614 064		
B. Levy declared for December 1977 production but payable after 31.12.1977	6 899 687	101 513 751	
		4 847 238 337	
SUSPENSE ACCOUNTS			
1. Undertakings' liability under guarantees	17 922 328		
2. Due from debentures	2 035 019		
(1) Up to July 1961, claims and related sureties under loans granted out of borrowed funds, together with other items of the assets, were pledged (under the Act of Pledge) to the Bank for International Settlements in Basle in favour of the Holders of secured notes and coupons holders by the ECSC and indicated in note (1) to the Balance Sheet liabilities. The amounts pledged were:			
Item I: 28 326 304 - Item II: 43 295 - Item VIII: 549 023			
I. A. Borrowings (1)			
in US dollars (US\$ 2 102 150 000)			1 715 956 769
in German marks (DM 2 269 395 000)			879 412 768
in Italian lire (LIT126 000 000 000)			118 032 787
in Dutch guilders (HFL 253 038 000)			90 714 782
in French francs (FF 1 544 125 000)			268 019 558
in Belgian francs (BF 4 366 000 000)			108 193 837
in Luxembourg francs (LF 6 779 317 508)			167 998 253
in Swiss francs (SF 1 225 500 000)			498 783 059
in Canadian dollars (Can\$ 75 000 000)			55 943 013
in units of account (u.a. 12 200 000)			20 279 390
in Pounds sterling (Est. 20 000 000)			31 169 544
			3 954 503 760
B. Redemption premiums to be paid			
in French francs (FF 7 875 000)			
in Belgian francs (BF 1 250 000)			1 397 870
3 955 901 630			
II. Reserves			
A. Guarantee Fund			183 000 000
B. Special Reserve			134 500 000
317 500 000			
III. Provisions			
A. Financial assistance			
- Rehabilitation			119 292 465
- Research			51 235 811
- Interest reduction under Article 56			8 173 171
- Interest reduction under Article 54			6 890 211
- Aid to coke and coking coal			4 575 000
			190 166 658
B. Other provisions			
- Future commitments			44 121 877
- Sundry provisions			24 240 538
			68 362 415
258 529 073			
39 916 421			
IV. Former Pension Fund			
V. Miscellaneous			
A. Coupons and bonds payable			140 411 235
B. Sundry creditors			5 944 264
146 355 499			
VI. Accrued liabilities (2)			
Interest and fees accrued but not yet due on borrowings and guarantees			128 950 122
			85 592
4 847 238 337			
VII. Unallocated balance			

TABLE 2
Revenue and Expenditure Account of the European Coal and Steel Community for the year 1977

EXPENDITURE	EUA	INCOME	EUA
I. Service of borrowings and guarantees		I. Service of loans and guarantees	
Borrowings		A) Loans granted out of borrowed funds	
- Interest on borrowings	203 003 376	- Interest on loans	306 087 325
- Fees to custodians and agent banks	2 381 324	- Interest on borrowed funds not disbursed	10 307 034
- Miscellaneous expenditure	1 030 814	- Sundry revenue	10 103 234
- Amortization of recoverable issuing costs	9 713 478	Total revenue from loans granted out of borrowed funds	326 498 993
Total expenditure for borrowings	312 228 992	B) Guarantees	
II. Budgetary expenditure		- Fees credited	93 120
- Administrative expenditure	17 721 128	Total revenue from loans out of borrowed funds and guarantees	326 592 113
- Rehabilitation expenditure	30 752 995	II. Levy	
- Research expenditure	34 666 008	- German undertakings	28 351 341
- Interest reduction under Article 50	3 368 483	- Belgian undertakings	6 594 540
- Interest reduction under Article 54	3 601 807	- British undertakings	20 062 093
- Assistance to coke and coking coal	5 275 000	- Danish undertakings	354 428
Total budgetary expenditure	95 385 421	- French undertakings	13 612 113
III. Other expenditure		- Irish undertakings	25 033
- Financial costs	84 010	- Italian undertakings	13 090 571
IV. Excess of income over expenditure	38 264 704	- Luxembourg undertakings	2 210 004
		- Dutch undertakings	2 339 466
		Total from levy	85 340 594
		III. Other Income	
		- Interest on bank deposits and portfolio	30 430 795
		- Interest on loans out of non-borrowed funds	2 011 450
		- Surcharges and fines	1 100
		- Miscellaneous income	10 000
		- Adjustment for monetary parities	43 186
		Total other income	32 530 420
Grand total	445 903 127	Grand total	445 903 127

TABLE 3

Conversion into rate of EUA at 31 December 1977, of the Balance Sheet at 31 December 1976

ASSETS		EUA		LIABILITIES	
I. Disbursed loans (1)				I. A. Borrowings (1)	
A. Loans granted out of borrowed funds				in US dollars (US\$)	1 694 250 000
- to finance industrial investments	2 918 784 418			in German marks (DM)	1 954 689 744
- for industrial structural reorganization	355 415 240			in Italian lire (LIT)	131 000 000 000
- to finance social housing construction	24 623 334	3 298 819 992		in Dutch guilders (HFL)	270 836 000
B. Other loans				in French francs (FF)	1 210 000 000
- out of the Special Reserve to finance social housing construction	113 705 071			in Belgian francs (BF)	4 592 300 000
- for rehabilitation (out of levy funds)	297 374			in Luxembourg francs (LF)	6 564 148 094
- for research	2 422 619			in Swiss francs (SF)	1 000 500 000
- out of the Former Pension Fund to finance housing loans for officials of the European Communities	15 916 486	132 341 500		in Canadian dollars (CAN\$)	50 000 000
				in £ (£)	45 000 000
				in units of account (u.a.)	13 500 000
II. Cash and banks		3 431 164 492		B. Redemption premiums to be paid	3 417 977 326
A. Current accounts	11 493 052			in French francs (FF)	9 000 000
B. Fixed deposits	402 820 100	414 313 152		in Belgian francs (BF)	1 250 000
III. Short and medium-term investments		27 705 205		II. Reserves	
IV. Portfolio		74 943 401		A. Guarantee Fund	160 000 000
V. Fixed assets		306 159		B. Special Reserve	122 000 000
VI. Recoverable issuing costs		52 190 484		III. Provisions	
VII. Miscellaneous				A. Financial assistance	
A. Debtors under the levy	16 804 639			- Rehabilitation	129 971 266
B. Financial debtors	7 999 900			- Research	50 412 672
C. Deposits for coupons and bonds due but not yet presented	63 136 451	87 940 990		- Interest reduction under Article 56	8 952 183
VIII. Accrued income				- Interest reduction under Article 54	9 178 585
A. Interest and fees accrued but not yet due on deposits, portfolio, loans and guarantees	83 452 413			- Assistance to coke and coking coal	3 850 000
B. Levy declared for December 1976 production but payable after 31.12.1976	7 210 236	90 662 655			202 367 706
				B. Other provisions	
				- Future commitments	27 091 544
				- Sundry provisions	29 110 538
					56 202 082
				IV. Former Pension Fund	39 204 526
				V. Miscellaneous	
				A. Coupons and bonds payable	63 136 451
				B. Sundry creditors	4 573 500
				VI. Accrued liabilities (2)	
				Interest and fees accrued but not yet due on borrowings and guarantees	111 422 168
				VII. Unallocated balance	752 639
					4 179 226 538
					4 179 226 538
I. Undertakings' liability under guarantees 21 313 038			SUSPENSE ACCOUNT	I. ECSC's liability under guarantees 21 313 038	

(1) Up to July 1961, claims and related sureties under loans granted out of borrowed funds together with other items of the assets, were pledged (under the Act of Pledge) to the Bank for International Settlements in Basel in favour of the holders of secured notes and coupons issued by the ECSC and indicated in note (1) to the Balance Sheet liabilities. The amounts pledged were:
Item I: 39 401 233 - Item II: 37.443 - Item VIII: 754 944

(1) Borrowings secured by the Act of Pledge total 39 401 233
(2) Of which on secured notes 715 807

TABLE 4
Loans granted out of borrowed funds
Breakdown by use and country
Operations in 1977 and sums disbursed and outstanding at 31.12.1977

Categories Countries	Position at 31.12.1976				Operations in 1977		Position at 31.12.1977	
	Rate of EUA at 31.12.1976		Rate of EUA at 31.12.77		Sums disbursed	Repayments, premature re- demptions and accelerated repayments	Sums disbursed	Sums outstanding
	Sums disbursed	Sums outstanding	Sums disbursed	Sums outstanding				
I. Industrial investments (Article 54 of the Treaty)								
Belgium	162 938 567	136 906 237	165 326 213	155 058 825	15 007 322	20 751 928	180 333 535	149 314 219
Denmark	33 703 459	32 857 694	32 812 019	31 970 338	-	842 482	32 812 819	31 127 856
Germany	1 194 343 141	900 645 974	1 209 070 479	901 705 040	109 650 723	11 501 057	1 318 721 202	999 854 706
France	630 679 140	554 699 411	629 746 594	561 287 994	158 188 578	18 457 096	787 935 172	701 019 476
Italy	552 232 410	448 510 385	519 412 599	417 695 955	167 289 765	8 567 370	686 702 364	576 418 350
Luxembourg	4 364 999	2 931 594	4 396 288	3 012 687	-	283 657	4 396 288	2 729 030
Netherlands	102 204 993	90 643 965	105 053 683	93 360 921	-	3 969 614	105 053 683	89 391 307
United Kingdom	795 898 571	795 898 571	754 692 657	754 692 658	260 125 178	476 120	1 014 817 835	1 014 341 716
Total	3 476 365 280	2 963 093 831	3 420 511 332	2 918 784 418	710 261 566	64 849 324	4 130 072 898	3 364 196 660
II. Social housing								
Belgium	26 637 236	11 403 780	26 839 555	11 490 396	-	1 478 254	26 839 555	10 012 142
Germany	23 466 128	7 324 663	24 599 318	7 902 410	-	1 133 367	24 599 318	6 765 043
France	423 432	423 432	412 828	412 828	-	-	412 828	412 828
Italy	5 845 728	2 587 118	5 413 616	2 397 581	1 680 094	292 051	7 093 710	3 785 624
Luxembourg	2 090 507	1 108 187	2 106 385	1 116 604	-	94 415	2 106 385	1 022 189
Netherlands	2 789 225	936 917	2 778 395	1 303 515	-	106 834	2 778 395	1 194 681
Total	61 252 256	23 784 097	62 150 097	24 623 334	1 680 094	3 104 921	63 830 191	23 198 507
III. Structural reorganization (Article 56 of the Treaty)								
Belgium	52 427 671	34 767 296	53 783 513	35 496 788	-	2 690 718	53 783 513	32 805 070
Germany	127 973 177	101 736 695	131 248 392	102 484 052	-	31 763 353	131 248 392	70 720 699
France	99 951 017	88 277 056	100 583 201	88 864 959	15 448 064	6 571 032	116 031 265	97 741 591
Ireland	539 828	539 828	497 935	497 935	-	-	497 935	497 935
Italy	57 840 456	40 413 775	55 104 384	39 586 233	718 332	3 446 409	55 822 716	36 856 156
Netherlands	28 315 422	21 593 192	28 023 738	21 162 111	-	2 178 114	28 023 738	18 953 997
United Kingdom	71 792 347	71 792 347	67 323 162	67 323 162	199 990	-	67 523 152	67 523 152
Total	438 839 918(1)	359 120 189	436 564 325	355 415 240	16 366 386	46 649 626	452 930 711	325 132 000
Grand total	3 976 457 454	3 345 998 117	3 919 225 754	3 298 822 992	728 308 046	114 603 871	4 647 533 800	3 912 527 167
(1) This total includes sums received as premature redemptions and accelerated repayments and disbursed as new loans								

TABLE 5
Loans granted out of the Special Fund
Breakdown by use and country
Operations in 1977 and sums disbursed and outstanding at 31.12.1977

Use and country	Position at 31.12.1976				Operations in 1977		Position at 31.12.1977	
	Rate of EUA at 31.13.1976		Rate of EUA at 31.12.77					
	Sums disbursed	Sums outstanding	Sums disbursed	Sums outstanding	Sums lent	Redemptions & repayments	Sums disbursed	Sums outstanding
Social housing								
Belgium	9 241 672	5 730 150	9 311 866	5 773 672	860 659	451 555	10 172 525	6 182 776
Denmark	764 573	723 915	706 240	668 685	503 430	75 162	1 209 670	1 096 953
Germany	90 740 218	67 190 221	93 862 668	69 502 295	5 853 931	2 961 243	99 716 599	72 394 983
France	33 644 409	22 232 755	32 801 845	21 675 975	870 915	1 502 234	33 672 760	21 044 656
Ireland	295 331	295 331	304 994	304 994	190 742	12 708	455 736	483 026
Italy	7 613 872	5 376 620	7 056 066	4 982 718	1 005 044	293 763	8 061 110	5 693 995
Luxembourg	3 575 996	2 484 314	3 603 154	2 503 183	562 252	185 419	4 165 406	2 880 016
Netherlands	9 029 170	5 925 054	8 994 113	5 902 050	509 074	521 946	9 503 187	5 889 176
United Kingdom	2 515 189	2 315 731	2 597 483	2 391 499	-	103 982	2 597 483	2 267 517
Total social housing	157 420 430	112 274 091	159 238 429	113 705 071	10 356 047	6 108 012	169 594 476	117 953 106
Structural reorganization								
Belgium	45 947	-	42 581	-	-	-	42 581	-
Germany	815 551	-	755 802	-	-	-	755 802	-
France	232 661	-	215 616	-	-	-	215 616	-
Italy	650 603	-	602 939	-	-	-	602 939	-
Netherlands	2 698 952	-	2 491 955	-	-	-	2 491 955	-
Total structural reorganization	4 433 714	-	4 108 893	-	-	-	4 108 893	-
Grand total	161 854 144	112 274 091	163 347 322	113 705 071	10 356 047	6 108 012	173 703 369	117 953 106

TABLE 6

Loans for technical research (second experimental building programme) and rehabilitation

Breakdown by country and security obtained

Operations in 1977 and sums disbursed and outstanding at 31.12.1977

Country	Sums outstanding at 31.12.1976		Repayments in 1977	Loan balance outstanding at 31.12.1977 (EUA)	Type of security obtained
	Rate of EUA at 31.12.1976	Rate of EUA at 31.12.1977			
Technical research					
Belgium	360 208	362 944	16 678	346 266	Government guarantee
Germany	1 300 150	1 344 889	62 827	1 282 062	Mortgage bonds
France	376 592	367 161	16 684	350 477	Guarantee
Italy	90 125	83 523	3 838	79 685	Guarantee
Luxembourg	66 666	67 172	2 934	64 238	Government guarantee
Netherlands	197 597	195 930	9 051	187 879	Guarantee
Total	2 391 438	2 422 619	112 012	2 310 607	
Rehabilitation					
France	304 962	297 324	21 335	275 989	Government and other guarantee
Grand total	2 696 400	2 719 943	133 347	2 586 596	

TABLE 7

Loans granted out of the Former ECSC Pension Fund

Breakdown by system

Changes in sums disbursed and outstanding between 31.12.1976 and 31.12.1977

Loan system	Number of loans granted	Rate of EUA at 31.12.1976		Rate of EUA at 31.12.1977		Operations in 1977		Position at 31.12.1977	
		Sums disbursed	Sums outstanding	Sums disbursed	Sums outstanding	Sums disbursed	Repayments	Sums disbursed	Sums outstanding
Housing Loans									
Old system (up to 1968)	277	3 118 273	1 388 190	3 141 957	1 398 735	-	192 804	3 141 957	1 205 931
New system (from 1971)	1499	17 840 170	14 403 315	17 975 673	14 517 751	4 509 557	961 531	22 485 230	18 055 777
TOTAL	1776	20 958 443	15 796 505	21 117 630	15 916 486	4 509 557	1 154 335	25 627 187	19 271 708
Loans for steel investments (Friuli)	1	-	-	-	-	2 854 333	-	2 854 333	2 854 333
Grand total	1 777	20 958 443	15 796 505	21 117 630	15 916 486	7 363 890	1 154 335	28 481 520	22 126 041

TABLE 8
Loans out of borrowed funds

Breakdown by country and security obtained

Amounts outstanding at 31.12.1977

Type of security	Belgium	Denmark	Germany	France	Ireland	Italy	Luxembourg	Netherlands	United Kingdom	TOTAL
1. Government guarantees and negative clauses	1 280 284			2 139 488						3 419 772
2. Guarantee of Member States	63 668 889		140 734 420	236 659 508	497 935	16 866 676	1 022 189		1 041 168 916	1 500 618 533
3. Guarantees of financial establishment	102 730 584		69 508 881	380 996 778		74 319 604		44 688 389	2 559 935	674 804 171
4. Guarantees of financial establishments and mortgages			10 751 400					735 516		11 486 916
5. First mortgages	8 326	31 127 856	778 242 597	284 943		1 474 869		35 787 716		846 926 307
6. Second mortgages			17 994 256					3 811 250		21 805 506
7. Guarantees of industrial groups and negative clauses	1 061 172			4 484 779		73 624 965			15 829 220	95 000 136
8. Guarantees of industrial groups	22 372 960		16 135 763	62 420 679		450 323 882	743 430	7 186 692	17 966 439	577 149 845
9. Negative clauses and miscellaneous	946 284		4 915 958	2 726 554		41 780	1 985 600	4 012 114		14 628 290
10. Registered mortgage bonds			2 699 005					397 222		3 096 227
11. Bank guarantee			13 898 354	109 048 739				12 953 087		135 900 180
12. No guarantee	63 932		18 774 591	412 827		410 354			4 340 358	24 002 062
13. Subsequent public sector guarantees			3 689 222							3 689 222
Total by country and for the Community	192 132 431	31 127 856	1 077 344 447	799 174 295	497 935	617 062 130	3 751 219	109 571 986	1 081 864 868	3 912 527 167

TABLE 9

Loans granted out of the Special Reserve for Social Housing
Breakdown by country and security obtained

Balances

outstanding at 31.12.1977

Country	Government guarantee	Registered mortgage bond	Mortgage	Guarantee and other security	No security	Total
Belgium	1 854 374	-	-	-	4 328 402	6 182 776
Denmark	-	-	-	-	1 096 952	1 096 952
Germany	1 779 023	29 671 273	116 890	15 291 741	25 536 056	72 394 983
France	811 284	-	272 997	10 087 126	9 873 250	21 044 657
Ireland	483 028	-	-	-	-	483 028
Italy	-	-	33 021	5 270 134	390 844	5 693 999
Luxembourg	2 880 016	-	-	-	-	2 880 016
Netherlands	-	1 696 211	-	4 192 967	-	5 889 178
United Kingdom	2 287 517	-	-	-	-	2 287 517
Total	10 095 242	31 367 484	422 908	34 841 968	41 225 504	117 953 106

TABLE 10

Breakdown by country and currency of funds held by the ECSC at 31 December 1977

(in thousand EUA)

Country	Currency													Total by country	%
	BF	DKR	DM	FF	£Irl	LIT	LF	HFL	£St	SF	US\$	u.a.	CAN\$		
Belgium	16 734			3 992					23 377		3 734			47 838	10.16
Denmark		610												610	0.13
Germany			132 962											132 962	28.24
France				15 012							191			15 203	3.23
Ireland					19									19	-
Italy				4 276		21 978				1 587	15 158			42 999	9.13
Luxembourg	12 479		1 356	37 280		18 285	16 489		6 595	1 456	20 279			115 991	24.63
Netherlands								19 768						19 768	4.20
United Kingdom				3 159		20 629			60 352	3 430	2 612			91 094	19.35
Switzerland										364				364	0.08
USA											4 028			4 028	0.85
Canada													11	11	-
Total per currency	29 213	610	134 318	63 719	19	60 892	16 490	19 768	90 324	6 837	46 002	-	2 695	470 887	100.-
%	6.21	0.13	28.53	13.53	-	12.93	3.5	4.2	19.18	1.45	9.77	-	0.57	100.-	

TABLE 11

Changes, by currency, in amounts of investment and rates of interest

Investments as % of whole

Interest yield %

Currency	1976	1977	Difference	1976 between	1977 between	Difference
DM	30.9	28.5	- 2.4	4 and 5	4 and 5	-
LIT	10.7	12.9	+ 2.2	13 and 14	14 and 15	+ 1
FF	10.5	13.5	+ 3.-	11 and 12	9 and 10	+ 2
US \$	25.6	9.8	- 15.8	4 and 5	6 and 7	+ 2
HFL	3.5	4.2	+ 0.7	6 and 7	4 and 5	- 2
BF	3.5	6.2	+ 2.7	10 and 11	8 and 9	- 2
SF	1.4	1.5	+ 0.1	1 and 3	2 and 4	+ 1
LF	3.0	3.5	+ 0.5	10 and 11	8 and 9	- 2
£St	10.2	19.2	+ 9.-	18 and 20	6 and 7	- 12

TABLE 12
Breakdown of funds placed with banks on current account and fixed deposit at 31 December 1977, by currency and rate of interest
(in thousand EUA)

Rate of interest %	Currencies												TOTAL	%
	DKR	£ Irl	DM	BF	FF	LIT	LF	HFL	Est	SF	US \$	CAN \$		
<u>Current accounts</u>														
0 - 0,5	45	19	2 468	835	186	345	193	264	3	364	- 1 550	11	3 183	1.03
1,5 - 3				183			195						378	0.12
4 - 6									4 266		5 001		9 267	3.01
6 - 7,5					937	2 988							3 925	1.28
Total current accounts	45	19	2 468	1 018	1 123	3 333	388	264	4 269	364	3 451	11	16 753	5.44
<u>Fixed deposits</u>														
2 - 4			4 650		1 385					6 472			12 507	4.06
4 - 5			60 774					8 892					69 666	22.64
5 - 6							3 298						3 298	1.07
6 - 7				3 940			2 676	3 786	24 493		24 578		59 473	19.33
7 - 8				743			929		4 864		2 775	2 684	11 995	3.90
8 - 9				8 797	1 215		5 576			12 000			27 588	8.97
9 - 10					9 113								9 113	2.96
10 - 11				744	5 745				6 234				12 723	4.13
11 - 12					3 714	1 124			6 234				11 072	3.6
12 - 13					4 373	2 967			3 898				11 238	3.65
13 - 14					8 808	16 177			1 558				26 543	8.63
14 - 15	212				6 393	7 969							14 574	4.74
15 - 16	282				2 690	6 651							9 623	3.13
16 - 18	72					7 629							7 701	2.5
18 - 20						2 426							2 426	0.79
20 - 22						1 405							1 405	0.46
Total fixed deposits	566	-	65 424	14 224	43 436	46 348	9 181	15 976	59 281	6 472	27 353	2 684	290 945	94.56
Grand total	611	19	67 892	15 242	44 559	49 681	9 569	16 240	63 550	6 836	30 804	2 695	307 698	100.-
% of grand total	0.20	0.01	22.06	4.95	14.48	16.15	3.11	5.28	20.65	2.22	10.01	0.88	100.-	

TABLE 13

RECOVERABLE ISSUING COSTS PAID IN 1977

	Amounts EUA	Costs paid in 1977 EUA
<u>Loans in DM</u>		
floated in 1976	77 501 957	313 086
floated in 1977	31 632 424	395 405
floated in 1977	7 672 694	76 727
floated in 1977	6 200 157	120 903
floated in 1977	12 400 313	198 405
floated in 1977	7 750 196	9 688
floated in 1977	7 750 196	62 002
floated in 1977	7 750 196	58 126
floated in 1977	37 975 959	444 319
floated in 1977	6 975 176	52 314
floated in 1977	4 650 117	20 461
floated in 1977	9 687 745	90 096
<u>Loans in FF</u>		
floated in 1976	10 414 425	- 3 471
floated in 1976	43 393 436	707
floated in 1977	52 072 123	1 025 821
<u>Loan in LF</u>		
floated in 1977	12 390 499	260 096
<u>Loan in £ St</u>		
floated in 1977	31 169 544	713 003
<u>Loans in SF</u>		
floated in 1976	8 140 074	1 109
floated in 1976	32 560 298	11 125
floated in 1977	26 455 242	604 759
<u>Loan in CAN \$</u>		
floated in 1977	18 647 671	482 379

TABLE 13 (contd.)

<u>Loan in US \$</u>	Amounts EUA	Costs paid in 1977 EUA
floated in 1971	16 325 731	6 252 847 (1)
floated in 1974	40 814 327	364
floated in 1975	122 442 982	8 728
floated in 1976	81 628 655	14 083
floated in 1976	122 442 982	42 017
floated in 1976	24 488 596	- 3 741
floated in 1977	40 814 327	1 240 129
floated in 1977	8 162 865	197 924
floated in 1977	36 732 895	1 065 706
floated in 1977	61 221 491	958 002
floated in 1977	24 488 596	805 139
floated in 1977	40 814 327	1 081 986
floated in 1977	20 407 164	360 750
floated in 1977	34 284 035	194 183
floated in 1977	40 814 327	872 215
floated in 1977	81 628 655	2 107 539
	<hr/>	<hr/>
EUA	1 250 702 397	20 134 931
	<hr/> <hr/>	<hr/> <hr/>

(1) This amount is the counterpart in EUA of the difference between the nominal balance outstanding at 1.9.1977 (US \$ 18 000 000) of the issue (7 3/4%, 1971-86 of US \$ 20 000 000) and the amount paid for premature redemption (\$ 25 660 112.35).

The difference will be recovered in whole or in part over the period 1978-1986 from normal repayments on the loans granted out of the issue.

TABLE 14
CHANGES IN DEFERRED LEVY PAYMENTS FOR QUANTITIES OF HARD COAL STOCKED

Country	Deferred payments at 31.12.1976		Changes between 1.1.1977 and 31.12.1977		Deferred payments at 31.12.1977 EUA
	Rate of EUA at 31.12.1976	Rate of EUA at 31.12.1977	+	-	
Belgium	84	84	428	115	397
Germany	1 619 307	1 653 928	739 553	110 476	2 283 005
France	122 867	119 203	103 737	49 265	173 675
Netherlands	6 010	6 017	-	2 581	3 436
United Kingdom	227 777	233 709	89 405	112 929	210 185
Community	1 976 045	2 012 941	933 123	275 366	2 670 698

TABLE 15
 BORROWINGS CONTRACTED AND COLLECTED BY THE ECSC
 Currency in which floated
 Original amounts and balances outstanding at 31.12.1977

Currency	Initial borrowing EUA	Balance outstanding at 31.12.1977 EUA
US \$ (US dollars)	1 971 332 016	1 715 956 769
DM (German marks)	1 110 373 424	879 412 768
LIT (Italian lire)	145 199 063	118 032 787
HFL (Dutch guilders)	149 405 961	90 714 782
FF (French francs)	285 528 810	268 019 558
SF (Swiss francs)	558 120 131	498 783 059
LF (Luxembourg francs)	192 176 639	167 998 253
BF (Belgian francs)	130 595 859	108 193 837
Units of account EPU (1)	33 244 902	20 279 390
₣ (European units of account) (2)	70 914 240	-
CAN \$ (Canadian dollars)	55 943 013	55 943 013
£ St (Pounds sterling)	31 169 544	31 169 544
Total	4 734 003 602	3 954 503 760

- (1) This unit of account, with a value of 0.888 667 088 grammes of fine gold, is to be converted into the 17 currencies of the Member States of the European Payments Union (EPU) on the basis of the gold parities declared to the IMF.

By reason of the holder's right to receive the currency equivalent to the gold value of securities and given the different positions of the various currencies for which gold parities have practically abandoned, the choice of the Swiss franc as reference currency has been approved on arbitration. Thus the value in EUA has been calculated on the basis of the current ratio between the value of the Swiss franc in EUA (1 EUA = SF 2.45698) and that of one u.a. = SF 4.0841, the last parity declared.

- (2) The fixed value of one ₣ is DM 3.66 - BF 50 = FF 5.55419 - LIT 625 - LF 50 - HFL 3.62 the choice of currency being left to the holder.

The reference currency chosen by the Institution for arriving at the value in EUA of the amount expressed in ₣ is the DM, on account of the probability that holders will resort to the most attractive currency. Thus the amount in EUA is a function of the value of the EUA in DM, i.e. DM 2.58058. Since 1 ₣ = DM 3.66, it also equals 0.7050765 EUA.

TABLE 16
BORROWINGS
Individual characteristics of new loans floated in 1977

Kind of loan	Date of issue (signature)	Amount in currency	Amount in EUA	Interest per annum	Term (years)
Debenture issued in Luxembourg	9.2.77	US\$ 50 000 000	40 814 327	7.25%	5
Debenture issued in Luxembourg	9.2.77	US\$ 10 000 000	8 162 865	8.25%	10
Private issue in Germany	15.2.77	DM 81 630 000	31 632 424	7 %	4-12
Private issue in United Kingdom	8.3.77	US\$ 25 000 000	20 407 164	7.75%	5
Private issue in Germany	17.3.77	DM 19 800 000	7 672 694	7 %	12
Private issue on international market	22.3.77	CAN \$ 25 000 000	18 647 671	9 %	7
Debenture issued in United States	31.3.77	US\$ 75 000 000	61 221 491	9.125%	20
Debenture issued in Luxembourg	29.4.77	LF 500 000 000	12 390 499	8.5%	10
Private issue in Kuwait	5.5.77	US\$ 30 000 000	24 468 596	7.625%	7
Debenture issued on international market	10.6.77	US\$ 50 000 000	40 814 327	9 %	18
Private issue in London	13.7.77	US\$ 20 000 000	16 325 731	8.125%	5 1/2
Private issue in France	8.7.77	FF 60 000 000	10 414 425	11.375%	5
Debenture issued in France	13.7.77	FF 300 000 000	52 072 123	11 %	12
Private issue on international market	4.8.77	US\$ 25 000 000	20 407 164	8 %	9
Private issue in Germany	14.9.77	DM 16 000 000	6 200 157	6 %	5-12
Private issue in Germany	14.9.77	DM 32 000 000	12 400 313	6 %	5-12
Private issue in United States	15.8.77	US\$ 42 000 000	34 284 035	8.75%	15
Private issue in Switzerland	15.8.77	SF 20 000 000	8 140 074	5.25%	2
Debenture issued on international market	13.9.77	US\$ 50 000 000	40 814 327	3.25%	12
Debenture issued on international market	13.9.77	US\$ 100 000 000	81 623 655	8.75%	20
Private issue in Germany	18.10.77	DM 20 000 000	7 750 196	5.75%	8
Private issue in Germany	25.10.77	DM 20 000 000	7 750 196	5.5%	8
Private issue in Germany	17.11.77	DM 20 000 000	7 750 196	5.5%	8
Debenture issued in United Kingdom	15.11.77	£ St 20 000 000	31 159 544	9.625%	12
Private issue in Switzerland	8.12.77	SF 65 000 000	26 455 242	4.5%	8
Private issue in Germany	29.11.77	DM 20 000 000	7 750 196	5.5%	8
Private issue in Germany	30.11.77	DM 98 000 000	37 975 959	6 %	5-14
Private issue in Germany	1.12.77	DM 18 000 000	6 975 176	5.5%	8

TABLE 16 (contd.)

Kind of loan	Date of issue (signature)	Amount in currency	Amount in EUA	Interest per annum	Term (years)
Private issue in Germany	22.12.77	DM 12 000 000	4 650 117	5.5 %	8
Debenture issued in Switzerland	8.12.77	SF 80 000 000	32 560 298	4.5 %	15
Private issue in Germany	20.12.77	DM 25 000 000	9 687 745	6.125%	10
Total contracted in 1977			729 413 927		
Total collected in 1977			727 378 908		

TABLE 17

ECSC borrowings

Characteristics, initial amounts and balances outstanding for each borrowing at 31.12.1977

Floated, maturing in	Initial amount currencies	Description of loan	Balances outstanding at 31.12.1977 currencies	Balances outstanding at 31.12.1977 (EUA)
	in US \$		in US \$	
1954/1979 (1)	100 000 000	3.875 % private issue	13 000 000	10 611 725
1957/1975 (1)	25 000 000	5.5 % debenture	-	-
1957/1962 (1)	10 000 000	5 % bearer bonds and private issue	-	-
1958/1978 (1)	35 000 000	5 % debenture	2 800 000	2 285 602
1958/1963 (1)	15 000 000	4.5 % bearer bonds	-	-
1960/1980 (1)	25 000 000	5.375 % debenture	5 200 000	4 244 690
1960/1965 (1)	10 000 000	4.75 % to 5 % bearer bonds	-	-
1962/1982	25 000 000	5.25 % debenture	8 500 000	6 938 435
1964/1984	30 000 000	5.25 % debenture	14 000 000	11 428 011
1966/1986	15 000 000	6.5 % debenture	9 000 000	7 346 579
1966/1986	20 000 000	6.5 % debenture	11 900 000	9 713 810
1967/1987	25 000 000	6.5 % debenture	16 500 000	13 468 728
1967/1987	20 000 000	6.625 % debenture	13 250 000	10 815 798
1971/1986	20 000 000	7.75 % debenture	-	-
1973/1988	30 000 000	7 % private issue	30 000 000	24 488 196
1974/1989	50 000 000	7.75 % private issue	49 500 000	40 406 184
1974/1979	20 000 000	8.25 % private issue	20 000 000	16 325 731
1974/1982	100 000 000	9.25 % private issue	100 000 000	81 628 655
1974/1984	100 000 000	9.5 % private issue	100 000 000	81 628 655
1974/1984	200 000 000	10 % private issue	200 000 000	163 257 310
1974/1979	100 000 000	8.75 % debenture	100 000 000	81 628 655
1975/1983	150 000 000	8.375 % debenture	150 000 000	122 442 982
1975/1982	50 000 000	8.75 % debenture	46 000 000	37 549 181
1975/1980	30 000 000	9.25 % debenture	30 000 000	24 488 596
1975/1982	25 000 000	9.25 % private issue	-	-
1975/1980	125 000 000	8.875 % debenture	125 000 000	102 035 819
1976/1986	125 000 000	8.75 % and 9.25 % debenture	122 500 000	99 995 102
1976/1983	50 000 000	7 % debenture	50 000 000	40 814 327
1976/1996	175 000 000	8.625 % and 9 % debenture	175 000 000	142 850 146
1976/1986	23 000 000	8.5 % private issue	23 000 000	18 774 590
1976/1981	30 000 000	7.875 % debenture	30 000 000	24 488 596
1976/1996	150 000 000	8.125 % and 8.875 % debenture	150 000 000	122 442 983
1976/1983	30 000 000	8 % debenture	30 000 000	24 488 596
1977/1982	50 000 000	7.25 % debenture	50 000 000	40 814 327
1977/1987	10 000 000	8.25 % debenture	10 000 000	8 162 865
1977/1982	25 000 000	7.75 % private issue	25 000 000	20 407 164
1977/1997	75 000 000	9.125 % debenture	75 000 000	61 221 497
1977/1984	30 000 000	7.625 % private issue	30 000 000	24 488 596
1977/1995	50 000 000	9 % debenture	50 000 000	40 814 327
1977/1982	20 000 000	8.125 % private issue	20 000 000	16 325 731
1977/1986	25 000 000	8 % private issue	25 000 000	20 407 164
1977/1992	42 000 000	8.75 % private issue	42 000 000	34 284 035
1977/1989	50 000 000	8.25 % debenture	50 000 000	40 814 327
1977/1997	100 000 000	8.75 % debenture	100 000 000	81 628 655
	2 415 000 000		2 102 150 000	1 715 956 770
	in HFL		in HFL	
1961/1981 (1)	50 000 000	4.5 % debenture	13 150 000	4 714 309
1961/1966	10 000 000	4.5 % private issue	-	-
1962/1987	6 000 000	4.75 % private issue	2 400 000	860 406
1962/1982	25 000 000	4.75 % private issue	8 500 000	3 047 272
1962/1967	20 000 000	4.5 % private issue	-	-
1963/1968	10 000 000	4.5 % private issue	-	-
1963/1993	1 750 000	4.625 % private issue	938 000	336 275
1964/1984	25 000 000	5.75 % debenture	11 800 000	4 230 336
1965/1985	40 000 000	5.75 % debenture	21 450 000	7 689 881
1967/1972	20 000 000	6.375 % private issue	-	-
1975/1990	60 000 000	8.5 % debenture	52 000 000	18 642 135
1975/1985	20 000 000	8.625 % private issue	16 000 000	5 736 041
1976/1983	60 000 000	8 % debenture	60 000 000	21 510 156
1976/2001	25 000 000	8.75 % private issue	24 000 000	8 604 060
1976/2001	30 000 000	8.625 % private issue	28 800 000	10 324 875
1976/1996	14 000 000	8.75 % private issue	14 000 000	5 019 036
	416 750 000		253 038 000	90 714 782

(1) These loans were contracted under the 1954 Act of Pledge between the ECSC and the Bank for International Settlements.

TABLE 17 (contd.)

Floated, maturing in	Initial amount currencies	Description of loan	Balances outstanding at 31.12.1977 currencies	Balances outstanding at 31.12.1977 (EUA)
	in SF		in SF	
1956/1974 (1)	50 000 000	4.25 % debenture	-	-
1961/1966	9 000 000	5.25 % private issue	-	-
1961/1966	2 290 000	4.5 % private issue	-	-
1962/1980	60 000 000	4.5 % debenture	15 000 000	6 105 056
1969/1987	60 000 000	5.5 % debenture	46 500 000	18 925 673
1972/1984	50 000 000	7.25 % private issue	44 000 000	17 908 163
1973/1988	80 000 000	6.25 % debenture	80 000 000	32 560 297
1973/1978	65 000 000	6.75 % private issue	65 000 000	26 455 242
1973/1980	75 000 000	7 % private issue	75 000 000	30 525 279
1973/1978	50 000 000	7.25 % private issue	50 000 000	20 350 186
1974/1979	20 000 000	9.25 % private issue	-	-
1975/1982	100 000 000	8 % private issue	100 000 000	40 700 372
1975/1990	80 000 000	7.75 % debenture	80 000 000	32 560 298
1975/1983	50 000 000	8 % private issue	50 000 000	20 350 186
1975/1983	100 000 000	8 % private issue	100 000 000	40 700 372
1975/1982	50 000 000	7.75 % debenture	50 000 000	20 350 186
1976/1982	100 000 000	7.25 % debenture	100 000 000	40 700 372
1976/1983	60 000 000	6.25 and 6.5 % private issue	60 000 000	24 420 223
1976/1982	20 000 000	6 % debenture	20 000 000	8 140 074
1976/1983	25 000 000	6 % debenture	25 000 000	10 175 093
1976/1984	25 000 000	5.875 % debenture	25 000 000	10 175 093
1976/1991	80 000 000	5.75 % debenture	80 000 000	32 560 298
1977/1979	20 000 000	5.25 % private issue	20 000 000	8 140 074
1977/1985	65 000 000	4.5 % private issue	65 000 000	26 455 242
1977/1992	75 000 000	4.5 % private issue	75 000 000	30 525 279
	1 371 290 000		1 225 500 000	498 783 058
	in LF		in LF	
1957/1982 (1)	5 000 000	3.5 % private issue	-	-
1957/1982 (1)	100 000 000	5.375 % private issue	34 532 882	855 759
1961/1986 (1)	100 000 000	5.25 % private issue	56 039 034	1 388 703
1961/1986	100 000 000	5 % private issue	55 438 223	1 373 814
1962/1977	300 000 000	4.75 % debenture	-	-
1962/1987	250 000 000	5.125 % private issue	151 307 369	3 749 548
1964/1984	150 000 000	5.375 % private issue	70 000 000	1 734 670
1971/1979	150 000 000	6.5 % debenture	76 000 000	1 883 356
1971/1986	250 000 000	7 % debenture	250 000 000	6 195 249
1971/1983	300 000 000	7.75 % private issue	257 000 000	6 368 716
1972/1984	300 000 000	6.75 % private issue	234 000 000	5 798 753
1972/1987	400 000 000	6.75 % debenture	400 000 000	9 912 399
1973/1988	300 000 000	6.75 % private issue	300 000 000	7 434 299
1973/1985	800 000 000	7 % private issue	800 000 000	19 824 798
1973/1988	800 000 000	7 % private issue	800 000 000	19 824 798
1973/1985	300 000 000	8 % private issue	267 000 000	6 616 526
1973/1985	200 000 000	8 % private issue	178 000 000	4 411 017
1973/1988	500 000 000	7.25 % debenture	490 000 000	12 142 689
1973/1981	250 000 000	7.5 % private issue	160 000 000	3 964 964
1974/1981	400 000 000	10 % debenture	400 000 000	9 912 399
1975/1985	500 000 000	9 % debenture	500 000 000	12 390 499
1975/1984	100 000 000	9 % private issue	100 000 000	2 478 100
1976/1984	500 000 000	9.5 % debenture	500 000 000	12 390 499
1976/1982	200 000 000	9.5 % private issue	200 000 000	4 956 199
1977/1987	500 000 000	8.5 % debenture	500 000 000	12 390 499
	7 755 000 000		6 779 317 508	167 998 253
	in u.a.		in u.a.	
1966/1986	20 000 000	5.75 % debenture	12 200 000	20 279 390
	20 000 000		12 200 000	20 279 390
	in £ St		in £ St	
1977/1989	20 000 000	9.625 % debenture	20 000 000	31 169 544
	20 000 000		20 000 000	31 169 544

(1) These loans were contracted under the 1954 Act of Pledge between the ECSC and the Bank for International Settlements.

TABLE 17 (contd.)

Floated, maturing in	Initial amount currencies	Description of loan	Balances outstanding at 31.12.1977 currencies	Balances outstanding at 31.12.1977 (EUA)
	in DM		in DM	
1956/1981 (1)	50 000 000	3.75 % private issue	6 965 000	2 699 005
1957/1977 (1)	2 977 450	4.25 % private issue	-	-
1964/1976	100 000 000	5.75 % private issue	-	-
1964/1979	100 000 000	5.5 % debenture	17 000 000	6 587 666
1964/1976	30 000 000	5.75 % private issue	-	-
1965/1983	150 000 000	5.5 % debenture	69 000 000	26 738 176
1965/1970	23 000 000	5.5 % private issue	-	-
1967/1977	120 000 000	6.75 % private issue	-	-
1968/1978	120 000 000	6.5, 6.75 and 6.875 private issue	15 000 000	5 812 647
1968/1981	60 000 000	6.25 % private issue	24 000 000	9 300 235
1969/1984	40 000 000	6.25 % private issue	28 000 000	10 850 274
1969/1982	50 000 000	6.5 % private issue	25 000 000	9 687 745
1969/1984	50 000 000	6.75 % private issue	35 000 000	13 562 842
1971/1986	100 000 000	7.5 % debenture	90 000 000	34 875 881
1971/1987	100 000 000	6.5 % debenture	100 000 000	38 750 978
1972/1988	150 000 000	7 % debenture	150 000 000	58 126 467
1973/1988	150 000 000	6.5 % debenture	150 000 000	58 126 468
1973/1988	100 000 000	7.75 % debenture	100 000 000	38 750 978
1974/1979	20 000 000	10 % private issue	20 000 000	7 750 196
1974/1979	30 000 000	10 % private issue	30 000 000	11 625 294
1974/1981	50 000 000	10 % private issue	50 000 000	19 375 489
1974/1981	150 000 000	9.75 % debenture	150 000 000	58 126 468
1975/1985	56 000 000	8.5 % private issue	56 000 000	21 700 548
1975/1987	20 000 000	8.5 % private issue	20 000 000	7 750 196
1975/1985	150 000 000	8.5 % debenture	150 000 000	58 126 468
1975/1980	16 000 000	8.5 % private issue	16 000 000	6 200 156
1975/1980	60 000 000	8 % private issue	60 000 000	23 250 587
1975/1982	150 000 000	8 % debenture	150 000 000	58 126 468
1976/1986	80 000 000	7.75 % private issue	60 000 000	31 000 763
1976/1986	45 000 000	8.625 % private issue	45 000 000	17 437 940
1976/1981	50 000 000	8 % private issue	50 000 000	19 375 489
1976/1986	200 000 000	7.75 % debenture	200 000 000	77 501 957
1977/1989	81 630 000	7 % private issue	81 630 000	31 632 424
1977/1989	19 800 000	7 % private issue	19 800 000	7 672 694
1977/1989	16 000 000	6 % private issue	16 000 000	6 200 156
1977/1989	32 000 000	6 % private issue	32 000 000	12 400 313
1977/1985	20 000 000	5.75 % private issue	20 000 000	7 750 196
1977/1985	20 000 000	5.5 % private issue	20 000 000	7 750 196
1977/1985	20 000 000	5.5 % private issue	20 000 000	7 750 196
1977/1991	98 000 000	6 % private issue	98 000 000	37 975 959
1977/1985	18 000 000	5.5 % private issue	18 000 000	6 975 176
1977/1985	12 000 000	5.5 % private issue	12 000 000	4 650 117
1977/1987	25 000 000	6.125 % private issue	25 000 000	9 697 744
	2 864 407 450		2 269 395 000	879 412 768
	in LIT		in LIT	
1963/1983	15 000 000 000	5.5 % debenture	6 000 000 000	5 620 609
1966/1986	15 000 000 000	6 % debenture	9 000 000 000	8 430 913
1966/1986	15 000 000 000	6 % private issue	9 000 000 000	8 430 913
1968/1988	15 000 000 000	6 % debenture	11 000 000 000	10 304 450
1968/1988	15 000 000 000	6 % debenture	11 000 000 000	10 304 449
1972/1987	20 000 000 000	7 % debenture	20 000 000 000	18 735 363
1972/1987	20 000 000 000	7 % private issue	20 000 000 000	18 735 363
1974/1989	10 000 000 000	7 % private issue	10 000 000 000	9 367 681
1975/1984	30 000 000 000	10 % private issue	30 000 000 000	28 103 046
	155 000 000 000		126 000 000 000	118 032 787

(1) These loans were contracted under the 1954 Act of Pledge between the ECSC and the Bank for International Settlements.

TABLE 17 (contd.)

Float-d, maturing in	Initial amount currencies	Description of loan	Balances outstanding at 31.12.1977 currencies	Balances outstanding at 31.12.1977 (EUA)
	in FF		in FF	
1964/1984	150 000 000	5 % debenture	65 625 000	11 390 777
1971/1989	150 000 000	8.5 % debenture	138 500 000	24 039 963
1977/1987	150 000 000	7.25 % debenture	150 000 000	26 036 062
1973/1988	60 000 000	7.5 % private issue	60 000 000	10 414 424
1973/1980	50 000 000	7 % debenture	50 000 000	8 678 687
1973/1991	150 000 000	7.5 % debenture	150 000 000	26 036 061
1975/1982	125 000 000	10 % debenture	120 000 000	20 828 849
1976/1981	40 000 000	10.75 % private issue	40 000 000	6 942 950
1976/1981	60 000 000	10 % private issue	60 000 000	10 414 424
1976/1983	50 000 000	10 % debenture	30 000 000	8 678 687
1976/1984	250 000 000	10.2 % debenture	250 000 000	43 393 436
1976/1983	50 000 000	10.5 % private issue	50 000 000	8 678 687
1977/1987	60 000 000	11.375 % private issue	60 000 000	10 414 425
1977/1988	300 000 000	11 % debenture	300 000 000	52 072 126
	1 645 000 000		1 544 125 000	268 019 558
	in BF		in BF	
1957/1987 (1)	300 000 000	3.5 % private issue	56 000 000	1 387 736
1957/1987 (1)	20 000 000	3.5 % private issue	5 600 000	138 774
1962/1987	300 000 000	5.25 % private issue	105 000 000	2 602 004
1963/1983	300 000 000	5.5 % private issue	126 000 000	3 122 406
1968/1983	750 000 000	6.75 % debenture	510 000 000	12 638 309
1970/1990	500 000 000	8.75 % private issue	433 400 000	10 740 085
1971/1986	700 000 000	7.75 % debenture	630 000 000	15 612 029
1973/1985	1 000 000 000	7.75 % debenture	1 000 000 000	24 780 997
1975/1985	1 500 000 000	8.25 % debenture	1 500 000 000	37 171 497
	5 170 000 000		4 366 000 000	108 193 837
	in £		in £	
1970/1990	50 000 000	8 % debenture	-	-
	in CAN \$		in CAN \$	
1976/1987	50 000 000	9 % debenture	50 000 000	37 295 342
1977/1984	25 000 000	9 % debenture	25 000 000	18 647 671
	75 000 000		75 000 000	55 943 013
			Total	3 954 503 760

(1) These loans were contracted under the 1954 Act of Pledge between the ECSC and the Bank for International Settlements.

TABLE 18

REHABILITATION ASSISTANCE

New allocations and effects on employment

Country and sector	Number of recipients	New allocations
Belgium		
Coal	526	687 000
Steel	2 986	3 567 500
Germany		
Coal	3 834	5 730 500
Steel	521	223 250
France		
Coal	1 051	8 640 500
Steel	5 279	5 183 750
Italy		
Coal	-	-
Steel	-	-
Netherlands		
Coal	-	-
Steel	-	-
United Kingdom		
Coal	-	-
Steel	2 792	1 722 750
Total	16 989	25 755 250

TABLE 19

Commitments for rehabilitation
Provisions by country and sector (1)

	Amounts still in the provision at 31.12.1976		Amounts still in the provision at 31.12.1977
	Rate of EUA at 31.12.1976	Rate of EUA at 31.12.1977	
Belgium			
Article 56			
Steel	2 059 864	2 070 042	5 444 474
Coal	9 878 961	9 934 245	6 426 991
Belgium total	11 938 825	12 004 287	11 871 465
Germany			
Article 56			
Steel	2 346 693	2 402 433	2 146 235
Coal	56 247 835	57 898 862	56 673 980
Germany total	58 594 528	60 301 295	58 820 215
France			
Article 56			
Steel	3 787 853	3 702 039	5 835 255
Coal	13 222 317	12 945 663	10 815 750
France total	17 010 170	16 647 702	16 651 005
Italy			
Article 56			
Steel	115 758	107 277	106 021
Coal	-	-	-
Italy total	115 758	107 277	106 021
Netherlands			
Article 56			
Steel	508 227	506 254	502 752
Coal	16 467 377	16 403 441	12 559 618
Netherlands total	16 975 604	16 909 695	13 062 370
United Kingdom			
Article 56			
Steel	4 608 405	4 698 840	5 496 771
Coal	18 957 528	19 302 170	13 284 618
United Kingdom total	23 565 933	24 001 010	18 781 389
Community	128 200 818	129 971 266	119 292 465

(1) The steel sector includes iron ore mines and steelworks coking plants. The coal sector includes colliery coking plants.

TABLE 20
Commitments for technical, economic and social research
Provisions by sector

Research sector	Amounts still in the provision at 31.12.1976		Amounts still in the provision at 31.12.1977
	Rate of EUA at 31.12.1976	Rate of EUA at 31.12.1977	
Steel	20 246 186	20 388 149	18 412 020
Ore	806 017	785 832	410 305
Coal	19 738 192	19 982 269	22 380 212
Industrial safety, health and medicine	8 533 747	8 500 883	9 338 535
Experimental social housing construction (2nd programme)	85 311	85 959	85 959
Dissemination of research findings	670 828	669 580	608 780 (349 787) steel (258 993) coal
Total	50 080 281	50 412 672	51 235 811

TABLE 21

Commitments for technical, economic and social research
Provisions - by sector and project - at 31 December 1977

Description of project	Amounts still in the provision at 31.12.1977
Steel	
Flame radiation IV and V	29 628
Low-shaft blast-furnace VI	3 717
Service properties of steels	422 720
Structure of steel ingots	4 337
Joint programme on measurement in the steel industry	37 958
Fire resistance of metal structures	14 648
Cold forming	7 171
Corrosion	5 204
Fatigue and standard construction	1 299
Brittle fracture	89 202
Steel for heat treatment	12 376
Metal physics	22 938
Casting and solidifying of steel	5 244
Measurement in the steel industry II	22 600
Control of energy flows	30 000
S.E.P. III Fatigue and standard construction	3 748
Automation of oxygen steel-plant	56 679
Measurement in steel industry III	317 163
Direct reduction of iron-ore	199 101
Rolling-mills	2 833 433
Counterbending of rollers	38 605
Ladle steels	118 643
Sintering	97 300
Organization of slabbing-mill soaking-pits	56 485
Process-control by computer	70 777
Structural mechanisms	8 140
Creep in welded joints	66 664
Cold-forming of steels	3 456
Foundry pig-irons	6 285
Creep	1 920
Corrosion	26 729
Welding	8 761
Electronic monitoring	35 721
Electric arcs	4 040
Blast-furnace	2 181 932
Steel-plant	2 004 569
Measurement	2 072 698
SEP - Corrosion	2 081 345
SEP - Fatigue	364 030
SEP - Brittle fracture	1 047 634

TABLE 21 (cont'd.1)

Description of project	Amounts still in the provision at 31.12.1977
<p>Steel (continued)</p> <p>SEP - Creep 119 726</p> <p>SEP - Thermal treatment 197 607</p> <p>SEP - Stampability 635 921</p> <p>Service properties of steels 101 892</p> <p>Service properties of steels 73 233</p> <p>Physical metallurgy 86 634</p> <p>Physical metallurgy 22 850</p> <p>Use of steels 48 773</p> <p>Direct reduction 598 530</p> <p>Physical metallurgy 986 308</p> <p>Quantitative metallography 34 374</p> <p>Use of steel 991 237</p> <p>Technical literature from eastern countries II 120 035</p> <hr/> <p style="text-align: right;">Total Steel 18 412 020</p>	
<p>Coal</p> <p>Firedamp control 2 211 553</p> <p>General services underground 1 301 598</p> <p>Technical literature from eastern countries II 88 644</p> <p>Production and efficiency in workings 131 417</p> <p>Coke manufacture 26 047</p> <p>Coal preparation 650 364</p> <p>High-performance cutting 24 026</p> <p>Techniques of preparatory work 2 317 288</p> <p>Winning and drivage methods 7 419 986</p> <p>Coal up-grading and coking 2 390 993</p> <p>General services underground 1 806 198</p> <p>Pricing coal and coke 4 012 098</p> <hr/> <p style="text-align: right;">Total coal 22 380 212</p>	
<p>Iron-ore</p> <p>Iron-ore extraction 390 805</p> <p>Profitability of iron-ore extraction 19 500</p> <hr/> <p style="text-align: right;">Total iron-ore 410 305</p>	

TABLE 21 (cont'd.2)

Description of Project	Amounts still in the provision at 31.12.1977
<p>Industrial Safety, Health and Medicine</p> <p>Rescue by boring 22 588</p> <p>Arresting-dams 33 624</p> <p>Fire in mines 135 633</p> <p>Industrial safety and medicine -</p> <p>Physiopathology and clinical studies I 13 650</p> <p>Traumatology 9 189</p> <p>Human factors - Ergonomics 9 992</p> <p>Burns - therapy and rehabilitation 14 548</p> <p>Physiopathology and clinical studies II 224 633</p> <p>Dust in mines 370 878</p> <p>Dust in steel industry 659 754</p> <p>Health in mines 1 591 370</p> <p>Ergonomics and rehabilitation 2 326 085</p> <p>Technical measures against pollution in steel industry 1 443 837</p> <p>Safety in mines 257 500</p> <p>Physiopathology and clinical studies III 2 225 254</p> <p style="text-align: right;">Total, Industrial Safety, Health and Medicine 9 338 535</p>	
<p>Social Housing</p> <p>Second experimental programme 85 959</p> <p style="text-align: right;">Total, Social Housing 85 959</p>	
<p>Dissemination of Research Findings</p> <p>Steel 349 737</p> <p>Coal 258 993</p> <p style="text-align: right;">Total, Dissemination of Research Findings 608 780</p>	
<p style="text-align: right;">Grand Total</p>	<p style="text-align: right;">51 235 811</p>

TABLE 22
FUTURE COMMITMENTS FOR INTEREST REDUCTION
 MOVEMENTS FROM 31.12.76 TO 31.12.77

Future commitments	Article 54	Article 56	Total
Position at 31.12.1976 in EUA at 31.12.1976 rate	3 562 521	9 259 473	12 821 994
Withdrawals for loan agree- ments signed in 1977	- 569 000	- 2 293 698	- 2 862 698
Unused provisions	- 120 462	- 116 815	- 237 277
1976 provision remaining	2 873 059	6 848 960	9 722 019
Provision constituted in 1977	1 871 850	17 017 176	18 889 026
Total allocations at 31.12.1977	4 744 909	23 866 136	28 611 045

TABLE 23
BREAKDOWN OF ADMINISTRATIVE EXPENDITURE BY NATIONAL CURRENCY

Breakdown of fixed sum by currency	Equivalent of the debt in u.a. (general budget)	%	Equivalent brought to account by the ECSC in EUA
BF 66 912 222	1 338 244.44	7.44	1 663 614.32
DKR 3 821 039	509 471.86	2.83	538 443.73
DM 14 579 818.47	3 983 556.96	22.13	5 584 086.04
FF 20 249 743.61	3 645 850	20.25	3 621 220.94
£ Irl 133 648.41	320 756.15	1.78	208 075.65
LIT 1 919 323 150	3 070 917.04	17.06	1 940 449.74
LF -	-	-	-
HFL 5 036 024.50	1 391 166.98	7.73	1 795 716.63
£ St 1 558 348.76	3 740 037.02	20.78	2 369 520.70
	18 000 000.45	100.-	17 721 127.75

TABLE 24

Income from the levy

Breakdown by group of product and country

Amounts declared and brought to account in 1977

Country	Coal		Steel		Levy total per country	
	Amount	%	Amount	%	Amount	%
Belgium	621 212	3.1	5 973 328	9.-	6 594 540	7.6
Denmark	-	-	354 428	0.5	354 428	0.4
Germany	8 244 972	40.7	20 106 369	30.2	28 351 341	32.6
France	1 871 563	9.2	11 940 550	17.9	13 812 113	15.9
Ireland	2 970	0.1	22 868	0.1	25 838	0.1
Italy	-	-	13 090 571	19.6	13 090 571	15.1
Luxembourg	-	-	2 210 204	3.3	2 210 204	2.5
Netherlands	-	-	2 339 466	3.5	2 339 466	2.7
United Kingdom	9 487 909	46.9	10 574 184	15.9	20 062 093	23.1
Community Total	20 228 626	100.-	66 611 968	100.-	86 840 594	100.-

TABLE 25

CHANGES IN THE PROPORTION FROM EACH COUNTRY

IN THE LEVY BETWEEN 1976 AND 1977

<u>COUNTRY</u>	<u>1976</u>	<u>1977</u>
Belgium	7.5	7.6
Denmark	0.4	0.4
Germany	34.-	32.6
France	15.9	15.9
Ireland	0.1	0.1
Italy	14.2	15.1
Luxembourg	2.7	2.5
Netherlands	3.2	2.7
United Kingdom	22.-	23.1
	<hr/>	<hr/>
	100.-	100.-

TABLE 26

Rate of the levy and net rates per tonne from 1953 to 1977 for each category of chargeable product

A. In u.a.

Period	Rate %	Brown coal briquettes and semi-coke derived from brown coal	Hard coal	Pig iron other than in ingots	Basic Bessemer steel in ingots	Steel other than Bessemer steel in ingots	Finished and end products of iron and steel
1.1.1953	0.30	0.0141	0.0372	0.1422	0.1398	0.1884	0.0735
1.3.1953	0.50	0.0235	0.0620	0.2370	0.2330	0.3140	0.1225
1.5.1953	0.70	0.0329	0.0868	0.3318	0.3262	0.4396	0.1715
1.7.1953	0.90	0.0423	0.1116	0.4266	0.4194	0.5652	0.2205
1.7.1955	0.70	0.0329	0.0868	0.3318	0.3262	0.4396	0.1715
1.1.1956	0.45	0.0212	0.0558	0.2133	0.2097	0.2826	0.1103
1.7.1957	0.35	0.0220	0.0448	0.1870	0.1738	0.2925	0.1003
1.7.1959	0.35	0.0277	0.0448	0.1870	0.1738	0.2925	0.1003
1.7.1961	0.30	0.0237	0.0384	0.1603	0.1490	0.2507	0.0860
1.7.1962	0.20	0.0158	0.0256	0.1068	0.0993	0.1672	0.0573
1.7.1964	0.20	0.0180	0.0256	0.1068	0.0993	0.1672	0.0573
1.7.1965	0.25	0.0225	0.0360	0.1071	0.1337	0.2117	0.0717
1.7.1966	0.25	0.0225	0.0360	0.1071	0.1337	0.2117	0.0717
1.7.1967	0.30	0.0297	0.0432	0.1286	0.1604	0.2540	0.0860
1.1.1972	0.29	0.0287	0.0548	0.1640	0.1814	0.2865	0.1043
1.1.1973	0.29	0.0339	0.0526	0.1617	0.1931	0.2667	0.1010
1.1.1974	0.29	0.0395	0.0537	0.1615	0.2111	0.2870	0.1093
1.1.1975	0.29	0.0448	0.0594	0.2241	0.2895	0.3636	0.1386(1)

(1) Thus sum was calculated with weightings for the average values of the two categories Finished and End Products of Basic Bessemer steel and Finished and End Products other than of Basic Bessemer steel.

B. In EUA

Period	Rate %	Brown coal briquettes and semi-coke derived from brown coal	Hard coal	Pig iron other than in ingots	Steel in ingots	Finished and end products of iron and steel
1.1.1976	0.29	0.05385	0.08802	0.33324	0.41720	0.18487
1.1.1977	0.29	0.06081	0.10220	0.35027	0.38423	0.17409

TABLE 27

Changes by sector (coal – steel) in levy income from 1953 to 1977

(expressed as a percentage of the annual product of the levy)

% of the annual product of the levy

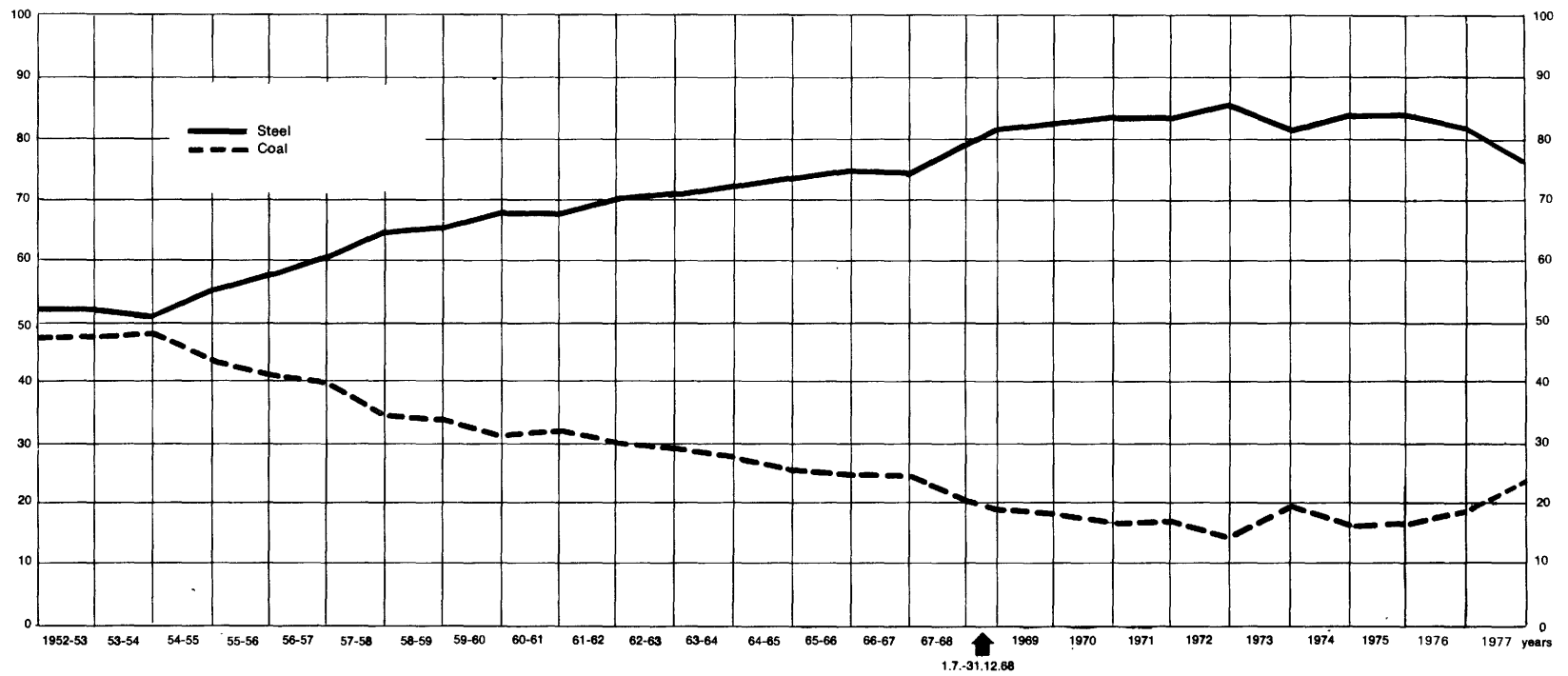


TABLE 28

Changes in levy income for the various categories of steel products ⁽¹⁾
from 1953 to 1977

% of the annual
product of the
levy on steel

(expressed as a percentage of the annual product of the levy on steel)

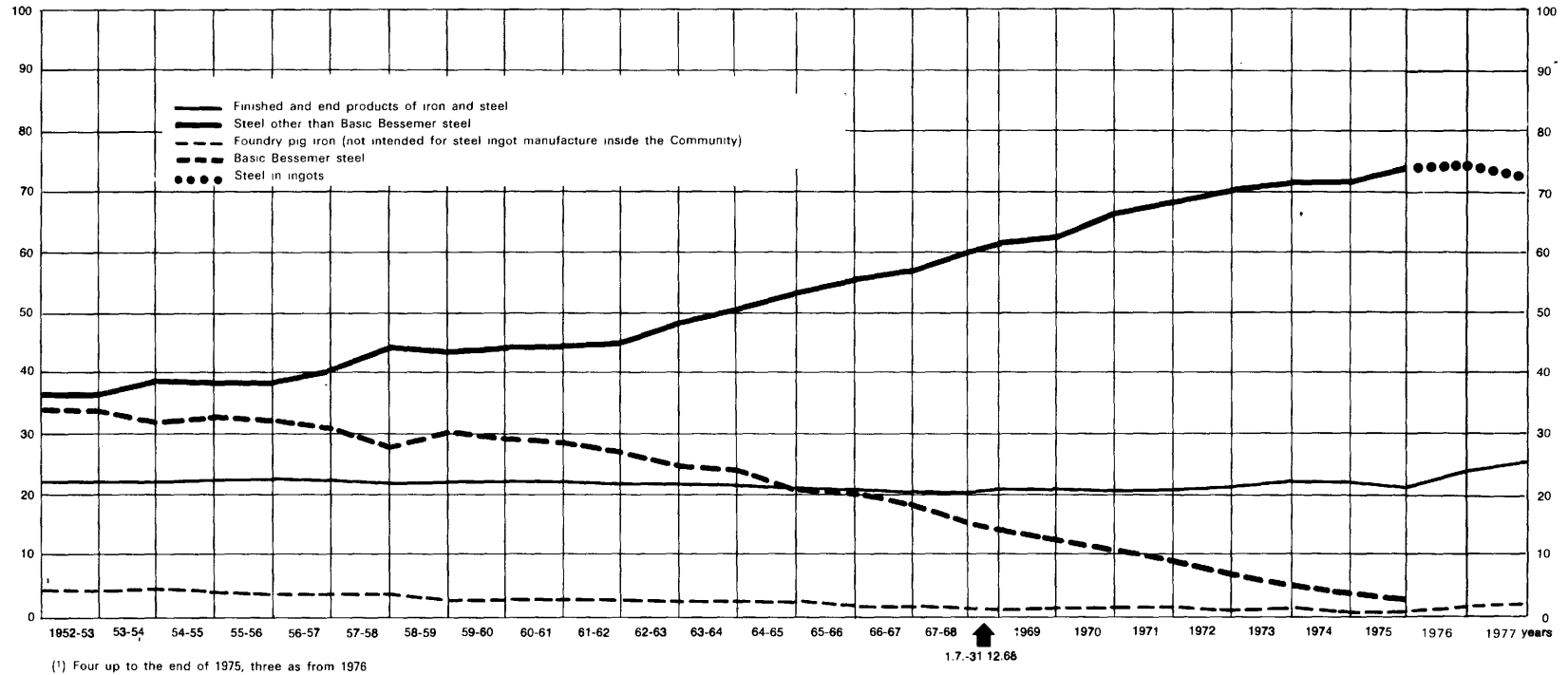


TABLE 29

Interest and income from investments
Breakdown by country and type of income during 1977

Country	Bank interest (current accounts) and fixed deposits)		Interest from various portfolio securities		Total per country	
	Amount	%	Amount	%	Amount	%
Belgium	4 991 073	16.3	494 622	4.9	5 485 695	13.5
Denmark	118 598	0.4	-	-	118 598	0.3
Germany	3 594 263	11.8	5 309 453	52.5	8 903 716	21.9
France	2 411 494	7.9	1 491 606	14.8	3 903 100	9.6
Ireland	-	-	-	-	-	-
Italy	3 663 172	12.-	1 335 737	13.2	4 998 909	12.3
Luxembourg	6 405 876	21.-	1 160 949	11.5	7 566 825	18.6
Netherlands	894 800	2.9	131 129	1.3	1 025 929	2.5
United Kingdom	7 889 041	25.8	187 340	1.8	8 076 381	19.8
Switzerland	143 523	0.5	-	-	143 523	0.4
USA	444 429	1.4	-	-	444 429	1.1
Canada	1 183	-	-	-	1 183	-
Sub-total	30 557 452	100.-	10 110 836	100.-	40 668 288	100.-
Interest to be credited to loan service account	- 10 237 493	33.5	-	-	- 10 237 493	25.2
Total	20 319 959	66.5	10 110 836	100.-	30 430 795	74.8

TABLE 30

ECSC ASSISTANCE TO SOCIAL HOUSING CONSTRUCTION

Breakdown by programme and type of assistance

Position at 31.12.1977

	Outright grants (1)	Amounts disbursed (repayments not deducted)			
		Loans out of borrowed funds	Loans out of Special Reserve	Loans out of Levy income for technical and economic research	Loans out of levy income for rehabilitation
<u>Social housing construction</u>					
- 1st programme		26 105 005			
- 2nd programme		3 294 386	18 054 935		
- 3rd programme		4 629 115	15 630 718		
- 4th programme		12 910 057	21 538 131		
- 5th programme (standard and special)		7 277 664	32 642 383		
- 6th programme		534 031	24 325 734		
- 7th programme (standard and special)		7 399 839	35 213 194		
- 8th programme		1 680 094	21 459 958		
<u>Housing for rehabilitated workers</u>					510 775
Assistance to the Friuli region			374 707		
<u>Experimental social housing reconstruction</u>					
- 1st programme	995 838(1)				
- 2nd programme	904 176(1)		354 716	3 674 788	
Total	1 900 014(1)	63 830 191	169 594 476	3 674 788	510 775

(1) Figures drawn up in u.a. values as at the time when they were entered in the accounts.

TABLE 31

PROGRESS OF SOCIAL HOUSING CONSTRUCTION PROGRAMMES AT 31.12.1977

Breakdown by country (standard and experimental programmes)

Country	Number of dwellings financed	comprising dwellings		
		in preparation	under construction	completed
Belgium	7 980	174	238	7 568
Denmark	288	8	6	274
Germany	92 145	561	1 606	89 978
France	30 919	1 281	1 584	28 054
Ireland	179	57	-	122
Italy	7 652	356	575	6 721
Luxembourg	1 164	17	38	1 109
Netherlands	5 718	75	87	5 556
United Kingdom	5 599	33	-	5 566
Total for the nine countries	151 644	2 562	4 134	144 948

ANNEX II

SCRAP EQUALIZATION SYSTEM

SCRAP EQUALIZATION

1. General

The winding-up account of the single Fund for the equalization mechanism was set up under Decision No. 19/65 and has been in operation since 1 January 1966. It records the operations involved in winding up the system i.e. :

- pursuit of claims against defaulting debtor undertakings for recovery of contributions in arrear (1) and against scrap dealers for compensation amounts improperly received for deliveries which were not eligible
- distribution of funds recovered to all enterprises subject to the system, in the form of refunds
- adjustments arising from changes in the bases for the assessment of contribution.

The reader is referred to the summarized Management Account at 31 December 1965 (2) on the basis of which the final rates of contribution (principal and interest) were set by Decision No. 19/65 of the High Authority dated 15 December 1965.

2. Scope of audit

The only movements arising from the winding-up operation in 1977 concerned the investment of funds and a single payment of administrative expenses to a trustee. For this reason the audit was confined to the examination of banking and accounting documents.

(1) These amounts can be found under Assets in the statement on the following page (undertakings' current accounts)

(2) 1965-66 Auditor's Report, No. 99.

3. Summarized account of winding-up operations at 31 December 1977 and comments

3.1. The winding-up account at 31 December 1977 was as follows:

Assets		Liabilities	
	u.a.		u.a.
Undertakings' current account	54 175	Provision for debtor undertakings subject to court orders	47 600
Bank	175 333	Debts to third parties	6 575
Temporary account	4 102	Unallocated balance	179 435
	233 610		233 610

When drawing up the statement the Institution converted the undertaking's current account into EMA units of account, bank accounts into EUA at 31 December 1977 and estimated administrative costs into EUA at 31 December 1976 rates.

A financial statement combining units of account having different meanings and values does not give the true position. The table below may be regarded as giving a correct summary of the account at the end of 1977; it is based on the actual currency of transactions and follows the requirements of Decision 21/60 of 26 July 1960 (1).

Assets		Liabilities	
	u.a.		u.a.
Undertakings' current account	54 175	Provision for debtor undertakings subject to court orders	47 600
Bank	298 468	Debts to third parties	6 575
Temporary account	9 725	Temporary accounts	2 045
		Available for distribution	306 148
	362 368		362 368

(1) Official Journal of the European Communities 54 of 24 August 1960:

"Article 2

The amounts in units of account

(a) to be paid to undertakings established in

- the Federal Republic of Germany, excluding the Saar;
- Belgium;
- Italy;
- Luxembourg;
- the Netherlands, and

(b) to be paid by the undertakings referred to in (a) above,

.... are converted to national currency at the following rates:

DM 4.20, BF 50, LIT 625, LF 50 and HFL 3.80 for one EMA unit of account.

Article 3

For undertakings in France and the Saar, statements are drawn up in French francs in accordance with the following procedure ...

4 ... the parities to be applied for one EMA unit of account are as follows:

- for the period from 1 April 1954 to 31 October 1957 inclusive
FF 350.00
- for the period from 1 November 1957 to 31 December 1958 inclusive
FF 420.00
- for the period from 1 January to 30 April 1959 inclusive:
FF 4.93706 "

3.2. The only variations from the position at the end of 1976 arise from the receipt of interest on invested funds and changes in the exchange rates of the EUA.

The enterprises' current account represents the debt of a bankrupt undertaking and must be regarded as irrecoverable. Under Liabilities is included the debt of the Fund to the ECSC which had temporarily refunded to it the amount of fines previously received.

Closing of the accounts, which had been hoped for in 1977, has been deferred again by a year. A single matter in dispute remains to be settled after a judicial arbitration conducted by the company which manages the Fund on behalf of the ECSC; the affair concerns the recovery of sums wrongly collected under scrap equalization.

3.3. The summary of amounts distributed to the different categories of recipient (either as payments or set off against debts to the Fund) did not change in 1977 and are set out in the following table.

Distributions per settlement period	Amounts actually distributed u.a.	Amounts credited to debtor undertakings u.a.	Amounts paid to other undertakings u.a.	Rounding-up of individual statements u.a.	Amounts shown in statement published in the Official Journal u.a.
1st 10.3.1967	1 549 991.79	97 118.40	1 452 873.39	8.21	1 550 000
2nd 8.3.1968	1 359 921.58	50 120.54	1 309 801.04	78.42	1 360 000
3rd 26.4.1969	664 885.—	12 555.51	652 329.49	115.—	665 000
4th 29.6.1971	959 058.65	14 684.50	944 374.15	-58.65	959 000
5th 28.1.1972	1 917 867.37	27 250.77	1 890 616.60	132.63	1 918 000
6th 31.12.1972	1 167 286.84	14 716.01	1 152 570.83	13.16	1 167 300
7th 30.4.1974	891 339.29	8 524.51	882 814.78	60.71	891 400
8th 14.9.1976	566 507.73	3 295.59	563 212.14	- 7.73	566 500
Total	9 076 858.25	228 265.83	8 848 592.42	341.75	9 077 200

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