

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

CREDIT DIVISION

Financial Report

for the year 1960

No. 6

CONTENTS

	Page
I. — The Levy	7
II. — Contributions to Readaptation	8
III. — Financing of Research	10
IV. — Overall Survey of Revenue, Expenditure and Allocations	11
V. — Employment of Funds of the High Authority	13
VI. — The Amendment of the Act of Pledge	13
VII. — Borrowing Operations	15
VIII. — Lending and Guaranty Operations	17
IX. — Conclusions and Outlook	21

ANNEXES:

Balance Sheet as of December 31, 1960

Statement of Revenues and Expenditures

Summary of Allocations from Net Excess of Revenues

Comparative Table regarding Revenues and Expenditures

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

Piero Malvestiti	President
Dirk Spierenburg	Vice-President
Albert Coppé	Vice-President
Albert Wehrer	Member of the High Authority
Paul Finet	Member of the High Authority
Heinz Potthoff	Member of the High Authority
Roger Reynaud	Member of the High Authority
P. O. Lapie	Member of the High Authority
Fritz Hellwig	Member of the High Authority
Hans Skribanowitz	Director General of the Department of Credit and Investments
Giorgio Signorini	Director General of the Department of Administration and Finance
Alain Petit	} Directors of the Credit Division
A. R. A. Theunissen	

The tables contained in this Report as well as the Balance Sheet and the Statement of Revenues and Expenditures attached to it are expressed in Units of Account of the European Monetary Agreement (E.M.A.). All amounts contained therein are the equivalents of various currencies computed at the following rates for

1 E.M.A. Unit:

U.S. \$:	1.00
DM	:	4.20
Bfr.	:	50.00
Ffr.	:	4.93706
Lire	:	625.00
Lfr.	:	50.00
Hfl.	:	3.80
Sfr.	:	4.29

The Sixth Financial Report of the High Authority of the European Coal and Steel Community covers the calendar year 1960, this being its eighth year of operation.

In order to achieve a better coordination of duties the former 10 Divisions of the High Authority were regrouped into 7 Departments (*directions générales*) in February 1960. Among these a new Department of Loans and Investments, consisting of a Credit Division and an Investment Division, has been created.

The *Investment Division* is responsible for all questions concerning the investment activities of the Enterprises of the Community in accordance with the provisions of the Treaty establishing the Community.

The *Credit Division* has been entrusted with the execution of all borrowing, lending and guaranty operations and with the management of the funds of the High Authority. In this capacity it is carrying on the traditions of the former Finance Division to which—*inter alia*—also belonged the annual reporting on financial matters for the information of Government Agencies, lenders to the High Authority and others interested in international finance.

All tasks of a budgetary character which in the past were also executed by the former Finance Division have been transferred to the Department of Administration and Finance which, in consequence, is now responsible for all questions relating to the levy and to the disbursement of non-repayable aids and grants for readaptation and research to be made from levy funds.

I. THE LEVY

During the year 1960 the rate of the levy remained at 0.35% which will be in effect until June 30, 1961, i.e. the end of the fiscal year 1960/61. When fixing the rate in June 1960, the High Authority considered the maintenance of the rate of 0.35% to be prudent in view of the prevailing situation in the coal mining industry and the expected volume of financial requirements for readaptation and industrial reconversion measures to be covered from the levy.

In the year under review income from the levy amounted to 32.53 million Units of Account as compared with 27.29 in 1959, an increase of 19%. This increase was primarily due to increased production in the iron and steel industry. Levy payments by the coal mining industry also went up despite difficult marketing conditions for coal and despite the closing down of a number of marginal mines.

A comparison of the levy paid by the two industries reveals a rise of total production by both:

	<i>(million Units of Account)</i>	
	<u>1959</u>	<u>1960</u>
The coal mining industry paid.....	8.39	10.08
The steel industry paid.....	18.90	22.45
	<u>27.29</u>	<u>32.53</u>

The geographical location of enterprises which have contributed to these totals can be seen from the table below :

TABLE I
Proceeds of the Levy

Country	1959		1960	
	million Units of Account	%	million Units of Account	%
German Federal Republic.....	14.22	52.1	17.15	52.8
Belgium	2.29	8.4	2.77	8.5
France	6.32	23.2	7.26	22.3
Italy	2.46	9.0	3.06	9.4
Luxembourg	0.91	3.3	1.02	3.1
Netherlands	1.09	4.0	1.27	3.9
Community	27.29	100.0	32.53	100.0

It is necessary to observe here that since the fiscal year 1952/53 when the levy was collected for the first time, the share of the levy on coal production has considerably decreased, as shown by the following figures :

	<u>1952/53</u>	<u>1960</u>
Coal mining industry.....	53%	31%
Iron and steel industry.....	47%	69%
	<u>100%</u>	<u>100%</u>

II. CONTRIBUTIONS TO READAPTATION

The great activity in readaptation which had marked the year 1959 was surpassed by that of 1960. While commitments for readaptation measures of all types amounted to only 8.5 million Units of Account in 1958, they rose by 16.4 million in 1959 and by an additional 20.0 million in 1960.

The commitments entered into in 1959 were, for the major part, related to a series of emergency measures to deal with the difficulties of the Belgian and, to a lesser extent, the German coal mining industries. Among such measures were — “Financing of Excessive Coal Stocks at the Pit-Heads” and “Temporary Assistance to Compensate Miners Working Short Shifts in Belgium”.

In 1960 nearly all the applications for aid concerned normal readaptation measures. Of these, the High Authority approved a total of 20.0 million Units of Account. In consequence the total commitments for readaptation entered into by the High Authority since 1952 increased to 57.5 million Units of Account as at the end of 1960. A summary of the commitments is given in the following table.

TABLE 2
Contributions to Readaptation
(in thousand Units of Account)

	For the period from August 10, 1952 to December 31, 1960		Commitments outstanding as at December 31, 1960
	commitments entered into	payments made	
	(a)	(b)	(a) - (b)
A. Type of Measure			
I. Normal Readaptation Measures.....	44,148	17,790	26,358
II. Emergency Measures			
1. Financing of Excessive Coal Stocks..	7,000	6,692	308
2. Short Shifts—Belgium	6,400	5,020	1,380
Total	57,548	29,502	28,046
B. Form of Financing			
— Non-repayable Grants	52,150	24,357	27,793
— Loans	5,398	5,145	253
Total	57,548	29,502	28,046
C. Geographical Distribution			
— German Federal Republic.....	22,421	10,625	11,796
— Belgium	19,256	9,952	9,304
— France	3,425	1,282	2,143
— Italy	12,100	7,605	4,495
— Netherlands	38	38	—
— Not yet allocated.....	308	—	308
Total	57,548	29,502	28,046

The table requires the following comments:

- 1) In 1960 total commitments increased by 20.0 million and disbursements by 15.7 million. In none of the preceding years have commitments and disbursements ever reached such peaks.
- 2) Of the total of 20.0 million committed in 1960 a significant part, viz. 16.6 million or 83%, related to readaptation measures adopted in the German Federal Republic. Of the totals committed at the end of 1959 and 1960, the amounts of 5.8 million and 22.4 million respectively related to German beneficiaries.
- 3) To cover the 28.0 million of commitments still outstanding at the end of 1960 the High Authority had at its disposal funds allocated for readaptation purposes amounting to 38.0 million as shown on the attached Balance Sheet. Assistance granted in the form of loans (5.1 million) reduces the amount of the allocation actually available to 32.9 million. After deducting the sum of 28.0 million needed to meet outstanding commitments, the High Authority thus had at the end of the year 4.9 million available for new readaptation measures. This amount can, of course, be supplemented by current levy funds.

III. FINANCING OF RESEARCH

In 1960 the High Authority entered into commitments for the financing of research amounting to 3.2 million Units of Account as compared with 4.0 million in 1959 and 9.7 million in 1958.

The total amount of commitments reached 28.1 million at the end of the year, as shown in detail in the following table:

TABLE 3
Contributions to Research

(in thousand Units of Account)

	For the period from August 10, 1952 to December 31, 1960		Commitments outstanding as at December 31, 1960
	commitments entered into	payments made	
	(a)	(b)	(a)-(b)
A. Type of Research or Field of Industry			
Iron and Steel Industry.....	6,694	3,810	2,884
Coal Mining Industry.....	4,590	1,303	3,287
Ore Mining (Iron and other Ores).....	5,000	1,787	3,213
Experimental Housing	4,842	4,459	383
Industrial Health, Safety and Medicine.	6,995	1,781	5,214
Total	28,121	13,140	14,981
B. Form of Financing			
— Non-repayable Grants	25,239	10,258	14,981
— Loans	2,882*	2,882*	—
Total	28,121	13,140	14,981

* Reduced by mandatory amortization to 2,871 (as in the Balance Sheet as at Dec. 31, 1960).

The following remarks will be of interest in addition to the information supplied by the above table:

- 1) In 1960 an amount of 1.1 million Units of Account was added to the Allocation for Research from levy funds. In the same period disbursements for Research amounted to 3.1 million. In consequence the Allocation for Research has decreased in the course of the year from 20.4 million by 2.0 million to 18.4 million.
- 2) The High Authority's outstanding commitments for research at the end of the year amounted to 15.0 million. Against these commitments stood 18.3 million, the amount of the Allocation for Research as shown in the attached Balance Sheet. Here, too, the actual amount available is reduced by the amount of aid granted in the form of loans (2.8 million), leaving a net of 15.5 million available. After deducting the 15.0 million needed to meet outstanding commitments, the High Authority had available at the end of the year 0.5 million for new Research measures. This amount can, of course, be supplemented by current levy funds.

IV. OVERALL SURVEY OF REVENUE, EXPENDITURE AND ALLOCATIONS

After having reported in detail the revenue from the levy and the use of levy funds for the important sectors of readaptation and research, it is now appropriate to survey all revenues and expenditures.

The High Authority had in 1960, as in preceding years, not only income from the levy but also from a variety of other sources. On the other hand, it had not only had expenditures for readaptation and research, it had also to cover administrative and various other expenses. All revenues and expenditures are indicated in detail in the attached statement.

Total revenues amounted to 51.5 million Units of Account in 1960 as compared to 45.3 million in 1959. The increase was chiefly due to the rise of revenue from the levy. A breakdown of total revenue by principal groups is given in the table below:

TABLE 4

Total Revenue of the High Authority

(in million Units of Account)

Nature of Revenue	1959	1960
Levy	27.29	32.53
Interest on Bank Deposits and Investments.....	5.89	6.21
Interest on Arrears and Fines.....	0.03	0.02
Receipts for Pension Fund.....	1.29	1.61
Sundry Receipts	0.49	0.67
	34.99	41.04
Interest on Loans outstanding.....	10.34	10.48
Total	45.33	51.52

Total actual expenditures amounted to 38.8 million Units of Account in 1960 as compared to 31.3 million in 1959. The major part of the increase relates to readaptation. As stated under II above, disbursements for that purpose amounted in 1960 to 15.7 million Units of Account. In Table 5, however, only a figure of 12.4 million is shown. The difference is due to the fact that assistance for readaptation in the amount of 3.3 million was granted in the form of loans which are not accounted for as an actual expenditure.

TABLE 5
Actual Expenditure of the High Authority

(in million Units of Account)

Nature of Expenditure	1959	1960
Administrative Expenses	11.33	11.68
Bank Charges and Issue Costs	0.26	0.75
Readaptation	6.58	12.40
Research	3.47	3.13
Pensions	0.16	0.22
	21.80	28.18
Interest paid for funds borrowed	9.59	10.67
Total	31.39	38.85

Tables 4 and 5 and the explanations given thereto show that, after deducting total expenditures of 38.85 million Units of Account from total revenues of 51.52 million, there remains a net surplus of 12.67 million for the year 1960. Since two reserve accounts were reduced by 2.65 million, total surplus was increased to 15.32 million, substantially all of which was allocated to other Funds and Reserves. The details of the reductions and allocations and of the position of the Funds at the end of 1959 and 1960 can be seen in the following table:

TABLE 6
Allocation of Surplus

(in million Units of Account)

	Allocation in 1959	Position as at Dec. 31, 1959	Allocations in 1960	Reductions in 1960	Position as at Dec. 31, 1960
I. a) Guaranty Fund	—	100.00	—	—	100.00
b) Special Reserve	2.38	25.12	6.41	—	31.53
II. Allocations					
a) for Readaptation ...	1.92	30.89	7.15	—	38.04
b) for Research	4.93	20.42	—	2.03	18.39
III. a) Pension Fund	1.13	6.00	1.39	—	7.39
b) Loan Service	0.49	0.97	—	0.62	0.35
	10.85	183.40	14.95	2.65	195.70
IV. Unallocated Balance ...	3.09	6.49	0.37	—	6.86
	13.94	189.89	15.32	2.65	202.56

The above table requires the following comments:

- 1) The amount allocated to the Special Reserve originates, as in preceding years, from interest received on investments. The funds so accumulated

are used for the financing of workers' housing. The loans granted for that purpose are shown in a separate item on the Balance Sheet. Every increase in the Special Reserve is followed, after a certain span of time, by an increase in housing loans outstanding.

The rise in the Pension Fund reflects a corresponding rise in commitments under the Staff Retirement Plan.

- 2) The increase in the Allocation for Readaptation of 7.15 million is partially offset by an increase of 4.31 million in the amount of commitments outstanding.

V. EMPLOYMENT OF FUNDS OF THE HIGH AUTHORITY

In 1960 the management of the funds of the High Authority was conducted, as in preceding years, with the aim of maintaining adequate liquidity and of increasing revenue from investments. In the light of experience acquired over a period of years, the methods of investment are being steadily improved and new possibilities promising better interest yields are being examined. All these efforts are directed to increase the resources of the Special Reserve which, in turn, permits increased financing of workers' housing.

VI. THE AMENDMENT OF THE ACT OF PLEDGE

In accordance with its duties under the Treaty establishing the European Coal and Steel Community, the High Authority in 1954 contracted its first loan. On that occasion an indenture—since known as the Act of Pledge—was entered into between the High Authority and the Bank for International Settlements (BIS) in Basle. The purpose of the Act of Pledge was to secure equally and ratably the claims of all present and future lenders to the High Authority. With that end in view, the Act of Pledge provides specific rules for the issue of Secured Notes and Bonds of the High Authority, for the granting of loans from the proceeds of such borrowings and for the pledge of claims and related securities with BIS.

In 1955 and 1956 some of the provisions of the Act of Pledge were amended for practical reasons. Economic conditions in the countries of the Community have, however, considerably improved since that time. The currencies of most of the member countries have become freely convertible to cite but one of the developments. The credit standing of the High Authority has been affirmed by several successful bond issues in the capital markets of Europe and the U.S.A. All this stimulated the High Authority's desire to amend the Act of Pledge further in order to modernize it and to permit the High Authority to conduct its borrowing and lending operations more efficiently in an expanding economy. After having thoroughly examined all legal and economic aspects of the proposed changes, the High Authority decided to solicit the consent of the lenders to an amendment of a number of the Act's provisions.

The solicitation of lenders' consents was—in contrast to 1955 and 1956—quite complicated from the technical point of view. Since 1955, the High Authority had issued on the international markets 4 public loans, of which about 160,000 bonds are in circulation with holders domiciled in 38 different countries. Thanks to the outstanding cooperation of the BIS, the firms which managed the underwriting syndicates for such loans and many other correspondent banks, the High Authority succeeded in obtaining the consents of holders representing 72% of the aggregate principal amount of the notes and bonds outstanding. All the banks and firms which participated in the solicitation of the consents and all lenders who took the trouble to forward their consents and to have them authenticated deserve our deepest gratitude.

The changes as proposed by the High Authority and approved by the lenders were incorporated in a supplemental indenture to the Act of Pledge which was signed by BIS and the High Authority on July 27, 1960, and which took effect the same day. Of the amendments the following are of particular interest:

- 1) The High Authority now has the right to borrow outside the Act of Pledge on an unsecured basis.

Both unsecured and secured lenders have equal rights in respect of the general assets of the High Authority including revenue from the levy and the Guaranty Fund. Borrowings outside the Act of Pledge would, however, not be secured by the property pledged with BIS.

The reasons for introducing the new provision were the following:

The High Authority anticipated that owing to its credit standing having become more widely known it would be able to borrow advantageously on an unsecured basis as well as under the Act of Pledge. In the past the High Authority had received offers from potential lenders to make unsecured loans. Under the former wording of the Act of Pledge, the High Authority could not avail itself of such offers.

- 2) The High Authority is no longer obligated to require a Currency Undertaking from the Government of a member country when granting a loan to an enterprise within that country if the currency of that country is freely convertible in the meaning of Article VIII of the Articles of Agreement of the International Monetary Fund.

This amendment takes account of the favorable changes that have taken place in the foreign exchange situation of the member countries of the Community since 1954 when the old wording of the Act of Pledge was formulated.

- 3) The High Authority now has the right to issue bonds and notes payable, at the option of the holder, in two or more currencies. In respect of loans to enterprises made from the proceeds of such borrowings, the High Authority would, of course, have the right to exercise the same option.

This amendment takes account of recent developments in certain capital markets and enables the High Authority to seize new business opportunities when deemed advisable to do so.

The remaining changes were mostly of a technical nature and were designed to facilitate the High Authority's borrowing and lending operations and to simplify dealings with BIS.

VII. BORROWING OPERATIONS

In the report for the year 1959 it was said that the volume of loan applications received by the High Authority from enterprises would have justified the floating of a new issue in one of the capital markets but that conditions which prevailed in such markets at that time did not permit the realization of such plans.

In 1960 loan applications by enterprises of the Community accumulated again to such an extent that an issue—even at slightly higher costs—could no longer be postponed.

The embargo on new issues by borrowers from the Community countries which was introduced in Switzerland for political reasons in 1958 continued in effect throughout 1960. For this reason no operation could be contemplated in Switzerland. The markets in the Community countries were either closed to foreign issuers or issues in such markets were not desirable because of high interest rates. Under these circumstances the High Authority had again to look to the American market, and it finally accepted the offer for a loan to be floated there.

Having raised in the United States a Government loan of \$100 million and having successfully floated public bond issues in 1957 and 1958 in an aggregate amount of \$85 million, the High Authority was entitled to estimate favorably the prospects for a new loan.

Negotiations with the traditional underwriting group under the leadership of

Kuhn, Loeb & Co.,
The First Boston Corporation and
Lazard Frères & Co.

were begun in the late summer and successfully concluded on October 18, 1960. The group purchased from the High Authority an issue of

\$35,000,000.—

consisting, as in 1957 and 1958, of a medium-term and a long-term borrowing with the following terms and conditions:

a) *Long term borrowing*

—\$25 million 5 $\frac{3}{8}$ % Secured Bonds having a 20 year term, issued at 97%. The effective yield to the original purchaser was 5.6%.

—The bonds are either bearer bonds in denominations of \$1,000, \$500 and \$100 or fully-registered bonds in denominations of \$1,000 and multiples thereof.

b) *Medium term borrowing*

—\$3.3 million 4¾% Secured Notes having a 3 year term.

\$3.3 million 4⅞% Secured Notes having a 4 year term.

\$3.4 million 5 % Secured Notes having a 5 year term.

—The Notes were issued in denominations of \$1,000, \$10,000 and \$100,000 and were sold at par.

The Bonds and the Notes were, like all previous issues, secured under the Act of Pledge.

The public offering was made on October 19, 1960 and the securities were all sold the same day. Despite the fact that subscriptions by European investors were lagging owing to the world-wide discussions about the stability of the dollar and that they were less important in volume than on previous occasions, the issue was considerably oversubscribed. This success can be attributed to the growing interest which American institutional investors are taking in the securities offered by the High Authority. The percentage of actual American purchases of bonds and notes increased from 1957 to 1958 and from 1958 to 1960.

The 1960 bonds are quoted on the Stock Exchanges of New York and Luxembourg.

* * *

Details of all loans raised by the High Authority from its inception through 1960 are given in the following table:

TABLE 7
Total Amount of Borrowings (Secured Notes)

Country	Year	Interest % p.a.	Term (years)	Original Amount		Amount outstanding as at December 31, 1960 (equivalent in Units of Account)
				in currency concerned	equivalent in Units of Account	
U.S.A.	1954	3⅞	25	\$ 100,000,000	100,000,000	90,800,000
Germany	1955	3¾	25	DM 50,000,000	11,904,762	10,627,452
Belgium	1955	3½	25	Bfr 200,000,000	4,000,000	3,688,000
Luxembourg	1955	3½	25	Bfr 20,000,000	400,000	368,800
Luxembourg	1955	3½	25	Lfr 5,000,000	100,000	—
Germany	1956	4¼	20	DM 2,977,450	708,917	638,734
Switzerland	1956	4¼	18	Sfr 50,000,000	11,655,012	11,655,012
U.S.A.	1957	5½	18	\$ 25,000,000	25,000,000	25,000,000
U.S.A.	1957	5	3-5	\$ 7,000,000	7,000,000	4,690,000
U.S.A.	1957	5	3-5	\$ 3,000,000	3,000,000	2,010,000
Luxembourg	1957	5⅞	25	Lfr 100,000,000	2,000,000	2,000,000
U.S.A.	1958	5	20	\$ 35,000,000	35,000,000	35,000,000
U.S.A.	1958	4½	3-5	\$ 15,000,000	15,000,000	15,000,000
U.S.A.	1960	5⅞	20	\$ 25,000,000	25,000,000	25,000,000
U.S.A.	1960	4¾	3	\$ 3,300,000	3,300,000	3,300,000
U.S.A.	1960	4⅞	4	\$ 3,300,000	3,300,000	3,300,000
U.S.A.	1960	5	5	\$ 3,400,000	3,400,000	3,400,000
				Total	250,768,691	236,477,998

VIII. LENDING AND GUARANTY OPERATIONS

During the period from April 1954 (when the first loan was raised in the United States) through 1960, the High Authority had available for lending operations an aggregate amount of 301.32 million Units of Account.

These funds originated from the different sources described below:

	<i>Million Units of Account</i>	
1) <i>Borrowed Funds</i>		
—Proceeds of loans.....	250.77	
—Anticipatory redemption of loans granted to Enterprises. These funds having still 20 years to run, it was possible to use them for new loans.....	<u>10.02</u>	260.79
2) <i>Interest received on Investments</i>		
These revenues are accumulated in the Special Reserve and are used for the financing of workers' housing. At Dec. 31, 1960 they aggregated.....		31.53
3) <i>Levy funds</i>		
With the approval of the Council of Ministers certain assistance for readaptation and research is given in the form of loans instead of non-repayable grants (such loans have, for example, been granted for experimental housing and for the financing of excessive coal stocks). The amounts authorized up to Dec. 31, 1960 aggregated		9.00
	Total	<u><u>301.32</u></u>

The overall picture of lending operations, redemptions and funds available as at the end of 1960 is shown in the following table.

TABLE 8
Overall Picture of Loan Operations
(in million Units of Account)

	Loans from borrowed Funds	Loans from High Authority's own resources		TOTAL
		from Special Reserve	from other Funds	
I. Amount available	260.79	31.53	9.00	301.32
II. Amount committed	260.79	21.68	9.00	291.47
III. Paid out	233.16	21.28	8.75	263.19
Redemption Payments ..	-24.31	-0.33	-0.35	-24.99
Amount outstanding as per Balance Sheet at Dec. 31, 1960.....	208.85	20.95	8.40	238.20
IV. Amount not yet drawn down	27.63	0.40	0.25	28.28
V. Amount not yet committed	—	9.85	—	9.85

1. Lending from borrowed funds in 1960

In 1960 the High Authority lent \$36.6 million from borrowed funds. This amount was composed of the proceeds of the issue of \$35 million floated on the U.S. Market in October and of \$1.6 million from anticipated redemptions of loans granted in previous years.

At the time the issue of \$35 million was floated in the U.S., the amount of loan applications filed by the enterprises with the High Authority had reached a total of \$110 million. About 50% of these applications were filed by German coal-mining and iron and steel enterprises. As the German authorities, for reasons of economic and monetary policy, did not wish an influx of foreign exchange credits, the High Authority could not, to its regret, give consideration to any German applications. As a consequence, only loan applications from the other Community countries were screened. From these the High Authority selected the projects which were best suited to foster the general objectives of the Community and to some of which it had contributed financing in the past.

Loans in an aggregate amount of \$36.6 million were granted to enterprises of the iron and steel industry, the geographical location of the borrowers being as follows:

France	\$20.4 million
Italy	\$ 9.2 million
Belgium	\$ 7.0 million.

The financial contribution of the High Authority to the projects in no case exceeded 25% of the total costs. The remainder of the funds required is provided either from the resources of the enterprises or from other local sources.

The loans granted by the High Authority have a term of 20 years and bear interest at the rate of $5\frac{7}{8}\%$. This rate covers only the total cost of the funds to the High Authority, with no profit to it. In this respect the policy initiated in 1954 has again been followed.

* * *

In the year under review the statistics with regard to loan operations have been modified in such a way as to include also loans made from funds received under accelerated amortization of loans granted in previous years. Such funds amounted to 8.42 million by the end of 1959 to which 1.60 million were added in 1960. The total of 10.02 million is now included in the figures of tables 8 and 9.

* * *

Although the proceeds of the 1960 U.S. issue were mostly used for loans to the steel industry, it should not be overlooked that the coal mining industry (including pit-head power stations) is still the leading borrower. The distribution of loans granted by types of projects and by geographic location of borrowers is given in the following table.

TABLE 9

Distribution of Loans Committed by Types of Investment and by Countries

(in million Units of Account)

	Loans from Borrowed Funds	Loans from own resources		Total
		from the Special Reserve	from other Funds	
A. Form of Investment				
Coal mining industry (including mine-owned coking plants).....	88.14	—	—	88.14
Pit-head power stations.....	46.31	—	—	46.31
Iron ore mines and ore-preparation plant	22.25	—	—	22.25
Iron and steel industry.....	83.98	—	—	83.98
Workers' housing	20.11	21.68	—	41.79
Readaptation	—	—	5.40	5.40
Research (experimental housing)....	—	—	2.88	2.88
Other projects (School).....	—	—	0.72	0.72
Total	260.79	21.68	9.00	291.47
B. Geographical Distribution				
German Federal Republic.....	135.98	15.76	6.30	158.04
Belgium	27.20	0.61	0.45	28.26
France	55.86	3.13	1.00	59.99
Italy	40.45	0.92	0.22	41.59
Luxembourg	1.30	0.21	0.80	2.31
Netherlands	—	1.05	0.23	1.28
Community	260.79	21.68	9.00	291.47

2. Loans granted from the Special Reserve for the financing of Workers' housing

It has been pointed out in previous reports and also in this report that the interest earned on investments is accumulated in the Special Reserve. Foreign exchange credits carrying a relatively high interest rate are not well suited to finance housing projects for workers. For that reason the High Authority decided in 1956 to utilize the funds accumulated or to be accumulated in the Special Reserve for this special purpose. Up to now 30.0 million Units of Account have been earmarked for the Second and Third Housing Programs, of which 21.7 million were committed and 21.3 million paid out as of December 31, 1960.

The credits from the Special Reserve are made in the various national currencies and carry moderate rates of interest. These facts permit their pooling with considerable supplemental credits supplied to the constructing enterprises from local sources at prevailing rates of interest. The pooling of credits from these two sources results on the one hand in a relatively low average interest charge and on the other hand in doubling or even tripling the number of housing units to be

constructed. The financing scheme so applied by the High Authority since 1956 has met with the unanimous approval of the European Parliament, of the enterprises and, last but not least, of the workers and their unions.

3. Loans granted from other Funds

In the year under review no new loans were granted from this source, the sole operations being disbursements under commitments previously entered into or redemption payments by borrowers.

The amount of readaptation loans outstanding for the financing of excessive coal stocks at the pit-heads increased during the year from 1.84 million Units of Account to 5.15 million.

Outstanding loans from the Research fund for the financing of experimental housing projects decreased during the year to 2.87 million owing to redemption payments.

Of the loan of 0.72 million Units of Account granted for the construction of the European School, only 0.38 million was still outstanding at the end of the year.

4. Guaranty operations

In the course of 1960 the High Authority agreed to guarantee a long term loan in an amount equivalent to 23.8 million Units of Account which had been negotiated between a steel enterprise and a banking group. The project fully complied with the general objectives of the Community and for that reason was sponsored by the High Authority. The loan negotiations, however, were not yet completed at the end of the year and for that reason the contract of guaranty could not be signed and did not increase the amount of liabilities under guaranties in the Balance Sheet.

Other commitments under guaranties of another steel enterprise increased during the year by 2.4 million.

The total commitment under guaranties increased to 10.7 million as at the end of the year.

5. Indirect financing through banks

The system of close cooperation between banks in the six member countries of the Community and the High Authority, initiated in previous years, was further developed in the year under review. The banks again followed the suggestions of the High Authority and furnished the enterprises of the Community with additional middle-term credits in national currencies at reduced rates of interest.

The following table gives an overall picture of all the credits of this type granted in the period between 1955 and 1960.

TABLE 10

Medium-Term Bank Loans

Country	Year	Term Years	Amount in millions of national Currency	Amount outstanding as at Dec. 31, 1960	
				in millions of national Currency	in million Units of Account
Germany	1955	5	100.0	—	—
	1958	5	100.0	100.0	23.8
	1960	8	100.0	100.0	23.8
Saar	1957	5	5.3	5.3	1.2
Belgium	1956	5	242.0	103.0	2.0
	1957	5	81.0	69.0	1.4
	1958	5	125.0	125.0	2.5
France	1957	5	25.0	23.0	4.6
	1959	5	5.0	5.0	1.0
	1960	5	53.0	53.0	10.7
Italy	1956	5	4,000.0	4,000.0	6.4
	1958	5	500.0	500.0	0.8
	1959	5	600.0	600.0	0.9
Luxembourg	1955	5	100.0	100.0	2.0
Netherlands	1957	5	2.7	—	—
Community				TOTAL	81.1

IX. CONCLUSIONS AND OUTLOOK

The year 1960 was entirely satisfactory as regards financial matters: the funds accumulated in previous years supplemented by levy revenue, exceeding estimates, have enabled the High Authority to meet demands of the enterprises, especially for readaptation measures. In addition, the High Authority had a loan issue in the U.S. market and could thus meet at least a part of the loan applications filed with it by the enterprises.

The High Authority paid special attention to the fostering of projects for industrial reconversion in the coal mining regions which suffered the most from structural changes. It was prepared to allocate a substantial part of the proceeds of the 1960 issue for that purpose. The Governments concerned could not, however, within the time available work out reconversion projects suitable for financing by the High Authority. It is hoped that in the future preliminary studies for the creation of such projects will be pursued in timely fashion so as to permit the filing of loan applications just ahead of a new loan issue, if the High Authority should decide to float one.

As regards the outlook for new loans, it can be said that the development of the international capital markets and of certain markets in the Community would

justify optimism for 1961. Should new borrowings be decided upon it is hoped that the amendment of the Act of Pledge carried through in 1960 will permit not only secured but also unsecured borrowings.

Finally, we call attention to the High Authority's Balance Sheet as at December 31, 1960, to the Statement of Revenues and Expenditures for the year then ended and to the tables of supplementary information attached thereto.

*For the High Authority
of the European Coal and Steel Community*

THE MANAGEMENT OF THE CREDIT DIVISION

HIGH AUTHORITY
of the
EUROPEAN COAL AND STEEL COMMUNITY

REVENUES AND EXPENDITURES IN THE YEAR 1960

(Including Revenue and Expenditures in connection with Borrowing
and Lending Operations)

All amounts are stated in E.M.A. Units of Account and are the equivalent of various currencies
computed at the rates set forth on page 4 of this Report

Revenues	for the period January 1, 1960 to June 30, 1960	for the period July 1, 1960 to December 31, 1960	Total for the year 1960
REVENUES FROM LENDING OPERATIONS:			
Interest Received:			
on loans from borrowed funds	4,908,635.61	4,854,199.50	9,762,835.11
on undisbursed loan funds	12,841.18	271,155.15	283,996.33
on loans from funds not borrowed	228,723.11	199,132.99	427,856.10
Sundry Receipts	621.64	834.72	1,456.36
Total Revenue from lending operations	5,150,821.54	5,325,322.36	10,476,143.90
LEVY:			
German Enterprises	8,540,662.15	8,612,558.95	17,153,221.10
Belgian Enterprises	1,435,318.39	1,333,802.18	2,769,120.57
French Enterprises	3,718,233.92	3,537,098.29	7,255,332.21
Italian Enterprises	1,479,399.42	1,580,979.56	3,060,378.98
Luxembourg Enterprises	505,561.38	512,043.38	1,017,604.76
Dutch Enterprises	634,832.36	637,584.89	1,272,417.25
Total Levy	16,314,007.62	16,214,067.25	32,528,074.87
OTHER REVENUES:			
Interest on Deposits and Investments	3,030,033.74	3,183,068.18	6,213,101.92
Fines	8,397.67	9,930.02	18,327.69
Receipts for Pension Fund	913,842.30	701,188.94	1,615,031.24
Miscellaneous	338,702.22	330,045.48	668,747.70
Total Other Revenues	4,290,975.93	4,224,232.62	8,515,208.55
Total Revenues	25,755,805.09	25,763,622.23	51,519,427.32

Auditor's Note

Having examined the books, vouchers and documents of the book-keeping and the explanations supplied to me, I herewith certify that the revenues and expenditures of the High Authority for the year 1960 are correctly and properly reflected in the above document.

Luxembourg, March 27, 1961

Urbain J. Vaes
Auditor

Expenditures	for the period January 1, 1960 to June 30, 1960	for the period July 1, 1960 to December 31, 1960	Total for the year 1960
EXPENDITURES IN CONNECTION WITH BORROWING OPERATIONS:			
Interest and Fees:			
Interest on Secured Notes	4,486,792.24	4,757,392.07	9,244,184.31
Fees to depositary and agent banks	188,983.58	1,238,712.17	1,427,695.75
Miscellaneous	10.71	4.54	15.25
Total Expenditures in connection with borrowing operations	4,675,786.53	5,996,108.78	10,671,895.31
Other Expenditures:			
Administrative Expenses	6,219,728.17	5,453,949.88	11,673,678.05
Financial Expenses	116,429.19	637,555.94	753,985.13
Expenditures for Research	1,514,427.57	1,616,933.72	3,131,361.29
Expenditures for Readaptation	8,134,800.19	4,259,835.27	12,394,635.46
Expenditures for Pensions	86,208.91	139,752.83	225,961.74
Total Other Expenditures	16,071,594.03	12,108,027.64	28,179,621.67
Total Expenditures	20,747,380.56	18,104,136.42	38,851,516.98
EXCESS OF REVENUES OVER EXPENDITURES	5,008,424.53	7,659,485.81	12,667,910.34

The net excess of revenues over expenditures for the year 1960 amounted to 12,667,910.34. This amount was augmented to 15,322,879.16 by withdrawing 2,654,968.82 from allocations made in previous years. Details of the allocations and withdrawals are as follows:

ALLOCATIONS:

To the Special Fund	6,405,010.05	
For Readaptation Fund	7,155,364.54	
To the Pension Fund	1,389,069.50	14,949,444.09

WITHDRAWALS:

From the Research Fund	2,031,361.29	
From Balance of the Loan Service	623,607.53	2,654,968.82

Total Allocations 12,294,475.27

UNALLOCATED BALANCE 373,435.07

12,667,910.34

**For the High Authority
of the European
Coal and Steel Community**

Hans Skribanowitz
Director General
of the Department of
CREDIT AND INVESTMENTS

Giorgio Signorini
Director General
of the Department of
ADMINISTRATION AND FINANCE

In the original, 23 and 23a were a one-page foldout.

**HIGH AUTHORITY
of the
EUROPEAN COAL AND STEEL COMMUNITY
BALANCE SHEET — December 31, 1960**

Assets

All amounts are stated in E.M.A. Units of Account and are the equivalent of various currencies computed at the rates set forth on page 4 of this Report.

Liabilities

<p>I—LOANS FROM FUNDS BORROWED</p> <p>1. For the financing of industrial projects:</p> <p style="padding-left: 20px;">in U.S.A. dollars 179,207,160.00</p> <p style="padding-left: 20px;">in Swiss francs 11,655,011.66</p> <p>2. For the financing of housing projects:</p> <p style="padding-left: 20px;">in U.S.A. dollars 667,000.00</p> <p style="padding-left: 20px;">in German (W) marks 11,266,186.30</p> <p style="padding-left: 20px;">in Belgian francs 4,056,800.00</p> <p style="padding-left: 20px;">in Luxembourg francs 2,000,000.00</p> <p>3. Pledged accounts with Bank for International Settlements, Basle:</p> <p style="padding-left: 20px;">(a) undisbursed loan funds 27,625,840.00</p> <p style="padding-left: 20px;">(b) other funds on sight and time accounts 618,661.77</p> <p>4. Interest on loans receivable but not yet due</p> <p>II—LOANS FROM SPECIAL FUND (1) for the financing of housing projects</p> <p>III—OTHER LOANS (2)</p> <p style="padding-left: 20px;">1. from funds allocated for readaptation 5,145,311.29</p> <p style="padding-left: 20px;">2. from funds allocated for research 2,871,131.68</p> <p style="padding-left: 20px;">3. from other funds 381,257.58</p> <p>IV—CASH AND OTHER CURRENT ITEMS</p> <p style="padding-left: 20px;">1. Cash and due from banks 144,015,093.36</p> <p style="padding-left: 20px;">2. Other short and middle-term placements</p> <p style="padding-left: 40px;">(a) with banks 22,510,000.71</p> <p style="padding-left: 40px;">(b) other items 2,932,501.16</p> <p style="padding-left: 20px;">3. Interest receivable but not yet due 503,964.00</p> <p>V—INVESTMENTS</p> <p style="padding-left: 20px;">1. Securities at cost 2,254,996.77</p> <p style="padding-left: 20px;">2. Accrued interest 62,265.52</p> <p>VI—ADVANCES TO THE OTHER EUROPEAN COMMUNITIES AND COMMON INSTITUTIONS</p> <p>VII—CONTINGENT INTEREST (per contra)</p> <p>VIII—OTHER ASSETS</p> <p>IX—ENTERPRISES' LIABILITY UNDER GUARANTIES (per contra) 10,749,498.39</p>	<p>190,862,171.66</p> <p>17,989,986.30</p> <p>208,852,157.96</p> <p>28,244,501.77</p> <p>3,393,726.39</p> <p>240,490,386.12</p> <p>20,955,969.37</p> <p>8,397,700.55</p> <p>169,961,559.23</p> <p>2,317,262.29</p> <p>543,779.93</p> <p>2,007,149.41</p> <p>2,157,610.54</p> <p>446,831,417.44</p>	<p>I—LOANS</p> <p>1. Secured Notes</p> <p style="padding-left: 20px;">in U.S.A. dollars 207,500,000.00</p> <p style="padding-left: 20px;">in German (W) marks 11,266,186.30</p> <p style="padding-left: 20px;">in Belgian francs 4,056,800.00</p> <p style="padding-left: 20px;">in Luxembourg francs 2,000,000.00</p> <p style="padding-left: 20px;">in Swiss francs 11,655,011.66</p> <p>2. Surplus of loan service 348,244.44</p> <p>3. Interest and commission payable but not yet due 3,664,143.72</p> <p>II—RESERVES</p> <p style="padding-left: 20px;">1. Guaranty Fund 100,000,000.00</p> <p style="padding-left: 20px;">2. Special Fund 31,531,170.24</p> <p>III—ALLOCATIONS FROM REVENUE</p> <p style="padding-left: 20px;">1. for readaptation 38,043,408.80</p> <p style="padding-left: 20px;">2. for research 18,390,759.65</p> <p>IV—PENSION FUND 7,396,622.29</p> <p>V—CONTINGENT LIABILITIES (per contra) 2,007,149.41</p> <p>VI—OTHER LIABILITIES 2,111,501.06</p> <p>VII—UNALLOCATED REVENUE 6,860,419.87</p> <p>VIII—LIABILITIES UNDER GUARANTIES (per contra) 10,749,498.39</p>	<p>236,477,997.96</p> <p>348,244.44</p> <p>3,664,143.72</p> <p>240,490,386.12</p> <p>131,531,170.24</p> <p>56,434,168.45</p> <p>7,396,622.29</p> <p>2,007,149.41</p> <p>2,111,501.06</p> <p>6,860,419.87</p> <p>446,831,417.44</p>
---	--	---	--

(1) Total committed: 21,682,090.25

(2) Total committed: 9,000,707.59

Note: The Claims and Securities under Loans granted from funds borrowed as well as the other items listed under Section I of the Assets are pledged to the Bank for International Settlements, Basle, in favour of the holders of Secured Notes issued by the High Authority (see Liabilities I).

Auditor's Certificate

Having examined the books, vouchers and documents of the book-keeping and the explanations given to me, I hereby certify that the financial condition of the High Authority as of December 31, 1960, is correctly and properly reflected in the above document.

Luxembourg, March 27, 1961

Urbain J. Vaes
Auditor

**For the High Authority
of the European
Coal and Steel Community**

Hans Skribanowitz
Director General
of the Department of
CREDIT AND INVESTMENTS

Giorgio Signorini
Director General
of the Department of
ADMINISTRATION AND FINANCE

HIGH AUTHORITY
of the
EUROPEAN COAL AND
STEEL COMMUNITY

LUXEMBOURG, DECEMBER 31, 1960

Department of
Credit and Investments

Summary of Allocations from Net Excess of Revenues

(in thousands of Units of Account)

	Period					Total
	1952/57	1957/58	1958/59	1959/60	1960/61 (1st half)	
Net excess of Revenues over Expenditures	157,341	15,723	8,638	13,209	7,659	202,570
Allocations:						
To Guaranty Fund.....	100,000	—	—	—	—	100,000
To Special Fund.....	14,144	5,638	5,931	2,559	3,259	31,531
For Readaptation	24,318	4,740	./2,339	6,534	4,790	38,043
For Technical and Economic Research	6,060	5,138	7,310	400	./ 517	18,391
To Balance of Loan Service.	72	187	474	485	./ 870	348
To Pension Fund.....	2,804	1,565	1,176	1,290	562	7,397
Total Allocations	147,398	17,268	12,552	11,268	7,224	195,710
Unallocated Balance:						
For each period.....	9,943	./1,545	./3,914	1,941	435	6,860
Brought forward from previous periods	—	9,943	8,398	4,484	6,425	—
Total Unallocated Balance	9,943	8,398	4,484	6,425	6,860	6,860

**HIGH AUTHORITY
of the
EUROPEAN COAL AND
STEEL COMMUNITY**

LUXEMBOURG, DECEMBER 31, 1960

Department of
Credit and Investments

Comparative Table Regarding Revenues and Expenditures

(in thousands of Units of Account)

	Fiscal years July 1 to June 30			
	1957/58	1958/59	1959/60	1960/61 (1st half)
REVENUES				
Interest on Loans etc.	7,584	10,348	10,336	5,325
Levy	29,123	26,057	31,169	16,214
Other Revenues	7,325	7,558	8,108	4,224
Total Revenues	44,032	43,963	49,613	25,763
EXPENDITURES				
Interest and Fees paid.....	7,252	9,666	9,468	5,996
Administrative Expenses	12,594	11,651	11,439	5,454
Financial Expenses	195	2,502	233	638
Expenditures for Research.....	612	3,490	2,600	1,617
Expenditures for Readaptation.....	1,610	2,339	12,467	4,260
Expenditures for Pensions.....	33	111	197	139
Total Expenditures	22,296	29,759	36,404	18,104
EXCESS OF REVENUES OVER EX- PENDITURES	21,736	14,204	13,209	7,659
Revaluation of Assets.....	6,013	5,566	—	—
NET EXCESS OF REVENUES OVER EXPENDITURES	15,723	8,638	13,209	7,659