

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

CREDIT DIVISION

Financial Report

for the year 1961

No. 7

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EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

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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.A. \$:	1.00
DM	:	{4.20 until March 3, 1961 }4.00 from March 4, 1961
Bfr.	:	50.00
Ffr.	:	4.93706
Lire	:	625.00
Lfr.	:	50.00
Fl.	:	{3.80 until March 3, 1961 }3.62 from March 4, 1961
Sfr.	:	4.37282

LUXEMBOURG, JANUARY 25, 1962

The Seventh Financial Report of the High Authority of the European Coal and Steel Community relates to the calendar year 1961, the ninth year of its operations.

As described in detail further in this Report, the year 1961 was marked by three particular events:

- after a pause of four years, the rate of the levy was again reduced;
- borrowing operations increased in number, and the High Authority, for the first time, issued its securities to the public in a market within the Community;
- a fourth program for the financing of workers housing was launched.

I. THE LEVY

During the first half of 1961, the rate of the levy remained at 0.35%; this rate had been in effect since July 1, 1957.

The volume of reserves accumulated in the past, the improbability of a material shrinkage of the production value subject to the levy and the reduction of expenses to be covered from levy revenue in the fiscal year 1961/62 led the High Authority to the decision to reduce the levy rate to 0.30% effective July 1, 1961.

The highest levy rate applicable since the Community's beginning was 0.90%, the rate in effect from July, 1953, to June, 1955. Giving effect to the reduction to 0.30%, the rate of the levy charge to the coal and steel enterprises has been cut by two-thirds since 1955.

The liability of the enterprises for the levy is fixed in Units of Account. The monetary measures taken by the German and Dutch Governments in March, 1961 (revaluation of the Deutschmark and the Guilder), therefore, resulted for the enterprises in Germany and in the Netherlands in a reduction of about 5% in the amount of their Deutschmark and Guilder remittances to the High Authority. This benefit to the enterprises did not, however, diminish the amount of Units of Account received by the High Authority from the levy.

In 1961, revenues from the levy amounted to 30.94 million Units of Account, whereas such revenues amounted to 32.53 million in 1960. These figures are not fully comparable, however, as during the entire year 1960 the levy was collected at the rate of 0.35%, while, as noted above, in 1961 the rate of 0.35% was in effect only during the first six months and, in the second half of the year, the rate was 0.30%. Assuming, for the purpose of comparison, a levy rate of 0.35% during the entire year 1961, total revenues of 33.33 million Units of Account would have been collected, or 2.4% more than in 1960.

The portions of the revenues from levy collected from the coal and steel industries were as follows:

	1960		1961	
	Million Units of Account	%	Million Units of Account	%
Coal mining industry.....	10.08	31	9.52	31
Iron and steel industry	22.45	69	21.42	69
	32.53	100	30.94	100

The geographical location of the enterprises which contributed to these totals is shown in the following table:

TABLE 1
Proceeds of the Levy

Country	1960		1961	
	Million Units of Account	%	Million Units of Account	%
German Federal Republic.....	17.15	52.8	15.88	51.3
Belgium	2.77	8.5	2.65	8.6
France	7.26	22.3	7.14	23.1
Italy	3.06	9.4	3.07	9.9
Luxembourg	1.02	3.1	0.98	3.2
Netherlands	1.27	3.9	1.22	3.9
Community	32.53	100.0	30.94	100.0

II. CONTRIBUTIONS TO READAPTATION

Commitments for readaptation in 1961 did not reach the volume of the two preceding years. While in 1959 commitments for 16.4 million Units of Account, and in 1960 for 20.0 million, were made, the corresponding amount for 1961 was 3.3 million Units of Account (including adjustments of 0.3 million owing to revaluation of prior Deutschmark commitments).

In 1961, no further commitments for so called "transitional" readaptation measures were made, as the transition period provided for in the Treaty came to an end in February, 1960. The amount of such commitments changed somewhat during the year under review, due partly to the cancellation of certain commitments not drawn down by the beneficiaries and partly to the adjustment of old Deutschmark commitments to the new parity of that currency vis-à-vis the Unit of Account (DM 4.00, instead of 4.20, per Unit of Account).

The readaptation commitments of 3.3 million Units of Account entered into in 1961 were substantially less than the amount for which applications were expected for that year. This resulted mainly from the fact that most of the miners discharged from the coal mines promptly found new jobs in other sectors of the economy.

The commitments entered into in 1961 increased the total amount of the High Authority's commitments for readaptation to 60.8 million Units of Account at the end of 1961. A summary of these 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, 1961		Commitments outstanding at December 31, 1961
	commitments entered into	payments made	
	(a)	(b)	(a) - (b)
A. Type of Measure			
(1) Readaptation aid under Sec. 23 of Conv. on Transitional Provisions..	43,432	21,222	22,210
(2) Readaptation aid under Art. 56 of Treaty	3,734	86	3,648
(3) Financing of Excessive Coal Stocks..	7,254	6,946	308
(4) Short Shifts—Belgium	6,400	5,218	1,182
Total	60,820	33,472	27,348
B. Form of Financing			
— Non-repayable Grants	55,168	27,852	27,316
— Loans	5,652	5,620	32
Total	60,820	33,472	27,348
C. Geographical Distribution			
— German Federal Republic.....	23,702	11,968	11,734
— Belgium	19,844	11,142	8,702
— France	4,828	1,618	3,210
— Italy	12,100	8,706	3,394
— Netherlands	38	38	—
— Not yet allocated.....	308	—	308
Total	60,820	33,472	27,348

This table requires the following comments:

- 1) Both the amount of new commitments and the amount of disbursements made under old commitments did not reach in 1961 the amounts estimated.
- 2) To cover the 27.3 million of commitments still outstanding at the end of 1961, the High Authority allocated a like amount from its levy revenues, as can be seen from the Balance Sheet annexed to this Report.
- 3) After deducting from the total amount allocated for readaptation the sum of 27.3 million needed to meet outstanding commitments and the

sum of 5.6 million representing readaptation aid in the form of loans, there remained at the end of the year the sum of 10.9 million available for new readaptation measures.

III. FINANCING OF RESEARCH

The fostering of research projects beneficial to the enterprises of the Community was pursued in 1961. In the course of that year new commitments for research were made in the amount of 5.1 million Units of Account, as compared with 4.0 million in 1959 and 3.2 million in 1960.

The 1961 grants increased the total commitments entered into by the High Authority since 1952 to 33.2 million at the end of the year, as shown in the following table:

TABLE 3
Contributions to Research
(in thousand Units of Account)

	For the period from August 10, 1952 to December 31, 1961		Commitments outstanding at December 31, 1961
	commitments entered into	payments made	
	(a)	(b)	(a) - (b)
A. Type of Research or Field of Industry			
Iron and Steel Industry.....	7,252	5,099	2,153
Coal Mining Industry.....	7,614	2,486	5,128
Ore Mining (Iron and other Ores).....	5,330	1,959	3,371
Experimental Housing.....	4,924*	4,760	164
Industrial Health, Safety and Medicine..	8,118	2,822	5,296
Total	33,238	17,126	16,112
B. Form of Financing			
— Non-repayable Grants.....	30,283	14,171	16,112
— Loans.....	2,955*	2,955	—
Total	33,238	17,126	16,112

* Reduced by mandatory amortization to 2,917 (as in the Balance Sheet as at Dec. 31, 1961)

The table requires the following comments:

- 1) Of the total of 5.1 million Units of Account committed in 1961 an amount of 3.0 million relates to research work in the sector of coal mining.
- 2) To cover the 16.1 million of commitments still outstanding at the end of 1961, the High Authority allocated a like amount from its levy revenues, as shown in the attached Balance Sheet.
- 3) After deducting from the total amount allocated for research the sum of 16.1 million needed to meet the outstanding commitments and the sum of 2.9 million representing aids disbursed in the form of loans, there remained at the end of the year the sum of 2.0 million available for new research financing.

IV. OVERALL SURVEY OF REVENUE, EXPENDITURE AND ALLOCATIONS

Besides the revenue from levy and the expenditure for readaptation and research as described in detail under the preceding headings, the High Authority receives and disburses various other revenues and expenditures, the details of which can be seen from the Statement of Revenues and Expenditures attached to this Report.

Total revenues amounted in 1961 to 61.79 million Units of Account, as compared with 51.52 million in 1960. A breakdown of total revenue by principal groups is given in the following table:

TABLE 4
Total Revenue of the High Authority
(in million Units of Account)

Nature of Revenue	1960	1961
Levy	32.53	30.94
Interest on Bank Deposits and Investments.....	6.21	9.64
Interest on Arrears and Fines.....	0.02	0.04
Receipts for Pension Fund.....	1.61	1.87
Sundry Receipts	0.67	0.42
	41.04	42.91
Interest on Loans outstanding.....	10.48	12.46
Total of ordinary revenues	51.52	55.37
Profit from revaluation of Deutschmark and Guilder assets in consequence of the German and Dutch monetary measures of March, 1961	—	6.42
Grand Total	51.52	61.79

Total expenditure amounted in 1961 to 32.18 million Units of Account, as compared with 38.85 million in 1960. The breakdown of these expenditures by principal groups is given in the table below:

TABLE 5
Actual Expenditure of the High Authority
(in million Units of Account)

Nature of Expenditure	1960	1961
Administrative Expenses*	11.68	12.55
Bank Charges and Issue Costs.....	0.75	0.62
Readaptation	12.40	3.50
Research	3.13	3.91
Pensions	0.22	0.22
	28.18	20.80
Interest and commissions paid for funds borrowed.....	10.67	11.38
Total	38.85	32.18

* Including the High Authority's contribution to the administrative expenses of the other institutions of the Community, such as the Parliament, Council of Ministers and Court of Justice.

Tables 4 and 5 indicate that, after deducting total expenditures of 32.18 million Units of Account from total revenues of 61.79 million, there remained a surplus of 29.60 million for the year 1961. The reduction by 0.35 million of reserves accumulated in previous years increased the total surplus for 1961 to 29.95 million. From this sum, allocations in the amount of 20.77 million were made to the various Reserves and Funds, and 9.19 million were left unallocated. The details of these allocations can be seen from the table below:

TABLE 6
Allocation of Surplus
(in million Units of Account)

	Alloca- tions in 1960	Reduc- tions in 1960	Position at Dec. 31, 1960	Alloca- tions in 1961	Reduc- tions in 1961	Position at Dec. 31, 1961
I. a) Guaranty Fund	—	—	100.00	—	—	100.00
b) Special Reserve	6.41	—	31.53	10.64	—	42.17
II. Funds						
a) for Readaptation	7.15	—	38.04	5.81	—	43.85
b) for Research	—	2.03	18.39	2.66	—	21.05
III. a) Pension Fund	1.39	—	7.39	1.66	—	9.05
b) Loan Service	—	0.62	0.35	—	0.35	—
	14.95	2.65	195.70	20.77	0.35	216.12
IV. Unallocated Balance	0.37	—	6.86	9.19	—	16.05
	15.32	2.65	202.56	29.96	0.35	232.17

Some of the allocations made in 1961 require comment:

- 1) The allocation to the Special Reserve in 1961 was considerably higher than in 1960, because, in 1961, the High Authority collected interest which had been conditionally credited to it in preceding years. Such extraordinary revenue from interest on deposits amounted to 2.36 million Units of Account.
- 2) The Special Reserve reached an amount of 42.17 million Units of Account at the end of the year. On the other hand the High Authority has decided to finance housing programs for workers in the aggregate amount of 45.0 million Units of Account; the difference between the two amounts will be allocated to the Special Reserve from interest receivable in 1962.
- 3) The Unallocated Balance at the end of 1960 amounted to 6.86 million Units of Account and at the end of 1961 to 16.05 million. The extraordinary profit earned on Deutschmark and Guilder assets in consequence of the revaluation of these currencies amounted to 6.42 million Units of Account and is included in the Unallocated Balance.

V. EMPLOYMENT OF FUNDS OF THE HIGH AUTHORITY

In 1961 the management of the funds of the High Authority was conducted with the usual regard to the requirements of liquidity, on one hand, and to the increase of yields, on the other. The downward trend of interest rates for deposits, perceptible in some money markets, suggested the investment of a part of the liquid funds in readily marketable first class securities. The higher

yields from such securities offset the reduction in yields from time deposits without impairing the liquidity of our reserves.

As in previous years, all revenues from the investment of funds were allocated to the Special Reserve from which the housing programs for workers are financed.

VI. BORROWING OPERATIONS

The considerable volume of loan applications filed with the High Authority by the enterprises of the Community in 1961 underlined the necessity for further borrowings by the High Authority. As mentioned in the Report for 1960, the High Authority had envisaged loan operations on various markets in 1961.

In 1961 the capital market in the United States again seemed to be the most abundant source for long term capital. On the other hand, the deficit in the American balance of payments prompted the assumption that foreign issues in the American market were undesirable, owing to the capital export involved. The numerous bond issues which were, however, floated by foreigners in that market during the year proved that this assumption was incorrect and that New York, in spite of balance of payment problems, has maintained its role as the most important financial center of the world. Under these circumstances, the High Authority could have borrowed also in the American market. It was decided, however, not to do so in consideration of the relatively high rates of interest prevailing there.

In 1961 the capital markets in some of the Community countries fortunately had improved to such an extent that funds could be obtained at rates more favorable than those of the American market. The High Authority, consequently, was able to carry out five borrowing operations within the Community during the period from January to October, 1961. The details of these loans are as follows:

- 1) Fl. 10.0 million at the rate of $4\frac{1}{2}\%$ p.a. in the form of negotiable Notes with a term of 5 years. These Notes were purchased at par by a syndicate of Dutch banks under the leadership of the Amsterdamsche Bank.
- 2) Sfr. 11.3 million at rates of interest ranging from $4\frac{1}{2}\%$ to $4\frac{3}{4}\%$ p.a. as bank loans at par with a term of 5 years from Swiss and Luxembourg banks.
- 3) Lfr. 100.0 million at the rate of $5\frac{1}{4}\%$ p.a. in the form of Notes with a term of 25 years purchased at par by a Luxembourg insurance institution.
- 4) Fl. 50.0 million at the rate of $4\frac{1}{2}\%$ p.a. in the form of Bonds with a term of 20 years. These Bonds were purchased at par by a syndicate of Dutch banks under the leadership of the Amsterdamsche Bank and the Nederlandsche Handel-Maatschappij. The Bonds are quoted on the Amsterdam Stock Exchange.
- 5) Lfr. 100.0 million at the rate of 5% p.a. in the form of Notes with a term of 25 years purchased by a Luxembourg insurance institution.

The total equivalent of all these borrowings amounts to 23.15 million Units of Account. The proceeds of the Guilder and Swiss Franc issues were used for the financing of industrial projects, and the proceeds of the Luxembourg loans were used for the financing of housing programs for workers.

In 1961 the High Authority for the first time borrowed outside the Act of Pledge. This was possible because of the amendment of the Act of Pledge enacted in 1960 with the consent of a vast majority of previous lenders to the High Authority. Nearly one-half the funds borrowed in 1961 was taken up outside the Act of Pledge.

The above loan operations increased the total of loans raised by the High Authority from its inception through 1961 to the equivalent of 274.3 million Units of Account. In the period from 1958 through 1961 mandatory repayments equivalent in the aggregate to 26.5 million Units of Account were made by the High Authority. Thus, the equivalent of only 247.8 million was outstanding on December 31, 1961.

The details of all borrowings of the High Authority can be seen from the following table.

TABLE 7
Total Amount of Borrowings

Currency	Year	Interest % p.a.	Term (Years)	Initial Amount		Amount outstanding at December 31, 1961 (equivalent in Units of Account)
				in currency concerned	equivalent in Units of Account	
USA \$	1954	3 7/8	25	\$ 100,000,000	100,000,000	87,500,000
USA \$	1957	5 1/2	18	\$ 25,000,000	25,000,000	25,000,000
USA \$	1957	5	3-5	\$ 10,000,000	10,000,000	3,400,000
USA \$	1958	5	20	\$ 35,000,000	35,000,000	35,000,000
USA \$	1958	4 1/2	3-5	\$ 15,000,000	15,000,000	10,000,000
USA \$	1960	4 3/4-5	3-5	\$ 10,000,000	10,000,000	10,000,000
USA \$	1960	5 3/8	20	\$ 25,000,000	25,000,000	25,000,000
					220,000,000	195,900,000
Fl.	1961	4 1/2	5	Fl. 10,000,000	2,762,431	2,762,431
Fl.	1961	4 1/2	20	Fl. 50,000,000	13,812,155	13,812,155
					16,574,586	16,574,586
Sfr.	1956	4 1/4	18	Sfr. 50,000,000	11,434,269	11,434,269
Sfr.	1961	4 3/4	5	Sfr. 9,000,000	2,058,168	2,058,168
Sfr.	1961	4 1/2	5	Sfr. 2,290,000	523,690	523,690
					14,016,127	14,016,127
DM	1955	3 3/4	25	DM 50,000,000	12,500,000	10,765,325
DM	1956	4 1/4	20	DM 2,977,450	744,362	643,129
					13,244,362	11,408,454
Lfr.	1955	3 1/2	25	Lfr. 5,000,000	100,000	
Lfr.	1957	5 3/8	25	Lfr. 100,000,000	2,000,000	2,000,000
Lfr.	1961	5 1/4	25	Lfr. 100,000,000	2,000,000	2,000,000
Lfr.	1961	5	25	Lfr. 100,000,000	2,000,000	2,000,000
					6,100,000	6,000,000
Bfr.	1955	3 1/2	25	Bfr. 200,000,000	4,000,000	3,576,000
Bfr.	1955	3 1/2	25	Bfr. 20,000,000	400,000	357,600
					4,400,000	3,933,600
				Total	274,335,075	247,832,767

VII. LENDING AND GUARANTY OPERATIONS

During the period from April, 1954 (when the first loan was raised in the United States) through 1961, the High Authority has had available for lending operations an aggregate amount of 336.77 million Units of Account.

These funds originated from the various sources described below:

		<i>Million Units of Account</i>	
1) <i>Borrowed Funds</i>			
—Amount of loans.....	274.34		
—Anticipatory redemption of loans granted to Enterprises. These funds having still 20 years to run, it was possible to use them for new loans	10.73	285.07	
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, 1961 they aggregated		42.17	
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 December 31, 1961 aggregated...			9.53
Total			336.77

The overall picture of lending operations, redemptions and funds available as at the end of 1961 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	285.07	42.17	9.53	336.77
II. Amount committed	276.72	27.60	9.32	313.64
III. Paid out	276.31	27.60	9.29	313.20
Redemption Payments ..	37.25	0.67	0.50	38.42
Amount outstanding as per Balance Sheet at Dec. 31, 1961.....	239.06	26.93	8.79	274.78
IV. Amount not yet drawn down	0.41	—	0.03	0.44
V. Amount not yet committed	8.35	14.57	0.21	23.13

1) Lending from borrowed funds in 1961

Funds available for lending from borrowed funds amounted to 23.15 million Units of Account. Of these 14.39 million were disbursed to the enterprises during the year, while 0.41 million were not yet drawn down, leaving 8.35 million still available as at December 31, 1961. As experienced in the past in connection with previous operations, loan applications filed by the enterprises with the High Authority in 1961 by far exceeded the funds at its disposal.

Nevertheless, the High Authority decided to earmark 23.0 million Guilders (out of its 50.0 million Guilder issue) for loans to concerns outside the coal and steel industries in order to finance, in part, the construction of new manufacturing facilities and other projects in the Community which are so located as to provide productive employment for coal miners released from the mines as a result of prevailing conditions in the coal mining industry.

The rest of the borrowed funds was used for the financing of 13 projects within the coal and steel industries and for a series of loans for the financing of housing programs for workers.

The loans granted to the enterprises carry interest rates of $4\frac{7}{8}\%$ and 5%, respectively, equal to the cost to the High Authority.

The distribution of the loans by sectors and countries was the following (in million Units of Account)

	<u>Germany</u>	<u>Belgium</u>	<u>Italy</u>
Coal mining industry.....	1.15	—	—
Steel industry	8.90	1.93	0.41
Workers' housing	—	2.00	—
	<u>10.05</u>	<u>3.93</u>	<u>0.41</u>

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.

2) Loans granted from the Special Reserve for the financing of workers' housing

The first housing program having been completely carried out and the second and third programs having made good progress, in 1961 the High Authority decided to launch a fourth program and thus to comply with the wishes of the industry and of the workers and their unions. It was decided to earmark for that purpose from the Special Reserve the equivalent of 15.0 million Units of Account in national currencies of the six member countries of the Community. It has been indicated in previous Reports that the first housing program, in the equivalent of 23.6 million Units of Account, was financed to the extent of 17.7 million from funds borrowed by the High Authority. For the second and third programs, 15.0 million each was earmarked from the Special Reserve. Taking into account the fourth program, an aggregate amount of 45.0 million

Units of Account from the Special Reserve will have been utilized for the financing of workers' housing. Of the total of 45.0 million earmarked for housing, 26.92 million was firmly committed and fully disbursed at the end of the year.

As can be seen from table 9, an aggregate amount of 111.2 million Units of Account had been disbursed for housing at Dec. 31, 1961. Of this amount, 49.8 million was contributed directly by the High Authority and 61.4 million was supplied, at the request of the High Authority, by banks and other institutional investors.

The funds accumulating in the Special Reserve originate from interest earned by the High Authority on its deposits and investments. The loans made from these funds carry moderate interest rates and are pooled with the considerable supplemental credits supplied to the constructing enterprises from local sources at market rates of interest. This system results, on one hand, in a low average interest charge and, on the other hand, in a considerable augmentation of the volume of funds channelled to housing, which in turn permits the construction of a larger number of housing units.

Information regarding the several housing programs is set forth in the following table.

TABLE 9

Financing of Housing Programs for Workers as at December 31, 1961

(in million Units of Account)

Country	First Program		Second Program		Third Program		Fourth Program		TOTAL	
	High Authority's loans	other funds	High Authority's loans	other funds	High Authority's loans	other funds	High Authority's loans	other funds	High Authority's loans	other funds
Germany	13.2	—	8.1	12.4	8.3	21.9	2.8	9.5	32.4	43.8
Belgium/Luxembourg ...	4.5	—	2.8	4.9	2.6	—	—	—	9.9	4.9
France	—	5.1	3.0	—	1.0	—	—	—	4.0	5.1
Italy	—	0.8	1.8	1.2	—	—	—	—	1.8	2.0
Netherlands	—	—	1.1	4.4	0.6	1.2	—	—	1.7	5.6
Community	17.7	5.9	16.8*	22.9	12.5**	23.1	2.8	9.5	49.8	61.4

Note: The above figures represent the initial amounts of the loans granted and do not reflect amortization payments.

* Of which 3.0 million from funds borrowed. ** Of which 2.0 million from funds borrowed.

The total number of housing units to which the High Authority contributed financing under the four programs (including experimental construction) amounts to 56,396 units, of which 43,132 were completed, 9,079 under construction and 4,185 in preparation at the year end.

3) Loans granted from other Funds

In 1961, as in the prior year, no new loans were granted from this source.

Readaptation loans disbursed in Deutschmarks in 1959/60 were adjusted to the new parity of this currency which became effective in March, 1961. This resulted in an increase of the Unit of Account equivalent of such loans from 5.15 million to 5.40 million.

Research loans amounted to 3.19 million at the end of the year.

The loan granted for the construction of the European School was reduced by mandatory amortization to 0.29 million at the end of the year.

4) Overall Survey of Loan Operations

The loans granted during the year from borrowed funds and from the Special Reserve increased the total amount of loans directly granted by the High Authority from 1954 through 1961 to 313.20 million Units of Account (initial amounts).

The distribution of these loans by types of investment and by countries can be seen from table 10.

TABLE 10

Distribution of Loans Committed by Types of Investment and by Countries

(Initial amounts covering the period 1954 to 1961)

(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).....	89.29	—	—	89.29
Pit-head power stations.....	46.31	—	—	46.31
Iron ore mines and ore-preparation plant	22.25	—	—	22.25
Iron and steel industry.....	95.71	—	—	95.71
Workers' housing	22.72	27.28	—	50.00
Readaptation	—	—	5.65	5.65
Research (experimental housing)....	—	0.32	2.95	3.27
Other projects (School).....	—	—	0.72	0.72
Total	276.28	27.60	9.32	313.20
B. Geographical Distribution				
German Federal Republic	146.54	19.40	6.62	172.56
Belgium	30.83	0.91	0.45	32.19
France	56.57	4.14	0.99	61.70
Italy	40.74	0.92	0.23	41.89
Luxembourg	1.60	0.51	0.79	2.90
Netherlands	—	1.72	0.24	1.96
Community	276.28	27.60	9.32	313.20

5) Indirect financing through banks

The close relations between the banks in the member countries of the Community and the High Authority were further developed in 1961. Those banks to which the High Authority has entrusted the administration of its funds have again proved their willingness to foster the objectives of the High Authority and have furnished the enterprises of the Community with supplemental medium-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 between 1955 and 1961.

TABLE II
Medium-Term Bank Loans

Country	Year	Term Years	Amount in millions of national Currency	Amount outstanding at December 31, 1961	
				in millions of national Currency	in million Units of Account
Germany	1955	5	100.0	—	—
	1958	5	100.0	65.00	16.250
	1960	8	100.0	100.00	25.000
	1961	10	1.5	1.50	0.375
Saar	1957	5	5.3	1.66	0.415
	1961	8	15.0	15.00	3.750
Belgium	1956	5	242.0	—	—
	1957	5	81.0	24.00	0.480
	1958	5	125.0	81.75	1.635
	1961	5	372.5	372.50	7.450
France	1957	5	25.0	19.00	3.848
	1959	5	5.0	5.00	1.012
	1960	5	53.0	53.00	10.735
	1961	5	11.0	11.00	2.228
Italy	1956	5	4,000.0	—	—
	1958	5	500.0	—	—
	1959	5	600.0	—	—
	1961	5	5,100.0	5,100.00	8.159
Luxembourg	1955	5	100.0	—	—
	1961	5	200.0	200.00	4.000
Netherlands	1957	5	2.7	—	—
Community				TOTAL	85.337

6) Guaranty operations

The amount of commitments under guaranties increased from 10.7 million Units of Account at the end of 1960 to 11.28 million at Dec. 31, 1961.

VIII. CONCLUSIONS AND OUTLOOK

The year 1961 was, in general, not unfavorable to the coal and steel industries taken as a whole. The value of production subject to levy increased by 2.4% as compared with the preceding year. The value of production subject to levy amounted to 4.9 billion Units of Account in 1953, the first year when the levy was collected. It rose to 9.5 billion in 1961. The taxing power of the High Authority being one of the principal cornerstones of its credit standing, it is apparent that such standing has been strengthened as a result of the steady growth of production. In the year under review, this resulted in the floating of a loan of 50 million Guilders in the Netherlands (the High Authority's first public issue within the Community) and in the raising of other loans in various European markets. The good credit standing of the High Authority made it possible in 1961 to raise some of the new loans outside the Act of Pledge, thus making use of the amendment to the Act of Pledge that was adopted in 1960 with the consent of previous lenders.

The revenue from the levy in 1961 was—despite the reduction of the rate—relatively high and enabled the High Authority not only to meet its duties under the Treaty in regard to the financing of readaptation and research, but also to add to the funds set aside for these tasks.

The coal and steel enterprises in 1961 continued to show interest in borrowing from the High Authority, as its loans were again more attractive than local loans as to cost and term. The loan applications of the enterprises could, however, be met only in part. For this reason, an active loan policy may be expected from the High Authority in 1962. If the present level of interest rates in the various markets, including those of the Community, is maintained, it is to be expected that the High Authority will contemplate new loans in order to meet the demands of the enterprises. There are many interesting projects, in both the coal and the steel industries, the financing of which would be desirable in the light of the General Objectives of the Community.

In the year under review the High Authority, for the first time, agreed to participate in the financing of manufacturing facilities outside the coal and steel industries, in order to provide productive employment for coal miners released from the mines. Such loans will be disbursed in the beginning of 1962, and it is expected that more loans of this type will be granted during the year.

Finally, we call attention to the High Authority's Balance Sheet as at December 31, 1961, 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**

LUXEMBOURG, DECEMBER 31, 1961

Department of
Credit and Investments

Summary of Allocations from Net Excess of Revenues

(in thousands of Units of Account)

	Period					Total
	1952/58	1958/59	1959/60	1960/61	1961/62 (first half)	
Net excess of Revenues over Expenditures	173,064	8,638	13,209	24,901	12,357	232,169
Allocations:						
To Guaranty Fund.....	100,000	—	—	—	—	100,000
To Special Fund.....	19,782	5,931	2,559	7,601	6,297	42,170
For Readaptation	29,058	./ 2,339	6,534	11,400	./ 801	43,852
For Technical and Economic Research	11,198	7,310	400	./ 1,040	3,182	21,050
To Balance of Loan Service..	259	474	485	./ 1,218	—	—
To Pension Fund.....	4,369	1,176	1,290	1,667	549	9,051
Total Allocations	164,666	12,552	11,268	18,410	9,227	216,123
Unallocated Balance:						
For each period.....	8,398	./ 3,914	1,941	6,491	3,130	—
Brought forward from previous periods	—	8,398	4,484	6,425	12,916	16,046
Total Unallocated Balance	8,398	4,484	6,425	12,916	16,046	16,046

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

LUXEMBOURG, DECEMBER 31, 1961

Department of
Credit and Investments

Comparative Table Regarding Revenues and Expenditures

(in thousands of Units of Account)

	Fiscal years July 1 to June 30			
	1958/59	1959/60	1960/61	1961/62 (first half)
REVENUES				
Interest on Loans etc.	10,348	10,336	11,503	6,285
Levy	26,057	31,169	32,789	14,363
Other Revenues	7,558	8,108	9,033	7,162
Total Revenues	43,963	49,613	53,325	27,810
EXPENDITURES				
Interest and Fees paid.....	9,666	9,468	10,592	5,763
Administrative Expenses	11,651	11,439	11,919	6,091
Financial Expenses	2,502	233	1,797	488
Expenditures for Research.....	3,490	2,600	3,313	2,217
Expenditures for Readaptation.....	2,339	12,467	6,953	802
Expenditures for Pensions.....	111	197	267	92
Total Expenditures	29,759	36,404	34,841	15,453
EXCESS OF REVENUES OVER EX- PENDITURES	14,204	13,209	18,484	12,357
Revaluation of Assets.....	./ 5,566	—	6,417	—
NET EXCESS OF REVENUES OVER EXPENDITURES	8,638	13,209	24,901	12,357