

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

Financial Report

for the year 1962

No. 8

CONTENTS

	Page
I. — The Levy	7
II. — Contributions to Readaptation	8
III. — Financing of Research	9
IV. — Overall Survey of Revenues, Expenditures and Allocations	9
V. — Employment of Funds of the High Authority	11
VI. — Borrowing Operations	11
VII. — Lending and Guaranty Operations	15
VIII. — Conclusions and Outlook	18

ANNEXES:

Balance Sheet as of December 31, 1962

Statement of Revenues and Expenditures for 1962

Summary of Allocations from Net Excess of Revenues

Comparative Table regarding Revenues and Expenditures

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

Piero Malvestiti	President
Albert Coppé	Vice-President
Albert Wehrer	Member of the High Authority
Paul Finet	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
Karl Maria Hettlage	Member of the High Authority
Johannes Linthorst Homan	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

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	:	4.00
Bfr.	:	50.00
Ffr.	:	4.93706
Lire	:	625.00
Lfr.	:	50.00
Fl.	:	3.62
Sfr.	:	4.37282

The Eighth Financial Report of the High Authority of the European Coal and Steel Community relates to the calendar year 1962, the tenth year of its operations. As described in detail in this Report, in 1962 the financial activity of the High Authority was especially marked by the following:

- the rate of the levy was again reduced, making it the lowest rate applied since the inception of the Community;
- borrowing operations again increased over the previous year due to the improvement of the European capital markets;
- the creation of new production facilities outside the coal and steel industries was fostered in order to provide new jobs for workers released from the mines, and there was also a considerable increase in lending for the financing of projects within the coal and steel industries;
- a fifth program for the years 1963 through 1965 was instituted for the financing of housing for workers of the coal and steel industries.

I. THE LEVY

In 1962 the revenues from the levy amounted to 24.17 million Units of Account as compared with 30.94 million in 1961. The decrease was due to the reductions of the levy rate effected by the High Authority in 1961 and 1962. In the first half of 1961 the levy was collected at the rate of 0.35% of the value of coal and steel products subject to the levy, which rate was reduced to 0.30% for the period from July 1, 1961 to June 30, 1962 and to 0.20% as of July 1, 1962.

The repeated reductions of the levy rate were made possible by the volume of reserves accumulated during periods of great activity in the coal and steel industries and which, in the last two years, appeared to be too large for the special purposes for which they were set aside.—The substantial revenues from the levy have enabled the High Authority to pursue a prudent financial policy and to create reserves permitting new commitments for readaptation and research in the event of a future slackening of industrial activity. (Such reserves are 10 million Units of Account for readaptation and 3 million for research.)

As in 1961, the part of the levy contributed by the coal industry this year amounted to 31% of the total, as shown below:

	1961		1962	
	Million Units of Account	%	Million Units of Account	%
Coal mining industry.....	9.52	31	7.51	31
Iron and steel industry.....	21.42	69	16.66	69
	30.94	100	24.17	100

The geographical location of the enterprises which contributed to these totals is shown in Table 1:

TABLE 1
Proceeds of the Levy

	1961		1962	
	Million Units of Account	%	Million Units of Account	%
German Federal Republic.....	15.88	51.3	12.34	51.1
Belgium	2.65	8.6	2.15	8.9
France	7.14	23.1	5.38	22.2
Italy	3.07	9.9	2.62	10.8
Luxembourg	0.98	3.2	0.74	3.1
Netherlands	1.22	3.9	0.94	3.9
Community:	30.94	100.0	24.17	100.0

II. CONTRIBUTIONS TO READAPTATION

As indicated in the Financial Report for the year 1961, grants for readaptation are presently made only in accordance with article 56 of the Treaty establishing the Community and no longer under section 23 of the Convention on Transitional Provisions, which expired in February 1960. The changes in the figures relating to the latter type of grants, as shown in Table 2, are due either to adjustments or to cancellations of commitments entered into in previous years. During 1962 the High Authority entered into new commitments for readaptation under article 56 of the Treaty in the amount of 7.28 million Units of Account, as compared with 3 million in 1961. The total amount of commitments for readaptation of all types entered into since 1952 increased to 68.12 million Units of Account as of December 31, 1962. 21.77 million Units of Account were still committed as of December 31, 1962 after deduction of disbursements of 35.09 million and cancellations of 11.26 million effected since 1952. The details of these commitments are given in Table 2:

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

	Net commitments outstanding at December 31, 1961	Commitments entered into in 1962	Disbursements and cancellations in 1962	Net commitments outstanding at December 31, 1962
A. Type of Measure				
Readaptation aid under Sec. 23 of Conv. on Transitional Provisions	22,210	16	11,264	10,962
Readaptation aid under Art. 56 of Treaty.....	3,648	7,284	428	10,504
Financing of excessive coal stocks	308	—	—	308
Short shift compensation...	1,182	—	1,182	—
Total	27,348	7,300	12,874*	21,774
B. Form of Financing				
Non-repayable grants	27,316	7,300	12,854	21,762
Loans	32	—	20	12
Total	27,348	7,300	12,874	21,774

* Of this total 11,182 represent cancellations.

III. FINANCING OF RESEARCH

Sponsorship of research projects beneficial to the coal and steel enterprises continued during 1962. In the course of that year the High Authority entered into new commitments for research in the amount of 3.66 million Units of Account, as compared with 5.10 million in 1961.

The 1962 grants increased the total commitments entered into by the High Authority since 1952 to 36.89 million Units of Account. 15.49 million Units of Account were still committed at December 31, 1962, after deduction of disbursements of 21.32 million and repayments of 0.08 million effected since 1952, as shown in Table 3:

TABLE 3
Contributions to Research

(in thousand Units of Account)

	Net commitments outstanding at December 31, 1961	Commitments entered into in 1962	Disbursements and cancellations effected in 1962	Net commitments outstanding at December 31, 1962
A. Type of Research or Field of Industry				
Iron and Steel Industry...	2,153	2,598	1,345	3,406
Coal Mining Industry.....	5,128	1,062	1,571	4,619
Ore Mining (Iron and other Ores)	3,371	—	156	3,215
Experimental Housing	164	—	22	142
Industrial Health, Safety and Medicine	5,296	—	1,184	4,112
Total	16,112	3,660	4,278	15,494
B. Form of Financing				
Non-repayable Grants	16,112	3,660	4,278	15,494
Loans	—	—	—	—
Total	16,112	3,660	4,278	15,494

IV. OVERALL SURVEY OF REVENUES, EXPENDITURES AND ALLOCATIONS

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

Total 1962 revenues amounted to 47.99 million Units of Account, a breakdown of which by principal groups is given in Table 4:

TABLE 4

Total Revenues of the High Authority

(in million Units of Account)

Nature of Revenue	1961	1962
Levy	30.94	24.17
Interest on bank deposits and investments.....	9.64	7.46
Interest on arrears and fines.....	0.04	0.01
Receipts for pension fund.....	1.87	2.12
Sundry receipts	0.42	0.26
	42.91	34.02
Interest on Loans outstanding.....	12.46	13.97
Total of Ordinary Revenues	55.37	47.99
Profit from revaluation of Deutschmark and Guilder assets in consequence of the German and Dutch monetary measures of March 1961	6.42	—
Total	61.79	47.99

In comparing the totals for the two years, it should be noted that 1961 revenues were exceptionally high due to extraordinary income from interest on deposits and to the non-recurring profit earned on Deutschmark and Guilder assets in consequence of the revaluation of these currencies in March, 1961.

Total expenditures in 1962 amounted to 34.95 million Units of Account, as compared with 32.18 million in 1961. A breakdown of these expenditures is given in Table 5:

TABLE 5

Actual Expenditures of the High Authority

(in million Units of Account)

Nature of Expenditure	1961	1962
Administrative expenses*	12.55	14.16
Bank charges and issue costs.....	0.62	2.06
Readaptation	3.50	1.64
Research	3.91	4.28
Pensions	0.22	0.15
	20.80	22.29
Interest and commissions paid for funds borrowed.....	11.38	12.66
Total of Ordinary Expenditures	32.18	34.95

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

Table 6 shows the allocations made to the various Funds and Reserves from the excess of revenues over expenditures and permits a comparison of such Funds and Reserves at the end of 1961 and 1962. The increase in the amount of the Unallocated Balance during 1962 underlines the reasoning behind the new reduction in the levy rate decided upon in that year.

TABLE 6

Allocation of Surplus

(in million Units of Account)

	Allo- cations in 1961	Reduc- tions in 1961	Position at Dec. 31, 1961	Alloca- tions in 1962	Reduc- tions in 1962	Position at Dec. 31, 1962
I. a) to Guaranty Fund	—	—	100.00	—	—	100.00
b) to Special Reserve ...	10.64	—	42.17	8.15	—	50.32
II. Funds						
a) for Readaptation	5.81	—	43.85	—	6.48	37.37
b) for Research	2.66	—	21.05	0.32	—	21.37
III. a) Pension Fund	1.66	—	9.05	1.97	—	11.02
b) Loan Service	—	0.35	—	—	—	—
c) For Contingent Liabilities	—	—	—	2.00	—	2.00
	20.77	0.35	216.12	12.44	6.48	222.08
IV. Unallocated Balance	9.19	—	16.05	7.07	—	23.12
Total	29.96	0.35	232.17	19.51	6.48	245.20

V. EMPLOYMENT OF FUNDS OF THE HIGH AUTHORITY

In 1962, as in previous years, the High Authority's liquid funds were either placed with banks or invested in readily marketable, first class securities. As usual, due regard was given to the requirements of liquidity and adequate yields. A large majority of the placements was of course made in the countries of the Community. However, when interest rates were attractive, some of the funds were placed in the United States and Switzerland.

In 1962 revenue from investments amounted to 7.46 million Units of Account, as compared with 9.64 million in 1961. (1961 revenue included extraordinary interest bonuses in the amount of 2.35 million which must be taken into account when comparing the two annual totals.)

As in previous years all revenues from the placement of funds with banks and from investments in securities were credited to the Special Reserve.

VI. BORROWING OPERATIONS

In 1962 the financing of capital investments by the enterprises of the coal and steel industries of the six countries of the Community reached a new peak. Most of the enterprises' investments were in projects begun in previous years; only a small part were in newly initiated projects. With their earnings tending to decrease, self-financing by the enterprises declined, which led in turn to an increased demand for borrowed funds by the enterprises. The coal and steel enterprises in most of the countries of the Community continued their interest in obtaining loans from the High Authority inasmuch as the interest rates on such loans are 1½% to 2% lower than the rates for comparable local financing. As a result, the volume of loan applications filed with the High Authority further increased during 1962.

The steady demand for long term funds induced the High Authority to pursue an active borrowing policy in 1962. In doing so due consideration was given, as in preceding years, to the economic and monetary policies of the member countries of the Community and to the balance of payments problems of the lending and borrowing countries. The volume of loans obtained by the High Authority in 1962 was three times as great as in 1961. This was only possible due to the continued improvement of most of the European capital markets. Of the funds borrowed in 1962 which amounted to the aggregate equivalent of 69.8 million Units of Account, 82% were of European origin.

The details of the loans obtained in 1962 are as follows :

Lfr. 300 million at the rate of $4\frac{3}{4}\%$ p.a. in the form of Bonds with a term of 15 years. These Bonds were purchased at par by a syndicate of Luxembourg banks consisting of the Banque Générale, Banque Internationale and Caisse d'Epargne de l'Etat. These Bonds are quoted on the Luxembourg Stock Exchange.

U.S.A.\$ 25 million at the rate of $5\frac{1}{4}\%$ p.a. with a term of 20 years. The Bonds were purchased at 99% by a group of American underwriters under the management of Kuhn, Loeb & Co. Inc., The First Boston Corporation and Lazard Frères & Co., New York. The Bonds are quoted on the New York, Paris, Brussels and Luxembourg Stock Exchanges.

Fl. 25 million at the rate of $4\frac{3}{4}\%$ p.a. These Bonds with a term of 20 years were purchased at 99% by a syndicate of Dutch banks under the management of Amsterdamsche Bank and Nederlandsche Handelmaatschappij. The Bonds are quoted on the Amsterdam Stock Exchange.

Lfr. 250 million at the rate of $5\frac{1}{8}\%$ p.a. in the form of Notes with a term of 25 years purchased at par by a group of Luxembourg insurance institutions.

Fl. 6 million at the rate of $4\frac{3}{4}\%$ p.a. also in the form of Notes with a term of 25 years purchased at par by a Dutch insurance company.

Fl. 20 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 two groups of Dutch banks, one under the management of the Amsterdamsche Bank, the other under the management of the Cooperative Centrale Boerenleenbank.

Sfr. 60 million at the rate of $4\frac{1}{2}\%$ p.a. These Bonds with a term of 18 years were purchased at par by a syndicate of Swiss banks under the management of the Swiss Banking Corporation, the Union Bank of Switzerland and the Swiss Credit Bank. The Bonds are quoted on all principal Stock Exchanges in Switzerland.

Bfr. 300 million at the rate of $5\frac{1}{4}\%$ p.a. in the form of Notes with a term of 20 years. The Notes were purchased at $98\frac{1}{2}\%$ by a group of Belgian banks under the management of the Banque de la Société Générale de Belgique for placement with insurance companies and other institutional investors.

All borrowings in 1962 were made outside the Act of Pledge, which clearly shows the confidence international financial circles have in the Community and, furthermore, greatly simplifies relending formalities.

The issue floated in May 1962 on the American capital market was originally planned to be \$50 million. However, in order to make a contribution towards international cooperation in respect of monetary matters, the High Authority decided to reduce the amount of the issue by half. For the same reasons the High Authority, in 1961, completely abandoned its plans for an issue on the New York market. In respect of the 1962 issue it is noteworthy that it was heavily oversubscribed, principally by European investors. In consequence only about \$12.5 million was allotted to American investors.

Borrowings in 1962 aggregated the equivalent of 69.8 million Units of Account (1961: 23.15 million) and increased the total of all funds borrowed since 1954 to 344.14 million Units of Account. As a result of mandatory repayments made since 1958 in the amount of 39.81 million, the amount of outstanding borrowings was reduced to 304.33 million as of December 31, 1962.

Details of all borrowings of the High Authority are given in Table 7:

TABLE 7

Total Amount of Borrowings

Year	Interest % p.a.	Term (Years)	Initial Amount		Amount outstanding at December 31, 1962 (equivalent in Units of Account)
			In currency concerned	Equivalent in Units of Account	
1954	3 $\frac{7}{8}$	25	\$ 100,000,000	100,000,000	84,100,000
1957	5 $\frac{1}{2}$	18	\$ 25,000,000	25,000,000	25,000,000
1957	5	5	\$ 7,000,000	7,000,000	—
1957	5	5	\$ 3,000,000	3,000,000	—
1958	5	20	\$ 35,000,000	35,000,000	35,000,000
1958	4 $\frac{1}{2}$	5	\$ 15,000,000	15,000,000	5,000,000
1960	5 $\frac{3}{8}$	20	\$ 25,000,000	25,000,000	25,000,000
1960	4 $\frac{3}{4}$ -5	5	\$ 10,000,000	10,000,000	10,000,000
1962	5 $\frac{1}{4}$	20	\$ 25,000,000	25,000,000	25,000,000
				245,000,000	209,100,000
1961	4 $\frac{1}{2}$	5	Fl. 10,000,000	2,762,431	2,762,431
1961	4 $\frac{1}{2}$	20	Fl. 50,000,000	13,812,155	13,812,155
1962	4 $\frac{3}{4}$	20	Fl. 25,000,000	6,906,078	6,906,078
1962	4 $\frac{3}{4}$	25	Fl. 6,000,000	1,657,458	1,657,458
1962	4 $\frac{1}{2}$	5	Fl. 20,000,000	5,524,862	5,524,862
				30,662,984	30,662,984
1956	4 $\frac{1}{4}$	18	Sfr. 50,000,000	11,434,269	10,576,699
1961	4 $\frac{3}{4}$	5	Sfr. 9,000,000	2,058,168	2,058,168
1961	4 $\frac{1}{2}$	5	Sfr. 2,290,000	523,690	523,690
1962	4 $\frac{1}{2}$	18	Sfr. 60,000,000	13,721,123	13,721,123
				27,737,250	26,879,680
1955	3 $\frac{1}{2}$	25	Lfr. 5,000,000	100,000	—
1957	5 $\frac{3}{8}$	25	Lfr. 100,000,000	2,000,000	1,946,318
1961	5 $\frac{1}{4}$	25	Lfr. 100,000,000	2,000,000	2,000,000
1961	5	25	Lfr. 100,000,000	2,000,000	2,000,000
1962	4 $\frac{3}{4}$	15	Lfr. 300,000,000	6,000,000	6,000,000
1962	5 $\frac{1}{8}$	25	Lfr. 250,000,000	5,000,000	5,000,000
				17,100,000	16,946,318
1955	3 $\frac{3}{4}$	25	DM 50,000,000	12,500,000	10,323,575
1956	4 $\frac{1}{4}$	20	DM 2,977,450	744,362	614,099
				13,244,362	10,937,674
1955	3 $\frac{1}{2}$	25	Bfr. 200,000,000	4,000,000	3,460,000
1955	3 $\frac{1}{2}$	25	Bfr. 20,000,000	400,000	346,000
1962	5 $\frac{1}{4}$	20	Bfr. 300,000,000	6,000,000	6,000,000
				10,400,000	9,806,000
				344,144,596	304,332,656

VII. LENDING AND GUARANTY OPERATIONS

In 1962 the equivalent of 101 million Units of Account were available for loans by the High Authority. These funds originated from the various sources described below:

	<i>in million Units of Account</i>	
a) <i>Borrowed funds</i>		
—unallocated loan funds of 1961.....	8.4	
—equivalent of borrowings in 1962.....	69.8	78.2
b) <i>Revenue from placements and investments</i>		
—unused balance of previous years.....	14.6	
—revenues of 1962.....	8.2	22.8
		<u>101.0</u>

These funds were utilized in accordance with the Treaty for the financing of projects, the fostering of which is one of the tasks of the High Authority. Projects of the coal and steel enterprises and those relating to industrial reconversion in some of the mining districts were financed only from the proceeds of borrowings. However, construction of workers' housing was financed both from revenue and from borrowed funds.

Loans of 84.8 million Units of Account were made to enterprises during the year from funds available for such purpose. The distribution of these loans by types of investment and by countries is shown in Table 8:

TABLE 8

Distribution of Loans Made in 1962 by Branches of Industry and by Countries

(Initial amounts)

(in million Units of Account)

	Germany	France	Italy	Belgium	Luxem- bourg	Nether- lands	TOTAL
<i>Branches of Industry</i>							
Coal mining and cokeries	6.6	—	1.4	—	—	—	8.0
Iron ore mining.....	3.0	4.0	—	—	—	—	7.0
Iron and steel industry	26.1	7.4	9.0	3.0	—	—	45.5
Subtotal	35.7	11.4	10.4	3.0	—	—	60.5
Industrial reconversion.	—	0.3	—	7.0	—	—	7.3
Housing for miners and steel workers	4.8	7.0	2.5	—	0.8	1.9	17.0
Total	40.5	18.7	12.9	10.0	0.8	1.9	84.8

The details of loans made in 1962 are described in the following sections of this heading:

1) Financing of projects of the coal and steel industries

Due to the active loan policy pursued in 1962 the High Authority was able to foster many more projects of the coal mining, iron ore and steel industries than in 1961. However, the volume of loan applications filed with the High Authority by the enterprises again far exceeded the funds available. The loans granted in 1962 to the above-mentioned industries aggregated the equivalent of 60.5 million Units of Account, as compared with 12.3 million in 1961. The projects fostered were in all cases in line with the General Objectives of the Community.

In the steel industry these projects related to the development of facilities for the dressing of iron ore and for the production of pig iron and oxygen steel, the modernization and specialization of existing facilities and the continuation of works initiated in previous years relating to integrated steel plants on the sea coast. In the coal industry projects contributing to modernization and the decrease of production costs were sponsored.

The loans granted for these purposes in 1962 carried interest rates between $4\frac{7}{8}\%$ and $5\frac{3}{4}\%$ p.a. and had terms between 15 and 20 years.

2) Financing of industrial reconversion

In the Financial Report for the year 1961 it was indicated that the financing of projects for industrial reconversion would be stepped up in 1962. These projects especially relate to the construction of new manufacturing facilities in certain mining districts to provide new jobs for the miners released from mines shut down under various modernization programs. In the expectation of loan demands of this type, in late 1961 the High Authority set aside 23 million Guilders to accommodate loan applications filed in the first two months of 1962. In that period, however, loan application for only 15.6 million Guilders (4.3 million Units of Account) were filed by the Governments of the member countries of the Community. The remainder of the funds set aside were therefore available to be utilized for the financing of projects of the coal and steel industry itself.

Later in 1962 the Governments filed additional loan applications for reconversion projects. Of these, the High Authority approved additional loans in the total equivalent of 3 million Units of Account by the end of the year. The total amount of reconversion loans granted in 1962 thus was 7.3 million Units of Account. These loans carry interest rates ranging between $4\frac{7}{8}\%$ and 5% p.a., have terms of 18 and 19 years respectively and are secured by guaranties of the Governments concerned. The beneficiary companies are establishing new manufacturing facilities in the mining districts of Borinage, Liège and Auvergne, in each of which a number of marginal mines have been closed down.

3) Financing of workers' housing

As indicated in previous Financial Reports, the High Authority's contribution to the financing of workers' housing programs originates principally from earnings on deposits and investments. Every year these earnings are added to the Special Reserve from which loans are made at very moderate rates of interest to permit their pooling with supplemental credits supplied, at the request of the High Authority, by local banks or institutional investors at market rates of interest. These supplemental borrowings are either made by the High Authority itself or are granted by the lenders directly to the constructing enterprises.

These financing methods have met with the approval of all parties concerned since they permit not only channeling of considerable additional funds to the financing of workers' housing but also permit a reduction in the average interest charge, construction costs and rents to be paid by the workmen.

1962 was marked by a particular increase in the total of loans of this type; in 1961 the High Authority granted loans from its own funds in the amount of 8.2 million Units of Account, whereas in 1962 it granted the equivalent of 17 million (of which 15.4 million came from the Special Reserve and 1.6 million from funds borrowed by the High Authority). This amount was supplemented in 1962 by loans totalling 28.7 million granted to the constructing enterprises by local financial institutions at the High Authority's request.

The loans made in 1962 permitted the completion of the second, third and fourth housing programs in all the countries of the Community except Belgium, where these programs will be completed early in 1963.

When the completion of the fourth program became imminent, the High Authority decided to launch a fifth program to avoid an interruption in the construction of workers' housing. For this purpose 25 million Units of Account were earmarked from funds already accumulated in the Special Reserve or which would accrue to it during the years 1963, 1964 and the first half of 1965. As usual, these funds will have to be supplemented by funds in at least double that amount borrowed in the capital markets of the Community countries.

4) Overall survey of Loan Operations

From the beginning of its financial activity in 1954, when the High Authority obtained its first loan, to the end of 1962, the High Authority granted loans of all types in the aggregate equivalent of 398.2 million Units of Account (initial amounts).

The distribution of these loans by branches of industry and by countries is shown in Table 9:

TABLE 9
Distribution of Loans by Types of Investment and by Countries
(Initial amounts covering the period 1954 to 1962)
(in million Units of Account)

	Loans from Borrowed Funds	Loans from own resources		Total	% of Total
		from the Special Reserve	from other Funds		
A. Branches of Industry					
Coal mining industry (including mine-owned coking plants)	97.26	—	—	97.26	24.42
Pit-head power stations.....	46.33	—	—	46.33	11.63
Iron ore mines and ore-preparation plant	29.25	—	—	29.25	7.34
Iron and steel industry.....	139.33	—	—	139.33	35.00
Workers' housing	24.80	42.22	—	67.02	16.83
Industrial reconversion	9.31	—	—	9.31	2.34
Readaptation	—	—	5.65	5.65	1.42
Research (experimental housing)	—	0.37	2.96	3.33	0.84
Other projects (School).....	—	—	0.72	0.72	0.18
Total	346.28	42.59	9.33	398.20	100.00
B. Geographical Distribution					
German Federal Republic.....	182.32	24.15	6.62	213.09	53.51
Belgium	40.80	0.91	0.45	42.16	10.59
France	68.27	11.23	1.00	80.50	20.22
Italy	51.23	3.46	0.23	54.92	13.79
Luxembourg	2.00	0.91	0.79	3.70	0.93
Netherlands	1.66	1.93	0.24	3.83	0.96
Community	346.28	42.59	9.33	398.20	100.00

5) Guaranty operations

In 1962 enterprises of the Community were able to borrow in their own capital markets the equivalent of 18.3 million Units of Account with the guaranty of the High Authority. In consequence of these operations the total of the High Authority's commitments under guaranties increased to 29.6 million Units of Account as of December 31, 1962.

6) Indirect financing through banks

As indicated in chapter V of this Report, the High Authority's liquid resources are principally placed with banks in the countries of the Community. The large volume of funds entrusted by the High Authority to these banks explains their willingness to foster the objectives pursued by the Community. One of these objectives is to make available cheaper credit to the enterprises. At the request of the High Authority, but entirely at their own risk, the banks furnish the enterprises of the Community with additional middle term credits in national currencies at reduced rates of interest. Between 1954 and 1962 credits of this type in the total initial amount of 140 million Units of Account were granted to enterprises. The amount of such credits outstanding as of December 31, 1962 was distributed as follows:

<u>Country</u>	<i>(in million Units of Account)</i>
German Federal Republic.....	37.5
France	17.6
Belgium	8.2
Italy	8.2
Luxembourg	4.0
Netherlands	—
	<hr/>
	75.5
	<hr/> <hr/>

7) General remarks

As can be seen from the preceding sections under this heading, the High Authority in 1962 not only granted loans from funds borrowed (which are and always will be its main source of financing) but also tried to assist the enterprises in every other possible way. It is therefore appropriate to emphasize that the 398.2 million Units of Account of loans shown in Table 9 and the amount of guaranties given by the High Authority reflect only about one half of the total capital, both direct and indirect, placed at the disposal of the enterprises. It should be noted that, at the request of the High Authority, local banks and institutional investors participate in the financing of the projects fostered by it. The total of such supplemental middle and long term loans for industrial and housing projects is at least equivalent to the High Authority's direct financing.

VIII. CONCLUSIONS AND OUTLOOK

Despite the reductions in the levy rate in 1961 and 1962, the Reserves and Allocations for financial aid under the Treaty provisions further increased in 1962. This is principally due to the fact that applications for aid lagged behind expectations.

The credit standing of the High Authority was again confirmed in 1962 by the fact that all new borrowings were made on an unsecured basis.

In 1962 the pursuit of an active loan policy and the improvement of the European capital markets led to a considerable intensification of borrowings by the High Authority. From the proceeds of these borrowings, supplemented by other means, the High Authority granted long term loans in the equivalent of 84.8 million Units of Account for the financing of urgent and important projects of the coal and steel industries, of industrial reconversion and of housing. In 1963 the High Authority will continue to pursue its efforts to procure long term capital at favorable rates of interest if the position of the various capital markets will permit it to do so.

Finally, we call attention to the High Authority's Balance Sheet as of December 31, 1962, to the Statement of Revenues and Expenditures for the year then ended and to the tables of supplementary information attached thereto.

HIGH AUTHORITY
of the
EUROPEAN COAL AND
STEEL COMMUNITY

LUXEMBOURG, DECEMBER 31, 1962

Department of
Credit and Investments

Summary of Allocations from Net Excess of Revenues

(in thousand Units of Account)

	Fiscal years				Total
	1952/60	1960/61	1961/62	1962/63 (first-half)	
Net Excess of Revenues over Expenditures	194,911	24,901	20,044	5,349	245,205
Allocations:					
To Guaranty Fund.....	100,000	—	—	—	100,000
To Special Fund.....	28,272	7,601	10,337	4,111	50,321
For Readaptation	33,253	11,400	(11,895)	4,615	37,373
For Research	18,908	(1,040)	3,991	(491)	21,368
To Balance of Loan Serv....	1,218	(1,218)	—	—	—
To Pension Fund.....	6,835	1,667	1,603	915	11,020
To Contingent Fund.....	—	—	2,000	—	2,000
Total Allocations	188,486	18,410	6,036	9,150	222,082
Unallocated Balance:					
For each period.....	1,941	6,491	14,008	(3,801)	—
Brought forward from previous periods	4,484	6,425	12,916	26,924	23,123
Total Unallocated Balance	6,425	12,916	26,924	23,123	23,123

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Comparative Table Regarding Revenues and Expenditures

(in thousand Units of Account)

	Fiscal years July 1 to June 30			
	1959/60	1960/61	1961/62	1962/63 (first half)
REVENUES				
Interest on Loans etc.....	10,336	11,503	12,897	7,484
Levy	31,169	32,789	28,246	10,286
Other Revenues	8,108	9,033	11,969	4,926
Total Revenues	49,613	53,325	53,112	22,696
EXPENDITURES				
Interest and Fees paid.....	9,468	10,592	11,702	6,738
Administrative Expenses	11,439	11,919	13,391	6,862
Financial Expenses	233	1,797	1,430	1,118
Expenditures for Research.....	2,600	3,313	4,361	2,134
Expenditures for Readaptation.....	12,467	6,953	1,989	452
Expenditures for Pensions.....	197	267	195	44
Total Expenditures	36,404	34,841	33,068	17,348
EXCESS OF REVENUES OVER EXPENDITURES	13,209	18,484	20,044	5,348
Revaluation of Assets.....	—	+ 6,417	—	—
NET EXCESS OF REVENUES OVER EXPENDITURES	13,209	24,901	20,044	5,348