

Official Journal

of the European Communities

ISSN 0378-6986

C 346

Volume 37

7 December 1994

English edition

Information and Notices

<u>Notice No</u>	Contents	Page
	I <i>Information</i>	
	Court of Auditors	
94/C 346/01	Annual report concerning the ECSC (for the financial year 1993)	1

I

(Information)

COURT OF AUDITORS

ANNUAL REPORT CONCERNING THE ECSC

(for the financial year 1993)

(94/C 346/01)

Article 88 of the Financial Regulation of 21 December 1977, as amended by Council Regulation (Euratom, ECSC, EEC) No 610/90 of 13 March 1990

CONTENTS

	Paragraph reference	Pages
GENERAL INTRODUCTION		2
Summary of the financial information		2
CHAPTER 1 – Observations on the management of the accounts	1.1 – 1.14	2
The level of the ECSC's reserves	1.1 – 1.11	2
Specific provisions	1.12 – 1.13	6
Conclusions	1.14	6
CHAPTER 2 – Observations on lending activities	2.1 – 2.55	6
Introduction	2.1 – 2.5	6
Analysis of the various types of loan	2.6 – 2.32	7
Loans under Article 54.1 of the ECSC Treaty	2.8 – 2.12	7
Loans under Article 54.2 of the ECSC Treaty	2.13 – 2.18	7
Interest rebates for loans under Articles 54.1 and 2	2.19 – 2.22	8
Loans under Article 56.2 (a)	2.23 – 2.28	8
Interest rebates for loans under Article 56.2 (a)	2.29 – 2.32	9
Observations following on-the-spot audits	2.33 – 2.53	10
Observations on interest rebates under Article 54.1	2.34 – 2.36	10
Observations on interest rebates under Article 54.2	2.37 – 2.39	10
Observations on interest rebates under Article 56.2 (a)	2.40 – 2.53	10
Conclusions	2.54 – 2.55	13
The Commission's replies		21

GENERAL INTRODUCTION

SUMMARY OF THE FINANCIAL INFORMATION

1. The main financial information relating to the ECSC is as follows:

- (a) for the financial year 1993, total income amounted to 1 666,2 Mio ECU and total expenditure to 1 665,0 Mio ECU, resulting in a surplus of 1,2 Mio ECU. This surplus for the year, together with the surplus brought forward from the previous year (0,4 Mio ECU), produced an amount of 1,6 Mio ECU available for allocation, of which 1,5 Mio ECU were transferred to the former pension fund reserve. After this allocation and an adjustment for overprovision of 22 Mio ECU against the special reserve, the reserves amounted to 657,3 Mio ECU as of 31 December 1993 (677,8 Mio ECU on 31. 12. 1992). The main source of revenue was interest receivable on loans, which amounted to 929,8 Mio ECU, or 11,3 Mio ECU higher than the 918,5 Mio ECU of interest payable on borrowings, which accounted for 55,290 Mio ECU of total expenditure. Bank interest and interest on securities amounted to 194,0 Mio ECU, or 11,6 % of total revenue. The levies accounted for 121,3 Mio ECU, or 7,3 % of total revenue, which was 25,2 Mio ECU less than the previous year. This decrease was due to the combined effect of a reduction in the levy rate (from 0,27 % to 0,25 %) and a fall in production of both steel and coal;
- (b) in 1993, the new legal commitments for the ECSC operating budget amounted to 531,2 Mio ECU,

representing 31,9 % of total expenditure. Payments against these commitments and the commitments carried over from previous financial years totalled 359,1 Mio ECU;

- (c) the ECSC balance-sheet total on 31 December 1993 was 10 251,3 Mio ECU. The value of loans disbursed was 7 676,4 Mio ECU (adjusted value), or 74,9 % of the balance-sheet total, whereas the long and medium-term borrowings amounted to 7 330,6 Mio ECU. The second largest items on the assets side were balances with banks and securities, which represented 2 142,9 Mio ECU, or 20,9 % of the balance-sheet total.

CHAPTER 1

OBSERVATIONS ON THE MANAGEMENT OF THE ACCOUNTS

The level of the ECSC's reserves

1.1. In the context of its discharge procedure for the financial year 1986, the European Parliament asked the Court of Auditors to provide it with the necessary data from each financial year to enable it, on the basis of applicable formulae, to calculate and evaluate the reserve ratio, the net assets and available funds ⁽¹⁾.

1.2. Table 1.1 shows the changes in the values of the solvency ratios and gives their reference range. Table 1.2 shows the various components of the ECSC's own funds after the allocation of the surplus. The situation of liquid assets is given in Table 1.6.

Table 1.1 — Changes in the values of the solvency ratios

Ratio			1989	1990	1991	1992	1993	Recommended range
Ratio 1:	Guarantee Fund	A	5,9 %	5,9 %	5,5 %	4,8 %	4,8 %	4 %-6 %
	Total assets	B	5,2 %	5,1 %	4,8 %	4,2 %	4,2 %	
Ratio 2:	Own funds	A	13,1 %	13,5 %	12,7 %	10,0 %	9,2 %	7 %-11 %
	Total assets	B	11,5 %	11,8 %	11,1 %	8,7 %	8,0 %	

A: ratios calculated with adjustment of assets. The items on the debit side of the balance-sheet known as Commitments for the ECSC operating budget are deducted from available funds and bonds and other fixed income securities.

B: ratios calculated without adjustment of assets.

Source: The Court's calculations, based on the ECSC financial statements as of 31 December 1993.

⁽¹⁾ See OJ No C 122/66, 9. 5. 1988.

1.3. The recommended ranges are based on advice given by a consultancy firm at the time. In its calculations, this firm used total assets as shown in the balance sheet as the denominator, and the Court did the same for ratios 1B and 2B. All the same, the Court felt that liquid assets corresponding to budgetary commitments made the total assets too high and that including them in ratios 1B and 2B made those ratios questionable as guidelines for the desirable level of the ECSC's reserves. Indeed, all things being equal, an increase in these liquid assets would result in a decrease in the ratios, although the situation of the ECSC would not have actually deteriorated. The effect of these liquid assets, which only exist as a function of current budgetary procedures, is cancelled out in ratios

1A and 1B, thus giving a better idea of the solvency of the ECSC.

1.4. *Table 1.1* shows that the solvency ratios are still within the recommended ranges. The levels of ratios 1 A and 1 B have not changed compared with 1992 because both the Guarantee Fund and total assets have remained unchanged. Ratios 2 A and 2 B, on the other hand, have continued to decline. The fall in these ratios in 1993 was the result of the fall in the ECSC's own funds, the breakdown of which is shown in *Table 1.2*. Moreover, the Court proposes to analyse, with effect from its next report, the new solvency ratio quoted by the Commission in its reply to this report.

Table 1.2 — Changes in own funds in 1993

Item	(Mio ECU)		
	1992	1993	Net changes
	(a)	(b)	(c) = (b)-(a)
Guarantee Fund	429,9	429,9	0,0
Special reserve	189,0	167,0	-22,0
The former pension fund	58,9	60,4	1,5
Surplus carried forward	0,4	0,1	-0,3
Non-specific provision for loans	—	50,0	50,0
Provision available for the financing of the operating budget	220,1	114,2	-105,9
Own funds used to calculate the ratios	898,3	821,6	-76,7

Source: ECSC financial statements as of 31 December 1993.

1.5. The following comments should be made on the changes in own funds:

(a) the 22 Mio ECU taken from the special reserve was allocated to the provision for the financing of the ECSC's 1994 operating budget. This amount made it possible to supplement the financing of the operating budget and, in particular, enabled the financing of the social measures accompanying the restructuring of the iron and steel sector;

(b) the increase of 1,5 Mio ECU in the 'former pension fund' reserve is the result of the allocation to that reserve of the surplus from the financial year 1993;

(c) a non-specific provision was re-introduced following the Court's recommendations in the Annex of its 1992 annual report on the ECSC. On 31 December 1986, there were 69 Mio ECU in this provision: this sum had been gradually used up and had fallen to zero by 31 December 1991. The amount for this provision (50 Mio ECU on 31 December 1993) was calculated on the basis of the general risk of non-recovery of debts that are not accompanied by prime guarantees;

(d) the provision available for financing the operating budget, which fell by 105,9 Mio ECU, only represented a part of the provision for the financing of the ECSC's operating budget (c.f. *Table 1.3*).

Table 1.3 — Changes in the provisions for financing the ECSC operating budget in 1993

(Mio ECU)

Item	Balance on 31/12/92	Withdrawal	Allocation	Exchange difference	Balance on 31/12/93
1) Provision for financing the operating budget	220,1	-188,1	+82,2	—	114,2
2) Provision for fines, surcharges for delays, and reimbursements of interest rebates to be collected subsequently	1,6	—	+ 1,8	—	3,4
3) Provision for compensation	85,6	—	+ 5,3	+1,0	91,9
Total	307,3	-188,1	+89,3	+1,0	209,5

Source: The ECSC financial statements as of 31 December 1993, note 16.

1.6. The following comments should be made with regard to the changes in the provision for financing the ECSC's operating budget:

- (a) fines, surcharges for delays and reimbursements of interest rebates are only considered ECSC resources once they have actually been received. In the meantime, these outstanding claims are allocated to provisions. Consequently, the corresponding 3,4 Mio ECU was not yet available to finance the operating budget. The amount of 1,6 Mio ECU on 31 December 1992 related to unpaid fines, whereas the amount of 1,8 Mio ECU allocated in 1993 represented reimbursements of interest rebates that had been requested but not yet received;
- (b) the provision for compensation, which amounted to 91,9 Mio ECU as of 31 December 1993, is calculated by the Commission as being the maximum that the ECSC risks having to pay out to undertakings for losses suffered in connection with the quota system

that was in force between October 1980 and June 1988. In actual fact, it is a provision for risks and charges and is not available for financing the operating budget;

- (c) the provision available for financing the operating budget decreased by nearly one half, going down from 220,1 Mio ECU on 31 December 1992 to 114,2 Mio ECU on 31 December 1993, despite an allocation of 22 Mio ECU from the special reserve. This amount of 22 Mio ECU is included in the allocation of 82,2 Mio ECU shown in Table 1.3 (the difference of 60,2 Mio ECU corresponds to the surplus on the ECSC's operating budget in 1993). It is the net change in the provision available for financing the operating budget that should be analysed, because it is the net change that shows this provision's contribution towards the budgetary expenditure for the financial year in question. This analysis becomes more informative if the reader also looks at what happened in the previous financial years.

Table 1.4 — Changes in 1991, 1992 and 1993 in the provision available for financing the operating budget

(Mio ECU)

Financial years	Balance on 31/12/N-1	Changes during the financial year			Balance on 31/12/N
		Utilization (a)	Allocation (b)	Net changes (a) + (b)	
1991	381,9	-311,9	+313,3	+1,4	383,3
1992	383,3	-313,3	+150,1	-163,2	220,1
1993	220,1	-188,1	+82,2	-105,9	114,2

Source: ECSC financial statements on 31 December 1991, 1992 and 1993, note 16.

1.7. A glance at the changes in budgetary expenditure and resources during the last three financial years will cast more light on these changes.

Table 1.5 — Development of the main items of budgetary expenditure and resources in 1991, 1992 and 1993

(Mio ECU)

Item	1991	1992	1993	Changes between 1991 and 1993
	(a)		(b)	(b)-(a)
Expenditure				
Administrative expenditure	5,0	5,0	5,0	—
Net commitments	422,1	401,4	437,2	+15,1
Allocation to the provision for compensation	—	85,6	6,3	+6,3
Total expenditure (A)	427,1	492,0	448,5	+21,4
Resources				
Surplus on non-budgetary operations ⁽¹⁾	254,7	131,5	201,3	-53,4
Levy	175,0	146,5	121,3	-53,7
Utilization of reserves	—	53,0	22,0	+22,0
Total resources (B)	429,7	331,0	344,6	-85,1
Balance (B) — (A)	2,6	-161,0	-103,9	-106,5
Net change in the provision available for the financing of the operating budget	1,4	-163,2	-105,9	-107,3

⁽¹⁾ The surplus on non-budgetary operations comes mainly from revenue generated by liquid assets (in particular interest received and capital gains on securities and interest received on deposits). It also includes value adjustments on outstanding claims.

Source: ECSC financial statements on 31 December 1991, 1992 and 1993.

1.8. A comparison of the last two headings of *Table 1.5* shows that the net change in the provision available for the financing of the operating budget serves to complement the financial year's resources where they are inadequate to cover expenditure. These two headings do not exactly coincide because *Table 1.5* only includes the main elements and does not take into account minor items such as fines. The right-hand column of *Table 1.5* shows the variations between the 1993 and the 1991 financial years. The latter is a more interesting reference point than the financial year 1992 because expenditure and resources were in balance, with no need to make use of the provision available for the financing of the operating budget.

1.9. The financial year 1992 was unusual because certain unexpected events upset this balance. On the one hand, the Commission had to carry out specific value adjustments amounting to 91,1 Mio ECU, largely as the result of two significant defaults on the part of borrowers of ECSC funds (c.f. paragraph 1.12). These adjustments

were the main cause of the decrease in the surplus on non-budgetary operations, which fell from 254,7 Mio ECU in 1991 to 131,5 Mio ECU in 1992 (see *Table 1.5*). On the other hand, a provision for compensation amounting to 85,6 Mio ECU had to be set up in the same year (cf. paragraph 1.6(b)). The utilization of 53 Mio ECU of reserves did not prevent a net fall of 163,2 Mio ECU in the provision available for financing the operating budget in 1992 (see *Table 1.4*).

1.10. In 1993 there was nothing comparable to the events that occurred in 1992. Increased expenditure (+ 21,4 Mio ECU as compared with 1991) and, above all, reduced resources (-85,1 Mio ECU as compared with 1991) are enough to explain the utilization of most of the provision available for the financing of the operating budget. In the future, given that, on the one hand, both surpluses on non-budgetary operations and levies are certainly going to grow smaller and, on the other hand, the provision available for the financing of the operational budget is not inexhaustible, the only conceivable change will be a reduction in the level of budgetary expenditure.

Table 1.6 — Liquid assets

(Mio ECU)

Item	31. 12. 1992	31. 12. 1993
Balances with central banks	0,5	1,2
Loans and advances to credit institutions		
— repayable on demand	56,2	22,0
— with agreed maturity dates or periods of notice	652,0	418,1
Bonds and other fixed-income securities	1 488,6	1 701,6
Total	2 197,3	2 142,9

Source: ECSC financial statements as of 31 December 1993.

1.11. The ECSC's liquid assets fell by 2 % between 31 December 1992 and 31 December 1993. The three main items corresponding to these assets showed a total balance of 2 000,6 Mio ECU on 31 December 1993, as against 2 020,4 Mio ECU on 31 December 1992. These were the guarantee fund, which stayed at 429,9 Mio ECU, the provision for financing the operating budget, which fell from 307,3 Mio ECU on 31 December 1992 to 209,5 Mio ECU on 31 December 1993 (or a fall of 97,8 Mio ECU) and the (multi-annual) commitments for the operational budget, which went up from 1 283,2 Mio ECU on 31 December 1992 to 1 361,2 Mio ECU on 31 December 1993, or an increase of 78 Mio ECU.

Specific provisions

1.12. Last year, two important defaults had led the Commission to make significant provisions against the financial year 1992 ⁽¹⁾. In the first case, the fact that the undertaking in question went into receivership led the Commission to maintain the provisions for the corresponding debt (54,9 Mio ECU including interest accrued during the financial year 1993) at 100 %. In the second case, the signing of agreed terms with the debtor confirmed the ECSC's write-off of 40 % of its claim. Consequently, this 40 %, which had been funded under the financial year 1992, was entered as a loss (the amount concerned was 38,2 Mio ECU). In 1993, there were no new significant recovery problems.

1.13. The discriminant analysis used by the Commission, which helps to determine the probability of default in advance (about 3 years) ⁽²⁾, did not reveal any new cases requiring provisions. However, this analysis has still not been extended to all the beneficiaries of

ECSC loans without first-class guarantees. It was only used for those among them who had to repay their loans in 1994.

Conclusions

1.14. On 31 December 1993, the ECSC's reserves were still adequate to enable it to keep its ratios within the recommended range. Furthermore, the re-introduction of a non-specific provision (cf. 1.5(c) above) went in the direction recommended by the Court. This careful attitude should be maintained as long as the ECSC faces the risk of the non-recovery of debts.

CHAPTER 2

OBSERVATIONS ON LENDING ACTIVITIES

Introduction

2.1. Any analysis of the present situation with regard to the ECSC's lending activities must take into account not only the current state of the economy of the European Union, which the Commission itself has described as being in a 'full-blown recession' ⁽³⁾, but also the extremely difficult situation of the coal and steel sectors.

2.2. The fact is that the situation of the iron and steel market has worsened considerably and in 1993 the level of internal consumption within the European Union was lower by an estimated 7 % than in 1992 ⁽⁴⁾. However, the decrease in demand was not matched by a definitive reduction in productive capacities. Because of this, the average utilization rate of the Community's productive capacity is currently around 67 %, as compared with 69 % last year ⁽⁵⁾.

2.3. Given this situation, the Commission considered that it was necessary to reduce overcapacities in certain hot-rolled products by at least 19 million tonnes, and preferably by 26 million tonnes ⁽⁶⁾. Since 1992 the Commission has been involved in talks with the steel producers with a view to implementing closure programmes. Pursuant to Article 53(a) of the ECSC Treaty, the Commission has provided for the possibility of facilitating the financing of these operations by means of ECSC loans ⁽⁷⁾.

2.4. At the time of writing, these talks have reached the point where capacity reductions of the order of 11 million tonnes for certain hot-rolled products are considered acceptable or probable ⁽⁶⁾. However, as reductions of this order are inadequate when compared

⁽¹⁾ See the Court's Report on the accounting and financial management of the ECSC for the financial year 1992, paragraphs 1.20 to 1.22.

⁽²⁾ See the Court's Report on the accounting and financial management of the ECSC for the financial year 1992, paragraphs 1.14 to 1.17.

⁽³⁾ See 1994 Annual Economic Report, COM(94) 90 final of 23. 3. 1994, page 1.

⁽⁴⁾ See intermediate report on the restructuring of the steel industry, Communication from the Commission to the Council and the European Parliament of 13. 4. 1994, COM(94) 125 final, page 1.

⁽⁵⁾ See forward programme for steel for the first half of the financial year 1994, OJ No C 10, 14. 1. 1994, page 3.

⁽⁶⁾ See COM(94) 125 final, page 3.

⁽⁷⁾ COM(94) 125 final, page 5.

with the minimum level demanded of 19 million tonnes, the Commission decided to postpone to September 1994 the deadline within which this minimum level was to be achieved.

2.5. With regard to the coal industry, the Commission's estimates show total Community production of 159,2 million tonnes for 1993, or a reduction of 25,4 million tonnes (13,8 %) as compared with 1992 (1).

Analysis of the various types of loan

2.6. ECSC loans are granted at 'cost rates', which means that the interest rates are generally established on the basis of the cost of the loan that is taken out to fund them (the back-to-back principle). The interest rates charged on ECSC loans do not, therefore, include any additional margin to cover administrative expenses.

2.7. The ECSC may grant loans pursuant to the first and second sub-paragraphs of Article 54 as well as under Article 56.2(a). In certain conditions, these loans may be subsidised.

Loans under Article 54.1 of the ECSC Treaty

2.8. In accordance with Article 54 of the ECSC Treaty, the Commission may grant loans to undertakings in the coal and steel sectors for the purpose of facilitating the implementation of investment programmes.

2.9. These loans are the financial instrument that is most directly linked to the activities of the coal and iron and steel sectors. Unlike the other loan instruments, which are provided for under Articles 54.2 and 56.2(a), the granting of these loans does not require the Council's prior assent. *Table 2.1*, which compares the amounts for the three types of loan over the last forty years, shows that, out of a total of 20 961 Mio ECU, an amount of 11 498 Mio ECU (or 55 %) was granted under Article 54.1.

2.10. *Table 2.2* and *Graph 2.1*, however, show how the volume of Article 54.1 loans decreased considerably in 1992 and 1993, falling from 439 Mio ECU in 1991 to 215 Mio ECU in 1992 and then to 8 Mio ECU in 1993. Furthermore, the fall in 1992 was even greater once it is borne in mind that, of all the loans granted in 1992, an amount of 143 Mio ECU involved the refinancing of old loans.

2.11. The downward trend of loans granted under Article 54.1 for investments in the coal and iron and steel sectors does not reflect overall investment trends in these

sectors. In actual fact, ECSC aid for the funding of investments declared by the coal and iron and steel sectors went down from 15,9 % in 1991 to 13 % in 1992, and stood at scarcely 0,4 % in 1993. This is shown in *Table 2.3* and *Graph 2.2*.

2.12. At this point, it is worth stressing one fundamental problem for the development of Article 54.1 loans: State guarantees are not theoretically compatible with Community rules on State aid (2). For this reason and given the crisis that the sectors are currently going through, the ECSC is obliged to give preference to securities in the form of bank guarantees. However, the high commission rates charged by banks in order to cover the risk of non-recovery have been such that the total cost of the loans has become so high as to induce the undertakings in question to look for an alternative source of financing to ECSC loans.

Loans under Article 54.2 of the ECSC Treaty

2.13. Article 54.2 of the ECSC Treaty gives the Commission the right to 'assist the financing of works and installations which contribute directly and primarily to increasing production, reducing production costs or facilitating the marketing of products within its jurisdiction', to with respect to certain coal, iron and steel products.

2.14. As *Table 2.1* shows, in its forty years of activity the ECSC has granted loans amounting to 3 174 Mio ECU (or 15 % of the total) under Article 54.2. *Table 2.2* shows that, from 1984 to 1993, Article 54.2 loans amounted to 2 085 Mio ECU (or 21 % of the total).

2.15. Loans under Article 54.2 include, in particular (3):

- (a) loans for the funding of investment projects to encourage the consumption of Community-produced coal (e.g. coal-fired power stations);
- (b) loans for the funding of investment projects to encourage the consumption of Community-produced steel (e.g. industrial projects involving either new applications for steel or an improvement in the competitiveness of steel in relation to other products or projects for which steel is an important part of the

(2) See Article 4 (c) of the ECSC Treaty and Commission Decision No 3855/91/ECSC of 27 November 1991 instituting Community rules for aid to the iron and steel sector, OJ No L 362, 31. 12. 1991, page 57.

(3) In view of the rather low amount (215 Mio ECU as of 31. 12. 1993) and the particular character of the loans for financing the building of subsidized housing, which are also granted under Article 54.2, we have not taken them into consideration here.

(1) See the Commission's report on the Application of the Community rules for State Aid to the Coal Industry in 1992, COM(93) 589 final of 26. 11. 1993, page 2.

production cost. This category of loans concerns, above all, large infrastructure projects of European interest such as railways, ports, bridges and tunnels);

- (c) loans for the funding of investment projects relating to 'raw materials' that benefit Community producers: the ECSC has decided to fund mining projects in, for example, Norway, Sweden, Africa, USA, Australia and South America ⁽¹⁾.

2.16. As Table 2.2 shows, the ECSC has, since 1984, granted aid amounting to 1 545 Mio ECU (or 74 % of all loans under Article 54.2) for the financing of loans to encourage steel consumption (the 'others' column) as well as 268 Mio ECU for 'coal consumption' loans ('coal-fired power stations') and 272 Mio ECU for loans for 'raw materials' ('Outside the Community').

2.17. It should be stressed that, in 1992, 79 % of Article 54.2 loans, and in 1993, 97 %, were for the encouragement of steel consumption and concerned almost exclusively large infrastructure projects of European interest. It is, however, difficult to detect any additional consumption of Community-produced steel in these infrastructure projects, over and above what would otherwise be dictated by purely technical, economic, political or other requirements. Besides, the utilization of this instrument for financing investments other than large infrastructure projects has proved to be rather limited. Indeed, unlike loans to promote the consumption of Community coal, those for the promotion of steel consumption cannot be accompanied by interest rebates. As a result, any financial advantage they can offer must depend on the conditions (rate, duration, currency of the loan or diversification in sources of funding) proposed by the ECSC (which passes on its own AAA financing status to its borrowers) when compared with the conditions that the investor can obtain elsewhere. However, it would appear that the administrative constraints linked to the granting of these loans (in particular the requirement that they must be able to demonstrate their level of Community steel consumption) are felt by applicants to be a drawback to ECSC loans and this often induces them to give up the idea of such loans.

2.18. In any case, it is expected that the EIB will take over, using its own allocation criteria, part of the Article 54.2 loan activities. It already plays an important role in the funding of infrastructures of European interest. This take-over will, however, make them more expensive for beneficiaries because the EIB applies a commission to cover its administrative expenditure.

Interest rebates for loans under Articles 54.1 and 2

2.19. Acting in its capacity as the High Authority, the Commission has developed an additional instrument that is not specifically provided for in the ECSC Treaty, to wit, interest rebates to accompany certain loans.

2.20. As regards loans granted under the first subparagraph of Article 54 of the ECSC Treaty, loans to the coal industry may be accompanied by interest rebates (equal to a reduction in the interest rate amounting to a maximum of 3 % over a period of 5 years on the part of the amount of the investment that is recognized for this purpose) ⁽²⁾ in order to promote investments aimed at improving competitiveness.

2.21. As regards loans granted under the second sub-paragraph of Article 54, projects to encourage the consumption of Community-produced coal may be accompanied by interest rebates, except for investments in power stations and coking plants, which are excluded for reasons concerning the overall energy policy. These subsidies are calculated on the basis of the additional consumption of Community coal resulting from the project. The aid granted amounts to 3 % of an eligible loan amount of 100 ECU per tonne of Community coal consumed. It therefore works out at 3 ECU per tonne per year over a period of five years ⁽³⁾. However, the limits of this instrument become evident once it is remembered that Community coal has to be competitive with coal purchased on the world market at a considerably lower price. In fact, the cost of producing Community coal is on average three times higher than the cost of producing coal purchased on the world market. Furthermore, coal often also has to compete with other sources of energy, some of which are also priced very competitively.

2.22. As Table 2.4 shows, during the 1987-1991 period new commitments for interest rebates were very low for loans granted under Article 54 when compared with those granted under Article 56. There were, moreover, no new commitments for this purpose in 1992 or 1993. Furthermore, with regard to interest rebates for Article 54 loans, it should be noted that the total amount of cancellations of old commitments for the 1987-1993 period (36 Mio ECU) exceeded the total amount for payments, thus illustrating the extent to which appropriations in this field are under-used.

Loans under Article 56.2(a)

2.23. Article 56.2(a) enables the ECSC to fund 'such programmes as it may approve for the creation of new

⁽¹⁾ See Communication from the Commission to the Council, *The future of the ECSC borrowing/lending activity*, COM(93) 512 final of 20. 10. 1993, page 4.

⁽²⁾ See OJ No C 131, 20. 5. 1988, page 2.

⁽³⁾ See OJ No C 343, 31. 12. 1982, page 2.

and economically sound activities or for the conversion of existing undertakings capable of reabsorbing the redundant workers into productive employment'. These investments may involve any industrial or service sectors, with the exception, however, of a limited number of sectors which are automatically excluded by virtue of a 'black list' drawn up for that purpose (1).

2.24. Loans granted under Article 56.2(a), known as 'conversion loans', may benefit from interest rebates. In exchange, the beneficiaries are required to reserve a proportion of the new jobs created by the investment for redundant workers from ECSC industries. Given the improvements in the productivity of the coal and iron and steel sectors as the result of restructuring and rationalization, on the one hand, and the decline in turnover, on the other, there has been a continual drop in the number of workers employed in both sectors.

2.25. Table 2.2 also shows the development of conversion loans over the last ten years and illustrates the growing importance of these loans as compared with Article 54 loans. Indeed, with the exception of the financial year 1992, in which a considerable number of 'infrastructure' loans were made, the total value of Article 56.2(a) loans was higher than that of Article 54 loans for every year from 1988 onwards. Overall, out of an amount of 10 065 Mio ECU granted in loans, an amount of 4 627 Mio ECU (or 46 %) was granted pursuant to Article 56.2(a).

2.26. Table 2.5 shows that, out of the 7 429 Mio ECU of loans outstanding as of 31 December 1993, 3 404 Mio ECU (or 46 %) came under Article 56. Graph 2.3 gives a geographical breakdown of loans under Articles 54 and 56 respectively. During the last forty years, out of a total of 20 961 Mio ECU of loans, 6 289 Mio ECU (or 30 %) were granted under Article 56.2(a). Furthermore, Table 2.6 shows the operations that were carried out in 1993 with regard to loans under Articles 54 and 56.

2.27. In the Annex to its Annual Report on the ECSC for the financial year 1991, the Court pointed out that the operational principles adopted by the Commission for the granting of conversion loans did not take account, particularly as regards the allocation of interest rebates, of any sort of objectively based indicative distribution to reduce regional distortions among the various ECSC regions. In actual fact, interest rebates had been essentially granted according to a 'first come first served' principle, which had created significant regional imbalances (2). After 1992, the Commission introduced an indicative system of granting appropriations on a

regional basis, with the intention of making up for this lack of geographical balance. Table 2.6, however, shows that, in 1993, four countries (Germany, the United Kingdom, France and Italy) received 98 % of new Article 56.2(a) conversion loans, as against 96 % in 1992. These figures highlight the continuing situation of geographical imbalance in the granting of conversion loans and related interest rebates, so that, at Council level, there is now talk of certain Member States having to catch up (3). Taking into account the specific characteristics of ECSC conversion loans and the transition problems involved in the application of indicative regional allowances, it is important for the Commission to continue to try to achieve a more balanced geographical distribution of both these loans and interest rebates on the basis of the gravity of the economic and social problems in the areas concerned.

2.28. On the basis of proposals put forward by the Commission and backed by the 'Industry' Council of 22 April 1994, it was decided to discontinue examination of new reconversion loan applications as from the end of 1996 and to bring interest rebates back within the limit of 275 Mio ECU. As from this date, conversion loans should theoretically be taken over by the EIB. In this context, it is worth remembering the remarks made under 2.19 above.

Interest rebates for loans under Article 56.2(a)

2.29. Conversion loans granted under Article 56.2(a) may be accompanied by interest rebates. These subsidies may be up to a maximum of 3 % per annum for a period of five years on that part of the loan that involves the creation of extra jobs, in accordance with the formula and procedures given in the operational rules adopted by the Commission (4). With a view to improving the geographical distribution of these loans, the ceiling of 3 % was raised to 5 % for certain Spanish regions up to 31 December 1993. The Court made some observations in this regard in the Annex to its annual ECSC report for the financial year 1991, paragraphs 3.34 – 3.38.

2.30. Table 2.4 shows budgetary movements related to interest rebates accompanying loans granted pursuant to Article 56.2(a) over the 1987-1993 period. It emerges from this table that new commitments for this purpose reached a particularly high level in 1991. This is due, *inter alia*, to the development of these loans in the new German *Länder* and the eligible areas under the Community initiative for the economic conversion of coal-mining areas (RECHAR).

(1) Introduced during the coordination procedure for Structural fund interventions, OJ No C 59, 6. 3. 1992. See annex to the Court's annual ECSC report for the financial year 1991, paragraph 3.21.

(2) The European Court of Auditors' Report (Annex to the 1991 ECSC Report)1, paragraphs 3.14 to 3.17.

(3) Report of the Committee of the Permanent Representatives to the Council, *The Future of the ECSC Treaty, Financial Activities*, doc. 6331/94 of 15. 4. 1994, page 2.

(4) See guidelines and operational rules for the granting of conversion loans under Article 56 of the Treaty establishing the ECSC, OJ No C 188, 28. 7. 1990, page 13.

2.31. Table 2.4 shows that, over the 1987-1993 period, new commitments amounted to 559,5 Mio ECU and payments to 296,6 Mio ECU, whereas cancellations amounted to 90,3 Mio ECU (or 16 % of the total for new commitments).

2.32. For 1994, 53 Mio ECU were credited to this budget heading, which represents a fall of 54 % as compared with new commitments for the financial year 1993.

Observations following on-the-spot audits

2.33. The observations that follow are the result of audits by the Court of loans paid out by the Commission pursuant to Articles 54.1, 54.2 and 56.2(a) of the ECSC Treaty, along with the related interest rebates. These audits were carried out at the Commission and on the spot in those Member States where the undertakings that had received the largest amounts under the various types of loan were located. The aim of the audits was to verify the legality and regularity of the operations in question, check how they had been entered in the accounts and assess their effectiveness. The operations' effectiveness was evaluated particularly in terms of the extent to which they had achieved their objectives, such as, for example, increasing the consumption of Community-produced coal or steel or the creation of new and economically sound activities involving the creation of new jobs. It is in the first instance the Commission's task to ensure that the objectives pursued are actually carried out and to set up appropriate monitoring procedures for this purpose. These procedures, and the implementation thereof, were examined by the Court and specific on-the-spot checks were carried out on the premises of the undertakings which had received loans, on the premises of financial intermediaries, and, where necessary, on the project sites.

Observations on interest rebates under Article 54.1

2.34. Loans under Article 54.1 are granted to undertakings in the coal and iron and steel sectors. The Commission maintains very close links with these undertakings and monitors part of their investments in a very detailed fashion (cf. chapter 2 of the Annex to the Court's Annual Report concerning the financial year 1992). Furthermore, Article 54.1 loans are often granted in the form of direct loans, i.e. without going through a financial intermediary. This means that the Commission has relatively wide scope for monitoring industrial loans.

2.35. The Court found, however, that in the case of a co-financed investment in four mines in the United Kingdom, the Commission had continued to pay interest rebates on the theoretical assessment base that had been approved at the outset, despite the fact that it had received reports from the beneficiary showing that

implementation costs were lower than expected. The Commission has since lowered the amount by 1,45 Mio ECU.

2.36. In the same case, it was also found that two of the mines in receipt of ECSC funding in the form of subsidized loans had ceased production two years after the conclusion of the work. The rules on eligibility, however, state that projects in receipt of funds must satisfy the criteria of increased competitiveness and economic viability⁽¹⁾. There therefore appears to be a contradiction between these criteria of proven economic health and the fact that the mines in question closed down so soon. The Court wonders why the Commission did not consider it appropriate to recover/cancel the interest rate subsidies, which amounted to a total of 2,5 Mio ECU, even though the contract provided for this possibility.

Observations on loans and interest rebates under Article 54.2

2.37. During an on-the spot audit in Italy, the Court found that an investment project in receipt of funding amounting to 1 900 Mio Lit (or 994 775 ECU) had not produced the expected increase in steel consumption. In actual fact, as a result of failing to react to an inconsistency in the data submitted by the financial intermediary in support of the application, the Commission granted a loan which, in the absence of this error, it doubtless would not have granted.

2.38. During an audit in the United Kingdom, the Court found that the Commission had not received any progress reports on the project for the previous four years, despite the fact that reports regarding coal consumption were obligatory. Checks carried out on the spot revealed that actual consumption was lower than estimated, which led to a recovery of interest rebates amounting to 80 853 ECU. The monitoring mechanism should be improved.

2.39. More generally speaking, with regard to the types of documentary evidence that are considered acceptable as proof of declared consumption from the point of view of Community checks, the Court must point out that delivery invoices do not, in themselves, constitute sufficient documentary proof. It would have been useful to ascertain that the quantity declared as having been consumed was also corroborated by other tangible factors, such as stock accounts or technical records, that are linked to processing and can be cross-checked.

Observations on loans and interest rebates pursuant to Article 56.2(a)

2.40. The Commission grants these loans to final beneficiaries either in the form of 'direct loans', or, more

⁽¹⁾ See OJ No C 131, 20. 5. 1988, page 2: 'These three types of investment must satisfy the criterion of improvement of competitiveness of the coal industry and, in the case of the creation of new capacities, that of economic viability'.

frequently, in the form of 'global loans' which it makes to financial intermediaries in the Member States who, in turn, pass them on to the final beneficiaries.

2.41. In their management of global loans, the financial intermediaries play a key role which mainly involves the following:

- (a) searching for and identifying projects;
- (b) carrying out technical and financial assessments and economic analyses of loan applications;
- (c) monitoring project implementation and compliance with requirements concerning the management of jobs;
- (d) preventing and rectifying irregularities;
- (e) recovering interest rebates that have been paid out in error.

2.42. During its on-the-spot audits, the Court found in several cases that the financial intermediaries had not checked the accuracy of the information supplied by the final beneficiaries, in particular with regard to either the number of jobs existing at the beginning of an investment and later on, or the date on which work started. The reliability of these data is of fundamental importance for the verification of the regularity of these operations because interest rebates are calculated on the basis of the number of newly created jobs (the number of jobs existing on the date on which the assessment is carried out minus the number of jobs existing at the start of the project).

2.43. In certain cases the beneficiaries used different criteria to calculate the number of jobs created – and this failed to elicit any reaction from either the financial intermediaries or the Commission. For example, in one case, jobs that were temporarily vacant because the workers in question were doing military service were not taken into account in the initial calculation, but were included in the calculation of the final position. In this connection, the financial intermediaries and the Commission should make greater use of the possibility of cross-checking data on jobs with the undertakings' social security declarations (for example form DM 10 in Italy or TC1 in Spain).

2.44. Under the new operational rules, projects that are already underway when the relevant applications are handed in to the financial intermediary are no longer eligible. However, under the operational rules applying to loans granted up until 1990, one of the eligibility criteria required projects to be carried through to a successful conclusion within three years from the physical start of the project in question, even where this date was prior to the submission of the relevant application. For the purpose of verifying eligibility, the implementation time was supposed to be quoted in the loan application. During on-the-spot audits on the premises of two Italian undertakings, the Court found that, in one case, the project being financed had actually started one year

before the date given as the starting date in the application, and in the other case even two years earlier. The latter project was not eligible because physical implementation actually took four years.

2.45. The Court found a net fall in the number of people employed during an audit in Italy which the financial intermediary had not reported. In another case, in Germany, the existing jobs had not been disclosed in the loan application made by the financial intermediary to the ECSC, which gave the impression that new jobs had in fact been created whereas in the event the number of persons employed had fallen.

2.46. There is a basic theoretical weakness in the implementing and monitoring procedures which is related to the fact that the Commission delegates certain tasks to banks that act as financial intermediaries. These banks participate in the appraisal of the applications and are subsequently responsible for monitoring (c.f. paragraph 2.42). It is they who supply the data that are used for the calculation of interest rebates, both when they are granted and when they are paid out. However, the priorities of these credit institutions, for which the recipients of loans and ECSC interest rebates are clients, do not necessarily coincide with those of the Commission. The latter pursues the objectives of ECSC policy and its aim is consequently job creation, whereas the banks try first and foremost to offer their clients a financial package on the best possible terms, involving as much non-reimbursable aid as possible. In order to overcome this problem, the financial intermediaries should be made more aware of the objectives pursued by the Community.

2.47. Generally speaking, ECSC loans constitute an additional source of funding for the financial intermediaries, who, in turn, include them among their banking products. In this context, it should be noted that these intermediaries do bear a certain financial risk because they guarantee the debts of the final beneficiaries *vis-à-vis* the ECSC. On the other hand (and the effects of this are felt above all in the context of conversion loans) these types of ECSC financing benefit from the advantageous conditions that are linked to the ECSC's AAA rating, which it passes on to the intermediaries without any surcharge. Moreover, interest rebates represent a financial advantage that the intermediaries are able to offer to beneficiaries (on the basis, of course, of the number of jobs created), thus providing the intermediaries with an instrument with which to encourage customer loyalty.

2.48. The use of banks as intermediaries in the distribution of loans and aid thus also involves certain risks in terms of the realization of objectives. With regard to the choice of beneficiaries, it is normal that banks should take into account their own financial and commercial interests. However, the ECSC, as a public institution, has the obligation to direct public aid where it is most needed. Now, the Court has often observed during its audits that undertakings in receipt of aid were clearly already in sound financial health when they were

granted their ECSC interest rebates and would have been able to procure the necessary funds for the implementation of the investments in question, whether or not these latter created jobs.

2.49. Conversion loans are meant to finance projects of a specific kind that also create jobs. However, it often turns out in practice to be difficult to make a distinction between the project being funded and the undertaking in question's other investments and, in particular, to establish a relationship of cause and effect between the ECSC funding and its effect on the number of people employed. Furthermore, it proved to be the case that certain investment projects aiming at rationalization, for which it was possible to establish such a connection, when looked at in a broader context actually eliminated more jobs than they created. Put in general terms, it may be worth asking whether the job creation criterion on its own is not at one and the same time too limited and too broad: too limited, in that investments with a positive effect on competitiveness and the protection of existing jobs (or on cuts in job-losses) are not eligible; too broad, in that all investments that directly create jobs are eligible for aid, and there is no assessment of the intervention in question from the point of view of either the nature of the activity, the real financial needs of the undertaking or any secondary effects.

2.50. Finally, it should be remembered that, as provided for in the ECSC Treaty itself, the aim of this system is to finance projects that are planned to create new jobs for former ECSC workers. Furthermore, this objective is still included as a general social principle in the current operational rules for the granting of conversion loans ⁽¹⁾. These operational rules were supplemented with coordination procedures that were adopted in the context of the reform of the Structural Funds. This confirmed the already existing trend away from a scheme aimed at sectoral conversion towards one aimed chiefly at the regional development of areas producing iron and steel and coal ⁽²⁾. In actual fact, however, the Court found that, even in the ECSC areas, the effect of the loans on the re-employment of former ECSC workers was very limited. In 10 out of 22 undertakings that were audited in Spain, Italy and the United Kingdom and which had received loans and interest rebates, there was not one single former ECSC worker. In one case in Germany, the payment of an interest rebate of 1 Mio ECU was planned on the basis of the creation of 1 002 jobs, half of which

were to go to former ECSC workers. The on-the-spot audit showed that 614 jobs had been created, of which only 28 had been filled by former ECSC workers. This had nevertheless led to the payment of an interest rebate of 638 500 ECU.

2.51. Given this poor result in relation to the objective laid down in Article 56.2(a) of the ECSC Treaty, it is reasonable to wonder whether the amount of aid per job created (which may be up to a maximum of 3 000 ECU over a period of five years) is not too low to have the desired effect. The intervention measures might be made more effective if, on the one hand, the aid were paid out over a shorter period of time, and, on the other hand, more priority were given to the employment of unemployed ECSC workers. It is evident that this would be tantamount to (re)introducing a sectoral criterion into a regional approach, but as the funds in question come from the ECSC operating budget and are mobilized in the context of an objective contained in the ECSC treaty, this appears justifiable.

2.52. If, on the other hand, the aid or part thereof continues to be mobilized in the general context of structural interventions, there are grounds for questioning the rather excessively arithmetical criterion regarding the number of jobs existing at the end of a period of five years in relation to the number at the start. The Court wishes to draw attention to the recommendation that it made in 1991 ⁽³⁾ concerning the adoption of a more qualitative approach. This, the Court felt, would ensure that the ECSC financial instrument could be integrated into the reform of the Structural Funds in a way that fitted in better with an approach that was based more on the general economic context, whose aim was to reinforce the productive capacity of the regions in question and contribute effectively towards their revival. It would therefore be preferable to put greater stress on the aspects of modernization, innovation and competitiveness. Given the above (paragraphs 2.50 and 2.51), the mobilization of ECSC funds for the overall goals of the development of regional economies should nevertheless be limited to regions where it proves to be really impossible to provide direct and individual assistance to enable former ECSC workers to find work.

2.53. Furthermore, there are grounds for wondering whether the strict application of the criterion implying an immediate request for the repayment of aid in the event of a failure to create jobs (within two years) or a failure to preserve jobs (within five years) is justified in all cases, especially if it is the result of external events and, in particular, a general economic recession. This was the case, for example, of certain undertakings audited in Germany, Spain and Italy that manufactured parts for the car industry. As the car industry's market is currently in a state of collapse, its suppliers have in turn been unable to achieve the planned level of production and were not, therefore, able to create the expected number of jobs within the time limits. To oblige them to reimburse the interest rebates in a situation of this sort would appear to

⁽¹⁾ See OJ No C 188, 28. 7. 1990, page 12.

⁽²⁾ See procedures for the coordination of ECSC reconversion loans with Structural Fund programmes, OJ No C 59, 6. 3. 1992, page 4: 'The purpose of conversion loans under Article 56 of the ECSC Treaty and interest rebates is to help convert the economies of regions affected by the restructuring of ECSC industries by contributing to the financing of job-creating investments'.

⁽³⁾ Report- (Annex to the 1991 ECSC Annual Report), paragraph 3.44.

be rather counterproductive in relation to the initial objectives.

Conclusions

2.54. In conclusion, the Court found that ECSC loans, as they are currently managed by the Commission, offer advantages, particularly in terms of their cost, that make them very attractive for many aid recipients. There are, however, grounds for questioning the effectiveness of the implementation of interest rebates, and, in particular those accompanying conversion loans. First of all, the ECSC Treaty's objective of contributing to the re-employment of former ECSC workers was found to have produced very limited results – doubtless because the amount of aid provided was not enough to be decisive in creating jobs. Secondly, in the more general context of the policy of encouraging regional economic development, there were problems with regard to the criterion concerning the number of extra jobs to be created within five years as compared to those existing at

the outset. It would be worth studying the possibility of a more qualitative approach that gives greater emphasis to the development of the economies of the regions in question.

2.55. As for the regularity of the management, during its on-the-spot checks the Court found certain inaccuracies that required corrections, in particular with regard to the amounts of interest rebates. These were either the result of incorrect appraisal of the relevant files or inadequate monitoring on the part of the financial intermediaries or the Commission. Taking into account the results of the on-the-spot audits, and given the considerable volume of conversion loans accompanied by interest rebates and the large number of final beneficiaries, the Court feels that the Commission carried out too few audit visits. The trend towards decentralization in the management of these operations, and in particular the increased delegation to the financial intermediaries of the tasks of appraising applications and monitoring projects, can only make these problems worse.

This report was adopted by the Court of Auditors at its meeting of 27 October 1994.

For the Court of Auditors

André J. MIDDELHOEK

President

Table 2.1 — Geographical breakdown of all loans paid out between 1954-1993

(Mio ECU)

Country	Article 54						Article 56		Total	
	Article 54.1		Article 54.2		sub-total		Mio ECU	As % of the total	Mio ECU	As % of the total
	Mio ECU	As % of the total	Mio ECU	As % of the total	Mio ECU	As % of the total				
Belgium	270	2,3 %	127	4,0 %	397	2,7 %	209	3,3 %	606	2,9 %
Denmark	79	0,7 %	325	10,2 %	404	2,8 %	10	0,2 %	414	2,0 %
Germany	3 340	29,0 %	413	13,0 %	3 753	25,6 %	2 320	36,9 %	6 073	29,0 %
Greece	0	0,0 %	103	3,2 %	103	0,7 %	0	0,0 %	103	0,5 %
Spain	356	3,1 %	168	5,3 %	524	3,6 %	91	1,4 %	615	2,9 %
France	2 023	17,6 %	759	23,9 %	2 782	19,0 %	974	15,5 %	3 756	17,9 %
Ireland	28	0,2 %	1	0,0 %	29	0,2 %	5	0,1 %	34	0,2 %
Italy	1 843	16,0 %	503	15,8 %	2 346	16,0 %	557	8,9 %	2 903	13,8 %
Luxembourg	251	2,2 %	0	0,0 %	251	1,7 %	42	0,7 %	293	1,4 %
The Netherlands	497	4,3 %	8	0,3 %	505	3,4 %	44	0,7 %	549	2,6 %
Portugal	110	1,0 %	0	0,0 %	110	0,7 %	0	0,0 %	110	0,5 %
The United Kingdom	2 701	23,5 %	360	11,3 %	3 061	20,9 %	2 037	32,4 %	5 098	24,3 %
Outside the Community	0	0,0 %	407	12,8 %	407	2,8 %	0	0,0 %	407	1,9 %
Total	11 498	100,0 %	3 174	100,0 %	14 672	100,0 %	6 289	100,0 %	20 961	100,0 %

Source: The Court's own calculations, based on the ECSC Financial Report.

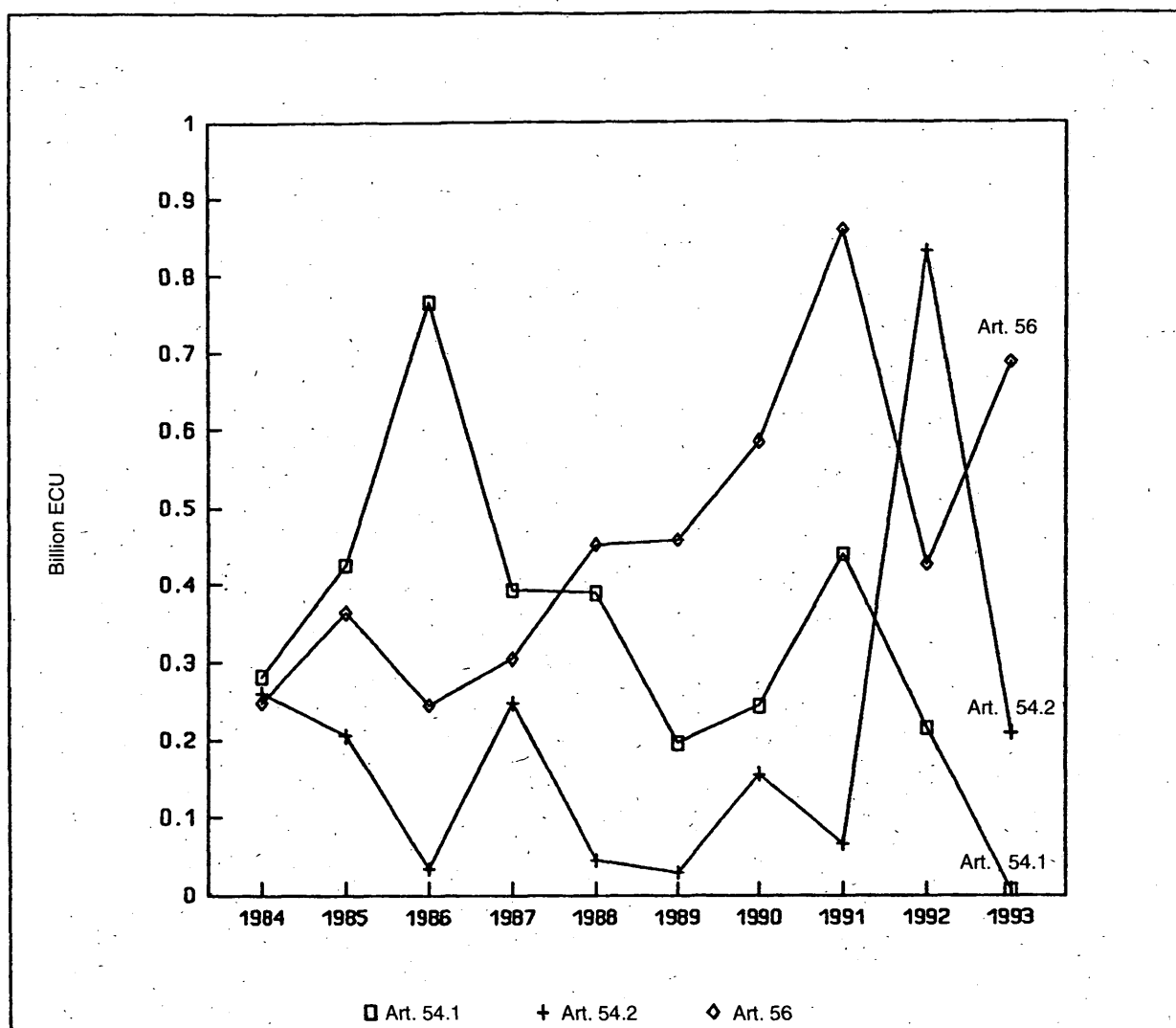
Table 2.2 — Development of the ECSC's loan activities from 1984 to 1993

(Mio ECU)

Year	Article 54								Article 56	Total
	Article 54.1			Article 54.2				Sub-total		
	Coal	Iron and steel	Sub-total	Coalfired power stations	Others	Outside the Community	Sub-total			
1984	12,7	268,5	281,2	65,8	55,4	138,2	259,4	540,6	248,0	788,6
1985		424,6	424,6	60,8	30,0	114,0	204,8	629,4	363,0	992,4
1986	103,6	661,2	764,8	8,7	26,0		34,7	799,5	244,0	1 043,5
1987	283,2	109,7	392,9	123,3	103,5	20,0	246,8	639,7	304,0	943,7
1988		388,9	388,9	9,1	37,1		46,2	435,1	452,0	887,1
1989	43,4	152,3	195,7		30,0		30,0	225,7	458,0	683,7
1990	30,1	213,0	243,1		155,2		155,2	398,3	585,0	983,3
1991	75,8	362,9	438,7		66,3		66,3	505,0	859,0	1 364,0
1992	13,8	201,4	215,2		831,8		831,8	1 047,0	426,2	1 473,2
1993		7,6	7,6		209,7		209,7	217,3	688,1	905,4
Total	562,6	2 790,1	3 352,7	267,7	1 545,0	272,2	2 084,9	5 437,6	4 627,3	10 064,9

Source: The Court's own calculations, based on the ECSC Financial report.

Graph 2.1 — Development of loan activities from 1984 to 1993



Source: The Court's own calculations, based on the ECSC Financial Report.

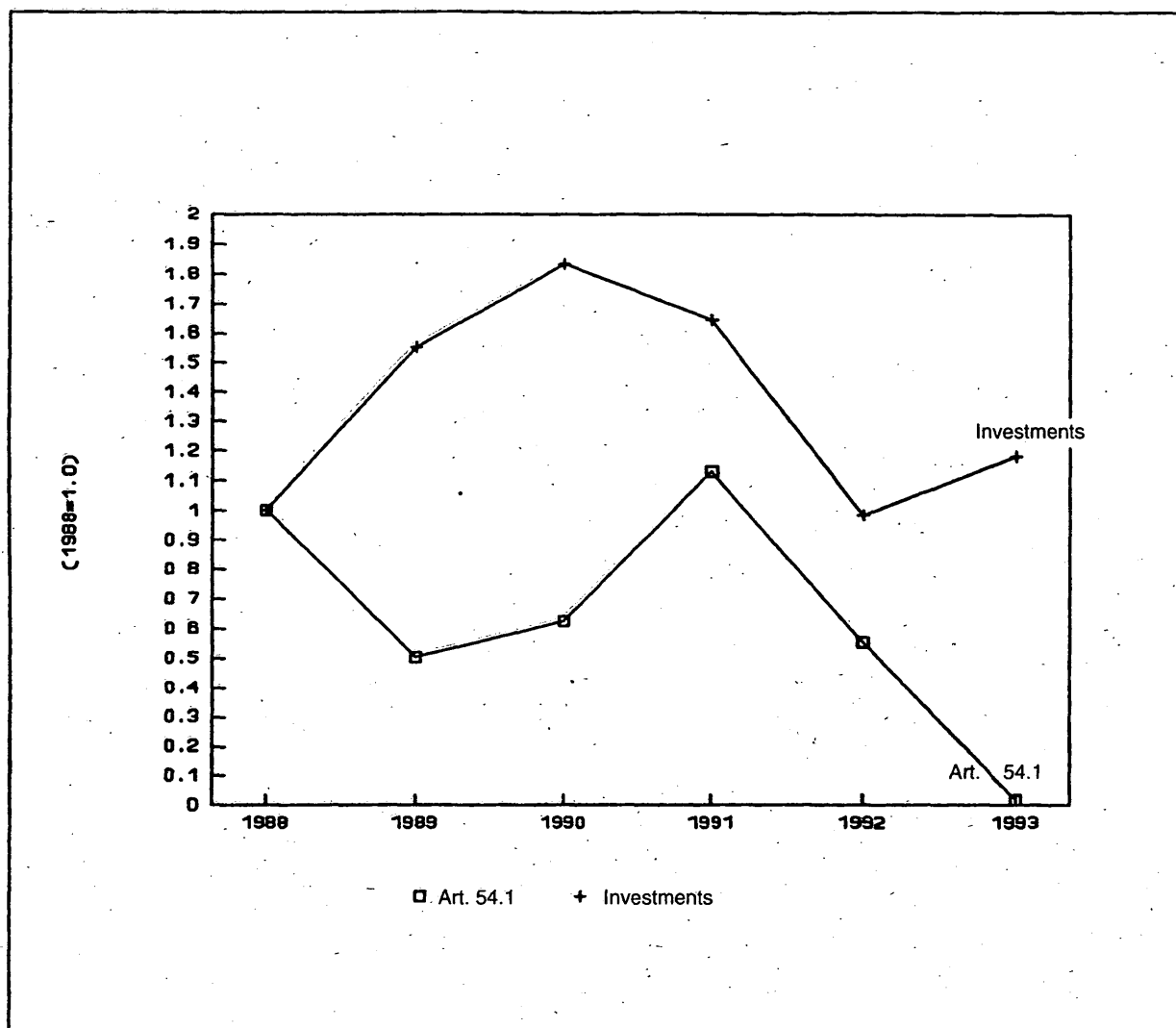
Table 2.3 — Development of the share of ECSC loans in the financing of investments in the iron and steel sectors from 1988 to 1993

(Mio ECU)

Year	Article 54.1 loans	(a) as % 1988=100 %	Declared investments	(c) as % 1988=100 %	%
	(a)	(b)	(c)	(d)	(e) = (a)/(c)
1988	389	100 %	1 678	100 %	23,2 %
1989	196	50 %	2 608	155 %	7,5 %
1990	243	63 %	3 075	183 %	7,9 %
1991	439	113 %	2 760	164 %	15,9 %
1992	215	55 %	1 650	98 %	13,0 %
1993	8	2 %	1 982	118 %	0,4 %
Total	1 490		13 753		10,8 %

Source: The Court's own calculations, based on the ECSC Financial reports and the Reports on the activities of the Directorate-General for Credit and Investments.

Graph 2.2 — Development of loans under Article 54 (1) and declared investments from 1988 to 1993.



Source: The Court's own calculations, based on the ECSC Financial Reports and the Reports on the activities of the Directorate General for Credit and Investments, cf. table 2.3.

Table 2.4 — Development of interest rate subsidies under Articles 54 (1) and (2) and 56 (2) of the ECSC Treaty

(Mio ECU)

Year	Article 54 (1) and (2)			Article 56 (2)		
	New commitments	Payments	Cancellations	New commitments	Payments	Cancellations
1987	8,0	5,2	—	40,3	40,9	—
1988	7,0	5,8	10,9	55,3	40,1	21,0
1989	9,0	5,4	13,4	73,3	45,6	19,2
1990	13,0	5,6	3,7	69,2	40,3	13,9
1991	3,3	5,5	4,0	101,2	34,8	10,1
1992	—	3,5	1,8	106,0	43,8	12,9
1993	—	4,0	2,2	114,2	51,1	13,2
Total	40,3	35,0	36,0	559,5	296,6	90,3

Source: The ECSC financial statements..

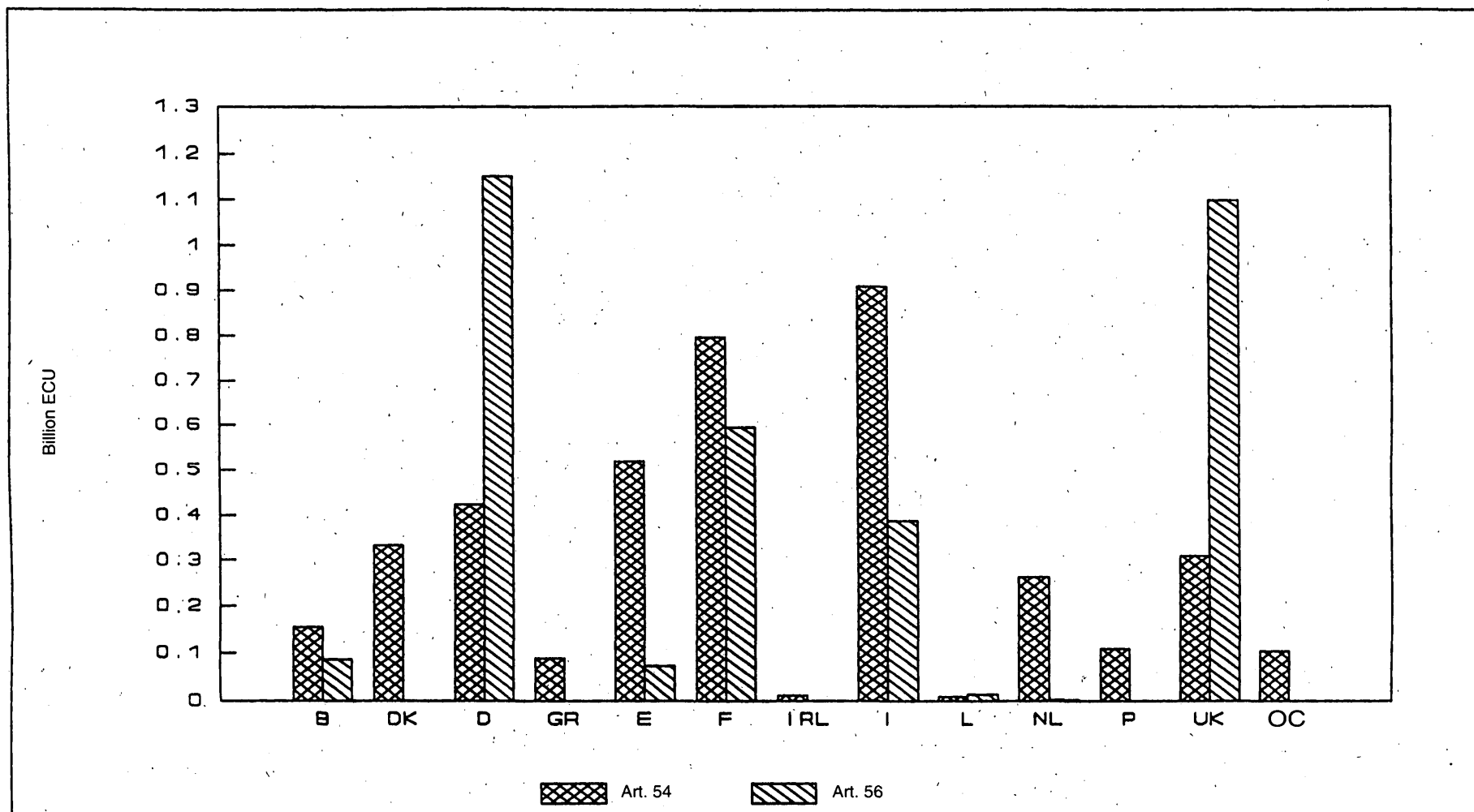
Table 2.5 — Geographical breakdown of the value of ECSC loans on 31. 12. 1993

(Mio ECU)

Country	Article 54		Article 56		Total	
	Mio ECU	As % of the total	Mio ECU	As % of the total	Mio ECU	As % of the total
Belgium	156	3,9 %	86	2,5 %	242	3,3 %
Denmark	332	8,2 %	1	0,0 %	333	4,5 %
Germany	423	10,5 %	1 152	33,8 %	1 575	21,2 %
Greece	90	2,2 %	0	0,0 %	90	1,2 %
Spain	517	12,8 %	73	2,1 %	590	7,9 %
France	795	19,8 %	593	17,4 %	1 388	18,7 %
Ireland	11	0,3 %	0	0,0 %	11	0,1 %
Italy	907	22,5 %	386	11,3 %	1 293	17,4 %
Luxembourg	8	0,2 %	13	0,4 %	21	0,3 %
The Netherlands	263	6,5 %	3	0,1 %	266	3,6 %
Portugal	110	2,7 %	0	0,0 %	110	1,5 %
The United Kingdom	309	7,7 %	1 097	32,2 %	1 406	18,9 %
Outside the Community	104	2,6 %	0	0,0 %	104	1,4 %
Total	4 025	100,0 %	3 404	100,0 %	7 429	100,0 %

Source: The Court's own calculations, based on the ECSC Financial reports.

Graph 2.3 — Geographical breakdown of outstanding ECSC loans as of 31. 12. 1993



Source: The ECSC financial report cf. Table 2.5.

Table 2.6 — Lending operations under Articles 54 and 56 in 1993

(Mio ECU)

Country	Article 54					Article 56				
	Amounts outstanding on 31. 12. 1992		Operations carried out in 1993			Amounts outstanding on 31. 12. 1992		Operations carried out in 1993		
	At the rate for the ECU on 31. 12. 1992	At the rate for the ECU on 31. 12. 1993	New loans	Repayment	Amounts outstanding 31. 12. 1993	At the rate for the ECU on 31. 12. 1992	At the rate for the ECU on 31. 12. 1993	New loans	Repayments	Amounts outstanding on 31. 12. 1993
	(a)	(b)	(c)	(d)	(e)=(b)+(c)-(d)	(f)	(g)	(h)	(i)	(j)=(g)+(h)-(i)
Belgium	157	157		1	156	92	92	12	18	86
Denmark	308	334		2	332	1	1			1
Germany	602	661		238	423	1 099	1 110	218	176	1 152
Greece			90		90					
Spain	534	523		6	517	91	80	1	8	73
France	1 062	1 029		234	795	216	218	391	16	593
Ireland	12	13		2	11					
Italy	921	927	101	121	907	402	398	22	34	386
Luxembourg	16	16		8	8	14	14		1	13
The Netherlands	266	278		15	263	4	4		1	3
Portugal	111	111		1	110					
The United Kingdom	281	298	26	15	309	1 115	1 176	45	124	1 097
Outside the Community	175	179		75	104					
Total	4 445	4 526	217	718	4 025	3 034	3 093	689	378	3 404

Source: The Court's own calculations, based on the ECSC Financial Reports and data supplied by the Directorate-General for Credit and Investments.

THE COMMISSION'S REPLIES TO THE COURT'S OBSERVATIONS ON THE FINANCIAL YEAR 1993 (ECSC)

Report on the financial year 1993 (ECSC) 4. 10. 1994

CHAPTER 1: OBSERVATIONS ON THE MANAGEMENT OF THE ACCOUNTS

1.3-1.4. and Table 1.1 Since the adoption of the balance sheet at 31 December 1992, the Commission has monitored the ECSC's reserves on the basis of Council Directive 89/657/EEC of 18 December 1989 on a solvency ratio for credit institutions ⁽¹⁾.

On 7 July 1992 Coopers & Lybrand presented a report, at the Commission's request, which recommended that, for the ECSC, the solvency ratio referred to in the above Directive be maintained within a range of 14 to 16 %.

This recommendation was followed in the ECSC financial statements at 31 December 1992 and 31 December 1993, which were approved by the Commission and endorsed by the Court.

1.10. As the Court points out, the ECSC budget can only decline in volume. For example, it will fall from ECU 596 million in 1993 to less than ECU 300 million in 1995.

Specific provisions

1.13. It is true that in 1993 the discriminant analysis method was applied only to the balance sheets of high-risk recipients of ECSC loans.

The Commission plans to extend its use when drawing up the next ECSC balance sheet at 31 December 1994.

CHAPTER 2: OBSERVATIONS ON LENDING ACTIVITIES

Loans under Article 54.1 of the ECSC Treaty

2.10-2.12. The substantial decline in the volume of industrial loans granted under Article 54.1 can be explained by the downward trend in investment activity throughout the steel and coal industries since 1990.

One reason for the size of the drop in the volume of loans is that most firms are seeking to reduce their level of indebtedness and are therefore using their own resources as far as possible, particularly for essential investments in maintenance.

It is also true that the cost of bank guarantees is closely related to the risk of non-recovery and hence to the financial situation of firms and the ECSC sector in general. This might indeed explain why steel and coal firms show little propensity to request ECSC funding.

Loans under Article 54.2 of the ECSC Treaty

2.17. In a well-defined infrastructure project the possibilities of increasing steel consumption do indeed appear to be limited. However, this does not alter the fact that the purpose of the ECSC intervention is to encourage the use of Community steel.

The remarks made by the Court in the last sentence of this paragraph can only refer to industrial loans for continued consumption of steel. Even in this field the Commission considers that the requirement to prove the level of steel consumption does not impose excessive administrative constraints.

2.18. In its communication to the Council of 20 November 1993, the Commission adopted the following position as regards loans under Article 54.2:

- Article 54.2 loans for the consumption of Community coal and steel in major infrastructure projects were to be taken over immediately by the EIB, although the Commission reserved the right for the ECSC to intervene in large projects with a specific Community interest provided that the loans do not imply the immobilization of reserves;
- certain Article 54.2 loans and the Article 95 facility of ECU 200 million for central and eastern Europe, which the EIB was unable or unwilling to take over without a Community guarantee, were to remain the responsibility of the Commission.

⁽¹⁾ OJ No L 386, 30. 12. 1989.

Interest rebates for loans under Article 54.1 and 54.2

2.22. Since loans with interest rebates are no longer granted for productive investments in coal mines and it is impossible to grant such loans for investments in environmental protection (the Council not having given its assent to the Commission's proposal for a Decision of 25 April 1991 — SEC(91)754 final), there were no new commitments in 1992 and 1993 for interest rate subsidies linked to such projects.

As regards the management of available appropriations, the fall in the use of appropriations for interest rebates for Article 54 loans granted during the period 1987–1993 is partly explained by the curve of actual investments. It also reflects the result of close monitoring of the actual progress of work and the consumption of coal compared with initial estimates and of cancellations caused by the abandonment of certain projects.

Moreover, the annual cancellation totals set out in Table 2.4 correspond to the cancellation of certain commitments from earlier years.

Loans under Article 56(2)(a)

2.27-2.28. As the Court rightly points out, the Commission did introduce from 1992 a system of indicative regional allocations to ensure a better geographical distribution.

Considerable efforts have been made to increase the take-up in Member States or even specific regions which have not taken advantage of ECSC conversion loans. Despite this, these efforts have had very little success owing to various factors among which one could cite : lack of new productive investment, unwillingness of financial intermediaries to grant long-term loans, more advantageous financing possibilities, high concentration of local/national/community aid, etc., and the results are as described by the Court in its Table 2.6.

It is evident from this that a demand cannot be artificially created and may indeed be absent in view of the operation of other more advantageous Community instruments, such as outright grants etc., being amply available. In these circumstances, it is also up to the Member States concerned to take further measures to improve and encourage any take-up of these loans.

In view of the proposals insisted upon by the Council for phasing out of the loan operations and which were agreed upon by discussions with the Commission there is now, as the Court rightly points out, a ceiling of ECU 275 million up to 1996. A greater part of this will be taken

up by existing obligations already entered into for global loans. The Commission is continuing its efforts to ensure a rational and equitable distribution.

Observations following on-the-spot audits*Observations on interest-rate rebates under Article 54.1*

2.35. It is true that ECSC did not act immediately on the report indicating a shortfall in investment in the case of one of the mine projects being co-financed in the UK. The Commission did, however, not make rebate payments due after 31 May 1993 until the services were able to confirm, as a result of the visit (with the Court) in July 1993, the overall picture with regard to the outstanding ECSC loans with the beneficiary.

As a result of this audit, the rebates due were revised and ECSC has requested partial repayment, amounting to £ 4,758 million of the capital of one of the loans for £ 32,5 million.

ECSC has not paid out any rebate since the payment made in May 1993, while examining the effect of the impending privatization process on the ECSC loans.

2.36. The changes in the coal sector that have led the beneficiary to review the status of all their mines could not have been foreseen.

With regard to those mines that have ceased production, the ECSC is of the opinion that the original decision to grant loans for the co-financing of the investment projects is not invalidated by the subsequent closures.

The two mines in question have ceased production, one having closed and the other being classified as 'Care & Maintenance'. As both projects financed at these mines were completed, in substantially the form scheduled, before the decision to cease production and there were no subsequent obligations on the beneficiary related to the loan or the rebate, nor any default on the loan, it was not considered appropriate to recall the loan or the rebate. The loan has now been repaid. As a result of the shortfall in the planned investment, the ECSC's participation was found to have exceeded the 50 % ceiling applying to loans of this type. (In fact, the ECSC participation was 57 % of the final investment.) As a result, the ECSC recalculated the rebate due on the revised investment figures. This downward adjustment is part of the ECU 1,45 million referred to in paragraph 2.36 above, being the reduction in rebate due on all loans to the beneficiary under examination.

Observations on loans and interest rebates under Article 54.2

2.37. The Commission acknowledges that it failed to detect an error by the financial intermediary.

2.38. In the case of the company concerned, after the audit visit and following receipt of the reports, the rebate due was revised on the basis of the actual coal burn. As a result, the company was asked to repay ECU 80 853 out of a total of ECU 1,15 million originally associated to the two loans on the basis of the estimated coal burn. The company has agreed to repay the excess amount.

The Commission has generally reviewed and reinforced the system of follow-up on loans by various means, including the following measures:

- allocating further personnel to share the workload,
- introducing a more methodical approach to the monitoring,
- increasing the number of on-site visits to loan beneficiaries.

2.39. The ECSC's main concern is that the firm which receives funding buys Community products, which it must demonstrate by producing invoices.

Observations on loans and interest rebates under Article 56(2)(a)

2.42-2.43. The Commission has noted that the financial intermediaries had not always verified information supplied by sub-loan beneficiaries. Such verification is effected by the Commission during audit missions and inconsistency is rare. However, the Commission will draw the financial intermediaries' attention to the matter.

2.44. During the audit visit the Commission representative also noticed that for two cases the actual commencement date was prior to the date indicated on the sub-loan application form submitted by the financial intermediary.

In the first case the discrepancy did not affect the eligibility of the project for an ECSC conversion loan. However, as no reports had been submitted, the Commission has already requested recovery of the interest rebates paid to date.

Moreover, it was found that employment had diminished and the recovery request has been confirmed.

In the second case the sub-loan application would not have been approved if the real commencement date had been correctly indicated on the application. However, the

company has created 84 new jobs rather than the 60 which had been foreseen. The Commission considers that the objective of the loan was more than achieved and that it would not therefore be appropriate to take any punitive action against the beneficiary.

2.45. As regards the case in Italy where the financial intermediary had not communicated a net loss of jobs to the Commission, the Commission has already requested recovery of interest rebates paid to date due to the lack of information (see 2.44 above).

For the case in Germany, following the visit, the Commission requested and has now received full reimbursement of the interest rebates that had been unduly paid.

2.46-2.49. The Commission is conscious of the fact that it has different preoccupations and objectives than the financial intermediaries and that in some cases this may lead them to delay or even omit communicating relevant information to the Commission.

One of the reasons the Commission carries out its own audit missions is to verify the information provided and obtain missing information. Cases such as those referred to by the Court at 2.44 and 2.45 are rare.

The Commission makes all efforts to ensure that financial intermediaries are aware of the Commission's preoccupations and objectives. To this end several round table meetings have been held and regular visits are organized in addition to the normal continuous contact between the Commission and its financial intermediaries.

2.50. The regionalization of Article 56(2)(a) has been pursued by the Commission to improve the effectiveness of the loan scheme. Financial support to help traditional coal and (or) steel areas diversify and broaden their economic activities will enhance employment opportunities for workers made redundant and their descendants which otherwise would be left without employment prospects in their regions.

From the figures given for the German case, it emerges that the part of the cost per job created, financed by the ECSC, is ECU 1 040.

2.51. One of the basic problems in coal and (or) steel areas is the shortage of suitable opportunities for reemployment of ex-coal and steel workers. ECSC conversion loans contribute to broadening the economic base of the areas with the aim of increasing the number of suitable jobs for ex-ECSC workers. Preferential aid rates for the recruitment of ex-ECSC workers do not overcome this basic problem.

Taking together its remarks in 2.51 and 2.52, it must bear in mind that the reconversion loans are only one aspect of a wider approach by various ECSC instruments. Thus the more intractable problem of the unemployable ex-ECSC worker is largely treated by the other aspects of Article 56, i.e. the readaptation and retraining aids which are more ample in volume and more specific in scope, and also encourage regional mobility of labour as a solution. In comparison, the reconversion aspect has a different approach concerning the diversification and broadening of the regional economy where possible to help the region as a whole which has suffered due to sectoral decline in activity.

The Commission would point out that, under the reorganization of borrowing and lending policy, it is not planning to accept any requests after 31 December 1996. In this situation, the Commission does not consider it appropriate to effect a major revision of the existing criteria.

2.52. The approach suggested by the Court has been taken up to some extent in the procedure for the coordination of ECSC conversion loans with Structural Fund programmes (OJ C No 59 of 6. 3. 1992).

2.53. The Commission is concerned by the financial hardship which may result from some requests for

recovery of interest rebates already paid. It is currently examining various possible options which could help alleviate the situation.

Conclusion

2.54. The Commission agrees that a new approach to conversion loans could be considered. However, the Commission considers that it would be difficult to carry out a major revision of the existing criteria in the limited time available and with the decreasing resources.

2.55. The Commission is increasing the number of *ad hoc* controls carried out. The Commission is however aware that the limited human resources available to treat the large volume of (sub)loans means that such controls are necessarily selective and cannot cover all cases.

When choosing cases for such controls the Commission endeavours to select those which either present difficulties which require resolving (missing information, anomalies in reports; complex correspondence, etc.) or have had (more than one) large loan.

The Commission does not envisage further delegation of tasks to financial intermediaries.

SALES AND SUBSCRIPTION PRICES

Annual subscription (including normal postage)							Single copies (**)		
Price	'L + C' paper version (*)	'L + C' microfiches (*)	Recruitment notices (**)	OJ Supplement (Notices and public contracts) calendar year 1994	'Annex — Debates of the European Parliament' (March—February)	'Annex — Debates of the European Parliament' (March—February) microfiches	1—32 pages	33—64 pages	More than 64 pages
ECU	544	380	30	472	207	158	6	12	Price determined case by case

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

N.B.:

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

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

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

SALES AND SUBSCRIPTIONS

BELGIQUE / BELGIË

Moniteur belge / Belgisch Staatsblad
Rue de Louvain 42 / Leuvenseweg 42
B-1000 Bruxelles / B-1000 Brussel
Tél. (02) 512 00 26
Fax (02) 511 01 84

Jean De Lannoy

Avenue du Roi 202 / Koningslaan 202
B-1060 Bruxelles / B-1060 Brussel
Tél. (02) 538 51 69
Fax (02) 538 08 41
Autres distributeurs /
Overige verkooppunten

Librairie européenne / Europese boekhandel

Rue de la Loi 244 / Wetstraat 244
B-1040 Bruxelles / B-1040 Brussel
Tél. (02) 231 04 35
Fax (02) 735 08 60

DANMARK

J. H. Schultz Information A/S
Herstedvang 10-12
DK-2620 Albertslund
Tlf. 43 63 23 00
Fax (Sales) 43 63 19 49
Fax (Management) 43 63 19 49

DEUTSCHLAND

Bundesanzeiger Verlag
Breite Straße 78-80
Postfach 10 05 34
D-50445 Köln
Tél. (02 21) 20 29-0
Fax (02 21) 2 02 92 78

GREECE / ΕΛΛΑΔΑ

G.C. Eleftheroudakis SA
International Bookstore
Nikis Street 4
GR-10563 Athens
Tél. (01) 322 63 23
Telex 219410 ELEF
Fax 323 98 21
Γ.Κ. Ελευθερουδάκης ΑΕ
Διεύθυνση Βιβλιοπωλείου
Νίκης 4
105 63 Αθήνα
Τηλ. (01) 3226 323
Τελεξ 219410 ELEF GR
Τελεφράξ (01) 3239 821

ESPAÑA

Boletín Oficial del Estado
Tratfalgar, 29
E-28071 Madrid
Tél. (91) 538 22 95
Fax (91) 538 23 49
Mundi-Prensa Libros, SA
Castelló, 37
E-28001 Madrid
Tél. (91) 431 33 99 (Libros)
431 32 22 (Suscripciones)
435 36 37 (Dirección)
Fax (91) 575 39 98
Sucursal:
Librería Internacional AEDOS
Consejo de Ciento, 391
E-08008 Barcelona
Tél. (93) 488 34 92
Fax (93) 487 76 59

Libreria de la Generalitat de Catalunya

Rambla dels Estudis, 118 (Palau Moja)
E-08002 Barcelona
Tél. (93) 302 68 35 / 302 64 62
Fax (93) 302 12 99

FRANCE

Journal officiel
Service des publications des
Communautés européennes
26, rue Desaix
F-75727 Paris Cedex 15
Tél. (1) 40 58 77 01/31
Fax (1) 40 58 77 00

IRELAND

Government Supplies Agency
4-5 Harcourt Road
Dublin 2
Tél. (1) 661 31 11
Fax (1) 478 06 45

ITALIA

Licosa SpA
Via Duca di Calabria 1/1
Casella postale 552
I-50125 Firenze
Tél. (055) 64 54 15
Fax 64 12 57

GRAND-DUCHÉ DE LUXEMBOURG

Monographies:
Messageries du livre
5, rue Raiffeisen
L-2411 Luxembourg
Tél. 40 10 20
Fax 49 06 61

Abonnements:
Messageries Paul Kraus
11, rue Christophe Plantin
L-2339 Luxembourg
Tél. 49 98 888
Fax 49 98 88 444

NETHERLAND

SDU Overheidsinformatie
Externe Fondsen
Postbus 20014
NL-2500 EA 's-Gravenhage
Tél. (070) 37 89 880
Fax (070) 37 89 783

PORTUGAL

Imprensa Nacional
Casa da Moeda, EP
Rua D. Francisco Manuel de Melo, 5
P-1092 Lisboa Codex
Tél. (01) 387 30 02/385 83 25
Fax (01) 384 01 32
Distribuidora de Livros
Bertrand, Lda
Grupo Bertrand, SA
Rua das Terras dos Vales, 4-A
Apartado 37
P-2700 Amadora Codex
Tél. (01) 49 59 050
Fax 49 60 255

UNITED KINGDOM

HMSO Books (Agency section)
HMSO Publications Centre
51 Nine Elms Lane
London SW8 5DR
Tél. (071) 873 90 90
Fax 873 84 63

ÖSTERREICH

**Manz'sche Verlags-
und Universitätsbuchhandlung**
Kohlmarkt 16
A-1014 Wien
Tél. (1) 531 601
Fax (1) 531 61-181

SUOMI / FINLAND

Akateeminen Kirjakauppa
Keskuskatu 1
PO Box 128
FIN-00381 Helsinki
Tél. (0) 121 41
Fax (0) 121 44 41

NORGE

Narvesen Info Center
Bertrand Narvesens vei 2
PO Box 6125 Etterstad
N-0602 Oslo 6
Tél. (22) 57 33 00
Fax (22) 68 19 01

SVERIGE

BTJ AB
Traktorvägen 13
S-22100 Lund
Tél. (046) 18 00 00
Fax (046) 18 01 25
30 79 47

ICELAND

BOKABUD
LARUSAR BLÖNDAL
Skólavörðustíg, 2
101 Reykjavík
Tél. 11 56 50
Fax 12 55 60

SCHWEIZ / SUISSE / SVIZZERA

OSEC
Stampfenbachstraße 85
CH-8035 Zürich
Tél. (01) 365 54 49
Fax (01) 365 54 11

BÄLGARIJA

Europress Klassika BK Ltd
66, bd Vitosha
BG-1463 Sofia
Tél./Fax 2 52 74 75

ČESKÁ REPUBLIKA

NIS ČR
Havelská 22
CZ-130 00 Praha 3
Tél. (2) 24 22 94 33
Fax (2) 24 22 14 84

HRVATSKA

Mediatrade
P. Hatza 1
4100 Zagreb
Tél. (041) 430 392

MAGYARORSZÁG

Euro-Info-Service
Margitsziget
Európá Ház
H-1138 Budapest
Tél./Fax 1 111 60 61
1 111 62 16

POLSKA

Business Foundation
ul. Krucza 38/42
PL-00-512 Warszawa
Tél. (22) 621 99 93, 628-28-82
International Fax & Phone
(0-39) 12-00-77

ROMÂNIA

Euromedia
ul. Kruza 38/42
RO-70184 Bucuresti
Tél./Fax 1-31 29 646

RUSSIA

CCEC
9,60-Ietiya Oktyabrya Avenue
117312 Moscow
Tél./Fax (095) 135 52 27

SLOVAKIA

Slovak Technical Library
Nm. slobody 191
SO-812 23 Bratislava 1
Tél. (7) 220 452
Fax (7) 295 785

CYPRUS

**Cyprus Chamber of Commerce and
Industry**
Chamber Building
38 Grivas Digenis Ave
3 Deligiorgis Street
PO Box 1455
Nicosia
Tél. (2) 44 95 00/46 23 12
Fax (2) 45 86 30

MALTA

Miller distributors Ltd
PO Box 25
Malta International Airport
LOA 05 Malta
Tél. 66 44 88
Fax 67 67 99

TÜRKİYE

Pres AŞ
İstiklal Caddesi 469
80050 Tünel-İstanbul
Tél. (0212) 252 81 41 - 251 91 96
Fax (0212) 251 91 97

ISRAEL

ROY International
PO Box 13056
31, Habarzel Street
Tel Aviv 61130
Tél. (3) 497 802
Fax (3) 497 812

EGYPT / MIDDLE EAST

Middle East Observer
41 Sherif St.
Cairo
Tél./Fax 39 39 732

UNITED STATES OF AMERICA / CANADA

UNIPUB

4611-F Assembly Drive
Lanham, MD 20706-4391
Tél. Toll Free (800) 274 48 88
Fax (301) 459 00 56

CANADA

Subscriptions only
Uniquement abonnements
Renouf Publishing Co. Ltd
1294 Algoma Road
Ottawa, Ontario K1B 3W8
Tél. (613) 741 43 33
Fax (613) 741 54 39

AUSTRALIA

Hunter Publications
58A Gipps Street
Collingwood
Victoria 3066
Tél. (3) 417 53 61
Fax (3) 419 71 54

JAPAN

Kinokuniya Company Ltd
17-7 Shinjuku 3-Chome
Shinjuku-ku
Tokyo 160-91
Tél. (03) 3439-0121
Journal Department
PO Box 55 Chitose
Tokyo 156
Tél. (03) 3439-0124

SOUTH-EAST ASIA

Legal Library Services Ltd
Orchard
PO Box 05523
Singapore 9123
Tél. 73 04 24 1
Fax 24 32 47 9

SOUTH AFRICA

Safo
5th Floor, Export House
Cnr Maude & West Streets
Sandton 2146
Tél. (011) 883-3737
Fax (011) 883-6569

**OTROS PAÍSES / ANDRE LANDE /
ANDERE LÄNDER / ΑΛΛΕΣ ΧΩΡΕΣ /
OTHER COUNTRIES / AUTRES PAYS /
ALTRI PAESI / ANDERE LANDEN /
OUTROS PAISES**

**Office des publications officielles des
Communautés européennes**
2, rue Mercier
L-2985 Luxembourg
Tél. 499 28-1
Fax 48 85 73/48 68 17



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