

2002 discharge: ECSC budget

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PURPOSE : to present the Court of Auditors Annual Report and Statement of Assurance concerning the ECSC for the financial year ended 23 July 2002. **CONTENT** : to recall, in accordance with Article 97 of the Treaty establishing the ECSC, the European and Steel Community ceased to exist on 23 July 2002. Its objective had been to bring about conditions which would ensure the rational distribution of coal and steel production while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances. The report states that on 24 July 2002, the ECSC left behind: - EUR 400,9 million in outstanding commitments under the ECSC operating budget; - borrowings of EUR 742,5 million; - loans totalling EUR 768,8 million and - EUR 33,5 million in loans granted from the ECSC's former Pension Fund. According to forecasts, the liquidation of the ECSC should be concluded, at the latest, in 2027. This date is the latest expiry date for the contracts and commitments still outstanding. In this respect it is necessary to distinguish between, on the one hand, outstanding commitments under the operating budget and, on the other, reimbursement operations concerning loans and borrowings: - of the EUR 400,9 million of commitments still outstanding on 23 July 2002, the commitments for redeployment (EUR 132,6 million) will end, in their entirety, in 2006, the commitments for social measures (EUR 70,6 million) in 2007, the commitments for interest subsidies (EUR 16,8 million) in 2004 and, lastly, the commitments for research (EUR 180,8 million) in 2008, - the ECSC's borrowings and the loans from borrowed funds will be fully amortised by 2019 at the latest. The loans from own funds will be fully amortised by 2025 at the latest and loans from the former Pension Fund by 2027. On the implementation of the ECSC's last budget, the report recalls that the ECSC's budget consists of two parts: one for the administrative budget and a second for the operating budget. The headings of the ECSC's operating budget are divided into resources (revenue) and utilisation of resources, or requirements (expenditure). The initial estimates for the operating budget for 2002 amounted to EUR 167,8 million. Commitments for the financial year came to a final total of EUR 130,8 million. Redeployment aid absorbed EUR 35,2 million of the 64 million entered in the budget and social measures (coal) took EUR 21 million, compared to the 29 million entered in the budget. The estimates of resources in the operating budget of the ECSC for 2002, including the lump sum for administrative expenditure, amounted to EUR 167,8 million. The Commission decided to reduce the rate of the ECSC levy to 0% as of 1998. The provisions entered in the ECSC balance sheet at 31 December 2001 were deemed sufficient to maintain its financial activities until the expiry of the Treaty. On conclusion of the implementation of the ECSC operating budget, the sum total of appropriations used was EUR 130,8 million. As regards the closing balance sheet of the ECSC, the report shows that the balance sheet total declined by EUR 839 million compared with the situation at 31 December 2001. On the assets side, the decrease can be explained mainly by the reduction in loans and advances to credit institutions (down by EUR 341,6 million) and the decline in loans and advances to customers (down by EUR 405,2 million). Liquid assets fell by EUR 149,6 million to EUR 1 676,6 million at the close of the financial year. With regard to liabilities, the ECSC's liabilities vis-à-vis third parties decreased by half to EUR 801,7 million at 23 July 2002 (EUR 1 518,9 million at 31 December 2001). As regards loans and borrowings, in view of the expiry of the Treaty the Commission decided to adjust its policy concerning coverage of the risk of default: it committed itself to creating a guarantee fund to achieve a level of reserves to cover 100 % of the total outstanding loans which are not covered by a government guarantee. In the past, the ECSC had also created a provision for major exposures, the objective of which was to make advance provision against a concentration of risks in respect of beneficiaries of loans not covered by a first-rank government guarantee and which, individually, exceed 25% of own funds. This provision, which amounted to EUR 6 million at the end of the financial year closed on 23 July 2002, was withdrawn in its entirety, because the guarantee fund already covers 100% of the amount of loans outstanding. Income for the financial year closed on 23 July 2002 amounted to EUR 417,1 million and charges to EUR 258,5 million. The surplus for the period was approximately EUR 158,7 million. The exceptionally large surplus was mainly due to the withdrawals from the provision for financing the ECSC operating budget and the provision for budgetary contingencies, which, before the closure, amounted to EUR 149,8 million.

On the date of expiry of the Treaty that established the ECSC the ECSC's own funds amounted to EUR 1 188,9 million at 23 July 2002. The ECSC's own funds are mainly invested in bonds and other fixed-income securities issued by first-ranking public entities (EUR 1 129,4 million). In its report on the financial statements of the ECSC at 23 July 2002, which includes the statement of assurance concerning the reliability of the accounts and is published with the financial statements concerned, the Court concluded that the latter give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 23 July 2002 and of the results of its operations for the financial year then ended. Lastly, since it began its financial activity, the ECSC has disbursed EUR 24 500 million by way of loans, including EUR 23 800 million from borrowed funds and 643 million euro from own funds. During the same period, it provided guarantees in respect of EUR 77,9 million. ECSC financial aid has exceeded EUR 24 500 million. In addition, it is currently estimated that, major changes excepted, on conclusion of its liquidation, the ECSC will leave funds in excess of EUR 1 200 million to the European Community. In its final annual report on the ECSC, the Court would like to pay homage to those men and women who conceived and implemented this first European Community. In its general annual report, the Court will continue to keep a watchful eye both on the transactions involved in the liquidation of the ECSC and on the setting-up and management of the new Coal and Steel Research Fund.