

Redistribution between the EU Member States

Winners and losers of European transfers

Summary of the main results

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- ▶ The extent of redistribution in the EU, and which Member States win or lose from it, has always been the subject of fierce debate. The explosive nature of these questions has increased enormously as a result of the euro crisis and Brexit.
- ▶ Calculating redistribution in the European Union is traditionally based exclusively on the EU budget. This clearly falls short.
- ▶ Apart from the EU budget, financial assistance to overcome the euro crisis as well as the activities of the European Investment Bank and the European Central Bank can also have a huge impact on redistribution.
- ▶ This Study provides, as far as empirically possible, a comprehensive picture of redistribution in the EU on the basis of the figures for 2008 to 2015.

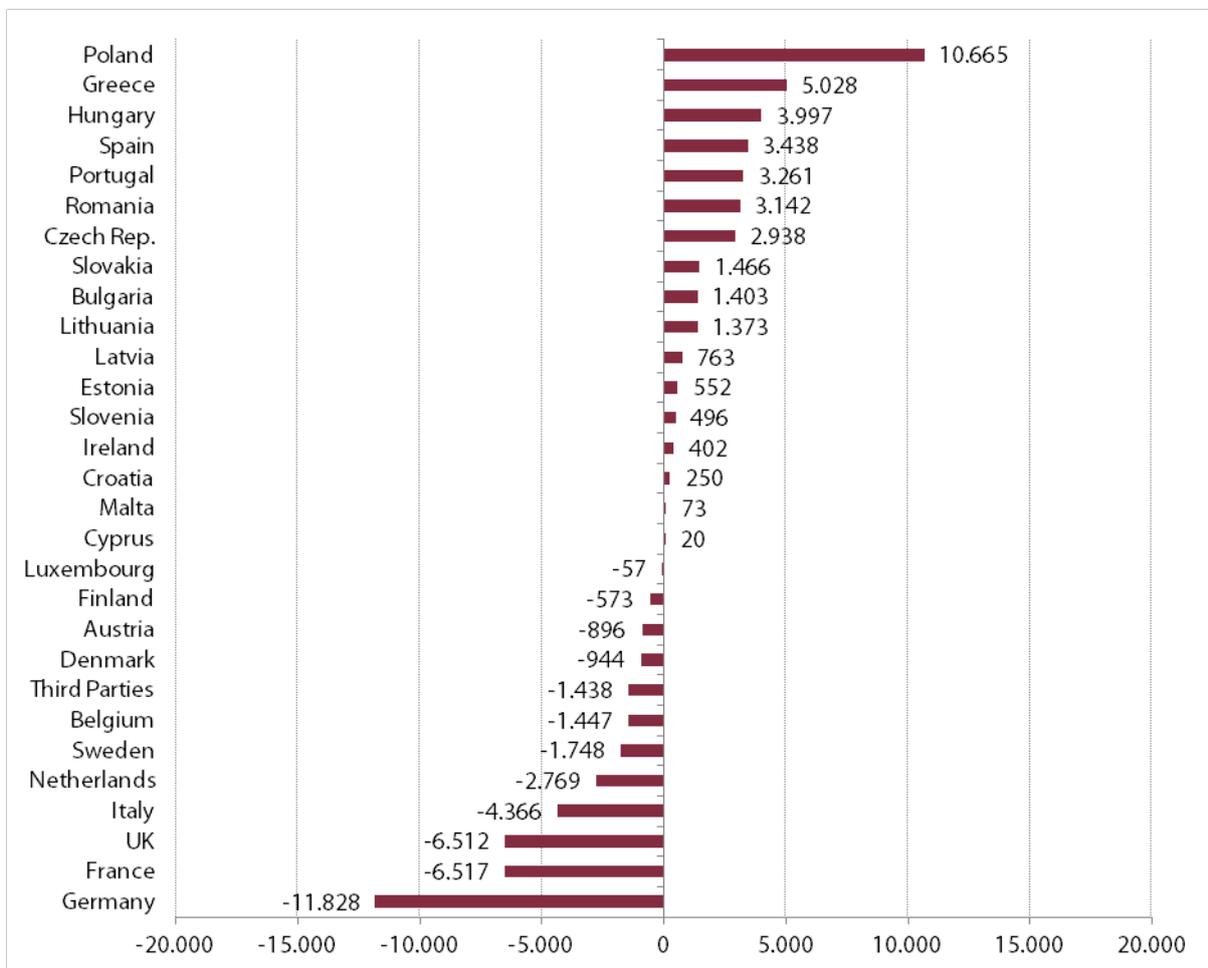
1 Redistribution based on the EU budget

- ▶ Redistribution based on the EU budget is ascertained by comparing the contributions of each Member State with the transfers received for the years 2008 to 2015. The method used by the EU Commission to allocate revenues and expenditures to the Member States is open to criticism so the Study takes a different route and thus produces an alternative picture of the redistribution.

1.1 Absolute distribution

- ▶ The largest net recipient of funds from the EU budget is Poland with an average of €10.7 billion per year. In a distant second place is Greece with €5 billion.
- ▶ With €11.8 billion, Germany is by far the largest net contributor, followed by France and – despite the "British Rebate" – the United Kingdom each with €6.5 billion and Italy with €4.4 billion.

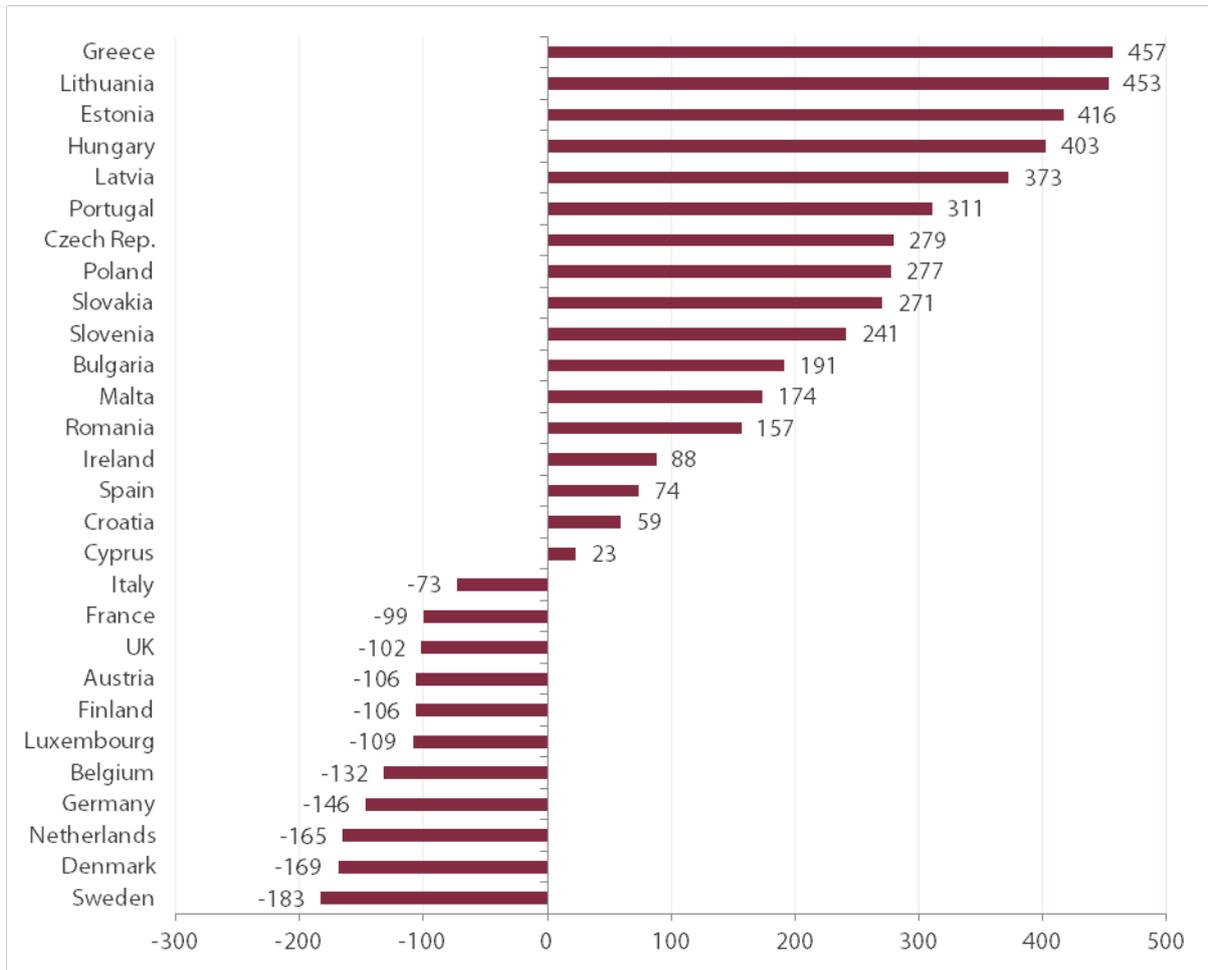
Average annual redistribution based on the EU budget 2008 - 2015 (million EUR)



1.2 Redistribution per head

- ▶ The largest net recipient per inhabitant is Greece with a yearly average of €457, followed by Lithuania with €453, Estonia with €416 and Hungary with €403. Poland is in eighth place with €277.
- ▶ The largest net contributor per inhabitant is Sweden with €183, followed by Denmark with €169, and the Netherlands with €165. Germany is in fourth place with €146.
- ▶ In 2015, the United Kingdom with €196 bore, for the first time, a heavier burden than Germany with €191.

Average annual redistribution per inhabitant based on the EU budget 2008 - 2015 (EUR)



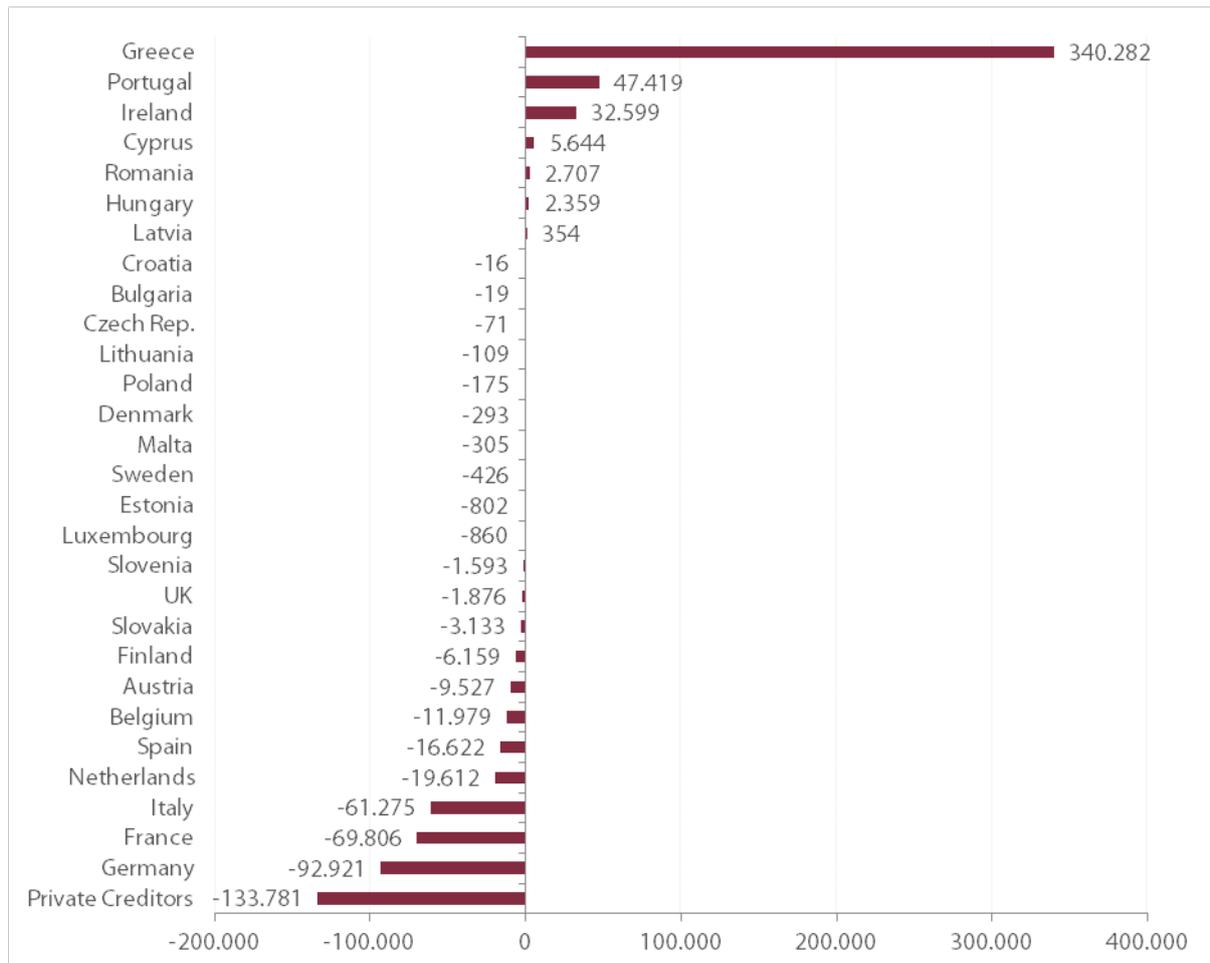
2 Redistribution based on financial assistance

- ▶ Redistribution based on financial assistance – particularly that granted in the course of the euro crisis – is determined by calculating the recipients' benefits stemming from non-market-based interest rates over the respective loan period and by calculating the non-market-based burden of the risk of failure borne by those Member States that are liable for the financial assistance.

2.1 Absolute distribution

- ▶ Greece benefits the most, specifically by €340.3 billion. It is followed, at a significant distance, by Portugal with €47.4 billion. Although it has itself received financial assistance, on balance Spain does not benefit but is burdened since it took part as a creditor in virtually all the financial assistance granted.
- ▶ The greatest burden is borne by the private creditors with €133.8 billion; this is due to the preferential status of the lenders. Then comes Germany which would have to receive €92.9 billion in order to be adequately compensated for the liability risks, then France with €69.8 billion and Italy with €61.3 billion. These three countries bear over half of the net burden.

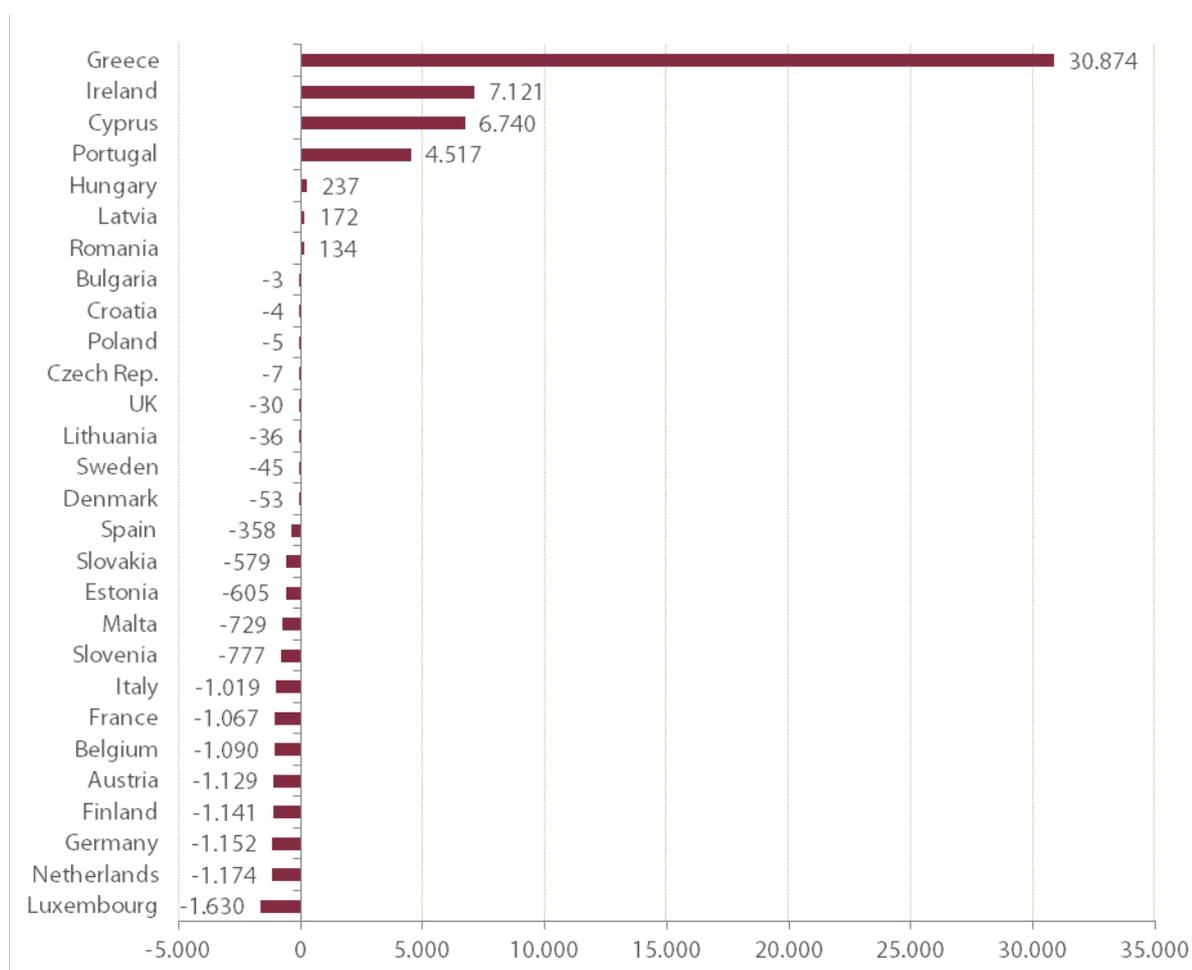
Redistribution based on financial assistance paid out (million EUR)



2.2 Redistribution per head

- ▶ With €30,874, Greece also benefits the most per inhabitant as a result of interest rate advantages from financial assistance. It is followed at some distance by Ireland with €7,121, Cyprus with €6,740 and Portugal with €4,517.
- ▶ Of the creditors, Luxembourg bears the greatest burden. The country would have to receive €1,630 per inhabitant in order to be adequately compensated for the liability risks. The Netherlands with €1,174, Germany with €1,152, Finland with €1,141 and Austria with €1,129 each bear a burden which is about one third smaller.

Redistribution based on financial assistance paid out per inhabitant (EUR)



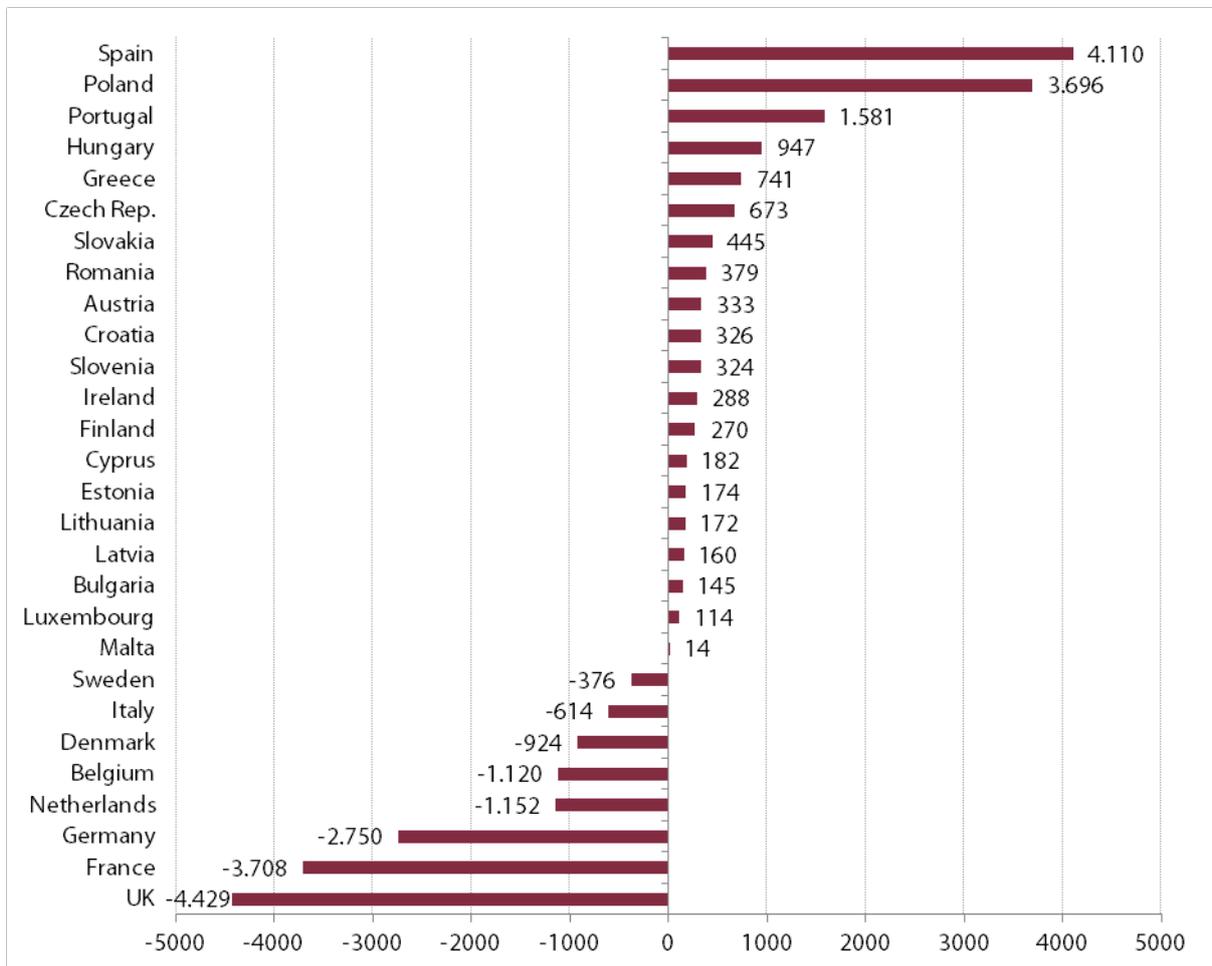
3 Redistribution by the European Investment Bank (EIB)

- ▶ Redistribution by the EIB is determined by comparing the Member State's share in EIB capital with its share in EIB loans and other EIB funding received between 2008 and 2015. Member States that have received more EIB funding than the amount corresponding to their share in capital, benefit from the EIB; in the reverse case they bear the burden.

3.1 Absolute distribution

- ▶ Spain and Poland benefit the most from the EIB with funds in excess of their share in EIB capital of €4.1 billion and €3.7 billion respectively.
- ▶ Significantly less EIB funding than the amount corresponding to the share in capital was received by the United Kingdom with €4.4 billion, France with €3.7 billion and Germany with €2.8 billion.

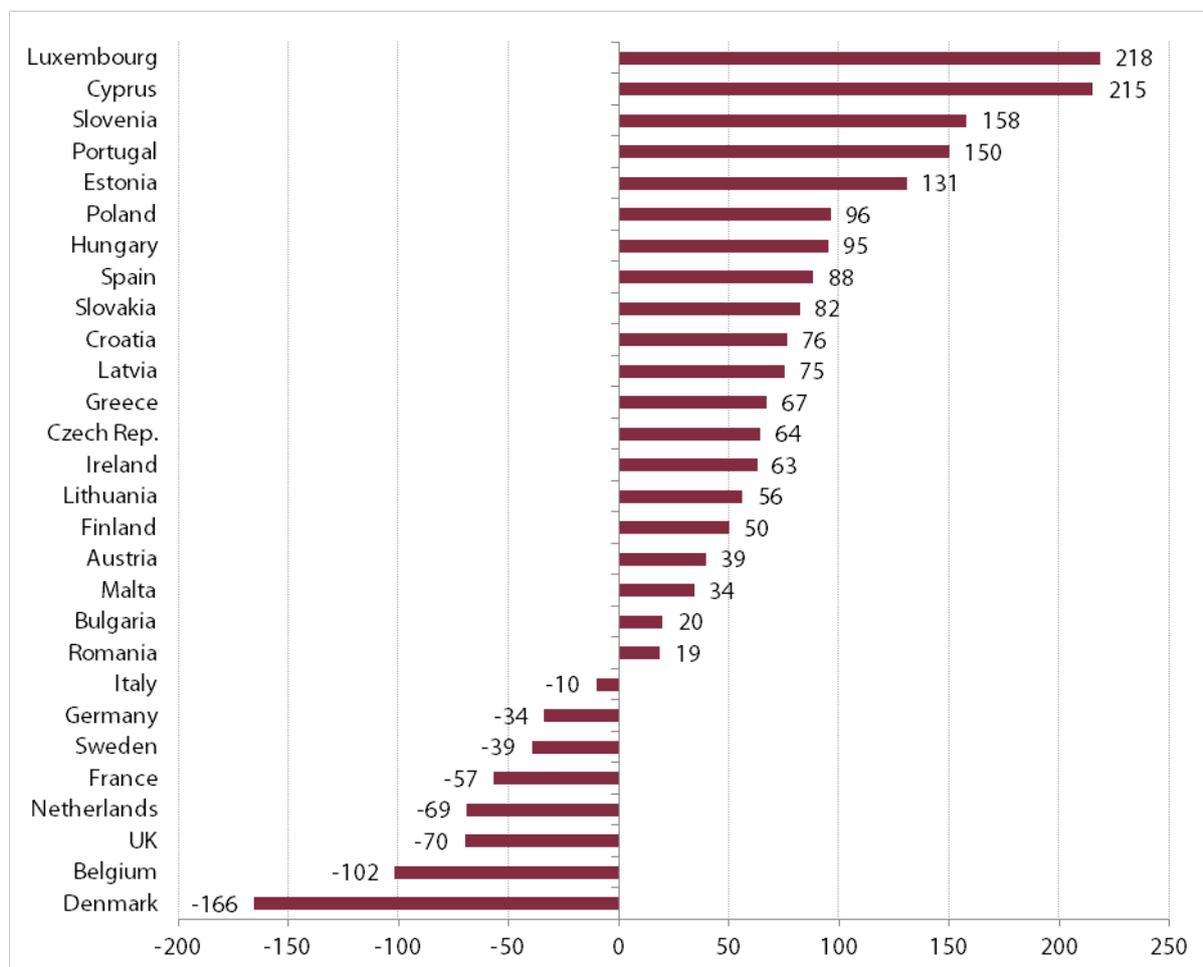
Average annual redistribution by the EIB 2008 - 2015 (million EUR)



3.2 Redistribution per head

- ▶ Luxembourg - i.e. the country where the EIB is based - profited the most per inhabitant with €218. This is surprising because the EIB's task is to support primarily economically weak regions.
- ▶ The greatest burden is borne by Denmark with €166 per inhabitant.

Average annual redistribution by the EIB per inhabitant 2008 - 2015 (EUR)



4 Redistribution by the European Central Bank (ECB)

- ▶ In the course of the euro crisis, the ECB took numerous unconventional measures. In this regard, the three programmes for purchasing government bonds in particular – the Securities Markets Programme (SMP), the Outright Monetary Transactions (OMT) and the Public Sector Purchase Programme (PSPP) – are suspected of carrying out redistribution between the eurozone countries.
- ▶ Redistribution effects certainly exist between eurozone countries, as issuers, and the purchasers of government bonds, irrespective of their nationality.
- ▶ The SMP, however, has not yet resulted in a redistribution between the public budgets of the eurozone countries. In fact, all eurozone countries profit as issuers. For the same reason, the PSPP has not yet given rise to a redistribution between the public budgets of the eurozone countries.
- ▶ It is unclear whether the OMT Programme has resulted in a redistribution between the public budgets of the eurozone countries. Although the OMT Programme has had the effect that the eurozone is seen as a joint liability community, which is likely to have a negative effect on the interest rates of solvent eurozone countries, empirical data provides no clear result in this regard.

Note: The redistribution values for EU budget, financial assistance and European Investment Bank cannot be aggregated because they are based on varying standards and periods of time. In the case of the EU budget, these are the Member States' contributions and transfers made between 2008 and 2015; in the case of financial aid, the interest rate benefit and burden on loans granted between 2008 and 2015 for the entire respective period of the loans and in the case of the EIB, EIB loans and other EIB funding granted between 2008 and 2015 as compared with shares in EIB capital.

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