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The views expressed here are purely personal

### **The UK Rebate**

The present rebate is based on a rather ad-hoc formula that applies only to the UK. The “burden” for the funding of the rebate that falls on the remaining Member States is also rather arbitrarily adjusted. The whole system is predicated on ad-hoc deals that lack transparency, fairness and economic logic.

#### **What should be the UK's position?**

Instead of defending its own (privileged) position, the UK should argue the case for a generalised rebate for any Member State that experiences a deficit above a certain threshold. This would mirror the already agreed threshold for receipts from structural funds. It is accepted that no Member State has the capacity to absorb structural funds above a certain amount. Similarly, it is likely that no Member State has the financial capacity to contribute to the EU above a certain amount. An explicit system that is based on this kind of logic [ability to pay and receive] should be more transparent and fairer. Naturally, the threshold for a generalised rebate remains to be established.

#### **Example of a generalised rebate**

Assume that a regional bloc like the EU has three Member States: A, B and C. The size of their respective economies [GNI] is: 100, 200 and 300. The rule for contributions is 1% of GNI. Further assume that the bloc has a single policy that results in amounts of expenditure which are distributed in the Member States as indicated in the table below.

The table shows three cases: 1) no correction, 2) a correction like the current one and 3) a correction that is based on a generalized system. Please note that in the third case the deficit of country C become larger. This is intentionally done in order to indicate that a generalised rebate can go either way: it can decrease or increase deficits. The important issue is at which level the rebate threshold is set.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>Bloc</b>
GNI	100	200	300	600
Case 1: No correction				
Contributions 1%	1	2	3	Budget: 6
Expenditure	1	4	1	6
Surplus (+)/deficit (-)	0	2	-2	0
Case 2: Correction only for C	Share in correction:0.33	Share in correction:0.66	Reduction by 66%	
Contributions 1%	1	2	3	Budget: 6
Expenditure	1	4	1	6
Surplus (+)/deficit (-)	0	2	-2	0
Correction	+ 0.44	+ 0.88	- 1.32	0
Corrected surplus (+) / deficit (-)	- 0.44	+ 1.12	- 0.68	0
Case 3: Generalised correction: deficit < 0.4 of GNI	Deficit cap: 0.4	Deficit cap: 0.8	Deficit cap: 1.2	
Contributions 1%	1	2	3	Budget: 6
Expenditure	1	4	1	6
Surplus (+)/deficit (-)	0	2	-2	0
Correction	+ 0.40	+ 0.40	- 0.80	0
Corrected surplus (+) / deficit (-)	- 0.40	+ 1.60	- 1.20	0

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