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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE ECONOMIC AND FINANCIAL COMMITTEE AND THE EMPLOYMENT COMMITTEE

Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672

SURE: Taking Stock After Six Months

EXECUTIVE SUMMARY

A novel instrument to respond to the socioeconomic impact of the pandemic

This report is the first bi-annual report on the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). It presents the operations and use of the instrument to date and reviews its socio-economic impacts. SURE is a crisis instrument, with a size of EUR 100 billion, created by the European Union (EU) to help Member States protect jobs and workers' incomes in the context of the COVID-19 pandemic.

SURE is a strong expression of solidarity to protect jobs and economic activity in the Single Market. In order for SURE to become available, all Member States agreed to provide bilateral guarantees to the EU so that the Union could borrow from the markets to finance SURE loans.

The Commission proposed the SURE Regulation on 2 April 2020, as part of the EU's initial response to the pandemic. The SURE Regulation was adopted by the Council on 19 May 2020 and Member States submitted their first formal requests in early August. However, the financial envelope of EUR 100 billion became available on 22 September 2020, after all Member States signed the guarantee agreements. The Commission speeded up the implementation of the instrument by working closely with the Member States and preparing all the administrative and legal arrangements (e.g. the bilateral loan agreements) since the adoption of the Regulation. As a result, the first disbursement took place on 27 October, only five weeks after the financial envelope became available.

The EU issued social bonds for the first time to finance SURE financial assistance to Member States. This report also provides the relevant reporting under Section 2.4 of the EU SURE Social Bond Framework, in particular, on the allocation and impact of SURE proceeds.

A large take-up

The demand from Member States for financial assistance under SURE has been strong. Since its introduction, over 90% of the total envelope of EUR 100 billion has been allocated by the Council – based on Commission proposals – to 18 Member States. Moreover, on 26 February, the Commission proposed to also provide financial assistance to Estonia. The three largest amounts of financial assistance granted were to Italy (EUR 27.4 billion), Spain (EUR 21.3 billion) and Poland (EUR 11.2 billion). The amounts initially requested were reduced slightly to meet the concentration limit of EUR 60 billion for any of the three largest beneficiaries under the Regulation. The other Member States were granted the amount they requested: Belgium, Portugal and Romania were granted between EUR 4 and 8 billion each, while Greece, Ireland, Czechia, Slovenia and Croatia were granted between EUR 1 and 3 billion. The remaining Member States - Slovakia, Lithuania, Bulgaria, Hungary, Cyprus, Malta and Latvia - were all granted under EUR 1 billion.

The first four bond issuances under SURE have been very successful, raising EUR 53.5 billion from October 2020 to January 2021. The first transaction of EUR 17 billion was executed successfully on 20 October 2020, in two tranches. Five weeks later, almost 40 billion was raised altogether over two additional transactions, covering over half of the requests of Member States seeking large disbursements in 2020. The fourth transaction, in January 2021, raised a further EUR 14 billion. The issuances were significantly over-subscribed by investors, on average more than 10 times, resulting in favourable pricing terms, including negative yields on the bonds with maturities of 15 years or less.

The use of SURE by beneficiary Member States

Out of the 18 Member States that were granted SURE support, 15 Member States did so in order to help finance short-time work schemes. Most beneficiary Member States have also applied for support to finance ‘measures similar to short-time work schemes’, of which 14 Member States are financing measures to support the self-employed. All measures put forward by the Member States were considered eligible for financial assistance. This was the result of an early engagement with Member States to plan and prepare as speedily as possible the implementation of the instrument, including by clarifying its scope. In the majority of cases, the supported short-time work schemes are new schemes set up in response to the COVID-19 pandemic. Nine Member States also requested financial assistance under SURE for the financing of health-related expenditure directly related to the COVID-19 emergency.

In 2020, SURE is estimated to have supported between 25 and 30 million people, which accounts for one quarter of total employment across beneficiary Member States. This covers approximately 21½ million employees and 5 million self-employed workers and should be compared with a total of 35 million people who benefitted from short-time work schemes in the EU. Based on the reporting by Member States, it is estimated that between 1½ million and 2½ million firms, or 12 – 16% of firms in beneficiary Member States, have been supported by SURE in 2020. However, this reporting is incomplete and uneven across Member States.

By the end of 2020, 80% of total planned public expenditure on eligible measures had already taken place. The report presents the planned and actual use of the financial assistance granted under SURE, based on data reported by all but one beneficiary Member States. Updated reporting by Member States has shown some backloading of public expenditure. They spent less than originally expected in 2020 and planned to spend more in 2021 and 2022 than initially reported in August 2020.

Almost all Member States have already spent or plan to spend the total amount granted under SURE. Three Member States currently report lower planned public expenditure than the amount granted under SURE. These Member States have indicated that they have already taken or intend to take measures, if necessary, to use all of the financial assistance granted, including, in some cases, extending the duration of measures provided for in the respective Council implementing decisions. In these Member States particularly, the absorption of funds would need to be monitored.

A first assessment of the impact of SURE

The increase in unemployment rates in 2020 across beneficiary Member States was clearly milder than during the global financial crisis, despite the more severe drop in GDP in 2020. The responsiveness of unemployment to changes in output in 2020 was weaker than expected in beneficiary Member States, based on historical trends. The milder increase in unemployment rates in 2020 offers a first indication of the success of national and EU policy support measures including SURE.

The impact of SURE goes beyond preserving jobs. SURE has likely contributed to increasing general confidence in the EU's ability to respond effectively to an unprecedented crisis. Through SURE, the EU has supported and encouraged the use of short-time work policies in Member States. A majority of beneficiary Member States indicated that SURE played a role in their decision to adopt a new short-time work scheme or to modify an existing scheme.

As an early element of the EU policy response, SURE underpinned Member States' confidence to undertake larger borrowing and spending than they otherwise would have. A majority of beneficiary Member States indicated in a survey that SURE support had a role in temporarily increasing the coverage and generosity of short-time work schemes and the overall funding of policies to address the COVID-19 crisis.

Financial assistance through SURE has also generated savings on interest payments in a number of Member States. SURE loans generally offered Member States more favourable funding terms than their own sovereign issuance. As a result, Member States are estimated to have saved a total of around EUR 5.8 billion during the first four issuances of SURE, i.e. up to the disbursement on 2 February 2021. As SURE funding terms are expected to remain favourable, further disbursements will likely generate additional savings.

The continuation of the exceptional occurrences justifying SURE

The report also discusses the continuation of the exceptional occurrences that justify the application of the SURE instrument, namely the resurgence of infections since the autumn. This, together with the appearance of new, more contagious variants of the coronavirus, have forced many Member States to reintroduce or tighten containment measures. These restrictions have put the recovery on hold after the rebound in economic activity recorded in the third quarter of 2020. The robust recovery in industry contrasts with weak activity in services, with the latest restrictions once again heavily impacting labour-intensive sectors such as hospitality, entertainment and tourism. While activity is expected to pick up moderately in the second quarter and more vigorously in the third, uncertainty and risks surrounding the economic outlook remain elevated, according to the Commission Winter 2021 Forecast.

INTRODUCTION

The Support to mitigate Unemployment Risks in an Emergency (SURE) instrument was created by the European Union (EU) to help Member States protect workers' jobs and income during pandemic. This instrument follows from the political guidelines of the Commission, as a tool to protect our citizens during external shocks.[1] Specifically, it aims to respond to the direct economic, social and health-related effects of the COVID-19 outbreak by providing Member States that so request with Union financial assistance in the form of loans with favourable conditions. Financial assistance of up to EUR 100 billion is available under SURE to help finance Member States' short-time work schemes or similar measures aimed at protecting employees and self-employed, and as an ancillary, health-related measures, in particular in the workplace.

SURE complements national efforts and offers a second line of defence to protect employees and the self-employed, against the risk of unemployment and loss of income. By preserving the link between workers and their employers, SURE also protects the productive capacity of the economy and is therefore expected to contribute to a faster and stronger rebound of economic activity once the pandemic subsides.

The main achievements of SURE as of February 2021 are highlighted in this report and can be summarised as follows:

- 25 – 30 million people and 1½ to 2½ million firms are estimated to have been supported by SURE
- 18 Member States have been granted financial assistance under SURE and a 19th Member State is expected to be added soon
- Over EUR 90 billion has been allocated and over EUR 53 billion has been disbursed
- 5% of financial assistance has been allocated to health-related measures thus far
- 80% of the public expenditure expected by Member States has already taken place
- Member States are estimated to have saved EUR 5.8 billion in interest payments

This report is the first bi-annual report on SURE. It is adopted by the European Commission (the Commission) in accordance with Article 14 of Council Regulation (EU) 2020/672 (SURE Regulation)[2] to deliver on its obligation to report to the European Parliament, the Council, the Economic and Financial Committee (EFC) and the Employment Committee within 6 months of the SURE instrument becoming active on 22 September 2020. Under Article 14 of the Regulation, the Commission shall report on the use of financial assistance, including outstanding amounts and the applicable repayment schedule under SURE, and on the continuation of the exceptional occurrences that justify the application of the SURE Regulation (the COVID-19 pandemic). This is the first such report, which the Commission adopts. Subsequent reports will

[1] The Commission's 2019-2024 Political Guidelines proposed a European Unemployment Benefit Reinsurance Scheme to protect European citizens and reduce the pressure on public finances during external shocks.

[2] Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, OJ L 159, 20.5.2020, p. 1 (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0672&from=en).

follow every six months for as long as SURE remains available[3]. The cut-off date for including information in this report was 26 February 2021.

SURE is also the first instance where the EU issues social bonds to finance EU financial assistance to Member States, building on its commitment to sustainable finance. The EU adopted and published an EU SURE Social Bond Framework (the Framework) to facilitate this commitment[4]. It explains that SURE resources will be used to finance eligible social measures. Section 2.4 of this Framework requires the Commission to report on the allocation of SURE proceeds and their impact. This report will also fulfil that obligation.

This report outlines the operations and use of the SURE instrument to date and reviews its socio-economic impacts. It is structured into six sections. Section I recalls the key steps taken by the Commission, the Council and the Member States in setting up and implementing SURE. Section II describes which Member States benefit from financial assistance under SURE, including outstanding amounts granted and disbursed and the repayment schedules. Section III summarises the Member States' public expenditure on national measures supported by SURE.[5] This section is complemented by an overview of these schemes in Annex 1. A preliminary analysis of the impact of SURE is conducted in Section IV, including the impact of the COVID-19 pandemic on employment and the interest savings made by Member States due to the favourable funding conditions enjoyed by the EU. Section V discusses the ongoing impact of the COVID-19 pandemic that justifies the continuation of SURE. Section VI provides the relevant reporting committed to under Section 2.4 of the EU SURE Social Bond Framework, which is merged into this report.

I. THE SURE INSTRUMENT AND ITS OPERATIONALISATION

The Commission proposed SURE on 2 April 2020, as part of the EU's initial response to the COVID-19 pandemic to support Member States[6]. On the basis of this proposal, the Council adopted the SURE Regulation on 19 May 2020. The Commission then immediately began with the preparation of the necessary steps to ensure that the SURE instrument could become available in a timely manner and be implemented swiftly in close cooperation with all 27 Member States.

In order for SURE to become available, Member States agreed to contribute voluntarily to the instrument by counter-guaranteeing the risk borne by the EU. The Union set up a system of guarantees, signed voluntarily by Member States and as a measure pursuant to Article 122(1) TFEU. To this end, all 27 Member States agreed to provide an irrevocable, unconditional and on-

[3] Article 14(1) of the SURE Regulation.
[4] https://ec.europa.eu/info/strategy/eu-budget/eu-borrower/eu-borrowing-activities/eu-sure-social-bond-framework_en
[5] Sections II and III pertain to the use of financial assistance under SURE as per Article 14(1) of the SURE Regulation.
[6] Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, COM/2020/139 final. (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A0139%3AFIN)

demand guarantee for 25% of the total SURE envelope of EUR 100 billion, i.e. EUR 25 billion[7]. As such, SURE could not become available until all 27 Member States had concluded and signed guarantee agreements with the Commission on a bilateral basis. The share of each Member State in the overall amount of guarantees correspond to each Member State's share in the gross national income of the EU, in line with the 2020 revenue part of the EU Budget. The use of guarantees allowed the setting up of the SURE without requiring any up-front cash contributions or any paid-in capital by Member States.

The setup of a system of guarantees provided voluntarily by all EU Member States is a strong expression of solidarity among Member States through the EU. It had enabled the EU to grant financial assistance of a sufficient order of magnitude to Member States to protect jobs and incomes during the COVID-19 crisis. The national approval processes of the 27 Member States were completed over the summer of 2020. Consequently, SURE became available on 22 September 2020.

The SURE Regulation sets the conditions and the procedure for Member States to apply for financial assistance under the instrument. Member States can request financial support if their actual or planned public expenditure increased suddenly and severely as of 1 February 2020 due to the deployment of short-time work schemes and similar measures to mitigate the impact of the COVID-19 pandemic.[8] Based on a proposal from the Commission, the Council may grant financial assistance under SURE by way of a Council implementing decision (CID).[9] The period of availability during which financial assistance can be provided under the SURE instrument ends on 31 December 2022[10].

The Commission proceeded with the implementation of SURE immediately after the approval of the Regulation by the Council. It started engaging with all 27 Member States immediately after the SURE Regulation was adopted in May 2020. It inquired whether Member States would request financial assistance under SURE with a view to plan and prepare as speedily as possible the implementation of the instrument once it became available after the signature of the bilateral guarantees. After having received formal requests for support, the Commission presented proposals to grant financial assistance to 15 Member States on 24 August 2020, followed by another proposal on 25 August. After SURE became available on 22 September 2020, the Council adopted the CIDs to grant financial assistance for all 16 Member States (see Table 1). In the last quarter of 2020, two additional CIDs were adopted by the Council, bringing the total number of beneficiary Member States under the SURE instrument to 18 overall to date. In early February 2021, another Member State officially applied for support under SURE and on 26 February, the Commission proposed to provide support to it. This timeline of events is detailed in Table 1.

[7] See Articles 11 and 12 of the SURE Regulation.
[8] See Article 3(1) of the SURE Regulation.
[9] See Article 6 of the SURE Regulation.
[10] See Article 12(3) of the SURE Regulation.

Table 1: Timeline of SURE implementation

- **2 April 2020**
  The Commission proposed the creation of SURE
- **19 May 2020**
  The Council approved the proposal and adopted the SURE regulation
- **24 August 2020**
  The Commission proposed financial support of EUR 81.4 billion for 15 Member States: Belgium, Bulgaria, Cyprus, Czechia, Greece, Spain, Croatia, Italy, Lithuania, Latvia, Malta, Poland, Romania, Slovenia and Slovakia
- **25 August 2020**
  The Commission proposed financial support of EUR 5.9 billion for Portugal
- **22 September 2020**
  SURE became available
- **25 September 2020**
  The Council decided to grant financial support to 16 Member States
- **7 October 2020**
  The Commission proposed financial support of EUR 504 million to Hungary
- **23 October 2020**
  The Council decided to grant financial support of EUR 504 million to Hungary
- **16 November 2020**
  The Commission proposed financial support of EUR 2.5 billion to Ireland
- **4 December 2020**
  The Council decided to grant financial support of EUR 2.5 billion to Ireland
- **26 February 2021**
  The Commission proposed financial support of EUR 230 million to Estonia

Each Member State benefitting from financial assistance under SURE was required to sign a loan agreement with the Commission laying down the characteristics of the loan.[11] The Commission is empowered by the SURE Regulation to borrow on behalf of the Union on financial markets or with financial institutions, and also able to disburse financial assistance granted by the Council under SURE to beneficiary Member States. Most of the loan agreements (including Requests for Funds and Legal Opinions) were signed in the last quarter of 2020, which enabled the Commission to issue SURE bonds, starting with the inaugural issuance on 20 October 2020. Given the size of the borrowing on the financial markets, these bonds have been issued in tranches, on four occasions up to the end of January 2021. The funds raised have been disbursed to Member States in instalments, within a week of the issuance.[12] SURE bonds have been issued under a novel EU Social Bond Framework, as the support granted by the EU to Member States under the instrument pursues the social objective of preserving employment, sustaining families' incomes and supporting the economy as a whole. The favourable terms that

[11] See Article 8(2) of the SURE Regulation.
[12] See Article 7 of the SURE Regulation.

the Commission achieved with its borrowings for SURE were passed on directly to Member States via back-to-back lending[13] (see Section II).

II. THE USE OF FINANCIAL ASSISTANCE UNDER SURE: AMOUNTS GRANTED AND DISBURSED AND OTHER FINANCIAL ASPECTS

This section presents an overview of beneficiary Member States and amounts granted by the Council as well as the disbursement, outstanding amounts and applicable repayment schedule.

(i) Overview of beneficiary Member States and amounts granted by the Council

The demand from Member States for financial assistance under SURE has been strong since its introduction, with over 90% of the total envelope of EUR 100 billion allocated. Eighteen Member States have applied for, and been granted, financial assistance by the Council for a total amount of EUR 90.3 billion (see Table 2). A 19th Member State requested financial assistance under SURE in February 2021[14].

The three largest amounts for financial assistance under SURE have been granted to Italy (EUR 27.4 billion), Spain (EUR 21.3 billion) and Poland (EUR 11.2 billion). Collectively, these three Member States have reached SURE's concentration limit, which specifies that the loans granted to the three Member States representing the largest share of loans should not exceed 60% of the total envelope of EUR 100 billion, i.e. EUR 60 billion.[15]

[13] In back-to-back lending, the Commission borrows on behalf of the Union and on-lends to Member States at the same conditions.

[14] On 26 February 2021, the Commission issued a proposal for a Council Implementing Decision to granting temporary support under the SURE Regulation to Estonia for an amount of EUR 230 million (COM/2021/104 final).

[15] Article 9(1) of the SURE Regulation. The concentration limit means that these three Member States will be unable to request any additional support, nor would any other Member State be able to borrow a total greater than EUR 11.2 billion (the third largest share granted thus far), as they would then exceed the 60% limit.

Table 2: Overview of support granted under SURE

Member State	***Amount Granted (EUR)***	***Date Granted***	***CID reference***
Belgium	7 803 380 000	September 2020	CID (EU) 2020/1342
Bulgaria	511 000 000	September 2020	CID (EU) 2020/1343
Cyprus	479 070 000	September 2020	CID (EU) 2020/1344
Czechia	2 000 000 000	September 2020	CID (EU) 2020/1345
Greece	2 728 000 000	September 2020	CID (EU) 2020/1346
Spain	21 324 820 449	September 2020	CID (EU) 2020/1347
Croatia	1 020 600 000	September 2020	CID (EU) 2020/1348
Italy	27 438 486 464	September 2020	CID (EU) 2020/1349
Lithuania	602 310 000	September 2020	CID (EU) 2020/1350
Latvia	192 700 000	September 2020	CID (EU) 2020/1351
Malta	243 632 000	September 2020	CID (EU) 2020/1352
Poland	11 236 693 087	September 2020	CID (EU) 2020/1353
Portugal	5 934 462 488	September 2020	CID (EU) 2020/1354
Romania	4 099 244 587	September 2020	CID (EU) 2020/1355
Slovenia	1 113 670 000	September 2020	CID (EU) 2020/1356
Slovakia	630 883 600	September 2020	CID (EU) 2020/1357
Hungary	504 330 000	October 2020	CID (EU) 2020/1561
Ireland	2 473 887 900	December 2020	CID (EU) 2020/2005
Total	**90 337 170 575**		

(ii) The disbursement, outstanding amounts and applicable repayment schedule

The Commission is in charge of borrowing operations. In accordance with the SURE Regulation, the Commission is empowered to borrow resources on the capital markets or with financial institutions on behalf of the Union to finance the loans provided under SURE (back-to-back lending)[16].

The Commission began borrowing resources on behalf of the EU on capital markets by issuing social bonds shortly after the loan agreements were signed in October 2020. Bond issuance proceeded based on a series of financial transactions. A total of four transactions have been carried out so far, as explained below. The issuances have been very successful, with strong investor interest resulting in favourable pricing terms across all tranches (see Table 3). At end-February 2021, a total of 15 Member States had received EUR 53.5 billion across 4 disbursements, representing 59% of the EUR 90.3 billion funds requested. The SURE social bonds have been issued with maturities ranging from 5 to 30 years, resulting in disbursements to Member States with an average maturity of 14.5 years.[17] Table 5 provides an overview of the amounts disbursed to Member States thus far, by borrowing transaction and maturity. It also outlines the outstanding amounts still to be disbursed to each Member State.

[16] Article 4 of the SURE Regulation.

[17] Article 2(1) of each of the Council Implementing Decisions specifies that the Union's loan to the Member State shall have a maximum average maturity of 15 years.

Table 3: Key Statistics of the EU's SURE Borrowing Transactions (EUR)

Transaction	SURE #1		SURE #2		SURE #3	SURE #4	
Date	20 Oct 2020		10 Nov 2020		24 Nov 2020	26 Jan 2021	
Tranche	10 year	20 year	5 year	30 year	15 year	7 year	30 year (tap)
Size of bond	10 bn	7 bn	8 bn	6 bn	8.5 bn	10 bn	4 bn
Yield	-0.238%	0.131%	-0.509%	0.317%	-0.102%	-0.497%	0.134%
Spread	MS+3 bps	MS +14 bps	MS-9 bps	MS+21 bps	MS-5bps	MS-16 bps	MS+5 bps
New Issue Concession	+1 bps	+2 bps	+1.5 bps	+2.5 bps	+1 bps	+1 bps	+1 bps
Total investor demand	145 bn	88 bn	105 bn	70 bn	114 bn	83 bn	49 bn
Bid-to-cover ratio	15	13	13	12	13	8	12

Note: These statistics refer to the Commission's borrowings on behalf of the Union. MS refers to midswap rates. New issue concession refers to the premium paid to investors purchasing a new-issue bond over the spread at which corresponding bonds would be expected to trade in the secondary market.

The first SURE transaction of EUR 17 billion was executed successfully on 20 October 2020, in two tranches. The issuance consisted of two bonds, with EUR 10 billion due for repayment in October 2030 and EUR 7 billion due for repayment in 2040. There was very strong investor interest in this highly-rated instrument, with the bonds more than 13 times oversubscribed. On 27 October 2020, the funds were disbursed to Italy, Poland and Spain.

The second SURE transaction was executed on 10 November 2020 for a total amount of EUR 14 billion. This issuance was also split over two distinct tenors: EUR 8 billion due in November 2025 and EUR 6 billion due in November 2050. The funds were disbursed to Croatia, Cyprus, Greece, Italy, Latvia, Lithuania, Malta, Slovenia and Spain.

The third transaction, with a single tranche, was executed successfully on 24 November 2020 for a EUR 8.5 billion bond due in July 2035. The 15-year social bond amassed the largest-ever order book for any single tranche benchmark issuance and printed the largest 15-year deal size in the Sovereigns, Supranationals and Agencies (SSA) space to date. The funds were disbursed to Belgium, Hungary, Portugal, Romania and Slovakia on 1 December 2020.

The fourth transaction and the first of 2021 was performed, with a dual tranche, on 26 January 2021. The EUR 14 billion social bond was split between EUR 10 billion due in June 2028 and a EUR 4 billion tap to the existing bond due in November 2050. The bonds were over 8 and 12 times oversubscribed, respectively, with the 7-year bond priced at a negative yield of -0.497% and the 30-year bond priced at 0.134%, a positive result for this maturity. On 2 February 2021, the funds were disbursed to Belgium, Cyprus, Hungary, Latvia, Poland, Slovenia, Spain, Greece and Italy.

Reporting on the repayment schedule is presented in Table 4. The repayments of the loan principal are due between 2025 and 2050. Interest payments are due annually.

Table 4: Repayment Schedule of EU's SURE Outstanding Loans

Calendar year	Principal	Interest	SURE Total
2021		32,960,000	32 960 000
2022		37 000 000	37 000 000
2023		37 000 000	37 000 000
2024		37 000 000	37 000 000
2025	8 000 000 000	37 000 000	8 037 000 000
2026		37 000 000	37 000 000
2027		37 000 000	37 000 000
2028	10 000 000 000	37 000 000	10 037 000 000
2029		37 000 000	37 000 000
2030	10 000 000 000	37 000 000	10 037 000 000
2031		37 000 000	37 000 000
2032		37 000 000	37 000 000
2033		37 000 000	37 000 000
2034		37 000 000	37 000 000
2035	8 500 000 000	37 000 000	8 537 000 000
2036		37 000 000	37 000 000
2037		37 000 000	37 000 000
2038		37 000 000	37 000 000
2039		37 000 000	37 000 000
2040	7 000 000 000	37 000 000	7 037 000 000
2041		30 000 000	30 000 000
2042		30 000 000	30 000 000
2043		30 000 000	30 000 000
2044		30 000 000	30 000 000
2045		30 000 000	30 000 000
2046		30 000 000	30 000 000
2047		30 000 000	30 000 000
2048		30 000 000	30 000 000
2049		30 000 000	30 000 000
2050	10 000 000 000	30 000 000	10 030 000 000
Total	**53 500 000 000**	**1 035 960 000**	**54 535 960 000**

Table 5: Disbursements to Member States under SURE (in EUR billion)

Country	Initial loan amount	1st EU SURE issuance Transaction: 20.10.2020 Disbursement: 27.10.2020			2nd EU SURE issuance Transaction: 10.11.2020 Disbursement: 17.11.2020			3rd EU SURE issuance Transaction: 24.11.2020 Disbursement: 01.12.2020	4th EU SURE issuance Transaction: 26.01.2021 Disbursement: 02.02.2021			Total SURE	% of total requested	Avg. maturity (years)	Outstanding amount to be disbursed
		10y	**20y**	**Total**	**5y**	**30y**	**Total**	**15y**	**7y**	**30y**	**Total**				
Belgium	7.80							**2.0**	1.3	0.7	**2.0**	**4.0**	**51%**	**14.9**	3.8
Bulgaria	0.51														0.5
Cyprus	0.48				0.2	0.1	**0.3**		0.2	0.1	**0.2**	**0.5**	**100%**	**14.7**	0.0
Czechia	2.00														2.0
Greece	2.73				1.0	1.0	**2.0**		0.7		**0.7**	**2.7**	**100%**	**14.8**	0.0
Spain	21.32	3.5	2.5	**6.0**	2.9	1.2	**4.0**			1.0	**1.0**	**11.0**	**52%**	**14.9**	10.3
Croatia	1.02				0.3	0.2	**0.5**				**0.0**	**0.5**	**50%**	**13.3**	0.5
Hungary	0.50							**0.2**	0.2	0.1	**0.3**	**0.5**	**100%**	**14.7**	0.0
Ireland	2.47														2.5
Italy	27.44	5.5	4.5	**10.0**	3.1	3.4	**6.5**		4.5		**4.5**	**21.0**	**76%**	**14.0**	6.5
Lithuania	0.60				0.2	0.1	**0.3**				**0.0**	**0.3**	**50%**	**13.3**	0.3
Latvia	0.19				0.1	0.0	**0.1**		0.0	0.0	**0.1**	**0.2**	**100%**	**14.8**	0.0
Malta	0.24				0.1	0.0	**0.1**				**0.0**	**0.1**	**49%**	**13.3**	0.1
Poland	11.24	1.0		**1.0**					2.6	1.7	**4.3**	**5.3**	**47%**	**14.9**	6.0
Portugal	5.93							**3.0**			**0.0**	**3.0**	**51%**	**14.6**	2.9
Romania	4.10							**3.0**			**0.0**	**3.0**	**73%**	**14.6**	1.1
Slovenia	1.11				0.2		**0.2**		0.5	0.4	**0.9**	**1.1**	**100%**	**14.8**	0.0
Slovakia	0.63							**0.3**			**0.0**	**0.3**	**48%**	**14.6**	0.3
Total	**90.3**	**10.0**	**7.0**	**17.0**	**8.0**	**6.0**	**14.0**	**8.5**	**10.0**	**4.0**	**14.0**	**53.5**	**59%**	**14.5**	**36.8**

III. THE USE OF THE SURE INSTRUMENT: PUBLIC EXPENDITURE AND NATIONAL MEASURES COVERED BY SURE

This section summarises the public expenditure and national measures by Member States covered by SURE.

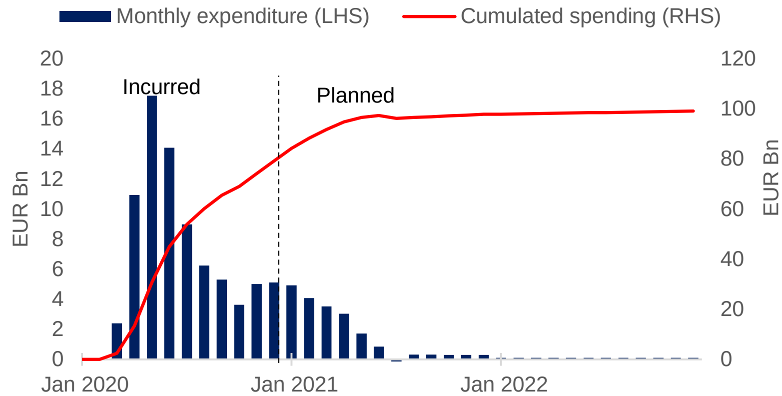
3.1 Actual and planned public expenditure supported by SURE

This section describes the planned and actual use of the financial assistance granted under SURE, based on data reported by 17 Member States to the Commission.[18] Beneficiary Member States should use financial assistance under SURE primarily in support of their short-time work schemes or similar measures, notably for the self-employed, and, where applicable, in support of relevant health-related measures, in particular those at the work place[19]. Firstly, the allocation of public expenditure will be presented, followed by the estimated employee and firm coverage of SURE. The presentation will be based on two iterations of reporting by Member States: in August 2020 at the time of their request for financial assistance under SURE ("initial reporting"), and again in late January and early February 2021 ("updated reporting"). The information is presented as reported by Member States.[20]

Firstly, at the end of 2020, 80% of total planned public expenditure on eligible measures had already taken place.[21] Financial assistance under SURE was provided to help Member States cope with sudden and severe increases in actual public expenditure experienced since 1 February 2020 due to the deployment of short-time work schemes and similar measures to address the socio-economic effects of the COVID-19 pandemic. It also allowed for financial assistance to be used for planned increases in public expenditures on such measures. In June 2020, incurred public expenditure supported by SURE comprised 46% of total public expenditure, with this figure rising to 80% in December 2020. Graph 1 shows the evolution of this ratio since the introduction of SURE.

[18] Czechia did not provide an updated reporting pursuant to Article 11 of the SURE Regulation by the cut-off date, as such, all data relating to Czechia is based on their initial reporting in August 2020.
[19] See Article 3(2) and 1(2) of the SURE Regulation.
[20] New measures submitted by Member States at the time of the updated reporting are not yet taken into account as they have not been yet assessed in terms of eligibility.
[21] Eligible measures are those described in Article 3(2) of the Regulation: national short-time work schemes or similar measures, and as an ancillary, health-related measures.

Graph 1: Monthly evolution of public expenditure under SURE (incurred and planned)



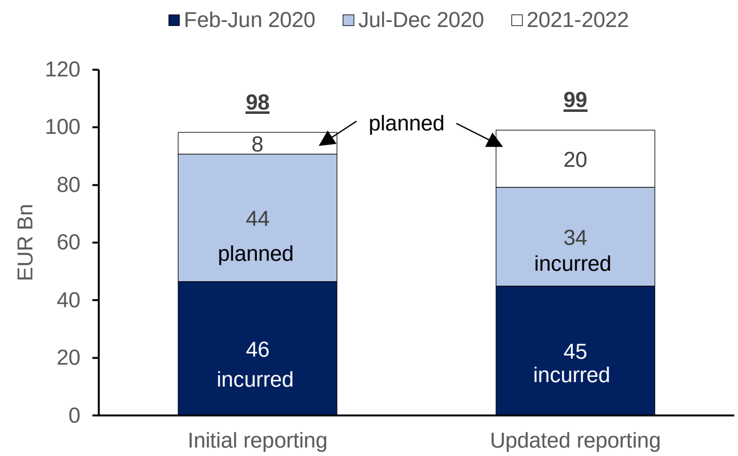
Note: The slightly negative expenditure in July 2021 is due to large expected payments from European Structural Investment Funds in support of short-time work schemes in that month.

Comparing the initial and updated reporting by Member States shows that they spent less than originally expected in 2020. The estimate of actual public expenditure between February and June 2020 decreased by EUR 1.3 billion in the most recent reporting (see Graph 2). At the time that Member States applied for SURE, they expected to spend EUR 90.0 billion on SURE-eligible measures throughout 2020. Ultimately, they spent EUR 79.3 billion, EUR 9.6 billion less than expected.

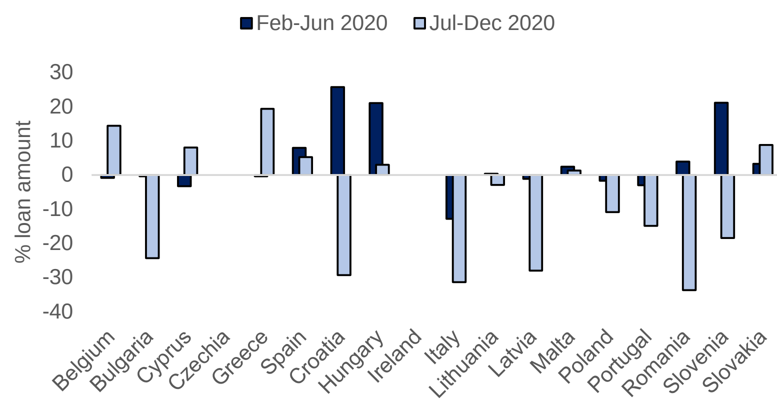
The updated reporting by Member States has shown some backloading of public expenditure. Half of the Member States incurred higher public expenditure in the first half of 2020 than estimated in August 2020, while half of Member States incurred lower (see Graph 3). In the two Member States with the highest increase in expenditure in the first half of 2020, expenditure then decreased in the second half of the year. Nine Member States reported lower public expenditure in the second half of 2020 than initially expected. In most cases, this is associated with higher planned expenditure in 2021. However, two Member States also plan less expenditure in 2021.

In the updated reporting, Member States planned to spend more in 2021 and 2022 than initially reported in August 2020. The planned public expenditure on eligible measures in 2021 has increased from EUR 7.4 billion in the initial reporting in August 2020 to EUR 19.8 billion in the January 2020 reporting (see Graph 2). Only two Member States have submitted planned public expenditure in 2022 (EUR 1.3 billion) in the updated reporting. Total public expenditure on eligible measures across beneficiary Member States of EUR 99.1 billion is now expected, which is above the total amount granted under SURE thus far. This is in line with the complementary nature of the SURE instrument, in that it complements the national financing of employment supports. Some Member States plan to spend more on these measures than the SURE financial assistance they have requested, including those who reached SURE's concentration limit.

Graph 2: Aggregate reported public expenditure



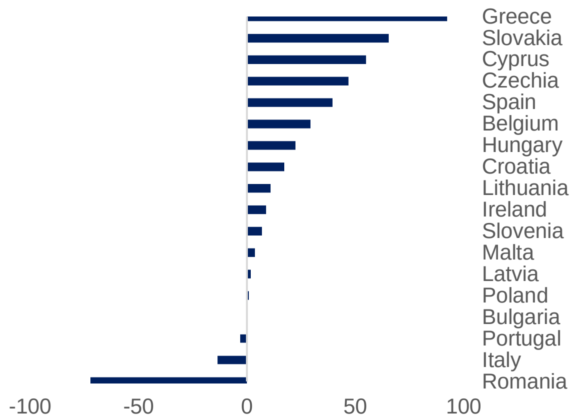
Graph 3: Difference in incurred public expenditure between initial and updated reporting (% of loan amount)



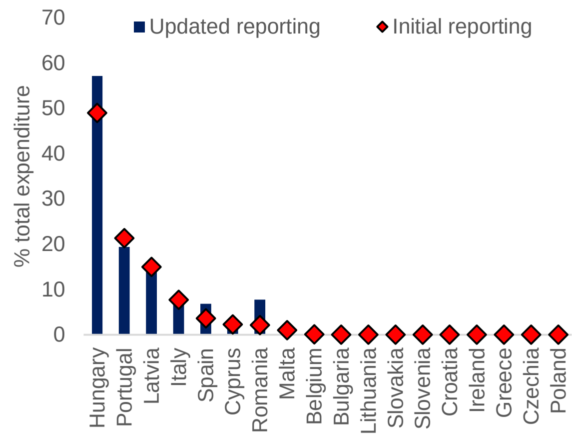
Note: Ireland applied for financial assistance under SURE on 27 October 2020 and the reporting did not change between the initial and updated tables. Czechia did not provide an updated reporting table before the cut-off date.

Almost all Member States have already spent or plan to spend the total amount granted under SURE. Actually, 15 Member States have spent or plan to spend beyond the current financial assistance received under SURE on eligible measures (see Graph 4). This means that, in aggregate, Member States will spend more on short-time work schemes and similar measures than the amount for which they have applied for under SURE financial assistance. However, three Member States have reported lower planned expenditure on the measures provided in the respective CIDs than the amount granted under SURE. This is based on the updated reporting by Member States, who also indicated that they have already taken or intend to take steps, if necessary, to use all of the financial assistance granted under SURE, including in some cases extending the duration of measures provided for in the respective CIDs. The Commission will assess any changes to planned expenditure, as put forward by Member States, to ensure they remain aligned with the purpose of SURE and propose amendments to the CIDs where appropriate.

Graph 4: Excess of planned and incurred public expenditure over loan amount (% of loan amount)



Graph 5: Share of health-related public expenditure



Note: Public expenditure refers to those reported, without adjusting for the concentration limit, on the measures as provided for in the CIDs, i.e. any new measures reported by Member States that are not in the CIDs are excluded. Data are reported as per the reporting tables submitted by Member States. However, Member States with shortfalls, as seen in Graph 4, intend to use the full amount granted under SURE. In particular, the Italian authorities noted that they plan to spend the full amount granted. In reference to Graph 5, Hungary's initial request for financial assistance was capped at 49% expenditure on health-related measures since these are ancillary and therefore could not reach half or more of the total amount granted under SURE. In the updated reporting, and as with the majority of beneficiary Member States, total public expenditure on measures eligible under SURE will exceed the maximum amount granted under SURE (and would need to be financed nationally, or with other instruments). In the specific case of Hungary, this excess is more than proportionally due to health-related measures, explaining the increase in the health-related ratio beyond 50%.

Most financial assistance under SURE has been used by Member States in support of labour market measures, with a limited number of Member States also using it for health-related measures. In aggregate, 5% of financial assistance under SURE has been allocated to health-related measures thus far, with 10 Member States only using the financial assistance for short time work schemes and similar measures (see Graph 5). The SURE Regulation allows for the financing of health-related measures as an ancillary. In the Council's decisions on financial assistance thus far, no Member State has been allowed a share of health-related measures of more than 49%.[22]

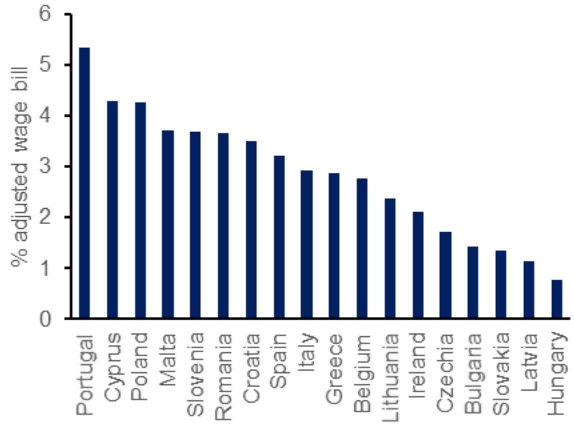
The financial assistance under SURE is equal to 2.8% of the wages of employees and the self-employed across beneficiary Member States in 2020.[23] This share ranges from 0.8% to

[22] The Commission consistently gave Member States, bilaterally and in the Council, guidance that these measures should not exceed 15% of the amount granted.

[23] Wages here are measured as compensation of employees and gross operating surplus + mixed income of households and non-profit institutions serving households (wages of self-employed).

5.3% across Member States (see Graph 6). The financial assistance is also equivalent to 1.5% of the GDP of beneficiary Member States.

Graph 6: Loan amount % of employee and self-employed wage bill by Member State



Note: Wages here are measured as compensation of employees and gross operating surplus + mixed income of households and non-profit institutions serving households (wages of self-employed). 2020 estimates are taken from the European Commission's Autumn 2020 Forecast.

3.2 SURE coverage in terms of people employed and firms

In 2020, SURE is estimated to have supported between 25 and 30 million people, which accounts for one quarter of total employment across beneficiary Member States.[24] This also accounts for approximately two thirds of employees under short-time work schemes in the EU.[25] The central estimate of 26½ million is comprised of approximately 21½ million employees and 5 million self-employed workers.[26] A breakdown by Member State is shown in Graph 7, with coverage ranging from 7% to almost 70% of total employment. The number of people covered

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[24] Whilst the reporting of public expenditure by Member States was satisfactory, the reporting requested by the Commission on firms and people covered by measures supported by SURE was incomplete and heterogeneous across Member States. This required the use of reasonable assumptions and drawing upon other available data sources (see footnotes 26 and 28). Therefore, the report presents ballpark estimates on people and firm coverage due to incomplete reporting by Member States. The responsibility for reporting data lies with Member States. It should be noted that the information regarding firms and employees, which the Commission requests from Member States, is based on the Commission's endeavour under Section 2.4 of the EU SURE Social Bond Framework to obtain relevant data and indicators from the beneficiary Member states, such as number of jobs and number of companies covered/supported. The impact reporting will depend on the quality and granularity of the information provided to the Commission.

[25] This proportion is a rough estimate as the available data on employees in short-time work schemes only relates to the number of people who applied for short-time work schemes, is based on the peak numbers in April / May 2020 and does not include the self-employed. To better align this data with SURE coverage data, we have excluded the self-employed from SURE coverage and assumed 'similar measures' cover short-time work schemes.

[26] No updated information on coverage has been reported by Czechia. The aggregate figure assumes a similar employment coverage there as in the other Member States, i.e. close to one quarter of total employment. However, if Czechia's reporting table from August 2020 were confirmed as correct, the aggregate estimate of people supported by SURE would rise to 27.5 million. The breakdown by Member State in Graph 7 reports the information as reported by Member States. The employment coverage of SURE measures is significantly higher than coverage of the wage bill. This is due, inter alia, to the fact that some people may have only benefitted from supports for some months, rather than the full year for which wages were paid.

by health-related measures is difficult to estimate with a sufficient degree of accuracy, as the measures are heterogeneous across Member States. Therefore, these estimates could also be considered conservative, given that SURE support extends beyond labour market measures and therefore benefits a wider public.

Graph 7: Number of workers covered by SURE (% of 2020 total employment)

Note: The coverage figures are those reported by Member States. Czechia's figures are based on initial reporting in August 2020, therefore, the aggregate coverage figure instead assumes a similar employment coverage as in the other Member States. Total employment figures are taken from AMECO, using the national accounts definition of total employment, including both wage and salary earners and the self-employed.

The Commission's estimations, based on the reporting by Member States, indicate that 1½ million to 2½ million firms have been supported by SURE in 2020 across the Member States. Only 14 Member States reported updated data on firm coverage.[27] For reporting Member States, almost 800,000 firms have been supported by SURE. This represents 12% of total firms in those Member States. With some larger beneficiary Member States not reporting the requested data, this figure is incomplete and significantly underrepresents the actual total number of firms covered. The numbers of firms covered is estimated to increase significantly to between 1½ million to 2½ million firms when the remaining four Member States are taken into account, based on reasonable assumptions.[28] Member States who have not reported the requested data to the Commission are invited to do so for the second report on SURE.

[27] The 14 Member States that reported firm coverage were Belgium, Bulgaria, Cyprus, Croatia, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Czechia only provided figures in the initial reporting.

[28] The low-end estimate of 1½ million assumes a similar coverage of firms in those four Member States. The high-end estimate (2½ million) accounts for the fact that employee coverage is higher on average in those four Member States, which could translate into higher coverage of firms.

3.3 A concise review of the short time work schemes or similar measures supported by SURE

Out of the 18 Member States that benefit from SURE support, 15 Member States did so in order to help finance short-time work schemes. These are public programmes allowing businesses experiencing economic difficulties to temporarily reduce the hours worked by their employees, who are provided with public income support for the hours not worked. Of the three Member States that did not use financial assistance under SURE for the financing of short-time work schemes, Ireland and Malta have similar schemes that provide support to companies affected by the COVID-19 crisis in the form of wage subsidies (see further below). Meanwhile, Hungary has a short-time work scheme in place, but its public expenditure has been entirely financed through the European Social Fund (and was therefore not eligible under SURE).

In the majority of cases, the supported short-time work schemes are new schemes set up in response to the COVID-19 pandemic (see Table 6). All of these new schemes have been established on a temporary basis, and are contingent on the economic distress experienced. The five Member States supported by SURE that already had short-time work schemes in place before the COVID-19 outbreak (Belgium, Spain, Italy, Portugal and Slovakia) have adapted them in response to the pandemic. The changes introduced mainly concerned the temporary simplification of administrative procedures, a broadening of coverage, a relaxation of eligibility conditions, higher generosity (for employees and/or for employers), and increased duration of support.

All national short-time work schemes provide support for employees whose contract is fully suspended following the complete interruption of business activities. In addition, most (but not all) schemes provide support also in case of a partial reduction of working hours, when business activities are reduced. While in most cases companies are free to choose the extent of working time reduction, in some countries restrictions apply. For instance, in Greece and Slovenia besides the full suspension of work (in case of a complete stoppage of activities), only a reduction from full-time to part-time work is allowed. The amount of public support is generally calculated as a percentage of the employee's salary, and it ranges from 50% to 100%. Annex 1 provides further detail on the short-time work schemes.

All 18 Member States except Bulgaria and Croatia have applied for support to finance 'measures similar to short-time work schemes'. This was, in most cases, in addition to short-time work schemes. These are measures that are aimed at protecting employees and the self-employed, reducing the incidence of unemployment and loss of income in the context of the COVID-19 crisis, but which do not strictly fall under the definition of short-time work scheme provided above. The number and type of measures that fall under this category vary considerably. They can be broadly grouped as follows:

- *Wage subsidy schemes*, such as those found in Ireland and Malta mentioned above, subsidising the labour costs of companies affected by the COVID-19 crisis. These schemes achieve the same purpose of short-time work schemes (i.e. preserving employment, helping companies to avoid laying off their employees). However, the support granted is not directly linked to the actual reduction in the number of hours worked by each employee, but only to the reduction in turnover.

- *Measures supporting self-employed workers,* found in almost all Member States that have applied for SURE support. These encompass one-off income support benefits, granted either as a flat-rate amount, or as a function of previous earnings/realised losses; and other support measures reducing the operating costs of businesses, to the extent that these benefit the self-employed and one-person companies. A key requirement is that the beneficiaries of support continue to exercise their self-employed profession or entrepreneurial activity (i.e. they do not go out of business).
- *Special parental leave benefits* (Belgium, Czechia, Italy, Portugal, Cyprus and Malta), providing income support to employees and/or self-employed workers with children during periods of exceptional school closure.
- *Support for seasonal workers* (Cyprus, Greece, Italy, Spain) with an employment contract put on hold due to the pandemic, mainly in tourism and/or agriculture. These are 'regular' seasonal workers who were supposed to resume work for the 2020 spring/summer season, but could not do so due to the COVID-19 pandemic.
- *Support for training linked to short-time work* support (Belgium, Portugal). This type of support promotes the provision of vocational training to workers who are on short-time work.

Nine Member States requested financial assistance under SURE for the financing of health-related expenditure directly related to the COVID-19 emergency. This category includes:

- Special COVID-19 sick leave and/or quarantine leave (Cyprus, Latvia, Malta, Portugal, Spain).
- Costs related to increased health and safety requirements for the public sector (Latvia, Hungary, Portugal).
- Measures aimed at lowering the costs of increased sanitary health and safety requirements at the workplace, for the private sector (Italy).
- Increased expenditure for the public healthcare system, including personnel costs (e.g. overtime and extra pay for medical staff, hiring of additional temporary personnel (Hungary, Romania, Portugal), renovation works for hospitals (Hungary) and/or purchase of additional equipment, protective material, supplies and consumables (Belgium, Hungary, Latvia, Portugal).

Table 6 – Characteristics of national short-time work schemes supported by SURE

Member State	New Scheme	Permanent/Temporary scheme	Amount of support (% of salary)	Costs for the employer	Reduction of working time
BE	No	Permanent (with temporary modifications)	70%	-	0-100%
BG	Yes	Temporary	60%	40% of labour costs	50% or 100%
CZ	Yes	Temporary	60-80%	20-40% of the indemnity	0-100%
IE	-	-	-	-	-
EL	Yes	Temporary	60%	-	50% or 100%
ES	No	Permanent (with temporary modifications)	70%	0-30% of social contributions	0-100%
HR	Yes	Temporary	50%	-	0-100%
IT	No	Permanent (with temporary modifications)	80%	-	0-100%
CY	Yes	Temporary	60%	-	0-100%
LV	Yes	Temporary	50-75%	-	0-100%
LT	Yes	Temporary	30-100%		0-100%
HU	-	-	-	-	-
MT	-	-	-	-	-
PL	Yes	Temporary	50%	-	20-100%
PT	No	Permanent (with temporary modifications)	66-100%	0-30% of the indemnity	0-100%
RO	Yes	Temporary	75%	-	0-100%
SI	Yes	Temporary	80%	0-20% of the indemnity	50-100%
SK	No	Temporary (but regularly renewed)	80%	-	0-100%

IV. PRELIMINARY ANALYSIS OF THE IMPACT OF SURE

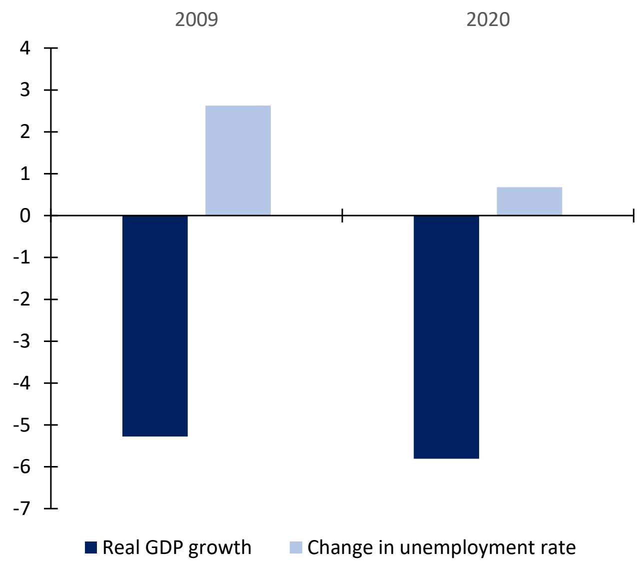
This section provides a preliminary analysis of the impact of SURE on employment, public finances, and other effects.

4.1 Estimating the impact of SURE on employment

Changes in the unemployment rates in beneficiary Member States are examined to provide a first indicative assessment of the impact of pandemic-related policy support measures, including SURE. The purpose of SURE is to help Member States preserve employment of workers and the self-employed across the EU during the COVID-19 pandemic, thus protecting citizens and facilitating a swift recovery when the pandemic abates. While it is difficult to design a counterfactual scenario of labour market performance in the absence of SURE, the analysis presented here examines the relationship between output and unemployment since the pandemic unfolded. The results should be interpreted with caution, since the output-employment relationship is impacted by a wide range of factors, including SURE.

The increase in unemployment rates in 2020 across beneficiary Member States was clearly milder than during the global financial crisis, despite the more severe drop in GDP in 2020 (see Graph 8). According to the Commission's Winter 2021 Forecast, real GDP growth is forecast to drop by 5.8% in the countries that benefitted from SURE funding in 2020. This drop is larger than the one observed during the peak of the global financial crisis in 2009. At the same time, the unemployment rate is projected to increase by only 0.7 percentage points in 2020, compared with an increase of 2.6 percentage points in 2009.

Graph 8: Changes in real GDP and unemployment in beneficiary Member States in 2009 vs. 2020



Note: The graph shows simple averages of SURE beneficiary Member States. The 2020 unemployment rate is the average of the monthly unemployment rates for 2020.

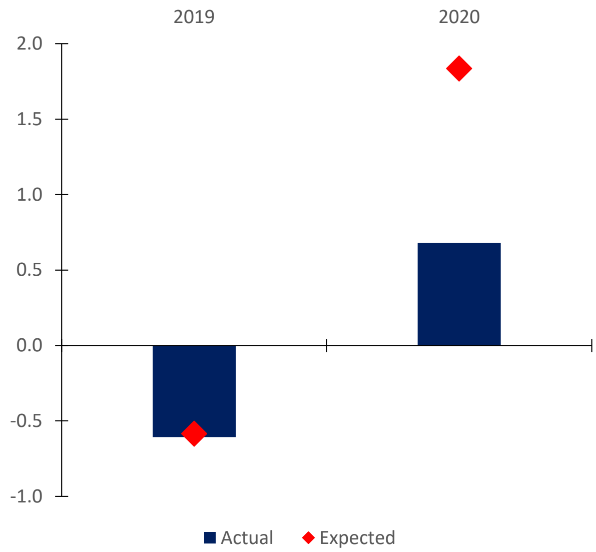
Source: *Eurostat; 2020 GDP from Commission Winter Forecast 2021*.

The responsiveness of unemployment to changes in output in 2020 was weaker than expected in beneficiary Member States (see Graphs 9, 10).[29] The swift and sizeable policy measures taken in 2020 to address the crisis mitigated the impact of the fall in output on unemployment. Therefore, the increase in unemployment rates was, in most countries, lower than expected.[30]

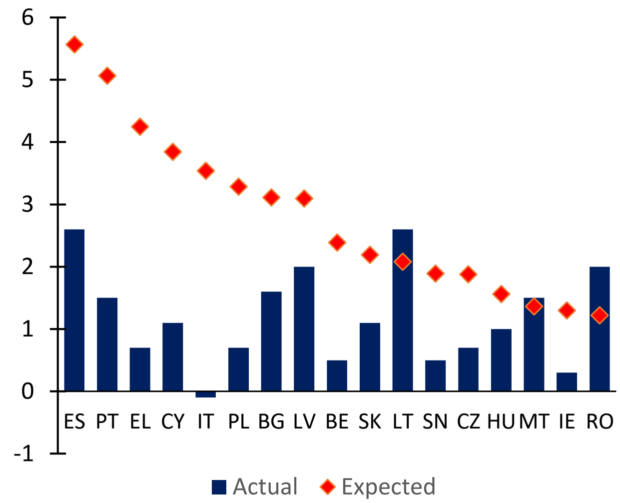
[29] The responsiveness of changes in economic growth on unemployment is often referred in the economic literature as "Okun's Law". More of an empirical "rule of thumb" than a relationship grounded in theory, Okun's Law suggests that a decline in output growth of between 2% and 3% is associated with a one percentage point increase in the unemployment rate (see Okun, A.M., "Potential GNP: Its measurement and significance", Proceedings of the Business and Economic Statistics Section, American Statistical Association, 1962).

[30] In Italy, the unemployment rate even declined in 2020.

Graph 9: Actual vs. expected changes in unemployment rates in beneficiary Member States in 2019 vs. 2020



Graph 10: Actual vs. expected changes in unemployment rates by beneficiary Member State in 2020

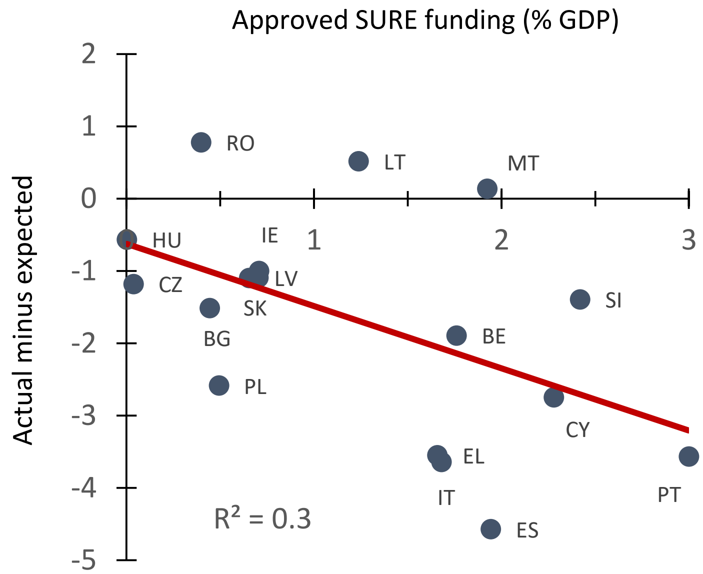


Note: y-axis: The expected change in unemployment rates corresponds to the prediction stemming from a panel regression model for beneficiary Member States (Graph 9) and a country-specific regression model (Graph 10) for the period 1999 to 2019. The analysis is based on an Okun's law approach, where the dependent variable stands for the change in unemployment rate and the independent variable refers to the real GDP growth rate. The specification controls for (non-time varying) country-specific features of the labour market via country-fixed effects and for sample-common factors via time fixed effects. The results appear robust to the use of additional independent variables, such as employment protection legislation and the change in the labour force participation rate. The specification controls for the endogeneity of output by using a first-difference GMM estimator. Croatia is not included for data availability reasons. Compared with recent Okun's law studies,[31] the merit of this analysis is to focus on SURE beneficiaries only and try to relate the difference between actual and expected unemployment to the amount of SURE support.
Source: *Commission Autumn Forecast 2020, 2020 aggregate unemployment from Eurostat (see note to Graph 8)*.

A key reason for the milder increase in unemployment rates in 2020 were the policy support measures including SURE (Graph 11). Based on preliminary evidence, the lower than expected increase in unemployment can be partially attributed to the widespread use of short-time work schemes, including in those Member States benefitting from the SURE instrument. This helped maintain employment and limited the rise of unemployment. Other factors are related to the fact that people have been unable to, or were discouraged from, actively seeking work due to the shutdown of large parts of the economy.

[31] For example, Chapter 3 of European Commission (2020): Labour Market and Wage Developments in 2020.

Graph 11: Relationship between the change in unemployment rate in 2020 and approved SURE funding



Note: y-axis: The expected change in unemployment rates stems from the country-specific regression model shown in Graph 10 and explained in the note to Graphs 9 and 10.
Source: *Commission Autumn Forecast 2020.*

4.2 Drivers of SURE impacts: a discussion and survey-based results

The impact of SURE goes beyond preserving jobs. Three additional effects can be identified: improving confidence across the EU, the EU's support for and encouragement of the use of short-time work schemes, and the enabling of Member States to spend more than otherwise on employment support. However, it is difficult to estimate these effects empirically.

Firstly, SURE has improved general confidence in the EU's ability to respond effectively to an unprecedented crisis. The capacity of Member States to agree on SURE – a new, innovative type of financial assistance under Article 122 TFEU with a strong social dimension and economic rationale – and the voluntary provision of guarantees to the EU to help ensure its financial solidity sent a strong signal on the EU's ability to respond effectively and swiftly to a new type of crisis. It also contributed to the positive dynamic for the subsequent announcement of the Next Generation EU instrument. In particular, in May 2020, the Commission tabled a proposal for a Recovery and Resilience Facility, which was eventually adopted by the Council and European Parliament in early February 2021. This collective capacity to rapidly respond to the crisis ensuing from the COVID-19 outbreak and the creation of new emergency instruments including SURE likely contributed to supporting the confidence of economic agents in the EU and reducing the interest rate spread for Member States' sovereign borrowing and improving the EU's growth outlook.[32] In this context, SURE could be seen as an instrument to mobilise fiscal

[32] The ECB's expanded asset purchases under the Pandemic Emergency Purchase Programme clearly also played a role in reducing uncertainty in markets. Furthermore, according to the 7 January 2021 ECB Economic Bulletin, the

policy support and, in this way, ensure that a supportive fiscal stance and accommodative monetary policy work together in tackling the fallout of the crisis.

Secondly, through SURE, the EU has supported and encouraged the use of short-time work policies by Member States. By providing financial assistance to Member States to help them finance short-time work schemes for businesses affected by the pandemic, as well as similar measures notably for the self-employed, SURE encouraged Member States to pursue these types of policies, also in line with the 2020 Employment Guidelines. This instrument, along with the support provided through the European structural and investment funds, notably the European Social Fund, and through the Coronavirus Response Investment Initiatives (CRII and CRII+), enabled Member States to be more ambitious in the policies they introduced.

A majority of beneficiary Member States indicated that SURE played a role in their decision to adopt a new short-time work scheme or to modify an existing scheme.[33] Nine Member States set up a new short-time work scheme in response to the COVID-19 crisis[34] and four Member States modified an existing short-time work scheme[35]. The majority of these schemes had been introduced or modified in March 2020, shortly before the Commission proposed the SURE instrument. Since then, new schemes were introduced in Hungary, Greece, Romania and Slovenia; pre-existing schemes have been further modified by Italy and Spain (see Table A.1 in Annex 1)[36].

SURE also enabled some Member States to be more ambitious on measures similar to short-time work schemes. All Member States (with the exception of Bulgaria and Croatia) also requested SURE financial assistance for schemes similar to short-time work, which includes support to the self-employed, as well as other job retention measures. Some Member States had introduced these measures before SURE was proposed, and some after.[37] A majority of Member States surveyed introduced new schemes similar to short-time work in response to the potential availability of financing from SURE.[38] Moreover, in three Member States, the availability of SURE financing contributed to an increase in the budget allocated for these schemes.

Next Generation EU (NGEU) and SURE programmes are likely to have contributed to a compression of spreads via an improvement in Member States' growth and fiscal prospects as well as in risk sentiment: (https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202008.en.html).

[33] To better understand the possible role played by SURE in the creation and use of short-time work schemes and similar measures at national level in the context of the COVID-19 pandemic, the Commission directly solicited the views of Member State authorities, through a questionnaire submitted to the Employment Committee. Out of the 19 Member States that have applied for support under SURE, 15 have provided answers to the questionnaire.

[34] Bulgaria, Cyprus, Greece, Croatia, Hungary, Lithuania, Latvia, Romania and Slovenia. Hungary decided to finance its new short-time scheme introduced in response to the COVID-19 crisis relying on the European Structural and Investment Funds in the context of the CRII and the CRII+, and did not request SURE financing for it.

[35] Belgium, Spain, Ireland and Italy. Ireland did not request SURE support for the financing of its existing short-time work scheme (established under the '*jobseeker's benefit*').

[36] Table II.1 relies on the information submitted by Member States in their requests for SURE financial support. It provides an overview of the legislation dates of short-time work schemes and similar measures.

[37] These 'similar' schemes were legislated before 2 April (in Cyprus, Greece, Ireland, Poland and Slovenia), after 2 April (in Spain, Hungary and Czechia), or at various moments as the crisis progressed, between March and July 2020 (in Belgium, Italy, Lithuania, Latvia, Malta and Romania, see Table II.1).

[38] See footnote 33.

Thirdly, as an early element of the EU policy response, SURE underpinned Member States confidence to undertake larger borrowing and spending than they otherwise would have. SURE also enabled them to maintain or step up their public expenditure on supporting employment. This is particularly true when financing is available at very low rates and offered at a sufficiently long maturity, as SURE is. This additional borrowing can either be on short-time work schemes or other pandemic-related policies, as financial assistance under SURE would also allow them to reallocate the funding they had planned for short-time work schemes to other broader policy areas to tackle the socio-economic impact of the pandemic.

A majority of beneficiary Member States indicated that SURE support had a role in temporarily increasing the coverage and generosity of short-time work schemes and similar measures, and the overall funding of the policies to address the COVID-19 crisis.[39] Six Member States indicated that the budget of their respective short-time work schemes had been increased after the Commission proposed the creation of SURE. In two of these cases, SURE was considered to have had a high degree of influence on the decision.

4.3 Zooming in on the direct financial effect: estimated interest rate savings

A number of Member States have made savings on interest payments by receiving financial assistance through SURE. SURE loans offered Member States lower interest rates than if they issued sovereign debt themselves to finance short-time work schemes or similar measures. The SURE social bonds were issued at very low rates, even at long maturities, due to the EU's AAA credit rating and the liquidity of the bonds.

Member States are estimated to have saved a total of EUR 5.8 billion during the first four issuances of SURE, i.e. up to the disbursement on 2 February 2021. This amount will increase with further disbursements. Therefore, the estimates shown probably correspond to a lower bound and will rise with the EUR 36.8 billion still to be disbursed. Table 7 provides a breakdown of interest savings by Member State, while Box 1 explains the methodology in further detail.[40]

Box 1: The Calculation of Interest Rate Savings

Of the EUR 53.5 billion issued in the first four transactions, the Commission was able to obtain favourable terms, with yields ranging from -0.51% to +0.32%, depending on the maturity and the date of issuance. These terms were passed directly onto Member States via back-to-back lending. Member States' own funding terms at the time of disbursement were generally less favourable than those obtained by the Commission. Therefore, the loans disbursed under SURE generated interest savings for Member States.

[39] See footnote 33.

[40] SURE has been one of the first elements of the unprecedented response of the EU to an unprecedented crisis. This overall response has been instrumental in keeping yield on public debt exceptionally low in the Member States that are the largest beneficiaries from SURE. These estimates exclude any possible additional confidence effect that new emergency instruments, including SURE, may have had on the confidence of economic agents and the interest rate spread for Member States' sovereign borrowing (see footnote 32 above).

To compute the savings, it is assumed that, in the absence of loans from SURE, Member States would have issued bonds with the same characteristics (i.e. maturity and coupon) as the EU SURE bonds on the day the loans were disbursed. The difference between the issue price of each EU SURE bond and the issue price of this counterfactual bond, multiplied by the amount of the loan, provides an estimate of the interest savings. This difference is a function of the spreads between national and EU SURE yield curves at the time of disbursement and the maturity structure of each loan.

The average maturity of the SURE loans is below but close to 15 years in all Member States, and the average spread between national yields and EU SURE yields is around 0.8 pp. As a result, the total interest savings across the lifetime of the loans are estimated to be EUR 5.8 billion, or around 11% of the amount disbursed, in the 15 Member States that received a disbursement up to 2 February 2021 (see Table 6). Member States with either higher spreads or larger disbursements benefitted the most from the favourable terms achieved by the Commission.

Table 7: Interest Rate Savings by Member State

Member State	Amount disbursed (EUR bn)	Average spread	Average maturity	Interest savings (EUR bn)	Interest Savings (% amount disbursed)
Belgium	4.0	0.11	14.9	0.098	2.4
Cyprus	0.5	0.64	14.7	0.048	10.1
Greece	2.7	0.74	14.8	0.264	9.7
Spain	11.0	0.44	14.9	0.850	7.7
Croatia	0.5	1.16	13.3	0.082	16.1
Hungary*	0.5	2.53	14.7	0.154	30.5
Italy	21.0	0.98	14.0	2.835	13.5
Lithuania	0.3	0.10	13.3	0.005	1.8
Latvia	0.2	0.19	14.8	0.006	3.2
Malta	0.1	0.63	13.3	0.012	9.7
Poland	5.3	0.41	14.9	0.355	6.7
Portugal	3.0	0.57	14.6	0.242	8.1
Romania	3.0	2.19	14.6	0.824	27.5
Slovenia	1.1	0.23	14.8	0.047	4.3
Slovakia	0.3	0.09	14.6	0.004	1.3
Total	**53.5**	**0.76**	**14.5**	**5.826**	**10.9**

Note: Interest savings are computed bond by bond, and summed across issue dates and maturities. Member States have borrowed from the EU at different average maturities. For the Member States for whom a large share of borrowing was made with very long or long maturities, total interest savings tend to be higher than the product of the average spread and the average maturity. This is because the spread and the maturity are generally positively correlated, i.e. EU SURE yield curves tend to be flatter than national yield curves.

** No yield curve for euro-denominated bonds is available for Hungary. The yield curve in national currency was used instead.*

5 THE CONTINUATION OF THE EXCEPTIONAL OCCURRENCES THAT JUSTIFY THE APPLICATION OF THE SURE REGULATION

The SURE Regulation also requires the Commission to report on the continuation of the exceptional occurrences that justify the application of the SURE instrument.[41] With the resurgence of infections since the autumn, the exceptional circumstances that necessitated the introduction of SURE and emergency employment measures to support citizens remain. A resurgence of COVID-19 cases has beset Europe since autumn 2020, including the emergence of new, more virulent strains, which has led to a significant tightening of restrictions. As of 25 February 2021, the 14-day incidence of the virus was 283 per 100,000 inhabitants in the EU/EEA, less than half the level seen in November 2020, but still significantly above the incidence of last summer when restrictions were first eased.[42] Hospitals and intensive care units have been at or close to maximum capacity in many Member States in early 2021.

The renewed tightening of restrictions has put the recovery on hold after the rebound in economic activity recorded in the third quarter of 2020. While the economic impact has not been as severe as that experienced in the first wave of the pandemic, due to the use of more targeted restrictions and the adaption of businesses and individuals to the restrictions, there has nevertheless been a halt in the recovery. In the fourth quarter of 2020, real GDP contracted by 0.4% quarter-on-quarter in the EU, after increasing by 11.5% in the third quarter. With containment measures still in place across Europe, a further contraction is forecast in the first quarter of 2021. The Commission's Winter Forecast, published on 11 February 2021, projects real GDP growth of 3.7% for the EU in 2021, following an unprecedented decline of 6.3% in 2020. [43] Therefore, the GDP level at the end of 2021 would remain 2.8 percentage points below its pre-crisis level of 2019.

The robust recovery in industry contrasts with weak services activity. Industrial production continued to recover in the EU in the fourth quarter of 2020, nearly returning to its pre-crisis levels. By contrast, following its full recovery in the summer, retail sales weakened again in autumn as restrictions were tightened across the EU, while some services, e.g. tourism, never recovered from the initial shock in March 2020.

The latest restrictions have once again heavily impacted labour-intensive sectors such as hospitality, entertainment and tourism. The sanitary restrictions continue to affect these labour-intensive sectors heavily. The unmet need of employment, i.e. labour market slack, points to severe impacts.[44] Moreover, the unemployment rate is projected to increase in 2021 as

[41] Article 14(1) of the SURE Regulation.
[42] Data taken from the European Centre for Disease Prevention and Control: https://www.ecdc.europa.eu/en/publications-data/data-national-14-day-notification-rate-covid-19
[43] European Economic Forecast, Winter 2021 (Interim), European Economy Institutional Papers N°144 - https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf
[44] Labour market slack is defined as the sum of unemployed persons, underemployed part-time workers, persons seeking work but not immediately available and persons available to work but not seeking, expressed as a percentage of the extended labour force. See European Commission Winter Forecast 2021 for further detail.

employment supports are unwound and people can actively seek work as economies are set to reopen.[45]

While activity is expected to pick up moderately in the second quarter and more vigorously in the third, significant uncertainty and elevated risks surrounding the economic outlook remain. Positive risks are mainly related to the possibility that the vaccination process leads to a faster than currently forecast easing of containment measures and therefore an earlier and stronger recovery. Economic growth could also benefit from strong pent-up demand thanks to historically high household savings, low financing costs, and supportive policies. On the downside, the new strains or a slow vaccine rollout could delay the lifting of containment measures, with negative effects on confidence leading to further precautionary savings and the delay of investment decisions. This underlines the need for not withdrawing policy support to the economy and employment, to avoid deeper scars in the European economic and social fabric.[46] Relevant policy measures include the short-time work schemes eligible for SURE support as well as those promoting job creation and job-to-job transitions, along the lines of the Commission Recommendation on Effective Active Support to Employment[47].

SURE is, by design, a *temporary* instrument and over 90% of its resources have already been committed. Maintaining policies aimed at keeping people in their current jobs beyond what is justified by the circumstances may indeed hold back rather than promote the recovery. If the emergency phase recedes over the course of 2021, the situation may demand other measures, notably active labour market policies such as hiring incentives and entrepreneurial support, upskilling and reskilling opportunities, and enhanced support by employment services.

6 REPORTING OBLIGATIONS UNDER THE EU SURE SOCIAL BOND FRAMEWORK

This section provides the relevant reporting under Section 2.4 of the EU SURE Social Bond Framework (the Framework). This includes reporting on the allocation of SURE proceeds by beneficiary Member State and by envisaged main type of Eligible Social Expenditure as well as the impact reporting.

The introduction of SURE has also formed part of the EU's commitment to sustainable finance, furthering the development of the market for social bonds. On 7 October 2020, the Commission announced that it would issue all SURE bonds as social bonds and adopted the EU Social Bond Framework. Social bonds offer investors an asset whose proceeds are used to promote positive social outcomes.

[45] As per European Commission Autumn Forecast 2020.
[46] The Commission's Communication to the Council (COM (2021)105), *One year since the outbreak of COVID-19: fiscal policy response*, notes that "a premature withdrawal of fiscal support should be avoided. Fiscal policy is an effective tool, especially in an uncertain environment. Risks of an early withdrawal are higher than the risks associated with keeping support measures in place for too long."
[47] https://ec.europa.eu/social/BlobServlet?docId=23699&langId=en

The Framework provides assurances to investors that it is compliant with the ICMA Social Bond Principles.[48] The latter are set to ensure that the proceeds of SURE will be used to fund targeted social policy measures. Section 2.4 of the Framework sets out a commitment to report on a number of reporting items to ensure transparency in this respect, specifically on the allocation and impact of SURE proceeds.

Firstly, with regard to allocation, the breakdown of SURE proceeds by beneficiary Member State and by envisaged main type of Eligible Social Expenditure should be reported. The breakdown of proceeds granted and disbursed to each Member State is provided in Section II (ii) of this report. As of February 2021, five Member States have received the total amount granted to them by the Council, two Member States have received approximately three quarters and eight Member States have received approximately half. Section III.1 describes the allocation by eligible expenditure type, i.e. labour market vs health-related measures, for all SURE beneficiary Member States. Overall, EUR 94 billion or 95% of public expenditure is allocated to labour market measures. This proportion remains unchanged when Bulgaria, Czechia and Ireland are excluded, who have not yet received disbursements.

Secondly, the Commission committed to report on the impact of SURE proceeds based on the information beneficiary Member States must provide on the implementation of planned public expenditure every six months. This could include, for example, data on the number of people and firms covered or supported by the funded policies. The Framework notes that this reporting will depend on the quality and granularity of information reported by Member States. Section III.2 of this report presents estimates of the percentage of employees and self-employed covered by the instrument. An estimated one quarter of employees and self-employed have been supported by SURE across beneficiary Member States in 2020.

The impact of SURE is also analysed in Section IV of this report. It is shown that unemployment did not rise as much as expected in 2020 across beneficiary Member States, given the significant fall in output that was experienced, which points to the contribution of SURE to preventing job losses. Other positive impacts of SURE, including improving confidence in the EU economy, encouraging ambitious short-time work schemes, and interest savings for Member States, are also discussed there.

Overall, the proceeds of SURE that have been granted and disbursed to Member States have been allocated towards public expenditure on short-time work schemes and similar measures. As such, they have been used to fund social policy measures, in line with the very purpose of social bonds.

[48] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf

Annex 1: Overview of short-time work schemes and similar measures

Table A.1: Short-time work schemes and similar measures by Member State

Country	**Short-time work schemes**				**Schemes similar to short-time work** (legislation dates, where available, based on SURE support requests)		
	New or existing scheme (s)	**Date of legislation**	**Name**	**Type of scheme**	**For self-employed**	**Supporting labour costs**	**Protecting employees**
BE	Existing scheme extended/modified due to COVID-19	30 March 2020	*'Chômage temporaire/tijdelijke werkloosheid'*	Permanent	20, 23 March, 6, 7, 10 April, 12 June, 20 July 2020	23 April, 14 May, 19 June 2020	7 April, 13 May 2020
BG	New scheme	30 March (original act) and 2 July 2020 (extension)	60-40 scheme	Temporary	-	-	-
CY	New schemes	(date not available)	Scheme supporting Companies for Total Suspension of their Operations, Scheme supporting Companies for Partial Suspension of their Operations	Temporary	Yes (date not available)	Yes (date not available)	Yes (date not available)
CZ	New scheme	31 March 2020	The Antivirus Programme – Options A and B	Temporary	19, 26, 31 March, 9 April, 4, 18 May 2020	8 June 2020	-
EL	New schemes	14 March 2020; 14 June 2020.	'*Synergasia*' Short-time work scheme; Special allowance provided to employees whose labour contracts have been suspended	Temporary	20 March 2020	14 March 2020	-

Country	Short-time work schemes				**Schemes similar to short-time work** (legislation dates, where available, based on SURE support requests)		
	New or existing scheme (s)	**Date of legislation**	**Name**	**Type of scheme**	**For self-employed**	**Supporting labour costs**	**Protecting employees**
ES	Existing scheme extended/modified due to COVID-19	17 March, 12 May, 26 June 2020	'*Expediente de Regulación Temporal de Empleo*'	Permanent	17 March, 31 March, 26 June 2020	12, 17 March, 21 April, 12 May, 26 June 2020	
HR	New schemes	30 March 2020, and a continuation approved in the 2nd half of 2020	Job preservation subsidies in sectors affected by COVID-19; Aid for reduced working hours	Temporary	-	-	-
HU	New scheme (supported by the ESF, not eligible for SURE support)	10 April, 17 June 2020	Short-time work scheme	Temporary	13 May, 22 June,	18, 23 March	23 March
IE	Existing scheme	-	(Partial) Jobseeker's benefit	Permanent	-	'*Temporary wage subsidy scheme*', 26 March 2020	-
IT	Existing scheme extended/modified due to COVID-19	17 March 2020, 19 May 2020 and further extensions	*'Cassa integrazione guadagni'*	Permanent	17 March 2020, 19 May 2020 and further extensions		
LT	New scheme	19 March 2020	Subsidy for wages during idle time	Temporary	19 March 2020, 1 August 2020	15 May 2020	
LV	New scheme	26 March 2020	Compensation for idle workers	Temporary	31 March 2020	21 March 2020	
MT	-	-	-	-	-	'*Temporary wage subsidy scheme*', 13 April 2020	25 March 2020

Country	Short-time work schemes				**Schemes similar to short-time work** (legislation dates, where available, based on SURE support requests)		
	New or existing scheme (s)	**Date of legislation**	**Name**	**Type of scheme**	**For self-employed**	**Supporting labour costs**	**Protecting employees**
PL	New scheme	2 March	Subsidies for short-time work	Temporary	2 March	2 March	-
PT	Existing scheme (temporarily) extended/modified due to COVID-19	26 March 2020	Support for the maintenance of employment	Permanent	13 March, 6 June 2020	26 March, 6 June, 19 June, 30 July, 31 December 2020	13 March, 26 March, 19 June, 30 July, 31 December 2020
RO	New schemes	21 March 2020, 29 May 2020, 7 August 2020	Technical unemployment, flexible work arrangements	Temporary	18 March 2020, 7 August 2020	-	-
SI	New schemes	28 March 2020, 30 May 2020	Wage compensation job-retention scheme, and short-time work scheme	Temporary	28 March 2020	28 March 2020	-
SK	Existing scheme extended/modified due to COVID-19	(date not available)	Short-time work scheme	Temporary	Yes (date not available)	-	-