073657/EU XXVII. GP
Eingelangt am 22/09/21

Council of the European Union

Brussels, 22 September 2021
(OR. en)

12090/21

ECOFIN 865
FIN 711
UEM 271

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	22 September 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2021) 596 final
Subject:	Report from the Commission to the European Parliament, the Council, the Economic and Financial Committee and the Employment Committee 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: One Year On"

Delegations will find attached document COM(2021) 596 final.

Encl.: COM(2021) 596 final

www.parlament.gv.at

EUROPEAN
COMMISSION

Brussels, 22.9.2021
COM(2021) 596 final

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: One Year On

EN EN

www.parlament.gv.at

EXECUTIVE SUMMARY

A novel instrument put in place quickly to respond to the socioeconomic impact of the pandemic

This report is the second 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 also a strong expression of solidarity across Member States through the EU: all Member States agreed to provide bilateral guarantees to the EU so that the Union could borrow from the markets at very favourable conditions to finance SURE loans.

The implementation of the instrument was swift and smooth. As part of the EU's initial response to the pandemic, the Commission proposed the SURE Regulation on 2 April 2020, and the Regulation was adopted by the Council on 19 May 2020. 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, working closely with the Member States. Most of the granted financial assistance was disbursed in only just seven months, from October 2020 to May 2021. In June 2021, SURE won the European Ombudsman 2021 Award for Good Administration in the category *citizen-focussed service delivery*.

The EU issued social bonds for the first time to finance SURE financial assistance to Member States. On top of the requirements of the SURE regulation, this report also provides the relevant reporting under the EU SURE Social Bond Framework, in particular, on the allocation of SURE proceeds, type of expenditure and impact of SURE. It also confirms that SURE spending was well aligned with the UN Sustainable Development Goals.

A large take-up, which has further increased since the first bi-annual report

The demand from Member States for financial assistance under SURE has been strong, including in the first half of 2021. Since its introduction, over 94% of the total envelope of EUR 100 billion has been allocated by the Council – based on Commission proposals – to 19 Member States. In March 2021, after the release of the first bi-annual report on SURE, financial assistance was granted to Estonia under SURE. Following the resurgence of the pandemic, six Member States already benefitting from SURE (Belgium, Cyprus, Greece, Lithuania, Latvia and Malta) made an additional new request for additional funds in mid-March 2021. These requests for top-up amounts totalling EUR 3.7 billion were quickly processed by the Commission and approved by the Council (in end-March and mid-April, respectively).

The Commission has already disbursed 95% of the total SURE financial assistance granted by the Council, via back-to-back lending to Member States based on the issuance of EU bonds. After the first bi-annual report, between March and May 2021, the Commission successfully issued a further EUR 36 billion of SURE social bonds on behalf of the EU. Investor interest remained strong, despite more challenging market conditions compared with 2020 and

www.parlament.gv.at

the beginning of 2021. This allowed further favourable pricing terms. The Commission, on 9 March 2021, successfully carried out the fifth issuance of SURE bonds of EUR 9 billion. The sixth issuance of SURE bonds by the Commission on 23 March 2021 consisted of two tranches worth a total of EUR 13 billion. The seventh issuance of SURE bonds, worth over EUR 14.1 billion, was executed successfully on 18 May 2021. The amount raised during these three issuances by the Commission was disbursed to Member States after 5 working days. The average maturity of disbursements to Member States is 14.5 years, close to the maximum of 15 years provided by the Council Implementing Decisions.

The use of SURE by beneficiary Member States

SURE is estimated to have supported approximately 31 million people and 2½ million firms in 2020. This accounts for over one quarter of total employment in beneficiary Member States. Specifically, SURE supported approximately 22½ million employees and 8½ million self-employed in 2020, who were covered by short-time work schemes and similar measures.

Total public expenditure on SURE-eligible measures has increased significantly since the first report. According to the updated reporting by beneficiary Member States, it is now expected to reach EUR 114 billion, in excess of the 94 billion effectively supported by SURE. This highlights the relevance of the measures eligible to SURE from the perspective of Member States.

Planned expenditure only represents 10% of the total expenditure on measures supported by SURE, according to the reporting by Member States. This is to be compared with 20% in the first bi-annual report in March 2020 and 54% in August 2020 when 17 Member States first applied for SURE support.

16 of the 19 Member States benefitting from SURE have used the support to help finance short-time work schemes. In the first half of 2021, many Member States supported by SURE extended their short-time work schemes to respond to new waves of the pandemic. The six Member States which requested SURE top-ups in early 2021 have either changed the design of the schemes already benefitting from SURE or set up new measures. As of August 2021, the majority of the Member States that used SURE to finance short-time work schemes have not yet phased out the support, although some Member States have already discontinued the use of their short-time work schemes.

Over half of the total amount of financial assistance under SURE was allocated by Member States to support short-time work schemes. Over 40% was to support similar measures, including almost one third for measures for the self-employed, with only 5% allocated to health-related measures, confirming their 'ancillary' nature in accordance with the SURE Regulation.

The absorption level of the financial assistance granted under SURE appears to be high for the vast majority of Member States, based on the information they reported. The absorption level will be monitored more closely in three Member States, which currently report lower planned public expenditure than the amount granted under SURE but which have also expressed

www.parlament.gv.at

commitment to resolve possible issues. The absorption level is potentially low in one Member State, where the recovery is stronger than expected.

A first assessment of the impact of SURE

National labour market measures supported by SURE have likely reduced unemployment by almost 1½ million people in 2020. This was achieved by retaining employees in their firms and maintaining self-employed activity. This also explains why the increase in unemployment rates in 2020 across beneficiary Member States was negligible and clearly milder than during the global financial crisis, despite the more severe drop in GDP in 2020.

This is in turn a key condition for the strong economic rebound forecast for 2021. Keeping the available workforce connected with firms has also helped support a swift recovery in 2021, while possibly accompanying a slower but necessary adjustment in the worst-hit sectors or those affected by lasting impacts. As a result, the average loss of GDP over the last two years is expected to be lower than that seen during the first two years of the global financial crisis.

Financial assistance through SURE has also generated significant budgetary savings of EUR 8.2 billion in interest payments for the beneficiary Member States. The figure has increased since the first bi-annual report due to the additional three disbursements. These savings are attributable to the favourable borrowing conditions offered by the EU and the long average maturity of the loans of almost 15 years.

The continuation of the exceptional occurrences justifying SURE

The uncertainty surrounding the economic outlook remains high, though risks are broadly balanced. The EU target of vaccinating 70% of the adult population by the end of the summer was reached. Moreover, the economic recovery has gained momentum, with the near-term outlook for the European economy being brighter now than it appeared in spring 2021. However, the Delta variant of the SARS-CoV-2 has spread rapidly and progress in vaccination campaigns is slowing down in some countries.

The recovery requires fiscal policy to gradually shift from temporary emergency relief, such as from SURE, to more targeted and forward-looking recovery measures. This would include active labour market policies in line with the Commission Recommendation on Effective Active Support to Employment following the COVID-19 crisis (EASE)[1]. At the same time, almost EUR 6 billion remains available under SURE until the end of 2022, which could be used to continue to address severe economic disturbances caused by the COVID-19 pandemic.

[1] https://ec.europa.eu/info/publications/commission-recommendation-effective-active-support-employment-ease_en

INTRODUCTION

This report is the second bi-annual report on the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). SURE was created by the European Union (EU) in May 2020 to help Member States protect workers' jobs and income during the COVID-19 pandemic[2]. It provides requesting Member States 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 the self-employed and, as, an ancillary, health-related measures, in particular in the workplace. In June 2021, SURE won the European Ombudsman 2021 Award for Good Administration for "excellence in citizen-focused services delivery".

This bi-annual report is a legal obligation. It is adopted by the European Commission (hereafter the Commission) in accordance with Article 14 of Council Regulation (EU) 2020/672 (SURE Regulation)[3] to deliver on its obligation to report to the European Parliament, the Council, the Economic and Financial Committee (EFC) and the Employment Committee[4]. The next report will be due by end-March 2022. The cut-off date for including information in this report was end-June 2021 for Member States' reporting and early September 2021 for epidemiological and economic data.

Looking at the main achievements of SURE as of August 2021, this report broadly confirms the positive assessment of the first report. Its key findings can be summarised as follows:

- Approximately 31 million people and 2½ million firms are estimated to have been supported by SURE in 2020;
- National labour market measures supported by SURE have helped to prevent unemployment for almost 1½ million people in 2020;
- 19 Member States have requested and been granted financial assistance under SURE;
- Amongst them, 6 Member States were granted additional ("top-up") support by the Council in April 2021;
- Over EUR 94 billion has been allocated and almost EUR 90 billion has been disbursed;
- Over half of the financial assistance under SURE has been allocated by Member States to support short-time work schemes and over 40% to support similar measures, including

[2] SURE follows from the Commission's 2019-2024 Political Guidelines, which proposed a European Unemployment Benefit Reinsurance Scheme to protect European citizens and reduce the pressure on public finances during external shocks. Following the outbreak of COVID-19 virus in Europe, it was set -up by the adoption of Council Regulation (EU) 2020/672 on 19 May 2020 on the basis of the Commission's proposal of 2 April 2020.

[3] 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).

[4] 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).

www.parlament.gv.at

almost one third for measures for the self-employed, with only 5% allocated to health-related measures, which are ‘ancillary’ in accordance with the SURE Regulation;

- Absorption levels of the financial assistance granted under SURE appear to be high except for one Member State and are being monitored closely in two others[5];
- In total, Member States are estimated to have saved EUR 8.2 billion in interest payments;
- Almost EUR 6 billion is still available under SURE after the “top-ups” until the end of 2022, which could be used to continue to address severe economic disturbances caused by the COVID-19 pandemic.

This report updates the information contained in the first bi-annual SURE report and extends the analysis in some areas. It covers institutional developments since the first report’s cut-off date of 26 February 2021, including the granting of financial assistance to Estonia and the granting of additional support (“top-ups”) to 6 Member States following their requests to this end. It reports on the last three disbursements since then. It updates the analysis of the first report, in particular on the public expenditure by Member States covered by SURE – based on updated reporting provided by Member States in June 2021 – and on the measurement of the impact of SURE – based on the latest macroeconomic and financial figures. It also extends the analysis, noticeably on the coverage of employees/self-employed and firms.

This report outlines the use of the SURE instrument to date and reviews its socio-economic impacts. It is structured into five sections. Section I outlines the financial assistance granted to Member States, including amounts disbursed and outstanding and the corresponding repayment schedule. Section II summarises the Member States’ total public expenditure on national measures supported by SURE[6]. The preliminary analysis of the impact of SURE provided in the first report is updated and extended in Section III, including changes in unemployment and interest savings generated by SURE for Member States. Section IV discusses the circumstances that justify the continuation of SURE, namely the ongoing impact of the pandemic. Section V provides the relevant reporting committed to under Section 2.4 of the EU SURE Social Bond Framework, which is merged into this report[7].

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

1.1 Overview of beneficiary Member States, amounts granted and outstanding amounts

An additional Member State, Estonia, requested SURE financial assistance in February 2021. Financial assistance was granted by the Council on 22 March 2021, based on a proposal

[5] Absorption is defined here as the extent to which a Member State spends the funding it was granted by the Council on eligible measures.
[6] Sections I and II pertain to the use of financial assistance under SURE as per Article 14(1) of the SURE Regulation.
[7] https://ec.europa.eu/info/strategy/eu-budget/eu-borrower/eu-borrowing-activities/eu-sure-social-bond-framework_en

www.parlament.gv.at

from the Commission dated 26 February 2021[8]. This brings the total number of beneficiary Member States to 19.

Following the resurgence of the pandemic, six Member States already benefitting from SURE made requests for additional financial assistance under SURE in the first quarter of 2021. In the course of March 2021, Belgium, Cyprus, Greece, Lithuania, Latvia and Malta requested top-ups to the original amounts granted to them by the Council in 2020.

Table 1: Overview of support granted under SURE (EUR)

Member State	*Total Amount Granted**	*Of Which Top-Up*	*Amount Disbursed**	*Amount Outstanding*
Belgium	8 197 530 000	394 150 000	8 197 000 000	0
Bulgaria	511 000 000	0	511 000 000	0
Cyprus	603 770 000	124 700 000	603 000 000	0
Czechia	2 000 000 000	0	2 000 000 000	0
Greece	5 265 000 000	2 537 000 000	5 265 000 000	0
Spain	21 324 820 449	0	21 324 000 000	0
Croatia	1 020 600 000	0	1 020 000 000	0
Italy	27 438 486 464	0	27 438 000 000	0
Lithuania	957 260 000	354 950 000	957 000 000	0
Latvia	305 200 000	112 500 000	305 000 000	0
Malta	420 817 000	177 185 000	420 000 000	0
Poland	11 236 693 087	0	8 236 000 000	3 000 000 000
Portugal	5 934 462 488	0	5 411 000 000	523 000 000
Romania	4 099 244 587	0	3 000 000 000	1 099 000 000
Slovenia	1 113 670 000	0	1 113 000 000	0
Slovakia	630 883 600	0	630 000 000	0
Hungary	504 330 000	0	504 000 000	0
Ireland	2 473 887 900	0	2 473 000 000	0
Estonia	230 000 000	0	230 000 000	0
Total	**94 267 655 575**	**3 700 485 000**	**89 637 000 000**	**4 622 000 000**

*In the implementation of the disbursements, the amounts granted were rounded down for operational purposes.

These requests for top-ups were accommodated quickly. Based on a Commission proposal released on 30 March 2021, the Council granted additional financial support to the six Member States concerned on 23 April[9,10,11,12,13,14]. These top-ups comprised EUR 3.7 billion in total,

[8] Council Implementing Decision (EU) 2021/513 of 22 March 2021 granting temporary support under Regulation (EU) 2020/672 to the Republic of Estonia to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 103, 24.3.2021, p. 6.

[9] Council Implementing Decision (EU) 2021/681 of 23 April 2021 amending Implementing Decision (EU) 2020/1342 granting temporary support under Regulation (EU) 2020/672 to the Kingdom of Belgium to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 144, 27.4.2021, p. 24.

[10] Council Implementing Decision (EU) 2021/680 of 23 April 2021 amending Implementing Decision (EU) 2020/1344 granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 144, 27.4.2021, p. 19.

[11] Council Implementing Decision (EU) 2021/679 of 23 April 2021 amending Implementing Decision (EU) 2020/1346 granting temporary support under Regulation (EU) 2020/672 to the Hellenic Republic to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 144, 27.4.2021, p. 16.

bringing the amount of SURE financial assistance allocated overall to almost EUR 94.3 billion (see Table 1).

1.2 Disbursements and applicable repayment schedule

The Commission successfully issued a further EUR 36 billion of SURE social bonds on behalf of the EU between March and May 2021. Investor interest remained strong, with all the issuances between 6 and 9 times oversubscribed by investors, despite more challenging market conditions compared to the beginning of 2021. This allowed further favourable pricing terms.

The fifth issuance of SURE bonds of EUR 9 billion was successfully carried out by the Commission on 9 March 2021. The 15-year social bond was issued at a time of increased market volatility but still priced at the lower end of the range seen in primary markets at the time, with a total order book of EUR 86 billion. The funds raised by the Commission were disbursed to seven Member States on 16 March 2021.

The sixth issuance of SURE bonds by the Commission on 23 March 2021 consisted of two tranches worth a total of EUR 13 billion. This included EUR 8 billion due in March 2026 and EUR 5 billion due in May 2046. The total order book reached EUR 86.5 billion. On 30 March 2021, the funds were disbursed to 6 Member States.

The seventh issuance of SURE bonds, worth over EUR 14.1 billion, was executed successfully on 18 May 2021. This dual tranche was also split over two distinct tenors: EUR 8.137 billion due in July 2029 and EUR 6 billion due in January 2047. The transaction saw strong interest from investors despite a sustained period of market volatility in euro rates at the time, with demand of over EUR 51 billion and EUR 37 billion, respectively. The funds were disbursed to 12 Member States, including Bulgaria and Estonia for the first time, on 25 May 2021.

By the end of August 2021, almost EUR 90 billion of SURE financial assistance had been disbursed to 19 Member States. This represents 95% of the total SURE financial assistance granted by the Council to Member States. The remaining funds to be disbursed have been delayed at the request of the Member States concerned. Further detail on the SURE transactions and disbursements to Member States is reported in Tables A2 and A3 in the Annex.

---

[12] Council Implementing Decision (EU) 2021/678 of 23 April 2021 amending Implementing Decision (EU) 2020/1350 granting temporary support under Regulation (EU) 2020/672 to the Republic of Lithuania to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 144, 27.4.2021, p. 12.

[13] Council Implementing Decision (EU) 2021/677 of 23 April 2021 amending Implementing Decision (EU) 2020/1351 granting temporary support under Regulation (EU) 2020/672 to the Republic of Latvia to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 144, 27.4.2021, p. 7.

[14] Council Implementing Decision (EU) 2021/676 of 23 April 2021 amending Implementing Decision (EU) 2020/1352 granting temporary support under Regulation (EU) 2020/672 to the Republic of Malta to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 44, 27.4.2021, p. 3.

The average maturity of disbursements to Member States is 14.5 years, close to the maximum of 15 years provided by the respective Council Implementing Decisions. Reporting on the repayment schedule for principal and interest payments is presented in Table 2.

Table 2: Repayment Schedule of EU's SURE Outstanding Loans

Calendar year	Principal	Interest	SURE Total
2021		35 480 000	35 480 000
2022		111 110 000	111 110 000
2023		122 500 000	122 500 000
2024		122 500 000	122 500 000
2025	8 000 000 000	122 500 000	8 122 500 000
2026	8 000 000 000	122 500 000	8 122 500 000
2027		122 500 000	122 500 000
2028	10 000 000 000	122 500 000	10 122 500 000
2029	8 137 000 000	122 500 000	8 259 500 000
2030	10 000 000 000	122 500 000	10 122 500 000
2031		122 500 000	122 500 000
2032		122 500 000	122 500 000
2033		122 500 000	122 500 000
2034		122 500 000	122 500 000
2035	8 500 000 000	122 500 000	8 622 500 000
2036	9 000 000 000	122 500 000	9 122 500 000
2037		104 500 000	104 500 000
2038		104 500 000	104 500 000
2039		104 500 000	104 500 000
2040	7 000 000 000	104 500 000	7 104 500 000
2041		97 500 000	97 500 000
2042		97 500 000	97 500 000
2043		97 500 000	97 500 000
2044		97 500 000	97 500 000
2045		97 500 000	97 500 000
2046	5 000 000 000	97 500 000	5 097 500 000
2047	6 000 000 000	75 000 000	6 075 000 000
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	**89 637 000 000**	**3 029 590 000**	**92 666 590 000**

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

This section focuses on the policy use of the instrument. More specifically, it summarises the public expenditure by Member States covered by or eligible for SURE and the nature of national measures. It also indicates the coverage of the SURE-supported measures in terms of employees and firms.

2.1 Actual and planned public expenditure supported by SURE

2.1.1 Monitoring of public expenditure on eligible measures

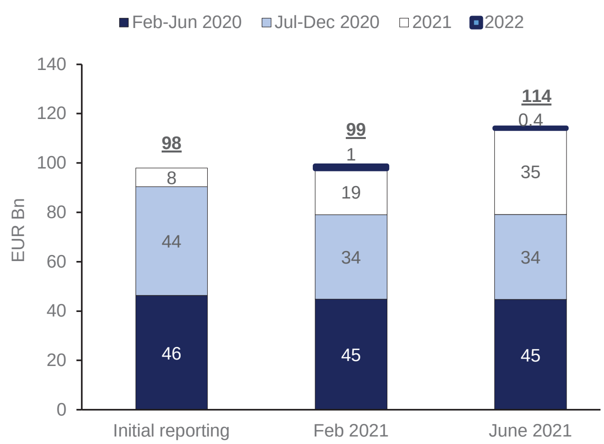
Updated reporting by beneficiary Member States is used to monitor the planned and actual use of the financial assistance granted under SURE[15]. The required reporting includes the

[15] Ireland and Estonia applied for SURE for incurred public expenditure only, as such, the reporting remains unchanged since March 2021.

allocation of public expenditure across measures covered by SURE (and the employee and firm coverage of those measures, as reported in Section 2.3). There have been three series of this reporting thus far: in August 2020 (“data accompanying the official request”), in January-February 2021 (“first report”) and June 2021 (“latest reporting” for this report). The information is presented *as reported by Member States*[16]. The expenditure reported by Member States corresponds to that on measures that are eligible for SURE. Some Member States have supplemented SURE support with national financing or EU structural funds, thus expenditure could exceed the amount supported by SURE. The reporting facilitates measuring the absorption of the financial assistance under SURE, by comparison with the amount granted by the Council.

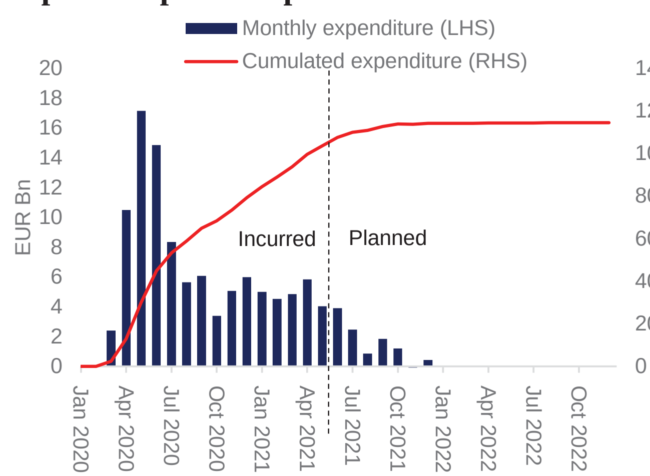
90% of total planned public expenditure on eligible measures had already taken place by the end of May 2021[17]. The SURE Regulation allows for financial assistance to be used for planned increases in public expenditures on measures covered by SURE. In June 2020, the share of planned expenditure was 54% (according to the August 2020 reporting); at the end of 2020, this share was 20% (as indicated in the first report); the remaining planned expenditure is now less than 10% (see Graph 2).

Graph 1: Reported public expenditure



Note: Estonia applied for SURE support in February 2021 and, as such, is included in the June 2021 reporting only.

Graph 2: Monthly evolution of incurred and planned public expenditure under SURE



Note: This profile is drawn from the latest reporting provided by Member States in June 2021 as an input to this report. The slightly negative expenditure in November 2021 is due to large expected payments from European Structural Investment Funds in support of short-time work schemes in that month.

[16] 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.

[17] 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.

The latest reporting shows that total public expenditure earmarked for 2021 has increased significantly since the first report. 14 Member States reported higher planned public expenditure for 2021 than expected in January-February 2021, in line with the resurgence of infections, the extension of economic supports seen across Europe in 2021 and the top-up requests granted in April 2021. The negligible public expenditure planned for 2022 across three Member States decreased as some expenditure was brought forward to 2021.

The expenditure on measures eligible for SURE predictably followed the pace of the pandemic. Graph 2 shows that the profile of eligible public expenditure coming out of the latest reporting is marked by three peaks, namely in May 2020, in December 2020 and in April 2021, which is consistent with the three epidemiological waves recorded before the report's cut-off date. The impacts of the second and third waves on public expenditure eligible for SURE were less strong than in the first wave, likely due to the adaptation of economies after the first wave, the lesser stringency of the accompanying containment measures and possibly to the fact that some initial requests for SURE support already anticipated the rebound of the pandemic after the summer 2020.

Total public expenditure on eligible measures is now expected to reach EUR 114 billion, in excess of the amount directly supported by SURE (EUR 94 billion). This amount is net of expenditure financed with European Structural Investment Funds, and is a 15% increase since the first report, when EUR 99 billion was expected to be spent in beneficiary Member States. This is greater than the total amount granted under SURE because a number of Member States plan to spend more on measures eligible under SURE than the financial assistance they requested[18]. This further proves the relevance of the scope of SURE from the perspective of Member States.

2.1.2 Absorption level of funds

The absorption level of the funds lent under SURE to Member States appears to be high for the vast majority of Member States. 16 out of 19 Member States have already spent or plan to spend *at least* the financial assistance they were granted under SURE on eligible measures (see Graph 3). 13 of these even plan to spend *more* than the amount granted, including by financing the remainder nationally.

The level of absorption of funds is potentially low in one Member State and will be monitored more closely in specific Member States, who have expressed commitment to resolve possible issues. Romania, Portugal and Cyprus have now reported lower total public expenditure on measures provided in the respective Council implementing decisions (CIDs) than the amount granted by the Council under SURE. Based on preliminary analysis, Cyprus does not seem to face a real absorption issue[19]. In Portugal, the national authorities have identified

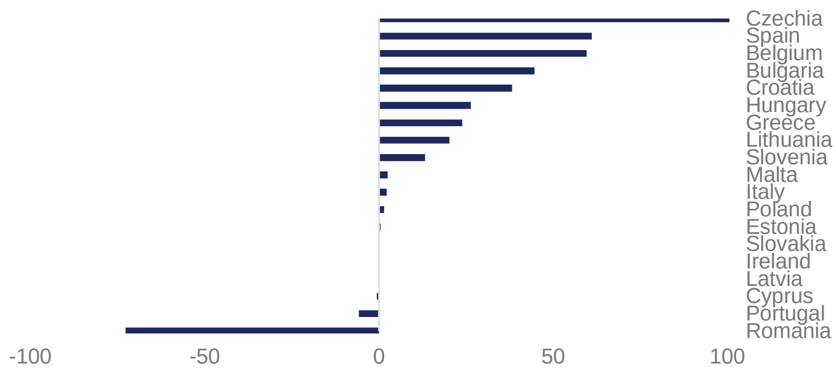
[18] For Spain, Italy and Poland, this is also due to the concentration limit (of 60% of the maximum amount of EUR 100 billion that applies to the three largest beneficiary Member States).

[19] In the case of Cyprus, the public expenditure shortfall of over EUR 3 million (0.6% of the loan) is due to the Member State receiving more ESF funding than expected. Cyprus has only reported planned expenditure up to June 2021, in line with the legal validity of measures at the time of reporting, but these measures are expected to be

www.parlament.gv.at

additional measures, which the Commission will assess in due course, that are expected to absorb the full amount granted to the Member State. In the case of Romania, the low absorption level would be due to a weaker than expected impact of the pandemic and a stronger than expected recovery, which has meant expenditure on employment retention measures has been lower than anticipated. The gap between actual public spending incurred so far and the EUR 3 billion financial assistance already disbursed to Romania remains high (almost two thirds of the disbursed amount). The Commission has been engaging with the Romanian authorities to discuss potential solutions and will continue this dialogue.

Graph 3: Excess of planned and incurred public expenditure on eligible measures over loan amount (% of loan amount)



Note: Public expenditure refers to those reported, without adjusting for the concentration limit, on the measures as provided for in the Council Implementing Decisions, net of European Structural and Investment Funds (ESIF).

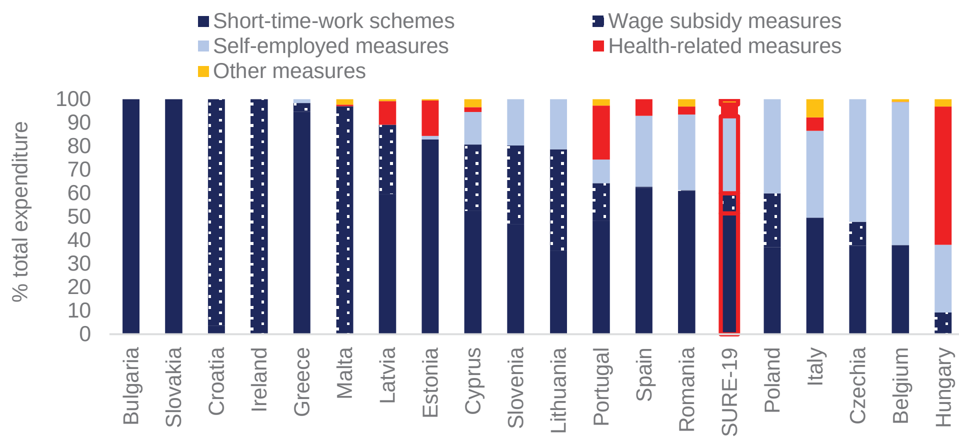
2.2 National measures: short-time work schemes or similar measures supported by SURE

Over half of total public expenditure supported by SURE is expected to be spent on short-time work schemes. This is based on Commission analysis, categorising the measures reported by Member States by type. 53% of public expenditure on SURE-eligible measures is used for short-time work schemes, with a further 33% on 'similar measures' for the self-employed. 7% is allocated to wage subsidy schemes, while 5% is expected to be spent on health-related measures[20]. The remaining 2% of expenditure is allocated to 'other' similar measures supporting job retention and workers' incomes. 9 Member States only used SURE financial assistance for short-time work schemes and similar measures (see Graph 4).

extended. As such, the shortfall is expected to be temporary, due to as yet unreported expenditure beyond June 2021. The situation will continue to be monitored.

[20] Wage subsidy schemes are job-retention schemes similar to short-time work, but differ in that payments are not calculated in terms of hours (not worked), but rather correspond to a lump sum or a proportion of the total wage.

Graph 4: Public expenditure on SURE-eligible measures by type of expenditure



Note: See SURE March 2021 report for further detail on Hungary's health-related expenditure.

16 of the 19 Member States benefitting from SURE have used the support to help finance short-time work schemes. This includes Estonia, which was granted financial assistance under SURE in March 2021. In particular, in the course of 2020, Estonia implemented a new (temporary) short-time work scheme in response to the pandemic, along with measures similar to short-time work and health-related measures.

The six Member States who requested SURE top-ups in early 2021 have either changed the design of the schemes already benefitting from SURE or set up new measures. The changes to the design of the measures consisted notably of making the schemes more generous or loosening the eligibility conditions[21].

In the first half of 2021, many Member States supported by SURE extended their short-time work schemes to respond to new waves of the pandemic. Measures that already came to an end were either re-activated (e.g. in Estonia and Latvia) or modified (e.g. by increasing their generosity). Italy extended the eligible period for the COVID-related use of short-time work schemes. Cyprus, Czechia, Latvia, Lithuania, Poland, Slovakia and Spain increased the generosity of their schemes, e.g. by supporting a larger share of the workers' salaries, lowering ceilings or easing access to their schemes.

The majority of the Member States that used SURE to finance short-time work schemes have not yet phased out the emergency support. Eleven countries out of the sixteen relying on short-time work have their scheme still in place (see Annex 1 for further detail), yet many aimed

[21] Cyprus, Latvia and Lithuania requested additional support for all (or almost all) of the measures for which they already received SURE support. Greece requested support for the extension of its existing short-time work schemes. Belgium and Malta requested support for measures similar to short-time work schemes, already financed from SURE (e.g. support to self-employed, wage subsidies, aids for specific sectors or categories of workers). Finally, Belgium and Latvia introduced new schemes to be financed under SURE. These new schemes are measures similar to short-time work: sickness benefits for parents and carers (Latvia) and microcredit to entrepreneurs (Belgium) and health-related measure involving allowances for medical staff (Latvia).

to phase their schemes out in the summer of 2021 (Bulgaria, Lithuania and Romania), September 2021 (Belgium, Greece, Slovenia and Spain) or later in 2021 (Cyprus, Croatia, Slovakia). Ireland and Malta, which receive SURE support for their wage subsidy programmes, prolonged those until the end of 2021[22]. Italy has extended several Covid-related adjustments to its short-time work schemes until the end of 2021, while some specific provisions have been already phased out. As recommended by the Commission Communication on Effective Active Support to Employment, with a view to support the recovery, Spain and Portugal introduced trainings measures or job transition incentives inside their short-time work schemes[23].

Some Member States have already discontinued the use of their short-time work schemes. Czechia, Estonia, Latvia, and Poland suspended their schemes in May or June 2021. However, deadlines to discontinue short-time work schemes are typically provisional and may be updated as the pandemic evolves.

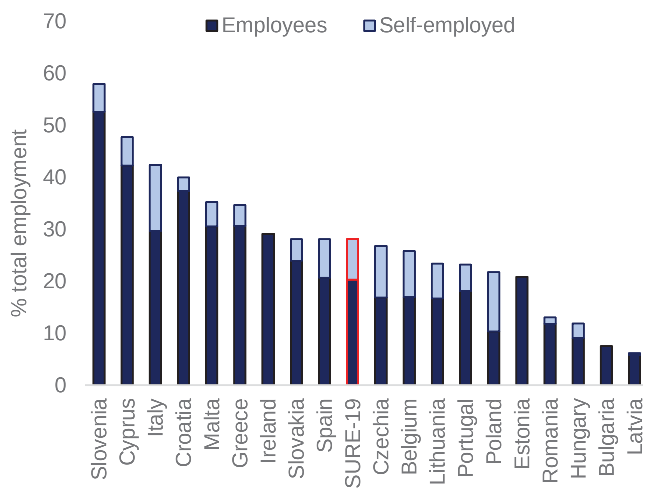
2.3 SURE coverage in terms of employment and firms

SURE is estimated to have supported around 31 million people in 2020, representing over one quarter of total employment in beneficiary Member States. This estimate corresponds to people who were, at some point, covered by short-time work schemes or similar measures supported by SURE. It is comprised of approximately 22½ million employees and 8½ million self-employed workers[24]. Bearing in mind that SURE has a broader scope (including similar measures, in particular for the self-employed), this figure can be roughly compared to approximately 19 million people covered by short-time work schemes in SURE beneficiary Member States and 35 million across the EU in 2020[25]. A breakdown of SURE worker coverage by Member State is shown in Graph 5. These estimates do not take into account SURE support for health-related measures and, as such, could be considered conservative[26].

[22] Ireland received SURE financial assistance for its temporary wage subsidy scheme, which ended in August 2020 and was replaced with the emergency wage subsidy scheme, currently in force until the end of 2021.
[23] https://ec.europa.eu/info/publications/commission-recommendation-effective-active-support-employment-ease_en. Among Member States not relying on financing from SURE, Austria, France, the Netherlands and Sweden introduced or strengthened support to training in their short-time work schemes or similar measures.
[24] This figure has increased from that in the first SURE report as Member States have provided updated estimates with improved data quality.
[25] The 19 million figure is based on Member State reporting tables, which includes short-time work schemes not supported by SURE, but not similar measures. For the three Member States who did not report a figure, it was assumed that the average ratio of short-time work scheme coverage to SURE coverage applies.
[26] In addition, in some Member States, there was significant overlap between the recipients of support across different measures that could not be adjusted for. In such cases, Member States were asked to report only the coverage of the largest measure(s) to avoid double counting. As such, the true coverage may be even higher.

www.parlament.gv.at

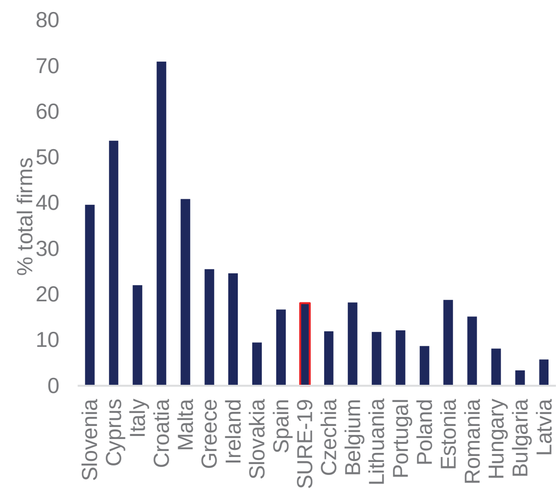
Graph 5: Workers covered by SURE in 2020 (% of total employment)



Source: *Member States' reporting (see footnote 26), Ameco.*

Note: The coverage figures are those reported by Member States. Total employment figures (i.e. the denominator of the ratio) are taken from AMECO, using the national accounts definition of total employment, including both wage and salary earners and the self-employed.

Graph 6: Firms covered by SURE in 2020 (% of total firms)



Source: *Member States' reporting (see footnote 28), Eurostat business statistics.*

Note: Member States are ranked according to SURE coverage of workers. To ensure consistent treatment of data across Member States, total firms include zero-employee firms, which may underestimate the coverage ratio as some self-employed may be counted in the denominator, but not the numerator.

The SURE coverage is expected to remain non-negligible in 2021, corresponding to almost 10% of employment. The economic impact of subsequent waves of the pandemic is expected to be much smaller than that of the first wave, while some Member States will not use SURE for public expenditure in 2021 because of the expected economic pickup. Despite that, at least 5 million people are estimated to benefit from SURE in 2021, in the context of an uneven recovery across countries and economic sectors[27].

SURE is estimated to have supported over 2½ million firms in 2020. This comprises at least a fifth of firms across beneficiary Member States (see Graph 6)[28]. In 2021, around 8% of firms would still be supported in the context of the expected but uneven economic rebound. In the majority of beneficiary Member States, firms in the services sector were the primary recipients of support, in particular: i) wholesale and retail trade and ii) accommodation and food services (see Table 3)[29]. Manufacturing also received a large share of support.

---

[27] This estimate is based on incomplete reporting as some Member States (Italy, Poland, Slovakia) did not report coverage data for 2021.

[28] Given very heterogeneous reporting by Member States on firm coverage, to ensure consistent treatment of data across Member States, total firms are assumed to include zero-employee firms. This may underestimate the coverage ratio as some self-employed may be counted in the denominator, but not the numerator.

[29] Of the 19 beneficiary Member States, 5 did not provide information on the breakdown between manufacturing and services, while 3 reported that support was equally shared.

www.parlament.gv.at

Both SMEs and large firms have benefitted from SURE support. Prior to the COVID-19 crisis, short-time work was mostly taken up by large firms in industry[30]. Large companies typically faced higher hiring and firing costs; firms in the services sector mainly adjusted employment through layoffs or a greater reliance on fixed-term and non-standard employment. With the pandemic, this pattern shifted, and the use of short-time work became particularly relevant in services (mainly hotels and restaurants) and in retail trade. In some Member States, the share of micro firms involved in the schemes increased considerably as of March 2020[31]. In most SURE beneficiary Member States, the vast majority of firms covered by SURE were small firms (Graph 7). However, given heterogeneous reporting by Member States on firm coverage, it is difficult to produce detailed estimates of firm composition for this report.

The participation of women and youth in short-time work increased during the COVID-19 crisis. This primarily reflects the change in the sectoral composition of the support away from manufacturing and construction towards services and retail, i.e. sectors with a relatively higher share of women and youth in employment[32].

[30] European Commission (2020): Labour Market and Wage Developments in 2020, Chapter 3, Policy developments. https://ec.europa.eu/social/BlobServlet?docId=23268&langId=en.

[31] For example, Belgium and Italy. Source: EMCO data collection 2020 and 2021. Information is not available for all countries covered by SURE.

[32] European Commission (2020): Labour Market and Wage Developments in 2020, Chapter 3, Policy developments. https://ec.europa.eu/social/BlobServlet?docId=23268&langId=en. In Italy and Belgium, on average, the share of women involved in the schemes doubled after March 2020, while the share of young worker beneficiaries increased from 1.6% to 5.7% in Italy and from 6.7% to 7.6% in Belgium. The share of women and young workers involved in short-time work was also high in Latvia, Romania, Portugal and Estonia.

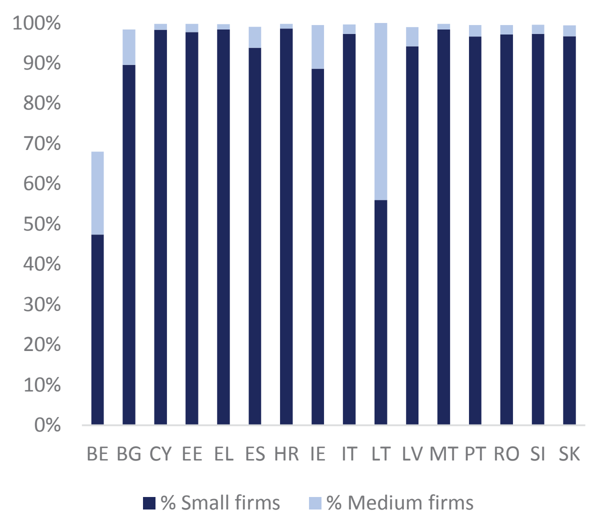
www.parlament.gv.at

Table 3: Sectoral coverage of SURE

Member State	Main sectors benefitting from SURE support
Belgium	Administrative services, manufacturing, and wholesale and retail trade
Bulgaria	Accommodation and food services, manufacturing, and wholesale and retail trade
Cyprus	Accommodation and food services, manufacturing, and wholesale and retail trade
Czechia	Accommodation and food services, manufacturing, and wholesale and retail trade
Estonia	Accommodation and food services, manufacturing, and wholesale and retail trade
Greece	Accommodation and food services, manufacturing, and wholesale and retail trade
Spain	Accommodation and food services, administrative services, and wholesale and retail trade
Croatia	Accommodation and food services, manufacturing, and wholesale and retail trade
Hungary	Accommodation and food services, health and social work, and other services
Ireland	Accommodation and food services, construction, and wholesale and retail trade
Italy	Accommodation and food services, construction, and wholesale and retail trade
Lithuania	Accommodation and food services, manufacturing, and wholesale and retail trade
Latvia	Accommodation and food services, manufacturing, and wholesale and retail trade
Malta	Accommodation and food services, transportation, and wholesale and retail trade
Poland	Construction, professional, scientific and technical activities, and wholesale and retail trade
Portugal	Accommodation and food services, other services , and wholesale and retail trade
Romania	Accommodation and food services, construction, and professional, scientific and technical activities
Slovenia	Accommodation and food services, manufacturing, and wholesale and retail trade
Slovakia	Accommodation and food services, manufacturing, and wholesale and retail trade

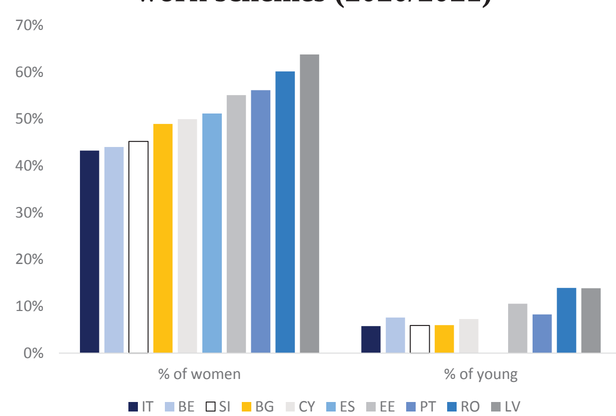
Source: Member States' reporting.

Graph 7: SURE coverage by firm size (% of total SURE coverage)



Source: *Member States' reporting.*
The remainder of firms are large firms. The distribution by firm size was not reported or not reported accurately by Czechia, Hungary and Poland.

Graph 8: Average share of women and young (15-24) beneficiaries across short-time work schemes (2020/2021)



Source: *EMCO data collection 2020 and 2021*. EMCO data is not available for all countries covered by SURE. Data coverage: From March 2020 (for each country), until most recent available data from EMCO, i.e. EL (November 2020), BG, IT, RO (December 2020), BE, CY, EE, LV (January 2021) and PT, SI (February 2021). Data for ES only available for share of women.

III. PRELIMINARY ANALYSIS OF THE IMPACT OF SURE

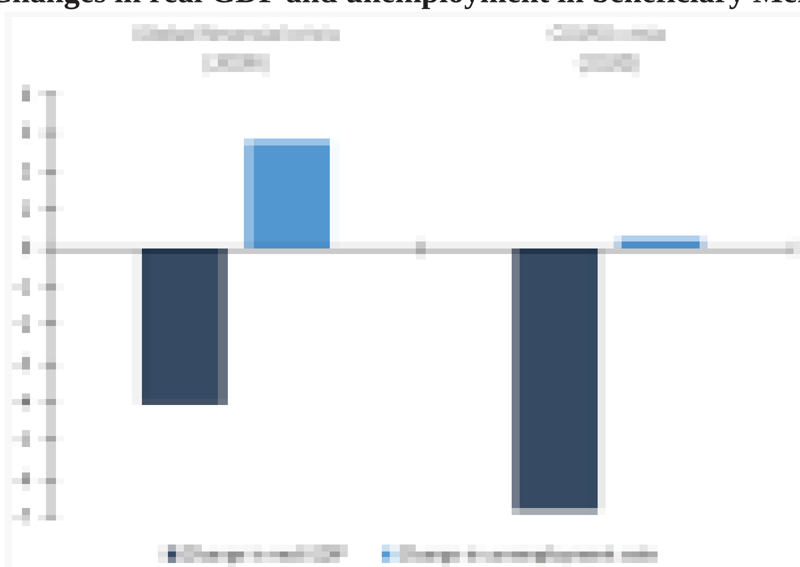
This section updates the analysis presented in the first SURE bi-annual report on the impact of SURE on employment and public finances.

3.1 Estimating the impact of SURE on unemployment

This section provides an updated assessment of SURE's impact on unemployment in beneficiary Member States. The purpose of SURE is to help Member States preserve employment of workers and the self-employed during the COVID-19 pandemic, thus protecting labour incomes and facilitating a swift recovery when the pandemic abates. The assessment presented here focuses on the relationship between output and unemployment since the onset of the pandemic. The results are informative, but figures should be interpreted with caution for methodological reasons. First, it is difficult to design a 'counterfactual' scenario of labour market performance in the absence of SURE. Second, the output-employment relationship is impacted by a wide range of factors, including SURE. 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.

The increase in unemployment rates in the first year of the COVID crisis in beneficiary Member States was clearly milder than during the global financial crisis, despite the more severe drop in GDP. Real GDP growth fell by 6.8% in the countries that benefitted from SURE funding in the first year of the COVID crisis in 2020 (see Graph 9). This drop is larger than the decline of 4.1% observed during the global financial crisis in 2009. At the same time, the unemployment rate increased by only 0.2 percentage point in 2020, compared with an increase of 2.8 percentage points in 2009.

Graph 9: Changes in real GDP and unemployment in beneficiary Member States

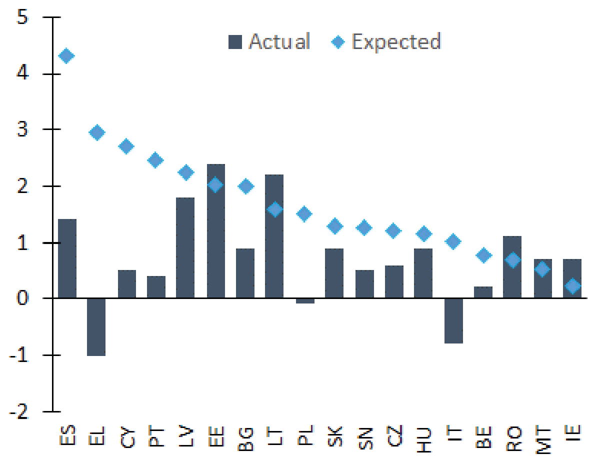


Note: The graph shows yearly growth rates for GDP and the change in the unemployment rate for SURE beneficiary Member States, weighted by their share of nominal GDP. Source: *Eurostat, Ameco.*

www.parlament.gv.at

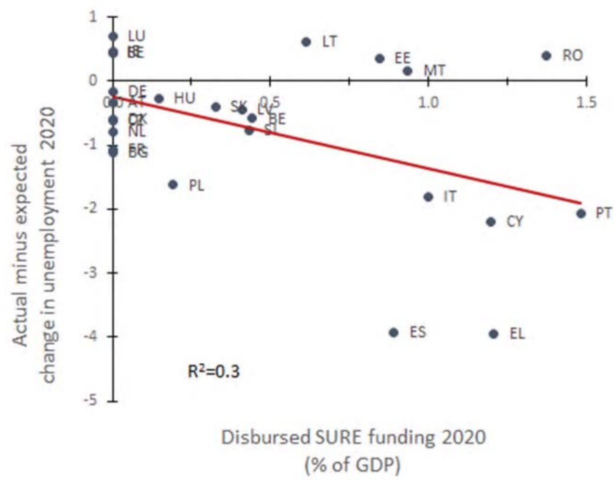
This containment of the rise in unemployment in 2020 is set to support the growth rebound in 2021. Looking at 2020-2021 together, based on the Commission 2021 Spring forecast, a similar picture to that depicted in Graph 9 holds: the unemployment rate in SURE beneficiary Member States is forecast to rise at a much slower pace (+0.6 percentage points in 2021 compared to 2019) than during the global financial crisis (+2.0 percentage points in 2009 compared to the previous year). But there is a noticeable difference: due to the strong economic recovery forecast for 2021, the average losses of GDP over the two years is set to be lower than during the global financial crisis (-1.1% compared with -1.5%). This suggests that keeping the available workforce connected with firms via short-time work schemes and similar measures has also helped support a generally swift recovery.

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



Note: y-axis: The expected change in unemployment rates corresponds to the prediction stemming from a country-specific regression model 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. Further details on the methodology is available in European Commission (2021), *Quarterly Report on the Euro Area*, Section III, *Vol. 20, No 2*.
Source: *Ameco and own calculations.*

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



Note: y-axis: The expected change in unemployment rates stems from the country-specific regression model explained in the note to Graph 10.
Source: *Ameco and own calculations.*

The rise in unemployment in 2020 was significantly weaker than expected in beneficiary Member States. Given the drop in GDP in 2020, the unemployment rate was expected to increase substantially, but this did not occur. The swift and sizeable policy measures taken in 2020 to address the COVID crisis mitigated the impact of the fall in output on unemployment, compared with the expected reaction of unemployment to GDP observed in the past (see Graph

10)[33]. The increase in unemployment rates was, in most countries, lower than expected[34]. These findings confirm the earlier results presented in the first bi-annual SURE report[35].

The policy support measures adopted, including SURE, effectively protected 1½ million people against unemployment in 2020. The lower-than-expected increase in unemployment can be partially attributed to the widespread use of short-time work schemes and similar measures, in particular in those Member States benefitting from the SURE instrument. At country level, the higher the amount received through SURE in 2020, the more moderate the rise in unemployment (Graph 11). These labour market measures, along with other policy responses to the pandemic, are estimated to have reduced the unemployment rate in SURE beneficiary Member States by around 1 percentage point compared with the expected rise in unemployment. This corresponds to around 1½ million people who avoided unemployment during the outbreak of COVID-19[36].

The channels explaining how SURE effectively facilitated a milder rise in unemployment are discussed in detail in the first bi-annual report on SURE. These include improving general confidence across the EU, support for and encouragement of the use of short-time work schemes, and the enabling of Member States to spend more on employment support and other pandemic-related policies. Survey data shown in the first report indicated that SURE played a role in the decision of a majority of beneficiary Member States to adopt a new short-time work scheme or to modify an existing scheme, and enabled some Member States to be more ambitious on measures similar to short-time work schemes. SURE also contributed to Member States increasing the generosity or length of their employment-retention schemes, since it underpinned Member States' confidence to undertake larger borrowing and spending than they otherwise would have, enjoying the interest rate savings obtained by EU despite their lower credit rating.

3.2 The direct financial effect: estimated interest rate savings

Member States are estimated to have saved a total of EUR 8.2 billion on interest payments by receiving financial assistance through SURE. This amount is based on the first seven issuances of SURE, up to the disbursement of 25 May 2021, which was the last disbursement before the reporting date. The estimated interest savings will therefore likely increase with the

[33] The responsiveness of changes in economic growth to 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).
[34] In Italy, Greece and Poland, the unemployment rate even declined in 2020.
[35] Our key findings also hold when replacing the change in unemployment rate with the change in the employment rate (i.e. employment over working-age population). This specification is a way to correct for the change in labour force, affecting unemployment indicators. For further details see European Commission (2021), *Quarterly Report on the Euro Area,* Section III, *Vol. 20, No 2.*
[36] The finding is derived from the regression model presented in Graph 11. It assumes that the actual and expected labour force is the same.

www.parlament.gv.at

final disbursements[37]. These savings were generated as SURE loans offered Member States lower interest rates than those they would have paid if they had issued sovereign debt themselves. This is due to the EU's AAA credit rating and the liquidity of the bonds. Table 4 provides a breakdown of interest savings by Member State[38].

Table 4: 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	8.2	0.06	14.7	0.14	1.7
Cyprus	0.6	0.62	14.7	0.06	9.5
Greece	5.3	0.73	14.6	0.51	9.8
Spain	21.3	0.44	14.7	1.59	7.4
Croatia	1.0	1.11	14.3	0.16	15.3
Hungary*	0.5	1.28	14.7	0.09	18.0
Italy	27.4	0.96	14.8	3.76	13.7
Lithuania	1.0	0.04	14.7	0.00	0.5
Latvia	0.3	0.10	14.6	0.00	1.5
Malta	0.4	0.56	14.6	0.04	8.4
Poland	8.2	0.35	13.0	0.42	5.0
Portugal	5.4	0.47	14.7	0.38	7.1
Romania	3.0	2.27	14.6	0.85	28.4
Slovenia	1.1	0.23	14.8	0.05	4.3
Slovakia	0.6	0.09	14.9	0.01	1.3
Bulgaria	0.5	0.37	15.0	0.03	6.7
Ireland	2.5	0.11	14.7	0.05	2.1
Czechia	2.0	0.23	10.1	0.04	1.9
Estonia**	0.2	0.0	15.2	0.00	0.0
Total	**89.6**	**0.63**	**14.5**	**8.18**	**9.1**

Note: Interest savings are computed bond by bond, and summed across issue dates and maturities.

** Hungary has issued only two 10-year and 30-year euro-denominated bonds since 2020, both in November 2020. Using these two bonds, the spread between the yield curve in national currency and in euro was extrapolated at other maturities and other issue dates.*

** *Estonia has issued only one outstanding 10-year bond, no data was available for other maturities. The spread with the EU SURE social bond at these other maturities is assumed to be close to zero.*

[37] 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.

[38] Further detail on the methodology can be found in Section III of the Quarterly Report on the Euro Area Vol. 20, No 2 (2021).

www.parlament.gv.at

IV. THE CONTINUATION OF THE EXCEPTIONAL OCCURRENCES THAT JUSTIFY THE APPLICATION OF THE SURE REGULATION

This section reports on the continuation of the exceptional occurrences that justify the application of the SURE instrument, as required by the SURE Regulation[39].

Uncertainty around the trajectory of the pandemic remains, with cases rising across Member States over the summer. The Delta variant of the SARS-CoV-2, in particular, spread rapidly and progress in vaccination campaigns has slowed in some countries. Some Member States have slightly tightened measures as the race between infections and vaccinations continues. As of 5 September 2021, according to the European Centre for Disease Prevention and Control (ECDC), the overall epidemiological situation in the EU was characterised by a high, slowly decreasing case notification and a low, but slowly increasing death rate. Cases amongst the 15-24 age group, the most affected group, have continued to fall, though cases are rising amongst children under 15. Increases in cases in older age groups, as well as in hospitalisation and mortality indicators, have been observed in several countries[40]. In the meantime, the experiences of some non-EU countries with high vaccination rates (e.g. Israel, Iceland) are raising important questions about the global vaccination push and the outlook for the fight to contain the COVID-19 pandemic.

The economic recovery has gained momentum, with the near-term outlook for the European economy brighter now than it appeared in Spring 2021. The Commission's summer 2021 forecast upgraded the EU GDP forecast to 4.8% in 2021 and 4.5% in 2022. While the level of economic activity was expected to return to its pre-crisis (Q4 2019) level in the last quarter of 2021, it would remain around 1% below the level expected had the pandemic not occurred, and the pace of recovery is expected to vary across Member States. The latest evidence shows that in the second quarter of 2021, real GDP growth in the EU rebounded strongly, at 1.9%, surpassing expectations. Moreover, although growth momentum is fading slightly and price pressures remain, recent survey data (PMIs for August) provide little evidence that concerns about the spread of the Delta variant and persistent supply problems are holding back the recovery.

The uncertainty surrounding the economic outlook remains high, though risks are broadly balanced. The emergence and spread of variants of the virus is a clear risk. A premature withdrawal of policy support could impact the recovery, as could an uneven recovery that hampers policy coordination across Member States. Meanwhile, a faster-than-expected recovery in other advanced economies could improve the outlook.

As is typical, the recovery in the labour market is likely to lag behind the recovery in output. While employment indicators have improved, the slack in the labour market

[39] Article 14(1) of the SURE Regulation. In any case, the period of availability of the Instrument during which a Council Implementing Decision can be adopted shall end on 31 December 2022, according to Art 12(3) of the SURE Regulation. Beyond this date, this support can be extended by the Council every 6 months (if financial resources are still available), according to Art 12(4).

[40] See ECDC Weekly Surveillance Report (week 35), https://www.ecdc.europa.eu/en/covid-19/surveillance/weekly-surveillance-report

www.parlament.gv.at

accumulated during the crisis remains substantial. The number of people employed in the EU in the first quarter of this year was 1.7% below its Q4 2019 level. The contact-intensive sectors that were hardest hit by the pandemic are likely to take the longest to recover. The Commission's spring 2021 forecast projected that the unemployment rate would remain at 7% in 2022, compared to 6.7% in 2019, assuming policy supports are not withdrawn prematurely.

The recovery will eventually require fiscal policy to shift from temporary emergency relief such as from SURE to more targeted recovery measures. The Commission's fiscal recommendations in Spring 2021 recommended Member States to continue to support the recovery in 2022, in particular through use of the Recovery and Resilience Facility (RRF) to boost investment and reforms. This would include active labour market policies such as hiring incentives and entrepreneurial support, upskilling and reskilling opportunities, and enhanced support by employment services, as advocated in the EASE Recommendation.

As the instrument will continue to be available throughout 2022, SURE can continue to be used to address severe economic disturbances caused by the COVID-19 pandemic. Almost EUR 6 billion remains available under SURE to date, which is more than the requests for top-up submitted by 6 Member States in early 2021.

V. Reporting obligations under the EU SURE Social Bond Framework

This report goes beyond the reporting obligation of the SURE regulation, also complying with the reporting requirement under the EU SURE Social Bond Framework[41]. The latter requires reporting on the allocation of SURE proceeds, type of expenditure and impact of SURE. Compared with the first biannual report, this report has further developed relevant information for investors, for instance on specific success stories (see Box 1) and the composition of employees and firms benefitting from the instrument.

The breakdown of SURE proceeds by beneficiary Member State and by type of Eligible Social Expenditure is provided in Sections 1.1 and 2.2, respectively. As of August 2021, 95% of the EUR 94 billion allocated had been disbursed to Member States and 90% of this has already been spent. A new breakdown of expenditure by short-time work scheme and similar measures is provided.

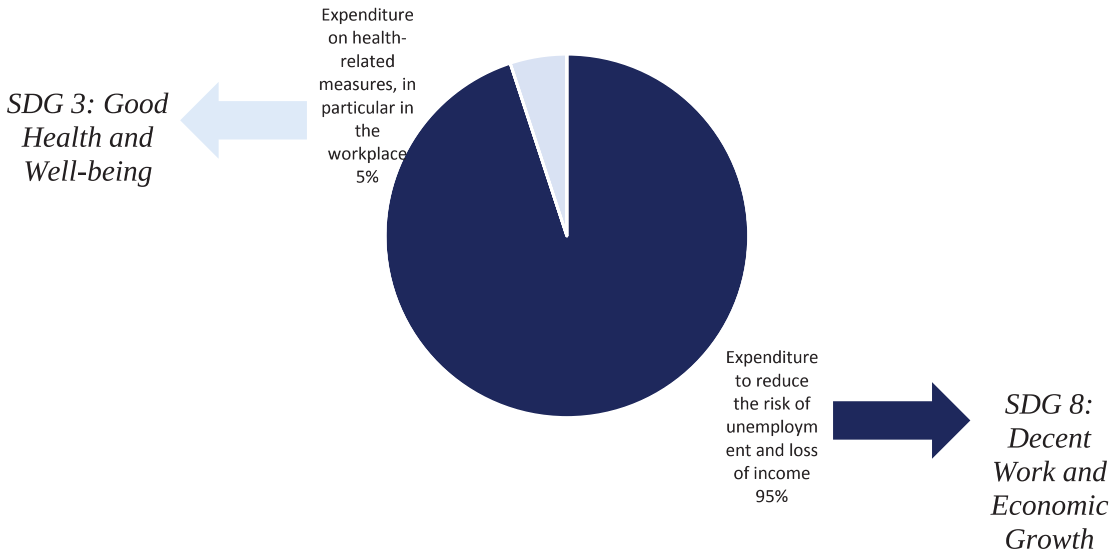
SURE public expenditure is also well aligned with the UN Sustainable Development Goals (SDGs). The most relevant ones are SDG 3 (Good Health and Well-being) and SDG 8 (Decent Work and Economic Growth). Graph 12 provides a breakdown of SURE public expenditure by eligible social expenditure as outlined in the Social Bond Framework: 95% is spent on reducing the risk of unemployment and loss of income, while 5% is spent on health-related measures. These categories map closely to SDGs 3 and 8, as shown in Graph 12.

[41] The EU SURE Social Bond Framework defines a standard, which provides investors with assurances that the EU bonds issued within this framework relate to projects serving a true social purpose. The framework is therefore in line with the ICMA Social Bond Principles.

www.parlament.gv.at

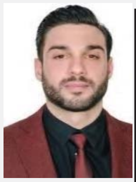
The impact of SURE is reported on in Sections 2.3 and 3.1. The estimated number of people and firms supported by SURE in 2020 has increased since the first SURE report, due to updated and improved reporting by Member States. SURE contributed to protecting almost 1½ million jobs that were saved in 2020, as shown in Section 3.1. Member States have also now saved an estimated EUR 8.2 billion in interest payments.

Graph 12: Social Bond Framework and SDG mapping



Box 1: SURE Success Stories[42]

The national expenditure on short-time work schemes and similar measures supported by SURE has helped small firms and entrepreneurs across the EU. This box documents two individual success stories.



Greece

Dimitris Kapothanasis owns a gym in Perama, near Athens. For him and many others working in the fitness industry, the coronavirus crisis has been an extremely difficult time. Gyms have been closed due to the risk of becoming hotspots for virus transmission, leaving the owners, staff and personal trainers temporarily out of work.

"Gyms in Greece are one of the industries that has suffered a huge financial impact, given that the owners have not had any revenues since February 2020."

Thanks to the national emergency measures supported under the SURE programme, gym employees have received a special allowance and had their social security contributions paid for as long as they were out of work. At the same time, owners like Dimitris and many others, for example Kleanthis Varelas from the town of Megara and Giorgos Ksiros from Athens, have been granted exemptions from paying rent, tax and insurance, and from loan obligations.

EU financial support has helped many Greek gyms withstand the crisis, and for Dimitris, there's now a light at the end of the tunnel. The secretary-general of Greece's fitness centre association, Doros Kleovoulou, is also satisfied with the SURE programme. In his view, it has been well received by many during this difficult period.

"Multiple support measures helped the fitness industry survive, where the impact of the crisis was and still is severe. We believe that the EU fully rose to the challenge."

Italy

Meet Bruno Gili. He's the president of Termomacchine, a company based in Turin that specialises in the design, construction and sale of specialist heating systems that run on electromagnetic induction – the process of generating electric current with a magnetic field.

Established in 1976 as a family business, Termomacchine had never before needed government support to keep going. However, the coronavirus crisis changed everything.

"Due to the pandemic, the volume of orders plummeted. As far as large orders are concerned, they froze in March 2020."

Fortunately the company has been receiving public support to pay employee wages even though the workforce is still only operating at around 40% full capacity. For Bruno it's clear – EU support has been invaluable during the crisis.

"We are certainly convinced that, without this kind of assistance, the country would not have been able to support companies and workers as it has done so far."

[42] For further SURE success stories, see here: https://ec.europa.eu/info/strategy/recovery-plan-europe/recovery-coronavirus-success-stories/jobs-and-economy/shoring-up-economy-across-EU_en

www.parlament.gv.at

ANNEX

Annex 1: Further detail on national measures

Table A1: Evolution of short-time work schemes (STWS) or wage subsidies in SURE countries

Country	Type	Continued/not	End (planned) date	+/-/= generosity
Belgium	STW	Ongoing	30 September 2021	=
Bulgaria	STW	Ongoing	31 July 2021	-
Croatia	STW	Ongoing	31 December 2021	-
Cyprus	STW	Ongoing	October 2021	+
Czechia	STW	Ended	June 2021 (main scheme) / October 2021 (provisions related to workers in quarantine). Additionally, a new permanent STWS has been legislated that can be activated in exceptional situations.	+
Estonia	STW	Ended	May 2021	-
Greece	STW	Ongoing	31 September 2021	-
Ireland	Wage subsidy	Ongoing[43]	31 December 2021	+
Italy	STW	Ongoing	1 July 2021 (ordinary scheme) / 31 December 2021 (firms not qualifying or having exhausted rights for the ordinary scheme)	-
Latvia	STW	Ended	June 2021	+
Lithuania	STW	Ongoing	31 August 2021	+
Malta	Wage subsidy	Ongoing	31 December 2021	-
Poland	STW	Ended	30 June 2021	+
Portugal	STW	Ongoing	Until the end of the month in which, by legislative or administrative decision, measures restricting economic activity are in place within the scope of the COVID-19 pandemic	+
Romania	STW	Ongoing	3 months after cessation of state of alert (the latter being prolonged every month - currently until 12 September 2021)	=
Slovakia	STW	Ongoing	December 2021	+
Slovenia	STW	Ongoing	30 September 2021	=
Spain	STW	Ongoing	30 September 2021	+

Note: The generosity of STW is evaluated at face value by the legal changes in the coverage and the level of income support.

[43] Since 1 September 2020, Ireland's wage subsidy scheme is ongoing, albeit with different specifications than the scheme supported by SURE.

www.parlament.gv.at

Annex 2: Further detail on SURE transactions and disbursements

Table A2: Key Statistics of the EU's SURE Borrowing Transactions (EUR)

	SURE #5	SURE #6		SURE #7	
Tranche	15 year	5 year	25 year	8 year	25 year
Size of bond	9 bn	8 bn	5 bn	8.137 bn	6 bn
Yield	0.228%	-0.488%	0.476%	0.019%	0.757%
Spread	MS-4 bps	MS-14 bps	MS+1 bps	MS-2 bps	MS+17 bps
Spread to Bund (bps)	33.4	20	34.4	31.5	40.6
Spread to OAT (bps)	-2.6	3.1	-11	-1.2	-21
New Issue Concession	2	1.5 bps	1.5 bps	2 bps	2.5 bps
Total investor demand	86 bn	46.5 bn	40 bn	51.2 bn	37.5 bn

Note: These statistics refer to the Commission's borrowings on behalf of the Union. 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.

www.parlament.gv.at

www.parlament.gv.at

Table A3: Disbursements to Member States under SURE (in EUR billion)

Country	Total 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			5th EU SURE issuance Issuance: 09.03.2021 Disbursement: 16.03.2021	6th EU SURE issuance Issuance: 23.03.2021 Disbursement: 30.03.2021			7th EU SURE issuance Issuance: 18.05.2021 Disbursement: 25.05.2021			Total disbursements	% of total requested	Avg. maturity
		10y	20y	Total	5y	30y	Total	15y	7y	30y	Total	15y	5y	25y	Total	8y	25.6y	Total			
Belgium	8.2							2.0	1.3	0.7	2.0		1.3	0.9	2.2	1.1	0.9	2.0	8.2	100.0%	14.7
Bulgaria	0.5															0.3	0.2	0.5	0.5	100.0%	15.0
Croatia	1.0				0.3	0.2	0.5					0.5							1.0	100.0%	14.3
Cyprus	0.6				0.2	0.1	0.3		0.2	0.1	0.2					0.1	0.0	0.1	0.6	100.0%	14.7
Czechia	2.0											1.0	1.0		1.0				2.0	100.0%	10.1
Estonia	0.2															0.1	0.1	0.2	0.2	100.0%	15.0
Greece	5.3				1.0	1.0	2.0		0.7		0.7					1.6	0.9	2.5	5.3	100.0%	14.5
Hungary	0.5							0.2	0.2	0.1	0.3								0.5	100.0%	14.7
Ireland	2.5												1.3	1.2	2.5				2.5	100.0%	14.7
Italy	27.4	5.5	4.5	10.0	3.1	3.4	6.5		4.5		4.5	3.9	0.7	1.2	1.9		0.8	0.8	27.4	100.0%	14.8
Latvia	0.3				0.1	0.0	0.1		0.0	0.0	0.1					0.1	0.0	0.1	0.3	100.0%	14.6
Lithuania	1.0				0.2	0.1	0.3					0.3				0.2	0.2	0.4	1.0	100.0%	14.7
Malta	0.4				0.1	0.0	0.1					0.1				0.1	0.1	0.2	0.4	100.0%	14.6
Poland	11.2	1.0	0.0	1.0					2.6	1.7	4.3		1.4		1.4	1.1	0.5	1.6	8.2	73.3%	13.0
Portugal	5.9							3.0								1.5	0.9	2.4	5.4	91.2%	14.6
Romania	4.1							3.0											3.0	73.2%	14.6
Slovakia	0.6							0.3				0.3							0.6	100.0%	14.9
Slovenia	1.1				0.2	0.0	0.2		0.5	0.4	0.9								1.1	100.0%	14.8
Spain	21.3	3.5	2.5	6.0	2.9	1.2	4.0			1.0	1.0	2.9	2.4	1.7	4.1	1.9	1.4	3.4	21.3	100.0%	14.7
Total	**94.3**	10.0	7.0	**17.0**	8.0	6.0	**14.0**	**8.5**	10.0	4.0	**14.0**	**9.0**	8.0	5.0	**13.0**	8.1	6.0	**14.1**	**89.6**	**95.1%**	**14.5**