BRIEFING

SURE implementation

Council Regulation 2020/672 established SURE, the European instrument for temporary support to mitigate unemployment risks in an emergency, which has been in force since 20 May 2020. This note provides an overview of the SURE implementing decisions as adopted by Council, of Commission issuances under SURE and of disbursements. It will be regularly updated.

1. Background

The European Commission proposed on 2 April 2020 a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE), which was published as Council Regulation 2020/672 on 19 May 2020. SURE aims at providing financial support for Member States experiencing, or seriously threatened with, a severe economic disturbance caused by the COVID-19 outbreak.

It allows complementing national financing for, primarily, short-time work schemes or similar measures aimed at protecting employees and the self-employed, as well as for some health-related measures, in particular in the workplace. The regulation is based on article 122 of the Treaty on the Functioning of the European Union (TFEU).

The SURE regulation allows the Commission to borrow up to a maximum of EUR 100 billion, on capital markets or with financial institutions, on behalf of the Union. Such borrowing is guaranteed by the Union and by a back-guarantee of (at least) EUR 25 billion, provided by all EU Member States. A specific EGOV briefing further details the SURE main features.

Under SURE, financial assistance is provided upon request of the concerned Member State and takes the form of a loan. The only condition for using the SURE instrument, set in article 3 of the Regulation, is that the Member State experience a sudden and severe increase of its public expenditure (actual or planned) and as direct consequence of measures adopted directly related to short-time work schemes and similar schemes, caused by the COVID-19 outbreak. Some health-related expenditures can also be financed through SURE. There are no specific references framing the "*short time work schemes and similar effects*" nor to the "*health-related expenses*" that could qualify for financing under SURE; the Commission assessment report (referred to below) provides an overview of the national expenses being covered by SURE.

So far, the instrument has been activated to provide financial assistance to 19 Member States.

On 22 March the Commission adopted its first bi-annual report on the assessment of the functioning of the Regulation (with the cut-off date being 26 February). On 22 September the Commission adopted the second bi-annual report on the same assessment, which concludes, by its cut-off date (end June), that:

(a) The SURE instrument has had a large take-up: around 94% of its available lending capacity has been taken up by 19 Member States, which have broadly received the amounts requested (an increase from 90% since the first report); 6 Member States were granted additional "top-up" support in April 2021;

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(b) Absorption of SURE funds is high in most Member States: sixteen out of nineteen Member States have already spent or plan to spend at least the financial assistance they were granted under SURE on eligible measures. Romania, Portugal and Cyprus lower total public expenditure than the amount granted by the Council under SURE. For Cyprus, the Commission considers the gap to be temporary; for Portugal, measures are identified that will allow absorbing the full allocated amount. In Romania, the low absorption level derives from a weaker than expected impact of the pandemic and a stronger than expected recovery; the Commission is engaging with the authorities to discuss potential solutions;

(c) By the end of May 2021, 90% of total planned public expenditure on eligible measures had already taken place (increase from 80% since first report) and Member States plan to use all the available resources (the Commission notes that the capacity of absorption in three Member States needs to be monitored further); some Member States also plan to spend more than their quota of SURE, which reflects the complementarity nature of SURE. The Commission notes that total public expenditure on elegible expenses is expected to reach EUR 114 billion (net of financing through the European Structural Investment Funds)

(d) Sixteen Member States (one more since the first report) used SURE to finance short-term employment schemes; approximately 31 million people (representing between approximately 5% and 60% of Member States' total employment, with larger number in Slovenia and smaller in Latvia) and 2½ million firms received support; only around 5% of amounts disbursed were used to cover health-related measures;

(e) In accordance with the Commission first report, financial assistance under SURE is equal to 2.8% of the wages of employees and the self-employed across beneficiary Member States in 2020, ranging from 0,8% to 5,3% across Member States (being the higher Portugal and the lower Hungary);

(f) Member States are estimated to have saved a total of around EUR 8.2 billion in interest payments due to the more favourable interest rates the Union finances itself (increase from 5.8 billion in first report) and are then passed on to Member States (data for the first seven issuances of SURE, up to the disbursement on 18 May 2021); interests to be paid depend on the timing of Member States requests (and thus, of disbursements) and on the market conditions at the time of issuance[1];

(g) Unemployment rates increased only slightly in the EU, and less than during the last financial crisis, despite the more severe drop in gross domestic product in 2020; national labour markets measures supported by SURE are estimated to have reduced unemployment by almost 1½ million people in 2020. The Commission further notes that "*The participation of women and youth in short-time work increased during the COVID-19 crisis*";

(h) Economic recovery has gained momentum with a brighter economic outlook than in Spring 2021; uncertainty remains high, so a premature withdrawal of policy support could impact the economic recovery; a shift toward more targeted recovery measures, such as the Recovery and Resilience Facility (RRF), will eventually be required; the SURE instrument will continue to be available throughout 2022 and can be used to address the economic disturbances caused by the COVID-19 outbreak (almost EUR 6 billion remain available).

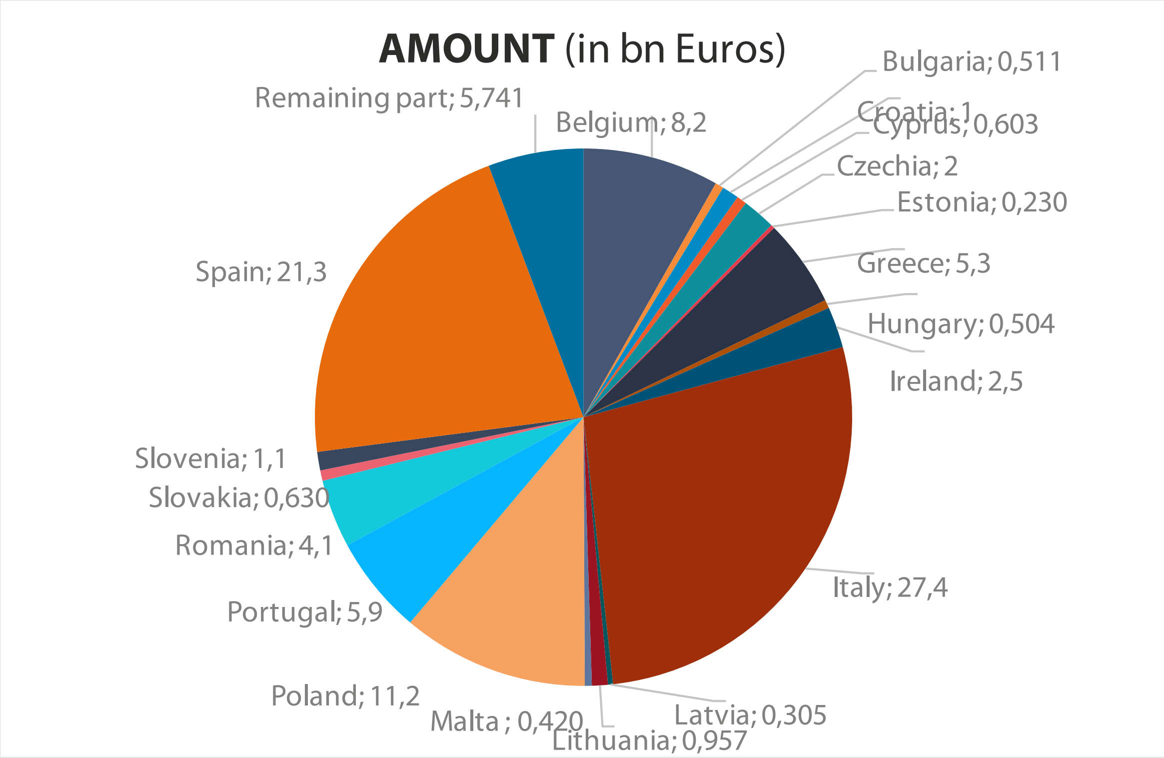
The Annex lists the Council implementing decisions adopted and the disbursements made so far. Disbursements are usually made within one week of Commission's bond issuances under SURE. Most Member States have already received the full amounts requested, exemptions being Poland, Portugal and Romania.

[1] Further data is to be found in the Commission latest Quarterly Report of the Euro Area (dated July 2021).

2. Loans and disbursements

So far, loans have been provided to 19 Member States upon their request.

Figure 1: Loans under SURE (in EUR bn) allocated to the 19 Member States



Source: EGOV elaboration based on Council implementing decisions (numbers have been rounded to two decimals)

The loans given to Member States have an average maximum maturity of 15 years and an availability period of 18 months. Most of the loans will be disbursed in 8 instalments (notably those of Portugal, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Greece, Ireland, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia, Estonia) but Italy, Spain and Poland may receive funding in 10 instalments (these are also the largest recipients[2]). The loan costs to be borne by Member States include EU cost of financing plus fees, costs and expenses of the Union resulting from any funding related to the loan granted (these are not quantified).

3. Financing the SURE

On 7 October 2020, the Commission announced it would be issuing the whole EUR 100 billion SURE allocated funds as "social bonds", aligned with the Sustainable Development Goals (SDG) of the United Nations (UN). To do so, the EU Commission has adopted an independent Social Bond Framework. One of the objectives of the creation of this framework is to ensure to investors that the funds mobilised will have a clear social objective. Member States will report periodically how these funds have been spent and on their social impact. The Social Bond Framework is aligned the Social Bonds Principle (SBP) published by the International Capital Market Association (ICMA) and the instrument is considered an ESG debt instrument.

In its first report on SURE implementation, the Commission notes that "*Overall, the proceeds of SURE that have been granted and disbursed to Member States have been allocated towards public expenditure on short-time*

[2] As the Commission points out in its first assessment report, these Member States have collectively 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.

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.". In its second report, the Commission maintains the previous statement and highlights that the report "(...) *confirms that SURE spending was well aligned with the UN Sustainable Development Goals.*".

The EU has AAA/Aaa/AA/AAA/AAA credit ratings according to the credit rating agencies (Fitch, Moody´s, DBRS and Scope and AA by Standards and Poor´s). For further information check here. The SURE instrument is part of the loan programmes launched by the Commission on behalf of the EU. The funding is obtained from capital markets.

For the SURE instrument, the EU issued in 2020 an amount of around EUR 39.5 million with maturities from 5 to 30 years. In 2021, EUR 23 billion were issued, with maturities of 7, 15 and 30 years. Overall, and by 19 October, EUR 85,637 billion have been raised (for more detailed information see Table 1).

Table 1: Commission bond issuance under SURE

Pricing Date	Amount (in EUR)	Main characteristics of the bonds
20.10.2020	7 bn	Maturity 4 October 2040 (20y); yield: 0.131%
	10 bn	Maturity 4 October 2030 (10y); yield: -0.238%
10.11.2020	8 bn	Maturity 4 November 2025 (5y); yield: -0.509%
	6 bn	Maturity 4 November 2050 (30y); yield: 0.317%
24.11.2020	8,5 bn	Maturity 4 July 2035 (15y); yield: -0.102%
26.01.2021	10 bn[3]	Maturity 2 June 2028 (7y); yield: -0.497%
10.03.2021	9 bn	Maturity 4 June 2036 (15y); yield: 0.228%
23.03.2021	8 bn	Maturity 4 March 2026 (5y); yield: -0.488%
	5 bn	Maturity 4 March 2046 (25y); yield 0.476%
18.05.2021	8,137 bn	Maturity 4 July 2029 (8y); yield 0.019%
	6 bn	Maturity 4 January 2047 (25y); yield 0.757%
09.03.2021	9 bn	Maturity 4 June 2036 (15y); yield: 0.228%
Total issued so far	94,637 billion	

The Commission second report also displays the replayment schedule of these instruments (table 2 of Commission's report).

[3] At the same time, the Commission tapped an earlier line, maturing on 4th November 2050, by issuing additional 4bn (yield of 0.134%).

Annex: Loan decisions and disbursements under SURE

Member State	Commission proposals	Council implementing decisions	Amount of the loan granted (mil. EUR)[4]	Dates of disbursements	Amounts disbursed (mil. EUR)	Total disbursed funds (mil. EUR)	Disbursed proportion of granted funds[5]
Belgium	COM(2020) 471 final COM(2021) 168 final	2020/1342, of 25 September 2020 2021/681, of 23 April 2021	7803,38 394 (8197,53)	01.12.2020	2000	8200	100%
				02.02.2021	2000		
				30.03.2021	2200		
				25.05.2021	2000		
Croatia	COM(2020) 465 final	2020/1348, of 25 September 2020	1020,60	17.11.2020	510	1020	100%
				16.03.2021	510		
Cyprus	COM(2020) 454 final COM(2021) 167 final	2020/1344, of 25 September 2020 2021/680, of 23 April 2021	479,07 125 (603,77)	17.11.2020	250	603	100%
				02.02.2021	229		
				25.05.2021	124		
Ireland	COM(2020) 754 final	2020/2005, of 4 December 2020	2473,89	30.03.2021	2470	2470	100%
Greece	COM(2020) 449 final COM(2021) 166 final	2020/1346, of 25 September 2020 2021/679, of 23 April 2021	2728 2537 (5265)	17.11.2020	2000	5268[6]	100%
				02.02.2021	728		
				25.05.2021	2540		

4 The second line of data refers to the additional loan amount decided by the Council. Figures in brackets are the total amount of loan granted, as stated in the Council implementing decision; these numbers might slightly differ from the sum of the individual loan amounts decided by the Council due to the rounding of the individual amounts.

5 All figures have been rounded to the nearest integer because the retrieved data for disbursements, expressed in billions, was rounded to two decimal points.

6 This number was calculated using as reference the Commission press releases announcing Greece disbursements (dated of 17.11.2020, 02.02.2021 and 25.05.2021). The Commission summary table on disbursements (here) signals that Greece has received 5 265 mil. EUR.

Member State	Commission proposals	Council implementing decisions	Amount of the loan granted (mil. EUR)[4]	Dates of disbursements	Amounts disbursed (mil. EUR)	Total disbursed funds (mil. EUR)	Disbursed proportion of granted funds[5]
Czechia	COM(2020) 448 final	2020/1345, of 25 September 2020	2000	16.03.2021	1000	2000	100%
				30.03.2021	1000		
Hungary	COM(2020) 651 final	2020/1561, of 23 October 20	504,33	01.12.2020	200	504	100%
				02.02.2021	304		
Italy	COM(2020) 466 final	2020/1349, of 25 September 2020	27438,49	27.10.2020	10000	27441	100%
				17.11.2020	6500		
				02.02.2021	4450		
				16.03.2021	3870		
				30.03.2021	1870		
				25.05.2021	751		
Latvia	COM(2020) 468 final COM(2021) 165 final	2020/1351, of 25 September 2020 2021/677 of 23 April 2021	192,70 112,5 (305,2)	17.11.2020	120	305	100%
				02.02.2021	72		
				25.05.2021	113		
Lithuania	COM(2020) 463 final COM(2021) 164 final	2020/1350, of 25 September 2020 2021/678, of 23 April 2021	602,31 355 (957,26)	17.11.2020	300	957	100%
				16.03.2021	302		
				25.05.2021	355		
Malta	COM(2020) 464 final COM(2021) 163 final	2020/1352, of 25 September 2020 2021/676, of 23 April 2021	243,63 177 (420,82)	17.11.2020	120	420	100%
				16.03.2021	123		
				25.05.2021	177		

Member State	Commission proposals	Council implementing decisions	Amount of the loan granted (mil. EUR)[4]	Dates of disbursements	Amounts disbursed (mil. EUR)	Total disbursed funds (mil. EUR)	Disbursed proportion of granted funds[5]
Poland	COM(2020) 455 final	2020/1353, of 25 September 2020	11236,69	27.10.2020	1000	8240	73%
				02.02.2021	4280		
				30.03.2021	1400		
				25.05.2021	1560		
Portugal	COM(2020) 473 final	2020/1354, of 25 September 2020	5934,46	01.12.2020	3000	5410	91%
				25.05.2021	2410		
Romania	COM(2020) 439 final	2020/1355, of 25 September 2020	4099,24	01.12.2020	3000	3000	73%
Slovakia	COM(2020) 462 final	2020/1357, of 25 September 2020	630,88	01.12.2020	300	630	100%
				16.03.2021	330		
Slovenia	COM(2020) 467 final	2020/1356, of 25 September 2020	1113,67	17.11.2020	200	1113	100%
				02.02.2021	913		
Spain	COM(2020) 469 final	2020/1347, of 25 September 2020	21324,82	27.10.2020	6000	21330	100%
				17.11.2020	4000		
				02.02.2021	1030		
				16.03.2021	2870		
				30.03.2021	4060		
				25.05.2021	3370		

Member State	Commission proposals	Council implementing decisions	Amount of the loan granted (mil. EUR)[4]	Dates of disbursements	Amounts disbursed (mil. EUR)	Total disbursed funds (mil. EUR)	Disbursed proportion of granted funds[5]
Estonia	COM(2021) 104 final	2021/513, of 22 March 2021	230,00	25.05.2021	230	230	100%
Bulgaria	COM(2020) 470 final	2020/1343, of 25 September 2020	511,00	25.05.2021	511	511	100%
Total amount allocated so far	94,268 billion						
Total amount disbursed so far	89,652 billion						
Amount still to be disbursed	10,348 billion						

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