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 Functioning of the European Union.

The SURE regulation allows the Commission to borrow up to a maximum of 100 billion euro, 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) 25 billion euro, 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 Member State concerned 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. The Commission concludes that, by the cut-off date of the report (26 February):

(a) the Instrument had had a large takeup: around 90% of its available lending capacity has been taken up by the Member States, which have broadly received the amounts requested;

(b) fifteen Member States used SURE to finance short-term employment schemes; between 25 and 30 million people (representing between 7% and 70% of Member States' total employment, with larger number in Slovenia and smaller in Bulgaria) and 1½ million and 2½ million firms received support; only around 5% of amounts disbursed were used to cover health-related exposures;

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(c) 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);

(c) by the end of 2020, 80% of total planned public expenditure on eligible measures had already taken place 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 the Commission considers reflects the complementary nature of SURE;

(d) Member States are estimated to have saved a total of around EUR 5.8 billion in interest payments due to the more favourable interest rates the Union finances itself and are then passed on to Member States (data for the first four issuances of SURE, up to the disbursement on 2 February 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;

(e) unemployment rates incresased only sligthly in the EU, and less than during the last financial crisis, despite the more severe drop in gross domestic product in 2020;

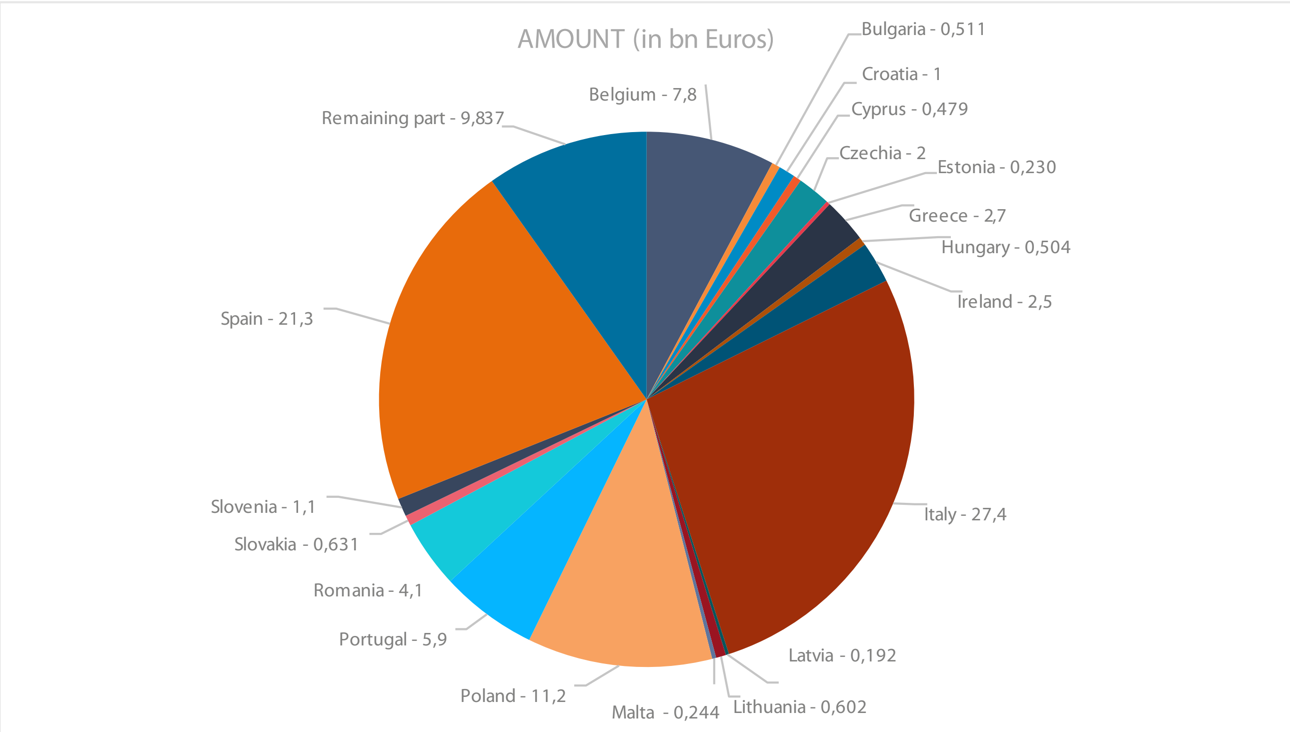
(f) the current economic situation requires continuation of the SURE instrument.

The Annex lists the Council implementing decisions adopted and the disbursements made so far (8 April 2021). Disbursements are usually made within one week of Commission's issuances under SURE. Most Member States have already received the full amounts requested, exemptions being Belgium, Poland, Portugal, Romania and Spain. Estonia and Bulgaria have yet to receive SURE funding.

2. Loans and disbursements

So far, loans have been provided 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[1]). 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 bn 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 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.*".

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, EUR 75.5 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[2]	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%

[1] 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.

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

Annex

Table : Loan decisions and disbursements under SURE

Member State	Commission proposal	Council implementing decision	Amount of the loan granted (mil. EUR)	Dates of disbursements	Amounts disbursed (mil. EUR)	Total disbursed funds (mil. EUR)	Disbursed proportion of granted funds[3]
Belgium	COM(2020) 471 final	2020/1342, of 25 September 2020	7803,38	01.12.2020	2000	6200	79%
				02.02.2021	2000		
				30.03.2021	2200		
	COM(2021) 168 final	-	394	-	-	-	-
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	2020/1344, of 25 September 2020	479,07	17.11.2020	250	479	100%
				02.02.2021	229		
	COM(2021) 167 final	-	125	-	-	-	-
Ireland	COM(2020) 754 final	2020/2005, of 4 December 2020	2473,89	30.03.2021	2470	2470	100%
Greece	COM(2020) 449 final	2020/1346, of 25 September 2020	2728	17.11.2020	2000	2728	100%
				02.02.2021	728		
	COM(2021) 166 final	-	2500	-	-	-	-
Czechia	COM(2020) 448 final	2020/1345, of 25 September 2020	2000	16.03.2021	1000	2000	100%
				30.03.2021	1000		

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

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	26690	97%
				17.11.2020	6500		
				02.02.2021	4450		
				16.03.2021	3870		
				30.03.2021	1870		
Latvia	COM(2020) 468 final	2020/1351, of 25 September 2020	192,70	17.11.2020	120	192	100%
				02.02.2021	72		
	COM(2021) 165 final	-	113	-	-	-	-
Lithuania	COM(2020) 463 final	2020/1350, of 25 September 2020	602,31	17.11.2020	300	602	100%
				16.03.2021	302		
	COM(2021) 164 final	-	355	-	-	-	-
Malta	COM(2020) 464 final	2020/1352, of 25 September 2020	243,63	17.11.2020	120	243	100%
				16.03.2021	123		
	COM(2021) 163 final	-	177	-	-	-	-
Poland	COM(2020) 455 final	2020/1353, of 25 September 2020	11236,69	27.10.2020	1000	6680	59%
				02.02.2021	4280		
				30.03.2021	1400		
Portugal	COM(2020) 473 final	2020/1354, of 25 September 2020	5934,46	01.12.2020	3000	3000	51%
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	17960	84%
				17.11.2020	4000		
				02.02.2021	1030		
				16.03.2021	2870		
				30.03.2021	4060		
Estonia	COM(2021) 104 final	2021/513, of 22 March 2021	230,00	-	-	-	-
Bulgaria	COM(2020) 470 final	2020/1343, of 25 September 2020	511,00	-	-	-	-
Total amount disbursed so far					75,5 billion		
Amount still to be disbursed					24,5 billion		

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