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

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

SURE at 18 months: third bi-annual report

EXECUTIVE SUMMARY

This report is the third bi-annual report on the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). It confirms the findings outlined in the previous reports and 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.

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

The implementation of the instrument was swift and smooth and almost all of the EUR 94 billion of SURE financial assistance granted has now been disbursed to 19 Member States. 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.

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 and re-confirms that SURE spending has been well aligned with the UN Sustainable Development Goals.

The continued use of SURE by beneficiary Member States

This report confirms the earlier estimate that SURE covered around 31 million people and 2½ million firms in 2020. This represents almost 30% of total employment and one quarter of total firms in beneficiary Member States. Small firms have been the primary beneficiaries of SURE support. The most supported sectors were wholesale and retail trade, accommodation and food services and manufacturing, while many Member States also supported further sectors with targeted measures.

SURE continued to protect employment during the uneven recovery in 2021, supporting approximately 3 million people and over 400 thousand firms. Public expenditure on SURE-eligible measures has continued to broadly mirror the epidemiological situation. Reflecting the subsequent waves of the pandemic, aggregate SURE public expenditure in 2021 turned out to be EUR 3 billion higher than expected at the time of the previous reporting in June 2021. Although the use of short-time work schemes has declined since its peak in 2020, it remained substantial in 2021.

In January 2022, one Member State was granted additional financial assistance, while another had its Council Implementing Decision amended to include additional measures. Hungary received top-up support of EUR 147 million to extend existing measures and fund a new one. Portugal's original Council Implementing Decision was amended to include three additional measures, allowing Portugal to absorb the full amount of financial assistance already granted in September 2020.

Almost all the total planned public expenditure under SURE has now taken place. Total public expenditure on SURE-eligible measures is now expected to reach EUR 118 billion. This is well in excess of the total financial assistance granted (EUR 94 billion), since a number of Member States spent or planned to spend more on eligible measures than the requested financial assistance. This shows the high relevance of the measures supported by SURE from the perspective of Member States. Over half of total public expenditure on SURE-eligible measures covers short-time work schemes. The ancillary nature of the health-related expenditure - only representing 5% of total expenditure - has once again been confirmed.

The absorption of SURE financial assistance is high for the vast majority of Member States. It remains very low in only one Member State and under close monitoring in another. In Romania, the wide absorption gap identified in the first and second reports – three quarters of the amount granted by the Council - remains broadly unchanged. In Poland, a moderate absorption gap appears due to lower-than-expected spending on SURE-eligible measures, while none was identified in the national reporting used in the second report. The total expenditure in Poland is below the amount granted by the Council under SURE, whereas it remains above the amount already disbursed. The absorption risk identified in Portugal and Cyprus in the second report is no longer an issue.

An updated assessment of the impact of SURE

This report confirms the previous report's estimate that the policy support measures, including SURE, effectively prevented 1½ million people from becoming unemployed in 2020. The rise in unemployment in 2020 in beneficiary Member States was moderate, despite the large fall in economic output, and significantly lower than expected. This was achieved by retaining employees in their firms and maintaining the activity of the self-employed. As an additional factor, SURE also helped improve general confidence across the EU, which was confirmed by a recent Eurobarometer survey in which SURE received broad-based support from EU citizens. As reported in the second bi-annual report, Member States are also estimated to have saved a total of EUR 8.2 billion on interest payments by receiving financial assistance through SURE.

Looking forward, the protection of employment in the first two years of the pandemic has been supporting a more rapid recovery than after previous crises. In 2022, the recovery is forecast to more than offset the GDP loss incurred during the COVID-19 crisis, significantly outperforming the pace of recovery seen after the global financial crisis and euro area crisis, when GDP remained well below its pre-crisis level two years after their outbreak. SURE

contributed to this by financing schemes to allow firms to retain employees and skills and to facilitate the self-employed to be ready to resume their activities.

The continuation of the exceptional occurrences justifying SURE

High uncertainty continues to surround the economic outlook given the unpredictable nature of the pandemic – against which SURE was created – and the evolving geopolitical situation in Ukraine. Most EU Member States avoided reintroducing broad-based, strict containment measures throughout the winter and during the Omicron wave, although certain sectors remained particularly affected by restrictions. Uncertainty surrounding the virus and potential new variants remains elevated. The growth momentum that was building in 2021 slowed at the end of the year and the invasion of Ukraine has heightened economic uncertainty.

Policy measures to mitigate the impacts of the pandemic became increasingly targeted to facilitate the recovery and were supported by the Recovery and Resilience Facility. As SURE remains in place until 31 December 2022 and EUR 5.6 billion is still available to date, financial assistance under the instrument can continue to be granted to address severe economic disturbances caused by the COVID-19 pandemic.

Information on national audit and control systems

This report introduces an examination of the national control and audit systems as reported by Member States, as per the SURE Regulation, to prevent the misuse of SURE financial assistance. Separately from the Commission's control systems, Member States should ensure the proper use of funds at national level, prevent irregularities and fraud and recover misused funds, in accordance with the SURE Regulation and bilateral loan agreements. To ensure that Member States have the necessary systems in place to respect this obligation, the Commission requested Members States to provide information on national control and audit systems relevant for SURE. This report summarises the information reported by all beneficiary Member States.

The institutional structure of national control and audit systems varies greatly across Member States. In almost all Member States, the institutions performing control and audit of the measures supported by SURE were already in place before the COVID-19 pandemic. In one Member State, new institutions were specifically put in place for the measures supported by SURE. In another Member State, new audit and control systems were put in place for one particular measure only, in addition to the existing ones.

All beneficiary Member States have run controls to prevent the misuse of SURE financial assistance. In all Member States but one, controls and audits have detected some instances of irregularities or fraud. Member States have reported similar types of irregularities or fraud and all Member States have documented their work. 13 Member States took legal action to recover improperly used funds. In some Member States, funds were recovered without legal action.

INTRODUCTION

This report is the third 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[1]. 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.

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)[2] to deliver on its obligation to report to the European Parliament, the Council, the Economic and Financial Committee (EFC) and the Employment Committee[3]. The next report will be due by end-September 2022. The cut-off date for including information in this report was 7 February 2022 for Member States' reporting and 6 March 2022 for epidemiological and economic data[4].

This report reconfirms, as of January 2022, the positive assessments of SURE presented in the first two bi-annual reports. Its key findings can be summarised as follows:

- Approximately 31 million people and 2½ million firms are estimated to have been covered by SURE in 2020.
- 3 million people and over 400 thousand firms were covered by SURE in 2021 in 13 Member States.
- National labour market measures supported by SURE are estimated to have effectively helped prevent unemployment for almost 1½ million people in 2020;
- 19 Member States have requested and been granted financial assistance under SURE.
- Amongst those, 7 Member States have been granted additional top-up support by the Council, the latest being Hungary in January 2022.
- Over EUR 94 billion has been allocated and almost EUR 90 billion has been disbursed.

[1] 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 on the basis of the Commission's proposal of 2 April 2020.

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

[3] 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).

[4] All reporting tables were initially submitted by 26 January 2022 and audit questionnaires by 7 February 2022 (apart from Latvia, who submitted the questionnaire on 15 February 2022). In addition, some minor clarifications of data were provided after this date.

- 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 almost one third of total assistance for measures for the self-employed.
- 5% was allocated to health-related measures, which are 'ancillary' in accordance with the SURE Regulation.
- The absorption of SURE financial assistance is high for 17 of the 19 Member States.
- Absorption is still very low in one Member State and monitored closely in another[5]. Absorption is no longer an issue in the two other Member States identified in the previous bi-annual report.
- All Member States have run controls to prevent the misuse of SURE financial assistance. In all Member States but one, controls and audits detected instances of irregularities and fraud.
- Beyond the social and employment benefits, Member States are estimated to have saved EUR 8.2 billion in interest payments[6].
- Over EUR 5 billion is still available under SURE until the end of 2022, which could be used to continue to address economic disturbances caused by the COVID-19 pandemic.
- Further to these findings, the Eurobarometer published in December 2021 indicates that 82% of Europeans consider that SURE loans were a good idea.

This report updates the information contained in the first two bi-annual SURE report and extends the analysis in some areas. It covers institutional developments since the second report's cut-off date in early September 2021, including the granting of additional financial assistance to Hungary and the amendment of the Council Implementing Decision (CID) for Portugal to include additional eligible measures with the financial assistance amount unchanged. The analysis in the previous reports is updated, in particular on the public expenditure by Member States covered by SURE – based on bi-annual reporting provided by Member States in January 2022 – and on the estimated impact of SURE – based on the latest macroeconomic figures. It builds on the analysis of the coverage of SURE of employees, self-employed and firms by considering developments in 2021. Importantly, and in accordance with the SURE Regulation and bilateral loan agreements, this report introduces an examination of the national control and audit systems put in place in Member States to prevent the misuse of SURE financial assistance.

The report reviews the use of the SURE instrument to date and analyses its socio-economic impacts. It is structured into six 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[7]. Section III updates the initial assessment of the impact of SURE provided in the previous reports. Section IV examines the exceptional occurrences that justify the

[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. Romania has a very low level of absorption while Poland's is under close monitoring.
[6] This figure is the same as in the second SURE report as there have been no new disbursements in the meantime.
[7] Sections I and II pertain to the use of financial assistance under SURE as per Article 14(1) of the SURE Regulation.

continuation of SURE. Section V reports on the national control and audit systems. Finally, Section VI provides the relevant reporting committed to under Section 2.4 of the EU SURE Social Bond Framework, which is merged into this report[8].

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

1.1 Overview of beneficiary Member States and amounts granted

One Member State already benefitting from SURE, Hungary, was granted additional financial assistance in January 2022. Hungary requested top-up support of EUR 147 million in December 2021 following the resurgence of the pandemic earlier in the year, which was granted by the Council on 25 January 2022 based on a Commission proposal on 21 December 2021[9]. This brings the total SURE financial assistance granted to EUR 94.4 billion (see Table 1).

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	651 470 000	147 140 000	504 000 000	147 000 000
Ireland	2 473 887 900	0	2 473 000 000	0
Estonia	230 000 000	0	230 000 000	0
Total	**94 414 795 575**	**3 847 625 000**	**89 637 000 000**	**4 769 000 000**

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

[8] https://ec.europa.eu/info/strategy/eu-budget/eu-borrower/eu-borrowing-activities/eu-sure-social-bond-framework_en

[9] Council Implementing Decision (EU) 2022/98 of 25 January 2022 amending Implementing Decision (EU) 2020/1561 granting temporary support under Regulation (EU) 2020/672 to Hungary to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 17, 26.1.2022, p. 42.

1.2 Disbursements, outstanding amount and applicable repayment schedule

By February 2022, almost EUR 90 billion of SURE financial assistance had been disbursed to 19 Member States (see Table 1). This represents 95% of the total SURE financial assistance granted by the Council to Member States. As well as the recent top up granted to Hungary, there remains a relatively small amount of funds to be disbursed, delayed either at the request of the Member States concerned or until the absorption of funds is ensured. The total outstanding amount for disbursement represents less than EUR 5 billion. Further detail on the SURE transactions and disbursements to Member States is reported in Table A1 in the Annex.

The aggregate repayment schedule of SURE outstanding loans is presented below. Table 2 indicates for each year the total amount of principal to be repaid and interest payments.

The average maturity of disbursements to Member States is 14.5 years. This is close to the maximum of 15 years provided by the respective CIDs.

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 presents the number of employees and firms supported by SURE.

2.1 Actual and planned public expenditure supported by SURE

2.1.1 Monitoring of public expenditure on eligible measures

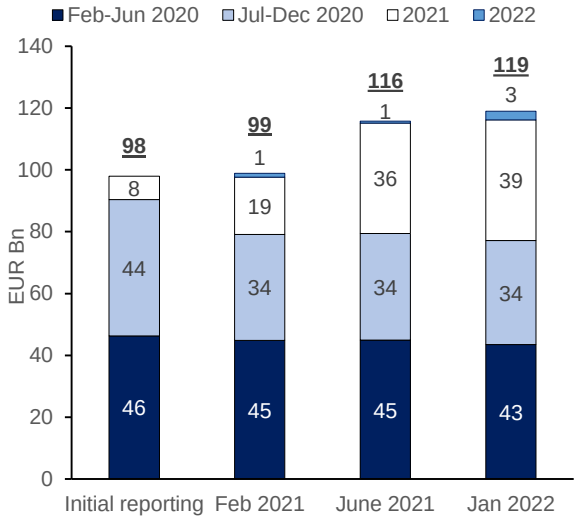
Bi-annual reporting by beneficiary Member States is used to monitor the planned and actual use of the financial assistance granted under SURE[10]**.** The required reporting includes the allocation of public expenditure across measures covered by SURE (and the employee and firm coverage of those measures, as reported in Section 2.3). There have been four series of this reporting thus far: in August 2020 ("initial reporting"), in January-February 2021 ("first report"), in June 2021 ("second report") and January 2022 ("latest reporting"). The information is presented *as reported by Member States* on measures that are eligible for SURE. Some Member States have supplemented SURE support with national financing or EU structural funds, thus expenditure can 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.

Almost all the total planned public expenditure under SURE has now been implemented. The SURE Regulation allows for financial assistance to be used for planned increases in public expenditure on measures covered by SURE. 98% of total planned public expenditure on eligible measures had already taken place by the end of 2021[11]. In June 2020, the share of planned expenditure was 54% (according to the initial reporting); by June 2021 (the time of the second report), this share had fallen to 10%. The remaining planned expenditure is now just 2% (see Graph 2), with many measures now concluded.

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

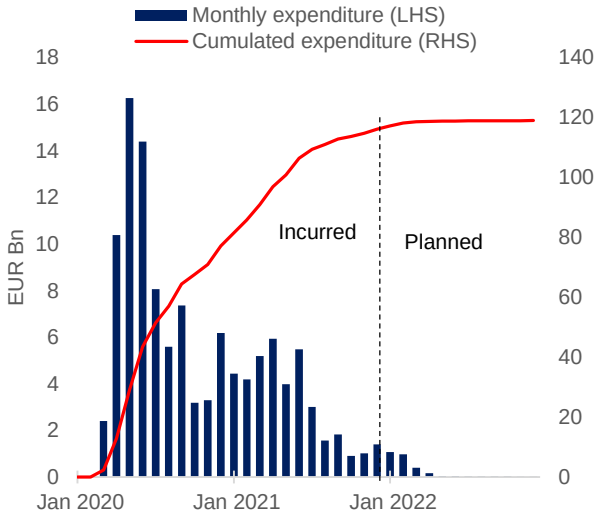
[11] Eligible measures are those described in Article 3(2) of the Regulation: national short-time work schemes or similar measures, and as an ancillary, health-related measures. Some Member States (Estonia, Slovenia) have discontinued reporting on SURE-eligible measures as they are no longer using SURE financial assistance to fund those measures, having already exceeded the amount granted. As such, the total expenditure on SURE-eligible measures is higher than reported here.

Graph 1: Reported public expenditure



Source: *Member States' reporting (January 2022).*
Note: Estonia applied for SURE support in February 2021 and, as such, is included from June 2021 onwards.

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



Source: *Member States' reporting (January 2022).*

Total public expenditure on SURE-eligible measures is now expected to reach EUR 118 billion, in excess of the total financial assistance granted under SURE. This amount has remained relatively stable since the previous report, when EUR 115 billion was expected (Graph 1). This is greater than the total amount granted under SURE (EUR 94 billion) because a number of Member States plan to spend more on eligible measures than the financial assistance they requested and were granted[12]. This further highlights the continued relevance of the scope of SURE to Member States.

Aggregate SURE public expenditure in 2021 turned out to be EUR 3 billion higher than expected at the time of the previous reporting in June 2021. However, there was heterogeneity across countries as seven Member States reported lower-than-expected amounts for 2021. Nine Member States, compared to three previously, are now planning expenditure in 2022 for a total of EUR 2.6 billion.

Public expenditure on SURE-eligible measures has continued to broadly mirror the epidemiological situation. After stringent measures in the first half of 2021 across Europe, expenditure fell to monthly lows by the end of summer 2021 as vaccination campaigns matured and Member States moved away from using blanket restrictions to manage the pandemic (see Graph 2). There was a small uptick in public expenditure at the end of 2021 as the impact of the Omicron variant led to the reintroduction of some measures.

[12] 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).

2.1.2 Absorption of funds

The degree of absorption of SURE financial assistance is high for the vast majority of Member States. With almost all public expenditure now having been executed, *17 out of 19* Member States have already spent *at least* the total financial assistance they were granted on eligible measures (see Graph 3). 13 of these have spent or plan to spend *more* than the amount granted, including by financing the remainder nationally.

In one Member State, the level of absorption of funds is potentially lower than indicated in the second report. Unlike in the previous report of 22 September 2021, Poland currently reports lower total public expenditure on measures provided for in their CID than the amount granted by the Council. This gap has emerged following data revisions (due to a time lag for the reporting of execution data) for some measures and can be attributed to the stronger-than-expected rebound in the economy. However, the amount already disbursed (EUR 8.2 billion) remains below the total public expenditure reported by Poland (EUR 10.3 billion). The Commission is engaged with the national authorities to discuss potential solutions, including postponing the disbursement of the remaining funds.

In Romania, the absorption gap that was identified in the first and second report remains high (almost two thirds of the disbursed amount). This gap is due to a weaker than expected impact of the pandemic on the Romanian economy and a stronger than expected recovery. The national authorities have proposed the inclusion of additional measures (eligible to SURE) to reduce this gap. The technical dialogue with the Commission is ongoing.

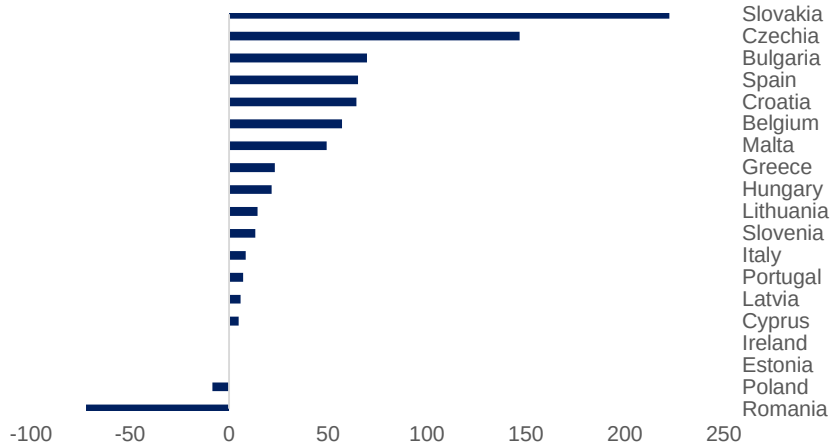
Absorption will no longer be an issue in two Member States identified with an absorption gap in the second bi-annual report. The previous report indicated a moderate and mild gap, respectively, between the costing of the measures that had been included in the CID and the total amount granted under SURE in Portugal and Cyprus. Both countries now report actual expenditure in excess of the amount granted, due to the adoption of new eligible measures in Portugal and due to the extension of measures in Cyprus.

Portugal's original Council Implementing Decision was amended in January 2022 to include additional eligible measures. To absorb the full amount granted in 2020, the amending CID added three eligible measures, which have already been implemented and are eligible to be financed under SURE[13]. The amending CID was approved by the Council on 25 January 2022, based on a Commission proposal on 4 January 2022[14].

[13] The additional measures comprise: a support scheme for self-employed workers, workers without access to other social protection mechanisms, and managers whose income has been particularly affected by the COVID-19 pandemic; a social support scheme for artists, authors, technicians and other art professionals; the hiring of additional health professionals and overtime work in the National Health Service.

[14] Council Implementing Decision (EU) 2022/99 of 25 January 2022 amending Implementing Decision (EU) 2020/1354 granting temporary support under Regulation (EU) 2020/672 to Portugal to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 17, 26.1.2022, p. 47.

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



Source: *Member States' reporting*
Note: Public expenditure refers to those reported, without adjusting for the concentration limit, on the measures as provided for in the CIDs, net of European Structural and Investment Funds (ESIF). Some Member States (Estonia, Slovenia) have discontinued reporting on SURE-eligible measures as they are no longer using SURE financial assistance to fund those measures, having already exceeded the amount granted.

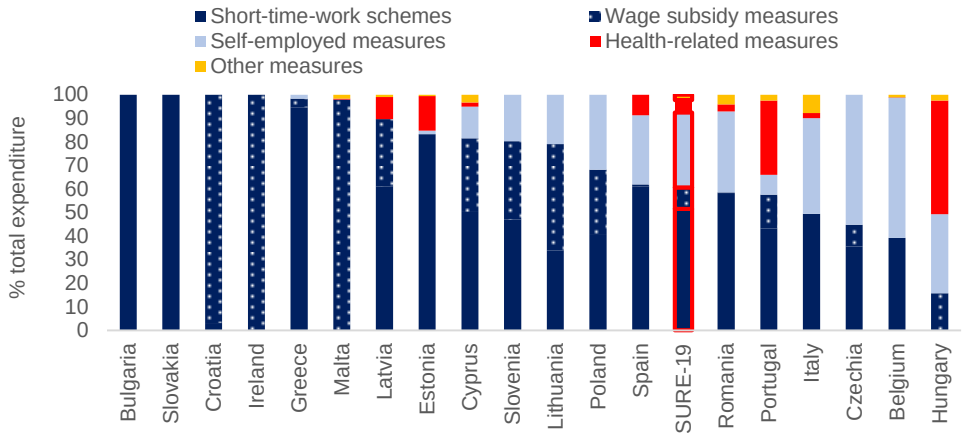
2.2 National measures: short-time work schemes or similar measures supported by SURE

Over half of total public expenditure on SURE-eligible measures has been allocated to short-time work schemes. 52% of total public expenditure on SURE-eligible measures has been allocated to short-time work schemes, which are funded by 16 of the 19 Member States benefitting from SURE. A further 32% has been allocated to 'similar measures' for the self-employed[15]. 9% was allocated to wage subsidy schemes, while 2% of total expenditure is allocated to 'other' similar measures supporting job retention and workers' incomes[16]. 9 Member States only used SURE financial assistance for labour market measures (see Graph 4).

The ancillary nature of the health-related expenditure is confirmed. Only 5% of total expenditure was spent or planned to be spent on health-related measures. 10 Member States out of 19 did not make recourse to SURE support to finance health-related measures.

[15] This is based on Commission analysis, categorising the measures reported by Member States by type.
[16] 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



Source: *Member States' reporting*
Note: See SURE March 2021 report for further detail on Hungary's health-related expenditure.

Hungary applied for top-up support to extend existing measures and fund one new measure. The loan will assist Hungary in covering the costs of a new income support scheme for the self-employed and an extension of tax reliefs provided to companies to keep people employed, introduced in response to the coronavirus pandemic. The new temporary scheme is targeted to entrepreneurs without employees, who are not eligible for wage subsidies under the sectoral wage scheme, and who work in sectors affected by lockdown measures. They can receive a one-time payment equal to the monthly guaranteed minimum wage, under the condition that they maintain their activities for at least two months after the prospective end of the state of emergency. The remaining part of the support is granted to the extension of tax reliefs (from the employer's social security contributions, the training levy, the small enterprise tax and the lump-sum tax for small tax payers) for sectors most hit by the pandemic.

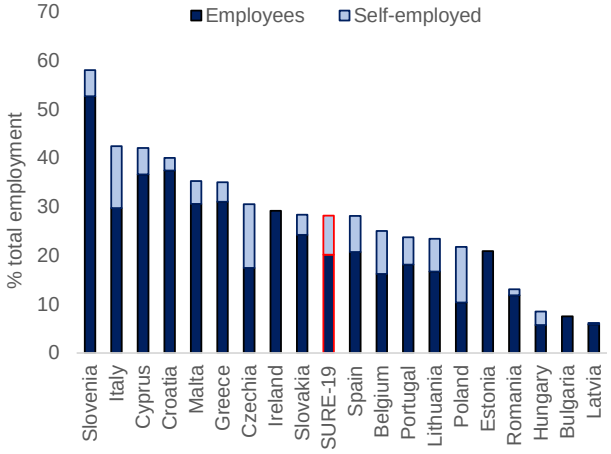
2.3 SURE coverage in terms of employment and firms

SURE is estimated to have supported around 31 million people and 2½ million firms in 2020. The January 2021 reporting by Member States confirms the figures in the second report on SURE. This represents almost 30% of total employment and one quarter of firms in beneficiary Member States[17]. The employment estimate is comprised of approximately 22¼ million employees and 8¾ million self-employed workers. Graphs 5 and 6 present a breakdown of SURE coverage by Member State. These estimates do not include people supported by health-related measures under SURE and could therefore be considered conservative[18].

[17] This corresponds to people and firms who were, at some point, covered by short-time work schemes or similar measures supported by SURE. The denominators are based on the reporting tables submitted by Member States. The total number of firms comprises firms with at least one employee.
[18] In addition, in some Member States, there was significant overlap between the recipients of support across different measures, for which appropriate adjustment could not be made. In such cases, Member States were asked

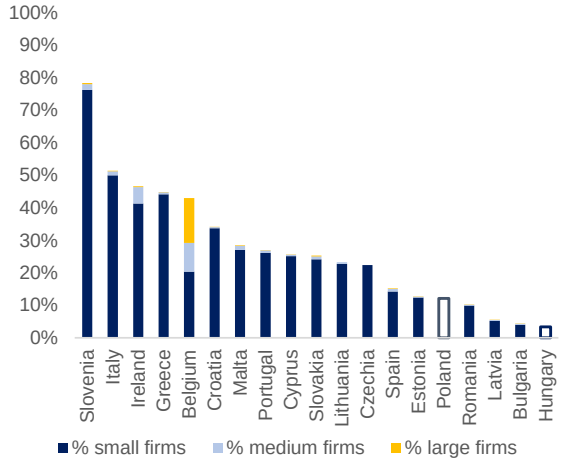
Small firms have been the primary beneficiaries of SURE support. The pandemic caused a shift from the use of short-time work schemes by primarily large firms pre-Covid to mostly small firms during the pandemic, as the schemes were mostly taken up by the services (mainly hotels and restaurants) and retail sectors rather than manufacturing[19]. The vast majority of SURE coverage of firms was focused on small firms (Graph 6). Supports went primarily to firms in the services sector, although manufacturing still received significant support (estimated at around a third of SURE expenditure). The sectors with the largest share of expenditure were i) wholesale and retail trade, ii) accommodation and food services and (iii) manufacturing (see Graph 7). Many Member States have in their CIDs also provided for support to further sectors, such as the cultural sector, with targeted measures.

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



Source: *Member States' reporting*
Note: The coverage and total employment figures are those reported by Member States.

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

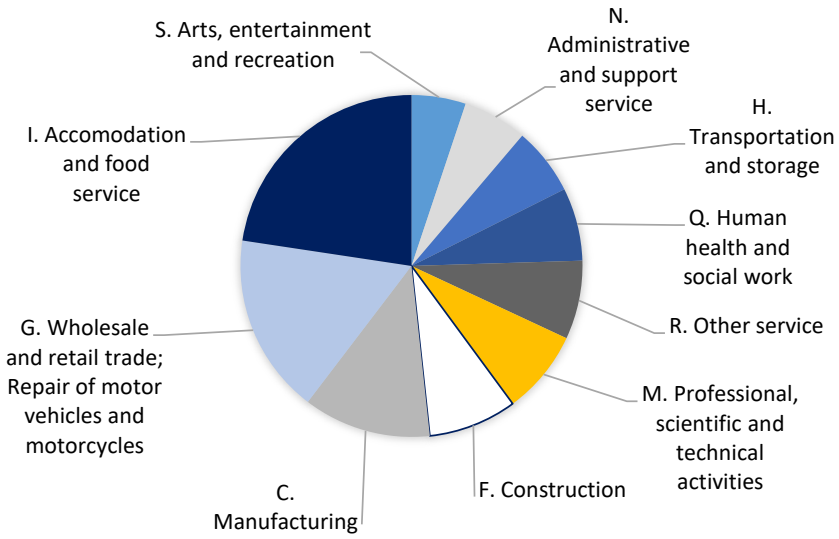


Source: *Member States' reporting*
Note: Total firms excludes zero-employee firms. Distribution of firms is assumed to apply to 2020 coverage. Poland and Hungary did not report on firm size. Small firms are those with less than 50 employees, medium with 50-250 employees and large with over 250 employees.

to report only the coverage of the largest measure(s) to avoid double counting. As such, the true coverage may be even higher.

[19] European Commission (2020): Labour Market and Wage Developments in 2020, Chapter 3, Policy developments. https://ec.europa.eu/social/BlobServlet?docId=23268&langId=en. Further discussion is available in the second SURE report.

Graph 7: Sectoral coverage of SURE



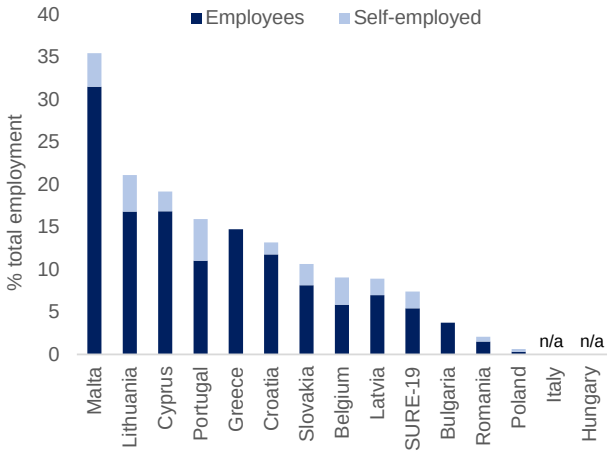
Source: *Member States' reporting*

Note: Member States report the three sectors that benefitted the most from SURE, as well as the shares of expenditure going to those sectors. This graph reports the average share of expenditure across Member States in each sector. When a sector is not mentioned, we assume it gets an equal share of the residual spending. Six Member States do not report the shares of expenditure going to the top three sectors: we assume that the largest sector gets 50%, the second largest gets 30% and the third largest 20% of total expenditure. These figures correspond to the averages in Member States that reported the shares of expenditure.

SURE continued to protect employment during the uneven recovery in 2021, supporting approximately 3 million people and over 400 thousand firms. This includes almost 2½ million employees and over 600 thousand self-employed, corresponding to over 6% of total employment and over 10% of firms in the 13 beneficiary Member States who continued to use SURE in 2021 (Graphs 8 and 9)[20]. Subsequent waves of the pandemic required many Member States to reintroduce economic support measure at various stages throughout 2021. Although the economic impact of these waves was smaller than the first, some Member States and sectors were more affected than others. The impact on employment was mitigated by measures supported by SURE, including the top-ups to deal with the second wave in early 2021.

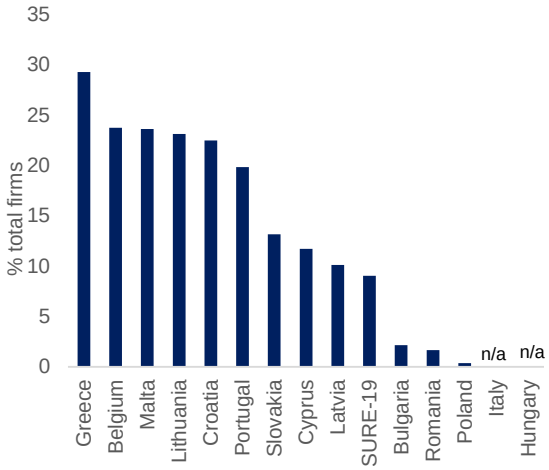
[20] Member States that spent all of their SURE financial assistance in 2020 are not included here: Czechia, Estonia, Spain, Ireland, Croatia and Slovenia. However, many of these Member States continued or adapted their relevant measures and financed them through other sources. The estimate is based on incomplete reporting as some Member States (Italy, Hungary) did not report coverage data for 2021.

Graph 8: Workers covered by SURE in 2021 (% of total employment)



Source: *Member States' reporting*
Note: Member States who spent the SURE financial assistance by the end of 2020 are not shown. Not applicable (n/a) refers to Member States (Italy and Hungary) that did not report coverage for 2021.

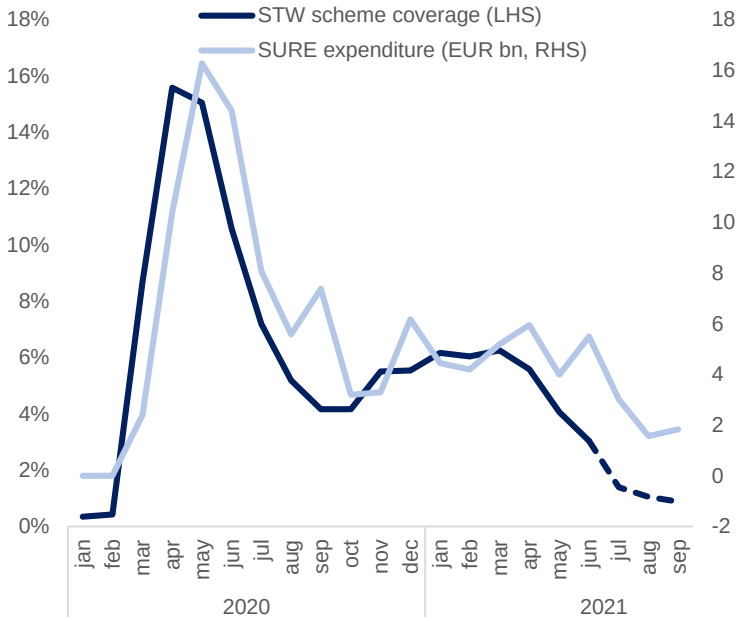
Graph 9: Firms covered by SURE in 2021 (% of total firms)



Source: *Member States' reporting*
Note: Total firms excludes zero-employee firms. Not applicable (n/a) refers to Member States (Italy and Hungary) that did not report coverage for 2021.

While declining over time, the recourse to short-time work support remained substantial in 2021. Although the peak of short-time work reached during the first wave of the pandemic in March-April 2020 remains unprecedented, a considerable number of workers continued benefiting from short-time work support (or similar job-retention schemes), in particular in the first half of 2021. SURE expenditure closely tracks the share of employees covered by short-time work schemes (Graph 10). The gradual decline in the use of short-time work support reflects the ongoing economic recovery, supported by the successful rollout of the vaccination campaigns. Unfortunately, the unavailability of data after September 2021 for a large majority of countries does not yet allow gauging the possible impact of the emergence of the Omicron variant of the SARS-CoV-2 virus on short-time work schemes.

Graph 10: Share of employees benefiting from short-time work and assimilated schemes



Source: *EMCO-SPC monitoring report on the employment and social situation following the COVID-19 outbreak (Winter 2022).*

Note: Data on number of employees covered not available for Czechia. Partial information available after June 2021: data on employees covered not available for Italy after June and for Belgium after August.

The participation of women and youth in short-time work increased during the COVID-19 crisis. This is based on the second report (published in September 2021), with no updates available. 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[21]. While the share of women rose to around half of short-time work employment, the share of youth was still limited.

III. PRELIMINARY ANALYSIS OF THE IMPACT OF SURE

This section updates the analysis presented in the previous SURE bi-annual reports on the impact of SURE on employment and public finances, also using the outcome of the Eurobarometer survey.

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

[21] 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.

employment of workers and the self-employed during the COVID-19 pandemic, thus protecting labour incomes ('job retention' effect on impact). It also facilitates a swift recovery when the pandemic abates, since firms have retained their employees and skills and the self-employed are ready to resume their activity ('rebound effect' after impact). 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 employment due to the shutdown of large parts of the economy.

The rise in unemployment in 2020 in beneficiary Member States was significantly less than expected. 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 11)[22]. The increase in unemployment rates was, in most countries, lower than expected[23]. These findings confirm the earlier results presented in the first and second bi-annual SURE report[24].

The policy support measures adopted, including SURE, effectively prevented 1½ million people from becoming unemployed in 2020 in the SURE beneficiary Member States[25]**.** This figure is confirmed from the second report. As mentioned there, 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 was the rise in unemployment, while some non-beneficiary Member States managed to use their excellent financing conditions to run large short-time work schemes (Graph 12). These labour market measures, in particular short-time work schemes, 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

[22] 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).

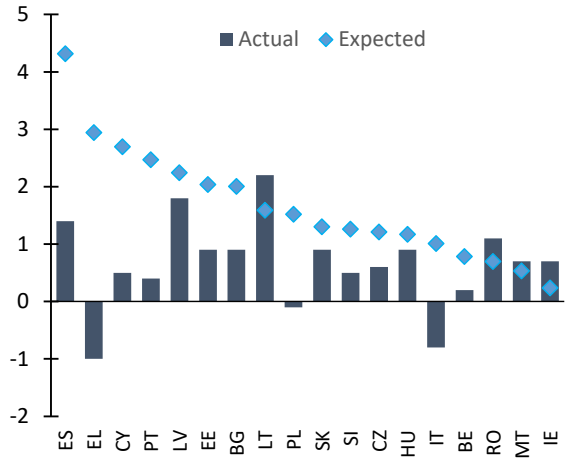
[23] In Italy, Greece and Poland, the unemployment rate even declined in 2020.

[24] 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. Croatia is not included for data availability reasons.*

[25] This implies that, while 31 million people were covered by SURE, it is estimated that 1½ million would have become unemployed in the absence of policy supports.

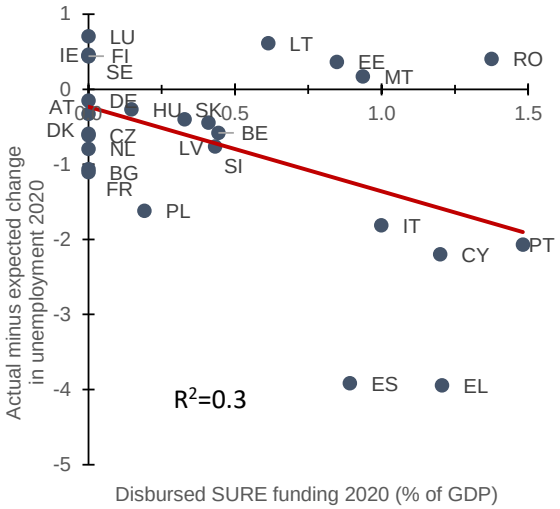
unemployment. This corresponds to around 1½ million people who avoided unemployment during the outbreak of COVID-19 in the SURE beneficiary Member States[26].

Graph 11: Actual vs. expected changes in unemployment rates by SURE beneficiary Member State in 2020



Source: *Ameco and own calculations.*
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. The actual change in unemployment rate comes from COM AF 2021.

Graph 12: Relationship between the change in the unemployment rate and disbursed SURE funding in 2020



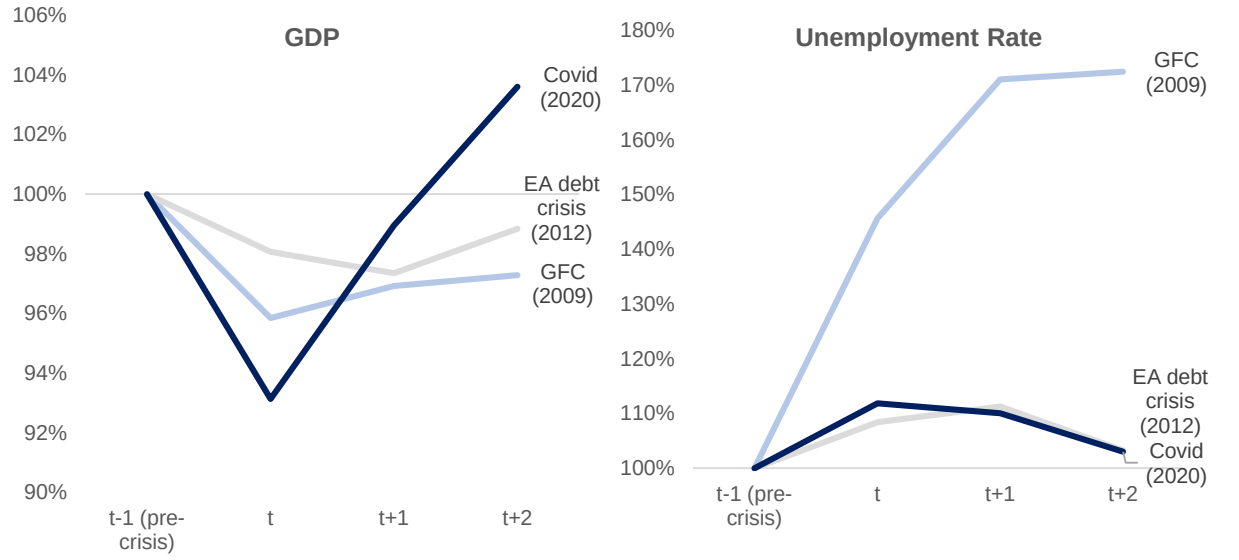
Source: *Ameco and own calculations.*
Note: y-axis: The expected change in unemployment rates stems from the country-specific regression model explained in the note to Graph 11.

The protection of employment in the first two years of the pandemic has supported a more rapid recovery than in previous crises. Firstly, both GDP and unemployment recovered closer to their pre-crisis levels in SURE beneficiary Member States in 2021 compared to the global financial crisis and euro area crisis after the same period of time (see Graph 13). This occurred in spite of the subsequent waves of the pandemic that necessitated the reintroduction of restrictions during the year. The continued recovery in employment saw the unemployment rate fall below its pre-pandemic rate to a record-low of 6.4% in the EU. Total hours worked have risen, largely reflecting a further reduction in the use of job retention schemes, although they remain 1% lower than before the pandemic. Secondly, based on the winter forecast[27], economic growth will continue in 2022 and significantly outperform the recovery seen at the same stage after previous

[26] The finding is derived from the regression model presented in Graph 11. It assumes that the actual and expected labour force is the same.
[27] This analysis is based on the Commission Winter 2022 Forecast whose cut-off date was 1 February. Therefore, the forecast did not incorporate the developments with the invasion of Ukraine by Russia.

crises, when GDP remained well below its pre-crisis level[28]. This suggests that keeping the available workforce connected with firms via short-time work schemes and similar measures has helped support the swift recovery, despite the challenging epidemiological situation.

Graph 13: Historical comparison of the recovery in GDP and unemployment after a crisis



Source: *Ameco (using Commission Autumn 2021 forecast), Eurostat*

Note: Aggregate GDP and average unemployment rate for SURE beneficiary Member States shown. Time period t-1 refers to the year prior to the respective crises, i.e. t+2 for the Covid crisis refers to 2022. t=2009 for Global financial crisis (GFC); t=2012 for euro area (EA) debt crisis.

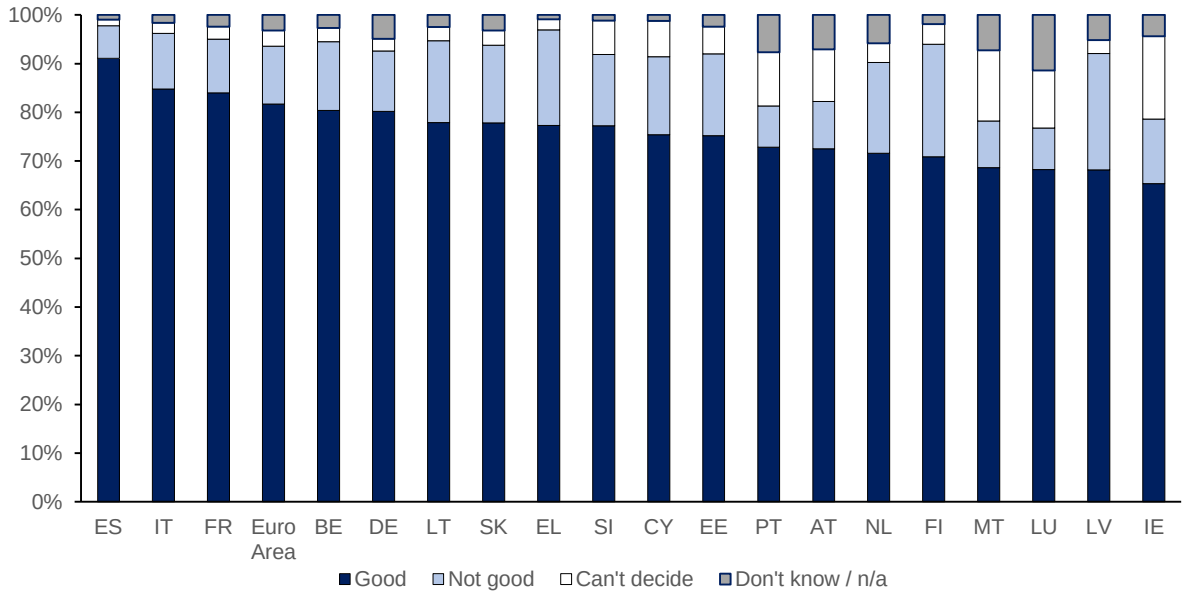
The channels explaining how SURE facilitated a milder rise in unemployment in 2020 and a swifter recovery are discussed in detail in the first bi-annual report on SURE. These include improving general confidence across the EU, support for and encouragement of the use of short-time work schemes, and the enabling of Member States to spend more on employment support and other pandemic-related policies. Data from the ad-hoc survey 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. The confidence effect is further illustrated by the recent results of the Eurobarometer survey below.

SURE has received broad-based support from EU citizens. The Eurobarometer survey published in December 2021 asked respondents in the euro area whether SURE loans to keep

[28] The recovery has however been uneven. Employment in contact-intensive sectors has accounted for most of the growth, while employment in manufacturing has stagnated. Employment levels for low-skilled workers continue to lag, reflecting the uneven nature of the recovery.

people in employment were a good idea, with 82% answering yes[29]. This positive view of SURE holds across both beneficiary and guarantor countries (see Graph 14), reaffirming the success of the instrument in both supporting jobs and improving confidence in the EU.

Graph 14: EU citizens' views on whether SURE loans were a good idea (% of total responses)



Source: *Eurobarometer survey December 2021 publication, conducted in euro area countries in October and November 2021. See footnote 25.*

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 this report's cut-off[30]. The estimated interest savings will therefore likely increase with the final disbursements[31]. 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, and this over an average period of close to 15 years. This is due to the EU's AAA

[29] Specifically, respondents were asked: "What are your thoughts about the most recent EU financial support for EU Member States to overcome the COVID-19 crisis? Do you think it was good or not good to provide… *loans to help interested Member States keep people in employment?"* See: https://europa.eu/eurobarometer/surveys/detail/2289

[30] This figure is the same as in the second SURE report as there have been no new disbursements between the issue of this report and that of the second one.

[31] 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.

credit rating and the liquidity of the SURE bonds[32]. The largest savings were recorded by Member States with lower credit ratings.

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[33].

Most EU Member States avoided reintroducing broad-based, strict containment measures throughout the winter, but uncertainty surrounding the virus remains elevated. The rapid spread of the Omicron variant throughout the winter showed the speed with which the trajectory of the pandemic can shift. Despite a lower risk of severe disease and death than with previous SARS-CoV-2 variants, the higher transmissibility of Omicron has resulted in increases in hospitalisation and strain on health care systems globally, and may lead to significant morbidity, particularly in vulnerable populations[34]. While most Member States did not reintroduce full-scale lockdowns, certain sectors remained particularly affected by restrictions in at the end of 2021 and beginning of 2022. As of 6 March 2022, the overall epidemiological situation in the EU/EEA was characterised by a high but decreasing overall case notification rate, according to the European Centre for Disease Prevention and Control (ECDC)[35]. While the Omicron wave has peaked in most countries, transmission continues to increase amongst the elderly and increasing trends in death rates are forecast in 10 countries as of 6 March. The ECDC noted the epidemiological situation was of high or very high concern in 15 EU/EEA countries. Differences remain across countries and the interpretation of trends in surveillance data is now challenging due to differing and rapidly changing testing regimes across Member States

The growth momentum that was building in 2021 slowed at the end of the year. After re-gaining the pre-pandemic output level in summer 2021, the European economy slowed somewhat due to the Omicron-driven surge in COVID-19 infections, high energy prices and continued supply-side disruptions. While some restrictions have been reintroduced, they have generally been of a milder or more targeted nature than in previous waves. The Commission's Winter Forecast (published prior to the invasion of Ukraine) expected growth to pick up in the second quarter and remain robust over the forecast horizon, leading EU GDP to increase by 4.0%

[32] A breakdown of interest savings by Member State is available in Table 4 of the second bi-annual report on SURE. Further detail on the methodology can be found in Section III of the Quarterly Report on the Euro Area Vol. 20, No 2 (2021).

[33] Article 14(1) of the SURE Regulation. In any case, the period of availability of the Instrument during which a CID 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).

[34] See World Health Organization: https://www.who.int/publications/m/item/enhancing-readiness-for-omicron-(b.1.1.529)-technical-brief-and-priority-actions-for-member-states

[35] See ECDC country overview report, week 9 2022: https://covid19-country-overviews.ecdc.europa.eu/index.html

in 2022 and 2.8% in 2023. The inflation forecast for the EU was revised up to 3.9% in 2022, remaining well above the ECB's 2% target.

Exceptional uncertainty now surrounds the economic outlook given the geopolitical situation in Ukraine. The invasion of Ukraine, and its consequences for security and stability, is likely to negatively impact growth, including through effects on financial markets, further energy price pressures, persistent supply chain bottlenecks and confidence effects. The impact of the current COVID-19 wave could also last longer than anticipated and further disrupt supply chains. Both of these factors could lead to higher than expected inflation if additional costs are passed on to consumers. On the other hand, household demand could accelerate on the back of large savings, while the RRF could provide an even stronger stimulus to investment, though risks are now tilted to the downside.

Policy measures have become increasingly targeted, supported by the RRF to facilitate the recovery. This requires a shift away from temporary emergency relief such as SURE. The RRF is promoting an investment-rich recovery and growth-enhancing reforms, including to help address the uneven impact of the pandemic across households and businesses. Reskilling and upskilling is an important element of this, in the context of the EU's commitment to the European Pillar of Social Rights and the promotion of digitalisation and the green transition[36].

As the instrument will continue to be available until 31 December 2022, financial assistance under SURE can continue to be granted to address severe economic disturbances caused by the COVID-19 pandemic. Around EUR 5.6 billion remains available under SURE, which is more than the total top-up requests submitted by 7 Member States thus far (EUR 3.8 billion) in the context of a second round of requests.

V. INFORMATION ON NATIONAL AUDIT AND CONTROL SYSTEMS

5.1 The reporting obligation on audit and control systems

The Commission control systems ensure the absence of fraud between the Union, as lender, and the Member State, as borrower. Notably, the Commission has in place controls to prevent irregularities or fraud with respect to *the reporting of data by Member States*, either when requesting a loan or subsequently on the use of a loan. Should any cases be suspected, the provisions in the Loan Agreement are available for the Commission to act and conduct investigations. The Commission undertakes this task in full respect of the competencies of the Member States and does not have a mandate to assess and monitor the use of SURE loans by final recipients in the Member States. Specifically, SURE, together with its implementation,

[36] See The Porto Declaration of 8 May 2021 and the Commission Recommendation on Effective Active Support to Employment following the COVID-19 crisis (EASE).

should not intrude in any way in the design of national social security systems, neither generally nor when concerning short-time work, which remains the prerogative of Member States[37,38].

Separately from the Commission's control systems, the Member States as borrowers are required to ensure the proper use of funds at national level, prevent irregularities and fraud and recover misused funds. This obligation stems from Article 13(1) of the SURE Regulation and Article 220(5) of the Financial Regulation. Specifically, under the Loan Agreement, each Member State benefiting from SURE should regularly check that amounts borrowed under the Facility are used in accordance with the SURE Regulation, the CID and the Loan Agreement and ensure that appropriate measures to prevent irregularities and fraud are in place. In case of irregular or improper use of the amounts borrowed, the Member State should take legal actions to recover such amounts. This is complemented by the obligation on the Member State to investigate and treat cases of fraud, corruption or any other illegal activity detrimental to the EU's financial interests, in relation to the management of the loan.

Member States are required to provide the Commission information on national control and audit systems relevant for SURE to ensure the respect of their obligations under the Loan Agreement. To that end, the Commission carried out an ad-hoc survey of beneficiary Member States on 18 January 2022. All Member States replied to this questionnaire. The summary of the results as reported by Member States is provided in Section 5.2.

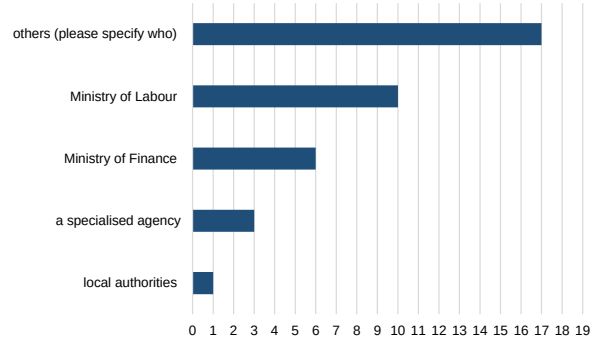
5.2 Main results from the questionnaire

5.2.1 Responsible institutions for control and audit

The institutional structure of national control and audit systems varies greatly across Member States. In around half of the Member States, the institutions responsible for control are not responsible for audit. In the other half of Member States, some institutions perform both control and audit while the other institutions perform either only control or only audit. Controls are often done by the Ministry of Labour (10 Member States), by another ministry (e.g. Ministry of Finance, Ministry for Social Security, Ministry of Family and Social Policy, Ministry of Culture), public employment services, labour inspectorates, social security funds, or revenue agencies (Graph 15). Audits are performed most often by a national supreme audit body or a ministry (e.g. Ministry of Finance and Ministry of Labour) (Graph 16).

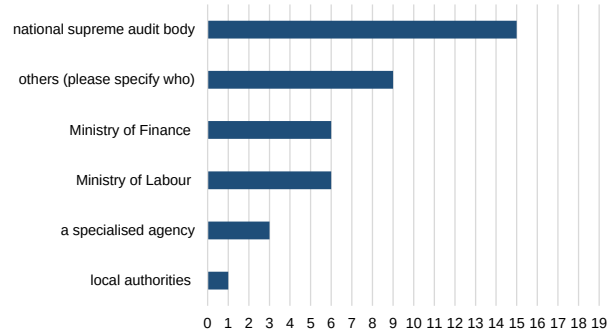
[37] According to Recital 13 of the SURE Regulation, when deciding upon the amount of a loan, the Council should fully respect the competence of the Member States.
[38] See paragraph 17 of the Eurogroup Report on the comprehensive economic policy response to the COVID-19 pandemic of 9 April 2020.

Graph 15: Responsible institutions for control (number of Member States)



Source: *Member States' questionnaires*

Graph 16: Responsible institutions for audit (number of Member States)



Source: *Member States' questionnaires*

In almost all Member States, the institutions performing control and audit of the measures supported by SURE were already in place before the COVID-19 pandemic. In one Member State, new institutions were specifically put in place for the measures supported by SURE. In two Member States, new audit and control systems were put in place for one particular measure or a subpart of it only, in addition to the existing ones.

5.2.2. Implementation of control and audit systems

All Member States ran controls on measures supported under SURE. All Member States performed, at a minimum, administrative verifications/desk reviews of the requests for payment to ensure that SURE funds were used in line with their purpose (Graph 17). In addition, almost 85% of Member States performed ex-post controls and about half of them did on-the-spot checks to prevent fraud and irregularities.

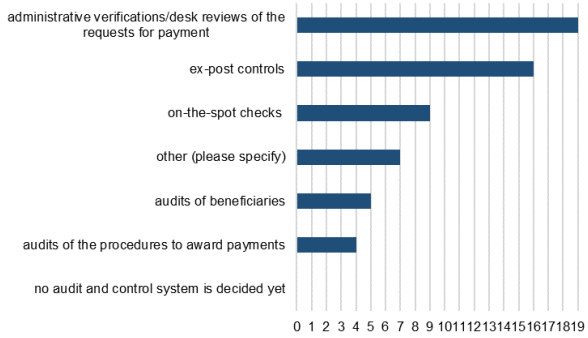
All Member States checked that eligibility criteria were fulfilled (Graph 18). In addition, more than three quarters of Member States checked that workers benefitting from the support were kept employed and that the support was used by beneficiaries for the intended purpose.

Based on the response to the survey, further clarity needs to be brought by Member States on the existence and the scope of the audit. More than half of the Member States reported that they have audited either the procedure to award payments and/or the beneficiaries or performed other types of audit. Although all Member States have controls on SURE in place, one Member State reported that no audits have been performed for the SURE-supported measures. Another Member State reported that audits were conducted except for some measures that represent a comparatively small share of the total envelope.

All Member States performed controls and audits systematically, in most cases based on risk and/or statistical sampling. In some cases, controls have been automatic for all beneficiaries through specific IT systems. Eight Member States reported to have also performed ad-hoc controls and audits.

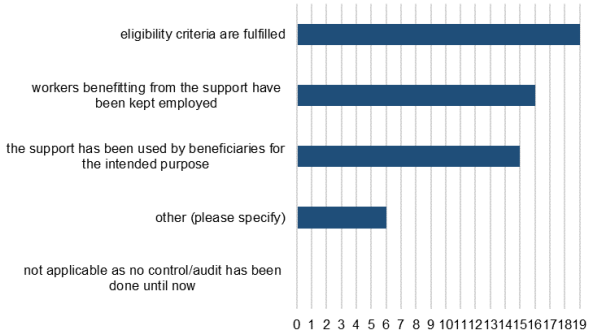
Going forward, most Member States do not envisage controls and audit other than those that they are already ongoing or implemented. Only two Member States plan to have additional control and audit of specific measures in the second half of 2022.

Graph 17: Type of controls and audits (number of Member States)



Source: *Member States' questionnaires*

Graph 18: The focus of the controls and/or audits (number of Member States)



Source: *Member States' questionnaires*

5.2.3. Incidence of irregularities or fraud and response to it

In all Member States but one, controls and audits detected instances of irregularities and fraud. In addition, suspicions of irregularities or fraud have been reported to the authorities in almost all Member States. In all such cases, investigations took place. In the case of confirmed irregularities or fraud, 13 Member States took legal action to recover improperly used funds. In some Member States, funds were recovered without legal action. One Member State reported that the detected irregularities or fraud have not been confirmed yet.

Member States reported similar types of irregularities or fraud. The most commonly reported irregularities concerned the lack of or insufficient drop in turnover to be eligible for support, the dismissal of workers during the period of receipt of wage subsidies (or shortly after), the non-payment of the salary share required from the employer, the failure to disburse the amount granted to employees in full, and the claim for support for employees who returned to work and did not have obstacles to work and for employees who actually worked as normally. In some cases, firms applied for support for employment relationships that did not exist or used support for newly hired employees instead of existing employees. In other cases, firms applied for several measures at the same time, when they were legally entitled to only one measure. Firms also falsely declared the type of activity to be eligible for support.

All Member States documented their work on irregularities or fraud. Member States are documenting irregularities inter alia in inspection/assessment reports, notes, checklists, detailed spreadsheets, memos, fund files or audit files.

VI. REPORTING OBLIGATIONS UNDER THE EU SURE SOCIAL BOND FRAMEWORK

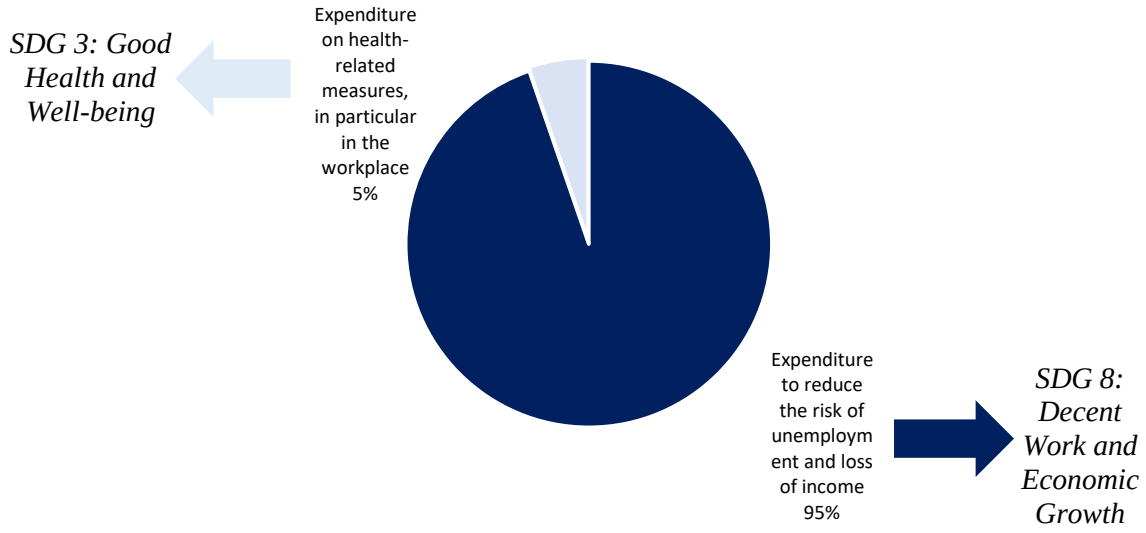
This report goes beyond the reporting obligation of the SURE regulation, also complying with the reporting requirement under the EU SURE Social Bond Framework[39]. The latter requires reporting on the allocation of SURE proceeds, type of expenditure and impact of SURE.

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 February 2022, 95% of the EUR 94 billion allocated had been disbursed to Member States and 98% of this has already been spent.

SURE public expenditure continues to be well-aligned with the UN Sustainable Development Goals (SDGs). A breakdown of SURE public expenditure by eligible social expenditure, as outlined in the Social Bond Framework, shows that 95% is spent on reducing the risk of unemployment and loss of income. As illustrated in Graph 19, this supports SDG 8 (Decent Work and Economic Growth)). The remaining 5% is spent on health-related measures, which supports SDG 3 (Good Health and Well-being).

The impact of SURE is reported on in Section 2.3 and Section 3. Estimates are provided of the number of people and firms supported by SURE in both 2020 and 2021. SURE contributed to protecting almost 1½ million jobs that were saved in 2020, as shown in Section 3.1. As shown in the second report, Member States are estimated to have saved EUR 8.2 billion in interest payments.

Graph 19: Social Bond Framework and SDG mapping



[39] 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.

ANNEX: Further detail on SURE transactions and disbursements

Table A1: 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	0.7							**0.2**	0.2	0.1	**0.3**								**0.5**	**77.4%**	**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	**94.4**	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**	**94.9%**	**14.5**