



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

Support to mitigate Unemployment Risks in an
Emergency (SURE)

SURE financing contributed to preserving jobs during the
COVID-19 crisis, but its full impact is not known

Contents

I. THE COMMISSION REPLIES IN BRIEF.....	2
II. COMMISSION REPLIES TO MAIN OBSERVATIONS OF THE ECA.....	3
1. REPORTING ON THE IMPACT OF SURE.....	3
III. COMMISSION REPLIES TO THE RECOMMENDATIONS OF THE ECA.....	4
1. Recommendation 1: Evaluate SURE.....	4

This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes this Special Report by the European Court of Auditors (ECA). SURE has been a key emergency instrument set up by the Union in a swift and timely manner to protect jobs and incomes in a spirit of solidarity against the severely negative socio-economic consequences of the COVID-19 pandemic. SURE has provided financial support in the form of loans granted on favourable terms from the EU to Member States to finance national short-time work schemes, similar measures, notably for the self-employed, and some health-related measures. The Commission is issuing social bonds to finance the SURE instrument.

All Member States – even those that did not directly benefit from it – supported the instrument, via the provision of voluntary guarantees, which highlights European solidarity between Member States through the European Union. The SURE Regulation was adopted in May 2020 and the first disbursements to Member States were made in October 2020. SURE provided financial assistance to 19 Member States, for more than half of them also as a top up to the initial loan. By the end of 2022, the total envelope of EUR 100 billion will almost be exhausted.

The Commission considers that SURE has proven effective in protecting the European workforce and firms. According to the latest (fourth) bi-annual report¹, SURE supported approximately 31½ million people and 2½ million firms in 2020, which represents almost one third of total employment and firms in the 19 beneficiary Member States. Small and medium sized enterprises have been the primary beneficiaries of SURE support, in particular in the sectors most affected by the pandemic.

The Commission also considers that SURE has proven efficient in cushioning the impact of the pandemic on the labour market in 2020 and facilitating the rapid economic rebound in 2021, which was much faster than in previous crises. According to the latest bi-annual report, the Commission estimated that the policy response to the COVID-19 crisis, including SURE, effectively protected around 1½ million people from unemployment in 2020.

The Commission has issued by the end of 2022 four bi-annual reports, each time going beyond its legal obligation under the SURE Regulation in terms of the scope of the analysis while also complying with the reporting requirements under the EU SURE Social Bond Framework.

The Commission underlines, as regards the limitations in the data reported by the Member States on the number of workers and firms, that the responsibility for reporting lies with beneficiary Member States, as per Section 2.4 of Social Bond Framework.² The Commission reported the data gaps in the bi-annual reports and urged Member States to provide any missing data or update previous estimates for the next reporting exercise. As this led to significant changes in the aggregate estimated figures in some instances, it was not possible to precisely assess the aggregate number of people and firms covered, especially in early vintages of reporting. The Commission has not requested the Member States to provide actual outturn data if it was not available within a reasonable timeline, since it may have significantly delayed data collection, and it was not required by the SURE regulation.

The Commission recognises that it is not straightforward to fully disentangle the impact of SURE from the impact of national schemes given that SURE provides a second line of defence. However, the Commission has provided in its bi-annual reports on SURE some pieces of evidence regarding the

¹ Published on 23 September 2022: <https://economy-finance.ec.europa.eu/system/files/2022-09/Fourth-report-on-the-implementation-of-SURE.pdf>

² See also first bi-annual SURE report (page 17), published on 22 September, 2021: com2021_148_en_act_part1_v6.pdf (europa.eu)

impact of SURE, including per Member State, and its role in incentivising the set-up of national short time work schemes and similar measures.

The Union established the SURE instrument to complement the Member States' own financing of the eligible national schemes. SURE provides support in the form of a loan to Member States, as a second line of defense. The SURE Regulation does not require an assessment of how national schemes supported by SURE complement other national schemes. The design of national social security systems remains a national prerogative of each Member State.

II. COMMISSION REPLIES TO MAIN OBSERVATIONS OF THE ECA

1. REPORTING ON THE IMPACT OF SURE

The reporting obligations of the Commission are laid down in the SURE Regulation. Specifically, under Article 14, the Commission should report to the European Parliament, the Council, the Economic and Financial Committee (EFC) and the Employment Committee 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 this Regulation.

On top of the legal requirements, the Commission is also bound by Section 2.4 of the Social Bond Framework to report on the allocation and the impact of the SURE proceeds, including on the number of workers and firms that benefitted from measures supported by SURE.³

The Commission has issued by the end of 2022 four bi-annual reports to deliver on its reporting obligations under the SURE Regulation and the EU SURE Social Bond Framework, and furthermore providing additional analysis.⁴

The ECA notes that the data reported by the Member States on the number of workers and firms covered contains limitations⁵, therefore, in their view it is not possible to fully assess the number of people and firms covered⁶.

The Commission agrees that the data on the number of workers and firms covered provided by Member States was not always comprehensive. However, the Commission reported in the bi-annual reports when the data by Member States was incomplete. In addition, in each reporting vintage, the Commission endeavoured to assess the aggregate coverage figure as precisely as possible by checking the data and by filling in data gaps, e.g. based on reasonable assumptions and data

³ As per Section 2.4 of the Social Bond Framework, the Commission should endeavour to obtain the relevant data and indicators from the beneficiary Member States, aggregate the available set of data and report about them. The section also recognises that the reporting by the Commission will depend on the quality and granularity of the information provided by beneficiary Member States and that the Commission has no full control over this.

⁴ This included information on the impact of policy measures, including those supported by SURE, in mitigating the effect of the pandemic on employment, and estimates of interest savings by Member States. Further technical analysis was also provided in two articles in the Quarterly Report on the Euro Area (QREA).

⁵ See the subtitle preceding paragraph 52 in 'Observations', paragraph 56 in 'Observations' and Box 4.

⁶ See Executive summary paragraph VIII and paragraph 70 in 'Conclusions and Recommendations'.

available from other sources. For each vintage of reporting, the Commission invited Member States to provide the missing data or update the previous estimates, with the aim of improving the quality of reporting in subsequent reporting vintages.

The Commission also agrees with the ECA that the data on the number of workers and firms provided by Member States for the measures supported by SURE was in some cases based on estimates. However, it considers that asking Member States to provide actual outturn data for each measure when not available would have intruded on the design of measures in social security policy and would be inappropriate given the emergency situation from which SURE originated. In addition, from a conceptual standpoint, aggregating the data for all measures is challenging, especially when employees and firms are eligible for more than one measure. To overcome this challenge, the Commission has asked Member States to report only the coverage of the largest measure(s) to ensure that there was no exaggeration of the positive impact of SURE.

The ECA also claims that the design of the instrument does not make it possible to identify separately the impact of SURE from the impact of the national schemes, and therefore, concludes that the Commission cannot assess the results of SURE in each Member State.⁷ The Commission recognises that it is not straightforward to fully disentangle the impact of SURE from the impact of national schemes given that SURE provides a second line of defence. However, the Commission has provided in its bi-annual reports on SURE some pieces of evidence regarding the impact of SURE and its role in incentivising the set-up of national short time work schemes and similar measures. In these bi-annual reports, the Commission has analysed the number of workers and firms covered *per Member State* and has estimated the number of jobs saved *per Member State*. Lastly, Member States asked for support under SURE to cover most of their expenditure on eligible national schemes. Only a limited fraction has been financed by other means. Therefore, the coverage of SURE in terms of number of workers and firms is broadly similar to that of national schemes.

On audit and control, the Commission is aware that there might be a reputational risk for the EU if the measures financially supported by the EU budget are perceived as being prone to fraud⁸. The Commission considers that this risk is mitigated by actions derived from the responsibilities of Member States in detecting fraud and irregularities, as required by the SURE Regulation and the Loan agreement.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS OF THE ECA

1. Recommendation 1: Evaluate SURE

(Target implementation date: by end of Q3 of 2024)

Such an evaluation should include:

- i. the extent to which SURE and the national measures it supported added value (for all SURE objectives, including the health-related measures);

⁷ See Executive summary paragraph VIII and paragraph 70 in 'Conclusions and Recommendations'.

⁸ See paragraph 47 in 'Observations', final sentence

The Commission accepts the sub-recommendation.

- ii. whether and how SURE complemented national measures;

The Commission accepts the sub-recommendation.

- iii. and whether the SURE framework was effective in minimising the risk of irregularities and fraud, given the cases reported by Member States.

The Commission accepts the sub-recommendation.