

Opinion of the Committee of the Regions on 'European Union programme for social change and innovation'

(2012/C 225/13)

THE COMMITTEE OF THE REGIONS

- reiterates the need to focus the action under the programme mainly on young people, who have been hit especially hard by the crisis: with more than 20 % of young people out of work, they should be made a priority. Similarly, great attention should be paid to the long-term unemployment, a group which currently represents an average of 3.8 % of the working age population in the EU Members States;
- reaffirms its belief that the project, in the part relating to social innovation, needs to dedicate a significantly higher portion of the funds than that specified by the Commission to actual experimentation, especially for projects linked to political priorities and in particular, the social inclusion of young people;
- restates the importance of support for geographical mobility of workers at European level and considers that EURES will be an increasingly useful instrument only if it successfully connects demand with supply of labour and if its results can be effectively assessed. The Committee underscores the contribution that regional and local authorities can make in this sector;
- nonetheless has doubts about the decision to remove the references to gender equality and tackling discrimination from the social innovation programme.

Rapporteur	Enrico ROSSI (IT/PES), President of Tuscany Region
Reference document	Proposal for a Regulation of the European Parliament and of the Council on a European Union Programme for Social Change and Innovation COM(2011) 609 final

I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

1. welcomes the Commission's decision to present, for the period 2014-2020, the new Progress, Microfinance and EURES regulations, bringing them together in the Programme for Social Change and Innovation;

2. stresses the importance of fleshing out the concept of social innovation, which it considers a key instrument for responding to the risks of social exclusion and combating it where it already exists, especially during a period of crisis that is in danger of jeopardising Europe's cohesion and its social model;

3. nonetheless has doubts about the decision to remove the references to gender equality and tackling discrimination from the social innovation programme;

4. reiterates the need to focus the action under the programme mainly on young people, who have been hit especially hard by the crisis: with more than 20 % of young people out of work, they should be made a priority. Similarly, great attention should be paid to the long-term unemployment, a group which currently represents an average of 3.8 % of the working age population in the EU Members States;

5. stresses also the need for a clearer definition of 'social economy', and refers in this regard in particular to the European Parliament report on *Social Economy* ⁽¹⁾;

6. reiterates the importance of consistency in the use of funds allocated to this programme and those of the European Social Fund. The Committee stresses the need for a commitment from the Commission and from regional authorities themselves to ensure such consistency, through the measures identified by the Commission. This could be reflected when the guidelines on public contracts and the project analysis procedures are being drafted;

7. reaffirms its belief that the project, in the part relating to social innovation, needs to dedicate a significantly higher portion of the funds than that specified by the Commission to actual experimentation, especially for projects linked to political priorities and in particular, the social inclusion of young people;

8. confirms the importance of microcredits in the current political and economic climate. These should help citizens (especially young people and women) to start their own businesses, develop their entrepreneurship or build up operational capacity;

9. reiterates that, in this sector, too, the main focus should be on weak and vulnerable sections of the population or on social enterprises; recalls the efficiency hitherto demonstrated by microfinance experiments, both as regards the success of the investments and as regards the low rate of non-repayment of loans;

10. restates the importance of support for geographical mobility of workers at European level and considers that EURES will be an increasingly useful instrument only if it successfully connects demand with supply of labour and if its results can be effectively assessed. The Committee underscores the contribution that regional and local authorities can make in this sector;

11. recalls that, notwithstanding the commitment of the institutions, significant practical obstacles remain to the geographical mobility of workers within the EU, particularly those who live in the regions furthest away from the continent or the outermost regions;

12. calls for improvement of evaluation procedures so that the impact of the programme as a whole can be understood, and asks the Commission to commit to rapidly following up the envisaged final evaluations of equivalent ongoing programmes by making adjustments to the new programmes where appropriate;

13. **emphasises that social innovation** makes it possible to respond to the risks of social exclusion and combat it where it already exists, especially during a crisis that is in danger of jeopardising Europe's cohesion and its social model.; points out that we are in real danger of a 'generational crisis' with incalculable consequences for our societal model and for the democratic system itself; therefore calls on Europe to shoulder its responsibility, and promote social experimentation and disseminate good practices that result from it so as to develop effective models for intervention that can be applied throughout the Union;

14. recalls the Committee's opinion on **the microfinance instrument** ⁽²⁾ of 7 October 2009 and the importance that the microfinance facility could play in combating exclusion. The Committee's comments on the definition of the categories targeted by this instrument, and the statement that it is not an instrument for financing consumption but rather the setting-up or consolidation of innovative or social small businesses which have traditionally had trouble obtaining finance from traditional sources, should help clarify its purpose. Emphasises that European action remains secondary, i.e. supporting national, regional or local actors who supply microcredit; also emphasises

⁽¹⁾ European Parliament Report on the Social Economy (2008/2250(INI)).

⁽²⁾ The 'Progress' Microfinance Facility CdR 224/2009.

that the importance of the instrument lies in creating a virtuous, self-sustaining mechanism for beneficiary enterprises that regenerates available funds thanks to the high reimbursement rate. Calls, therefore, for sound European regulation setting out the common factors at European level to harmonise or standardise practices relating to microcredit. The Committee also draws the Commission's attention to the positive examples of non-profit organisations already doing an excellent job of providing microcredit. To maintain this it is important that the EU does not develop its own parallel system, but rather support existing efforts;

15. with regard to **EURES**, calls on the Commission to ensure that this instrument should become more effective by bringing supply into line with demand, and by availing itself of national and regional employment services; calls on EURES to do more to address the needs of young people looking for their first job by supporting the movement of people with no work experience, whilst taking into account that there is also a demand for young qualified workers in many smaller cities and rural areas; also stresses the need to adopt an ambitious approach to tackling the obstacles to the free movement of workers, including distance from the continent; the instrument should address these and not confine itself merely to job-matching activities;

Specific issues

16. is concerned about the removal, compared to the current Progress programme, of the reference to gender equality and non-discrimination, in light of two major risks: the shift of focus from the need to remove social barriers that hinder equality to the mere, traditional recognition of rights and the risk of fragmentation of innovative schemes in the social sphere;

17. confirms that the programme's budget remains below needs, especially in the field of social experimentation, even though the Commission proposes that 17 % of the budget be used for this purpose;

18. with regard to the microfinance aspect, considers it necessary to repeat what was said in the Committee's 2009 opinion, not least considering that the programme has only been being implemented – with co-financing from the EIB and the EIF – for a little more than a year. Points out that particular additional attention should be given to specific actions to support microcredit operators to enable them to meet the minimum conditions of balance and sustainability, recalling that the effectiveness of microfinance measures is closely related to the size of the operators and the quality of microfinance services they provide. Hence the need to encourage and support national and/or regional microfinance networks that work as second-level support structures for individual local operators;

19. reiterates the need for consistency in European action when there are a number of programmes in the field of innovation and microfinance; calls for greater consistency between the PSCI programme and the ESF to be guaranteed, taking account of the diversity of the managing entities – the Commission for this programme and the national and regional authorities for the Social Fund. In this regard, puts forward three proposals: a commitment by regions to use the Social Fund or other funds to apply established good practices; the possibility of the Committee of the Regions putting forward guidelines on the matter of consistency at the time of publication of calls for tender; where appropriate to the territorial dimension of the projects, the regional and local authorities concerned should issue an opinion on the individual projects put forward so as to ensure synergy and coordination with their use of the ESF;

20. finally, there is the problem, for the three axes of the programme, of carrying out more accurate evaluations of effectiveness, especially as regards microfinance and EURES, in order to know how much has been done or how many people have actually found work thanks to the programme. Considers that the Commission should commit to quicker presentation of the results of evaluations of ongoing programmes, which are to be published only after the new ones enter into force, and, if appropriate, to propose changes or enhancements to the latter.

II. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1

Whereas (19)

Text proposed by the Commission	CoR amendment
(19) Pursuant to Article 9 of the Treaty, the Programme should ensure that the requirements linked to the promotion of a high-level of employment, a guarantee of adequate social protection and the fight against social exclusion are taken into account in defining and implementing the Union's policies and activities.	(19) Pursuant to Article 9 of the Treaty, and the objectives of the EU2020 strategy the Programme should ensure that the requirements linked to the promotion of a high-level of employment, a guarantee of adequate social protection and the fight against social exclusion are taken into account in defining and implementing the Union's policies and activities.

Reason

It is necessary to underline the need for coherence of the implementation of this programme with the EU 2020 strategy.

Amendment 2

Article 4, paragraph 1, new indent (f)

Text proposed by the Commission	CoR amendment
<i>Article 4</i>	<i>Article 4</i>
<i>General objectives of the Programme</i>	<i>General objectives of the Programme</i>
1. The Programme shall seek to achieve the following general objectives:	1. The Programme shall seek to achieve the following general objectives:
(a) ...	(a) Strengthen ownership of the Union objectives in the employment, social and working conditions fields among key Union and national policy-makers, as well as other interested parties in order to bring about concrete and coordinated actions at both Union and Member State level;
(b) Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation;	(b) Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting <u>participation of all relevant stakeholders</u> , good governance, mutual learning and social innovation;
(c) ...	(c) Modernise Union law in line with the Smart Regulation principles and ensure that Union law on matters relating to working conditions is effectively applied;
(d) Promote workers' geographical mobility and boost employment opportunities by developing Union labour markets that are open and accessible to all;	(d) Promote workers' geographical mobility and boost employment opportunities by developing Union labour markets that are open and accessible to all;
(e) Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises.	(e) Promote employment and social inclusion by increasing the availability and accessibility of microfinance for <u>young people</u> , vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises.
	<u>(f) Support for active engagement of all relevant actors in the follow up of already agreed EU priorities such as: active inclusion, homelessness and housing exclusion, child poverty, energy poverty and poverty amongst migrants and ethnic minorities;</u>

Reason

For point b: It is necessary to promote the participation of all relevant stakeholders in the development of social protection systems. For point d: microfinance can be the only way for young people to start up or develop an enterprise. For point f: The active engagement of all relevant actors is a condition for this programme.

Amendment 3

Article 5, paragraph 2, indent a)

Text proposed by the Commission	CoR amendment
<p>2. The following indicative percentages shall be allocated to the axes set out in Article 3 (1) as follows:</p> <p>(a) 60 % to the Progress axis, of which at least 17 % shall be allocated to promoting social experimentation as a method for testing and evaluating innovative solutions with a view to scaling them up;</p> <p>(b) 15 % to the EURES axis;</p> <p>(c) 20 % to the Microfinance and Social Entrepreneurship axis.</p>	<p>2. The following indicative percentages shall be allocated to the axes set out in Article 3 (1) as follows:</p> <p>(a) 60 % to the Progress axis, of which at least 17 %25 % shall be allocated to promoting social experimentation as a method for testing and evaluating innovative solutions with a view to scaling them up and at least 10 % to fighting youth unemployment; <u>the percentage in question could, in particular, be doubled in order to support social experimentation projects relating to political priorities, especially the inclusion of young people, in line with the Commission Communication of 20 December 2011 entitled Youth opportunities Initiative and with implementation of the Youth on the move flagship initiative under the Europe 2020 strategy.</u></p> <p>(b) 15 % to the EURES axis;</p> <p>(c) 20 % to the Microfinance and Social Entrepreneurship axis.</p>

Reason

It is very important to stress the need for specific attention to be given to concrete experimentation and to fighting youth unemployment, especially in the light of recent statistics.

Amendment 4

Article 8, paragraph 1

Text proposed by the Commission	CoR amendment
<p><i>Consistency and complementarity</i></p> <p>1. The Commission, in cooperation with the Member States, shall ensure that activities carried out under the Programme are consistent with, and complementary to other Union action, in particular under the European Social Fund (ESF) and in such areas as social dialogue, justice and fundamental rights, education, vocational training and youth policy, research and innovation, entrepreneurship, health, enlargement and external relations, and general economic policy.</p>	<p><i>Consistency and complementarity</i></p> <p>1. The Commission, in cooperation with the Member States, shall ensure that activities carried out under the Programme are consistent with, and complementary to other Union action, in particular under the European Social Fund (ESF) and the European Regional Development Fund (ERDF), as well as the programme for research and innovation Horizon 2020 and in such areas as social protection and inclusion, social dialogue, justice and fundamental rights, education, vocational training and youth policy, research and innovation, entrepreneurship, health, enlargement and external relations, and general economic policy. <u>To this end, national, regional and local authorities shall, when allocating European funds, in particular the European Social Fund, give preference to following up on successful experiments. So as to ensure consistency of the projects with regional programming, those regions directly involved in a project being presented and/or beneficiaries of ESF operational programmes must be consulted so that they can issue an opinion on the projects, within the time frame established by the Commission, concerning the consistency mentioned above. Such an opinion could contribute to the evaluation of projects.</u></p>

Reason

Given the relative scarcity of European and national public funds, it is of fundamental importance to ensure consistency and synergy in expenditure. For this reason, it is necessary to strengthen the operational continuity between experimental actions and the definition of good practice and actions under the operational funds such as the ERDF and, in particular, the ESF. In many situations, it is important to check the consistency between experimental expenditure and operational expenditure that is to follow, on the basis of the guidelines established by the competent regional authorities, without prejudice to the Commission's independence in decision-making on the approval of projects in compliance with the relevant rules.

Amendment 5

Article 13

Text proposed by the Commission	CoR amendment
<p><i>Monitoring</i></p> <p>With a view to regular monitoring of the Programme and making any adjustments needed to its policy and funding priorities, the Commission shall draw up biennial monitoring reports and send them to the European Parliament and the Council. Such reports shall cover the Programme's results and the extent to which gender equality and anti-discrimination considerations, including accessibility issues, have been addressed through its activities.</p>	<p><i>Monitoring</i></p> <p>With a view to regular monitoring of the Programme and making any adjustments needed to its policy and funding priorities, the Commission shall draw up biennial monitoring reports and send them to the European Parliament, the Council and the Committee of the Regions. Such reports shall cover the Programme's results and the extent to which gender equality and anti-discrimination considerations, including accessibility issues, have been addressed through its activities.</p>

Reason

Many of the actions provided for in the Programme have significant effects on regional action or are driven by it. That is why the CoR must be able to issue an opinion to propose guidance to the Commission that is consistent with regional policy.

Amendment 6

Article 22

Text proposed by the Commission	CoR amendment
<p><i>Article 22</i></p> <p><i>Specific objectives</i></p> <p>In addition to the general objectives set out in Article 4, the specific objectives of the Microfinance and Social Entrepreneurship axis shall be to:</p> <p>1. Increase access to, and the availability of, microfinance for:</p> <p>(a) persons who have lost or are at risk of losing their jobs, or who have difficulty in entering or re-entering the labour market, persons at risk of social exclusion and vulnerable persons who are in a disadvantaged position with regard to access to the conventional credit market and who wish to start up or develop their own micro-enterprises;</p> <p>(b) micro-enterprises, especially those which employ persons as referred to in point (a);</p>	<p><i>Article 22</i></p> <p><i>Specific objectives</i></p> <p>In addition to the general objectives set out in Article 4, the specific objectives of the Microfinance and Social Entrepreneurship axis shall be to:</p> <p>1. Increase Minimise and avoid the administrative barriers hindering the access to, and availability of, microfinance for:</p> <p>(a) persons who have lost or are at risk of losing their jobs, or who have difficulty in entering or re-entering the labour market, persons at risk of social exclusion, young people and vulnerable persons who are in a disadvantaged position with regard to access to the conventional credit market and who wish to start up or develop their own micro-enterprises, whether alone or in cooperation with other people who find themselves in the same situation; people who wish to start up or develop a micro-enterprise should be able to benefit from mentoring and training programmes accompanying the support in the form of microfinance;</p> <p>(b) micro-enterprises, especially those which employ persons as referred to in point (a);</p>

Text proposed by the Commission	CoR amendment
<p>2. Build up the institutional capacity of microcredit providers;</p> <p>3. Support the development of social enterprises, in particular by facilitating access to finance.</p>	<p>2. Build up the institutional capacity of microcredit providers, <u>thus enhancing their conditions of operability and sustainability;</u></p> <p>3. <u>Support mentoring and training for persons considered on point (a) to start up or develop their own enterprise;</u></p> <p>4. Support the development of social enterprises, in particular by facilitating access to finance.</p>

Reason

The amendment to paragraph 1 is necessary to specify the categories of final beneficiaries of microcredit for the purposes of production or professional development. The second highlights an issue already raised by the European Commission itself and by civil society organisations dealing with microcredit, particularly at a time when entrepreneurship, including small business, needs to be stimulated and encouraged.

Amendment 7

Article 23

Text proposed by the Commission	CoR amendment
<p><i>Participation</i></p> <p>1. Participation under the Microfinance and Social Entrepreneurship axis shall be open to public and private bodies established at national, regional or local level in the countries referred to in Article 16(1) and providing in those countries:</p> <p>(a) microfinance for persons and micro-enterprises;</p> <p>(b) financing for social enterprises.</p> <p>2. To reach out to the final beneficiaries and create competitive, viable micro-enterprises, public and private bodies that carry out activities as referred to in paragraph 1(a) shall cooperate closely with organisations representing the interests of the final beneficiaries of microcredit and with organisations, in particular those supported by the ESF, which provide mentoring and training programmes to such final beneficiaries.</p> <p>3. Public and private bodies that carry out activities as referred to in paragraph 1(a) shall adhere to high standards concerning governance, management and customer protection in line with the principles of the European Code of Good Conduct for Microcredit Provision and shall seek to prevent persons and undertakings from becoming over-indebted.</p>	<p><i>Participation</i></p> <p>1. Participation under the Microfinance and Social Entrepreneurship axis shall be open to public and private bodies established at national, regional or local level in the countries referred to in Article 16(1) and providing in those countries:</p> <p>(a) microfinance for persons and micro-enterprises;</p> <p>(b) financing for social enterprises.</p> <p>2. To reach out to the final beneficiaries and create competitive, viable micro-enterprises, public and private bodies that carry out activities as referred to in paragraph 1(a) shall cooperate closely with organisations representing the interests of the final beneficiaries of microcredit and with organisations, in particular those supported by the ESF, which provide mentoring and training programmes to such final beneficiaries.</p> <p>3. Public and private bodies that carry out activities as referred to in paragraph 1(a) shall adhere to high standards concerning governance, management and customer protection in line with the principles of the European Code of Good Conduct for Microcredit Provision and shall seek to prevent <u>the spread of practices whereby microcredits are provided at very high interest rates and, in general, under conditions causing</u> persons and undertakings <u>to become from becoming</u> over-indebted.</p>

Brussels, 3 May 2012.

The President
of the Committee of the Regions
 Mercedes BRESSO