



**COUNCIL OF  
THE EUROPEAN UNION**

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Subject:	Proposal for a Regulation of the European Parliament and of the Council on the European Union Programme for Social Change and Innovation - <i>Partial general approach</i>

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**I. INTRODUCTION**

On 6 October 2011, the Commission submitted, on the basis of Articles 46(d), 149, 153(2)(a) and 175, 3rd paragraph (TFEU), the proposal on the Programme for Social Change and Innovation (PSCI) to the Council and the European Parliament. The PSCI incorporates three existing programmes: PROGRESS (Programme for Employment and Social Solidarity), EURES (European Employment Services) and the European Microfinance Facility.

The European Parliament is still to deliver its position at first reading.

The European Economic and Social Committee delivered its opinion on the proposal on 23 February 2012.

The Committee of Regions delivered its opinion on the proposal at its session on 3-4 May 2012.

## **II. DISCUSSIONS IN THE COUNCIL PREPARATORY BODIES**

The Social Questions Working Party started its examination of the proposal in November 2011 and has examined it on seven occasions, the last meeting having taken place on 22 May 2012. The Working Party has reached broad agreement on the proposal, as set out in the Annex. On 5 June, the Committee of Permanent Representatives confirmed the agreement reached by the Working Party and agreed to submit the text as set out in the Annex to the Council (EPSCO) on 21 June 2012 with a view to reaching a partial general approach. Remaining reservations are indicated in Section III and in the footnotes to the annexed text.

Article 5(1) concerning programme budget, Article 11(3), related to Article 27(3), concerning budgetary reflows and Article 30(a) concerning revolving funds of the current Microfinance Facility are being considered by other Council preparatory bodies and are therefore excluded from the scope of the general approach. The situation concerning these issues is outlined in Section IV below.

### III. REMAINING RESERVATIONS

#### (a) General and parliamentary scrutiny reservations

FR, MT and UK have maintained parliamentary scrutiny reservations.

The Commission has maintained a general reservation and fully reserves its position pending progress on the MFF negotiations and the position of the European Parliament.

#### (b) Other specific reservations

The remaining specific reservations are the following:<sup>1</sup>

- BG: reservation on using the funds under the Microfinance/Social Entrepreneurship axis for capacity building of microcredit providers (Article 24(2));
- CY: reservations concerning the EURES coverage (Recital 12) and the EURES' scope (Recital 13, Articles 6(4) and 21(b));
- Cion: reservations on the deletion of the 5% reserve and its proportional allocation to the three axes of the Programme and on the figure of 15-20% for social experimentation (Article 5(2)) as well as on the threshold for social enterprises of 30 million (Article 24(3)).

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<sup>1</sup> The provisions of the draft Regulation in the Annex have been renumbered, following the revision after the Coreper meeting on 5 June.

#### IV. BUDGETARY/FINANCIAL ISSUES OUTSIDE THE GENERAL APPROACH

(a) Programme budget (Article 5(1))

All budgetary decisions for the future Multiannual Financial Framework (MFF) are being negotiated horizontally, including the amount indicated in Article 5(1) of the PSCI proposal (*on this issue, see doc. 5032/12 on Multiannual Financial Framework (2014-2020) - Organisation of work within the Council in the first semester 2012*). In Article 5(1), the overall financial appropriations for the Programme remain therefore in brackets; this figure will remain outside the partial general approach, which the Presidency aims to reach in June 2012. The UK delegation has firmly expressed its support for the Presidency approach on this issue and made it clear that it is only on this basis that it can support the partial general approach.

(b) Budgetary reflows (Article 11(3)(new), related to Article 27(3))

The issue of budgetary reflows (e.g. any revenues and repayments) for the spending programmes during the 2014-2020 period is being discussed in relation to the new Financial Regulation. While these discussions are taking place, the Presidency has considered it useful to add Article 11(3) in brackets to the text and also to put Article 27(3) in brackets.

(c) Revolving funds of the current Microfinance Facility (Article 30(a))

While the Commission has proposed that the funds revolving under the current Progress Microfinance Facility would continue to be used for micro financing under the proposed new Programme, a number of delegations were in favour of returning reflows from the current Facility to the general EU budget or, alternatively, awaiting the results of the discussions on reflows under the new MFF (cf. also Section IV (b)). The Presidency has therefore considered it useful to put Article 30(a) in brackets, pending the outcome of the horizontal negotiations on reflows.

## V. CONCLUSION

The Council (EPSCO) is invited to reach a partial general approach on the text of the Regulation as set out in the Annex to this Report.

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Draft

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
on a European Union Programme for Social Change and Innovation**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 46(d), Article 149, Article 153(2)(a) and the third paragraph of Article 175 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Having regard to the opinion of the Committee of the Regions<sup>3</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

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<sup>2</sup> OJ C , , p. .

<sup>3</sup> OJ C , , p. .

- (1) In line with the Commission Communication "A budget for Europe 2020"<sup>4</sup>, which recommends rationalising and simplifying the Union's funding instruments and sharpening their focus both on Union added value and on impacts and results, this Regulation establishes a European Union Programme for Social Change and Innovation (hereinafter "the Programme") to provide for the continuation and development of activities carried out on the basis of Decision No 1672/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity – Progress<sup>5</sup>, Regulation No 492/2011 of the European Parliament and of the Council of 5 April 2011 on freedom of movement for workers within the Union<sup>6</sup> and Commission Decision 2003/8/EC of 23 December 2002 implementing Council Regulation No 1612/1968 as regards the clearance of vacancies and applications for employment<sup>7</sup> and Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion<sup>8</sup> (hereinafter "the Facility").
- (2) On 17 June 2010 the European Council endorsed the Commission proposal for a Europe 2020 Strategy for jobs and smart, sustainable and inclusive growth, which provides for five headline targets (including three dealing respectively with employment, the fight against poverty and social exclusion, and education) and seven flagship initiatives, and thus constitutes a coherent policy framework for the coming decade. The European Council advocated full mobilisation of the appropriate EU instruments and policies to support achievement of the common objectives and invited the Member States to step up coordinated action.

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<sup>4</sup> COM(2011) 500.

<sup>5</sup> OJ L 315, 15.11.2006, p. 1.

<sup>6</sup> OJ L 141, 27.5.2011, p. 1.

<sup>7</sup> OJ L 5, 10.1.2003, p. 16.

<sup>8</sup> OJ L 87, 7.4.2010, p. 1.

- (3) In accordance with Article 148(2) of the Treaty on the Functioning of the European Union, the Council adopted, in the framework of the European Employment Strategy, guidelines for employment policies on 21 October 2010, which, together with the broad guidelines for the economic policies of the Member States and of the Union adopted in accordance with Article 121 of the Treaty, comprise the Europe 2020 integrated guidelines. The Programme should contribute to applying the Europe 2020 integrated guidelines, and in particular Guidelines 7, 8 and 10, while supporting implementation of the flagship initiatives, with special regard to the European Platform against Poverty and Social Exclusion, an Agenda for New Skills and Jobs, and Youth on the Move.
- (4) The European Platform against Poverty and Social Exclusion and the Innovation Union flagship initiatives identify social innovation as a powerful tool for addressing the social challenges arising from population ageing, poverty, unemployment, new work patterns and life styles, and citizens' expectations regarding social justice, education and health care.

The Programme should support action to step up social innovation in policy areas falling within its scope in the public, private and third sectors, taking due account of the role of regional and local authorities. In particular, it should help identify, evaluate and scale up innovative solutions and practice through social experimentation to assist the Member States more effectively in reforming their labour markets and social protection policies. It should also act as a catalyst for transnational partnerships and networking between public, private and third-sector actors as well as supporting their involvement in designing and implementing new approaches to tackling pressing social needs and challenges.

- (5) On 17 June 2011, the Council endorsed an opinion of the Social Protection Committee (SPC) confirming that the Social Open method of Coordination (Social OMC) had proven a flexible, successful and effective instrument; that the Social OMC should continue working in holistic way along its three strands (social inclusion, pensions, and health and long-term care); and that it would include in-depth work on thematic focuses to be decided by the SPC, enhanced mutual learning, and the strengthening of the analytical capacity and evidence base.



- (6) In line with the Europe 2020 Strategy, the Programme should pursue a coherent approach to promoting employment as well as combating and preventing social exclusion and poverty. Its implementation should be rationalised and simplified, notably through a set of common provisions including, *inter alia*, general objectives, typology of actions, monitoring and evaluation arrangements. Whilst smaller projects will continue to be supported, the Programme will also support large projects, all of which with clear EU added value and including social experimentation projects. The entities entrusted with the implementation of the different parts of the Programme shall ensure that the Programme produces added value at European level. In addition, greater use should be made of simplified cost options (lump-sum and flat-rate financing) in particular for the implementation of mobility schemes. The Programme should be a one-stop shop for microfinance providers, providing financing for micro-credit, capacity building and technical assistance.
- (7) The Union should equip itself with a sound analytical basis to support policy-making in the employment and social area. Such an evidence base adds value to national action by providing a Union dimension and comparison for data-gathering and the development of statistical tools and methods and common indicators with a view to composing a full picture of the situation in the fields of employment, social policy and working conditions across the Union and ensuring high-quality evaluation of the efficiency and effectiveness of programmes and policies.
- (8) The Union is uniquely placed to provide a Union platform for policy exchanges and mutual-learning between the Member States in the employment and social areas. Knowledge of policies applied in other countries and of their results broadens the range of options available to policy-makers, triggers new policy developments and encourages national reform.

- (9) Ensuring that minimum standards are in place and that working conditions improve constantly in the Union is a central feature of Union social policy. The Union has an important role to play in ensuring that the legislative framework is adapted to evolving work patterns and new health and safety risks, taking into account "Smart Regulation" principles. It has also an important role to play in financing measures to improve compliance with Union rules on the protection of workers' rights in particular measures for raising awareness, disseminating information and promoting the debate about the key challenges and policy issues in relation to working conditions, including among the social partners and other stakeholders as well as initiating preventive actions and fostering the prevention culture in the field of health and safety at work.
- (10) Civil society organisations active at various levels can play an important role in meeting the objectives of the Programme, by participating in the policy-making process and contributing to social innovation.
- (11) The Union is committed to strengthening the social dimension of globalisation by promoting decent work and labour standards internationally, either directly *vis-à-vis* third countries or indirectly through cooperation with international organisations. Accordingly, suitable relations need to be developed with third countries not participating in the Programme in order to help achieve its objectives, having regard to any agreements of relevance between such countries and the Union. This may involve the attendance of representatives of these third countries at events of mutual interest (such as conferences, workshops and seminars) that take place in countries participating in the Programme. In addition, cooperation should be developed with the international organisations concerned, and in particular the International Labour Organisation (ILO), the Council of Europe and the Organisation for Economic Cooperation and Development (OECD), with a view to implementing the Programme in a way that takes the role of such organisations into account.

- (12) In accordance with Articles 45 and 46 of the Treaty, Regulation (EU) No 492/2011 lays down provisions intended to achieve freedom of movement for workers by ensuring close cooperation between national employment services. EURES should promote better functioning of the labour markets by facilitating transnational geographical mobility of workers, providing greater transparency on the labour market, ensuring the clearance of vacancies and applications for employment and supporting activities in the areas of recruitment, advice and guidance services at national and cross-border level, thereby contributing to the objectives of the Europe 2020 Strategy.<sup>9</sup>
- (13) EURES' scope should be widened to develop and support targeted mobility schemes, following calls for proposals, at Union level with a view to filling vacancies where labour market<sup>10</sup> shortcomings have been identified. In accordance with Article 47 of the Treaty, the scheme should support facilitating mobility among young workers.
- (14) The Europe 2020 Strategy, and in particular Guideline 7, identifies self-employment and entrepreneurship as crucial to achieving smart, sustainable and inclusive growth<sup>11</sup>.
- (15) Lack of access to credit is one of the main obstacles to business creation, especially among people furthest from the labour market. Union and national efforts in this area need to be stepped up in order to increase the supply of microfinance and meet demand from those who need it most, and in particular unemployed and vulnerable people who wish to start up or develop a micro-enterprise, including on a self-employed basis, but do not have access to credit. As a first step, in 2010 the European Parliament and the Council set up the Facility.

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<sup>9</sup> CY suggested also adding at the end "*respecting, at the same time, the local specificities and conditions as well as the credibility and the effectiveness of the national structures.*" (see Cover note, Section III (b)).

<sup>10</sup> CY suggested adding here "*properly justified*" (see Cover note, Section III(b) as well as footnotes to Articles 6(4) and 21(b)).

<sup>11</sup> Council Decision 2010/707/EU of 21 October 2010 on guidelines for the employment policies of the Member States (OJ L 308, 24.11.2010, p. 46).

- (16) Making microfinance more available on the Union's young microfinance market calls for the institutional capacity of microfinance providers, and in particular non-bank microfinance institutions, to be stepped up in line with the Commission Communication 'A European Initiative for the development of micro-credit'<sup>12</sup>.
- (17) Social economy constitutes an integral part of Europe's pluralist social market economy. It is founded on the principles of solidarity and responsibility, primacy of the individual and the social objective over capital, promoting social responsibility, social cohesion and social inclusion. Social economy undertakings and social enterprises can act as drivers of social change by offering innovative solutions, and therefore make a valuable contribution to meeting the objectives of the Europe 2020 Strategy. The programme should improve social enterprises' access to different types of capital via suitable instruments to meet their specific financial needs throughout their lifecycle.<sup>13</sup>
- (18) "Social enterprise" has for the purpose of this regulation the same meaning as "social undertaking", irrespective of its legal form, including the forms of social economy undertakings. Cf. also Commission Regulation 800/2008 stating that an enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form.
- (19) In order to capitalise on the experience of international financial institutions, and in particular the European Investment Bank Group, action involving microfinance and social entrepreneurship should be implemented by the Commission indirectly by entrusting budget implementations tasks to financial institutions in accordance with the financial regulation. Using Union resources concentrates leverage from international financial institutions and other investors, unifies approaches and thus improves access to finance for micro-enterprises, including the self-employed and social enterprises. The Union contribution thus assists in the development of the emerging social business sector and the microfinance market in the Union and encourages cross-border activities.

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<sup>12</sup> COM(2007) 708, 13.11.2007.

<sup>13</sup> COM(2011) 682 final.

- (20) Pursuant to Articles 8 and 10 of the Treaty, the Programme should contribute to the promotion of equality between women and men and aim to combat discrimination in all its activities. Regular monitoring and evaluation should be carried out to assess the way in which gender equality and anti-discrimination issues are addressed in the Programme's activities.
- (21) Pursuant to Article 9 of the Treaty, the requirements linked to the promotion of a high-level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of protection of human health should be taken into account in defining and implementing the Union's policies and activities.
- (22) To ensure more efficiency in communication to the public at large and stronger synergies between the communication actions undertaken at the initiative of the Commission, the resources allocated to information and communication activities under this regulation shall also contribute to corporate communication of the political priorities of the European Union as far as they are related to the general objectives of this Regulation.
- (23) Since the objectives of this Regulation cannot be sufficiently achieved at Member State level and can therefore, by reason of their scale and effects, be better achieved at Union level, the Union may adopt measures, within the limits of its competence and in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (24) This Regulation lays down, for the duration of the Programme, a total financial amount that constitutes the prime reference, within the meaning of point 17 of the Interinstitutional Agreement of {...} between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management, for the budgetary authority during the annual budgetary procedure.

- (25) The financial interests of the Union should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, administrative and financial penalties in accordance with Regulation (EU) No XXXX/2012 of the European Parliament and of the Council on the financial rules applicable to the annual budget of the Union<sup>14</sup>.
- (26) Implementing powers should be conferred on the Commission with a view to ensuring there are uniform conditions for implementing actions within the EURES and the Microfinance and Social Entrepreneurship axes of the Programme, respectively.
- (27) The implementing powers relating to actions carried out under the Progress axis of the Programme should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers<sup>15</sup>.

HAVE ADOPTED THIS REGULATION:

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<sup>14</sup> OJ C [...], [...], p. [...].

<sup>15</sup> OJ L 55, 28.2.2011, p. 13.

# Title I

## Common provisions

### *Article 1*

#### *Subject matter*

1. This Regulation establishes a European Union Programme for Social Change and Innovation (hereinafter "the Programme") which aims to contribute to the implementation of the Europe 2020 Strategy, its headline targets and Integrated Guidelines by providing financial support for the European Union's objectives in terms of promoting a high level of employment, guaranteeing adequate social protection, combating social exclusion and poverty and improving working conditions.
2. The Programme shall run from 1 January 2014 to 31 December 2020.

### *Article 2*

#### *Definitions*

For the purposes of this Regulation:

- (a) "social experimentation" means the development of an evidence-based approach to social innovations and reforms through small scale projects designed to test and evaluate policy innovations before adopting them more widely.
- (b) "social enterprise" means an undertaking operating in the market through the production of goods and services in a way that embodies its social objective, which:

- (i) has the achievement of measurable, positive social impacts as a primary objective in accordance with its articles of association, statutes or any other statutory document establishing the business,
  - (ii) uses its profits to achieve its primary objective and has in place predefined procedures and rules for any circumstances in which a limited part of its profits are distributed to shareholders and owners;
  - (iii) is managed in an in an entrepreneurial and innovative, accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activities.
- (c) "Microcredit" means a loan of up to EUR 25 000.
- (d) "Micro-enterprise" means an enterprise that employs less than 10 people, including self-employed persons, and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million, in accordance with Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises<sup>16</sup>.
- (e) "Microfinance" includes guarantees, [...]microcredit, equity and quasi-equity extended to persons and micro-enterprises.

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<sup>16</sup> OJ L 124, 20.5.2003, p. 36.



*Article 3*  
*Structure of the Programme*

1. The Programme shall be made up of the following three complementarity axes:
  - (a) The Progress axis, which shall support the development, implementation, monitoring and evaluation of employment policy, social protection and inclusion, as well as of working conditions in the Union and shall promote evidence-based policy-making and social innovation, in partnership with the social partners, civil society organisations and other interested parties;
  - (b) The EURES axis, which shall support activities carried out by the EURES network, i.e. the specialist services designated by the EEA Member States and the Swiss Confederation, together with other interested parties, to develop information exchanges and dissemination and other forms of cooperation to promote workers' geographical mobility;
  - (c) The Microfinance and Social Entrepreneurship axis, which shall facilitate access to finance for entrepreneurs, especially those furthest from the labour market, and social enterprises.
2. The common provisions laid down in Articles 1 to 14 shall apply to all three axes set out in points (a), (b) and (c) of paragraph 1, to each of which specific provisions shall also apply.

*Article 4*  
*General objectives of the Programme*

1. The Programme shall seek to achieve the following general objectives:
  - (a) Strengthen ownership of the Union objectives in the fields of employment, social protection and social inclusion, and working conditions 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, social inclusion policies and labour markets and facilitate policy reform;
  - (c) Ensure that Union law on matters relating to working conditions is effectively applied and, where necessary, contribute to modernising Union law taking into account the Smart Regulation principles;
  - (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 micro finance for vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises.

2. In pursuing those objectives, the Programme shall, in all its axes and actions, aim to:
- (a) Promote equality between women and men through gender mainstreaming;
  - (b) Combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation;
  - (c) Ensure that the requirements linked to the promotion of a high-level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of protection of human health are taken into account in defining and implementing of the Union's policies and activities.

*Article 5*

*Budget<sup>17</sup>*

1. The financial appropriations for implementing the Programme over the period from 1 January 2014 to 31 December 2020 shall amount to [EUR 958.19 million].
- 2.<sup>18</sup> The following indicative percentages shall be allocated to the axes set out in Article 3 (1):
- (a) 63% to the Progress axis within which the different policy areas should respect the following lower limits:
    - employment policy 18%;
    - social protection and inclusion 24%;
    - working conditions 8%;

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<sup>17</sup> For the budgetary discussions, cf. Cover note, Section IV (a).

<sup>18</sup> Cion: reservation on the allocation of the 5% reserve to the different axes (see Cover note, Section III (b)).

From the overall allocation for the Progress axis, and within its different policy areas, 15-20% should be allocated to promoting social experimentation as a method for testing and evaluating innovative solutions with a view to scaling them up.<sup>19</sup>

- (b) 16% to the EURES axis;
  - (c) 21% to the Microfinance and Social Entrepreneurship axis.
3. The Commission may make use of up to 2% of the appropriations referred to paragraph 1 to finance operational expenditures for the support of the implementation of the programme.
  4. Annual appropriations shall be authorised by the budgetary authority within the ceilings laid down in the multiannual financial framework.

#### *Article 6*

##### *Types of actions*

The following types of actions may be financed under the Programme:

1. Analytical activities:
  - (a) Gathering of data and statistics, as well as development of common methodologies, classifications, micro-simulations, indicators and benchmarks;
  - (b) Surveys, studies, analyses and reports, including through the funding of networks of experts;

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<sup>19</sup> Cion: reservation on the figure of 15-20% (cf. Cover note, Section III (b)).

- (c) Evaluations and impact assessments;
- (d) Monitoring and assessment of the transposition and application of Union law;
- (e) Preparation and implementation of social experimentation as a method for testing and evaluating innovative solutions with a view to scaling them up;
- (f) Dissemination of the results of these analytical activities.

2. Mutual learning, awareness and dissemination activities:

- (a) Exchanges and dissemination of good practice, innovative approaches and experience, peer reviews, benchmarking and mutual learning at European level;
- (b) Council Presidency events, conferences and seminars;
- (c) Training of legal and policy practitioners, and EURES advisers;
- (d) Drafting and publication of guides, reports and educational material;
- (e) Information and communication activities;
- (f) Development and maintenance of information systems in order to exchange and disseminate information on Union policy and legislation as well as labour market information.

3. Support for main actors in regard to:

- (a) The operating costs of key Union-level networks whose activities relate and contribute to the objectives of the Progress axis;

- (b) Capacity-building of national administrations and specialist services responsible for promoting geographical mobility designated by the Member States and microcredit providers,
  - (c) Organisation of working groups of national officials to monitor the implementation of Union law;
  - (d) Networking and cooperation at European level, among specialist bodies, national, regional and local authorities, and employment services;
  - (e) Funding of European-level observatories;
  - (f) Exchange of personnel between national administrations.
4. Actions to promote mobility of workers in the Union, in particular the development of a multilingual digital platform for the clearance of job vacancies and applications, and targeted mobility schemes, following calls for proposals, to fill vacancies, where labour market shortcomings have been identified and/or to help workers with a propensity to be mobile and where a clear economic need has been identified.<sup>20</sup>
5. Support to microfinance and social enterprises in particular through the financial instruments provided for under Title VIII of Part one of Regulation XXX/2012 [New Financial Regulation] on the financial rules applicable to the annual budget of the Union, and grants.

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<sup>20</sup> CY: reservation on this paragraph, and in particular on how shortcomings will be identified (cf. Cover note, Section III (b) as well as footnotes to Recital 13 and Article 21 (b)).

*Article 7*  
*Joint action*

Actions eligible under the Programme may be implemented jointly with other Union instruments, provided that such actions meet the objectives of both the Programme and the other instruments concerned.

*Article 8*  
*Consistency and complementarity*

1. The Commission, in cooperation with the Member States, shall ensure that activities carried out under the Programme are consistent with, and complementary to relevant Union action, in particular under the European Social Fund (ESF).
2. The activities supported by the Programme shall comply with Union and national law.

*Article 9*  
*Cooperation with committees*

The Commission shall establish any relations needed with committees dealing with policies, instruments and actions of relevance to the Programme, in particular with the Employment Committee and the Social Protection Committee.

*Article 10*  
*Dissemination of results and communication*

1. The results of the actions implemented under the Programme shall be suitably communicated and disseminated in order to maximise their impact, sustainability and Union added value.
2. Communication activities shall also contribute to corporate communication of the political priorities of the European Union as far as they are related to the general objectives of this Regulation.

*Article 11*  
*Financial provisions*

1. The Commission shall manage the Programme in accordance with XXXX/2012 [New Financial Regulation] on the financial rules applicable to the annual budget of the Union ('the Financial Regulation')<sup>21</sup>.
2. Lump-sums and scale of unit costs and flat-rate financing may be used in respect of support awarded to programme participants, in particular in respect of mobility schemes referred to in Article 6(4).
- [3. *Text on reflows to be inserted, cf. negotiations on the new Financial Regulation.*]<sup>22</sup>

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<sup>21</sup> OJ L XXX, XX.XX.2012, p. XX.

<sup>22</sup> See also Articles 27(3) and 30 as well as Cover note, Section IV (b) and (c).



## *Article 12*

### *Protection of the financial interests of the Union*

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Programme are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative and financial penalties.
2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on the spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds under the Programme.
3. The European Anti-Fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)<sup>23</sup> and Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities<sup>24</sup> with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract funded under the Programme.

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<sup>23</sup> OJ L 136, 31.5.1999, p. 1.

<sup>24</sup> OJ L 292, 15.11.1996, p. 2.

4. Without prejudice to paragraphs 1, 2 and 3, cooperation agreements with third countries and with international organisations, contracts, grant agreements and grant decisions, resulting from the implementation of this Programme shall contain provisions expressly empowering the Commission, the Court of Auditors and OLAF to conduct such audits and investigations, according to their respective competences.

### *Article 13*

#### *Monitoring*

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 the first monitoring report after the first year of the implementation of the Programme and thereafter 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.

### *Article 14*

#### *Evaluation*

1. A mid-term evaluation of the Programme shall be carried out by the end of 2017 to measure progress made in meeting its objectives as set in Article 4, to determine whether its resources have been used efficiently and to assess its Union added value.
2. Two years after the expiry of the Programme at the latest, the Commission shall carry out an ex-post evaluation measuring its impact and Union added value and shall forward a report on that evaluation to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

# **Title II**

## **Specific Provisions**

### **Chapter I**

#### **Progress Axis**

##### *Article 15*

##### *Specific objectives*

In addition to the general objectives set out in Article 4, the specific objectives of the Progress axis shall be to:

- (a) Develop and disseminate high-quality comparative analytical knowledge, provide policy-makers with financial support to test social and labour market policy reforms, and build up the main actors' capacity to design and implement social experimentation, in order to ensure that Union employment policy, social protection and inclusion policy, as well as working conditions are based on sound evidence and are relevant to needs, challenges and conditions in the individual Member States and the other participating countries;
- (b) Facilitate effective and inclusive information-sharing, mutual learning and dialogue on Union employment policy, social protection and inclusion policy, as well working conditions at Union, national and international level in order to assist the Member States and the other participating countries in developing their policies and in implementing Union law;
- (c) Provide Union and national organisations with financial support to step up their capacity to develop, promote and support the implementation of Union employment policy, social protection and inclusion policy, as well as well as working conditions.

*Article 16*  
*Union co-financing*

Where activities under the Progress axis are financed following a call for proposals, they may receive Union co-financing which may not exceed, as a general rule, 80% of the total eligible expenditure. Any financial support in excess of this ceiling may be granted only in duly justified exceptional circumstances.

*Article 17*  
*Participation*

1. Participation in the Progress axis shall be open to the following countries:
  - (a) The Member States;
  - (b) The EFTA and EEA member countries, in accordance with the EEA Agreement;
  - (c) The candidate countries and potential candidates, in accordance with the general principles and the general terms and conditions laid down in the framework agreements concluded with them on their participation in Union programmes.
2. The Progress axis shall be open to all public and/or private bodies, actors and institutions, and in particular:
  - (a) National, regional and local authorities;
  - (b) Employment services;
  - (c) Specialist bodies provided for under Union law;
  - (d) The social partners;

- (e) Non-governmental organisations, and in particular those organised at Union level;
  - (f) Higher education institutions and research institutes;
  - (g) Experts in evaluation and in impact assessment;
  - (h) National statistical offices;
  - (i) The media.
3. The Commission may cooperate with international organisations, and in particular the Council of Europe, the OECD, the ILO and the World Bank.
4. The Commission may cooperate with third countries not participating in the Programme. Representatives of such third countries may attend events of mutual interest (such as conferences, workshops and seminars) that take place in countries participating in the Programme and the cost of their attendance may be covered by the Programme.

### *Article 18*

#### *Implementing powers conferred on the Commission*

1. Measures relating to the following and which are necessary for the implementation of the Progress axis shall be adopted in accordance with the examination procedure referred to in Article 18(3):
- (a) the multiannual work plans laying down medium-term policy and funding priorities;
  - (b) the annual work plans, including the annual budget and the criteria for the selection of beneficiaries following calls for proposals;

2. All other measures which are necessary for the implementation of the Progress axis shall be adopted in accordance with the advisory procedure referred to in Article 18(2), including:
  - (a) the procedures for selecting the actions to be supported by the Community and the draft list of actions to receive such support submitted by the Commission;
  - (b) the criteria for evaluating the Programme, including those relating to cost effectiveness and the arrangements for disseminating and transferring results

#### *Article 19*

##### *Committee*

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.
3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

#### *Article 20*

##### *Transitional measures*

Actions which are initiated before 1 January 2014 on the basis of Decision 1672/2006/EC (Sections 1, 2 and 3 referred to in Article 3 thereof) shall continue to be governed by that Decision. With regard to those actions, the Committee referred to in Article 13 of that Decision shall be replaced by the Committee provided for in Article 18 of this Regulation.

## Chapter II

### EURES Axis

#### *Article 21*

#### *Specific objectives*

In addition to the general objectives set out in Article 4, the specific objectives of the EURES axis shall be to:

- (a) Ensure that job vacancies and applications, and any related information are transparent for the potential applicants and the employers; this shall be achieved through their exchange and dissemination at transnational, interregional and cross-border level using standard interoperability forms;
- (b) Support the provision of EURES services for the recruitment and placing of workers in employment through the clearance of job vacancies and applications; this could cover support for all phases of placement, ranging from pre-recruitment preparation to post-placement assistance with a view to the applicant's successful integration into the labour market; such support services may include targeted mobility schemes to fill job vacancies<sup>25</sup>:
  - in a certain sector, occupation, country or a group of countries and/or
  - for particular groups of workers, such as young people with propensity to be mobile and where a clear economic need has been identified.

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<sup>25</sup> CY: reservation on the text, and especially on the word "*fill job vacancies*" (see Cover note, Section III (b) as well as footnotes to Recital 13 and Article 6(4)).

*Article 22*  
*Union co-financing*

Where activities under the EURES axis are financed following a call for proposals, they may receive Union co-financing which may not exceed, as a general rule, 95% of the total eligible expenditure. Any financial support in excess of this ceiling may be granted only in duly justified exceptional circumstances.

*Article 23*  
*Participation*

1. Participation in the EURES axis shall be open to the following countries:
  - (a) the Member States;
  - (b) the EFTA and EEA member countries in accordance with the EEA Agreement and with the Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other, on the free movement of persons<sup>26</sup>.
2. The EURES axis shall be open to all public and private bodies, actors and institutions designated by a Member State or the Commission which fulfil the conditions for participating in the EURES network, as set out in Commission Decision 2003/8/EC<sup>27</sup>. Such bodies and organisations shall include in particular:
  - (a) National, regional and local authorities;
  - (b) Employment services;
  - (c) Social partner organisations and other interested parties.

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<sup>26</sup> OJ L 114, 30.4.2002, p. 6.

<sup>27</sup> OJ L 005, 10.01.2003, p. 16.



## Chapter III

### Microfinance and Social Entrepreneurship Axis

#### *Article 24*

#### *Specific objectives*

In addition to the general objectives set out in Article 4, the specific objectives of the Microfinance and Social Entrepreneurship axis shall be to:

1. Increase access to, and the availability of, microfinance for:
  - (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;
  - (b) micro-enterprises, especially those which employ persons as referred to in point (a);
2. Build up the institutional capacity of microcredit providers;<sup>28</sup>
3. Support the development of the social investment market and facilitate access to finance for social enterprises by making available equity, quasi-equity, loan instruments and grants of up to EUR 500 000 to social enterprises, that either have an annual turnover not exceeding EUR 30 million, or an annual balance sheet total not exceeding EUR 30 million, which themselves are not a collective investment undertaking.<sup>29</sup>

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<sup>28</sup> BG entered a reservation on using the funds for institutional capacity of microcredit providers (see Cover note, Section III (b)).

<sup>29</sup> Cion: reservation (see Cover note, Section III (b)).

*Article 25*  
*Participation*

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:
  - (a) microfinance for persons and micro-enterprises;
  - (b) financing for social enterprises.
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. By doing so, a sufficient follow-up of these beneficiaries shall be ensured both before and after the creation of the micro-enterprise.
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.

*Article 26*  
*Financial contribution*

Except in the case of joint actions, the financial appropriations allocated to the Microfinance and Social Entrepreneurship axis shall cover the full cost of the actions implemented through financial instruments, including payment obligations towards financial intermediaries, such as losses from guarantees, management fees for the international financial institutions managing the Union's contribution and any other eligible costs.

*Article 27*  
*Management*

1. In order to implement the instruments and grants referred to in Article 6(5), the Commission may conclude agreements with the entities listed in Article 55(1) (b) (iii) and (iv) of Regulation XXX/2012 [New Financial Regulation 2012] on the financial rules applicable to the annual budget of the Union, and in particular with the European Investment Bank and the European Investment Fund. Such agreements shall set out detailed provisions on implementing the tasks entrusted to those financial institutions, including provisions specifying the need to ensure additionality and coordination with existing Union and national financial instruments and to apportion the resources in a balanced way among the Member States and the other participating countries. Financial instruments, such as risk-sharing instruments, equity instruments and debt instruments, may be delivered through investment in a dedicated investment vehicle.
2. Agreements as referred to in paragraph 1 of this Article shall provide for an obligation on the international financial institutions to re-invest the resources and proceeds, including dividends and reimbursements, in actions as referred to in Article 6(5) for a period of ten years from the starting date of the Programme.

- [3. In accordance with Article 18(2) of the [Financial Regulation], revenues and payments generated by one financial instrument shall be assigned to that financial instrument. For financial instruments already set up in the previous multiannual financial framework, revenues and payments generated by operations started in the previous period shall be assigned to the financial instrument in the current period.]<sup>30</sup>
4. On the expiry of the agreements concluded with the international financial institutions or after the termination of the investment period of the specialised investment vehicle, the proceeds and balance due to the Union shall be paid into the general budget of the Union.
5. The international financial institutions and, where relevant, the fund managers shall conclude written agreements with the public and private bodies referred to in Article 23. Such agreements shall lay down the obligations of the public and private providers to use the resources made available under the Microfinance and Social Entrepreneurship axis in accordance with the objectives set out in Article 22 and to provide information for drafting the annual reports provided for in Article 26.

#### *Article 28*

##### *Implementation reports*

1. The international financial institutions and, where relevant, the fund managers shall send the Commission annual implementation reports setting out the activities granted support and covering their financial implementation and the allocation and accessibility of funding and investment by sector and type of beneficiary, applications accepted or rejected and contracts concluded by the public and private bodies concerned, actions funded and the results, including in terms of social impact, employment creation and sustainability of the businesses granted support.

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<sup>30</sup> Cf. also Articles 11(3) and 30 as well as Cover note, Section IV (b) and (c).

2. The information provided in these annual implementation reports shall feed into the biennial monitoring reports provided for in Article 13. Such monitoring reports shall include the annual reports provided for in Article 8(2) of Decision No 283/2010/EU.

#### *Article 29*

##### *Evaluation*

1. The final evaluation provided for in Article 14(2) shall include the final evaluation provided for in Article 9 of Decision No 283/2010/EU.
2. The Commission shall carry out a specific final evaluation of the Microfinance and Social Entrepreneurship axis no later than one year after the expiry of the agreements with the international financial institutions.

#### *Article 30*

##### *Amendments*

Decision No 283/2010/EU is amended as follows:

- [(a) In Article 5, paragraph 4 is replaced by the following:

'4. On the expiry of the Facility, any unspent funds due to the European Union shall be repaid to the general budget of the European Union, while the proceeds due to the Union shall be made available for microfinance and support for social enterprises in accordance with Regulation No XX/201X/.'<sup>31</sup>

- (b) In Article 8, paragraphs 3 and 4 are deleted.

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<sup>31</sup> Cf. also Articles 11(3) and 27(3) as well as Cover note, Section IV (b) and (c).

*Article 31*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at .....,

*For the European Parliament*

The President

*For the Council*

The President

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