



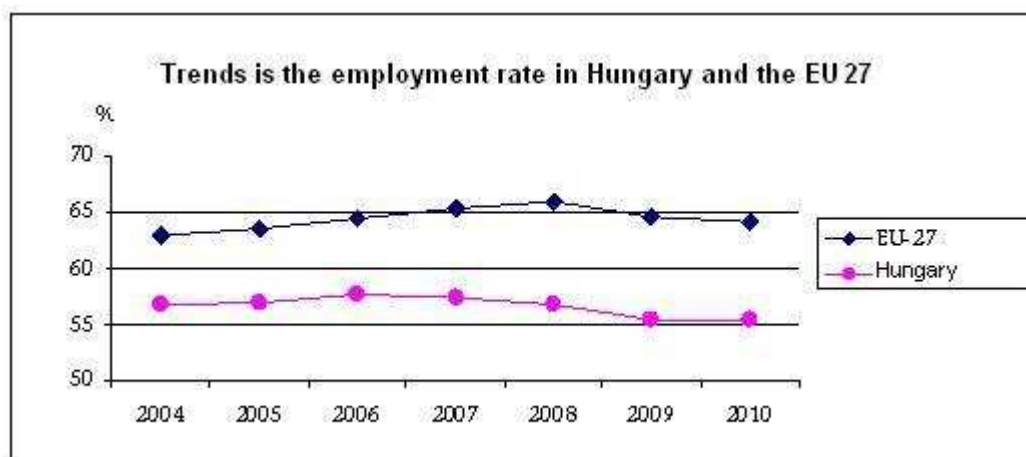
Summary
of the Audit on the Evaluation of the System of Subsidies
Funded from National and EU Sources, Facilitating the
Creation and Preservation of Jobs (1288)

Objectives and scope of the audit

The audit objective was to evaluate, whether the system of subsidies, funded from national and EU sources, facilitating the creation and preservation of jobs, the decisions taken centrally and locally, tender and funding arrangements, as well as the record keeping, follow-up, verification and evaluation thereof ensured the utilisation of funds in compliance with labour market needs, the continuous improvement of the level of employment, and the reduction of the labour market's territorial and structural disparities.

Main findings

Between 2004-2010 national and EU funds amounting to approximately HUF 1850 billion served the fulfilment of employment expansion purposes in Hungary, however the results achieved did not improve the county's unfavourable employment situation. By means of the 359 thousand jobs created and preserved, no improvement could be achieved on the macroeconomic level, neither in the increase of the level of employment, nor in the reduction of inactivity or territorial disparities.



The objectives of the different funding schemes have not been harmonised, the sources have not been aligned, for lack of which the efficiency of the utilisation of sources could not be maximised.

The audited subsidies gave priority to the territorial aspect, however in terms of employment data the territorial disparities had not been significantly reduced. The employment situation of the regions facing the most unfavourable employment situation (Northern Great Plain, Northern Hungary) deteriorated. In the most disadvantaged regions the employment rate was below the national average, while the unemployment rate was above the national average in the audited period. Despite labour market needs, the priority allocations earmarked for subsidising the disadvantaged regions could not counterbalance the investment attracting effect of the economically more developed regions. The economic crisis had a more intense impact on the more developed regions, thus in case of national programmes launched to mitigate the effects of the crisis these regions were granted more subsidy.

As regards labour market interventions, the subsidy programmes did not handle sectoral and structural peculiarities. Assessing the sustainability of results, the experience varies. Except for the economic development programmes creating jobs, the long-term direct effect of the programmes in line with labour market needs cannot be detected. With the subsidy programmes the labour market situation of those involved improved only in the short run. This is particularly obvious in case of the employment programmes of public benefit and public services.

In absence of coordinated measures encompassing the whole economy and substantiated also in terms of economic policy, the entities managing the specific subsidy programmes have taken different decisions (there was a tendency to lighten the application criteria and to reallocate the funds).

Between 2004 and 2010, employment policy was specified by several strategy-level papers. These overlapped with each other in time and contents, covered different time horizons, and contained independent objectives, areas of intervention, measures and programmes. In the documents the economic development objectives did not reflect consistently the priorities of employment policy, thus the single management of employment policy could not be put into practice. The demand for new jobs to be created by means of economic development tools was not substantiated by calculation.

The lack of regular assessments, as well as sources, programmes and indicators assigned to the measures presented in the strategy papers contributed to the fact that the results achieved lagged behind the employment policy objectives.

The system of subsidies is fragmented, hard to comprehend, the objectives, sources and institutional system of the subsidy programmes are not harmonised, which allows for redundancies and overlaps.

The national regulation of employment policy was not homogeneous. The coordinative role of the minister in charge of employment policy prevailed in a limited manner, during the time of the on-site audit five further ministries were involved in the performance of tasks related to employment policy and to the management of subsidies facilitating employment. Between 2004 and 2010 the management and the national organisational systems had been modified on several occasions, however it did not endanger the task performance, as the executive institutional system adapted to the continuous changes in the legal environment flexibly. In case of certain assistance instruments (especially those related to organisational restructuring) the division of tasks and authorities was not clear.

The monitoring system of subsidies was set up in compliance with the sources. The audit of national sources was not supported by a risk-based selection procedure, single audit strategy or methodology.

The follow-up of subsidy programmes – with the exception of public services and the re-employment of those granted a traditional subsidy for the preservation of jobs – was realised. As regards the IT support for the monitoring system, the audit revealed deficiencies.

Recommendations

We recommended the Minister for National Economy to request the Government to harmonise the objectives of the different subsidy programmes, as well as to create harmony between the sources thereof, in order to improve the efficiency of the utilisation of resources. Moreover, we recommended specifying the sources available to be used for the creation and preservation of jobs, the indicators to measure the impacts expected from the utilisation of funds, as well as appointing those in charge of implementation. The minister was also recommended to have the audit strategy of the utilisation of funds elaborated and – within that – to set up the system of risk-based selection also in case of national sources, as well as to ensure that the methodology developed is used in a uniform manner.

The Minister of National Development was recommended to define the objectives of employment expansion in the economic development strategy, as well as to name the tools, programmes and indicators necessary for the implementation thereof.