

Fighting poverty and social exclusion in Prague with EU support: almost half of the assessed projects have been found ineffective, benefits are unclear

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The Supreme Audit Office (SAO) examined the European funds distributed by the capital city Prague to combat poverty and to support social inclusion from 2014 to 2017. This was one of the priority axes of the Operational Programme Prague — Growth Pole of the Czech Republic. In total, over CZK 1.3 billion has been earmarked for the budget of this axis with a possible funds drawing until 2023, where around half of it will be covered by EU funds. The SAO focused on how the support had been managed and distributed by the capital. The SAO has also checked 22 projects for 17 beneficiaries totalling almost CZK 119 million. The auditors reviewed not only their compliance with the legislation, but also whether the projects were effective and efficient and whether the programme had proven benefits in the fight against poverty and for social inclusion. In all of these areas, the SAO has identified shortcomings.

Prague did not set up indicators for monitoring the success of the programme, in other words how the programme had contributed to tackling poverty and to social inclusion. Rather, Prague followed a number of project outputs such as the number of facilities providing services or the number of people using them, even though these people may not always have been at risk. The SAO has therefore assessed positively the progress of several beneficiaries. In addition to their obligations allocated to them by Prague, they had been systematically assessing the added value of their actions to address the situation of their clients. This included, for example, an organisation that helped to integrate people returning from prisons or an organisation that worked with homeless women.

Prague is unlikely to achieve the target values for some of the indicators specified in the operational programme. For example, Prague will not meet the projected numbers of facilities to be built up in order to strengthen the social infrastructure. By November 2018, i.e., approximately by the middle of the programming period, only one out of a total of 112 planned facilities for services and social work had been created. It was planned to build 137 social flats, but by November 2018 only one project for four apartments had gained the support.

In this context, the SAO also pointed out that the funds were relatively unilaterally distributed by the capital. On average, nine out of 10 projects concerned cultural community centres and social enterprises. On the other hand, support for other areas, such as asylum and social housing, was only marginal.

The auditors also drew attention to the paradox that Prague's social business support is under more favourable conditions as compared to supports for similar projects

distributed by the Ministry of Labour and Social Affairs. The labour market situation in Prague is better than in most other regions.

Social enterprises subsidised by Prague could receive support for employing targeted groups of citizens which were broadly defined. In addition, they could receive up to 100 % of eligible expenditure and did not have to contribute with their own resources. All four audited social enterprises also had difficulties in ensuring the planned activities or reaching projected sales levels.

The auditors further noted that the approval of projects by Prague was not effective. The City had 7 months to assess the applications, but in reality the process took 11 to 18 months, even in cases where there were only 10 applicants.

The SAO also reviewed 22 projects and evaluated 60% of them as effective or moderately deficient. In case of the remaining 40%, the auditors found that contribution of such projects to social inclusion and fighting poverty was limited. According to the support rules, the City should not have selected some of them at all. A slightly weaker outcome was the efficiency of the projects, i.e., evaluation of the benefits to the funds spent. According to the auditors, only a little more than 55 % of the projects were efficient or moderate.

The auditors have identified some of the social entrepreneurship projects as ineffective and inefficient. Similarly, the Supreme Audit Office evaluated a municipal subsidy of approximately four million Czech crowns for the contributory organisation of the City of Prague to the creation of a new field programme for homeless people. Three off-road vehicles were purchased for this money. But the programme which gained support was not new, it had been in place for many years and the capacity of the service had not been increased. The number of the programme's clients had not changed. The SAO also evaluated a grant of approximately two million Czech crowns for the reconstruction of premises of one urban part as being an inefficient subsidy. However, the reconstruction had started the year before the application was submitted and at the time of the contract conclusion on project financing, it had been almost completed and financed from other sources.

Some of the errors made by the provider of subsidies or their recipients have been evaluated by the SAO as being suspected of a breach of budgetary discipline.

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