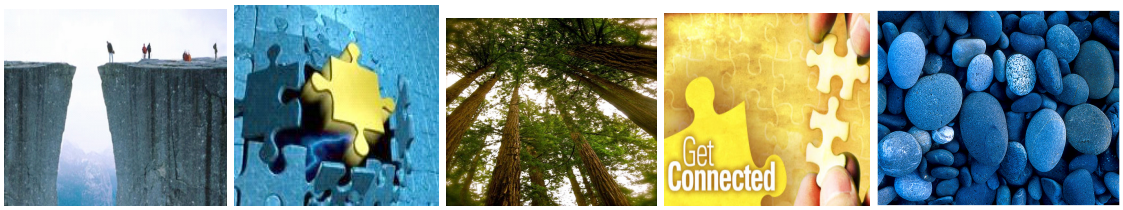

Health investments using Structural Funds

EUREGIO III Case study – Hungary
Structural Fund Programme Development and Management 2007/13

EUREGIO III project -Work Package 5: Case material

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Introduction and methodology

In the 2007-13 European Union budget period Hungary is the biggest user of Structural Fund resources for health infrastructure investment in Europe. According to our understanding, this also represents an experimental approach from the part of EU decision makers - the evaluation of the experiences might result in higher or lower Structural Fund commitment to health infrastructure investments in the future.

Due to the economic downturn, at this stage, Structural Fund projects represent the only substantial development resources in the reconstruction of Hungarian health services. The report is a summary of the utilisation of Structural Fund projects, summarising data and project outlines.

In the preparation of the report there was extensive information gathering and consultation with health policy makers, decision makers and organisational managers. These consultations included:

- The Minister of Health of Hungary;
- two state secretaries of the Ministry of Health;
- heads of departments in the Ministry of Health and the Health Insurance Administration;
- directors of managing authorities;
- local decision makers
- heads of local or municipal councils,
- majors of cities
- directors of health services organisations
- architects
- health finance experts
- public procurement experts.

The report summarises experiences gained through the organisation of national and international training programmes on health infrastructure investment issues. Valuable insight was also available through the practical machinations and political aspects of EU project administration resulting from advising organisations (hospitals and municipalities) in planning, writing and implementing their structural fund projects.

The major problems of health care in Hungary.

The present problems of the Hungarian health care originate from two sources. The first is the legacy of the 40 years of a centralised state system coupled with decades of underinvestment. The major problems at the point of system change were the following:

1. the health status gap between the Hungarian population and citizens of western European countries
2. non-transparent budget, inefficient spending
3. over-centralized inefficient health care delivery system not responding to population's changing needs

4. emerging geographical and professional inequities, due to the fact that resource allocation was subject to political influence
5. oversized, unaffordable hospital sector
6. inefficient, centrally controlled and inadequate payment systems with the burden of informal payments
7. inadequate managerial capacity
8. dissatisfied health care workers, deteriorating working conditions, the decreasing prestige of the profession, low salaries

The early reform objectives targeted these problems within the system. Policy makers wanted to increase its efficiency by securing funding for health care and introduced a national insurance based system. This included a structural reorganization of the system with considerable decentralization, and introduced appropriate performance based incentives and increased competition by wider consumer choice. The primary care reform introduced gate-keeping functions. Policy makers also wanted to decrease inequalities by improving resource allocation, and to increase the quality of care, all at an affordable cost. Policy makers envisaged a substantial role of health promotion to change the health culture of the population, including related lifestyle. The reforms of the '90s outlined the new structure of Hungarian health care that still is in place at present.

Thought major interventions happened in the two decades since the changes, the legacy of the 40 years of totalitarian state still has an impact on the present structure and functioning of health services and has definitive impact on the cultural aspects of health care.

Some argue that the reforms of the 1990s had little impact on this legacy. To target the legacy and the new problems, health policy makers continuously attempted various reform interventions in the last two decades, thus creating a second source of present problems.

There is strong evidence that informal payments have survived the reform era, but there is some evidence that they do not represent a barrier to access, at least as far as the first contact with the service providers is concerned.

As far as pure waste is concerned, the new payment mechanisms which were introduced during the first half of the 1990s had a significant impact on production efficiency within levels of care (although there is no evidence how service quality had been affected), but the incentives embedded in the payment techniques encourage providers to treat patients at unnecessary high levels of care, e.g. to hospitalize patients, who could be treated in the primary care or outpatient specialist care setting. This is one of the most important production efficiency problems of the Hungarian health care system: Who will coordinate the patients' pathways in the system across the various levels of care, so that patients will be treated at the lowest possible level, which is able to provide definitive care?

Preparations and early implementation of Structural fund projects and health strategy

Though there exists an officially approved framework document that describes health care priority setting and objectives for the Structural Fund and other EU projects we cannot say that there is a broadly accepted and well-known strategy for the Hungarian health care. This becomes visible at any planning rounds of a project framework that involves issues related to needs based provider capacity planning.

The preparations and early implementation of EU projects in health care (including Structural Fund investments in health infrastructure) had four different stages.

Early preparations – An effort for drawing an ideal health plan

The early implementations can be characterised as a health plan like effort by the then head of department Dr. József Vitray. Lacking political consensus on long term health care strategy Dr. Vitray attempted to draw a fundamental health plan, identifying priorities and interventions for health care in the context of European values.

The preparatory efforts were not logged into the political processes and can be characterised as mainly theoretical and professional workshop like efforts. The efforts were not sufficient to trigger the necessary political processes leading to health strategy and could not be operationalised at that level.

Major Preparations – Addressing critical factors for system level efficiency gains

The major outline of the present projects were drawn under the Rácz administration which realised the theoretical nature of the efforts so far, switched gears and started to concentrate the preparations on system level efficiency gains. They argued that through targeting system inefficiency and problems that are linked to system inefficiency they will be able to handle other problem priorities with the consequential effects. They have applied a critical factor perspective and used evidences in preparing the projects. For example they included existing databases, statistical and logistical modelling in the planning and restructuring of capacities.

Preparations and starting implementation - Efficiency gains for fiscal consolidation and better privatisation position

The period of the Molnár-Horváth administration can be characterised with a strong fiscal consolidation effort in the Hungarian economy and also with the full-scale privatisation efforts of the administration. Under these guiding principles they gave priority only to two types of projects. On the one hand they prioritised projects targeting savings and efficiency gains. They also supported the preparation of projects with any potential result that prepares the system elements for privatisation. As a stating implementation they have opened the project on outpatient sector development (decreasing capacities in acute hospital care and increasing outpatient services by creating or renewing outpatient outlets in small regions). Capacity planning aspects of this period were almost completely improvised and lacked evidence from the available databases or previous modelling. Sustainability factors were ignored just as the previous quantitative modelling.

Early implementation - Efficiency gains for sustainability and attempted coordination

The early implementation period falls on the Székely administration. They have re-assessed the EU project priorities according to their new health policy priorities, the sustainability aspects and the new circumstances created by the emerging financial crisis.

The administration recognised that the lack of an overall health care strategy, the limited nature of evidence based planning and the missing coordination between the projects addressing the various care provision levels generate disturbances in implementation.

The administration initiated a broad scale assessment of projects, introduces coordination tools in project design and also introduces new project components targeting strategic planning and needs based capacity planning with the aim to improve project efficiency and assist the future health governance.

Throughout the process intensive political gaming could and can be observed which was targeting to gain control over the various projects and resources. This is true for a project idea getting on the agenda, and also for a project getting through the project preparation process.

Most of the time projects have double funding, the majority funding coming from Structural Fund resources, the minor part coming from self-contribution from the applying agency (mostly municipalities).

Available funds of project development

The Social Infrastructure Operational Programme Action Plan deals prominently with health infrastructure development. In the programme we can find the infrastructure development of in- and outpatient institutions. In each action plan there are 9 elements aimed at the development of health infrastructure.

Planning of development projects in Hungary

	2007-2008	2009-2010
1.	Development of micro-regional outpatient centres	Development of regional outpatient centres
2.	Development of outpatient services replacing acute inpatient hospital services	Rescue – air rescue
3.	Development of emergency departments/ services in hospitals –	Development of emergency departments/services in hospitals

4.	Development of emergency ambulance services - Rescue – air rescue	Development of regional blood supply services,
5.	Supporting of inpatient infrastructure development and hospital restructuring	Supporting of inpatient infrastructure development and hospital restructuring
6.	Development of a modern regional oncology service network	Establishment and development of a modern regional oncology service network
7	Infrastructure development of regional hospital centres „pole hospitals"	Development of authentic database services and a central information portal
8.	Development of logistical and administrative services and capacities in hospitals supporting patient identification and pathways and management control	Patient identification in the health care system, introduction of an electronic patient card
9.	Development of the logistics system of the ambulance service	Development and integration of health information systems infrastructure

The total budget of the 2007-2008 Action Plan was 747.58 million EUR. The division is the following: high priority projects 42.3 million EUR, single-stage calls 137.5 million EUR and two-stage calls 567.74 million EUR.

The 2009-2010 Action Plan does not stipulate the planned spending schedule. The overall budget of the whole Action Plan is 122.56 million EUR. From this amount 20.3 billion EUR can be allocated to high priority projects, and 98.8 million EUR to single-stage calls.

The amount disposable for the 7 year period of the elements is 11.5 million EUR. The expectable spending of the 2007-2008 Action Plan elements till the closure of these elements (till 2011) 747.6 million EUR, this is the 65 % of the total amount. For the elements of further periods 122.56 million EUR will remain between 2009-2010, that is the 16.39% of the total, this way a little more than 81 % payment can be realised till the end of 2010.

Primary Care and outpatient services

Action plans belonging to regional operational programmes are located around two components. One component („A" component) aims the development of primary care by establishing local „health centres", while the other one („B" component) deals with the development of independent outpatient centres on micro regional level.

These two components can be found in each region with the exception of the Central-Hungarian Operational Programme. In some regions there are intentions for further improvements, mainly concentrating on rehabilitation infrastructure development.

Inpatient services

The Central-Hungarian regional does not count as a convergence region from 2007, so the amount and the extent of the support is much more limited, than at the other six regions.

In this period three main „elements" were named, from which two contain further sub-components. These projects are announced with a 90 % support ratio (except of the high priority projects).

Components of the element „Development of the Central Hungarian inpatient care provider system (supported projects 16)

	Project Selection	**Support Framework (billion HUF)**	**Amount of support min-max (million HUF)**
Modernisation of high level tertiary health facilities	Project of high importance	16.38	
Development of emergency care in hospitals (including paediatric emergency), development of PIC information systems, modernisation of cardiology care services	One-round application	1.10	50-800
Development of the infrastructure of adult and paediatric oncology services hospitals	Two-round application	7.32	2000-6000

Exchange rate at the time of planning was 245 HUF/EUR

Use of Structural Funds

Primary Care applications

In the frame of regional projects, primarily the elements „Development of health care providers" were announced during 2007-2008. The aim of the calls, the structure of these elements was the same in each case.

Development of primary care, establishing local health centres ("A" component)

Aim of the application

- Regional equalisation of the access to the health services
- To ensure high quality health service
- Improving the quality of GP services
- Modernisation of infrastructure
- Realisation of equal opportunities
- Developing info-communication systems
- Improvement of the quality of primary care

Result of the application

Central Transdanubia Region

In the Middle-Transdanubia Region a total of 26 applicants were granted by 586.6 million HUF. Compared to the action programme, the grants budget was exceeded by more than 66 million HUF, and 12 additional applicants were accepted.

The sponsored applications ratio was an average of 78%, due to this favourable figure, applicants had to show up an amount of 239.7 million HUF financial retention. The contracted value was less in this component compared to the granted amount. Despite of the 20 million HUF gap between the above figures, the ratio of the granted amount did not change. Unfortunately the final granted amount has not reached the 18%.

North Great Plain Region

Both components have been announced in the region. In the frame of component „A" 21 grants were awarded positively, and one tender was already completed.

The contractual amount of the subsidy was 102 billion HUF, which means 1.13 billion HUF total cost at 90% average support rate. Despite that originally 20 subsidized

projects were planned in the action plan for the components „A" and „B" altogether, in this component only alone more tenders were positively awarded. At the same time the total awarded amount hardly attains the limits of the 2007-2008 period subsidy frame. Two bids have won the maximum amount, which could refer to the efficiency of the content, but if we take a look at the support rate, then presumably the unusually high co-financing rate (46% and 21%) can rather be the base of the maximum support.

Despite that one grant has already been completed, the disbursed costs were only 203 million HUF, and that is narrowly reach 18% of the total subsidy.

North Hungary Region

The supported projects in the region are 57, and they were subsidized with 3.37 billion HUF, which is more than the double of the 2007-2008 period support frame. The 2009-2010 Action Plan already overwrote the previous one, and this way the 86% of the total disposable amount till 2010 was disbursed already.

South Great Plain Region

In the frame of the component 12 grants were awarded. The contractual amount of the financial support attains the 381.3 million HUF, that is the 83.2% of the budget. The contractual amount was 436.7 million HUF. The average support rate was 86%. The realised payment was 76.1 million HUF, which is the 18.9 % of the total subsidy.

Among the 12 awarded applications only one came to completion, here the realised payment attains the tierce of the contractual amount.

Western Transdanubia Region

In this region 26 applicants were funded, while the relevant programme only called for 8 applicants. Due to the increased number of granted applicants, the approved amount was four times higher, achieving 916.3 HUF. Despite of the increased figure, the percentage of 82% support ratio and the launched 15% utilisation is considered satisfactory.

Outpatient applications

Development of micro-regional independent outpatient clinics ("B" component)

Aim of the application

- Regional equalisation of the access to the medical services
- Abolition of service shortages
- Improving of basic health care
- Improving the quality of services

- Realisation of equal opportunities
- Developing info-communication systems
- Providing local health care

Result of the application

Central Transdanubia Region

Only 6 applicants were subsidized in this region. The approved grant – 1. 99 billion HUF – is equal to 95.8% of the total fund budget, which represents in this region the highest grant agreement. The approval ratio is close to 87%, while the payment ratio is hardly more than 2.5%.

Northern Great Plain *Region*

In this component 3 tenders were awarded. The total contractual amount was 1.97 billion HUF, and it means the 43 % of the total budget. The total contractual amount was 2.13 billion HUF, from which 59.7 million HUF was already disbursed. The payment ration is the lowest among the regions, as it hardly attains 3 %.

Northern Hungary Region

In this component 4 tenders received financial support in the amount of 2.19 billion HUF altogether, which means the 90 % of the total amount. The average subsidy rate was 88%, this is due to the fact that one project was almost subsidized to the maximum level, but at the same time the applicant undertook 39 % co-financing rate contrary to the other two applicants receiving more than 90% subsidy.

Southern Great Plain Region

In this component 8 bids were awarded with the amount of 3.9 billion HUF, and this is 50 % more, than the budget indicated in the action plan. In the 2009-2010 action plan the budget was already modified for the 2007-2008 period, which has increased by 4.6 billion HUF this way. The payment rate was 3.6 %.

Southern Transdanubia Region

At present only component „B" has been considered. In the frame of the two components 27 bids can be awarded, from which 3 winners were granted in this component. The amount granted was 1.4 billion HUF. With the 92 % support rate, the total accepted cost is 1.5 billion HUF. The total cost and contractual support will be expectedly lower, but this is unknown at present, since no contracts have been made yet.

Western Transdanubia Region

In this region 2 applicants has got 700 million HUF grant, using up 83% of the applicable amount fund, reaching 86% sponsored ratio.

Analyzing the relatively high sponsored ratio, the actual spending is rather small. (5%)

Social Infrastructure Operational Programme

Establishment and development of outpatient care centres on micro regional level

The National Development Agency announced the call in 2007. The available overall budget was 100.8 M EUR, from which 20-25 applicants could receive funding. The amount to be awarded was between 2 and 4 million EUR.

In the announcement dated in 2008, only 36 million EUR was the attainable maximum for 9 applicants, and also for amounts ranging between 2 and 4 million EUR.

Aim of the application

- Regional equalisation of the access to the medical services
- Abolition of service shortages
- Improving the quality of GP services
- Improving the market opportunities of the employees
- Providing service on a professional minimum level
- Improving the level/standard of the services
- Realisation of equal opportunities
- Developing info-communicational systems
- The strengthening of the cohesion within the micro-regions

Result of the application

During the 2007 call, among 25 applications 23 projects were chosen in the amount of 14.5 billion HUF, which means that more than 10 billion HUF was left unspent. Due to this fact the call was re-announced in 2008 with 9 billion HUF, from which 6.5 billion HUF was disbursed.

The average support rate in 2007 was 93%, and in 2008 was 92%.

There was 92 million EUR paid to the awarded applicants of the 2007 year call altogether (including advance payments and reimbursement according to invoices as well), and this amount is almost the 17 % of the contractual budget. At the same time according to the payment schedule determined in the Action Plan, this is only the 2.26 % of the budget that has been allocated to the period 2008-2009.

Inpatient applications

Central Hungary Region

All facilities indicated the previous Action Plan of the region have been opened in 2007. From the 30.7 billion HUF earmarked in the OP there was 19.4 billion HUF granted. There was no disbursement in any case of the awarded projects till the end of the 2nd quarter of 2009.

Modernisation of high level tertiary health facilities

The total budget of the facility was 16.38 billion HUF, from which amount 58% was already granted (9.7 billion HUF). The average support ratio at the two hospitals from Budapest and one from Pest County was 71%.

Development of the infrastructure of adult and paediatric oncology services hospitals

One project was awarded with 5.4 billion HUF in this facility. At a 90% support rate, the project utilized 73.7 % of the total budget.

Development of emergency care in hospitals (including paediatric emergency), development of PIC information systems, modernisation of cardiology care services

The call for proposals was opened in 2008. The total programme financing was 8.8 billion HUF from which 20-25 applications could be financed.

The programme is a one round application, the successful applications have half year to further develop their final project idea. The applicants can receive a co-financing between 0.100 and 0.820 billion HUF.

Aim of the application

- Establishing modern health care system and its centres
- Improving the equal opportunities of accessibility to the service
- Accessibility to the service 24 hours
- Establishing emergency departments with continuous health care service and one gate entry system
- Establishing integrated duty and emergency service
- Improving the level/standard of the services
- Developing info-communicational systems

Result of the application

In the call for proposals from 2007 only 7 applications received a co-financing of 5.33 billion HUF, which means 83.2 % of the allocated sum. In 2008 only one application received 3.2 million HUF co-financing.

Until mid 2009 a total of 3.5 million HUF was granted, representing 16.3 % of the allocated sum. Based on the Action plan until 2009 only 16.9 % of the total sum was allocated.

Social Infrastructure Operational Programme

Infrastructure development in health poles

This tender has been announced in 2007. The overall budget for the seven year period is 75 billion HUF, from which 9 tenders can be awarded, at 2.-11.15 billion HUF support rate.

Aim of the application

- Establishing a needs-based healthcare system
- Increasing the patient's satisfaction and his/her quality of life
- Establishing a modern, needs-based and sustainable health care system
- Health care institutes equipped with the latest technology
- The health care providers would be integrated according to the needs

Result of the application

Based on the first stage of the call 10 applicants have qualified to the second stage, where 2 applicants were granted with 21.75 billion HUF. Consideration of the bids and the start of the disbursement can be expected to begin in 2009. Pertaining to this year 136.1 million EUR payment was planned. Even so currently there was no disbursement in the frame of this tender, they are expected to happen in 2010.

Long term care

Western Transdanubia Region

The „calls for proposals of rehabilitation project" were launched only in this region. For the 2 applicants the frame amount of 1.5 billion HUF was granted. The actual payment was only 6%.

Long term care development projects

	Support Framework (million HUF)	Amount of support min-max (million HUF)	Support of percentage (%)	Number of supported projects
Development of rehabilitation and long term care	**2685**	**60-500**	**90-95**	**14**
Development of rehabilitation and long term care	**2508**	**20-600 and 5-500**	**90**	**3-15**
Establishment of rehabilitation centres	**1540**	**Max 800**	**90**	**2**

Projects of high importance

Projects of high importance - due to its importance, high level content and the value of the relevant investment - are not called for public invitation of tenders. These projects are non-refundable grants, they are 100% sponsored.

In the frame of „New Hungary National Development Plan" 7 grant agreements were called for the aims of supporting the health care related strategic infrastructure till the period of 2010. Five of these seven, were called for by Social Infrastructure Operational Programme while the remaining 2 were listed in the frames of Regional Operative Programs. The value of the latter 2 projects reached the 53.32 billion HUF.

The Social Infrastructure Operative Program's relevant health care chapters implement two major comprehensive development priority areas. One was specifically geared towards the state-of-the arts infrastructure construction of the „in-patient" services, which includes the development both the blood-supply centres (3 billion HUF) and air rescue services. (11.5 billion HUF)

The other area covers its IT support, which includes the valid and reliable patent registration system (1.6 billion HUF) and the patient ID system, introducing an electronic ID card. (4.2 billion HUF)

Planned use of Social Infrastructure OP budget

	Support Framework (billion HUF)	Number of supported project
Development of emergency services – ambulance, air rescue	11,5	1
Development of ambulance logistics	7	2
Development of regional blood supply services,	3	1
Development of authentic database services and a central information portal	1,6	1
Patient identification in the health care system, introduction of an electronic patient card	4,2	1
Total	27,3	6

In the frame of the Social Infrastructure Operational Programme program the above grants represents 27.3 billion HUF, which adds up to 9.5% of the total fund amount.

Up till now only the air- rescue development had been granted officially, while 75% of the total amount of 27.3 billion HUF - is not utilised yet.

„Development of national ambulance system" Project was launched in year 2007-2008., each year with a budget of 3.5 billion HUF. The project was granted, it is under implementation.

Aim of the application

- ensure the pre hospital intensive care assistance
- ensure to cover 90% of the whole territory, reaching it within 15 minutes
- cost-efficient daily work of the ambulance transport system
- ensure high quality ambulance services
- provide high-tech IT system
- quality control management setup
- to decrease the parallel ambulance service use
- to ensure special digital data transforming system
- increase the „health-gain" and „longer life" assistance

Among the regional projects the so called „High Importance Projects" were called for only in the Central-Hungary region.

Projects of high importance in Central Hungary

	Support Framework (billion HUF)			Amount of support min-max (million HUF)	Number of supported project
	2007-2008	2009	2007-2010		
Development of inpatient care services in Central Hungary	15,1	9,03	24,14	50-250	3
Development of health information systems in Central Hungary	0,67	1,21	1,88	0-591	1
Total			**26.02**		

From the above budget 4 projects could be implemented in the value of 26.02 billion HUF, which represents 86.4 % of a four year's health-care related development projects in Central Hungary.

Analysis of the main constraints experienced in the use of Structural Funds

In the following part constraints, threats and certain opportunities in relation of the planning, implementation (so far) and further development of Structural Fund projects are summarised. The ten most important factors are illustrated below. Though they mainly represent constraints please note that corrective measures can be planned for them and they can also be regarded for developing critical factors that contribute to the success of Structural Fund projects.

In respect of certain projects the below constraints are well known, openly addressed even by the government administration itself and serious corrective measures are taken or attempted to overcome the difficulties. There is also a fast learning process triggered in the system that is gradually producing the necessary and relevant managerial capacities.

The level, limitations and opportunities of strategic thinking related to Structural Fund projects

The general thinking about Structural Fund projects is rather instrumental than strategic. It focuses on systems efficiency gains rather than health gains. There are limited capacities to look at health gains. For example this thinking will give preference for offering patients technologically perfect tertiary facilities in the distance rather then keeping patients healthy in communities or assessing the values of offering nearby care for patients.

Strategic planning and the health policy development process are disrupted and can be diverted from the evidence base by political ideology.

On the other hand there is a good potential for strategy development in the Hungarian health care. Due to the availability of a long-term health insurance reimbursement database there is a unique opportunity to develop the evidence base for capacity or patient pathway planning. Recent efforts support the evidence-based alignment of Structural Fund project priorities.

Loosely coupled strategy, strategic mimicry

Generally speaking and especially in the times of budget deficit consolidation or fiscal crisis the hunger for development resources is stronger than the need for fundamental strategy development or sustainability considerations. The result is a strategic mimicry where the strategy making is loosely coupled with the problem or evidence base and mainly focuses on the elaboration of attractive project ideas without evidence base.

National and regional policy making develops a strategic mimicry in putting projects on the agenda and access resources. This intention then makes strong alliance with the grant applicants who are willing to fit their intentions in this tactical framework offer. The danger is that this way development resources do not finance health or efficiency gains, or new strategic directions, but simply substitute missing depreciation costs.

The Strategic Vacuum cannot be filled with project level tactical instruments

The contradictory or disturbed policy development phases and the lack of a broad health systems strategy triggered adaptation mechanisms among the well trained and rational development policy administrators and experts in the system. They have tried to substitute strategic policy level directions by project level instruments. These are project requirements or contracting conditions that are supposed to drive projects to a strategic direction. For example, perceiving the lack of sufficient sustainability planning in the outpatient centre projects, the Managing Authority demanded sustainability statements from municipalities. The development fund hungry municipalities were willing to give these statements in order to have valid grant applications in. Most of the time these statement lacked feasibility estimates based on calculations of the valid reimbursement systems. Unfortunately these sustainability statements proved to be useless in the short run. In the period between sending in the grant applications of the various project schemes and contracting many municipalities realised that the service payments got inflated (in certain cases evaporated) and there are fundamental gaps in sustainability.

These tactical level tools have their limitations and cannot fill the strategic vacuum.

Lack of political stability

The lack of political stability has multiple impacts on the success of Structural Fund projects. First of all, the development and implementation of a sustainable health care reform takes time and commitment. Frequent changes in political direction will cause disruptions in the development process.

In the case of Hungarian Structural Fund projects the changes in policies have a visible impact on the sustainability of projects in the short terms. The payment system of health services was changed in one budget period making sustainability calculations almost impossible. In the case of outpatient outlet grants, the inflation of the value of the reimbursement points could cause the evaporation of the sustainability base of a given project.

The coordinative management function is generally in deficit in the Structural Fund projects.

This constraint has rather serious impact on project efficiency in two ways. On the one hand it prevents the strategic integrative coordination between projects addressing the various levels of care provision. The lack of strategic integrative coordination can be best characterised by answering the question whether the present Structural Fund projects are the ones Hungary needed anyway. We can say that yes, the Hungary should target systems inefficiencies and concentrate resources. We have to select well-developed hospitals to develop them into regional centres and abandon duplication of expensive services regionally. We can also say yes, due to the strikingly high cancer mortality we have to develop oncology services (both infrastructure and equipment). But. Under no circumstances should the development of regional hospital centres fall under different project frames and should be independent from the development of regional oncology centre projects. Unfortunately this is the case in the Hungarian Structural Fund projects. The lack of coordination is visible as both projects turn towards implementation.

We can say that yes, municipal hospitals should go through a structural change in order to target operational inefficiencies and we also have to prioritise the reconstruction across the hospital sector. We can also say that the outpatient services should be developed to take over responsibilities from the more expensive acute hospital care. But. Under no circumstances should these two developments fall under two separate projects (by time and project heading) and under no circumstances should they happen without the regional planning and harmonisation of capacities. Which is the case in the Hungarian Structural Fund projects.

No coordination between the outpatient and the hospital reconstruction projects prevents the needs based regional capacity planning and the efficient functional division of work between the various levels of care. Even individually proper and problem based project ideas can loose their potential benefits if coordination is missing.

On the other hand horizontal coordination inside a project scheme can result in high-level project inefficiency. For example the lack of centralised or coordinated public purchasing procedures can result high levels of inefficiency when the several similar outpatient development grants support a separate and individual public purchase process for similar x-ray or computer equipment for the individual projects. A coordinated public purchase process could save lot of resources for development purposes.

An important corrective measure can be observed in the case of the project supporting the structural change in hospitals. At the time of the announcement of the "Pole Hospitals" project regional coordination of services was not considered critical to the success of the projects. In the case of the recently announced structural change project the evaluation criteria give priority to functional and/or territorial coordination of services.

Dual power or division of power as a safeguard measure or as the cause of political paralysis

In the Hungarian Structural Fund projects there is a dual power or division of power between the Ministry of Health as the professional arm of policy making and the Managing Authority as the development policy "supervisor" of the preparation and implementation process. The Ministry is interested in accessing development resources for the sector, while the Managing Authority is representing overall EU and sustainability principles in the process. The legally binding responsibilities of the Managing Authority act as a safety fuse in the process. The dual approach can cause paralysis in the process in certain cases, but many times it prevents the dysfunctions. Conflicts may rise if the actors on the two ends of the power balance represent conflicting political interests. The Managing Authority is often perceived as Brussels' guard, working against national or sectoral interests.

The Structural Fund projects as bureaucracies

The access to Structural Fund resources is perceived as a horribly bureaucratic process by most of the eligible organisations. These organisations considered themselves as "EU project illiterates" and feel the obligation to invest excess resources in grant application or strategic consultancy. The complex bureaucratic processes reduce transparency, generate dependence and practically expose organisations to a network of projects consultants making grant applications expensive. This also causes a consequential inequity as poorer organisations or municipalities cannot afford proper consultants. The bureaucracy is so much overdeveloped that the side effects seem to be higher than the gains. The excessive measures to ensure transparency are the causes of the lack of transparency themselves.

The administrative procedures are complex, and require special skills from administrators. Most of the time organisations pay high price for external project management services to be able to keep projects.

Limited expert capacities at every level of the system

We can observe a serious limitation in capacities at every levels of the system including both public service and private capacities as well.

There is a lack of administrative capacities in the Ministry that mainly considers policy development expertise, or project administration capacities. Many times public service capacities are substituted by consultants or outsourcing project preparations.

At the Managing Authority the lack of capacities relate to the expertise of the given sector. Given that the management of the Managing Authority is more stable than the sectoral government, the organisational learning is managed better so the administrators can adapt better to the demands of the sectoral knowledge. The lack of proper evaluators and the resources available to motivate evaluators endangers the achievement of the project objectives. The lack of overall health care strategy prevents the relevant education of proper evaluators.

Regional level health policy development or regional health management capacities are almost non-existent. Thus most of the regions or county level municipalities have to rely on external expertise in their development or grant application efforts. The continuity of planning or development efforts from national to local level or the representation of local needs and realities in national policies are fundamentally disrupted.

Project implementation capacities at the implementing organisations' level are also limited, most of the time solved by consultants and/or outsourced.

Structural Fund projects pumped unprecedented infrastructure investment resources into the Hungarian health care and with the resources we build unprecedented volume of buildings at a short time. There is an obvious limitation in architectural planning capacities that have expertise in health facility planning and there are limitations in facility management capacities as well.

The building reconstruction capacities generate high demand for the re-engineering of medical or nursing care procedures where we can observe a severe lack of expert capacities on the level of organisations.

The concentrated stream of development resources into health care created a severe tension in the system, and puts the quality of grant applications and project implementation at a high risk.

The culture of TIME in Structural Fund operations

There exists a strange cultural relation to TIME in the Hungarian state administration. The preparation of projects seems to be an almost endless procedure. The announcement of projects is unpredictable, it gets postponed several times and with serious periods. The deadlines of grant applications regularly change so applicants naturally count on this "flexibility". The deadlines for evaluation never met and the endless time between the elaboration of grant applications and contracting allows radical changes in environmental conditions making the original applications irrelevant to the new circumstances. The payments are also delayed and so unreliable that cause expensive financial management measures at the implementing organisations.

The timing of the inflow of the development resources should also be considered better. The disproportionately high inflow generates disproportionate need for administrative or expert capacities that will prove unnecessary when the inflow of resources will decrease along the Structural Fund project cycle.

There is imbalance between the magnitude of infrastructure investments and the development of human resources

Lack of coordination is not only a problem between the various levels if Structural Fund investments, but also across other domains of EU development activities. A good example is the planned development of rehabilitation and long term care infrastructure capacities. While there is an obvious need for rehabilitation infrastructure and equipment development in the Hungarian health care, the critical factor in the development of rehabilitation services is rather the human element. Coordination between the Structural Fund projects and other development efforts should be ensured.

Executive summary

In the EU budget period of 2007-13 Hungary is the biggest consumer of Structural Fund resources for health infrastructure investment purposes.

While it is obvious that in the times of financial crisis, Structural Fund resources are the only and limited resources for the reconstruction of health care, the efficiency of the utilisation of the funds is questionable.

Financial sources of SF projects in health infrastructure investments 2007-2013 (billion HUF)

Primary Care	**35,06**
Outpatient	**56,78**
Inpatient	**232,32**
Long term care	**30,4**
Other	**36,28**
Total	**390.84**

In general terms the projects are targeting the obvious problem bases in the system but the lack of an overall health care strategy and coordination between the projects put the achievement of potential health gains at risk.

The development opportunities triggered a fast learning process throughout the ranks of the services. The necessary administrative, managerial and expert capacities are gradually building up, but at present they do not match the excessive inflow of Structural Fund resources.

The present administration has the ambition to speed up the implementation of the Structural Fund and other EU projects and takes or attempts corrective measures in the priorities, the evidence base, the coordination and the administration of the projects.