

**GOVERNMENT OF INDIA
HEALTH AND FAMILY WELFARE
LOK SABHA**

UNSTARRED QUESTION NO:3550

ANSWERED ON:29.07.2009

IRREGULARITIES IN HEALTH PROJECTS

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Will the Minister of HEALTH AND FAMILY WELFARE be pleased to state:

- (a) whether the World Bank had unearthed serious cases of fraud and corruption in five projects on eradication of tuberculosis and malaria and HIV/AIDS control;
- (b) if so, whether the Union Government had conducted detailed investigation in this regard;
- (c) if so, the outcome thereof;
- (d) the action taken by the Union Government against those found guilty;
- (e) the corrective measures taken by the Union Government in this regard;
- (f) whether the World Bank is considering to stop lending for the health projects in India; and
- (g) if so, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF HEALTH AND FAMILY WELFARE (SHRI GHULAM NABIAZAD)

(a) to (e): On 11th January, 2008, the World Bank had shared with Government of India, a Detailed Implementation Review (DIR) report, based on the review of five health sector projects which were being implemented during periods varying from 1997 till 2006 end. One project was under State health sector. The five Health Sector Projects are (1) Revised National TB Control Programme (RNTCP-I)(8 May 1997 to 31 March 2006 (USD 124.8 Million) (2) Enhanced Malaria Control Project (EMCP) (27 Oct 1997 to 31 Dec 2005)(USD 114 Million) (3) Orissa Health System Development Project (OHSDP) (8 Sept 1998 to 31 March 2006)(USD 82.1 Million), (4) National AIDS Control Project-II (NACP-II)(11 Sept 1999 to 31 March 2006)(USD 193.7 Million) and (5) Food and Drug Capacity Building Project (FDCBP)(17 Oct 2003 to 30 June 2008)(USD 54 Million). All projects have already ended. For AIDS and TB successor projects are under implementation.

In this report, the World Bank has mentioned about indicators of deficiencies relating to procurement, oversight and implementation like collusion, bid rigging, deficiency in civil works, equipments not installed because of lack of staff etc. Majority of the deficiencies reported relate to decentralized procurements at the district level, which are implemented at the State level.

The World Bank report suffers from several infirmities. Ministry of Health & Family Welfare has already conveyed its response on the infirmities in the methodology adopted by World Bank emphasizing that the World Bank did not discuss with any of the programme officers either during the review or before finalizing the review report. These discussions would have clarified most of the issues raised in the report. Had this been done, most of the inferences would have been different.

Government of India is committed to eliminate deficiencies or irregularities in all health sector programmes, whether funded domestically or externally. Structural deficiencies which were noted in the earlier programmes have been taken care of in the successor programmes. Whenever such irregularities have come to the notice of the Government, appropriate actions have been taken, wherever required in the past. Some of the criminal, penal and disciplinary actions taken are as follows:

(i) Suspended business with two firms viz. M/s. Nestor Pharmaceuticals and M/s. Pure Pharma in July, 2005 on charges of reported collusion. Finally, M/s. Pure Pharma Ltd. was blacklisted up to 31.7.2008. However, the suspension of business with M/s Pure Pharma has been revoked/withdrawn as per the directive of High Court of Delhi in the matter. M/s Nestor Pharmaceuticals Ltd. has filed a Writ Petition No.6969/2007 in the High Court of Delhi against the suspension and as per the Court's directions, the process of blacklisting of this firm has been kept in abeyance.

(ii) A case was registered by CBI on 21.8.2006 against M/s. Pure Pharma and M/s. Nestor Pharmaceuticals and on the basis of investigation report, disciplinary action against a few officials has been recommended by the Ministry of Health & Family Welfare.

(iii) Two officers (Shri M.P. Gupta of Hospital Services Consultancy Corporation and Shri Vasant Bhat of Hindustan Latex Limited) from the Procurement `Support Agencies, who were allegedly involved in procurement irregularities, were suspended in 2006. Enquiry against Shri Vasant Bhat has been completed and on the basis of the enquiry report, he has been exonerated. Departmental

proceedings against Shri M.P. Gupta are at an advanced stage.

Further, after receipt of the report, following actions have been taken:

(i) To address the systemic deficiencies pointed out in the World Bank report relating to procurement, implementation and oversight a Joint Action Plan has been finalized after intensive discussions with the World Bank keeping in mind specific interventions and timelines.

(ii) Three new cases pertaining to Chhattisgarh and Karnataka were referred to CBI for further investigation. One of these was identified through an analysis of the audit report. The cases are at an advanced stage of investigation. In a similar case, the Government of Orissa has filed a criminal case and initiated departmental proceedings.

(iii) Government of Orissa has ordered a full-fledged vigilance inquiry to look into all deficiencies pointed out in the World Bank report regarding the State Health System project.

(f) & (g) No. World Bank is providing funds for new projects also. A new project titled as "National Vector Borne Disease Control and Polio Eradication Project" involving an amount of USD 521 million for a period of five years starting from 2008-09 has been approved by the World Bank and has become effective from 6th March, 2009.