

World Bank halts India health funds on fraud claim

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NEW DELHI, April 4 (Reuters) - The World Bank has put on hold funding for the second phase of one of India's leading child health programmes because of what it said were allegations of possible fraud and corruption in the procurement of medicines.

The projects for which funding has been frozen include the second national tuberculosis control project and the Karnataka health systems project, components of the country's World Bank-supported Reproductive and Child Health Programme.

Details of the amount of money involved were not available, but local media reports said the investigation could hold up \$1 billion of aid.

"The World Bank strongly believes that corruption and leakages are a major development issue for they undermine the intended outcomes for which public money is spent," the multilateral agency said in a statement on its Web site.

"The government of India shares this concern."

It said the bank had launched a probe into the allegations and had put the funding on ice to allow more time for discussions with government officials.

India has pledged to boost spending on health, education and rural infrastructure to help the poor, and has been actively working with the World Bank to improve the rural health sector.

Nearly 260 million of India's 1.1 billion people live in abject poverty, despite economic growth of 6 percent a year since reforms started in 1991, and a per capita income in Asia's third-largest economy of about \$700.

The Indian Express newspaper said the finance ministry had written to states and federal departments to ensure complete "transparency and integrity" in awarding contracts.

The newspaper said the government has asked the federal investigation agency to probe the alleged fraud. Government officials were not immediately available for comment.

Watchdog Transparency International estimates corruption costs

the Indian taxpayer nearly \$7 billion a year, with most lost to bribery in government procurement deals and pilfering by state agencies.

"Rigorous prosecution will send the message that corruption in health care will not be tolerated," said S.K. Agarwal, vice chairman of Transparency International India. "Corruption in the health sector is huge and the patients are helpless."

Rajiv Gandhi, prime minister in the 1980s, once said that only 15 paise (0.15 rupee) out of every rupee allocated for welfare schemes reached the poor.

Not much has changed.

A Planning Commission study showed less than 50 percent of foodgrains meant for people living below the poverty line actually reached them. That meant most of a \$915 million subsidy was stolen along the way.

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