3.4 UP Health System Development Project

Highlights

The UP Health System Development Project (UPHSDP), an externally aided project, aimed at bringing about structural and qualitative changes in the health sector so as to transform it into a modern, responsive and accountable system to provide high quality, affordable and integrated health service. The project is to be implemented during December 2000 to December 2005 at a cost of Rs.478.07 crore (reimbursable Rs.411.11 crore and State share Rs.66.96 crore).

Audit scrutiny revealed that the implementation of the project was unsatisfactory as even after half of the period prescribed for implementation was over, physical and financial progress in many critical areas were lagging behind the target. The monitoring mechanism was not effective. Indications were towards time overruns and resultant cost overrun culminating into delays/ denial of the benefits envisaged in the project to the targeted beneficiaries.

- ***The utilisation of the available funds ranged between 11 per cent and 73 per cent of the targeted expenditure during 1999-2003.***

(Paragraph 3.4.5)

- ***The physical progress of ten critical civil works ranged between NIL to 50 per cent as of that date.***

(Paragraph 3.4.6)

- ***Due to slow progress, the project failed to achieve its social objectives.***

(Paragraph 3.4.7)

- ***Computers purchased at a cost of Rs.2.92 crore remained non-operational for one year as the UPSs purchased for these computers did not function. Further, the ambulances purchased at a cost of Rs. 12.11 crore were not put to proper use.***

(Paragraph 3.4.11)

- ***Ineffectiveness of the monitoring and evaluation system in the Projects resulted in tardy physical and financial progress.***

(Paragraph 3.4.12)

3.4.1 Introduction

The Government of India and International Development Agency entered into an agreement on 19 May 2000 for implementing the UP Health System Development Project (UPHSDP) in Uttar Pradesh. This project aimed at bringing in the "Policy reforms, management development and institutional strengthening" and "Improving health service quality and access" by bringing about structural and qualitative changes in the health sector so as to transform it into a modern, responsive and accountable system with aim to provide high quality, affordable and integrated service. The total project period was divided into "Initiation Phase" (December 2000-March 2003) and "Consolidation Phase" (April 2003 to December 2005). A sum of Rs.281.50 crore was to be

spent during the initiation phase and the remaining amount of Rs.196.57 crore was to be spent during the consolidation phase.

3.4.2 Organisational Set Up

A Project Governing Body chaired by the Chief Secretary to Government of Uttar Pradesh was formed at the state level and the project was being implemented through the Project Director, Project Management Unit (PMU) under the Public Health and Family Welfare Department of the State. For administrative purposes the State was divided into four regions, *viz*. Eastern Region, Central Region, Bundelkhand Region, and Western region with headquarters at Varanasi, Lucknow, Jhansi and Meerut respectively.

3.4.3 Audit Coverage

The Initiation Phase of the Uttar Pradesh Health System Development Project (UPHSDP), scheduled for completion on 31 December 2003, was taken up for a mid term review so as to appraise the progress made against various indicators, reasons for shortfalls, and to facilitate mid-term corrections where necessary. The implementation of the project between December 2000 and March 2003 was reviewed during April and May 2003 by test check of records of the Project Director, Project Management Unit.

3.4.4 Funding Pattern

The Project Management Unit communicated the requirement of funds to the Planning and Finance Department of the State, annually for inclusion in the State Budget. Consequent to the approval of the budget demands, the funds were released quarterly by the Government of Uttar Pradesh to the Project Management Unit for keeping in a Personal Ledger Account (PLA) opened in the name of the Project Director. From this Personal Ledger Account the Project drew money for their requirement and also for meeting the requirements of the field formations. The money, so drawn from the Personal Ledger Account, was deposited in savings bank accounts opened in nationalized banks. The Regional Project Management Unit (RPMU) and the District Project Management Unit (DPMU) also were required to open savings bank accounts in banks on the same lines for safe custody of the funds received from the Project Management Unit.

The World Bank reimbursed the expenditure incurred on the Project, in accordance with the terms and conditions of the Project Agreement on a quarterly basis. Details of the quantum of reimbursement of expenditure on various components are given in ***Appendix-3.11.***

3.4.5 Financial Progress

The position of the projected expenditure, budget demands, funds actually released by the GOUP and actual utilization by the implementing agency during 1999-2003 was as follows:

Year	Projected Expenditure	Budget Provision	Funds actually released	Expenditure	Percentage of shortfall
	(Rupees in crore)				
1999-2000	Nil	Nil	1.52	1.11	27
2000-01	2.98	80.00	9.00	0.99	89
2001-02	139.41	125.24	25.00	13.52	46
2002-03	139.11	115.00	98.00	57.92	41

It would be seen that the funds released by the State Government were much lower than the budgeted provisions during 2000-03 and the shortfall in utilization of funds ranged between 41 and 89 *per cent* during the period.

Slow progress in training and reorientation programme affected the Policy Reforms adversely

For achieving the first objective, viz. Policy Reforms Management Development and Institutional Strengthening, the financial estimates included provisions for information, education and communication (IEC), training, local consultancy, studies/ workshops, contracting of services and involvement of Non Governmental Organisations. The progress of expenditure against these items were as follows:

Activity	Target for the initiation phase	Achievement as of 31 March 2003	Percentage of shortfall
	(Rupees in crores)		
Information, Education and Communication	3.84	0.73	81
Training	16.97	1.52	91
Local Consultancy	20.59	3.34	84
Studies/ Workshop	6.60	0.31	95
Contracting of services	4.38	0.05	99
Non Governmental Organisation	3.83	0.08	98

It was thus evident that the progress on these components of the project was negligible as the shortfall with reference to the targets ranged between 81 and 99 *per cent.*

The other objective, viz. strengthening of the available facilities and other similar activities, progress of these items was as follows:

Slow progress of civil works and procurements adversely effected the improvement of health service

Activity	Target for the initiation phase	Achievement as of 31 March 2003	Percentage of achievement
	(Rupees in crore)		
Civil Works	71.50	28.04	39.21
Furniture	3.01	0.67	22.25
Equipment	62.32	6.54	10.49
Vehicles	14.29	12.11	84.74
Medicines	21.16	5.14	24.29

Supplies (Others)	2.69	0.18	6.69

The low achievements indicated that the project failed in bringing the desired improvement of health services.

Government stated (February 2004) that the expenditure during the year 1999-2000 was related to project preparation and that the project activities could start only in 2001-02 due to start up bottlenecks.

3.4.6 Physical Progress

Target date for completion of the initiation phase of the project was 31 March 2003. The physical progress of the component "Civil Works" was as detailed below:

Items	Physical Progress			Financial Progress		
	Target	Achievement	Percentage	Target	Achievement	Percentage
	(Unit in numbers)			(Rupees in crores)		
A. Strengthening						
1. Block Primary Health Centers	36	15	41.7	4.07	3.38	83.0
2. Community Health Centers	28	10	35.7	12.25	7.38	60.2
3. District Hospital (Male)	25	01	04.0	31.15	12.75	40.9.
4. District Hospital (Female)	25	02	08.0	4.76	6.30	132.4
5. Combined Hospitals	03	NIL	00.0	3.10	0.34	10.9
TOTAL A	**117**	**28**	**23.9**	**55.33**	**30.15**	**54.5**
B. New Facilities						
1. Regional Training Centers	04	02	50.0	2.20	1.39	63.2
2. Trauma Care Centers	01	NIL	00.00	0.99	----	00.00
3. Disease Surveillance Laboratory	60[π] 10[ρ]	NIL NIL	00.00 00.00	3.30 1.10	---- ----	00.00 00.00
4. Electro Medical Workshop	13	NIL	00.00	1.14	----	00.00
5. Renovation of PMU	1	NIL	00.00	0.39	----	00.00
TOTAL (B)	**89**	**02**	**2.3**	**9.12**	**1.39**	**15.2**
Grand Total	**206**	**30**	**14.6**	**64.45**	**31.54[♠]**	**48.9**

[π] Renovation

[ρ] New

[♠] Includes an amount of Rs.3.50 crore advanced to the RPMUs/ DPMUs for Civil Works.

Physical targets of the initiation phase were not achieved

It would thus be seen that against 206 works to be completed by the end of the initiation phase (31 March 2003), the actual progress ranged between "zero" *per cent* (Combined Hospitals) and 41.7 *per cent* (Block Primary Health Centers). As against the over all financial progress of 49 *per cent,* the physical progress was 14.6 *per cent* only. Thus, in all the cases physical progress was not commensurate with the expenditure that had been incurred. Work relating to creation of new facilities could not commence except in respect of "Regional Training Centers" where the physical progress was 50 *per cent* only.

Government stated (February 2004) that 59 works had been completed upto 31 October 2003 and 53 were in progress. The cost overrun in case of District Hospitals (Female) was due to additional work done/proposed and the time overrun was due to delay in availability of space besides inclusion of additional items of work and that renovation/ strengthening of six Block Primary Health Centers, one Community Health Center, sixty Disease Surveillance Centers, ten new Disease Surveillance Centers and nine Electro-Medical Workshops have been deleted from the scope of the project.

The reply was not tenable as all the above works were targeted for completion during the initiation phase, which ended on 31March 2003. Further approval for additional items of work or for deletion of targets could not be shown to Audit. The need for inclusion of additional items was indicative of weakness in initial planning.

3.4.7 Non achievement of targets prescribed for achievement

Due to slow progress the project failed to achieve its social objectives

The project was expected to procure and install most of the necessary infrastructure facilities during the initiation phase. Rupees 281.50 crore (59 *per cent* of the project cost of Rs.478.07 crore) were to be utilized during this phase. Status of some major performance indicators, as of 31 March 2003 (the date of completion of the initiation phase), is detailed in *the* ***Appendix-3.12*****.** Following targets could not be achieved by the project as evident from these details:

- The out patient visit and hospital admissions, in respect of poor, were to be increased to 25 *per cent*. No information in this regard was available with the project authorities.
- The numbers of child deliveries at the hospitals/maternity centres were to be increased from 1,00,000 to 1,10,000. This, however, declined by 12 *per cent.*
- The revenue budget of GOUP in the health sector was to be increased from 4.8 *per cent* to 6.5 *per cent*. At the end of initiation phase the revenue budget remained at 5.08 *per cent* (2002-03).
- All post for nurses and specialist doctors at facility level were to be filled, as per new norms by staff redeployment. No information was available with the project in this regard.
- Quality Assurance plan was to be implemented in 35 CHCs and 8 District Hospitals supported by the project. Only 11 quality circles could be started till the target date.

- Hospital Waste Management Strategy was to be developed for 35 CHCs and 51 Combined Hospitals/ District Hospitals. In this respect only the initial assessment could be completed and draft plan was under preparation.
- Fifteen proposals for "Innovative schemes demonstrating improved access to disadvantaged population" were to funded by the project. Only four proposals could be cleared till the target date.

Thus, it is evident that due to the slow physical and financial progress the project failed to fulfill its social obligations.

3.4.8 Inadequacy of manpower

The project could not muster enough manpower as detailed in ***Appendix-3.13***. The Project did not have a regular Chief Engineer. An officer was taken on short-term deputation basis from Public Works Department and his term was renewed every six months. While the project authorities were unable to fill up a large number of sanctioned posts, a case of the appointment of Assistant Director (IT), without a sanctioned post being available, had also came to light.

Dearth of officers and staff affected the efficiency of providing the services envisaged in the Project and also resulted in ineffective monitoring.

3.4.9 Non implementation of prescribed computerized accounting system

Computerized Accounting System could not be implemented in the field units

The Project Implementation Plan (PIP) envisaged designing of an accounting procedure and development of a comprehensive computerized "Financial Management Information System" by 31 December 2001. It envisaged developing a computer based accounting system and linking of all field units to the Project Management Unit at Lucknow through a wide area network for instant collection and processing of data.

It was observed in Audit that although the new system had been developed and adopted successfully by the project, it could not be made operational at field level as the computers supplied to the field offices for this purpose remained non-functional for want of UPS systems. The field units were generating all the reports and returns manually and dispatching them to the State Project Monitoring Unit either by mail or through messengers. Thus, the speed, accuracy collection and analysis of data, as envisaged in the PIP, could not be achieved.

The Government stated in reply (February 2004) that the computerized Financial Management Information System (FMIS) was fully operational at PMU and RPMUs. The reply was not tenable as the FMIS was to be implemented in entire project area and not only in the PMU and RPMUs. Thus, implementation of the FMIS was incomplete/ partial.

3.4.10 Procurements

Infructuous expenditure in obtaining services of consultants

The Project Implementation Plan (PIP) provided for a Facility Survey to ascertain the quantum of civil works needed for upgradation of various

Selection of the first consultant was not successful as almost all the work had to be re-done

facilities. A consultant (M/s Architect Studio, Lucknow) was appointed in September 1999 for conducting this survey at a fee of Rs.44.18 lakh. As per the terms of agreement the consultant was required to prepare drawing, design, layout plans and cost estimates for such renovations etc. The consultant submitted his report in 2000. Project authorities noticed at the time of finalization of contracts for execution of the works that the cost estimates etc. prepared by the consultant were not accurate as the rates and the bill of quantity received from the contractors (selected for execution of these civil works) were higher than those mentioned in the consultant's report. Consequently, two new consultants (M/s Gherzi Eastern Limited, M/s MECON Limited) were appointed and the contract of the existing consultant was renewed for preparation of a fresh report on the basis of a fresh survey and for quality and quantity check of the material procured and construction work carried out. Thus, the expenditure of Rs.44.18 lakh incurred on the initial feasibility survey was rendered infructuous, as a fresh report was required to be prepared after conducting a fresh survey.

Procurement of medicines without ascertaining the requirement

Medicines were procured without ascertaining the actual requirement from field units

Paragraph 7.1.5 of the Project Implementation Plan provided for an improvement in the supply of quality essential drugs in the public sector and in the appropriate use of drugs across the State. It envisaged that the individual health care institutions would indent their requirement on a quarterly basis to the Chief Medical Officer of their district who would be responsible for planning and coordinating with the procurement agency to meet the quarterly demand.

To fulfill this objective the Project Management Unit procured drugs and medicines valued at Rs.5.14 crore during the period 2001-03 (Rs.2.20 crore during 2001-02 and Rs.2.94 crore during 2002-03) and supplied these to various hospitals of the State. The requirement of the drugs and medicines was not ascertained either before ordering for the supply or before dispatching the medicines to various hospitals.

The Government stated in reply (February 2004) that the data for actual usage of drugs was maintained at the level of district hospitals and Chief Medical Officers of the districts. Steps were being taken for faster implementation of Drug Distribution Management Information System so that data pertaining to use of drugs could be captured at all levels and made easily assessable for decision making. The drugs were procured during 2001-02 on the basis of the drug requirement as listed in the PIP Volume-II which was based on the field survey done by the consultants (M/s STEM, Bangalore) The Project Management Unit could, however, not furnish any data relating to actual use of the drugs and medicines so issued to various points of usage.

Purchase of drugs and medicines without ascertaining their actual requirement from the field units was irregular. This ad-hoc method had to be resorted to as the computerized Logistic Management Information System and the Hospital Management Information System could not be made operational.

3.4.11 Other points of Interest

Blocking of funds due to computers remained non-functional

Computers could not be used for one year due to inferior quality of UPSs

An agreement was entered (26.06.2002) with M/S Wipro Limited for supply of computers (354 nos.), UPSs (354 nos.), printers (50 nos.) and scanners (292 nos.) at a cost of Rs.2.92 crore. The material was supplied during the period from 18.11.2002 to 03.12.2002 although the scheduled date of completion was 28.09.2002. A scrutiny of records relating to this procurement revealed that:-

- The UPSs supplied by the firm were burnt on installation and after the final test on 20.03.2003 these were ultimately rejected. The firm was yet to replace the rejected material as on June 2003.
- As the UPSs could not be installed, the computers could not be made functional. Consequently, 308 numbers of air-conditioners purchased for Rs.92.40 lakh and computer furniture purchased for Rs.30.80 lakh could not be used for the purpose for which these were purchased.
- The non-installation of the computer systems affected the installation of the Management Information System in the project area.

The Government stated during discussions (February 2004) that the performance security of the supplier (Rs.3.35 lakh) had since been forfeited and contract for supply of UPSs terminated and no payment was made to supplier towards the cost of those UPSs. The procurement procedure had since been decentralized to the district level. As of December 2003 pilot implementation in 11 project districts had been completed. It was further decided not to implement the Computerized Financial Management Information System (FMIS) in other districts. All the 354 computers had since been made operational.

It is thus evident from the reply of the project that due to faulty UPSs the computers remained unutilised from the date of their receipt (December 2002) to December 2003, and consequently implementation of the FMIS was also delayed and same was finally not implemented.

Blocking of funds due to the ambulances lying idle

Ambulances lying idle

The Project purchased 250 ambulances (value Rs.12.11 crore) meant for location at Community Health Centers (CHC) for carrying patients. A user charge @ Rs.8.00 per km. was to be levied from the patients for use of these ambulances. The total amount of Rs.12.11 crore remained blocked since the date of their purchase (July 2002) to date (February 2004) as these ambulances could not attract users.

The Government stated in reply (March 2004) that the rates of user charges were not attractive and also that cheaper alternatives were locally available.

3.4.12 Monitoring and Evaluation

Monitoring system could not be computerized

As provided in the Programme Implementation Plan approved by the World Bank, the monitoring activity was to cover quantitative as well as qualitative aspects of the implementation of the components and sub-components of the Project. A fully computerized monitoring mechanism comprising Healthcare Management Information System (HMIS), Logistics Management Information System (LMIS), Hospital Management Information System (HoMIS), Financial

Management Information System (FMIS), Personnel Management Information System (PMIS), Disease Surveillance System and Personnel Training System was to be implemented. Also the Project Management Unit issued a circular (February 2002) forming District level committees, headed by the Chief Medical Officer (CMO) of the district concerned, to monitor the progress of the civil works, procurement and repair & maintenance of equipments, and progress of Information Education and Communication (IEC) trainings. No report/ minutes of meetings of the District level Committees were available with the Project headquarters.

The computer based Management Information System could not be put in place by the Project due to non-operationalisation of the computers issued to the field units. Consequently, all the reports were generated manually and collected through traditional methods.

3.4.13 Conclusions

The audit review of the Project revealed that although the UP Health System Development Project was launched (2000-01) to transform the Medical and Health sector into a modern, responsive and accountable system that would provide high quality, affordable and integrated services to masses through structural and qualitative changes, the physical and financial progress in many critical areas was not as per the targets. Further, the expenditure incurred upto 31 March 2003 was not commensurate with the physical progress achieved upto that date. The monitoring mechanism was not effective as it failed to identify the areas needing immediate attention and mid course corrections in the implementation plans. The general direction of the progress of implementation indicated time overrun and cost overrun resulting in delay in upgradation of the State's public health system as envisaged in the project.

3.4.14 Recommendations

- Annual action plans to be finalized in advance for implementation and for ensuring achievement of targets.
- Drugs procurement should be linked with actual requirement of the drugs in various hospitals.
- Utilization plans should be finalized simultaneously with the procurement plans to ensure efficient utilisation of the equipments.
- Reasonable rates should be fixed for Ambulances so that needy patients could use them.
- Monitoring mechanism as envisaged in the Project documents should be developed for ensuring effective monitoring.

Appendix-3.11

(Reference: Paragraph 3.4.4; page 81)

Details of component-wise pattern of funding under UP H S D P

Category	Amount of the credit allocated (in million SDR equivalent)	% of expenditure to be financed by the project	State Government
Civil Work	11.84	85%	15
Goods	27.26	100% of foreign expenditure 100% of local exp (ex-faculty cost) and 80% of local expenditure for other item procurement locally	Nil
Consultant Services Professional Services, NGO' Services studies training workshop	18.14	100%	Nil
Incremental operating and maintenance cost	06.27	80% of expenditure incurred through December 31 2002. 50% of the expenditure incurred from January 2003 though December 31, 2004 and 25% of expenditure incurred there after.	
Unallocated	07.05		
Total	**70.56**		

Appendix-3.12

(Reference: Paragraph 3.4.7; page 85)

Status of Performance Indicators

Objectives	Indicator	Baseline	Target during the initiation Phase	Current Status
Improved health facility quality and efficiency at facilities	Increase outpatient visits	Overall: 8,217,804 Poor: 19% Women: 41%	Overall: 9,000,000 Poor: 25% Women: 45%	Overall: 8,980,000 Poor: Information not available Women: 42.06%
	Increase hospital admissions	Overall: 365,890 Poor: 12% Women: 36%	Overall: 400,000 Poor: 25% Women: 45%	Overall: 369,851 Poor: Information not available Women: 36.2%
	Increase hospital bed occupancy	CHC: 20% DH M)/CH: 50% DH (F): 41%	CHC: 30% DH M)/CH: 60% DH (F): 50%	CHC: 22.5% DH M)/CH: 59.8% DH (F): 53.9%
	Increase institutional deliveries	100,000 deliveries	110,000 deliveries	Declined by 12% from baseline
	Patient Satisfaction	Satisfaction for cleanliness 44% Explaining the disease 66%		Low Client satisfaction in the areas of 1. cleanliness (25.30% unhappy) 2. need to go outside the hospital for diagnostic tests (30-40%) 3. not being explained diagnostic (almost 50%) 4. non-availability of medicines at CHC (23%)
	Increased number of appropriate referrals at CHC and combined/DH from CHC	No baseline		HMIS to provide information
Increased public expenditure on health	Increased GOUP revenue budget on health sector	1997-98: 4.8%	6.5%	2001-02: 5.3% 2002-03: 5.08%
	Increased share of non-salary recurring costs	1997-98: 23%	25%	2001-02: 40%
Performance accountability and efficiency	Improved performance in financial management and delegation to pilot district		Project Monitoring Report	PMR generated Financial delegation to start in 4 districts
	Reduction in absenteeism and excessive transfers of key posts (CMOs/CMSs)		Independent Audit	Computerized Personal Information System for Doctors developed
	Result oriented, transparent personal performance appraisal discussion taking place		Personal Information System	TOR for Personal information system
	Staff redeployment to fill posts at facility level as per new staff norms especially for nurses and specialist doctors		All posts filled at the project facilities	No information
Improving health service quality and access-Improving clinical services quality	Quality assurance plans for project supported CHCs and DH		Quality assurance plans for for 35 CHCs and 8 DH	Quality circles started in 11 facilities
	Improved use of diagnostic services	(a) Hematology tests: 7.6% (b) X rays: 1.9%	(a) Hematology tests: 20% (b) X rays: 5%	?????

Objectives	Indicator	Baseline	Target during the initiation Phase	Current Status
Improving health service quality and access-Improving clinical services quality	Quality assurance plans for project supported CHCs and DH		Quality assurance plans for for 35 CHCs and 8 DH	Quality circles started in 11 facilities
	Improved use of diagnostic services	(a) Hematology tests: 7.6% (b) X rays: 1.9%	(a) Hematology tests: 20% (b) X rays: 5%	?????
	90% Functional Equipment in place		BPHCs: 50 CHC: 30 DH: 19	Procurement and one-time repair in progress
Improving health service quality and access-Improving public health services quality	Diseases surveillance			Will be linked to national integrated disease surveillance project
	Hospital waste management strategy implemented	To be established	35 CHCs 51 CH/DH segregating wasres and disposing according to plans	Initial assessment completed and draft plan being prepared
Improving health services access to disadvantaged populations through innovations	Innovative schemes demonstrating improved access to disadvantaged populations	One proposal approved	15 proposals funded:	4 proposals cleared

Appendix-3.13

(Reference: Paragraph 3.4.8; page 85)

Tables exhibiting availability of manpower vis-à-vis the approved staff strength
(as of 31 March 2003)
UPHSDP

		Sanctioned Posts	Men-in-position	Shortage (-)	Percentage of shortage
Project Management Unit	Project Director	1	1	---	---
	Additional Director	5	3	(-) 2	40
	Finance Controller	1	1	---	---
	Chief Admn. Manager	1	1	---	---
	Chief Engineer Civil	1	1	---	---
	Assitt. Director/Training	11	6	(-) 5	45
	Chief Finance and Accounts Manager	1	1	---	---
	Executive Engineer Civil	1	1	---	---
	Accounts Officer	1	1	---	---
	Asstt. Engineer	2	2	---	---
	Asstt. Architech	1	--	(-) 1	100
	Jr. Engineer	3	3	---	---
	Draftsman	1	--	(-) 1	100
Regional Project Management Unit	Project Regional Manager	4	4	---	---
	Asstt. Director	8	8	---	---
	Executive Engineer (Civil)	4	3	(-) 1	25
	Dy. Director Electrical	4	4	---	---
	Accounts Officer	4	4	---	---
	Assistant Accounts Officer	4	---	(-) 4	100
	Assistant Engineer (Civil)	21	15	(-) 6	28
District Project Management Unit	District Project Manger	70	67	(-) 3	4
	Junior Engineer civil	28	28	---	---