

ADB: CURE OR MALLADY?

A look into ADB's Involvement in the Indian Health Sector

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I. The Ailing Indian Health Sector

Most poor people live in areas where the health services are poor or non-existent. Poverty leads to poor nutrition and inadequate access to health care, which cause health to deteriorate. Unhealthy people means unhealthy workforce, thereby driving these people to more poverty. This is the vicious cycle of impoverishment.

Health is a key input to economic development, because good health enhances the productivity of the workforce. However, the Indian health sector scenario is not too encouraging. The level of Indian public expenditure in the health sector is the lowest in the world. It is far below than the figure recommended by the World Health Organization (WHO). The Indian health system is likewise the most privatized health system. Privatization and deregulation of the health system have resulted in rising drug prices (WHO, 2000). In fact most of the commitments made by the Government are related to privatization of the health sector and were made on behalf of the interests of the market.

India is the second largest country in the world with over one billion people of diverse social-cultural backgrounds. Over 30% of the population is classified as poor. The Federal and State governments spend 1.3% of the GDP on health. Three-quarters of the total health spending in the country is out of pocket. Health as a percentage of total Federal budget has been about 2-3% over the last 50 years with a gradual increase in emphasis on family welfare programs of population stabilization, and mother and child health. Some 60% of the Federal budget for health is spent on the five national disease control programs, which include leprosy, malaria, tuberculosis, HIV/AIDS, and blindness. The remainder is spent on the public health institutions, hospitals and research (WHO, 2000).

In the past decades, India has received a huge amount of external assistance for the health sector, including for family welfare. The flow of external assistance or aid, directly or indirectly, is aimed at alleviation of poverty by contributing to growth and development, and improving people's quality of life through basic services, including education, health, and nutrition. Approximately one-third of India's total foreign aid is from bilateral sources and two-thirds is from multilateral sources (Gupta, 2002).

However, an analysis of the external assistance would show that there is a delay in the implementation of the projects, which has resulted in time and cost overruns.

II. The ADB's Health Sector Policy

The ADB has a Health Sector Policy which highlights the following strategic considerations: primary health care for vulnerable groups; strengthening monitoring and evaluation; supporting innovations and pilot-testing new approaches to health care financing; encouraging governments to make health sector reforms; and increasing the health sector efficiency (ADB, 2005).

Under ADB's poverty alleviation strategy, social development is one of the major strategies being taken. The ADB believes that poverty will be addressed through direct and indirect interventions to promote social development and protect the environment. ADB's intervention strategy to attain these goals includes urban social infrastructure projects such as supply of potable water, sanitation, and sewerage, which will directly improve public health, especially women's health (ADB, 2005).

ADB's assistance for physical infrastructure aims to address relevant social issues such as the spread of HIV/AIDS, transport safety, trafficking of women and children, and livelihood programs for poor communities in project areas. ADB's state-level operations will focus on improved public provision of education and health services, which are under the jurisdiction of state governments, through decentralization and improved participatory management of these services at the local level.

III. ADB: The Bitter Pill?

Health sector issues growing in emphasis include health sector reform and health care financing reforms; sector-wide approach programs; communicable disease control programs; and governance issues. The terms of ADB's lending portfolio strongly influence whether countries are likely to seek ADB support for the health sector. India has chosen to use its own resources or concessional funds for its health sector, and did not borrow from Ordinary Capital Resources (OCR) for these sectors. Overall in Asia, the Asian Development Fund (ADF) resources have been increasingly important as a funding source for health projects (ADB, 2005).

ADB's cumulative lending to India as of 2004 amounts to US\$14.6 billion. The loans for the Health, Nutrition and Social Protection section translates to four (4) loans, amounting to US\$20 million (ADB, 2005). This constitutes 1% of the total loans from the ADB. The biggest share of the loan pie is from the Energy sector which constitutes 34.1% of the total amount loaned from the ADB.

Loans would have been a great help for India's health sector if the implementation of said projects were not plagued with problems which caused not only delays but decreased financial efficiency. This is not only the responsibility of the Indian government, but the ADB as well. Evaluation of ADB's performance in the health sector shows that ADB's supervision during

project implementation was often negligible. Insufficient emphasis on monitoring and evaluation during implementation prevents full appreciation of a project's impact. Aside from these concerns, the conditionalities which come with the loans from the ADB must be carefully scrutinized if these are fair and just.

IV. Diagnosing the Real Problem

In order to bring about genuine reforms in the health sector, there are a lot of realizations that both the Indian government and the ADB should look into. Firstly, there should be a strong national government in place to implement the projects. Moreover, another important realization is that external funds are not forever and that resources are finite.

There is also a need to carefully examine the appropriate role and function of the government, and also the private sector in promoting health. It is likewise important to identify sustainable financing mechanisms to increase the amount of resources for basic health services and public functions over the long term.

Finally, the Indian government and the ADB should look for ways to integrate health considerations a cross-cutting priority even into the non-health sector.

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