PROGRAM FIDUCIARY SYSTEMS ASSESSMENT

1. The National Urban Health Mission (NUHM) will be carried out by Ministry of Health and Family Welfare (MOHFW) following the existing implementation arrangements under the National Rural Health Mission (NRHM). MOHFW will provide support for NUHM activities to (i) the state health societies (SHSs), (ii) district health societies (DHSs), and (iii) (new) city urban health societies in the seven mega-cities. MOHFW is responsible for national-level coordination for NUHM. The Financial Management Group (FMG) within MOHFW assists with financial management. States and sub-state entities are required to follow existing NRHM procedures, adapted to NUHM.

2. The Supporting National Urban Health Mission Program will augment MOHFW efforts to effectively implement the NUHM, using the Asian Development Bank (ADB) results-based lending (RBL) modality. A fiduciary systems assessment has been carried out to determine the degree to which NUHM systems will be able to manage fiduciary risks and provide reasonable assurance that RBL program funds will be used for the intended purposes, with due consideration for economy and efficiency. The assessment also identified areas for further strengthening. The assessment covers (i) financial management, (ii) procurement, and (iii) anticorruption systems.

A. Information Sources

3. A detailed financial management assessment (FMA) was conducted during April–July 2014 with reference to ADB guidelines.[1] This was undertaken through consultations with the Government of India and state government counterparts, as well as donor representatives.[2] Using existing diagnostics and available reviews, this assessment provides a country-level FMA focusing on the overall public financial management (PFM) setup of the government and its functioning vis-à-vis public expenditure management outcomes, taking into account the state level where possible. This procurement assessment is based on a detailed review of procurement systems, capacities, and practices of various state governments, as well as field visits to the municipal corporations. Health departments of the Government of Madhya Pradesh, Tamil Nadu, and West Bengal and municipal corporations of Chennai and Coimbatore in the State of Tamil Nadu, Kolkata in West Bengal, and Bhopal and Indore in Madhya Pradesh, as well as two parastatals (Tamil Nadu Medical Supplies Corporation and West Bengal Medical Supplies Corporation), and the MOHFW were visited by the assessment team. This assessment was carried out in accordance with standard methodologies prescribed in ADB's Procurement Capacity Assessment and Procurement Review for Effective Implementation questionnaires and tools.[3] The assessment has also drawn upon the earlier assessments done by the World Bank for various states and MOHFW.

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[1] ADB. 2009. *Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence: A Methodology Note*. Manila.

[2] Separate FMA reports on three states (Madhya Pradesh, Tamil Nadu, and West Bengal) and the Union Territory of New Delhi were prepared by the program preparatory technical assistance consultants. New Delhi-based development partner officials (i.e., Department for International Development of the United Kingdom, European Union, and the World Bank) were interviewed. MOHFW officials as well as the Controller General of Accounts were closely consulted throughout the assessment and on the content of draft assessments.

[3] Operations Services and Financial Management Department, ADB. 2013. *Procurement Review for Effective Implementation Manual*. Manila.

B. Financial Management System

4. **Program financial management profile.** The proposed RBL program will use the existing financial management systems, including the budgeting, accounting, reporting, monitoring, and auditing arrangements of the central government, state governments, and those at the city government level engaged in the NUHM. The fiduciary-related financial management system assessment focuses on accountability and transparency of the financial management system. The overall score of the government-level 2010 Public Expenditure and Financial Accountability (PEFA) assessment is 2.75, which is much higher than the average for lower-middle income countries (2.41) and indicates a moderate level of fiduciary risk.[4]

5. **Budget**. India has a clear annual budget calendar, which is generally adhered to and provides sufficient time for preparation. The budgeting system can be further improved with (i) a forecast of fiscal aggregates on a rolling annual basis using main categories of economic and functional and/or sector classifications, and (ii) clearer links between multi-year estimates and subsequent setting of annual budget ceilings. While MOHFW does not have sector-wide expenditure framework with complete costing of investments and recurrent expenditures, and budgeting for investment and recurrent expenditure were separate processes, flagship national programs such as the NUHM have detailed and comprehensive costing with multi-year projections, approved by the Expenditure Finance Committee of the Government of India.[5]

6. **Institutional capacity.** MOHFW intends to adapt existing NRHM institutional mechanisms and management structures to NUHM by strengthening these to meet urban needs and circumstances. The urban health subsector will have significantly different risks than the rural health subsector, but most financial management arrangements under NRHM will be applicable to NUHM. An FMG dedicated to the National Health Mission (NHM) (under which both NRHM and NUHM are situated), is tasked with the overall financial management of the NUHM program. Dedicated accounting staff is also engaged at the state, district, and city levels; and MOHFW has planned to hire additional staff at all levels to ensure effective financial management.

7. **Fund flow arrangements.** Funds will flow from the Government of India's consolidated fund, at the recommendation of MOHFW, through the state treasuries to the SHSs. In 2014, some states experienced significant delays in fund release from the state treasuries to SHSs, which may hinder NUHM implementation in those states. The FMG closely monitors fund release performance at state treasuries. From the SHSs, fund flow to sub-state entities will be determined by each state and/or union territory, taking into account local conditions, including the functioning and capacity of the existing urban local body (ULB) health departments as well as other related departments (e.g., municipal affairs). NUHM will be implemented by the existing municipal corporations in the seven mega cities. The setup for other ULBs is not yet fully clarified, but it is likely that larger cities will also use existing municipal corporations, while in smaller cities existing DHSs will be used or new city urban health societies established. Accordingly, the operational guidelines for fund flows are expected to be updated by the FMG based on requests for information from states in FY2015.

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[4] P. de Renzio. 2009. Taking Stock: What do PEFA Assessments tell us about PFM systems. *Overseas Development Institute Working Paper 302*. London.

[5] Further details of the NUHM expenditure framework are in the Program Expenditure and Financing Assessment (accessible from the list of linked documents in Appendix 2).

8. **Accounting and financial reporting.** The Government of India uses a double-entry cash basis of accounting in accordance with General Financial Regulations of India. As of June 2014, computerized accounting software (Tally) is being used by almost all state and UT DHSs (about 93%). States, districts, and sub-districts use the *Operational Guidelines for Financial Management* developed for NRHM for accounting, financial reporting, and auditing. Financial information is consolidated from the facility level, via the DHS, to the SHS, and then to the FMG, which prepares monthly consolidated financial management reports.[6] The government's existing financial accounting and reporting framework, supplemented by a detailed statement of audit needs (SOAN), will be used for the program.

9. **Information systems**. In addition to the Tally software, MOHFW has already begun using the PFM System (PFMS), a sophisticated web-based fund monitoring and online payment system, which allows (i) online direct transfers to bank accounts of beneficiaries across India, whose details are integrated into the MOHFW 'Mother and Child Tracking System' and other systems; and (ii) real time aggregation and disaggregation of data, up to the individual district and sub-district level. Significant training will be required for all concerned personnel to be able to use the PFMS effectively.

10. **Internal controls**. Detailed Financial Management Operational Guidelines (2012) are in place that form FMG's financial management policies, including (i) planning and budgeting, (ii) fund flow arrangements, (iii) delegation of financial power, (iv) accounting, (v) internal controls, (vi) financial reporting and monitoring, and (vii) statutory and concurrent audit. Compliance with these guidelines will be monitored through annual concurrent (internal) audits as well as by the MOHFW through annual common review missions (CRMs) and joint review missions (JRMs). A review of the JRM aide memoires and CRM reports for 2006 to 2012 indicate significant improvement in financial management arrangements, particularly in the implementation of accounting procedures and internal controls.

11. **Internal audit.** In addition to the annual statutory audit of the SHS, the Comptroller and Auditor General of India also performs periodic performance audits of NHM activities. Concurrent (internal) audit is also performed by private audit firms and the Controller General of Accounts also conducts periodic internal audits. More strict enforcement and follow-up of the resolution of audit observations is needed, as indicated by several long-outstanding audit paragraphs in most state concurrent and statutory audit reports.

12. **Program financial reporting and external audit.** Financial reporting and auditing arrangements for the program will follow NRHM practices. Each SHS shall send their annual audited financial statements to the MOHFW for consolidation and submission to ADB by 31 December of each year in accordance with the SOAN.[7] The financial statements, which are audited by private audit firms empaneled by the Comptroller and Auditor General, shall include all vertical programs implemented by the respective SHSs, including NUHM. Audit opinions shall be issued in accordance with International Standards on Auditing.

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[6] Government of India, Ministry of Health and Family Welfare. 2012. *National Rural Health Mission: Operational Guidelines for Financial Management*. New Delhi.

[7] A SOAN for the external (statutory) audit has been agreed between ADB and MOHFW/government as part of the loan negotiations (included as an annexure to the Program Implementation Document), which outlines the form, content, and timing of submission for NHM-audited financial statements. The SOAN includes specific details about the financial reporting and external audit requirements, including preparation of financial statements in line with the Indian Government Accounting Standards and application of the standards on auditing issued by the Institute of Chartered Accountants of India.

13. **Conclusion.** The FMA indicates a moderate level of fiduciary risk, mirroring the country-level PEFA. A review of the JRM aide memoires and CRM reports for 2006–2012 indicate significant improvement in financial management, particularly in the accounting procedures and internal controls. In addition, FMG at MOHFW is already implementing incremental enhancements, including (i) development of a training and recruitment plan, (ii) ongoing annual monitoring review missions, and (iii) integration of PFMS with customized accounting software. ADB will provide input to the terms of references for the financial management component and participate in the CRMs beginning in FY2015. The FMG shall formally monitor key financial management indicators annually for all states and union territories, which shall also be verified on a sample basis during the CRM. With the existing measures and the proposed additional risk mitigating measures outlined below, the financial management arrangements are considered adequate.

Table 1: Financial Management Risks

Risk Type	Risk Description	Risk Assessment (without mitigation)	Management Plan / Mitigation Measures
Inherent Risks			
1. Country-level risks (government, states and union territories)	There are certain weaknesses with regard to policy-based budgeting (especially the lack of a multi-year perspective), control in budget execution, internal audit, as well as timeliness of external audits and follow-up on audit findings in country financial management system.	Moderate	Implementation of PFM reforms in line with the Second Administrative Reform Commission's recommendations (ongoing by the government or selected states and union territories).
2. Agency-specific risks	The financial management framework of the MOHFW has some weaknesses with regard to accounting and internal control, financial reporting, and progress monitoring, which appear mainly due to staff capacity issues and some gaps in application and enforcement of existing procedures.	Moderate	Support to and/or jointly carrying out a PEFA-based PFM Performance Assessment could be considered for one to two states and/or union territories with a view to developing PFM reform road map(s) to address PFM weaknesses and related fiduciary risks based on CRM findings and recommendations.
Overall Inherent Risk		**Moderate**	
Control Risks			
1. Planning and budgeting	Despite a stated aim to provide relatively more support to high-focus states and union territories, the planning and budgeting approach results in actual resource allocations favoring states and union territories with relatively higher absorptive capacity.	Low	Lagging states to be provided with TA support to enhance spending capacity.
2. Funds flow	Delays in fund flow due to change in government policy requiring funds to be channeled through state treasuries rather than directly through state health societies	Substantial	MOHFW and states to increase monitoring and follow-up of timely fund releases with state authorities and finance department.
	The optimal funds flow arrangement at city and district levels has yet to be decided in	Moderate	Prepare and pilot models for sub-state-level implementation and funds flow setup.

Risk Type	Risk Description	Risk Assessment (without mitigation)	Management Plan / Mitigation Measures
	some states.		
3. Accounting and internal control	Weaknesses in accounting and internal control, especially at sub-state levels, including for some DHSs and ULBs, because of staff capacity gaps.	Substantial	Update fiduciary performance indicators and strengthen FMG's performance monitoring and supporting staff capacity enhancement using on-demand capacity development support. More rigorous monitoring of resolution of external audit observations.
4. Financial reporting	Weaknesses in financial reporting, at sub-national levels: some SHSs submit utilization certificates with significant delays; some DHSs prepare FMRs using inaccurate data, and with delays; and many ULBs have limited capacity to generate reliable financial reports. The majority of NRHM audit reports are submitted with significant time delays.	Substantial	Increase staff capacity by filling vacant financial management positions with qualified persons and providing training and consultant support, especially for sub-national PMUs. FMG to ensure compliance with agreed SOAN.
5. Concurrent (internal) audit	Many SHSs and DHSs appoint auditors with long delays, so a concurrent audit is often not undertaken on a regular in-year basis. CAAA's internal audit has significant arrears, and the number of outstanding audit observations is considerable.	Moderate	Supporting the FMG in monitoring the concurrent auditor selection and appointment process of the SHSs so as to ensure that it is in accordance with existing requirements.
6. Statutory (external) audit	Majority of NRHM audit reports are submitted with significant time delays.	Moderate	Support the FMG in monitoring the statutory audit process, and the follow-up process vis-à-vis SHSs.
7. Human resources capacity	Many financial management positions are vacant in SPMUs, DPMUs, and CPMUs.	Moderate	Focus attention on financial management staff capacity, in particular for entities with many vacancies, and improve FMG monitoring.
8. Progress monitoring	Limited formalized and documented monitoring by FMG of progress in developing and improving financial management at state- and sub-state levels.	Moderate	Review and update the FMG's existing financial management monitoring framework, prepare templates and procedural guidelines, and support their implementation. ADB shall also participate in the annual CRMs.
Overall Control Risk		**Moderate**	
Overall Risk		**Moderate**	

CAAA = Controller of Aid, Accounts, and Audit, CPMU = city program management unit, CRM = Common Review Mission, DHS = district health society, DPMU = district program management unit, FMG = Financial Management Group, FMR = financial management report, MOHFW = Ministry of Health and Family Welfare, NRHM = National Rural Health Mission, PEFA = public expenditure and financial accountability, PFM = public financial management, PMU = program monitoring unit, SHS = state health society, SOAN = statement of audit needs, SPMU = state program management unit, TA = technical assistance, ULB = urban local body.
Source: Asian Development Bank.

14. **Financial management action plan.** This outlines the actions that are recommended to be undertaken in order to address identified financial management challenges and related fiduciary risks.

Table 2: Financial Management Action Plan

Risk Description	Risk	Action Item	Period	Responsibility
1. **Funds flow.** Delays in fund flow due to change in government policy requiring funds to be channeled through state treasuries rather than directly through state health societies The optimal funds flow arrangement, at city and district levels has yet to be decided.	Substantial Moderate	Increase monitoring and follow-up of timely fund releases with state authorities and finance department. Develop detailed fund flow mechanisms for cities and districts after considering the institutional arrangements, requirements, and capacity of individual states.	Continuously By loan effectiveness	MOHFW and FMG FMG
2. **Accounting and internal control.** Weaknesses in accounting and internal control, especially at sub-state levels, including for some DHSs and ULBs, due to capacity gaps.	Substantial	(i) Rigorous monitoring of the resolution of external and concurrent audit recommendations, (ii) staff recruitment and training as per FMG's recruitment and training plan, and (iii) monitoring of unspent advances.	Annually	FMG, SHSs, DHSs, ULBs
3. **Financial reporting.** Submission of utilization certificates by some SHSs is significantly delayed (the amounts involved are considerable). Some DHSs are preparing FMRs using inaccurate data and with delays. Many ULBs have limited capacity to generate reliable financial reports.	Substantial	State-level financial statements to be prepared in accordance with the SOAN.	Annually	FMG, SHSs
4. **Statutory (external) audit.** Majority of NRHM audit reports are submitted with significant time delays.	Moderate	FMG will monitor audit report submission to ensure that all audit reports are submitted by 31 December, and show incremental improvement over the course of the program.	Annually	FMG, SHSs
5. **Human resources capacity.** Many financial management positions are vacant in SPMUs, DPMUs and CPMUs.	Substantial	Recruit additional accountants at states and sub-state levels based on the recruitment plan and continuous training for states and union territories on financial management.	January 2016, onwards	FMG, SHSs

Risk Description	Risk	Action Item	Period	Responsibility
6. **Progress monitoring.** Limited formalized and documented monitoring by FMG of progress in developing and improving financial management at state- and sub-state levels.	Substantial	Existing financial management-related monitoring should be mapped in terms of elements covered and tools applied, and a new comprehensive indicator framework outlined, tested and implemented.	2015, onwards	FMG

CPMU = city program management unit, DHS = district health society, DPMU = district program management unit, FMG = Financial Management Group, FMR = financial management report, NRHM = National Rural Health Mission, SHS = state health society, SOAN = statement of audit needs, SPMU = state program management unit, ULB = urban local body.
Source: Asian Development Bank.

15. The financial management action plan has been discussed and agreed between ADB and the MOHFW prior to loan negotiations. The final agreed plan will be thereafter considered a rolling plan, i.e., one that it is regularly reviewed for progress, and updated if and when required, including where new issues have been identified that require improvements.

16. **Further recommendations.** It is recommended that the MOHFW considers carrying out (towards the midterm review of the NUHM program) a PEFA-based PFM performance assessment for selected states and union territories. Only three state-level PEFA assessments were prepared during 2007–2009. New assessments would help to show the current status of PFM performance, and could be used to develop a PFM improvement plan for the involved entities. This can furthermore help to facilitate dialogue about PFM reform within the MOHFW and states and union territories, and could be applied to provide inputs for developing new reform activities for the future.

C. Procurement System

17. The General Financial Rules (GFR), 2005 and Delegation of Financial Powers Rules, 1978 provide comprehensive rules and directives that establish the principles for general financial management and procedures for government procurement. These rules have the status of subordinate legislation and are in line with sound procurement principles. All government purchases must be in accordance with the principles outlined in the GFR. The Department of Expenditure, Ministry of Finance has also issued three separate Manuals on Procurement of Goods, Services, and Works as guidelines to all central government departments. Further, the Directorate General of Supplies & Disposals and the Central Vigilance Commission has also issued guidelines prescribing the procurement procedures to be followed by all central ministries. ADB has accepted the GFR, 2005 for the purposes of National Competitive Bidding in India.

18. Electronic procurement is now well established in the government sector which requires all contracts over Rs500,000 (about $8,333 equivalent) to be procured using the e-procurement system. In the health sector, all agencies are adopting the e-procurement system, with the exception of health societies in smaller districts with limited capacity. Manual procurement—especially of drugs and consumables—is likely in some states that lack a centralized procurement system.

19. The procurement scope under the NUHM will include: (i) renovation of existing public health centers; (ii) construction of new public health centers; (iii) procurement of medicines,

consumables, medical equipment, information and communication technology equipment, and other office and laboratory facilities; and (iv) engagement of consulting services for project and financial management, medical consultants, community workers, and nongovernment organizations. Procurement will be undertaken following the country procurement systems as spelled out in the GFR and its amendments and the state financial rules, procurement law, and procurement policy developed by the states within the framework of the national GFR. The state project implementation plans for FY2014 indicate that 75% of the approved expenditure for all states was for provision and strengthening of health services. Of the 75%, 38% is identified for strengthening of infrastructure (e.g., civil work and equipment), and 11% for procurement of drugs and consumables. The provision for training and capacity development equals 6.7% of the approved expenditure for all the states. The procurement of high-value civil works, equipment or drugs is not envisaged under the program. The program will exclude high-value contracts of which the estimated value exceeds the specified monetary amounts in accordance with ADB's policy on RBL.[8] It is proposed that MOHFW will source consulting services to ensure adequate implementation capacity and technical soundness of NUHM implementation at national and state levels.

20. Procurement capacity varies across states, with some states (such as Tamil Nadu and Maharashtra) having reasonable procurement capacity, while many other states have limited capacity to handle procurement functions. The risks at various stages of procurement and their mitigation measures are summarized below.

Table 3: Risk Assessment and Mitigation Measures

Risk Areas	Risk Description	Risk Assessment	Mitigation Measures
Overall	Procurement delays due to shortage of adequately trained procurement professionals in SPMUs, PWDs and ULBs	Moderate	SPMUs to set up dedicated procurement units with adequate number of trained procurement professionals for overall procurement supervision and contract management. State ministries to provide regular training to procurement staff, and review and monitor procurement activities. SBDs to be developed and implemented.
Annual procurement plans	Delays in preparation of annual procurement plans	Moderate	All health units to submit the annual procurement plans in a timely manner and attach these to the PIPs for each calendar year for procurement over the following year. Some states will be given technical assistance.
Civil works	(i) Contract award delays and fragmentation of contracts, (ii) inadequate supervision of quality of civil works, and	Substantial	(i) All health units to develop procurement schedules in their procurement plans. Aggregation of small civil works into larger packages to be examined by state health directorates to attract qualified contractors. (ii) Procurement units to include quality requirements and testing procedures in the bidding documents, implement quality assurance requirements, and maintain records of protocol and test reports.

[8] The RBL program will exclude activities involving (i) procurement of works, turnkey, supply or installation contracts estimated to cost $50,000,000 equivalent or more per contract; (ii) procurement of goods contracts estimated to cost $30,000,000 equivalent or more per contract; (iii) information technology or non-consulting services contracts estimated to cost $20,000,000 equivalent or more per contract; and (iv) consultants' services contracts estimated to cost $15,000,000 equivalent or more per contract.

Risk Areas	Risk Description	Risk Assessment	Mitigation Measures
	(iii) implementation delays		(iii) Procurement units to award contracts to qualified contractors after careful screening, maintain strict supervision during construction, include penalty clauses in contracts, and establish a progress reporting system.
Drugs, consumables, lab equipment, and major hospital equipment	(i) Procurement delays; (ii) inadequate quality assurance mechanisms; and (iii) delayed delivery, and inadequate stock.	(i) Moderate; (ii) high (drug), moderate (equipment); (iii) high.	(i) State directorates to prepare essential drugs lists with standardized specifications. States may enter into rate contracts with empanelled and/or qualified suppliers for 3-year periods instead of yearly. Equipment specifications to be standardized. (ii) Undertake inspections of suppliers' factories to ascertain financial capability, manufacturing installations, and quality control procedures. Undertake sample testing before dispatch of goods. Also undertake sample testing of delivered goods. Testing of drugs to be preferably undertaken at approved government or accredited laboratories. (iii) Identify fast-depleting drug stocks, prepare procurement plans in a timely manner, award rate contracts on time. Computerize drug delivery and consumption through a statewide stores management system.
Supervision and monitoring	Inadequate supervision and monitoring	Moderate	At the state level, SPMU to establish a computerized program monitoring system, undertake quarterly review meetings, and prepare quarterly reports. Reports should indicate progress achieved as compared to plans. Any delays must be explained. At the national level, NPMU to conduct post-procurement reviews for three states every year through an independent agency to provide feedback to SPMUs.
Overall Assessment		**Substantial**	

NPMU = national program management unit, PIP = program implementation plan, PWD = Public Works Department, SBD = standard bidding document, SPMU = state program management unit, ULB = urban local body.
Source: Asian Development Bank.

21. **Procurement action plan.** This will include and address the following actions in order to address identified procurement challenges and related fiduciary risks.

Table 4: Procurement Action Plan

Risk Description	Risk	Action Item	Responsible Agency	Time Frame for Implementation
Procurement delays due to shortage of adequately trained procurement professionals in SPMUs, PWDs, and ULBs	Moderate	Monitor recruitment and training progress for procurement staff at SPMUs for oversight of procurement and contract management.	NPMU	Beginning in January 2016
Delays in preparation of annual procurement plans	Moderate	Prepare annual procurement plans along with PIPs in prescribed format.	SPMU	December of each year
Mechanism for ensuring quality of drugs needs strengthening in some states.	Substantial	Conduct independent pre- and post-delivery drug quality audits.	CPMU and/or SPMU with independent agencies and NPMU	Twice per year, beginning in January 2016

Risk Description	Risk	Action Item	Responsible Agency	Time Frame for Implementation
Gaps in supply chain management affecting availability of drugs in some states.	Substantial	Undertake procurement post review for supply chain issues for at least three states per year through an independent agency.	CPMU and/or SPMU with independent agencies	At least three states each year, beginning in January 2016
Inadequate supervision and monitoring	Moderate	Establish a computerized program monitoring system, undertake quarterly review meetings, and prepare quarterly reports. Reports should indicate progress achieved as compared to plans. Undertake post-procurement review for supply chain issues for at least three states per year through an independent agency.	SPMUs NPMU	All states beginning in January 2016 Beginning January 2016

CPMU = city program management unit, NPMU = national program monitoring unit, PIP = program implementation plan, PWD = Public Works Department, SPMU = state program management unit, ULB = urban local body.
Source: Asian Development Bank.

22. The procurement action plan has been discussed and agreed between ADB and the MOHFW prior to loan negotiations. The plan will, however, need to be reviewed regularly and updated so as to encompass the major observations made by the audits. MOHFW should augment the implementation capacity of national and sub-national agencies with technical and implementation support consultants to bridge initial gaps in implementation capacity and accelerate progress. Such consultant inputs would be critical in supporting institutional capacity development, strengthening program systems for procurement, and addressing the identified procurement risks.

D. Anticorruption System

23. NHM, which encompasses NRHM and NUHM, provides a clear Governance and Accountability Framework to mitigate corruption and fraud risks.[9] The framework includes program governance and oversight mechanisms at the national and state levels; systems for monitoring and audit; and accountability mechanisms, involving community monitoring structures at level of service delivery. As a program action, the framework implementation will be monitored, and the community and facility-based grievance redressal mechanisms in urban areas will be assessed for effectiveness and strengthened during the program period. Through its built-in mechanisms of linking results to disbursement, ADB will support MOHFW in ensuring that NUHM funds are used for their intended purpose. ADB's anticorruption policy has been communicated to MOHFW. This includes blacklisting of corrupt service providers and program monitoring by ADB's Office of Anticorruption and Integrity.[10]

[9] Government of India, Ministry of Health and Family Welfare. 2012. *Framework for Implementation of the National Health Mission, 2012–2017*. New Delhi.
[10] ADB. 2013. *Piloting Results-Based Lending for Programs*. *Appendix 7: Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs*. Manila.