

# **Program Implementation Document**

Project Number: 50201  
November 2016

People's Republic of China: Public-Private Partnerships Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei

# CONTENTS

	<b>Page</b>
<b>Abbreviations</b>	
<b>I. Program Description</b>	<b>1</b>
A. Strategic Context	1
B. Program Rationale	3
C. Program Scope	4
D. Program Results	4
<b>II. Results and Disbursement</b>	<b>7</b>
A. The RBL Program's Overall Results	7
B. Disbursement-Linked Indicators	9
C. Disbursement Linked Indicator Verification Protocols	11
D. Disbursement Allocation and Status	14
<b>III. Expenditure Framework and Financing</b>	<b>17</b>
A. Expenditure Framework	17
B. Program Financing	17
<b>IV. Program systems and implementation arrangements</b>	<b>19</b>
A. Monitoring and Evaluation System	23
B. Fiduciary Systems	25
C. Satisfying Procurement Member Country Eligibility Restrictions	28
D. Safeguard Systems	28
E. Gender and Social Dimensions	29
F. Communication and Information Disclosure Arrangements	29
G. Development Coordination	29
<b>V. Integrated Risks and Mitigating Measures</b>	<b>31</b>
A. Key Risks and Mitigating Measures	31
B. Issues and Changes	31
<b>VI. Program Action Plan</b>	<b>32</b>
A. Status of Program Action Plan	32
B. Issues and Changes	34
<b>VII. Capacity Building</b>	<b>34</b>
A. Summary	35
B. Implementation Status	35
C. Issues and Changes	35
D. Capacity Building	35
<b>VIII. Monitoring of Key Program Covenants</b>	<b>40</b>
<b>IX. Summary of Key Outstanding Issues</b>	<b>41</b>
<b>X. Accountability Mechanism</b>	<b>42</b>
<b>XI. Changes in Program Scope and Implementation Arrangements</b>	<b>43</b>
<b>XII. Program Organizational Structure and Focal Staff</b>	<b>44</b>
A. Organizational Structure	44
B. Program Officers and Focal Persons	44

## PURPOSE OF THE PROGRAM IMPLEMENTATION DOCUMENT

The developing member country (DMC) is wholly responsible for implementing the program supported by results-based lending (RBL). The Asian Development Bank (ADB) staff support the results based lending program design and implementation.

The program implementation document (PID) consolidates the essential program implementation information. The PID is a management tool which supports effective program implementation, monitoring, and reporting. It is developed throughout the program processing, and should be discussed with the DMC at Loan Negotiations. It is a living document that should be refined and kept up to date during program implementation.

## Abbreviations

ADB	–	Asian Development Bank
CNY	–	Chinese Yuan
DMC	–	developing member country
DLIs	–	disbursement-linked indicators
ECS	–	elderly care services
EA	–	executing agency
HPG	–	Hubei Provincial Government
M&E	–	monitoring and evaluation
MOF	–	Ministry of Finance
NDRC	–	National Development and Reform Commission
PAP	–	program action plan
PID	–	program implementation document
PMO	–	project management office
PPP	–	public private partnership
PRC	–	People's Republic of China
RBL	–	results-based lending
RRP	–	Report and Recommendation of the President
YCAB	–	Yichang Municipal Civil Affairs Bureau
YFB	–	Yichang Municipal Finance Bureau
YMG	–	Yichang Municipal Government

## I. PROGRAM DESCRIPTION

1. The term ‘program’ or ‘RBL program’ refers to the program supported by results-based lending (RBL). The government program that the RBL support is anchored in is referred to as the ‘government program’ or the ‘broader government’ program. The term “government owned programs” refers to both the RBL program and the broader government program.

2. The proposed Asian Development Bank (ADB) assistance will be the first sovereign loan for the promotion of public-private partnerships (PPP) in the PRC that may have a catalytic effect and potentially transform the manner in which social services are delivered by local governments in the PRC. The PPP Demonstration Program (program) will build capacity for developing, procuring, and managing transparent PPPs and finance a demonstration PPP for socially inclusive, efficient, and quality elderly care services (ECS) in one municipality of the PRC (Yichang, Hubei). The program will serve as a demonstration for other local governments on how PPP can be used for the delivery of public social services and therefore may create more opportunities for ADB to finance inclusive and efficient service delivery in the PRC.<sup>1</sup>

### A. Strategic Context

3. **Sector Context.** One of the most significant social challenges facing the PRC today is a rapidly aging population. The proportion of people above the age of 60 across the PRC is expected to grow from around 14% in 2016 to 34% by 2050, while those 80 and older will increase from about 18 million in 2010 to a projected 98 million by 2050.<sup>2</sup> As a result of rapid urbanization, the impact of the one-child policy on families, and large-scale internal workforce migration to urban areas, traditional family support systems are increasingly becoming unable to meet elderly care needs. For the majority of elderly people, home- and community-based ECS are the preferred option but are inadequate at the present time.<sup>3</sup> ECS are provided by public and private operators and, except for some well-managed ECS facilities, many public and private residential facilities provide low quality services. Market-oriented reforms that promote service-oriented, inclusive, and high standard ECS catering to different levels of care are needed. The diversity of the demand for ECS requires an innovative response that offers a range of quality yet affordable services, including use of technology-based approaches such as telemedicine, and training for care providers, ranging from fully dependent and semi-independent residential care to different levels of community-based and home-based care.<sup>4</sup>

4. The Government of the PRC has identified Yichang as the preferred municipality to implement a pilot PPP ECS as the Yichang municipal government (YMG) recently approved the Yichang Long-Term Care (LTC) Services Strategic Plan, 2016–2030, which is a long-term,

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<sup>1</sup> PPPs have been identified as a major driver of ADB’s partnership with the PRC, particularly to promote efficiency and quality of services. ADB’s support for ECS PPPs is aligned to the long-term goals of achieving more effective management and delivery of services to the elderly, and the proposed loan is first in a series to strengthen local government design and implementation of ECS PPPs included in the country program pipeline.

<sup>2</sup> United Nations. 2011. *World Population Prospects: the 2010 Revision*. New York.

<sup>3</sup> The favored national policy of “90–7–3” is based on the broad assumption that 90% of the elderly are either independent or require only home-based care, 7% need more extensive community-based ECS, with the residual 3% requiring residential-based care. Local government has traditionally just looked after and provided subsidy to a group referred to as “the three no’s”. These are elderly people with no income, no ability to work, and no family support.

<sup>4</sup> Use of telecommunication and information technologies to provide clinical health care at a distance to help improve access to home-based medical services that would often not be available to distant communities.

strategic plan for the provision of ECS<sup>5</sup> in Yichang. Yichang is a third-tier city in the Yangtze River Economic Belt region, with 20% of its population, or almost 148,000 elders, over the age of 60 (which is higher than the national average of 15%). The city typifies the average medium-sized city that characterizes much of the PRC outside of the coastal belt.<sup>6</sup> Initial ECS demand analysis indicates there are currently about 2,000 elderly people who need residential care and about 23,000 who need home- and community-based care. The current absorption rate for residential ECS (based on the number of beds utilized) and the projected penetration rate indicate that the ECS facility market in Yichang is gaining momentum, and with adequate marketing by providers there will be a demand for an additional 3,666 beds in 2017. The projections result in a revised penetration rate of 1.58%, a growth of 55% over the historical penetration rate of 1.02%. This initial demand analysis for Yichang shows that the proposed number of beds for the program (1,255) will satisfy only a percentage of the demand for care needs of Yichang's elderly population.<sup>7</sup>

5. **Public-private partnership policy context.** The design and implementation of PPPs for the provision of public services face major regulatory, institutional, and financial challenges. PPP implementation in the PRC is hampered by a lack of transparency, regulatory gaps, and PPP regulations that overlap and which are poorly coordinated with other regulations including rules on land, tax, budget, and government procurement. PPPs in the PRC are also often characterized by a significant imbalance in allocation of risks and responsibilities. Moreover, while there is accumulated experience in infrastructure PPPs, a major barrier with regard to PPP implementation in the social sectors is a lack of knowledge and expertise within local governments to understand the intricacies of social sector PPP design, procurement, and contract management. Ministerial and central guidelines and requirements for PPPs issued by the Ministry of Finance (MOF) in 2015 indicate that the policy framework is improving the enabling environment, but a lot needs to be done to translate this into PPP projects at the local government level that are in line with international good practice for PPPs.<sup>8</sup>

6. The Government of the PRC considers PPP for ECS to be the most urgent need to promote efficiency and quality of service delivery. The government wants to promote a mechanism for genuine and transparent PPPs (i.e., transparent bidding processes with open and fair competition) that can be replicated nationwide to (i) close the gap between local government fiscal capacity and the increasing demand for social services; and (ii) search for innovation, better technology, and management skills to tackle sophisticated issues such as elderly care. PPPs have been implemented in the PRC since the late 1980s but the policy emphasis of PPPs has significantly shifted since 2014.<sup>9</sup> In 2014, the Third Plenum of the Communist Party of China called for a decisive role for the market in delivering public services.<sup>10</sup> Between late 2014 and May 2015, the MOF and the National Development and Reform Commission compiled a database of more than 7,700 PPP project proposals (amounting to \$1.37 trillion), and selected 200 demonstration PPPs to be developed in the next

<sup>5</sup> ADB. 2016. *Strategic Plan Elderly Care Services Development in Yichang (2016–2030)*. Consultant's report. Manila (TA 8672-PRC). The LTC plan was endorsed by the YMG on 11 May 2016.

<sup>6</sup> Poverty and Social Analysis (accessible from the list of linked documents in Appendix 2).

<sup>7</sup> Waterman Hong Kong. Pre-Feasibility Study of Integrated Elderly Care Public-Private Partnership Pilot Project In Yichang City. Unpublished.

<sup>8</sup> The current policy framework governing PPP has evolved over time and is a patchwork of measures.

<sup>9</sup> Traditionally, state-owned enterprises have had bigger participation in PPPs in the PRC while foreign and market investors have had little space in the market. Market players and "social capital" partners often include state-owned enterprises.

<sup>10</sup> Government of the People's Republic of China, State Council. 2014. *Opinions on Innovative Investment Mechanism and Encouraging Social Investment in Key Sectors*. Beijing.

five-year period.<sup>11</sup> However, such PPPs need to be based on firm policy foundations, political commitment, and a sound and predictable legal and regulatory environment. Market players generally require that these policy conditions and the public sector capacity are in place when considering their participation in a project.

## B. Program Rationale

7. It is in the above context that the PRC government has requested ADB's support to help transform how local governments implement PPPs that provide value for money, are well-designed, transparently contracted, and well-managed. The PRC government seeks a sound mechanism for the provision of integrated, community- and home-based ECS that can be replicated nationwide. The program is aligned with the PRC's 13th Five-Year Plan (2016–2020) which supports strengthening the ECS system in the PRC; and to government policies for introducing and expanding PPP in public services to bring efficiency, innovation, and quality that is affordable. Recent policy directives issued for the development of the ECS industry<sup>12</sup> recognize the need to improve services and human resources; develop the ECS market; and outline responsibilities for local governments, and private and civil society stakeholders. The program is aligned with ADB's country partnership strategy (2016–2020) pillar on inclusive growth, the Midterm Review of Strategy 2020, the Operational Plan for Health (2015–2020), the PPP Operational Plan (2012–2020),<sup>13</sup> and the Upper Middle Income Country Approach Paper.<sup>14</sup> It also supports the programming priorities included in the Operational Directions for 2016.<sup>15</sup>

8. Building local government capacity to apply appropriate laws and developing a demonstration ECS PPP requires the use of the national regulatory framework for PPPs, while providing results-based financing to support YMG's program to implement PPPs for ECS. To systematically build institutional capacity and create the best demonstration practice for application by other local governments, the program will (i) use national PPP frameworks and local systems; (ii) focus on results and performance; (iii) take a risk-based approach; and (iv) be accompanied by appropriate capacity building to mitigate risk and ensure results. RBL is the most appropriate modality to finance the program to strengthen capacity to design, manage, and implement a true PPP in the ECS sector using national regulations and guidelines since it will (i) leverage ADB financing to transform service delivery by YMG, and (ii) enable other municipal governments to replicate future similar programs without ADB financing in a sustainable manner.

9. ADB's value added is in introducing international expertise and good practice models; supporting an honest dialogue between potential bidders and the local government that ensures transparency and credibility to design a quality PPP project that offers genuine value for money; generates a high level policy dialogue with the government, and translates national PPP policies into an actionable PPP approach. Most importantly, local governments, including Yichang, are

<sup>11</sup> International Institute for Sustainable Development and Moody's Investor Service. 2015. *Public-Private Partnerships in China*. Winnipeg.

<sup>12</sup> Government of the PRC, State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*, Beijing; and Government of the PRC, 2015. *Implementation Opinions on Encouraging Private Capital to Participate in the Development of Elderly Care Service Industry*, Beijing.

<sup>13</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank (2016–2020)*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; ADB. 2015. *Operational Plan for Health, 2015–2020*. Manila; and ADB. 2012. *Public-Private Partnership Operational Plan, 2012–2020*. Manila. The CPS prioritizes development of ECS.

<sup>14</sup> ADB. 2015. *Clients-Contributors-Collaborators: A New Partnership with Upper Middle-Income Countries*. Manila.

<sup>15</sup> ADB (Office of the President). 2016. Planning Directions: Work Program and Budget Framework 2017–2019. Memorandum. 19 February (internal).

currently ill-prepared to take on transformational PPP projects without extensive external support. ADB's support is timely, will introduce innovation, contribute to knowledge on local level PPPs, and have a high demonstration impact. ADB has already gained credibility with the PRC government for responding to its PPP agenda with an appropriate mix of policy dialogue, sharing of international experience, and proposing an innovative service delivery approach. These efforts have placed ADB as a lead partner in the area of PPP and local government delivery of ECS.

### C. Program Scope

10. The program is anchored in the LTC plan,<sup>16</sup> which focuses on strengthening the public system of ECS delivery and introducing PPPs to increase the supply of facilities. At the request of the Government of the PRC, ADB has provided extensive support to the YMG in designing the program, which will support the PPP cornerstone of the LTC plan, while a public sector loan in 2017 will support strengthening of the public system of ECS delivery. The program will be guided by YMG's policy framework for PPPs which is aligned to the State Council and MOF regulations governing PPPs for social sectors.<sup>17</sup> The program will introduce a pilot PPP for ECS to create the required capacity in the YMG to expand socially inclusive, high quality ECS using PPPs. It will also support Government of the PRC policies and priorities for introducing and expanding PPP in social sectors, particularly ECS, by mobilizing private capital to expand efficiency, innovation, and quality services. The Government of the PRC has espoused a long-term programmatic approach<sup>18</sup> so as to create an enabling environment for transparent PPPs and encourage local governments to introduce PPPs in ECS and the health sector (para. 7). The broader Government of the PRC program envisions rolling out PPPs in several local governments during the 13th Five-Year Plan period, while the RBL program in Yichang will serve as a demonstration for other local governments.

### D. Program Results

11. The program's impact will be socially inclusive delivery of social services using PPPs developed. The outcome of the program is quality ECS using PPPs by local governments delivered. The program has two outputs:

- (i) **Local government capacity to design, procure and manage ECS PPPs developed.** This output includes a capacity building component to systematically address the challenges faced by local governments to optimize PPP design and implementation within the national regulatory framework. This will help manage the risk of using PPPs to introduce advanced elderly care concepts, ensuring that the local government has systems in place to (a) introduce innovative and elderly and environmentally sustainable design features in the ECS facilities; (b) develop key performance indicators that take account of international ECS standards and

<sup>16</sup> With the support of policy and advisory technical assistance financed by ADB since 2014 (ADB. 2014. *Technical Assistance to the People's Republic of China for Strategic Elderly Care Services Development in Yichang*. Manila), the YMG has prepared the Long-Term Care Services Strategic Plan, 2016–2030 to address growing needs for ECS, including development of service standards and expanded use of PPPs. See Summary of Yichang Municipal Government's Elderly Care Services Plan (supplementary linked document no. 22).

<sup>17</sup> Yichang Civil Affairs Bureau, Yichang Development Reform Commission. 2015. *The Implementation Opinions on Promoting PPP in the Public Service Sector*. Yichang.

<sup>18</sup> Ministry of Civil Affairs, National and Development Reform Commission, Ministry of Education, Ministry of Finance, Ministry of Human Resources and Social Security, Ministry of Housing and Urban–Rural Development, Ministry of Health and Family Planning Commission, China Banking Regulatory Commission, and China Insurance Regulatory Commission. 2015. *The Implementation Opinions on Encouraging Private Capital to Participate in the Development of Elderly Care Service Industry*. Beijing.

are compatible with national guidelines; (c) develop the PPP structure and financing model, including sustainability and social inclusion strategy; (d) provide transaction support to design and procure the PPP concession contracts with ECS service providers (PPP contracts); (e) perform integrity, financial and safeguards due diligence of relevant key stakeholders; (f) develop and deliver a PPP training plan for relevant YMG staff; (g) develop and implement PPP contracts and program monitoring systems; and (h) disseminate lessons from PPP implementation.

- (ii) **A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented:** Financing will be provided to enable YMG to meet agreed key performance indicators and output targets for well-designed PPPs to provide integrated ECS incorporating inclusive and best design features. Given the risks associated with introducing a more complex PPP in a third-tier city and to attract service providers rather than developers, the government will provide the land and undertake basic construction of the ECS facilities with appropriate design parameters, and the PPP contract(s) will be executed with the private sector to fully equip, operate and maintain the ECS facilities. The program will support YMG to meet care needs of the majority of its elders which comprise the lower-middle and the middle income range of pensioners and are the principal target beneficiaries of this program. The integrated ECS facilities are expected to include residential, medical, and non-medical services and provide outreach services to support community- and home-based care. Community- and home-based care provisions will be included within the PPP contracts. The services to be provided by the concessionaires to residents and the local community of elderly will cover different levels of care needs (from mildly to fully dependent elderly) and will include, but not be limited to the following: nursing care, skilled cognitive care, day care, social counseling, recreational activities and support for activities of daily living such as walking, bathing, dressing, toileting/incontinence, brushing teeth and eating. Home-based care will include a range of services such as housekeeping, shopping support, preparation of meals, routine medical check-ups, and physiotherapy, among others. Every reasonable effort will be made during the PPP procurement process to encourage innovative approaches (such as telemedicine and multi-skilling of care providers) to ECS provision.

12. The program has a concise results framework based on PPP capacity building needs and Yichang's LTC plan. Disbursement-linked indicators (DLIs) of the RBL program are based on the program's results framework, are the basis for disbursing ADB financing, and correspond to the program's financing needs. The proposed DLIs were selected within five results areas and formulated for their criticality for achieving high quality and efficient ECS that will be delivered through PPPs in the integrated ECS facilities (Table 1). Four sites have been identified for the ECS facilities, and it is expected that PPPs will be implemented at these four sites; however, the exact number of ECS facilities will be finalized during the detailed feasibility design and agreed between the government and ADB.

**Table 1: Disbursement-Linked Results**

Indicator	Disbursement Allocated (\$ million)	Share of Total ADB Financing (%)
<b>Outcome</b>		
Quality ECS provided through PPP	4	8
PPP demonstration achieved	2	4
<b>Output</b>		
YMG's PMO capacity in PPP design, management, and effective service delivery built.	1	2
ECS facilities with elderly and environmentally sustainable design features constructed	33	66
Number of elderly with access to integrated and inclusive ECS facilities increased	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

ECS = elderly care services, PPP = public-private partnership, YMG = Yichang Municipal Government.  
Source: Asian Development Bank.

## II. RESULTS AND DISBURSEMENT

### A. The RBL Program's Overall Results

#### 1. Program Results Framework

Results Indicators	DLI Yes/No	Baseline Value	Baseline Year	Target Values of Results Indicators						Notes
				2017	2018	2019	2020	2021	2022	
<b>Outcome: Delivery of elderly care services by local governments strengthened</b>										
Service standards and key performance indicators for ECS developed and approved	Yes	No service standards and indicators	2016							
Monitoring system implemented and reports on key performance indicators produced	Yes	No service standards and indicators	2016							
80% of ECS recipients received satisfactory services through the ECS facilities	No									
PPP Development Manual developed and approved and knowledge disseminated to at least two local governments	Yes	No manual								
By 2022, there is a waiting list of no more than one month for elderly persons assessed as requiring intense long term care ( e.g., incontinent, physically handicapped etc.)	No	No waiting lists maintained	2016							
By 2022, there is a waiting list of no more than 3 months for elderly dementia sufferers assessed as needing residential care	No	No waiting lists maintained	2016							
By 2022, there is no waiting list for elderly persons assessed as requiring access to palliative residential care	No	No waiting lists maintained	2016							
By 2022, no elderly person assessed as needing priority residential care is denied access to residential EC on grounds of affordability	No	No records kept	2016							
<b>Outputs</b>										
<b>Output 1: Local government capacity to design, procure and manage ECS PPPs developed</b>										
1.1 Contract awarded and services commenced for PPP advisory consultants by January 2017	No	Not started	2016							See Program Action Plan further details
1.2 Request for proposals issued for the provision of ECS and the operations and maintenance of the ECS facilities by 2017	No	Not started	2016							See Program Action Plan for further details
1.3 Contract(s) signed with ECS provider(s) for the provision of ECS and the operations and maintenance of the ECS facilities by 2018	No	Not started	2016							See Program Action Plan for further details

Results Indicators	DLI Yes/No	Baseline Value	Baseline Year	Target Values of Results Indicators						
				2017	2018	2019	2020	2021	2022	Notes
1.4 Complete training and testing of PMO staff in PPP design and risk management by June 2020	Yes	Not started	2016							
(i) Target: Design and make operational by 2018 an independent assessment system to determine the care needs of individual elderly persons identified as potentially in need of EC	No	Not started	June 2016							
(ii) Target: YCAB demonstrates its capability to inspect and enforce stipulated ECS standards	No	n/a	n/a							
(iii) Target: City ECS development Plan to demonstrate how local governments develop PPP projects prepared and disseminated by June 2020	No	Not started	2016							
<b>Output 2 : A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented</b>										
2.1 Detailed designs for the ECS facilities finalized and approved including elderly and environmentally sustainable design features by 2017	Yes	Not started	2016							See DLI verification protocols for further details
2.2 Integrated ECS facilities acquired free of any and all liens and encumbrances by 2017	Yes	Sites identified	2016							See DLI verification protocols for further details
2.3 Construction, renovation and rehabilitation of the ECS facilities completed by 2018	Yes	Not started	2016							See DLI verification protocols for further details
2.4 ECS services in the ECS facilities commenced by 2019	Yes	n/a	2016							See DLI verification protocols for further details
2.5 At least 600 elderly provided residential ECS in the integrated and inclusive ECS facilities by 2020	Yes	n/a	2016							1
2.6 At least 1,000 elderly provided residential ECS in the integrated and inclusive ECS facilities by 2022	Yes	n/a	2016							1

Note 1: Targets to be aligned with Yichang Elderly care 5 year plan 2016 to 2020.

DLI = disbursement-linked indicators, EC = elderly care, ECS = elderly care services, HCBC = home and community based care, PPP = Public, Private Partnership, YCAB = Yichang Municipal Civil Affairs Bureau, YFB = Yichang Municipal Finance Bureau, YMG = Yichang Municipal Government.

Source: Yichang Municipal Government.

## B. Disbursement-Linked Indicators

### 1. Description of Disbursement-Linked Indicators

**Table 3: Disbursement-Linked Indicators**

DLIs	Baseline and Targets	Prior Results	2017	2018	2019	2020	2021	2022
<b>Output 1: Quality ECS delivered by local governments using PPPs</b>								
DLI 1 YMG's PMO capacity in PPP design, management, and effective service delivery built	<p>Target is to strengthen YMG's capacity to effectively leverage PPP in the ECS sector</p> <p>Baseline: Low capacity in YMG to design, implement and monitor PPP in social sectors, and 0 staff trained in PPP design and risk management</p>					95% of PMO staff trained in PPP design and risk management and demonstrate required competencies as certified by the Yichang PPP Center (\$1 million)		
<b>Output 2: A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented</b>								
DLI 2 ECS facilities with elderly and environmentally sustainable and inclusive design features constructed	<p>Target is to construct ECS facilities which have been designed with elderly and environmentally sustainable features using PPP</p> <p>Baseline: In 2016, no ECS provided in PPP financed ECS facilities</p>	The sites identified for the ECS facilities have been made available for use, free of any and all liens and encumbrances, for the purpose of the PPP demonstration program (\$3 million)	The detailed designs for the ECS facilities have been finalized and approved and include elderly and environmentally sustainable and inclusive design features (\$6 million)	Construction, renovation and rehabilitation of the ECS facilities completed (\$24 million)				

DLIs	Baseline and Targets	Prior Results	2017	2018	2019	2020	2021	2022
DLI 3 Number of elderly with access to integrated and inclusive ECS facilities increased	Target is to increase number and occupancy of residential beds and access to home-based and community based care provided by the ECS facilities. Baseline: In 2016, no ECS provided in PPP financed ECS facilities				ECS services in the ECS facilities are commenced (\$8 million)	At least 600 elderly provided residential ECS in the integrated and inclusive ECS facilities (\$1 million)		At least 1,000 elderly provided residential ECS in the integrated and inclusive ECS facilities (\$1 million)
<b>Outcome: Delivery of elderly care services by local governments strengthened</b>								
DLI 4 Quality ECS provided through PPP	Target is to develop and monitor service standards for ECS using key performance indicators		Service standards and key performance indicators for ECS developed and approved (\$2 million)			Monitoring system implemented and reports on key performance indicators produced (\$1 million)	75% of ECS facilities meet approved service standards (\$1 million)	
DLI 5 PPP Demonstration Achieved			A viable ECS PPP model developed based on sound market analysis with (i) clear and socially inclusive identification of target beneficiaries, (ii) a commercially acceptable IRR, and (iii) value for money analysis. (\$1 million)			ECS PPP Development Manual developed, approved and knowledge disseminated to at least 2 local governments (\$14 million)		

ADB = Asian Development Bank, DLI = disbursement-linked indicator, ECS = elderly care services, PMO = program management office, PPP = public-private partnerships, YCAB = Yichang Civil Affairs Bureau, YFB = Yichang Finance Bureau, YMG = Yichang Municipal Government.

## 2. Implementation Status

13. Implementation has not yet formally commenced, and cannot formally do so until the program is formally approved by both ADB and the Government, and the ADB loan made effective. However, and notwithstanding this situation, the YMG has been and continues to be active in preparatory work for the program in order that program implementation can proceed in a timely and smooth manner. Some of this work may constitute the achievement of prior results and qualify for ADB disbursement after the loan becomes effective.

## 3. Issues and Changes

14. There have been no program changes made or proposed to date. All issues identified that require specific action are documented in this PID and its various appendices.

## C. Disbursement-Linked Indicator Verification Protocols

### 1. Description of the Verification Protocols

**Table 4: Disbursement-Linked Indicator Verification Protocols**

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
<b>Output 1: Local government capacity to design, procure, and manage ECS PPPs developed</b>			
<b>DLI 1</b> YMG's PMO capacity in PPP design, management, and effective service delivery built.	<b>Definition</b> YMG will establish a dedicated PMO for the program which will together with relevant personnel undertake training required for the PPP.	Capacity building consultant reports	Independent verification by ADB PPP specialists.
<b>Output 2: A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented</b>			
<b>DLI 2</b> ECS facilities with elderly and environmentally sustainable and inclusive design features constructed.	<b>Definition</b> All ECS facilities must be designed with sensitivity to the specific needs of the elderly to whom these ECS facilities will cater to. Environmentally sustainable features must also be incorporated in the detailed designs so as to ensure environmental sustainability of the ECS facilities.  The location of the facilities is critical, and the sites which have been identified and selected (for which due diligence has been conducted) are situated in central Yichang with a large concentration of elderly and their families. This is included as a prior result to ensure technically viable	Final and approved detailed designs of the ECS facilities and constructed facilities	<b>Prior Result:</b> YFB will be required to (a) issue a formal confirmation that the sites for the ECS facilities have been acquired by YMG, free of any and all liens and encumbrances; and (b) submit a legal opinion from a duly qualified lawyer acceptable to ADB confirming that the sites have been acquired by YMG, free of any and all liens and encumbrances.

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
	locations are secured for the PPP demonstration program.		<p><b>2017:</b> The detailed designs for the ECS facilities have been finalized and approved and include elderly and environmentally sustainable and inclusive design features. The appropriateness and adequacy of the detailed designs and the environmentally and inclusive design features incorporated in such detailed designs will be subject to independent review by an international design expert appointed by ADB in consultation with YMG.</p> <p><b>2018:</b> The completion certificates for ECS facilities have been issued; and ADB and PMO have carried out physical inspections of the ECS facilities constructed, renovated and rehabilitated.</p>
<p><b>DLI 3</b> Number of elderly with access to integrated and inclusive ECS facilities increased</p>	<p><b>Definition</b> Elderly are defined as those above the age of 60 years with care needs above level 2 and above (note: Level 2 is defined as dependent senior adults needing assistance in daily living), and accommodated in and/or utilizing the services of the ECS facilities.</p> <p>Integrated and inclusive ECS facilities are those which are universal in design and socially inclusive.</p> <p>Integrated and inclusive ECS facilities are those which:</p> <ul style="list-style-type: none"> <li>(i) Integrate universal and elderly sustainable design principles into the physical design.</li> <li>(ii) Provide multi-tiered services (residential, home- and community-based) from a facility.</li> <li>(iii) Develop and provide services to address the care needs of elderly who are currently unserved (such as those with dementia).</li> <li>(iv) Socially inclusive means that fee charges for services will target beneficiaries from the lower-middle and the middle income range of the elderly population, including vulnerable elderly women.</li> </ul>	<p>Program progress reports from PMO and providers</p>	<p><b>2019:</b> Official confirmation from PMO that the ECS services in the ECS facilities have commenced.</p> <p><b>2020:</b> Records from the PMO and ECS service provider(s) confirming that at least 600 elderly are receiving residential services in the ECS facilities.</p> <p><b>2022:</b> Records from the PMO and ECS service provider(s) confirming that at least 1000 elderly are receiving residential services in the ECS facilities.</p>

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
	<p>Disbursements will be allowed for partial compliance in accordance with the following procedure:</p> <p>2019: Partial disbursement will be allowed upon completion of each ECS facility and the commencement of services by such ECS facility.</p> <p>2020 and 2022: Full disbursement will be made if targets are achieved as agreed; partial disbursements proportionate to the actual achieved value may also be made.</p>		
<b>Outcome: Delivery of elderly care services by local governments strengthened</b>			
<p><b>DLI 4</b> Quality ECS provided through PPP</p>	<p><b>Definition</b> Key performance indicators and a system for monitoring these indicators will be developed.</p> <p>Service Standards for ECS will be developed. These will include key performance indicators for the specific ECS service contract(s), and will be developed by the PMO and approved by the PLG.</p> <p>Quality is defined in terms of achievement of the key performance indicators for the ECS facilities, measured by monitoring reports prepared by YCAB that include user satisfaction data, with independent verification from time to time.</p> <p>2020: At least 75% of facilities must meet the prescribed service standards. Partial disbursement will be allowed proportionate to the number of facilities meeting the standards, e.g., if only 1 or 2 meet the standards Full disbursement will be allowed once 75% of the ECS facilities meet the prescribed service standards.</p>	<p>Report on the key performance indicators and monitoring system issued by PMO</p> <p>Annual program progress reports from PMO</p> <p>Annual performance reports from each ECS facility</p>	<p><b>2017:</b> The PMO will issue a report on the key performance indicators and monitoring system and the methodology used to identify the key performance indicators and formulate the monitoring methodology An independent third party with established expertise in such quality standards will review and confirm this.</p> <p><b>2020 and 2021:</b> Each ECS facility will provide the relevant data on key performance indicators to the YCAB who will certify whether the facilities meet the approved service standards.</p> <p>YCAB will prepare the monitoring reports to ensure satisfactory services and this will be verified by ADB and verified through an independent third party with competency in the area of ECS service standards.</p>
<p><b>DLI 5</b> PPP Demonstration Achieved</p>	<p><b>Definition</b> The capacity building consultants work with the PMO to develop a viable ECS PPP model developed based on sound market analysis by undertaking market sounding and preparing a detailed feasibility of the PPP. This would include strategies for social inclusion while creating a</p>	<p>Feasibility report</p> <p>PPP manual and sample bidding documents</p>	<p>PMO to provide to ADB the detailed feasibility report.</p> <p>PMO to provide to ADB, certified true copies of manuals and reports of study</p>

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
	<p>commercially viable PPP.</p> <p>YMG successfully develops and disseminates a PPP manual for the ECS sector and sample bidding documents, and evidence of success includes at least 2 local governments either visit Yichang to learn about its PPP or YMG invited to at least two local governments to share their experience and model.</p> <p>(While not linked to disbursement and beyond the control of YMG, one measure of success will be if another local government launches a PPP using the systems and processes learned from Yichang).</p>	<p>YMG report on PPP visits or presentations</p> <p>Annual plans of two other local governments</p>	<p>visits and/or presentations.</p> <p>ADB will monitor and report to central government whether at least two other local governments that learn from Yichang are using the systems and processes developed by Yichang and have included PPP project(s) for ECS in their annual plans.</p>

ADB = Asian Development Bank, DLI = disbursement-linked indicator, ECS = elderly care services, PLG = Program Leading Group, PMO = program management office, PPP = public-private partnerships, YFB = Yichang Finance Bureau, YMG = Yichang Municipal Government.

## 2. Verification Status

15. No verification activities have taken place to date. However, ADB due diligence in consultation with YMG during program preparations has confirmed the practicality and appropriateness of the verification protocols. This due diligence is contained in the program results assessment.<sup>1</sup>

### D. Disbursement Allocation and Status

16. YMG may submit a withdrawal application upon achievement of any DLIs, along with evidence verifying achievement of the DLIs. YMG may also submit a withdrawal application upon approval of the loan for the advance financing and for achievement of the prior result. Disbursements are allowed for partial, early or late achievement of DLIs. Verification mechanisms and protocols have been established using public and independent sources and are clarified in the verification protocols. Partial disbursements are allowed for DLI 2 and the formulas for partial disbursement are detailed in the verification protocols. Once the remaining targets are met for any partially met DLI, the balance of disbursement allocation for the DLI can be disbursed. YMG may request an advance financing amount for the purposes of meeting the Program's financing requirements and supporting the achievement of DLIs, provided that the outstanding advance financing amount shall not, at any time, exceed 25% of the Loan amount. YMG may also request withdrawals for DLIs prior to the effective date of the loan agreement, but not earlier than 12 months before the date of the loan agreement, provided that the aggregate of such withdrawals for prior results shall not exceed 20% of the Loan amount. The aggregate of the outstanding advance financing amount and the amount withdrawn for financing for prior results under may not, at any time, exceed 30% of the Loan amount.

<sup>1</sup> Program Results Assessment (accessible from the list of linked documents in Appendix 2 of the RRP).

17. The PMO will collect all reports and information necessary to verify accomplishment of the DLIs and prepare a draft DLI achievement report. Achievement reports will refer to the month and year of the DLI achievement indicated in the DLI Table A3.3 below. All such reports will be appropriately authorized by a designated signatory, acting for and on behalf of YMG who will make the withdrawal application accompanied by the evidence of DLI achievement. Where ADB identifies issues with the DLI achievement, it will relay its concerns to the YMG within one month of its receipt of the withdrawal application for further verification.

18. Disbursements will be made by ADB to an account specified by the Borrower under the control of Hubei Provincial Department of Finance, who will convert to CNY and remit to the program account set up by YFB. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person.

**Table 5: Expected Disbursement Schedule**

<b>Disbursement-Linked Indicators</b>	<b>Total ADB Financing Allocation</b>	<b>Share of ADB Financing (%)</b>	<b>Financing for Prior Result</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Outputs</b>									
DLI No 1: YMG's PMO capacity in PPP design, management, and effective service delivery built.	1.00	2.00					1.00		
DLI No 2: ECS facilities with elderly and environmentally sustainable design features constructed	33.00	66.00	3.00	6.00	24.00				
DLI No 3: Number of elderly with access to integrated and inclusive ECS facilities increased	10.00	20.00				8.00	1.00		1.00
<b>Outcome</b>									
DLI No 4: Quality ECS provided through PPP	4.00	8.00		2.00			1.00	1.00	
DLI No 5: PPP Demonstration Successful	2.00	4.00		1.00			1.00		
<b>Totals</b>	<b>50.00</b>	<b>100.00</b>	<b>3.00</b>	<b>9.00</b>	<b>24.00</b>	<b>8.00</b>	<b>4.00</b>	<b>1.00</b>	<b>1.00</b>

ECS = elderly care services, PMO = program management office, PPP = public-private partnership, YMG = Yichang Municipal Government.

### III. EXPENDITURE FRAMEWORK AND FINANCING

#### A. Expenditure Framework

**Table 6: Summary of Program Expenditure Framework, 2017–2022**

Item	Facility 1 (600 beds) (\$ million)	Facility 2 (320 beds) (\$ million)	Facility 3 (200 beds) (\$ million)	Facility 4 (135 beds) (\$ million)	Total Amount (\$ million)	Share of Total (%)
<b>1. Capacity Development<sup>a</sup></b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>7.8</b>
<b>2. Capital Budget</b>	<b>41.0</b>	<b>23.2</b>	<b>15.4</b>	<b>10.0</b>	<b>99.7</b>	<b>77.6</b>
a. Land	13.3	7.8	7.2	4.9	33.2	25.9
b. Civil works	18.1	10.3	5.5	3.3	37.2	28.9
c. E&F	1.4	0.7	0.4	0.3	2.8	2.2
d. Mobilization <sup>b</sup>	0.6	0.0	0.0	0.0	0.6	0.4
e. Physical contingency	3.1	1.8	0.9	0.6	6.4	5.0
f. Price contingency	1.8	1.0	0.5	0.3	3.7	2.9
g. Taxes	2.8	1.6	0.8	0.5	5.7	4.5
h. Financial Charges					10.1	7.9
<b>3. Recurrent Budget</b>	<b>7.2</b>	<b>5.1</b>	<b>3.6</b>	<b>2.9</b>	<b>18.7</b>	<b>14.6</b>
a. Staff costs	3.8	2.9	2.1	1.7	10.5	8.2
b. Other OPEX <sup>c</sup>	1.9	1.2	0.8	0.7	4.7	3.6
c. Maintenance costs	0.8	0.5	0.3	0.2	1.8	1.4
d. Margin on OPEX	0.7	0.5	0.3	0.3	1.7	1.3
<b>Total</b>	<b>48.2</b>	<b>28.3</b>	<b>19.0</b>	<b>12.9</b>	<b>128.4</b>	<b>100.0</b>

E&F= equipment and furniture, OPEX= operating expenditures.

<sup>a</sup> Includes costs for drafting capacity development, market sounding, procurement of private sector services, development of elderly care service standards, training of staff, and other capacity development measures.

<sup>b</sup> Mobilization includes costs for activating the service provider's physical and manpower resources. These have been identified against Facility 1 but relate to the project as a whole.

<sup>c</sup> Other OPEX include costs for meals, material, insurance, marketing, transport, service provider overheads, utilities, and consumables.

<sup>d</sup> Profit margin of 10% of operating expenditures for the private sector operator to be recovered from tariff revenues.

Sources: Asian Development Bank estimates and pre-feasibility study.

19. The program expenditure estimates are based on the cost estimates for the PPP project in the pre-feasibility study and ADB's estimates of YMG capacity development needs. In particular, the estimates include expenses for (i) capacity development of YMG in designing, preparing and implementing the PPP in the amount of \$10 million; (ii) estimated capital expenditures for redeveloping, equipping and furnishing the integrated facilities, including price and physical contingencies, taxes and financial charges in the amount of \$99.7 million, and (iii) estimated recurrent costs for the operation of the facilities during the first four years of operation 2019–2022 by a private service provider in the amount of \$18.7 million. YMG is expected to invest in capacity development, redevelopment, and refurbishment of the facilities and bear 81.8% of program costs. The program expenditures are estimated to amount to \$128.4 equivalent between 2017 and 2022.

#### B. Program Financing

##### 1. Expected Financing Plan

20. The financing plan is summarized in Table 12. It is estimated that YMG will provide \$55.0 million and the private sector will provide \$23.4 million for the RBL program. The Government of the PRC has requested a loan of \$50 million from ADB's ordinary capital resources to finance the RBL program (Table 7). The amount is consistent with the budget allocation for ECS during the Thirteenth Five-Year Plan.

**Table 7: Program Financing Plan**

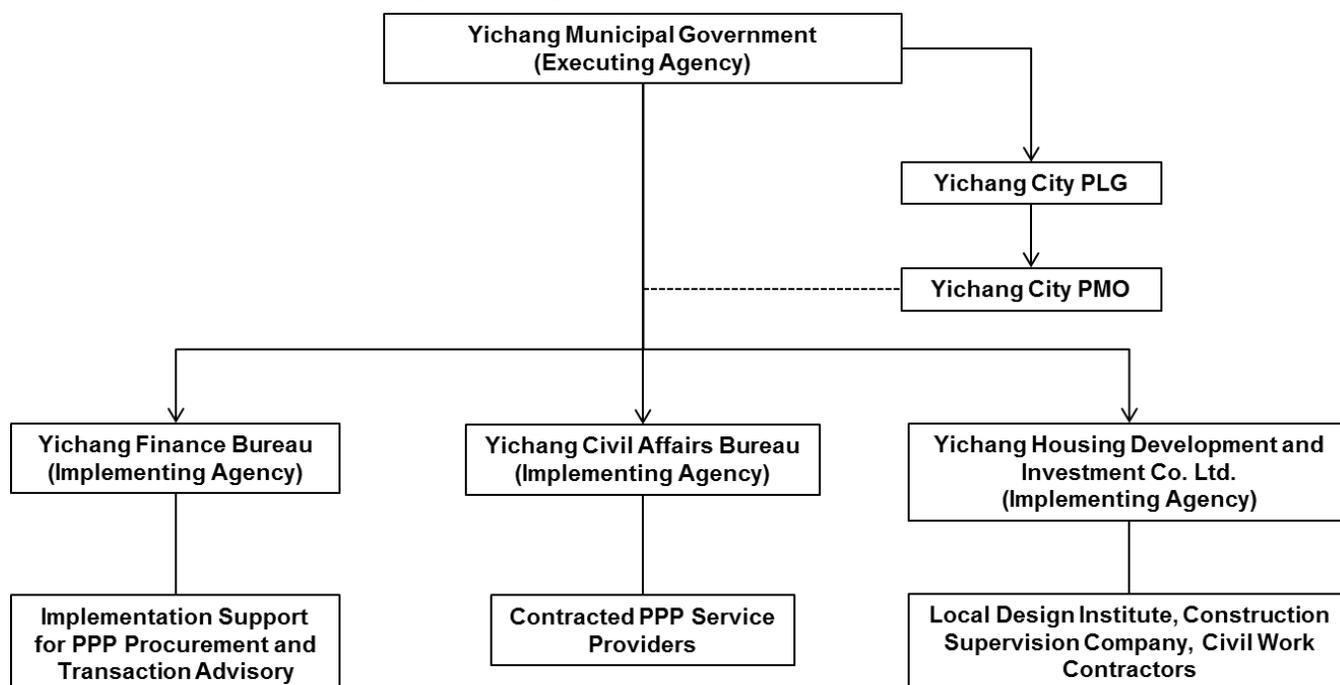
<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Government	55.0	42.9
Private sector	23.4	18.2
Asian Development Bank		
Ordinary capital resources (loan)	50.0	38.8
<b>Total</b>	<b>128.4</b>	<b>100.0</b>

Source: Asian Development Bank estimates and Pre-Feasibility Study.

#### IV. PROGRAM SYSTEMS AND IMPLEMENTATION ARRANGEMENTS

21. The oversight of the broader PPP program will be led by the central government (NDRC and MOF). The program executing agency is YMG. It assumes overall accountability for ensuring the success of the proposed ADB-supported elderly care PPP program. The YMG has established a high level coordinating and Program Leading Group to oversee the preparation and implementation of the program. This leading group would be led by the Vice Mayor with high level representation from the Yichang Finance Bureau (YFB), Yichang Development and Reform Commission (YDRC), Yichang Civil Affairs Bureau (YCAB), Yichang Planning Bureau, Yichang Health and Family Planning Commission, Yichang Land Administration Bureau, Yichang Environmental Protection Bureau and Yichang Housing Investment and Development Company (YHIDC) Limited. Under the Program Leading Group, a program management office (PMO) will be established, which would be placed in YFB during the program preparation and PPP operator selection and transferred to YCAB during the PPP contract implementation stage. The PMO director will be appointed by the steering group and members are selected from the relevant government offices such as YFB, YDRC, and YCAB. The PMO will act on behalf of YMG to manage all the preparation and implementation activities, and play a leading role to: (i) communicate and coordinate with ADB; (ii) coordinate with all involved agencies, departments, and institutes for program implementation; (iii) direct program preparation activities; (iv) submit program implementation progress reports, safeguards monitoring reports, annual audit reports to ADB; (v) carry out program performance and compliance monitoring; and (vi) review withdrawal applications and supporting documents.

22. The program implementation agencies are the YFB, YCAB, and YHIDC. YFB will be responsible for the capacity building component to optimize PPP design and undertake PPP procurement, and will also support program development and monitoring throughout the life of the program. YHIDC will be responsible for the basic construction of the proposed ECS facilities. YCAB will be responsible for the implementation of a socially inclusive PPP demonstration program for the ECS sector in Yichang, including the PPP contract management and regulatory supervision of ECS during the facilities, design, equipping, and operation stages.

**Figure 1: Program Implementation Arrangements**

PLG = program leading group, PMO = program management office, PPP = public-private partnership.

23. The roles and responsibilities of proposed key Project Implementation Organizations are described in Table 8.

**Table 8: Project Implementation Organizations – Roles and Responsibilities**

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
Yichang Municipal Government (Executing Agency)	<ul style="list-style-type: none"> <li>• Establish the program management arrangements.</li> <li>• Assume overall accountability for ensuring program success.</li> <li>• To participate in the ADB program completion review.</li> </ul>
Program Leading Group (PLG)	<ul style="list-style-type: none"> <li>• Oversee the preparation and implementation of the PPP with representatives from YFB, YDRC, YCAB, and other concerned agencies.</li> <li>• Provide overall project direction during the project preparation and implementation.</li> <li>• Meets regularly, discuss and take actions, if necessary, to ensure smooth project implementation.</li> </ul>

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
Hubei Provincial Department of Finance (HPDF)	<ul style="list-style-type: none"> <li>• Sign the Program agreement on behalf of Hubei Provincial Government.</li> <li>• Open a special account to receive program disbursements from ADB and notify ADB of the account details.</li> <li>• Upon conversion US\$ to CNY, forward ADB disbursements to YFB's program account, keeping proper records.</li> <li>• Be involved as necessary in program audits , Support YFB as needed in overall financial management supervision of the program.</li> </ul>
Yichang Finance Bureau (YFB)	<ul style="list-style-type: none"> <li>• Host and exercise general oversight (on behalf of the PLG) of the PMO during the pre-operations phase of the program.</li> <li>• Maintain a specialist PPP office on behalf of YMG as a focal point for PPP expertise and support within YMG in the design, procurement and execution of PPP initiatives.</li> <li>• Exercise overall financial management supervision of the program.</li> <li>• Open a special program account to receive ADB funds and advise HPDF of the details.</li> <li>• Notify Hubei Provincial Finance Department and ADB of signatories authorized to submit loan withdrawal applications.</li> <li>• To facilitate program audits as necessary by ensuring auditors receive full cooperation from all program implementing agencies.</li> <li>• To participate in the ADB program completion review.</li> </ul>
Program Management Office (PMO)	<ul style="list-style-type: none"> <li>• On behalf of the YMG, manage all implementation works during preparation and implementation.</li> <li>• Communicate and coordinate with ADB.</li> <li>• Coordinate with all involved agencies, departments, and institutes for program preparation and implementation.</li> <li>• Submit program implementation progress reports, safeguards monitoring reports, and annual audit reports to ADB.</li> <li>• Implement the capacity development component of the program.</li> <li>• Coordinate the implementation of the Program Action Plan and other actions required by this PAD, the Program Agreement, or in the general interests of smooth program implementation.</li> <li>• Carry out program performance and compliance monitoring.</li> <li>• Review withdrawal applications and supporting documents.</li> <li>• To organize and participate in ADB progress review missions.</li> <li>• To participate in the ADB program completion review.</li> </ul>
Implementing Agency (Construction Phase)	<ul style="list-style-type: none"> <li>• Responsible for day-to-day implementation activities for all infrastructure components.</li> <li>• Engage qualified design institutes.</li> <li>• Procure works and goods under all infrastructure components, and administer and monitor the contractors and suppliers.</li> </ul>

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
	<ul style="list-style-type: none"> <li>• Undertake contract management, construction supervision and quality control.</li> <li>• Monitor and report on project activities and progress to Yichang Program Management Office.</li> <li>• Arrange for the timely provision of counterpart funding.</li> </ul>
<p>Implementing Agency [Construction Phase - Yichang Housing Investment Development Company (YHIDC)]</p>	<ul style="list-style-type: none"> <li>• Responsible for day-to-day implementation activities for all infrastructure components.</li> <li>• Engage qualified design institutes and construction supervision companies.</li> <li>• Oversee detailed EC facility design obtaining sign-off from YCAB , PMO and relevant regulatory departments of YMG.</li> <li>• Prepare bidding documents, conduct bid opening and bid evaluation, prepare bid evaluation report, and award and sign the contracts with support of procurement agent as required.</li> <li>• Procure works and goods under all infrastructure components, and administer and monitor the contractors and suppliers.</li> <li>• Undertake contract management, construction supervision and quality control, including contractors' implementation of environmental management actions.</li> <li>• Monitor and report on project activities and progress to the PMO, including environmental safeguard actions during construction.</li> <li>• Arrange for the timely provision of counterpart funding To participate in the ADB program completion review.</li> </ul>
<p>Implementing Agency [PPP service provision phase- Yichang Civil Affairs Bureau (YCAB)]</p>	<ul style="list-style-type: none"> <li>• Make advisory inputs and specify specific EC requirements during the detailed design and provide sign-off to the final design.</li> <li>• Cooperate closely with the PMO and appointed expert consultants to develop appropriate service standards for the proposed EC PPP contract(s) and endorse these as meeting ECS needs.</li> <li>• Participate in PPP training as organized by the PMO and in discussions on PPP structuring to ensure EC sector needs are met. Subsequently participate in PPP bid evaluation and contract negotiations.</li> <li>• Pay particular attention to subsidy mechanisms built into the PPP or provided separately to ensure these are adequate to facilitate the achievement of results targets for social inclusiveness.</li> <li>• Assume responsibility for PPP contract management after the contract becomes effective, and make regular inspections to ensure standards are being met.</li> <li>• With the support of capacity building consultants, develop and implement a monitoring and evaluation system for the PPP contract operations.</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• Prepare loan withdrawal applications in relation to ECS DLI achievements for PMO review and to organize any required independent verification.</li> <li>To participate in the ADB program completion review.</li> </ul>
PPP Contractor(s)	<ul style="list-style-type: none"> <li>• To equip and maintain the EC facilities in accordance with the PPP contract.</li> <li>• To provide EC services in accordance with the PPP contract.</li> <li>• To operate the EC facilities and provide services that are always in compliance with relevant national laws and regulations.</li> <li>• To provide information on EC service provision and EC facilities management as required in the PPP contract.</li> <li>• To cooperate with any YCAB inspections and with audit investigations when requested.</li> <li>• To allow at PMO/YCAB request, with suitable advance notice, visits to the EC facilities for demonstration purposes by other local governments.</li> <li>• To participate in the ADB program completion review.</li> </ul>

## A. Monitoring and Evaluation System

### 1. Summary of Monitoring and Evaluation System

24. Under the leading group, a program management office (PMO) will be established, which will sit in YFB during the program preparation and for PPP operator selection and be transferred to YCAB during the PPP contract implementation stage. The director of PMO will be appointed by the leading group and PMO members will be selected from the relevant government offices such as YCAB, YDRC, YFB, and etc.

25. The PMO will act on behalf of YMG to manage all the preparation and implementation works, and play a leading role to: (i) communicate and coordinate with ADB; (ii) coordinate with all involved agencies, departments, and institutes for program implementation; (iii) direct program preparation activities; (iv) submit program implementation progress reports, safeguards monitoring reports, and annual audit reports to ADB; (v) carry out program performance and compliance monitoring; and (vi) review loan withdrawal applications and supporting documents.

26. The staff of PMO is mostly seconded from the relevant government departments and it is expected to have at least six full time staff designated for the program management during the program implementation period.

27. There will be three program implementation agencies, being the YCAB, YFB, and YHIDC.

28. YFB will be responsible for the implementation of capacity building component to optimize PPP design and undertake PPP procurement, and will also support program development and monitoring throughout the life of the program. The Foreign Investment Division (FID) within the YFB would be assigned to be responsible for this work, with the support

from the PPP center, which is newly established. Currently there are three full time staffs in the FID, which is also playing a leading role for the financial management of the ongoing ADB financed Hubei–Yichang Sustainable Urban Transport Project, as well as its routine government work.

29. YCAB will be responsible for the implementation of a socially inclusive PPP demonstration program for the elderly care services (ECS) sector in Yichang, including the PPP contract management and regulatory supervision of EC services during the facilities construction and operation stages. YCAB is responsible for administrative work regarding the protection of rights and interests of the elderly, formulation of relevant policies, rules, and regulations, and overseeing the implementation thereof; and is also responsible for the social welfare service for the elderly, formulation of development plans for the elderly welfare undertakings, and of standards and service specifications for elderly welfare facilities.

30. Key performance indicators developed for the PPP services by the capacity building consultants (and approved by Program Leading Group) will be monitored by YCAB.

31. YHIDC will be responsible for the construction of the civil works of the proposed EC buildings. YHIDC, established in September 2002, is a state-owned enterprise mainly responsible for funding and implementing large urban infrastructure development projects on behalf of YMG. Since establishment, YHIDC and its parent YUCIDC have implemented many large scale urban infrastructure projects. Currently, YUIDC is implementing the ongoing ADB financed Hubei–Yichang Sustainable Urban Transport Project smoothly.

32. Upon completion of the results-based lending (RBL) program, there will be a joint evaluation of the program's achievements and to identify lessons learned during program implementation, so as to inform the design and implementation of similar programs in the future. This evaluation assumes greater importance as the program is intended to demonstrate best PPP design, procurement, and contract management features. YMG will conduct the program evaluation with support from ADB, representatives from Ministry of Finance and National Development and Reform Commission at national level will also be invited to participate.

33. Under the program, the PMO will take a leading role in the proposed monitoring and evaluation system. Compared with a traditional ADB project loan, an RBL program needs more effort to be made on the information gathering and reporting including specific performance targets. While the YMG has been gaining some project management experience from the ongoing ADB financed Hubei–Yichang Sustainable Urban Transport Project, due to the nature of RBL program it will be extremely challenging for the PMO to undertake the M&E work.

34. Currently the PMO has no full time staff assigned to undertake the program implementation duties and therefore work to design the M&E system has not commenced yet. It is essential that PMO staff of adequate number and experience are mobilize as soon as possible, so the capacity building and training activities can be organized to improve the program M&E system design, analysis, and reporting.

35. The design of the program's capacity building component envisages that consulting services shall be provided to the executing agency, PMO, and implementing agencies to develop and implement the PPP contracts and the PPP project monitoring system. If this occurs smoothly, it will greatly help to enable transparent and reliable monitoring of RBL program performance.

36. Within 6 months of loan closing of the program, YMG will produce a program completion

report which will be shared with ADB.

## **2. Monitoring and Evaluation System Related Program Actions Status**

37. All results and other monitoring data are to be recorded by YCAB and reported in a form that allows results to be analyzed and disaggregated by sex, ethnic origin, and poor and/or non-poor in order to allow access, performance, and other anomalies between social groups, to be readily identified, investigated, and remedied. At program completion, YMG will prepare a comprehensive completion report detailing the results achieved and experience gained in implementing the program. This will include comprehensive reporting on the results framework indicators and will involve a survey of the elderly of different income and ethnic groups who have used the PPP facilities or other EC services in Yichang, using survey instruments to be mutually agreed, to measure the EC service quality satisfaction rate, and how it compares with other local ECS facilities.

38. All the above actions are currently pending and have not yet commenced.

## **B. Fiduciary Systems**

### **1. Financial Management System**

#### **a. Summary of the Financial Management System and Actions**

39. The program will use country fiduciary systems in respect of public financial management, procurement, and anticorruption. These systems were assessed to determine the degree to which they will be able to manage fiduciary risks and provide assurance that RBL program funds will be used for the intended purposes, with due consideration for economy and efficiency. Mitigating measures to manage fiduciary risks are included in the program action plan and the project implementation document.

40. The financial management assessment confirms overall that an adequate financial management system exists in the YMG and its program implementing agencies, with sound budgeting, payment, accounting and auditing procedures and practices. The national legal and regulatory framework of the PRC's public financial management, which is closely replicated within YMG is detailed and comprehensive. Over the years the system has been progressively revised to plug gaps that have been exposed, and to take advantage of opportunities created by modern information technology. The centralized payments processing system and the standardized budgetary system (which operate at all levels of government across the country) are examples of this and plans exist to rationalize and simplify the system (e.g., the proposed reforms to allow integrated debt management). This is to be welcomed as criticism of the systems unearthed during the previous country and program assessments largely focused on the lack of flexibility and responsiveness of the systems rather than their financial control effectiveness. Thus efficiency within government may be being compromised to a degree in the interests of strengthened control systems.

41. Staff capacity, in terms of numbers, qualifications, knowledge, and the experience of staff was found to be relatively strong but the duties of staff were predominantly on bookkeeping, financial accounting, routine reporting, and financial control, whilst there was little evidence of much detailed management accounting and financial planning taking place. This leads to a conclusion use of funds is well controlled regarding the purpose of use, but efficiency of use is not so well measured and controlled. This conclusion is reinforced by the fact that internal audit staffing was found to be relatively weak, and predominantly transaction based.

42. External audit and financial supervision are largely exercised based on the funding source. Thus ADB loan funds, government budget, and special domestic funds used for the program activities will be audited by different auditors, with the special CNAO audit implemented for program expenditures.

#### **b. Financial Reporting and Auditing Arrangement**

43. In line with the RBL approach, the PRC country existing financial reporting system will be used to generate annual unaudited consolidated program financial statements. The executing agency shall prepare and submit to ADB such annual program financial statements within 6 months of the end of each fiscal year.

44. As required by current PRC regulations, the management, utilization and audit of foreign funds should be carried out separately from domestic funds. The executing agency and implementing agencies will maintain, or cause to be maintained, separate books and records by funding source for all expenditures funded by ADB loan and associated counterpart funds. Consolidated financial statements on activities wholly or partly funded by ADB will be prepared annually in accordance with the government's accounting laws and regulations. The executing agency will cause the consolidated financial statements of ADB funded activities (including associated counterpart fund) to be audited in accordance with Government Auditing Standards by China National Audit Office and submit the audit report in the English language to ADB within 6 months of the fiscal year closing. Such audit report will include a management letter and auditor's opinions which cover (i) whether the financial statements present a true and fair view in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes intended for the program; (iii) the level of compliance for each financial covenant contained in the legal agreements for the program.

45. Public disclosure of the audited financial statements of ADB funded activities (including associated counterpart fund), including the auditor's opinion on the financial statements, will be guided by ADB's Public Communications Policy (2011). ADB will disclose such audited financial statements and the opinion of the auditors on the financial statements within 30 days of receipt by posting them on ADB's website. The management letter will not be disclosed.

#### **c. Financial Management System Related Program Actions Status**

No actions in PAP.

#### **d. Issues and Changes**

46. As program implementation has yet to commence, there are no issues to record. There have been no changes made or proposed to date.

### **2. Procurement System**

#### **a. Summary of the Procurement System and Actions**

47. The procurement system assessment confirms that the procurement framework as will apply is aligned with the principles of competition, efficiency, economy, transparency, fairness, and equal opportunity, and that there is reasonable capacity for carrying out procurement in

accordance with these principles. Procurement involving high-value contracts will be excluded from ADB funding.

48. The overall assessment does not find significant conflict between the PRC's procurement laws and ADB's procurement guidelines; their basic principles and objectives are identical. The bidding processes are well defined in the relevant laws and regulations of the PRC, Hubei province, and YMG. By following these laws and regulations, the bidding processes to be used for the Program should be open, transparent, and fair. The lack of familiarity and inexperience in PPP procurement clearly creates the main procurement risk, and especially so since the "bar has been set high" with a genuine demonstration PPP with innovative features is expected to result. YMG has recognized this risk and agreed to engage support from the international consultants via the program's capacity building component. However, this crucial risk mitigation measure will only be fully assured if the recruitment of consulting services focuses adequately on the quality requirements for the consulting services. Risks that ADB principles of open competition and fairness that could be compromised if the country system for PPP procurement was allowed to operate in a completely unfettered way also need to be mitigated against.

49. It is agreed that a process of open competitive and transparent bidding will underpin the PPP procurement process thus ensuring adherence to key ADB procurement principles. Procurement notices for all program procurement to be posted online, and contract awards with winning bid value to be published subsequently.

**b. Procurement System Related Program Actions Status**

50. All the above actions are currently pending and have not yet commenced

**c. Issues and Changes**

51. As program implementation has yet to commence, there are no issues to record. There have been no changes made or proposed to date.

**3. Anticorruption System**

**a. Summary of Anticorruption System and Actions**

52. The anticorruption assessment concludes that the risks of fraud and corruption for the program and the EC sector in Yichang are limited and similar to other sectors, mainly in the areas of financial management and procurement, involving lapses in individual integrity rather than system-wide risks. The PRC has promulgated extensive laws and regulations for clean government and anticorruption, and in recent years far more actions are being taken against the perpetrators of fraud and corrupt practices. Government is also taking more action to mobilize the public in seeking out fraud and corruption and making it easier to report suspicions, and to strengthen discipline inspection and prosecutions. The Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs were explained to and discussed with the government, Hubei Provincial Government and YMG.

**b. Anticorruption System Related Program Actions Status**

53. The Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs to be widely disseminated and on the YMG website, with clear guidance on how to lodge related complaints.

54. All the above actions are currently pending and have not yet commenced

**c. Issues and Changes**

55. As program implementation has yet to commence, there are no issues to record. There have been no changes made or proposed to date.

**C. Satisfying Procurement Member Country Eligibility Restrictions**

56. Given the program's expenditure and procurement profiles, it is highly unlikely that the Procurement Member Country Eligibility restrictions will be breached. The requirements will be immediately satisfied as long as the main PPP and large government funded civil works contracts satisfy the requirements. ADB will be closely involved in the PPP procurement and experience over the last 20 years is that all large civil works contracts are won by domestically domiciled contractors due to their natural competitive edge.

**D. Safeguard Systems**

**1. Summary of Safeguard System and Actions**

57. The program's environment impacts are confirmed as B. The program will remodel or partially demolish some existing buildings and construct new buildings at the selected sites. A potential benefit of the program is the opportunity it provides to incorporate green building and green space features in buildings and site designs. Potential adverse impacts are disposal of solid waste from and fugitive dust generated at construction/demolition/remodeling sites and noise generated by construction work and use of heavy mechanical equipment. Noise and dust will affect the residents who live close to program sites. Waste water and site runoff can affect the city's drainage system, and public roads and streets unless carefully managed. These impacts are temporary and minimal, and can be mitigated to comply with the applicable environmental quality and emission/discharge standards. The program will not have any impact on virgin land; and it avoids protected areas, ecologically sensitive habitats, and cultural heritage sites. An environmental action plan will guide environmental mitigation measures by closely following the local environmental regulatory framework and ADB's safeguard policy requirements. Environmental due diligence indicates that YMG has the capacity and resources to implement environmental mitigation measures of the program. The executing agency shall submit an EMR to ADB annually until PCR is accepted by ADB.

58. The program's involuntary resettlement impacts are confirmed as C. The program will not acquire any land from nor affect income and livelihood sources or access to natural and common property resources and common property from any person or community. In fact, it will provide employment for both skilled and unskilled workers at construction sites, and later at ECS facilities. The impact of the program on ethnic minorities in Yichang is limited yet positive, as ethnic minority elderly will have equal access to ECS the program provides. Dietary requirements and cultural and recreational activities that cater for ethnic minority needs will be provided. The ADB's indigenous peoples safeguard policy requirements are not triggered, and the impacts on indigenous peoples are confirmed as B.

59. The following are the actions in the PAP:

- (i) PMO will assign one staff in charge of program safeguards coordination; and (with support of program capacity building resources) conduct training workshops

for PMO, YHIDC, construction supervision companies and civil works contractors, YCAB, and the PPP contractor (once appointed) on program safeguards requirements.

- (ii) All environmental assessments for the selected sites are to follow the domestic Environmental Impact Table procedure and specific requirements documented in the PSSA.
- (iii) YHIDC will ensure that all construction and rehabilitation activities are undertaken in accordance with the requirements of the detailed actions defined in the ESSA and PSSA. In particular, they will (i) assign qualified personnel to coordinate the implementation of the environmental action plan; (ii) establish and coordinate an inspection, monitoring, and information disclosure mechanism for program environmental safeguards; and set up a locally accessible grievance redress mechanism with access and procedural information disseminated on the YMG website and at construction sites; and (iii) ensure environment safeguard contract clauses are inserted in all construction contracts and provide contractors with copies of the relevant environmental actions as part of the contract details.
- (iv) If there are new environmental or social safeguard impacts as a result of site location changes, or other unanticipated events, then these will be promptly notified to ADB, together with an initial impact assessment and any proposed mitigation measures.
- (v) YMG will include in the PPP contract that the EC providers must make adequate provision for the requirements of ethnic minority elderly including in their specific dietary, cultural and recreational needs, and provide preferential employment opportunities for ethnic minorities in subproject-related workforce and at ECS facilities.

## **2. Safeguard System Related Program Actions Status**

60. All the above actions are currently pending and have not yet commenced

## **3. Issues and Changes**

61. As program implementation has yet to commence, there are no issues to record. There have been no changes made or proposed to date.

## **E. Gender and Social Dimensions**

62. Mutually agreed overall gender target for PPP service beneficiaries to be built into the PPP contract. At least 50% of the beneficiaries will be female elders

## **F. Communication and Information Disclosure Arrangements**

63. It is recommended that the program progress report including the status of DLIs shall be disclosed to the public and posted on the website of YFB, which can allow the relevant stakeholders to monitor progress and provide feedback.

## **G. Development Coordination**

64. ADB is committed to sharing sector information and experiences in partnership with its developing member countries and other development agencies, and collaborates with a large number of multilateral and bilateral aid agencies. In line with its support for the 2005 Paris Declaration and the 2008 Accra Agenda for Action, ADB has been harmonizing its policies,

procedures, and practices with its key development partners through parallel implementation structures, technical working groups, and joint missions. ADB supports, through participation in world forums, global and regional efforts to reduce poverty, enhance economic development, and provide humanitarian aid to the poorest.

65. The central government coordinates development assistance and all development partners are requested to align their operations to support the implementation of a national development strategy as set out in the current PRC Five-Year Plan, for social and economic development. ADB's resident mission in the PRC also plays a key role in harnessing lessons learned in project design and implementation, and shares these lessons with both the Government of the PRC and other development partners (all of which have resident missions in Beijing) through regular exchanges.

66. At the provincial level, the provincial development reform commission and provincial finance department both exercise development coordination. These bodies receive requests for development assistance from local governments, match needs to the priorities and programs of the different development partners, hold consultations with those partners to establish mutual interest, and make requests to the national level for initiatives to be included in the relevant country support program.

67. Local governments such as YMG are not actively involved in the development coordination process, however, they are providers of potential projects/programs for development agency support and are involved in consultations to establish mutual interest

68. The ADB program team will coordinate with other development partners during program implementation, especially those known to be interested in supporting either the EC sector or PPP initiatives. Strengthened development coordination in the PRC is expected to minimize transaction costs, maximize responsiveness, solve policy issues more systematically, provide greater support for institutional strengthening and capacity building, and increase accountability to achieve greater development impact.

## V. INTEGRATED RISKS AND MITIGATING MEASURES

### A. Key Risks and Mitigating Measures

**Table 14: Status of Integrated Risk Assessments and Mitigating Measures**

Risks	Ratings	Key Mitigating Measures
<p><b>Results.</b> The results at risk are (i) capacity building not being effective non-performance of the appointed consultants; (ii) protracted land allocation and delayed construction of the facilities impacts bidding out for service provider under PPP; and (iii) the facilities are not made operational in a timely manner.</p>	H	The program includes capacity building to provide support to YMG for preparation of detailed feasibility and project structure, transaction support and capacity building. YMG will also make effort to timely allocate land, complete construction, retain key staff until the PPP contract is effective.
<p><b>Expenditures and financing.</b> Risks identified in this assessment include (i) underestimation of cost estimates, (ii) counterpart funding shortfalls (iii) financial failure of the PPP contractors; and (iv) demand for EC services falls short of expectations.</p>	S	The expenditure framework and financing are based on rigorous prefeasibility stage modeling, with adequate contingencies. EC is a high priority sector for Yichang and visible high level political support suggests funding will be made available in a timely manner. Financial failure of the PPP contractor will be mitigated through careful financial appraisal of potential bidders and the use of a financial performance bond will be considered. Demand risk and its mitigation will be further assessed through market sounding, prior to finalizing the PPP structure and risk allocation.
<p><b>Fiduciary.</b> The very limited YMG experience in the procurement of international consultants and PPP contracts could seriously reduce the effectiveness of the program in achieving desired outcomes.</p>	H	The program design includes capacity building for strengthening financial management, procurement of PPPs using regulations and systems governing PPPs in the country but with conditions for transparent procurement. Procurement of consultants for the capacity building will be closely supported by ADB.
<p><b>Operating environment.</b> Yichang is a third tier city with limited quality private sector provision of ECS, and there is a risk that private and social capital ECS providers may not be interested in bidding.</p>	S	Market sounding is being conducted to raise awareness and prepare a commercially viable PPP, and will be further supported under capacity building.
<p><b>Overall RBL program risk</b></p>	H	

DLI = disbursement linked indicator, ECS = elderly care services, PPP = public private partnership, YMG = Yichang Municipal Government.

Source: Asian Development Bank.

### B. Issues and Changes

69. There are no issues or changes to be reported.

## VI. PROGRAM ACTION PLAN

### A. Status of Program Action Plan

**Table 15: Status of Program Action Plan**

Actions	Responsible Agency	Time Frame for Implementation
<b>Program Results – Inclusiveness</b>		
1. All results and other monitoring data will be recorded and reported in a form that allow results to be analyzed and disaggregated by gender, ethnic origin, and poor or non-poor in order to enable access, performance and other anomalies between social groups to be readily identified, investigated, and disclosed.	YCAB	From 2019
<b>Program Results – Monitoring, Evaluation, and Reporting</b>		
2. YMG will, on an annual basis, prepare comprehensive progress reports detailing the results achieved within the preceding 12 month period and the experience gained in implementing the program. Each annual progress report will be prepared using gender disaggregated survey instruments and methodologies acceptable to ADB and will include (i) comprehensive information on compliance with the key performance indicators developed for the ECS facilities; (ii) a gender disaggregated survey of the elderly within different income and ethnic groups who have used the ECS facilities and their level of satisfaction with the quality of services provided; (iii) information on how the ECS facilities compare with existing elderly care facilities in Yichang; and (iv) recommendations to rectify any shortcomings or issues identified during preparation of the relevant annual progress report.	PMO and YCAB	2017–2019
3. Within six months of the completion of the program, YMG will submit to ADB, a comprehensive completion report detailing the results achieved and experience gained in implementing the program. This completion report will be prepared using survey instruments and methodologies acceptable to ADB and will include (i) comprehensive gender disaggregated information on compliance with the results framework indicators; (ii) a gender disaggregated survey of the elderly within different income and ethnic groups who have used the ECS facilities and their level of satisfaction with the quality of services provided; and (iii) information on how the ECS facilities compare with existing elderly care facilities in Yichang.	YMG through the PLG	2023
<b>Specific Program Implementation Actions</b>		
4. YMG will ensure that the standards and criteria, acceptable to ADB, are developed and incorporated in the PPP Agreements, including (i) the minimum service standards and key performance indicators that the ECS providers shall be required to meet; (ii) specific eligibility criteria to ensure that elderly requiring varying degrees of care are provided ECS in the ECS facilities; and (iii) specific eligibility criteria to ensure that the ECS providers make necessary provision for the special needs of vulnerable elders such as ethnic minority and women (including cultural, religious and recreational needs and special dietary requirements) and provide preferential employment opportunities for ethnic minorities at the ECS facilities.	YCAB PMO	During 2017

Actions	Responsible Agency	Time Frame for Implementation
5. YMG will ensure that the terms of reference for the appointment of the PPP Consultants require such consultants to evaluate and consider the provision of a cross-subsidy strategy and other strategies under PPPs to make ECS available for the low-income elders.	YMG	During 2017
<b>Safeguards</b>		
6. PMO will assign one staff member to be in charge of coordinating program safeguards; and (with support of program capacity building resources) will conduct training workshops for the PMO, YHIDC, YCAB, construction supervision and monitoring consultants and the ECS providers (once appointed) on program safeguards requirements.	PMO	Initially by end Q2 2017 and then as required
7. All environmental assessments for the selected sites will be carried out in accordance with (i) the domestic Environmental Impact Table procedure; and (ii) the specific requirements set out in the PSSA.	YHIDC	2016
8. YHIDC will (i) ensure that all construction and rehabilitation activities are undertaken in accordance with the requirements of the ESSA and PSSA; (ii) ensure that contractual provisions relating to safeguards are inserted in all construction contracts and that the construction contractors are provided with copies of the relevant environmental actions as part of the contract documents; (iii) assign qualified personnel to coordinate the implementation of the environmental action plan; (iv) establish and coordinate an inspection, monitoring and information disclosure mechanism for program environmental safeguards; (v) establish a locally accessible grievance redress mechanism with access and procedural information disseminated on the YMG website and at the construction sites.	YHIDC	(i) By Q1 2017 (ii) By Q2 2017 (iii) By Q2 2017 (iv) By Q2 2017 (v) By Q2 2017
9. If any new environmental or social safeguard impacts are identified as a result of site location changes or other unanticipated events, the PMO will promptly notify ADB of these impacts, together with an initial impact assessment and any proposed mitigation measures.	PMO	As needed
<b>Fiduciary</b>		
10. An open, competitive and transparent bidding process, acceptable to ADB, will be used to select the PPP Consultants.	PMO	Throughout program implementation
11. YMG will submit the draft RFP for the selection of the PPP Consultants for ADB's review and approval prior to publishing the RFP.	PMO	Throughout program implementation
12. YMG agrees that the adequacy and appropriateness of the bidding documents, contract forms (including PPP contracts) and procurement procedures to be used to select the ECS providers will be subject to prior independent assessment by an international procurement and legal expert appointed by ADB, in consultation with YMG.	PMO	
13. Procurement notices for all program procurement will be posted online, and contract awards with winning bid value will be subsequently published.	PMO	2017–2018
14. The Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs will be widely disseminated and published on YMG's website, with clear guidance on how to lodge complaints relating to fraud, corruption or other prohibited activities.	YMG	Within 3 months of program effectiveness

Actions	Responsible Agency	Time Frame for Implementation
<b>Capacity Building Actions</b>		
15. YMG will engage a team of consulting experts to build YMG's capacity and expertise in the design, procurement and management of PPP contracts.	PMO	Q2 2017
16. The YMG will prepare a PPP manual to comprehensively document the process and experience gained during the preparation and execution of the program.	YMG PPP unit	2021
17. With the support of the capacity building consultants, YMG will prepare and execute an intensive and comprehensive PPP training program in Yichang and submit to ADB program progress reports from the Yichang Finance Bureau confirming that all PMO staff are trained and demonstrate the required PPP competencies as prescribed by Yichang PPP Center.	PMO	2016–2020

PFSA = program fiduciary systems assessment, PMO = program management office, PPP = public-private partnership, PPP Agreements = as defined in the Loan Agreement; PPP Consultants = as defined in the Loan Agreement; PSSA = program safeguard systems assessment; RFP = Request for Proposals; YCAB = Yichang Civil Affairs Bureau, YMG = Yichang Municipal Government, YHIDC = Yichang Housing Investment Development Company.  
Source: Asian Development Bank.

## B. Issues and Changes

70. There are no issues or required changes to report to date.

## VII. CAPACITY BUILDING

### A. Summary

71. The guiding policy framework for implementation of the program is the Implementation Opinions (Regulations) on Promoting PPP in the Public Service Sector (YMG, 1 July 2015), a set of regulations based on the State Council and MOF regulations governing PPPs for social sectors. While these regulations are in effect at the local level, the YMG does not currently have experience or capacity to design and implement the PPP demonstration program. Therefore, capacity development is embedded in the design of the program, with output 1 supporting transparent PPP development and implementation while building the capacity of the YMG.<sup>1</sup> The RBL program will achieve required capacity development through the YMG engaging key experts for support, who will work alongside the PMO and YFB's own PPP team to develop service standards for ECS; support financial management, procurement, contract management; develop monitoring systems, and facilitate dissemination. A program action plan is included. The actions included are

- (i) YMG will engage a team of consulting experts to build capacity their expertise in the design, procurement and management of PPP contracts.
- (ii) YMG will develop an MIS system to monitor key performance indicators.
- (iii) The YMG will prepare a PPP manual to comprehensively document the process and experience gained during the preparation and execution of the demonstration PPP.
- (iv) With the support of consultants, YMG will prepare and execute an intensive and comprehensive PPP training program.

### B. Implementation Status

72. Not relevant at this stage of the PID

### C. Issues and Changes

73. There are no issues or required changes to report to date.

### D. Capacity Building

74. The capacity building component will be anchored in the YMG Demonstration PPP PMO, functioning under the Yichang Finance Bureau (YFB) during the development and transaction advisory phase, and then shift to the Yichang Civil Affairs Bureau (YCAB) during the program implementation phase. An output based contract will be used and ADB will support YMG as required in the procurement process and in how output evaluations of the Consultant's performance should be conducted.

75. One consulting firm will be engaged for a duration of 48 months to provide capacity building the areas outlined below to ensure smooth implementation of the PPP Demonstration Program. The consulting firm will be responsible for the development of a Standards of Care PPP model that addresses social inclusiveness and that is successfully bid to the private sector.

76. **Service Standards for ECS.** The consulting firm will assist YCAB in developing appropriate service standards for provision of elderly care services at different levels (1,2,3).

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<sup>1</sup> See Program Implementation Document for detailed capacity building component description.

The consulting firm will assist in incorporating the agreed Service Standards into the bidding documents and contract forms. These documents will be used for procurement of a service provider through the tender process described above.

77. **Financial management.** Financial management capacity assessment indicated that YFB has adequate internal control system to manage the use of its budget resources and some experience in managing financial resources under foreign funded projects (ADB's previous project on developing a bus rapid transit system in Yichang). However, since this is the first PPP project in the ECS sector for YFB, it does not have experience in managing financial resources for such types of transactions, especially as it will involve payment for the transaction advisory services, technical services, legal counselling, and to the concessionaire during operation of the facilities. The consulting firm will provide assistance in financial management budgeting, reporting, auditing, and internal controls to ensure compliance with national regulations and alignment with international acceptable financial management practices.

78. **Procurement.** While YFB has adequate capacity to carry out procurement of goods and works under domestic procedures using budget funds, but due to the complex nature of PPP transactions it does not have the capacity in preparing for, conducting and monitoring procurement activities for the proposed EC PPP contract. The consulting firm will provide assistance in the following areas: (i) identification of the most appropriate procurement method and market sounding; (ii) preparation of bidding documents, including contract terms, for selection of the concessionaire; (iii) conducting pre-bid conferences with potential bidders; (iv) preparation of responses to clarification requests from actual bidders; (v) evaluation of bids; (vi) contract negotiations and contract signing with the winning bidder.

79. **Contract management.** The consulting firm will assist YFB in monitoring implementation of contract with the service provider and will provide guidance in addressing any matters arising from performance of contractual liabilities among the parties from the financial close until 12 months after commencement of the concession. Legal counsel will be part of the consulting team to help develop the legal framework of the concession agreement and will train local legal experts in the process so that local law firms develop the required capacity to provide legal advisory services in future ECS projects in Yichang.

80. **Monitoring, Institutional Capacity Development, and Dissemination.** The consulting firm will develop the monitoring systems for the PPP demonstration program, including monitoring capacity and systems in YCAB to undertake performance monitoring of the private provider(s). This will also entail development of key performance indicators for each of the sub-projects. The consulting firm will train relevant staff in YFB and YCAB in monitoring and reporting. It will also assist YMG to create a record of documents and processes to be used for demonstration purposes, and conduct training of other units (such as YFB PPP Unit) so that the demonstration impact of the program can be facilitated.

81. **Safeguards Monitoring and Implementation Support for Program Action Plan.** The consulting firm will undertake safeguards monitoring and implementation support for actions included in the Program Action Plan. It will build YMG capacity during this implementation support. This will include studies, training, monitoring, and field support, among other activities relevant to the agreed actions.

82. Key Outputs and Specific Deliverables:

**Output 1: Service Standards for ECS developed:** This includes drafting and finalizing Service Standards for Levels 1, 2, 3 after receiving comments from YCAB and other stakeholders so that these standards could be included as part of the contract conditions for the service provider.

**Output 2: Financial Management Improved:** This includes preparation and finalization of (i) value-for-money (VFM) analysis, (ii) full working financial model with different options, (iii) financial analysis assessment, (iv) final feasibility study in a required format acceptable to YMG; and (v) financial management manual for PPP in ECS that could be used as a guide for other municipal governments in preparation and implementation of similar PPP projects.

**Output 3: Procurement of PPP Service Provider completed:** This includes (i) identification of the most appropriate procurement method and market sounding; (ii) preparation of bidding documents, including contract terms, for selection of the concessionaire; (iii) conducting pre-bid conferences with potential bidders; (iv) preparation of responses to clarification requests from actual bidders; (v) evaluation of bids; (vi) contract negotiations and contract signing with the winning bidder.

**Output 4: Contract Management Enhanced:** This includes monitoring of performance of service provider from the financial close until 12 months after commencement of the concession and submission of progress reports.

**Output 5: Monitoring, institutional capacity development, and dissemination:** This includes (i) development of key performance indicators and the monitoring system for the PPP program; (ii) safeguards monitoring support which may will involve studies, training, and field support; (iii) training of PMO staff on the PPP concept and models, stakeholder responsibilities, sharing best practices of successful PPP projects from other countries and understanding PRC PPP law and related regulations for PPP project development and the key success factors in Healthcare and Elderly Care PPP projects; (iv) training of PMO staff on application and monitoring of service standards in ECS; (v) training of PMO staff on financial management in accordance with local regulations and international practices; (vi) training of local legal experts on preparation and monitoring of concession agreements; (vii) training of PMO staff and YFB PPP Unit on PPP program monitoring; (viii) training of PMO staff on PPP project design, risk/benefit evaluation, implementation arrangements; and (ix) final PPP manual, including design options, financial model, procurement and disbursement arrangements that will serve as a guidance tool for other municipal governments in preparation and implementation of similar PPP projects.

Assessment of public finance, fiscal support including subsidies for elderly care services

- (i) Collect data on public finance and subsidies available and provided for elderly care services in Yichang, and review the structure of all sources of financing available for elderly care services
- (ii) Prepare a report that documents the situation for public finance available for elderly care services and how it will be applied to rolling out standards of care PPP models for future ECS projects.

**Table 1: Payment Schedule**

	<b>Target Date</b>	<b>Amount (% of contract price)</b>
<b>Output 1: Service Standards for ECS developed</b>		
D1: Draft Service Standards for Levels 1, 2, 3	tbd	5%
D2: Final Service Standards reflecting comments from YCAB	tbd	5%
<b>Output 2: Financial Management Improved</b>		
D3: Completion of VFM analysis, financial model and FAA	tbd	5%
D4: Final Feasibility Study acceptable to YMG	tbd	5%
D5: Financial Management Manual for PPP in ECS	tbd	5%
<b>Output 3: Procurement of PPP Service Provider completed</b>		
D6: Final Bidding Documents and Contract Form	tbd	5%
D7: Preparation of Bid Evaluation Report and Completion of Contract Negotiations	tbd	10%
<b>Output 4: Contract Management Enhanced</b>		
D8: Monitoring of Performance of Service Provider during the first 6 months of concession (Progress Report 1)	tbd	5%
D9: Monitoring of Performance of Service Provider during the second 6 months of concession (Progress Report 2)	tbd	5%
<b>Output 5: Monitoring, institutional capacity development, and dissemination</b>		
D10: Development of key performance indicators and the monitoring system for the PPP program	tbd	5%
D11: Safeguards monitoring support	tbd	5%
D12: Training of PMO staff on the PPP concept and models, stakeholder responsibilities	tbd	5%
D13: Training of PMO staff on application and monitoring of service standards in ECS	tbd	5%
D14: Training of PMO staff on financial management in accordance with local regulations and international practices	tbd	5%
D15: Training of local legal experts on preparation and monitoring of concession agreements	tbd	5%
D16: Training of PMO staff and YFB PPP Unit on PPP program monitoring	tbd	5%
D17: Training of PMO staff on PPP project design, risk/benefit evaluation, implementation arrangements	tbd	5%
D18: Final PPP Manual, including design options, financial model, procurement and disbursement arrangements that will serve as a guidance tool for other municipal governments	tbd	10%
<b>Total</b>		<b>100%</b>

ECS = elderly care services, FAA = financial analysis assessment, PMO = program management office, PPP = public-private partnership, tbd = to be determined, VFM = value-for-money, YCAB = Yichang Civil Affairs Bureau, YFB = Yichang Finance Bureau, YMG = Yichang Municipal Government

## **E. Key Expertise and Terms of Reference for Consultants**

83. The following key experts will be required in the technical proposal to be submitted by shortlisted consulting firms, one of which will be expected to act as Team Leader:

- (i) PPP expertise (international and national)
- (ii) Financial Management expertise

- (iii) Legal expertise
- (iv) Elderly care expertise
- (v) Monitoring and evaluation systems expertise

84. Notwithstanding the above, proposing entities will determine the number and the nature of key experts and non-key experts they will require to achieve the objectives of the contract, in accordance with their proposed approach and methodology.

#### **D. Preparation of Proposal**

85. Proposing entities are requested to prepare a detailed description of how they propose to deliver on the outputs of the contract in the section of their proposal called “Approach and Methodology”. In this narrative, entities should be explicit in explaining how they will achieve the outputs, and include any information on their existing activities upon which they may eventually build as well as the details of what staff will comprise the project team.

86. Entities must also describe their experience in providing similar transaction advisory and capacity building services and their ability to operate in the PRC and in the Chinese language.

87. Only one curriculum vitae (CV) must be submitted for each key and non-key expert included in the proposal. Only the CVs of key experts will be scored as part of the technical evaluation of proposals. The CVs of non-key experts will not be scored, however YMG will review and individually approve or reject each CV for each non-key expert position in the proposal.

88. All positions under the contract, both key and non-key experts, must be included and budgeted for in the financial proposal in accordance with the person-month allocation the proposing organization deems necessary.

**VIII. MONITORING OF KEY PROGRAM COVENANTS**

89. The government and the YMG have agreed with ADB on certain covenants for the RBL program, which are set forth in the loan agreement and the program agreement.

**IX. SUMMARY OF KEY OUTSTANDING ISSUES**

90. No outstanding issues currently exist.

## **X. ACCOUNTABILITY MECHANISM**

91. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted operations can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures.<sup>2</sup> People who are, or may in the future be, adversely affected by a program supported by RBL may submit complaints to ADB's Accountability Mechanism (2012).

92. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to resolve their problems and/or issues by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, they approach the Accountability Mechanism.

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<sup>2</sup> ADB. 2012. *Review of the Accountability Mechanism Policy*. Manila.

**XI. CHANGES IN PROGRAM SCOPE AND IMPLEMENTATION ARRANGEMENTS**

93. There have been no changes in program scope or the program implementation arrangements to date.

**Table 9: Changes in Scope and Implementation Arrangements**

*(Table not relevant in this version of the PID)*

## XII. PROGRAM ORGANIZATIONAL STRUCTURE AND FOCAL STAFF

### A. Organizational Structure

94. To be determined.

### B. Program Officers and Focal Persons

#### 1. Initial Arrangements

**Table 10: Program Officers and Focal Persons**

Number	Key Government Staff and Positions	Key ADB Staff and Positions
1	Mr. Zhang Aiping Director, Finance Bureau Yichang Municipal Government	S. Penjor, Director, Urban and Social Sectors Division, EARD
2		S. Shakil, Project team Leader, Senior Education Specialist, EARD
3		G. Xiao, Deputy Project team Leader, Senior Public-Private Partnership Officer, People's Republic of China Resident Mission
4		

#### 2. Changes during Implementation

95. There have been no changes to date.

**Table 11: Changes in Key Executing Agency Staff and ADB Mission Leader**

*(Table not relevant in this version of the PID)*