



Report and Recommendation of the President to the Board of Directors

Project Number: 50201-001
November 2016

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

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 October 2016)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1485
\$1.00	=	CNY6.732

ABBREVIATIONS

ADB	–	Asian Development Bank
DLI	–	disbursement-linked indicator
ECS	–	elderly care services
LTC	–	long-term care
MOF	–	Ministry of Finance
PMO	–	program management office
PPP	–	public–private partnership
PRC	–	People’s Republic of China
RBL	–	results-based loan
YCAB	–	Yichang Civil Affairs Bureau
YFB	–	Yichang Finance Bureau
YMG	–	Yichang municipal government

NOTES

In this report, “\$” refers to US dollars.

Vice-President	S. Groff, Operations Group 2
Director General	A. Konishi, East Asia Department (EARD)
Director	S. Penjor, Urban and Social Sectors Division, EARD
Team leader	S. Shakil, Senior Education Specialist, EARD
Deputy team leader	G. Xiao, Senior Public–Private Partnership Officer, People’s Republic of China Resident Mission
Team members	R. Abdukayumov, Senior Procurement Specialist, Operations Services and Financial Management Department (OSFMD) A. Burrell, Principal Public–Private Partnership Specialist, Office of Public–Private Partnership F. Connell, Principal Counsel, Office of the General Counsel (OGC) J. G. P. van Etten, Senior Urban Development Specialist, Sustainable Development and Climate Change Department (SDCC) M. Gupta, Principal Safeguards Specialist (Resettlement), EARD S. Sasaki, Senior Environment Specialist, EARD A. Seiler, Senior Finance Specialist (Energy), EARD H. U. Shiroishi, Financial Sector Specialist, EARD A. Syed, Senior Counsel, OGC G. Tadevosyan, Social Development Specialist (Safeguards), EARD J. Vanta, Senior Operations Assistant, EARD W. Walker, Principal Social Development Specialist, EARD
Peer reviewers	E. Banzon, Senior Health Specialist, SDCC G. Bhatta, Technical Advisor (Governance), SDCC A. Mehta, Principal Financial Management Specialist, OSFMD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
RESULTS-BASED PROGRAM AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROGRAM	1
A. Strategic Context	1
B. Program Rationale	3
C. Program Scope	4
D. Program Results	5
E. Expenditure Framework and Financing Plan	6
F. Capacity Development and Program Action Plan	7
G. Implementation Arrangements	7
III. SUMMARY OF ASSESSMENTS	8
A. Program Technical Assessments	8
B. Program Systems Assessments	8
C. Integrated Risk Assessment and Mitigating Measures	9
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	13
3. Disbursement-Linked Indicators, Verification Protocols, and Disbursement Schedule	14

RESULTS-BASED PROGRAM AT A GLANCE

1. Basic Data		Project Number: 50201-001	
Project Name	Public-Private Partnerships Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei	Department /Division	EARD/EASS
Country Borrower	China, People's Republic of China, People's Republic of	Executing Agency	Yichang Municipal Government
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Health	Health insurance and subsidized health programs		20.00
	Health system development		20.00
Public sector management	Decentralization		10.00
		Total	50.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities Pilot-testing innovation and learning		
Partnerships (PAR)	Commercial cofinancing Implementation Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Low
Household Targeting	No	Urban	High
SDG Targeting	Yes		
SDG Goals	SDG3		
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: B		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Sovereign Results Based Lending: Ordinary capital resources		50.00	
Cofinancing		0.00	
None		0.00	
Counterpart		78.40	
Government		55.00	
Others		23.40	
Total		128.40	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the People's Republic of China (PRC) for the Public–Private Partnerships Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei.¹

2. The proposed Asian Development Bank (ADB) assistance will be the first sovereign, results-based loan (RBL) for the promotion of public–private partnerships (PPPs) in the PRC that will likely have a catalytic effect and transform the manner in which social services are delivered by local governments in the PRC. The PPP demonstration 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.²

II. THE PROGRAM

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 2050.³ 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.⁴ 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 the 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.⁵

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 Services Strategic Plan, 2016–2030, which is a long-term, strategic

¹ The design and monitoring framework is in Appendix 1.

² 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 PPPs is aligned with the PRC's long-term goals of achieving more effective delivery of services to the elderly, and the proposed loan is the first in a series to strengthen local government implementation of ECS included in the country program pipeline.

³ United Nations. 2011. *World Population Prospects: The 2010 Revision*. New York.

⁴ 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.

⁵ 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.

plan for the provision of ECS⁶ 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.⁷ 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.⁸

5. Poverty and social analysis reveals that there is a high demand for expanded, good-quality ECS among those who have lost their spouses, do not have a family member residing with them, are infirm or disabled, or are elderly women. Currently all ECS facilities in Yichang have lower service standards than those in major PRC cities. Furthermore, there are inadequate links between health care and ECS providers. Many ECS facilities do not have medical staff for even basic health care. There is a clear need to introduce innovative approaches when expanding ECS coverage to overcome such weaknesses.

6. **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 the 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.⁹

7. 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

⁶ ADB. 2016. *Strategic Plan Elderly Care Services Development in Yichang (2016–2030)*. Consultant's report. Manila (TA 8672-PRC). The long-term care plan was endorsed by the YMG on 11 May 2016.

⁷ Poverty and Social Analysis (accessible from the list of linked documents in Appendix 2).

⁸ Waterman Hong Kong. Pre-Feasibility Study of Integrated Elderly Care Public-Private Partnership Pilot Project In Yichang City. Unpublished.

⁹ The current policy framework governing PPP has evolved over time and is a patchwork of measures.

emphasis of PPPs has significantly shifted since 2014.¹⁰ In 2014, the Third Plenum of the Communist Party of China called for a decisive role for the market in delivering public services.¹¹ 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 five-year period.¹² 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

8. It is in the above context that the Government of the PRC 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; and deliver effective services to the public. The 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,¹³ and with 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 industry¹⁴ recognize the need to improve services and human resources, develop the ECS market, and outline the role of local governments and private social capital. The program is aligned with ADB's country partnership strategy, 2016–2020 pillars on inclusive growth and institutional and governance reforms;¹⁵ the Midterm Review of Strategy 2020; the Operational Plan for Health, 2015–2020; the Public–Private Partnership Operational Plan, 2012–2020;¹⁶ and the Upper Middle-Income Country Approach Paper.¹⁷ It also supports the programming priorities included in the operational directions for 2016.¹⁸

9. 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 the 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 regulations, (ii) focus on results and performance, (iii) take a risk-based approach, and (iv)

¹⁰ 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.

¹¹ Government of the PRC, State Council. 2014. *Opinions on Innovative Investment Mechanism and Encouraging Social Investment in Key Sectors*. Beijing.

¹² International Institute for Sustainable Development and Moody's Investor Service. 2015. *Public–Private Partnerships in China*. Winnipeg.

¹³ Government of the PRC, State Council. 2016. *The Thirteenth Five-Year Plan for National Economic and Social Development*. Beijing.

¹⁴ 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.

¹⁵ ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank (2016–2020)*. Manila. The country partnership strategy prioritizes the development of ECS.

¹⁶ 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.

¹⁷ ADB. 2015. *Clients–Contributors–Collaborators: A New Partnership with Upper Middle-Income Countries*. Manila.

¹⁸ ADB (Office of the President). 2016. Planning Directions: Work Program and Budget Framework 2017–2019. Memorandum. 19 February (internal).

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 ECS using national regulations and guidelines because it will leverage ADB financing to transform service delivery by the YMG, and enable other municipal governments to replicate future similar programs without ADB financing in a sustainable manner.

10. ADB's value added is in introducing international expertise and good practice models and supporting an honest dialogue between potential bidders and the local government that ensures transparency and credibility to design a quality PPP project that (i) offers genuine value for money, (ii) generates high-level policy dialogue with the government, and (iii) translates national PPP policies into an actionable PPP approach. Most importantly, local governments, including the YMG, are currently ill-prepared to take on transformational PPP projects without extensive external support. ADB's support is timely and will introduce innovation, contribute to knowledge on local-level PPPs and ECS standards, and have a high demonstration impact. ADB has already gained credibility with the Government of the PRC for responding to its PPP agenda with an appropriate mix of policy dialogue, sharing of international experience, and proposing an innovative approach. These efforts have placed ADB as a lead partner in the area of PPP and local government delivery of ECS.

C. Program Scope

11. The program is anchored in the long-term care (LTC) plan,¹⁹ 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 with the State Council and MOF regulations governing PPPs for social sectors.²⁰ 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 approach²¹ 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.

¹⁹ 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 (accessible from the list of linked documents in Appendix 2).

²⁰ Yichang Civil Affairs Bureau, Yichang Development Reform Commission. 2015. *The Implementation Opinions on Promoting Public-Private Partnerships in the Public Service Sector*. Yichang.

²¹ 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.

D. Program Results

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

- (i) **Local government capacity to design, procure, manage, and deliver effective services through public-private partnerships in elderly care services developed.** This output includes capacity building 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 local governments have PPP 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 are compatible with national guidelines; (c) develop the PPP structure and financing model, including a 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 viability, 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 in the delivery of services; and (h) disseminate lessons from ECS PPP implementation.
- (ii) **A socially inclusive public-private partnership demonstration program for elderly care services in Yichang successfully implemented.** Financing will be provided to enable the YMG to meet agreed key performance indicators and output targets for well-designed PPPs to provide integrated ECS services incorporating inclusive and best-design features. Given the risks associated with introducing a more complex PPP in a third-tier city, 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 the YMG to meet the care needs of the majority of its elderly people, who are lower-middle and middle-income pensioners and are the principal target beneficiaries of this program. The integrated ECS facilities are expected to include residential, medical, and nonmedical 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 people will cover different levels of care needs (from mildly to fully dependent elderly people) and will include nursing care; skilled cognitive care; day care; social counseling; recreational activities; and support for activities of daily living such as walking, bathing, dressing, toileting or 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.

13. 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).²²

Table 1: Disbursement-Linked Indicators

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

ECS = elderly care services, PMO = program management office, PPP = public–private partnership, YMG = Yichang municipal government.

Source: Asian Development Bank.

E. Expenditure Framework and Financing Plan

14. **Program expenditures.** The RBL program expenditures are estimated to be \$128.4 million during 2017–2022 (Table 2). About 77.6% will be used to design, construct, and equip the ECS facilities; 7.8% will be for strengthening YMG's capacity to develop and implement PPPs for social services; and 14.6% will be for the operation and maintenance of the centers.

Table 2: Summary of Program Expenditure Framework, 2017–2022
(in 2016 prices)

Item	Amount (\$ million)	Share of Total (%)
1. Capacity development^a	10.0	7.8
2. Capital budget	99.7	77.6
a. Land	33.2	25.9
b. Civil works	37.2	28.9
c. Equipment and furniture	2.8	2.2
d. Mobilization ^b	0.6	0.4
e. Physical contingency	6.4	5.0
f. Price contingency	3.7	2.9
g. Taxes	5.7	4.5
h. Finance charges	10.1	7.9
3. Recurrent budget	18.7	14.6
a. Staff costs	10.5	8.2
b. Other operating expenditures ^c	4.7	3.6
c. Maintenance costs	1.8	1.4
d. Margin on operating expenditures ^d	1.7	1.3
Total	128.4	100.0

^a Includes the cost of consulting services to undertake market sounding, develop elderly care service standards, procure private sector services, train executing and implementing agency staff in public–private partnership projects, costs related to program monitoring, logistical support for training, program management office operational expenses, and other capacity development measures.

^b Mobilization includes costs for activating the service provider's physical and human resources.

^c Other operating expenditures include costs for meals, materials, insurance, marketing, transport, service provider overheads, utilities, and consumables.

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

Sources: Asian Development Bank estimates and prefeasibility study.

²² Four sites have been identified, 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 with ADB.

15. **Program financing.** It is estimated that the YMG will provide \$55.0 million and the private sector will provide \$23.4 million for the program. The YMG has requested a loan of \$50 million from ADB's ordinary capital resources to help finance the RBL program. The loan will have a 26-year term, including a grace period of 5 years, an annuity repayment method based on a 9.50% discount factor, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan and program agreements. Based on this, the average loan maturity is 18.96 years and the maturity premium payable to ADB is 0.20% per annum.²³ The financing plan is summarized in Table 3.

Table 3: Program Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Government	55.0	42.9
Private sector ^a	23.4	18.2
Asian Development Bank		
Ordinary capital resources (loan)	50.0	38.9
Total	128.4	100.0

^a Assumes that private service funds initial investments in furniture, equipment, mobilization, including taxes and contingencies, and initial working capital of \$4.7 million and recurrent costs of \$18.7 million will be covered from tariff revenues.

Sources: Asian Development Bank estimates and prefeasibility study.

16. **Disbursement arrangements.** The program will provide advance financing and financing for the prior result relating to securing the sites for the ECS facilities (DLI 2), which is essential to the successful subsequent implementation of the program. The YMG may submit a withdrawal application upon achievement of any DLIs, along with evidence verifying achievement of the DLIs, and also for the advance financing and for the achievement of the prior result. Verification mechanisms and protocols have been established using public and independent sources and are clarified in the verification protocols. Disbursements are allowed for partial, early, or late achievement of DLIs, and will be made to an account specified by the government for the purpose of program implementation.

F. Capacity Development and Program Action Plan

17. The YMG does not currently have the necessary experience or capacity to design and implement PPPs. Therefore, capacity development is embedded in the design of the program, with output 1 supporting transparent PPP development, and this has already started during program preparation.²⁴ The RBL program will build capacity through the YMG engaging key experts who will work alongside the program management office (PMO) and the PPP team of the Yichang Finance Bureau (YFB) and Yichang Civil Affairs Bureau (YCAB) to develop service standards for ECS; support financial management, procurement, and contract management; develop monitoring systems; implement the PPP projects; and facilitate dissemination.²⁵ A program action plan, incorporating actions for capacity building, is included.

G. Implementation Arrangements

18. The program will be implemented from January 2017 to December 2022, while the PPP contracts are expected to operate for 25 years. The oversight of the broader PPP program will be led by the Government of the PRC acting through the National Development and Reform

²³ Loan Agreement and Program Agreement (accessible from the list of linked documents in Appendix 2).

²⁴ Using policy and advisory technical assistance (footnote 19).

²⁵ Program Implementation Document (accessible from the list of linked documents in Appendix 2) has detailed capacity building component description.

Commission and MOF. The program executing agency is the YMG, which assumes overall accountability for the program. The YMG has established a high-level coordinating and program leading group to oversee the program. This leading group will be led by the vice-mayor with high-level representation from the YCAB, Yichang Development and Reform Commission, Yichang Environmental Protection Bureau, YFB, Yichang Health and Family Planning Commission, Yichang Housing Investment and Development Company, Yichang Land Administration Bureau, and Yichang Planning Bureau. Under the program leading group, a PMO will be established, which would be placed in the YFB during the program preparation and PPP operator selection stage and be transferred to the YCAB during the implementation stage of the PPP contracts. The PMO will act on behalf of the YMG to manage all the preparation and implementation activities, and play a leading role in (i) communicating and coordinating with ADB; (ii) coordinating with all involved agencies, departments, and institutes for program implementation; (iii) submitting program implementation progress reports, safeguards monitoring reports, and annual audit reports to ADB; (iv) carrying out program performance and compliance monitoring; and (v) reviewing withdrawal applications and supporting documents.

19. The program implementation agencies include the YCAB, YFB, and Yichang Housing Investment and Development Company. The YFB will be responsible PPP design and procurement, and will also support program monitoring throughout the life of the program. The Yichang Housing Investment and Development Company will be responsible for the basic construction of the ECS facilities. The YCAB will be responsible for the implementation of a socially inclusive ECS PPP demonstration program in Yichang, including contract management and supervision of ECS during the facilities design, equipping, and operation stages.

III. SUMMARY OF ASSESSMENTS

A. Program Technical Assessments

20. The program is technically sound and in line with the YMG's LTC plan, which includes the expanded use of PPPs. Piloting a demonstration ECS PPP will help the YMG strengthen its systems for designing and managing PPPs, and will help raise much-needed resources and innovation from the private sector for ECS. The PPP based on service contracts will attract ECS providers rather than developers. The program's proposed implementation arrangements are appropriate to help the YMG develop capacity for ECS PPPs. The program's expenditure and financing plan is based on appropriate assumptions for demand and services as concluded by the prefeasibility study and preliminary market sounding and shows that the projected tariff revenue of CNY2,100 per month per elderly person will be sufficient to make the PPP viable.

21. The program will have a substantial economic impact as it will protect vulnerable elderly from health or disability shocks, reduce the possibility of extended hospital stays, and create employment opportunities in geriatric care. The program also has positive social impacts, providing the elderly population with services that are of a higher quality and standard than those that exist currently in Yichang. The program targets elderly people, 11% of whom are above 80 years of age, with lower-middle and middle-income pension levels in Yichang city. Low-income pensioners will be included using a cross-subsidy or government subsidy mechanism, details of which will be considered during the detailed PPP feasibility and design stage. The program will mainly benefit people who require assisted living, and it will also benefit elderly women who are more vulnerable given the care burden on other family members.

B. Program Systems Assessments

22. **Monitoring and evaluation system and institutional assessment.** The YMG has

successful past experience in the implementation of a recent ADB project that introduced a widely acclaimed bus rapid transit system.²⁶ With capacity building under the program, the YMG will be able to successfully implement an ECS PPP and strengthen monitoring systems for implementation within both the YFB and YCAB.

23. **Fiduciary systems.** The procurement and financial management systems assessments confirm that the program will need to support the YMG to strengthen its capacity for designing, procuring, and implementing PPPs for ECS. The Government of the PRC's Procurement Law, under certain conditions and procedural controls, allows for competitive negotiation, competitive consultation, and single-source procurement, which does not necessarily comply with ADB's key procurement principle of open competition. The program's design will introduce measures to exclude the use of such noncompetitive practices.

24. 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 and the YMG.²⁷

25. **Safeguard systems.** The program's environmental impacts are confirmed as category B. Under the program some existing buildings will be remodeled or partially demolished, and new buildings constructed at the selected sites. A potential benefit of the program is the opportunity it provides to incorporate green building and space features. Potential adverse impacts are noise and dust; disposal of solid waste and fugitive dust generated during construction, demolition, or remodeling; and noise generated by construction work and use of heavy mechanical equipment. These impacts are temporary and can be mitigated to comply with the applicable environmental 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 by complying with the local environmental regulatory framework and ADB's Safeguard Policy Statement (2009), and an information disclosure mechanism for program environmental safeguards will be established. YMG has the capacity and resources to implement the environmental mitigation measures of the program.

26. The program's involuntary resettlement impacts are confirmed as category C, and none of the involuntary resettlement policy principles in ADB's Safeguard Policy Statement apply for the program. The program will not acquire any land, negatively affect income and livelihood sources, or affect access to common property and resources of any person or community. In fact, it will provide employment for both skilled and unskilled workers at construction sites and at the ECS facilities. The program is category B for indigenous peoples as ethnic minority elderly people are expected to benefit from the program. Ethnic minority elderly people will be provided equal access to ECS, and the program action plan will ensure that ECS providers make necessary provisions for appropriate recreational activities and any special dietary requirements.

C. Integrated Risk Assessment and Mitigating Measures

27. The program is piloting a new approach with a local government in a third-tier city in the PRC, making this an overall high-risk program, but the overall benefits derived from building capacity and demonstrating innovative ECS far outweigh the costs and risks. Major risks and mitigating measures are summarized in Table 4.

²⁶ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hubei–Yichang Sustainable Urban Transport Project*. Manila.

²⁷ ADB. 2013. *Piloting Results-Based Lending for Programs*. Manila (Appendix 7).

Table 4: Summary of Integrated Risk Assessment and Mitigating Measures

Risks	Ratings	Key Mitigating Measures
Results. The results at risk are (i) protracted land allocation and delayed construction of the facilities impact timely commencement of the bidding process for service provider(s) for the ECS facilities, and (ii) the facilities are not made operational in a timely manner.	H	YMG will make effort to allocate land in a timely manner, complete construction, and retain key staff until the PPP contract(s) is effective. The capacity building phase will support timely contracting of ECS providers.
Expenditures and financing. 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 ECS falling short of expectations.	S	The expenditure framework is based on rigorous prefeasibility-stage modeling, with adequate contingencies. ECS is a high-priority subsector for Yichang and visible high-level political support suggests funding will be made available in a timely manner. Financial failure of the ECS providers 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.
Fiduciary. 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.	H	The program includes capacity building for the procurement of PPPs using country regulations and systems governing PPPs, but with conditions for transparent procurement. ADB will closely oversee procurement capacity building consultants.
Operating environment. Yichang is a third-tier city with limited quality private ECS providers, and there is a risk that private and social capital ECS providers may not be interested in bidding.	S	Market sounding is being conducted to raise awareness and prepare a commercially viable PPP.
Overall RBL program risk	H	

ADB = Asian Development Bank, ECS = elderly care services, PPP = public-private partnership, RBL = results-based lending, YMG = Yichang municipal government.

Risk factors are assessed against two dimensions: (i) the likelihood that the risk will occur, and (ii) the impact of the risk on the outcome. Rating scale: low (L) = low likelihood and low impact; moderate (M) = substantial to high likelihood but low to moderate impact; substantial (S) = low to moderate likelihood but substantial to high impact; high (H) = high likelihood and high impact.

Source: Asian Development Bank.

IV. ASSURANCES

28. The Government of the PRC and the YMG have agreed with ADB on certain covenants for the RBL program, which are set forth in the loan agreement and program agreement.

V. RECOMMENDATION

29. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$50,000,000 to the People's Republic of China for the Public-Private Partnerships Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei, from ADB's ordinary capital resources, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 26 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and program agreements presented to the Board.

Takehiko Nakao
President

21 November 2016

DESIGN AND MONITORING FRAMEWORK

Impact the RBL program is aligned with			
<p>The expected impact of the program is socially inclusive delivery of social services using PPPs, which is aligned with (i) establishing a three-tiered elderly care system (home-, community-, and institutional-based care) (Opinions on Promoting the Development of Senior Care Service Industry [PRC State Council Circular No. 35, 2013] and the PRC 13th Five-Year Plan, 2016–2020);^a and (ii) reforming and diversifying local government financing channels using PPP and other means (Opinions on Innovative Investment Mechanism and Encouraging Social Investment in Key Sectors).^b</p>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Outcome Quality ECS delivered by local governments using PPPs</p>	<p>a. 80% of ECS recipients rate services received through the ECS facilities delivered by PPP as <i>satisfactory</i> by 2022 (2016 baseline:0)</p> <p>b. ECS PPP development manual developed, approved, disseminated to, and used by at least two local governments by 2020 (DLI 5) (2016 baseline: 0)</p> <p>c. 75% of ECS facilities meet approved service standards by 2021 (DLI 4) (2016 baseline: 0)</p>	<p>a–c. PMO annual progress reports based on service provider surveys and ADB missions and project progress reports</p> <p>b. Annual plans of local governments</p>	<p>Lack of market interest downgrades overall bidder quality and the level of service delivery innovation offered.</p>
<p>Outputs 1. Local government capacity to design, procure, manage, and deliver effective services through ECS PPPs developed</p> <p>2. A socially inclusive PPP demonstration program for ECS subsector in Yichang successfully implemented</p>	<p>1a.A viable ECS PPP model developed in 2017 based on sound market analysis with (i) clear and socially inclusive identification of target beneficiaries, (ii) a commercially acceptable IRR, (iii) value for money analysis in 2017, and (iv) clear results expected of the PPP (2016 baseline: none) (DLI5)</p> <p>1b.Competitively bid PPP contracts for integrated ECS facilities in effect by 2018^c (2016 baseline: 0)</p> <p>1c. 95% of PMO staff with certified competencies in PPP design and risk management apply their PPP expertise to develop and support additional ECS PPP projects by June 2020 (Baseline: Low capacity in YMG in PPP design, implementation, and risk management in 2016) (DLI1) (2016 baseline: 0)</p> <p>1d.Program monitoring system based on KPIs fully functional by 2020 (related to DLI 4) (2016 baseline: 0)</p> <p>2a.The detailed approved designs for the ECS facilities include elderly and environmentally sustainable design features by 2017 (DLI) (Baseline: In 2016, no ECS provided in PPP) financed ECS facilities. (2016 baseline: 0)</p>	<p>1a. PPP feasibility study</p> <p>1b. Signed PPP contracts</p> <p>1c. PPP Center certification of competencies</p> <p>1d. PMO annual program progress reports</p> <p>2a–f. PMO annual progress reports and ADB missions and project progress reports</p>	<p>Facilities are not made operational on time, with delays in either clearing land sites and/or in the bidding process.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>2b. Service standards and key performance indicators for ECS developed and approved by 2017 (DLI 4) (2016 baseline: 0)</p> <p>2c. Construction, renovation, and rehabilitation of the ECS facilities completed in 2018^c (DLI) (2016 baseline: 0)</p> <p>2d. Services commenced in the integrated and universal design ECS facilities in 2019^c (DLI 3) (2016 baseline: No PPP ECS facilities)</p> <p>2e. The integrated and inclusive ECS facilities provide residential ECS to at least 1,000 elderly people in 2022 (DLI 3) (sex disaggregated 2016 baseline: 0, 0)</p> <p>2f. Community- and home-based care services provided to at least 2,000 elderly people in 2022 (sex-disaggregated 2016 baseline: 0,0)</p>		
Key Program Actions			
<p>1. Local government capacity to design, procure, manage, and deliver effective services through ECS PPPs developed</p> <p>1.1 Award contract and commence services for PPP advisory consultants by January 2017.</p> <p>1.2 Feasibility study, including value for money, completed by June 2017.</p> <p>1.3 Issue request for proposals for the provision of ECS and the operation and maintenance of the ECS facilities by 2017.</p> <p>1.4 Sign PPP contracts with ECS providers for the provision of ECS and the operations and maintenance of the ECS facilities by 2018.</p> <p>1.5 Complete training and testing of PMO staff in PPP design and risk management by June 2020.</p> <p>1.6 PMO PPP staff conduct workshops to disseminate PPP manual to other local governments.</p> <p>2. A socially inclusive PPP demonstration program for the ECS subsector in Yichang successfully implemented</p> <p>2.1 Finalize and approve detailed designs for the ECS facilities, including elderly and environmentally sustainable design features, by 2017.</p> <p>2.2 Acquire sites required for the ECS facilities free of any and all liens and encumbrances by 2017.</p> <p>2.3 Complete construction, renovation, and rehabilitation of the ECS facilities by 2018.</p> <p>2.4 Commence ECS services in the ECS facilities by 2019.</p> <p>2.5 Provide at least 800 elderly residential ECS in the integrated and inclusive ECS facilities by 2020.</p> <p>2.6 Provide at least 1,200 elderly residential ECS in the integrated and inclusive ECS facilities by 2022.</p>			
<p>Financing Plan</p> <p>Total program financing from 2017 to 2022: \$128.4 million</p> <p>Government: \$55.0 million</p> <p>ADB: \$50.0 million (loan)</p> <p>Private financing: \$23.4 million</p>			
<p>Assumptions for Partner Financing</p> <p>Not applicable</p>			

ADB = Asian Development Bank, DLI = disbursement-linked indicator, ECS = elderly care services, IRR = internal rate of return, KPI = key performance indicator, PMO = project management office, PPP = public-private partnership, PRC = People's Republic of China, YMG = Yichang municipal government.

^a 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, State Council. 2016. *The 13th Five-Year Plan for National Economic and Social Development*. Beijing.

^b Government of the PRC, State Council. 2014. *Opinions on Innovative Investment Mechanism and Encouraging Social Investment in Key Sectors*. Beijing.

^c There are four identified sites, and it is expected that these four will be developed and PPPs implemented for integrated services at these four sites. However, the exact number of ECS facilities will be finalized during the detailed feasibility design and agreed with ADB.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=50201-001-3>

1. Loan Agreement
2. Program Agreement
3. Country Economic Indicators
4. Sector Assessment (Summary): Health
5. Program Soundness Assessment
6. Program Results Assessment
7. Program Results Framework
8. Program Expenditure and Financing Assessment
9. Program Monitoring and Evaluation System Assessment
10. Program Fiduciary Systems Assessment
11. Program Safeguard Systems Assessment
12. Integrated Risk Assessment and Mitigating Measures
13. Program Action Plan
14. Contribution to the ADB Results Framework
15. Development Coordination
16. Summary Poverty Reduction and Social Strategy
17. Program Implementation Document

Supplementary Documents

18. Capacity Building Component for Developing and Implementing Public–Private Partnership Projects in Elderly Care Services for Yichang Municipal Government
19. Poverty and Social Analysis
20. Environmental Safeguard System Assessment
21. Social Safeguard Systems Assessment
22. Summary of Yichang Municipal Government’s Elderly Care Services Plan
23. State Council Opinions on Accelerating Development of the Elderly Care Services Industry

DISBURSEMENT-LINKED INDICATORS, VERIFICATION PROTOCOLS, AND DISBURSEMENT SCHEDULE

Table A3.1: Disbursement-Linked Indicators
DISBURSEMENT-LINKED INDICATORS, VERIFICATION PROTOCOLS, AND DISBURSEMENT SCHEDULE

DLIs	Baseline and Targets	Prior Results	2017	2018	2019	2020	2021	2022
Output 1: Quality ECS delivered by local governments using PPPs								
DLI 1 YMG's PMO capacity in PPP design, management, and effective service delivery built.	Target is to strengthen YMG's capacity to effectively leverage PPP in the ECS sector Baseline: Low capacity in YMG to design, implement and monitor PPP in social sectors, and 0 staff trained in PPP design and risk management.					95% of PMO staff trained in PPP design and risk management and demonstrate required competencies (\$1 million)		
Output 2: A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented								
DLI 2 ECS facilities with elderly and environmentally sustainable and inclusive design features constructed.	Target is to construct ECS facilities which have been designed with elderly and environmentally sustainable features using PPP. Baseline: In 2016, no ECS provided in PPP financed ECS facilities	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)
Outcome: Delivery of elderly care services by local governments strengthened								
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, disseminated to at least 2 local governments (\$1 million)		

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

DISBURSEMENT-LINKED INDICATOR DISBURSEMENT PRINCIPLES AND PROCEDURES

A. Disbursement Principles

Financing prior results. The Public-Private Partnerships Demonstration Program to Transform Delivery of Elderly Care Services in Yichang will finance prior results. The prior result that has been selected is one that is critical to the successful subsequent implementation of the program, and need to be accomplished at the latest by the effectiveness date of the program. The total amount for such financing is \$3 million which does not exceed 20% of the ADB financing (i.e., \$10 million). The time frame for such financing is within 12 months before the signing of the legal agreements.

Advance financing. The program will also provide advance financing up to the amount of \$12 million, so that the total of financing for prior results and advance financing does not exceed 30% (i.e., \$15 million) of ADB financing.

Partial disbursements are allowed. Partial disbursements are allowed for DLI 3 and DLI 4 and the formulas for partial disbursement are detailed in the verification protocols (see Table A3.2 below). Once the remaining targets are met for any partially met DLI, the balance of disbursement allocation for the DLI can be disbursed.

B. Disbursement Procedures

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 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.

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.

Table A3.2: Verification Protocols

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
Output 1: Local government capacity to design, procure, and manage ECS PPPs developed			
DLI 1 YMG's PMO capacity in PPP design, management, and effective service delivery built.	Definition 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.
Output 2: A socially inclusive PPP demonstration program for the ECS sector in Yichang successfully implemented			
DLI 2 ECS facilities with elderly and environmentally sustainable and inclusive design features constructed.	Definition 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 locations are secured for the PPP demonstration program.	Final and approved detailed designs of the ECS facilities and constructed facilities	Prior Result: YFB will be required to (a) issue a formal confirmation that the sites for four 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. 2017: 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 2018: 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

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
<p>DLI 3 Number of elderly with access to integrated and inclusive ECS facilities increased</p>	<p>Definition 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 Integrated and inclusive ECS facilities are those which are universal in design and socially inclusive Integrated and inclusive ECS facilities are those which:</p> <ul style="list-style-type: none"> (i) Integrate universal and elderly sustainable design principles into the physical design (ii) provide multi-tiered services (residential, home- and community-based) from a facility (iii) Develop and provide services to address the care needs of elderly who are currently unserved (such as those with dementia) (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 <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>	<p>Program progress reports from PMO and providers.</p>	<p>2019: Official confirmation from PMO that the ECS services in the ECS facilities have commenced</p> <p>2020: 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>2022: Records from the PMO and ECS service provider(s) confirming that at least 1000 elderly are receiving residential services in the ECS facilities</p>
Outcome: Delivery of elderly care services by local governments strengthened			
<p>DLI 4 Quality ECS provided through PPP</p>	<p>Definition Key performance indicators and a system for monitoring these indicators will be developed 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</p>	<p>Report on the key performance indicators and monitoring system issued by PMO</p> <p>Annual program progress reports from PMO</p>	<p>2017: 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</p>

DLIs	Definition and Description of Achievement and Verification Timeframe	Information Source and Frequency	Verification Agency and Procedure
	<p>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>	Annual performance reports from each ECS facility	<p>confirm this.</p> <p>2020 and 2021: 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>DLI 5 PPP Demonstration Achieved</p>	<p>Definition</p> <p>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 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>Feasibility report.</p> <p>PPP manual and sample bidding documents</p> <p>YMG report on PPP visits or presentations</p> <p>Annual plans of two other local governments</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 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, YCAB = Yichang Civil Affairs Bureau, YFB = Yichang Finance Bureau, YMG = Yichang Municipal Government.

Table A3.3: Disbursement Schedule (\$ million)

Disbursement-Linked Indicators	Total ADB Financing Allocation	Share of ADB Financing (%)	Financing for Prior Result	2017	2018	2019	2020	2021	2022
Outputs									
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
Outcome									
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		
Totals	50.00	100.00	3.00	9.00	24.00	8.00	4.00	1.00	1.00

ADB = Asian Development Bank, ECS = elderly care services, PMO = program management office, PPP = public-private partnerships, YMG = Yichang Municipal Government.