



FAST Report

Project Number: 50231-001
February 2018

Equity Investment and Administration of Equity Investment DCDC Health Services Private Limited DCDC Dialysis Network Project (Regional)

This is the abbreviated version of the document that excludes commercially sensitive and confidential business information that is subject to exceptions to disclosure set forth in ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 January 2018)

Currency unit – Indian rupee (₹)

₹1.00 = \$0.01567

\$1.00 = ₹63.8150

ABBREVIATIONS

ADB	–	Asian Development Bank
CCPS	–	compulsory convertible preference shares
CKD	–	chronic kidney disease
DCDCPL	–	DCDC Health Services Private Limited
EBITDA	–	earnings before interest, taxes, depreciation, and amortization
ESRD	–	end-stage renal disease
FAST	–	Faster Approach to Small Nonsovereign Transactions
IPO	–	initial public offering
IRR	–	internal rate of return
LEAP	–	Leading Asia's Private Infrastructure Fund
MOH	–	Ministry of Health, Nutrition and Indigenous Medicine
PPP	–	public–private partnership
TA	–	technical assistance
US	–	United States

NOTES

- (i) The fiscal year (FY) of DCDC Health Services Private Limited ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 March 2018.
- (ii) In this report, “\$” refers to United States dollars.

Vice-President	Diwakar Gupta, Private Sector and Cofinancing Operations
Director General	Michael Barrow, Private Sector Operations Department (PSOD)
Director	Shantanu Chakraborty, Infrastructure Finance Division 1, PSOD
Team leaders	Juliette Leusink, Investment Specialist, PSOD Keshari Agrawal, Investment Specialist, PSOD
Project advisor	Mayank Choudhary, Principal Investment Specialist, PSOD
Team members	Genevieve Abel, Principal Transaction Support Specialist (Integrity), PSOD Irish Aguilar, Social Development Officer (Safeguards), PSOD Oleg Bilousenko, Counsel, Office of the General Counsel Manfred Kiefer, Senior Economist, PSOD Maria Amora Manabat, Senior Investment Officer, PSOD Emmanuel Ong, Associate Investment Officer, PSOD Arlene Porras, Senior Safeguards Officer, PSOD Viswanathan Ramasubramanian, Senior Safeguards Specialist, PSOD Susann Roth, Senior Social Development Specialist (Social Protection), Sustainable Development and Climate Change Department

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
PROJECT AT A GLANCE	
I. INTRODUCTION	1
II. THE PROJECT	1
A. Project Identification and Description	1
B. Development Impacts, Outcome, and Output	4
C. Alignment with ADB Strategy and Operations	4
D. Project Cost and Financing Plan	4
E. Implementation Arrangements	5
F. Projected Financial and Economic Performance	6
III. THE ADB ASSISTANCE	6
A. The Assistance	6
B. Value Added by ADB Assistance	7
C. Risks	7
IV. POLICY COMPLIANCE	7
A. Safeguards and Social Dimensions	7
B. Anticorruption Policy	8
C. Investment Limitations	8
D. Assurances	8
V. THE PRESIDENT'S DECISION	8
1. Design and Monitoring Framework	9
2. List of Linked Documents	11

PROJECT AT A GLANCE

1. Basic Data		Project Number: 50231-001	
Project Name	DCDC Dialysis Network	Department /Division	PSOD/PSIF1
Country	Regional		
Investee	DCDC Health Services Pvt. Ltd.		
2. Sector	Subsector(s)	Financing (\$ million)	
✓ Health	Disease control of non-communicable diseases and other priority programs		5.00
		Total	5.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Organizational development	Some gender elements (SGE)	✓
Private sector development (PSD)	Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Medium
Household Targeting	Yes	Urban	High
SDG Targeting	Yes		
SDG Goals	SDG3, SDG8		
6. Nonsovereign Operation Risk Rating - NA			
7. Safeguard Categorization		Environment: B	Involuntary Resettlement: C
			Indigenous Peoples: C
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		5.00	
Nonsovereign Direct Investment: Ordinary capital resources		5.00	
Cofinancing		5.00	
Leading Asia's Private Infrastructure Fund (LEAP) (Full ADB Administration)		5.00	
Others		0.00	
Others^a		25.10	
Total		35.10	

^a Derived by deducting ADB financing and Cofinancing from Total Project Cost.

I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework.¹ The transaction involves (i) an equity investment of up to \$5,000,000 in Indian rupee equivalent; and (ii) the administration of an equity investment of up to \$5,000,000 in Indian rupees equivalent, to be provided by the Leading Asia's Private Infrastructure Fund (LEAP),² in DCDC Health Services Private Limited (DCDCPL) for the DCDC Dialysis Network Project in India and Sri Lanka.

2. The equity investment will help DCDCPL expand its operations from the current 82 centers with 428 dialysis machines (all in India) to 136 centers with 1,438 dialysis machines in India and 45 centers with 900 dialysis machines in Sri Lanka. The project will improve the availability of quality dialysis services at affordable prices for end-stage renal disease (ESRD) patients in India and Sri Lanka, especially in vulnerable and rural communities. The project supports the provision of critical health services to poor ESRD patients who could retain employment if they are otherwise in good health, thereby promoting poverty reduction and inclusive growth.

II. THE PROJECT

A. Project Identification and Description

3. **Project identification.** The incidence of noncommunicable disease is increasing in India, with many people suffering from chronic kidney disease (CKD) resulting from poorly managed diabetes, hypertension, and infections. CKD is often diagnosed at an advanced stage, when it is too late to take measures to save kidney function, resulting in ESRD. A kidney transplant from a living donor is the most suitable option for many ESRD patients, but the scarcity of living donors means patients need to regularly undergo costly hemodialysis and peritoneal dialysis; in India 98% of those receiving dialysis receive hemodialysis.³ About 1.3 million people⁴ suffer from ESRD in India where the average age of patients is about 40 years, versus 60 globally, with more men than women affected. Only about 10% of the patients who know that they have ESRD, actually receive dialysis treatment. This is due to an insufficient supply of dialysis services, the lack of CKD awareness, and the relatively high treatment costs as India's public sector has inadequate capacity. Dialysis has a significant impact on household income and employment—treatment is time consuming (requiring three treatment sessions per week), and patients must often travel long distances to a dialysis center. Overall demand in India exceeds the supply by a factor of 11 (footnote 4).

4. About 97,000 people (roughly 0.5% of the population) suffer from CKD in Sri Lanka. In addition to the common causes of CKD, most (72% of) ESRD patients in Sri Lanka do not have a clear cause; the World Health Organization suggests multiple factors are at play, such as chronic exposure to kidney damaging pesticides, poor diet, genetic susceptibility to kidney failure,

¹ Asian Development Bank (ADB). 2015. *Faster Approach to Small Nonsovereign Transactions*. Manila.

² Financing Partner: Japan International Cooperation Agency. Established as the [Leading Asia's Private Sector Infrastructure Fund](#)".

³ Kidney transplants costs about \$4,500 in India, but are uncommon because of the high up-front and post-procedure medical costs, the lack of sufficient organ donors, and the limited availability of medical staff able to provide such operations. ESRD patients otherwise require regular dialysis treatments, which can significantly improve a patient's quality of life. In hemodialysis excess fluids and toxins are mechanically filtered from the blood of an individual. Vascular access is needed for the blood to be pumped out of the body and filtered by a dialysis machine. On average, a patient needs to undergo three dialysis treatments per week, of 3 to 4 hours each.

⁴ Grant Thornton. 2016. *DCDC Health Services Private Limited, Limited Scope Commercial Due Diligence—Dialysis Industry*. Delhi.

and dehydration because of the dry climate and excessive heat.⁵ Overall demand in Sri Lanka exceeds the supply by a factor of 16 (footnote 4).

5. DCDCPL approached the Asian Development Bank (ADB) to invest in the planned expansion of its clinic network in India and establishment of a network of stand alone dialysis clinics in Sri Lanka. ADB currently provides technical assistance (TA) to DCDCPL to help the company access international best practices on dialysis treatments.⁶ This investment is an intended continuation of ADB assistance. The project is a strategic opportunity to support (i) the expansion of the dialysis clinic network across India and Sri Lanka to meet growing patient demand, (ii) PPP initiatives by the governments of India that will enable the poor to access dialysis services, and (iii) the growth of a young company operating in this critical field.

6. **Project design.** DCDCPL was founded in 2009 and provides quality dialysis and ancillary services to ESRD patients. It is the second-largest provider of centers under PPP, and continues to focus on this segment owing to expanded opportunities in the sector following approval of the National Dialysis Program under the National Health Mission by the Indian government.⁷ The company has PPP contracts with Indian states—such as Delhi, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, and Uttar Pradesh—and offers mostly free or partially subsidized treatments to patients who live below the poverty line or have low incomes;⁸ states pay for these treatments from their health budgets. The company provided 167,000 dialysis treatments to 1,350 patients in FY2017, and intends to deliver 1.1 million treatments by FY2020. The clinics range in size from about 1,400 to 1,900 square feet, and have 12 dialysis machines each. DCDCPL purchases its equipment new from Fresenius (Germany) or Nikkiso and Nipro (Japan). At full capacity, a clinic employs about five dialysis technicians, three nurses, a head doctor, and a unit manager. While the clinics follow Indian quality standards and guidelines in dialysis care,⁹ the TA aims to further improve their operational quality and to bring operational procedures in line with international best practices.

7. Doctors in India are in short supply, and prefer to work in urban centers, making it often challenging to hire specialists in rural areas. As some of the clinics are remotely located, DCDCPL has introduced tele-nephrology which uses information technology to connect the clinics on a hub and spoke model. Patient details and dialysis results are available in the DCDCPL software system, and new machines can upload treatment results in real time. All rural DCDCPL centers are linked with the closest urban center hub; such that travel time between the hub and the rural clinics is typically not more than 7 hours. A nephrologist at the central hub is responsible for five to seven rural centers, holds video calls with each center on a regular and as-needed basis, and visits each rural center at least once per quarter. Each rural clinic has an institutional arrangement with the district hospital in case of emergencies. In addition, DCDCPL has a team of nephrologists at its corporate office that can access patient data at any time for periodic quality checks and assistance when required.

⁵ Sector Overview (accessible from the list of linked documents in Appendix 2).

⁶ Summary of Technical Assistance (accessible from the list of linked documents in Appendix 2); and ADB. 2013. *Technical Assistance for Inclusive Business Support*. Manila.

⁷ In 2016, the Government of India announced the National Dialysis Program under which the government plans to set up 3,000 dialysis centers through a PPP model. The program aims to provide financial assistance to hospitals in remote areas to provide dialysis treatment for ESRD patients. Operational guidelines are provided in Government of India, Ministry of Health and Family Welfare, National Health Mission. 2016. [National Dialysis Program under National Health Mission](#). Delhi.

⁸ People living below the poverty line have annual income below ₹72,000, while low-income patients (the “economically weaker segment”) have annual incomes below ₹300,000.

⁹ Government of India, Directorate General of Health Services. 2010. [Guidelines for Dialysis Centre](#). Delhi.

8. The project involves the expansion of one of the largest networks of independently run dialysis centers in India and its regional expansion into Sri Lanka. Within India, DCDCPL plans to expand in three ways: (i) start PPP centers in multiple states that are currently issuing tenders to set up dialysis centers in district hospitals; (ii) acquire existing centers, because several private hospitals have announced decisions to outsource their dialysis centers; and (iii) set up new private clinics, either on a stand-alone basis or in private hospitals. The project will thereby expand affordable, quality dialysis services to other segments of the population through stand-alone clinics and private hospitals.

9. **Investee and sponsor.** DCDCPL is held by chief executive officer Aseem Garg and his brother Akshat Garg along with Pragati India Fund Private Limited (“Pragati”).¹⁰ ADB and LEAP will invest up to \$5 million each. DCDCPL has seen strong revenue growth, at a compound annual growth rate of 46% during FY2013–FY2017. The company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) have been positive since inception; it has been profitable on a net basis except during FY2015–FY2017, when profits declined because of fundraising costs and increased depreciation associated with the growing asset base. Historical financials are provided in the financial analysis.¹¹

10. A typical stand-alone clinic is designed for 12 beds and can service a maximum of 100 patients per week. It costs approximately about \$230,000 and will break-even at 25 patients per week with each patient receiving a 4-hour dialysis session three times a week. Its EBITDA margins will reach 30% on average once revenues stabilize after 2–3 years.

11. Aseem Garg developed the idea of a dialysis center network when he attended the Indian Institute of Management Bangalore, a leading business school in India, to obtain a master’s of business administration. To gain sector knowledge, he worked at the National Kidney Foundation in Singapore before starting DCDCPL in 2009. His brother and co-founder Akshat Garg oversees operations, quality control, and expansion of the clinic network.

12. ADB conducted integrity and enhanced tax integrity due diligence.¹² ADB’s review does not give ADB cause to believe that the entity has been established, or is being used, for money laundering or terrorism financing, or that the transaction is used for cross-border tax evasion. The results of integrity and tax due diligence are set out in the integrity disclosure document.¹³

¹⁰ Pragati is fully owned by the CDC Group, a development finance institution owned by the Government of the United Kingdom and advised by UTI Capital Private Limited, the wholly-owned Category-II alternative investment company of UTI Asset Management.

¹¹ Financial Analysis (accessible from the list of linked documents in Appendix 2)

¹² ADB. 2003. *Enhancing the Asian Development Bank’s Role in Combating Money Laundering and the Financing of Terrorism*. Manila; and ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila. Further information is provided in Client Information (accessible from the list of linked documents in Appendix 2).

¹³ Integrity and Tax Due Diligence Disclosure (accessible from the list of linked documents in Appendix 2).

B. Development Impacts, Outcome, and Output

13. **Impacts.** The project is aligned with the following impacts: improved (i) access to quality dialysis services for ESRD patients in India and Sri Lanka;¹⁴ (ii) health care services, especially in vulnerable and rural communities;¹⁵ and (iii) PPPs in health care services.¹⁶

14. **Outcome.** The project will lead to increased provision of high-quality and affordable ESRD treatment in India and Sri Lanka. The shortage of dialysis services will be partly addressed by DCDCPL's network expansion. The outcome will be measured through the number of dialysis cycles provided.

15. **Output.** The project's output will be expansion of hemodialysis and ancillary services to ESRD patients through the installation of about 1,910 dialysis machines and opening of a total of about 99 new centers in India and Sri Lanka.

C. Alignment with ADB Strategy and Operations

16. **Consistency with ADB strategy and country strategy.** The project supports strategic priorities 1 and 6 of ADB's Midterm Review of Strategy 2020.¹⁷ It has a strong focus on providing health services to the poor and supports the commitment to increase ADB's health care portfolio in line with strategic priority 1 along with ADB's commitment to invest in PPPs under strategic priority 6. It aligns with ADB's country partnership strategies, 2018–2022 for India and Sri Lanka, which undertake to invest in physical and social infrastructure sectors such as health and catalyze and enhance the effectiveness of private investment.¹⁸

17. **Consistency with sector strategy and relevant ADB operations.** The project is in line with the ADB Operational Plan for Health and supports health sector development through nonsovereign investments and the regional TA on Inclusive Business Support.¹⁹ The project also supports cross-border investment with the entry of an Indian company into Sri Lanka.

D. Project Cost and Financing Plan

18. The project is estimated to cost \$35.1 million, as presented in Table 1:

Table 1: Project Cost

Item	Amount (\$ million)	Share of Total (%)
A. India		
1. Buildings	2.4	6.9
2. Furniture and fixtures	3.0	8.5
3. Medical equipment	10.7	30.6
4. Working capital and maintenance capex	5.4	15.4

¹⁴ Government of India, Ministry of Health and Family Welfare, National Health Mission. 2016. *National Dialysis Program under National Health Mission*. Delhi.

¹⁵ Footnote 16; and Government of Sri Lanka, MOH. 2013. *National Health Development Plan (2013–2017)*. Colombo.

¹⁶ Government of India, Planning Commission. 2013. *Twelfth Five Year Plan (2012–2017): Faster, More Inclusive and Sustainable Growth*. Delhi; and *National Health Development Plan (2013–2017)* (footnote 17, above).

¹⁷ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

¹⁸ ADB. 2017. *Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation*. Manila; and ADB. 2017. *Country Partnership Strategy: Sri Lanka, 2018–2022—Transition to Upper Middle-Income Country Status*. Manila.

¹⁹ ADB. 2015. *Health in Asia and the Pacific: A Focused Approach to Address the Health Needs of ADB Developing Member Countries—Operational Plan for Health, 2015–2020*. Manila; and ADB. 2013. *Technical Assistance for Inclusive Business Support*. Manila.

Subtotal (A)	21.6	61.4
B. Sri Lanka		
1. Buildings	3.9	11.2
2. Furniture and fixtures	3.5	10.0
3. Medical equipment	5.9	16.7
4. Working capital and maintenance capex	0.2	0.7
Subtotal (B)	13.5	38.6
Total (A+B)	35.1	100.0

Notes:

1. A \$1 = ₹65.4032 exchange rate was used in the existing financial model.

2. Numbers may not sum precisely because of rounding.

Source: DCDC Health Services Private Limited.

19. Table 2 identifies the corresponding sources of funds.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
A. India		
1. Equity		
a. Asian Development Bank	5.0	14.2
b. Leading Asia's Private Infrastructure Fund: Parallel Equity Subprogram ^a	5.0	14.2
2. Debt (local Indian banks)	7.1	20.3
3. Vendor financing	9.6	27.3
4. Internal accruals	1.0	2.7
Subtotal (A)	27.7^b	
B. Sri Lanka		
1. Debt	6.7	19.0
2. Equity	6.1 ^b	17.4
3. Internal accruals	0.8	2.2
Subtotal (B)	13.5	
Total	35.1^c	100.0

Note: Numbers may not sum precisely because of rounding.

^a Financing Partner: Japan International Cooperation Agency. Administered by the Asian Development Bank.

^b \$6.1 million of equity required for Sri Lankan subsidiary will be met from investment from the Indian entity. Net of this, the funding requirement for the India project is \$21.6 million.

^c Aggregate excludes the Indian parent's equity investment in the Sri Lanka subsidiary to avoid double counting

Source: DCDC Health Services Private Limited.

20. DCDCPL's capital requirement is primarily based on confirmed contracts, which may be undertaken on a modular basis depending on capital availability. Equity will be provided by ADB and LEAP. Debt for Indian business will be provided by local Indian banks and vendor financing from the dialysis equipment provider. ADB is considering a proposal to provide the required debt for the expansion into Sri Lanka, for which separate approval will be sought after undertaking due diligence. Sri Lankan banks may also be approached for cofinancing.

E. Implementation Arrangements

21. Table 3 summarizes the implementation arrangements.²⁰

Table 3: Summary of Implementation Arrangements

Aspects	Arrangements
Regulatory framework	India included CKD in its Twelfth Five Year Plan ^a and launched the National Dialysis Program in February 2016 using funds from the National Health

²⁰ Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2.)

Aspects	Arrangements
	Mission. The Government of India will set up 3,000 dialysis centers under a public–private partnership model, which will be tendered and contracted at a state level.
Management	Aseem Garg, founder and chief executive officer, handles the expansion and overall strategy implementation. His brother Akshat Garg oversees operations and quality control.
Implementation period	March 2018–March 2022
Operations arrangements	
Revenue structure	Revenues are generated from dialysis services with charges either paid directly by patients on a cash basis or via reimbursements by their insurance companies. Revenues from servicing the poor or economically weaker patients are fully covered or heavily subsidized under different national and state health budgets.
Major cost structure	DCDCPL will procure all equipment and consumables.
Operation and maintenance	DCDCPL will be responsible for all operation and maintenance activities and related costs. The dialysis machines typically have a 10-year useful life. They are typically covered by a 5-year warranty, and DCDCPL signs a maintenance contract for the remaining 5 years.
Performance monitoring	Key performance indicators, including output and outcome indicators, will be reported by DCDCPL. An independent external consultant will monitor compliance with ADB's Safeguard Policy Statement (2009) during implementation.

ADB = Asian Development Bank; CKD = chronic kidney disease; DCDCPL = DCDC Health Services Private Limited; MOH = Ministry of Health, Nutrition and Indigenous Medicine.

^a Government of India, Planning Commission. 2013. *Twelfth Five Year Plan (2012–2017): Faster, More Inclusive and Sustainable Growth*. Delhi.

Source: Asian Development Bank.

F. Projected Financial and Economic Performance

22. The project is financially viable, with an expected financial internal rate of return (FIRR) of 19.0% in United States (US) dollar terms. Both operations are also financially viable, with expected FIRRs that exceed the weighted average cost of capital (WACC) in US dollar terms: the FIRR for India is 14.0%, vs. a WACC of 4.4%; the FIRR for Sri Lanka is 23.3%, vs. a WACC of 6.4%.²¹ The project is economically sustainable as the economic internal rate of return is 27% overall (30% for India, and 24% for Sri Lanka),²² well above the social discount rate of 6%.²³

III. THE ADB ASSISTANCE

A. The Assistance

23. ADB assistance will have two components: (i) an equity investment of up to \$5 million in DCDCPL; and (ii) an equity investment of up to \$5 million in DCDCPL by LEAP, to be administered by ADB.

²¹ Financial Analysis (accessible from the list of linked documents in Appendix 2).

²² Economic Analysis (accessible from the list of linked documents in Appendix 2).

²³ ADB. 2017. *Guidelines for the Economic Analysis of Projects*. Manila.

ADB has provided a TA grant of \$133,000 to DCDCPL to support DCDCPL in (i) further improving its operational quality and bringing operational procedures in line with international best practices; and (ii) improving patient documentation, preferably digitization.²⁴
Confidential information deleted.

B. Value Added by ADB Assistance

24. ADB assistance will be catalytic as it will allow DCDCPL to expand geographically by establishing a network of dialysis clinics using a PPP mode in India and Sri Lanka. The Sri Lankan project will be the first large scale project developed by private sector and hence, will be catalytic in growth of private sector in this space. ADB involvement will also assist DCDCPL to (i) professionalize its corporate governance structure, (ii) enhance DCDCPL's operational procedures by introducing best practices, (iii) strengthen the inclusiveness of the company's business model, and (iv) advance scalability and replication. The investment will help the company achieve rapid growth to meet the needs of low-income patients, while retaining standardized care quality and developing staff skills. ADB assistance will also enable the company to expand into Sri Lanka, taking advantage of regional cooperation and helping to establish critical health care infrastructure in Sri Lanka.

C. Risks

Confidential information deleted.

IV. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

25. **Safeguards.** The project is classified category B for the environment and category C for involuntary resettlement and indigenous peoples in compliance with ADB's Safeguard Policy Statement (2009). DCDCPL will establish and maintain an environmental and social management system, in compliance with Safeguard Policy Statement requirements and the national requirements of India and Sri Lanka.

26. **Environmental impacts.** The potential environmental and construction-related impacts of dialysis centers, whether stand-alone or within existing hospitals, are generally site-specific and reversible. During operations, some of the potential environmental impacts are related to the management of biomedical wastes, wastewater discharges, and minimal electronic wastes. DCDCPL commits to address these impacts by implementing its environmental and social management system provisions and training staff on good environmental practices. No involuntary resettlement impacts are expected. DCDCPL will carry out information disclosure and consultations following ADB requirements.²⁵

27. ADB conducted an environmental and social compliance audit on six existing dialysis centers to assess the existing environment and social procedures of DCDCPL and its compliance with Safeguard Policy Statement requirements. The audit confirms that significant environmental and social impacts are unlikely. The corrective actions identified in the compliance audit have been agreed with DCDCPL.

²⁴ ADB. 2013. *Technical Assistance for Inclusive Business Support*. Manila

²⁵ Summary Poverty Reduction and Social Strategy; and Findings of the Corporate Safeguards Audit: Environmental and Social Management System Arrangement (accessible from the list of linked documents in Appendix 2).

28. **Other social dimensions.** DCDCPL's human resource practices promote equal opportunities for men and women and ensure that women's rights are protected. The project is classified *some gender elements*. The project will also ensure benefits to women by (i) enabling access to dialysis care for ESRD patients from rural areas and smaller cities and (ii) providing quality dialysis care to poor and vulnerable ESRD patients. ADB will ensure compliance with national labor laws and ADB's Social Protection Strategy (2001) through investment documentation.²⁶

B. Anticorruption Policy

29. DCDCPL was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. Investment Limitations

30. The proposed equity investments are within the medium-term, country, industry, group, and single-project exposure limits for nonsovereign investments.

D. Assurances

31. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),²⁷ ADB will proceed with the assistance upon establishing that each of the Government of India and the Government of Sri Lanka have no objection to the proposed assistance to DCDC Health Services Private Limited. ADB will enter into suitable investment documentation, in form and substance satisfactory to ADB.

V. THE PRESIDENT'S DECISION

32. The President, acting under the authority delegated by the Board, has approved (i) the equity investment of up to \$5,000,000 in Indian rupee equivalent from the ordinary capital resources of the Asian Development Bank (ADB); and (ii) the administration by ADB of the equity investment of up to \$5,000,000 in Indian rupee equivalent, to be provided by the Leading Asia's Private Infrastructure Fund, in DCDC Health Services Private Limited for the DCDC Dialysis Network Project in India and Sri Lanka, and hereby reports this action to the Board.

23 February 2018

²⁶ ADB. 2003. *Social Protection Strategy*. Manila (adopted in 2001).

²⁷ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is aligned with			
<p>Access to quality dialysis services for ESRD patients in India and Sri Lanka improved (National Dialysis Program under National Health Mission)^a</p> <p>Health care services, especially in vulnerable, displaced, and rural communities, improved (National Dialysis Program under National Health Mission of India and National Health Development Plan of Sri Lanka)^{a, b}</p> <p>PPPs in providing health care services improved (Twelfth Five Year Plan of India and National Health Development Plan of Sri Lanka)^{b, c}</p>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome Provision of high-quality and affordable ESRD treatment increased in India and in Sri Lanka</p>	<p>By 2021</p> <p>a. About 6,600 patients treated in India (2017 baseline: 1,350)^d</p> <p>b. About 3,800 patients treated in Sri Lanka (2017 baseline: 0)^d</p> <p>c. 1,803 skilled jobs provided in India (2017 baseline: 438)</p> <p>d. 1,530 skilled jobs provided in Sri Lanka (2017 baseline: 0)</p>	<p>a–d. DCDCPL annual financial and operations reports; ADB annual development effectiveness monitoring report</p>	<p>Dialysis treatment is not affordable to paying clients in the target markets.</p> <p>Awareness of chronic kidney disease and its treatment remains very low.</p> <p>Governments cancel or renege on the PPP tenders.</p> <p>Government health insurance cannot cover subsidies for dialysis services.</p>
<p>Output Hemodialysis and ancillary services to ESRD patients expanded in India and Sri Lanka</p>	<p>By 2020</p> <p>a. About 136 new centers established in India, of which 41 are in rural areas (March 2017 baseline: 66 centers)</p> <p>b. About 1,010 new dialysis machines installed in India, of which 405 are in rural areas (March 2017 baseline: 333 machines)</p> <p>c. 640 new dialysis machines installed in Sri Lanka (900 by 2022) (March 2017 baseline: 0)</p> <p>d. 2,895 new staff, of whom at least 30% are female (March 2017 baseline: 438 staff, of which 102 are female)</p>	<p>a–e. DCDCPL’s annual financial report on operations; ADB’s annual development effectiveness monitoring report</p>	<p>Rollout of the new centers is delayed because of the price of new equipment increased.</p> <p>Rollout of the new centers is delayed because clinic space was not made available in a timely manner.</p> <p>Acquisition of new machinery is delayed because it must be imported.</p> <p>Lack of qualified medical staff.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	e. 1,000 patients in rural areas, including at least 300 women, treated annually through new rural DCDCPL centers in India and Sri Lanka (March 2017 baseline: 0)		
Key Activities with Milestones			
Output: Hemodialysis and ancillary services to ESRD patients expanded in India and Sri Lanka			
1 ADB executes finance agreements by the first quarter of 2018 2 DCDCPL has 114 centers by 2018 and 153 centers by 2019 under operations			
Inputs			
ADB equity: up to \$5.0 million Leading Asia's Private Infrastructure Fund: Parallel Equity Subprogram up to \$5.0 million DCDCPL internal accruals: \$1.8 million Debt: \$13.8 million Vendor financing: \$9.6 million			
Assumptions for Partner Financing			
Not applicable			

ADB = Asian Development Bank, DCDCPL = DCDC Health Services Private Limited, ESRD = end-stage renal disease, PPP = public-private partnership.

^a Government of India, Ministry of Health and Family Welfare, National Health Mission. 2016. *National Dialysis Program under National Health Mission*. Delhi.

^b Government of Sri Lanka, Ministry of Health, Nutrition and Indigenous Medicine. 2013. *National Health Development Plan (2013–2017)*. Colombo.

^c Government of India, Planning Commission. 2013. *Twelfth Five Year Plan (2012–2017): Faster, More Inclusive and Sustainable Growth*. Delhi.

^d The number of patients is estimated based on the number of dialysis treatments, which is a function of the number of dialysis machines based on two dialysis cycles per machine per day.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

Confidential information deleted.

1. Contribution to the ADB Results Framework
2. Country Economic Indicators