CHINA

GUIZHOU AGED CARE SYSTEM DEVELOPMENT PROGRAM
(P162349)

TECHNICAL ASSESSMENT

February 14, 2019

World Bank
## Abbreviations and acronyms

<table>
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<th>Abbreviation</th>
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<tr>
<td>11FYP</td>
<td>11th Five-Year Plan</td>
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<td>12FYP</td>
<td>12th Five-Year Plan</td>
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<td>13FYP</td>
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<td>14FYP</td>
<td>14th Five-Year Plan</td>
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<td>ACO</td>
<td>Aged Care Office</td>
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<td>ACFI</td>
<td>Aged Care Funding Instrument</td>
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<td>ACIF</td>
<td>Aged Care Industrial Fund</td>
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<td>ACLG</td>
<td>Aged Care Leading Group</td>
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<td>ADL</td>
<td>Activities of Daily Living</td>
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<td>AFD</td>
<td>Agence Française de Développement</td>
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<td>CAB</td>
<td>Civil Affairs Bureau</td>
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<td>CCB</td>
<td>China Construction Bank</td>
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<td>CHARLS</td>
<td>China Health and Retirement Longitudinal Study</td>
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<td>CSO</td>
<td>Civil Society Organizations</td>
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<td>DOCA</td>
<td>Department of Civil Affairs</td>
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<td>DOF</td>
<td>Department of Finance</td>
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<td>DLI</td>
<td>Disbursement-Linked Indicator</td>
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<td>DRC</td>
<td>Development Reform Commission</td>
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<td>EFA</td>
<td>Expenditure Framework Assessment</td>
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<td>ESC</td>
<td>Expert Steering Committee</td>
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<td>ESSA</td>
<td>Environment and Social Systems Assessment</td>
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<td>FB</td>
<td>Financial Bureau</td>
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<td>FM</td>
<td>Financial Management</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HFPC</td>
<td>Health and Family Planning Commission</td>
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<td>IADL</td>
<td>Instrumental Activities of Daily Living</td>
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<td>ICBC</td>
<td>Industrial and Commercial Bank of China</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IDC</td>
<td>Investment Decision Committee</td>
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<td>IVA</td>
<td>Independent Verification Agency</td>
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<td>InterRAI</td>
<td>International Resident Assessment</td>
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<td>I-O</td>
<td>Input-Output</td>
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<td>IoT</td>
<td>Internet of Things</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>LFP</td>
<td>Labor Force Participation</td>
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<td>LG</td>
<td>Leading Group</td>
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<tr>
<td>LTC</td>
<td>Long-Term Care</td>
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<td>MAIA</td>
<td>Maisons Autonomie Intégration Alzheimer</td>
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<td>MDS</td>
<td>Minimum Data Set</td>
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<td>MFD</td>
<td>Maximizing Finance for Development</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MOCA</td>
<td>Ministry of Civil Affairs</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<td>NDRC</td>
<td>National Development and Reform Commission</td>
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<td>NBS</td>
<td>National Bureau of Statistics</td>
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<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>PAP</td>
<td>Program Action Plan</td>
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<td>PCP</td>
<td>Provincial Cloud Platform</td>
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<td>PDO</td>
<td>Program Development Objective</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PforR</td>
<td>Program for Results</td>
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<td>POM</td>
<td>Program Operations Manual</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>PRISMA</td>
<td>Program of Research on Integration of Services for the Maintenance of Autonomy</td>
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<td>RA</td>
<td>Results Area</td>
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<td>RCC</td>
<td>Risk Control Committee</td>
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<td>RF</td>
<td>Results Framework</td>
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<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>SORT</td>
<td>Systematic Operations Risk-rating Tool</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>WLF</td>
<td>Welfare Lottery Fund</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>ZBB</td>
<td>Zero-Based Budget</td>
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1. Introduction

1. China’s population is aging rapidly due to low fertility and longer life expectancy. Today, China is beyond the midpoint of the demographic transition from an aging to an aged society.\(^1\) It had 158 million people who were 65 years of age and above in 2017, equivalent to 11.4 percent of the country’s population. The aging process will accelerate in the coming decades, with 26 percent of the population expected to be over 65 years of age by 2050. In addition, growth in the population of “older elderly” (80 years and above) will accelerate even more rapidly, with around 32.5 percent of the elderly population expected to be in this group by 2050. To address this challenge of rapid population aging, China needs to develop a comprehensive policy and institutional framework to address the challenges of rapid population aging.

2. China’s aged care system is underdeveloped. In 2017, gross domestic product (GDP) per capita in China was USD8,827, equivalent to 15 percent of U.S. GDP per capita and 25 percent of average GDP per capita of the Organisation for Economic Cooperation and Development (OECD) countries. Most OECD countries had an extended transition from an aging to an aged society, such as 115 years in France, 69 years in the United States, 45 years in the United Kingdom, and 40 years in Germany. In contrast, China will complete this transition in just 25 years. During their longer aging transitions, the OECD countries were able to establish and continue improving their aged care systems. In China, where the elderly have long relied on adult sons and daughters for support, formal care for the elderly is relatively nascent. Public expenditure on long-term care (LTC) is less than 0.05 of GDP, much lower than the average of 1.7 percent in the OECD countries.

3. Like the rest of the country, Guizhou—one of the poorest provinces in China—faces similar challenges in meeting the needs of its growing elderly population. Guizhou’s population has aged at a similar pace to the national average. In 2017, Guizhou had 3.72 million people aged 65 years and above, of which more than 1 million required assistance and care services. The elderly share of the population was 10.7 percent in 2017 and is expected to reach 16.0 percent by 2030. More than half of the elderly population lives in rural areas, where they are spatially dispersed. Guizhou is also a mountainous province with many ethnic minorities who account for 36.1 percent of the total provincial population. Most elderly care services in Guizhou are provided informally by family members and relatives, although formal provision of care services has started to emerge.

4. Guizhou’s income level is low but has been catching up at a fast pace. Guizhou, which had long been the least developed of China’s 31 provinces, had an income level that was 63.6 percent of national GDP per capita in 2017. It has the largest number of poor people of all

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\(^1\) An ‘aging society’ is typically defined as one where at least 7 percent of the population is 65 years of age and above, while an ‘aged society’ is one where 14 percent or more of the population is 65 years of age and above.
provinces in China. However, it has been catching up in recent years with double-digit growth rates, well above the national rate of 6 to 7 percent. From 2011 to 2017, Guizhou’s GDP per capita increased from USD 2,541 to USD 5,541. This rapid growth has greatly contributed to poverty reduction. Poverty incidence in Guizhou dropped from 33.4 percent in 2011 to 8.0 percent in 2017, and Guizhou is expected to eradicate absolute poverty by 2020. The provincial Government has introduced a poverty strategy that includes provision of income support and social services for the poor and vulnerable elderly.

5. **With rapid aging and smaller average family size, the demand for formal provision of elderly care services has been rising quickly.** According to the 2015 national aging survey,² China has more than 40 million elderly people with partial or full functional limitations, who account for 18.5 percent of the total elderly population aged 60 and older and who often need professional aged care services. As China’s population ages, the demand for elderly care services is expected to increase dramatically. Care for the elderly has traditionally been the responsibility of the family, as prescribed by the Confucian norm of filial piety. However, this care model is facing great challenges as the family unit becomes more nuclear and as increasing numbers of older people need assistance and care services.³ Formal provision of aged care services has started emerging over the past decade but to date, is far from meeting the needs of the elderly. In rural areas, the elderly have very limited access to basic aged care services, and the large outflow of young adults to urban centers has further strained the familial care provision model.

6. **To address these challenges, the Chinese Government has been proactive in formulating strategic policies to develop the aged care system.** In the 12th Five-Year Plan (12FYP, 2011–2015), the Chinese Government formally introduced sectoral strategies and amended relevant laws to develop the aged care policy framework. The 13th Five-Year Plan (13FYP, 2016–2020) has refined the policy framework, which features a three-tiered model of aged care service provision: home-based care as the bedrock, supported by community-based care, supplemented by institutional care, and coordinated between aged care and health care. It aims to expand home and community-based aged care, coordinate aged care with medical care, mobilize private participation, and strengthen Government stewardship capacity. The long-run vision of China’s aged care system is to develop a well-functioning market for aged care services in which individuals can find services that satisfy their needs, preferences, and resource

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² The Fourth-Wave Urban and Rural Elderly Status Survey was carried out by the National Aging Commission Office in 2015. It drew 1 percent of total population from 31 provinces as a sample to collect the information on individual characteristics (age, gender, and education); health conditions and care needs; economic conditions; family structure; social participation; rights protection; and housing conditions. http://www.xinhuanet.com/gongyi/2016-10/18/c_129327224.htm.

³ China’s family structure is known as 4-2-1, which represents 4 grandparents, 2 parents, and 1 child.
constraints. The Government will continue to fund services for poor, low-income, and vulnerable groups while bringing private provision increasingly to the center of the aged care delivery system.

7. **Since 2010, China has made major strides in developing its aged care system.** Official statistics reflect rapid growth in the aged care sector during this period. Aged care facilities nearly quadrupled from 40,868 in 2011 to 155,000 in 2017, with most of the increase taking place at the community level. Private aged care facilities have also emerged but still account for only a small portion of the aged care sector. With increased investment in residential homes and community daycare centers, the number of aged care beds rose from 3.5 million in 2011 to 7.5 million in 2017, and the ratio of beds per thousand elderly grew from 19.1 to 30.9 during the same period. Public spending more than tripled from CNY 16.7 billion in 2011 to CNY 54.4 billion in 2017, which translated into greater coverage. The number of the elderly receiving aged care services and nursing subsidies jumped from 0 in 2011 to 4.2 million in 2017, and the number of elderly who received senior living allowances increased from 9 million to 26.8 million over the same period.

8. **Although significant progress has been made, new challenges are emerging in the aged care sector.** Such challenges include issues regarding the policies, institutions, resources and capacities needed to expand coverage of basic aged care services and to strengthen the quality of aged care services and efficiency of the aged care system. More specifically, the challenges include:

9. **The coverage of basic aged care services is very low, and the concept of a 'basic package' of aged care services is not yet defined.** To date, public provision of formal elderly care has been limited to a small share of welfare beneficiaries. Public expenditure has been channeled largely toward aged care infrastructure—construction of new facilities and bed availability—leaving limited public funding for service provision. Although Government policies emphasize provision of basic aged care services, the list of basic aged care services to be publicly financed is not yet clearly defined. Because of the high spending share for infrastructure, expansion of elderly care has been skewed toward institutional care rather than home and community-based care, despite the policy priority on the latter. While home and community-based care have gradually grown in urban areas, such services are still in their infancy in rural areas. Furthermore, existing aged care services focus mainly on meals and to a lesser extent on personal care, housekeeping, shopping, cultural activities, and wellness. Professional care services such as respite services, nursing care, therapy services, rehabilitation, medical services, and hospices are underdeveloped.

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4 Equivalent to an increase from USD 2.4 billion TO USD 7.8 billion.
5 Provision of public care has been directed to: (a) the 'Three Nos' or Sanwu in urban areas, people who have no legal guardians to support them, no ability to work, and no source of income; and (b) the 'Five Guarantees' or Wubao in rural areas, the elderly to whom the local Government guarantees food, clothing, housing, medical care, and burial expense. According to the Interim Provision of Social Assistance issued by the State Council in 2014, urban Sanwu and rural Wubao were unified as Tekun, which refers to destitute (extremely poor) people.
10. Both lack of quality standards and shortage of skilled caregivers are bottlenecks for the improvement of aged care services. In contrast to the rapid growth of aged care facilities, national average occupancy rates of aged care beds declined sharply from 73.7 percent in 2011 to 46.3 percent in 2017. This decline can be attributed to various factors such as individual affordability, poor quality standards and compliance, shortage of skilled caregivers, poor service delivery and management, and social norms. Among those factors, the quality of aged care services seems particularly important. Large occupancy and quality gaps can be seen between services for better-off elderly and publicly run services for welfare recipients, as well as between urban and rural residents. In rural areas, the occupancy rate of welfare homes is extremely low due to poor facility conditions, low-quality services, limited amenities, and even stigma as these facilities are occupied mostly by welfare recipients. The Ministry of Civil Affairs (MOCA) has launched a three-year campaign to monitor the quality of aged care services, but filling the gap requires several public interventions including the development of quality standards, human resources, case management, coordination between aged care and health care, and monitoring and quality assurance.

11. Fragmentation of aged care institutional arrangements and the financing and delivery systems compromises efficiency and sustainability. The fragmentation results from the challenges of horizontal coordination across many line agencies such as civil affairs, health, finance, and labor, and of vertical coordination across different levels of administration. The horizontal and vertical fragmentation results in significant variation in aged care policies and implementation at the local level. Moreover, additional efforts are needed to ensure allocative efficiency in public expenditure on aged care. The aged care sector is funded through multiple sources— including from earmarked investment, general revenues, and welfare lottery funds—and comes from different levels of administration, from the national to the local level. Lack of an effective mechanism to better manage the planning and execution of public financial resources makes it difficult to avoid over- or duplicated investment. With increasing public financial resources and greater interest in mobilizing social and private capital, the Chinese Government has formulated policies to implement institutional, budgetary, and regulatory reforms, aiming to bring value for money. The investment also has the potential to help create more job opportunities and contribute to developing the aged care market and local economies in China.

12. The Government of China has committed to further reforms to address these challenges. The Chinese Government has introduced various pilot programs such as the comprehensive reform of the aged care system, home and community care development reform, coordination between aged care and health care, and the ‘internet plus’ aged care model. For the coordinated aged care and health care services, the Government has launched various health reform programs (for example, the Basic Public Health Services Program) and encouraged pilots of different mechanisms to strengthen the coordination between the health sector and aged care.

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6There are six administrative levels from the central down to province, prefecture, district/county, street/township, and community/village in China.
sector. These pilot programs encourage innovations and experiments to explore the best service delivery model and inform further policy formulation. At the same time, the Chinese authorities have taken proactive measures to open the aged care market and mobilize private sector participation in capital investment and service provision, including policy initiatives that set targets for commissioning of public aged care facilities with private operators. For basic aged care services, the Government is committed to expanding coverage and providing a continuum of care services through purchase of services. This arrangement aims to create steady demand for services from the private sector and thus stimulate development of the aged care market. At the national level, the Central Government has promoted a comprehensive public finance reform covering all sectors and emphasized strengthening of governance capacity and the performance of public financing.

13. **Following the national policy lead, Guizhou has actively promoted aged care sector reforms and accelerated the development of its aged care system.** Guizhou’s 13th Five-Year Development Plan on the Aged Care System (Guizhou 13FYP) outlines its policy directions, objectives and implementation plans from 2015 to 2020, and it has started to formulate a future Five-Year Action Plan (2019-2023). The provincial Government has clearly committed through appropriate public financing to provide basic aged care services to meet the needs of the poor, low-income, empty-nest elderly and senior elderly with functional limitations. Mirroring the national policy framework, Guizhou has put increased emphasis on home and community-based care, quality standards and enforcement, training and skills development for caregivers and professionals, coordination between aged care and health care, and monitoring and evaluation (M&E). At the same time, the provincial Government has formulated strategic policy initiatives to develop a supportive environment for aged care market development and level the playing field to encourage private sector participation in provision of aged care services and products. These reforms will help further define the roles of the government as purchaser, regulator and public financier rather than simply direct service provider for the aged care sector. Like a few other provinces, Guizhou has also approved the establishment of an Aged Care Industrial Fund (ACIF) to mobilize social and private capital investment in the aged care sector.

14. **Despite strong commitments, translating policy reforms into implementation requires capacity building. The Guizhou Government is seeking financial and technical support from international financial institutions for this endeavor.** This Program for Results (PforR) operation will provide financial support to the Government of Guizhou in developing its provincial aged care system. The Program will be co-financed with the Agence Française de Développement (AFD). The World Bank (WB) and AFD will finance 27.9 percent of the provincial cost of the aged care system for the next six years. The combined AFD-WB support amounts to EUR 405.70 million (USD 464.52 million equivalent), of which 75 percent is provided by the WB and 25

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7 Empty-nest elderly is the term given to the elderly who live in households where the bread-winner adult sons and daughters have migrated out.
percent by the AFD. In addition, the AFD will provide technical assistance to support Program implementation.

15. **This technical assessment report synthesizes key technical analyses and dialogue carried out during the preparation of the Guizhou Aged Care System Development Program.** It covers the Program scope, strategic and technical relevance, expenditure framework, economic evaluation, Results Framework (RF), and M&E analysis. In terms of scope, the assessment covers all the technical areas of the Program. Institutionally, the assessment covers the government agencies responsible for implementing and overseeing the Program.

2. **Program Description**

16. **The Program will focus on a subset of the Guizhou Aged Care System.** As further described below, the Program boundary is defined based on activities, source of financing, and geography. This section first describes the Guizhou Aged Care System and subsequently the PforR.

2.A. **Guizhou Aged Care System (The Government Program)**

17. **Like all provinces in China, Guizhou follows the national policy framework in establishing the Guizhou Aged Care System.** The responsibility for providing aged care services for the elderly is shared among all levels of government (Figure 1). The national government provides policy guidance, while the provincial and sub-provincial governments implement it. Box 1 describes the evolution of the national aged care policy, which has led to the current framework. The provincial government has the stewardship role, promotes policy implementation, sets guidelines for efficient use of resources, invests in workforce skills upgrades, and monitors and evaluates overall implementation. The local governments are responsible for delivering the services and investing in infrastructure.
Box 1. The Evolution of the National Framework for the Aged Care System in China

With the new millennium, China has become an aging society, and aged care policy has become part of the Government’s plans. In the 1990s, China laid the groundwork with two key policy documents: Seven-Year Development Plan on Aging: 1994-2000 (1994) and Law on Protection of the Elderly Rights and Interests (1996). Since then, China has included population aging and aged care under its successive Five-Year Development Plans.

Informed by pilot programs such as the Starlight program and some small-scale experiments on home and community-based care services, China’s 12FYP formulated a strategic development plan for the sector for the first-time. It outlined a three-tiered framework for the aged care system: home-based care as the bedrock, supported by community-based care, and supplemented by institutional care. Following this plan, the State Council in 2013 directed all relevant ministries to take concrete measures supporting the development of the aged care services system. In the same year, the Law on Protection of the Rights and Interests of the Elderly was amended to emphasize the provision of aged care services and the duties and obligations of adult children for family care provision.

The 13FYP refined the aged care system framework. It features a model that continues to be based on a three-tiered aged care service provision system and supplements it with coordinated between aged care and medical care, which is needed to avoid duplication and provide a continuum of services. It also provides a longer-run vision for China’s aged care system, based on a well-functioning market for aged care services.

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8 The Starlight Program aimed to strengthen community service facilities. During 2001-2004, investment in the Starlight Program totaled RMB 13.4 billion and helped set up 32,000 “Starlight Centers for Seniors” to provide family visits, emergency aid, daily care, health and rehabilitation services, and recreational activities, benefiting over 30 million elderly people (Information Office of State Council, 2006).
The Government of Guizhou has set two ambitious goals: (a) to achieve an aged care system that provides basic aged care services to the elderly and (b) to develop the aged care market. The Guizhou 13FYP proposes policy interventions in the following seven areas: (a) promoting the development of home and community-based aged care services in urban and rural areas; (b) increasing investment in aged care facilities and institutions; (c) promoting coordination between aged care and medical care; (d) strengthening public infrastructure for aged care services in urban areas; (e) promoting human resources development for the aged care sector; (f) developing the aged care service market to attract elderly tourists; and (g) fostering an enabling environment for development of a growing market for aged care products and services. These areas cover the entire spectrum of aged care services and products, to satisfy the continuum of individual preferences for aged care services.

The latest policy directives in Guizhou refine the roles of the Government as purchaser, regulator, and public financier rather than direct provider of basic aged care services. The Implementation Opinions on Comprehensively Opening the Market and Promoting the Quality of Aged Care Services issued by the provincial Government in 2018 emphasizes levelling the playing field to attract private service providers and strengthen the quality of care services. The Five-Year Action Plan to Accelerate the Aged Care Industry in Guizhou (2019-2023) is a forward-looking strategic action plan which proposes that public financing should prioritize the provision of basic aged care services to meet the needs of the poor, low-income, empty-nest, and senior elderly with functional limitations and that the Government should strengthen its governance capacities and develop a supportive business environment to attract social and private capital.

This ambitious agenda will be achieved by increasing and better using public financial resources and by mobilizing social and private capital investment. The provincial aged care system is financed through general budget resources from all Government levels—national, provincial, prefectural, and district/county—and through revenues from the welfare lottery fund and earmarked investment funds. Public financial resources are predictable but fragmented, leaving large room for efficiency gains. Overall, Guizhou had an average of USD 320 million (about CNY 2.2 billion) per year between 2015 and 2017 for aged care, which represents 0.16
percent of provincial GDP. Most of the resources came from local Governments (48 percent) and
the province (34 percent).9

Figure 2. Guizhou Aged Care System—the Government Program

Source: Task team based on Guizhou 13FYP and latest policy directives.

21. The Guizhou ACIF has been designed to mobilize social and private capital and to
increase the expenditure efficiency of the welfare lottery funds. The Guizhou provincial
Government approved the establishment of the Guizhou ACIF in December 2018. The provincial
Government has frozen and put four years’ worth of welfare lottery funds (2017—2020) into the
ACIF, with the aim that the CNY 1 billion seed capital will leverage another CNY 7 billion of
social and private capital for Guizhou’s aged care sector.10 The provincial Department of Civil
Affairs (DOCA) will be the agency in charge of supervision of the ACIF. It will outsource the
management of the fund to a professional management company. The ACIF management policy

9 More details about the funds source composition can be found in the Expenditure Framework Assessment section
(Section 4) in the Technical Assessment.

10 The ACIF will be funded with CNY 1 billion from DOCA welfare lottery funds, CNY 200 million from Jiahao Fund
Company, and CNY 6.8 billion from social and private capital.
document, which will outline the institutional arrangements for its governance, supervision, and management, is under preparation.

2.B. The PforR

22. The Program Development Objective (PDO) is to increase equitable access to a basic package of aged care services and to strengthen the quality of services and the efficiency of the aged care system.

23. This PDO has several key terms developed in the specialized literature:

- **Basic package** refers to a set of publicly financed aged care services comprising three tiers of home and community-based care and institutional care.

- **Equitable access** refers to the opportunities to receive the publicly financed basic package conditional on individual functional ability and economic needs. The functional needs are assessed using the needs assessment toolkit. The economic needs are assessed using an income and/or asset test. The two assessments will determine the eligibility of individuals for the basic package and the level of subsidy they receive.

- **Quality** refers to improvement of the delivery process, inputs, level, and range of aged care services that will increase the wellbeing of the elderly and their families.

- **Efficiency** refers to maximizing the results of the aged care system for a given level of resources. The Program will be implemented within the existing real fiscal resources and budget lines and will optimize public expenditure composition and promote greater allocative efficiency.

- **Aged care system** refers to policies, regulations, and activities related to service delivery, quality enhancement, and public financial management (PFM) for the aged care sector.

24. The PDO-level indicators selected to measure the expected results are:

- Indicator 1: The eligible elderly receiving the basic package of aged care services (disaggregated by gender, location, tier, and income status);

- Indicator 2: Development of the aged care quality standards and number of aged care facilities complying with the aged care quality standards; and

- Indicator 3: Development of the zero-based aged care budget planning and allocation guidelines and number of Program districts/Program counties where implementation of the zero-based aged care budget planning and allocation guidelines has occurred.

25. The direct beneficiaries of the Program are the elderly with limited functional ability facing vulnerable economic circumstances, who as a result will gain access to the basic
**package of aged care services.** The Program will expand the coverage of basic aged care services by providing total or partial subsidies for the services included in the basic package. Under the Program, coverage will go beyond Tekun (current beneficiaries of publicly financed aged care services) and gradually expand to Dibao beneficiaries, low-income, empty-nest, and senior elderly with functional limitations, including dementia.

26. **The indirect beneficiaries of the Program include formal aged care workers, family caregivers, and the remaining elderly population.** First, wage workers (formal caregivers, professionals, managers, and government officials) will benefit from the training and skill development activities supported under the Program. Formal caregivers will also benefit from a wage subsidy. Expansion of the aged care sector will create more job opportunities, so those who will find new jobs in the aged care sector will be indirect beneficiaries. Second, informal family caregivers (disproportionately women) will benefit from subsidies and/or respite services, allowing them to have more time for leisure and/or market work. Third, the elderly population above age 60 will benefit from a growing aged care sector as they will have a wider range of aged care services and products from which to choose in the market and can enjoy enhanced quality.

27. **The Program will support a subset of the Guizhou aged care system.** The Program boundary is defined along three dimensions: thematic activities, geographic coverage, and sources of financing. The timeline of the Program is 2019-2024, which covers the remaining years of Guizhou’s 13FYP and the early years of its 14th Five-Year Plan (14FYP). The three dimensions along which the Program boundary has been defined are as follows:

- **Thematic activities.** Within the program boundary are activities in areas 1-3 and 6-10 (Figure 3). The PforR operation will help the government of Guizhou develop an aged care system that will deliver a basic package of aged care services for the eligible elderly, with an emphasis on expanding home and community-based care, enhancing the quality of services, and enhancing the efficiency of public financial resources.

- **Geographic coverage.** The Program has a geographic boundary that covers cross-cutting activities at the provincial level related to stewardship of this emerging sector such as needs assessment, quality standards, training, and the provincial cloud platform (PCP), as well as aged care service delivery at the sub-provincial level in five well-performing prefectures (Figure 4a). Guizhou will roll out the enhanced Program in phases, focusing first on those prefectures that have the capacity to implement the reforms and providing lessons for future expansion.

- **Sources of financing:** The Program will support zero-based budget (ZBB) planning, allocation, and execution under the existing budget lines and will monitor the performance of public financing for aged care. The ACIF will be outside the Program, for reasons explained in Figure 4b.
Guizhou DOCA will deploy the Program in five well-performing prefectures before a full roll-out. The selection of prefectures by the provincial government followed a formal scoring process that considered several key factors, including: local economic, social, and demographic conditions; local government commitment; local capacity; and local fiscal space. Based on the scores, Guiyang (the capital city of Guizhou), Liupanshui (a mining region), Qiannan (an autonomous prefecture of ethnic minorities), Qianxinan (with the second-smallest population of the province), and Zunyi (with the second-largest population of the province) were chosen. These five prefectures account for 56 percent of the 36 million people in Guizhou’s population and for 54 percent of the nearly 6 million elderly in Guizhou who are 60 years and above. The

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11 Guizhou has 10 prefectures, all of which have expressed interest in participating in the PforR. To ensure a fair and transparent selection process, Guizhou DOCA commissioned the Guizhou Academy of Social Science to develop a framework by considering the demographic, economic, infrastructure and environmental, and local aged care development factors of the 10 prefectures, to generate a score that would help in the selection of the prefectures. Some other factors were also considered, including (a) strong commitment of local authorities to the PforR; (b) good local conditions and sound local capacity to deliver the key results, which will be reflected in the DLIs of the PforR; and (c) enough fiscal space and good debt situation in the prefectures.
aggregated GDP from the selected five prefectures accounted for 68.5 percent of Guizhou’s GDP in 2017.

29. **Guizhou decided— and the World Bank agreed —to exclude the ACIF from the Program.** Several considerations support this decision (Box 1). First, the ACIF will adopt a market-based mechanism to guide its investment decisions and will operate independently from regular administrative structures. It will be managed and operated by a professional fund management company. The funds will be separate from regular government expenditures for planning or accounting purposes, and the large bulk of funding is expected to come from the private sector. Second, it will focus on individual project investment in three priority areas: aged care facilities and operations, coordinated aged care and medical care operations, and aged care industrial cluster and market development. This will put more emphasis on infrastructure and aged care product development, and on profit-making in investment decisions. Third, its implementation timeline is not well-aligned with that of the Program as determined by the National Development and Reform Commission (NDRC) and the Guizhou Government. The ACIF was only approved in December 2018. With the provincial Government undergoing administrative reorganization, it will take time to elaborate a clear institutional arrangement for ACIF operations. Considering its business model and preliminary governance structure, DOCA decided to put the ACIF outside the Program; otherwise, it could not have completed the due diligence of a WB operation as planned, including in-depth technical, legal and expenditure framework assessments. Although it is excluded from the Program, the Guizhou authorities plan for the ACIF to build a complementary relationship with the Program.12

**Figure 4. The Program Boundary Includes Five Prefectures and the General Budget**

<table>
<thead>
<tr>
<th>(a) Geographic Boundary</th>
<th>(b) Public Resources Boundary</th>
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<tr>
<td><img src="image" alt="Geographic Boundary" /></td>
<td><img src="image" alt="Public Resources Boundary" /></td>
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</table>

*Source: Task Team*

12 Annex 1 in the Technical Assessment provides more details about its objectives, scope, investment and governance of the ACIF.
30. The Program design follows an elderly-centered approach and groups the proposed activities into three interlinked Results Areas (RAs). The activities in Results Area 1 (RA1) contribute to increased equity through expanded coverage of basic aged care services. The activities in Results Area 2 (RA2) are related to the quality of aged care services. Finally, the activities in Results Area 3 (RA3) help enhance the efficiency of aged care public financing.

31. All activities are interlinked, complementing and affecting each other. All the activities are closely connected to one another, both within and across RAs. For example, within RA1, the needs assessment informs the target population to be eligible for the basic package, the definition of the basic package will define what services they have access to, and both will determine how many vulnerable elderly with functional limitations will benefit from it. At the same time, the basic package is determined by the amount of resources the government will dedicate to services vis-à-vis other expenditure rubrics as well as the cost of services, which depends in turn on the quality standards established. Similarly, more services included in the basic package could reduce coverage for a given budget, or more efficient provision by private providers could decrease the cost of services and increase coverage. Hence, the policies and activities need to be planned carefully as they affect each other.

32. Results Area 1: Expanding coverage of basic aged care services for the elderly. Activities to be included in the Program boundary are to: (a) develop a needs assessment toolkit for measuring the functional limitations of the elderly and carry out needs assessment at the district/county level; (b) define the basic package of aged care service and level of subsidy for the basic package; (c) define eligibility criteria for the elderly accessing the basic package of aged care services based on individual functional needs and an income/assets test; and (d) deliver the basic package of aged care services in urban and rural areas, covering the three tiers of home and community-based care, and institutional care, with an emphasis on home and community-based care.

33. Results Area 2: Enhancing quality of aged care services for the elderly. Activities to be included in the Program boundary are to: (a) improve and implement aged care quality standards for facilities and services; (b) introduce case management and promote coordination of aged care and health care services at the home, community, and institutional levels; (c) enhance and expand aged care skills by providing training to wage and family caregivers, professionals, managers, and government officials, job subsidies to wage caregivers, and subsidies and respite services for family caregivers; and (d) establish a provincial cloud platform for service delivery, quality enhancement, and public financial management.

34. Results Area 3: Strengthening efficiency of aged care financing for the elderly. Activities to be included in the Program boundary are to: (a) enhance the planning and utilization of public financial resources in the aged care sector by introducing a zero-based budget (ZBB) reform; (b) refine the decision process for new infrastructure investments in the aged care sector to comply with the provincial investment management guidelines; (c) enhance the service delivery and management of public aged care facilities through the promotion of institutional reforms and
enable the participation of private providers and operators in the aged care sector; and (d) establish a monitoring and evaluation (M&E) system, including setting up a provincial M&E framework, collecting quality data, and carrying out evaluations.

Figure 5. Policy Emphases for Interventions

3. Program Strategic Relevance and Technical Soundness

3.A. Strategic Relevance

35. Three key priorities in aged care were identified for China going forward. Given the objectives of the government of Guizhou—expanding the services to meet the growing elderly care needs of the population and develop the aged care market—and similar conclusions from examination of the sector at the country level, the priorities are to: (a) build the government’s stewardship capacity and develop relationships with private sector providers; (b) empower
consumers by shifting subsidies toward services and care recipients, not beds and providers; and (c) extend LTC financing in a systemic yet sustainable way. This Program proposes to tackle aspects of all three areas.

36. **The stewardship function is needed when services are privately provided, to address problems arising from information asymmetries.** Given the information asymmetries present in some aged care services, competition can help control prices and quality distortions only for some segments of the market. Hence, the stewardship role of the government is critical to ensure the quality and safety of the various aged care services provided, particularly those related to institutional care, dementia, and qualifications of providers, among others.

37. **While the need for formal aged care services is growing, there is still no effective demand for them, which can only be promoted and sustained through service subsidies.** As more extensively discussed in the next section, the need for formal aged care services is increasing given the growing number of elderly with activities of daily living (ADL) limitations and the unsustainability of the model of filial piety as the sole source of care. Without government subsidies, only high-income families will be able to purchase aged care services sold in the market. Government intervention through the provision of subsidies will (a) allow the middle class to have access to these services; and (b) influence the prices of these services, with the government becoming the largest purchaser. Allowing the government to set prices will also help allow at the same time to tackle price distortions coming from information asymmetries.

38. **Even if addressing LTC financing requires a holistic approach, there are immediate actions that can be taken to address some of the weaknesses.** While private insurance is perhaps the most reasonable vehicle in the long term in China, this is not yet an option that would appeal to myopic consumers or would be possible considering the moral hazard that exists if the insurance is private and on a voluntary basis. Hence, in the short-term, the best approach for sustainable aged care financing is to maximize the allocative efficiency of the growing aged care budget and to leverage private resources as much as possible. The increased public spending could partly be recovered through the multipliers effects that the expansion of the aged care sector will generate.

### 3.B. Technical Soundness

39. This section presents the aging problems and then the solutions proposed by the Program to achieve the PDO, through a discussion of a theory of change by RAs.

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13 Glinskaya et al. (2019).
Challenges in Developing Guizhou’s Aged Care System

40. **Like the rest of China, Guizhou has grown old quickly.** Guizhou had a total population of 35.8 million in 2017, of which 10.4 percent or 3.7 million people were above 65 years of age.\(^\text{14}\) Guizhou became an aging society in 2003 (Figure 6a). The pace of population aging has been rapid, largely driven by declining fertility, rising life expectancy, and outmigration of the young population from Guizhou.\(^\text{15}\) The pace of population aging is going to persist: the number of people above age 65 is projected to be 4.3 million in 2020 and 6.2 million in 2030, accounting for 11.7 percent and 16.0 percent of the total population, respectively.

41. **However, Guizhou is not as well-off as the rest of China, which makes addressing this development challenge more difficult.** Guizhou’s income level is still low at GDP per capita of RMB 37,956 (USD 5,582) in 2017—only 63.6 percent of the national GDP per capita—which poses great challenges to the development of the aged care system. Guizhou is also the poorest province in the country. Around 5 million people living in Guizhou are poor, accounting for 9 percent of the total poor in China.\(^\text{16}\) Official statistics show that older adults are the group in China which is less likely to escape poverty and has benefited the least from the gains of growth; indeed, poverty incidence among older adults has increased.\(^\text{17}\)

42. **The formal provision of aged care services in Guizhou is less developed than in richer provinces in China, and most aged care services are provided by family members.** As shown in Figure 6b, most aged care services in Guizhou are provided by spouses and children, following the tradition of filial piety, typical of the country. The provision of formal care has, to date, been rare and under-developed in China and Guizhou. Only a tiny portion of the elderly received aged care services from nursing homes and community centers, benefiting mostly welfare recipients (urban *Sanwu* people and rural *Wubao* People).\(^\text{18}\) In 2017, the number of welfare beneficiaries in Guizhou was 89,000, about 2 percent of its total elderly people aged 65 years old and above. Among them, 4,000 were urban *Sanwu* people and 85,000 were rural *Wubao* people.

\(^{14}\) The size of Guizhou’s total population is 1.5 times the total population of Australia, more than half the total population in France, and equivalent to the total population of Canada.

\(^{15}\) From 2005 to 2016, net outmigration in Guizhou rose from 1.4 million to 9.0 million. In 2005, the total hukou population and total residential population in Guizhou were 38.7 million and 37.3 million, respectively. In 2016, they were 44.6 million and 35.6 million, respectively.


\(^{17}\) In China, the elderly represent a higher proportion of the poor population, increasing from 11 percent to 15 percent between 2010 and 2015. For more details see Freije et al. 2017

\(^{18}\) In urban areas, they are referred to as ‘three no’s’ (*Sanwu*)—people who have no legal guardians to support them, no ability to work, and no source of income. In rural areas, people who qualify as ‘five guarantees’ (*Wubao*) are the elderly for whom the local government guarantees food, clothing, housing, medical care, and burial expenses.
Figure 6. Population Aging and Aged Care Provisions in China and Guizhou

Source: For Panel A, National Statistical Bureau, 2017 China Statistical Yearbook, 2017 Statistical Bulletin of China’s National Economy and Social Development; and Guizhou Statistical Bureau, 2017 Guizhou Statistical Yearbook, and 2017 Statistical Bulletin of Guizhou’s National Economy and Social Development. For Panel B, World Bank staff calculations based on the 2015 China Health and Retirement Longitudinal Study (CHARLS) survey. Note: For Panel B, (a) categories (for example, cared for by spouse and cared for by other family member) are not mutually exclusive, and therefore they sum up to more than 100, and (b) considering the small sample in Guizhou, Yunnan and Guangxi were added to generate the estimates.

43. As a result of population aging and changes in social norms and labor market pressures, the need for aged care services has been increasing. The official estimate of elderly with functional limitations and dementia in Guizhou was about 1.1 million in 2017. In the coming years, the likelihood of developing functional limitations will increase significantly as people become older and will be even more severe for the rural population (Figure 7). The increasing need for aged care services is obviously difficult for families to shoulder because family size has shrunk, and the 4-2-1 family structure cannot provide care without compromising labor market participation. Therefore, it is crucial to develop an efficient and sustainable aged care system that draws on the combined resources of families, the state and the market to address the challenges of population aging.

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19 According to the fourth China Rural and Urban Elderly Survey, the number of elderly with functional limitations and dementia was 40.5 million in 2015.
The increased investment has been geared towards infrastructure in institutional care, leaving gaps in terms of quality of services, provision of a continuum of services, and urban-rural equity. During the 12FYP period, the total number of ACFs in Guizhou rose from 986 to 1,380, and total beds increased from 25,000 to 164,000. This expansion was driven by public investment; the number of private ACFs rose only from 55 to 92, the number of beds increased from 2,800 to 9,000. In urban areas, public and private ACFs provide various aged care services, but their types and quality vary significantly across providers. Although the 12FYP policy target for number of beds per 1,000 elderly population was achieved, the occupancy rate declined sharply in both urban and rural areas (Figure 8). The reason is the limited number and low quality of services. In rural areas, public welfare homes largely provide shelter instead of comprehensive care. They are occupied mostly by single and widowed poor men who lack family support. Therefore, the authorities have decided to shift policy priorities by improving the diversity and quality of services instead of investing in more beds and civil works.

Figure 8. Occupancy Rate of Beds in ACFs in Guizhou: 2010-2015 (Percentage)
45. **Guizhou has started to experiment with business models that promote coordination between aged and medical care, as well as home and community-based care.** By the end of 2015, Guizhou had established 1,011 urban community-based aged care service centers or stations (including 329 urban daycare centers), covering nearly half of total urban communities; 3,203 rural aged care service stations, covering 19 percent of rural communities; and 3,204 rural happiness homes in all townships. Most urban and rural community daycare centers or service stations are short of staff and financial resources for delivering a wider range of home and community-based care services beyond food and shelter. Moreover, appropriate aged care standards are missing. Finally, Guizhou has also launched various health reform programs (e.g., the Basic Public Health Services Program) and started to pilot different mechanisms to strengthen the coordination between health sector and aged care sector. However, it will take time to identify suitable business models for scaling-up.

46. **While Guizhou has started to make progress in developing aged care standards to ensure the quality of provision, more efforts are needed in this area.** By the end of 2016, 11 national-level sector-wide standards associated with aged care had been promulgated, 19 were under preparation, and 35 were yet to be developed. Guizhou issued its provincial “Community/Home-Based Aged Care Service Standards” in 2016, and two more standards regarding institutional aged care services and institutional constructions are ready for review. In practice, national construction standards appear to be enforced and respected in most of the newly-built facilities in Guizhou, but significant noncompliance with some standards can still be seen in old facilities, such as the prevalence of slippery marble floors. Facility standards can be developed further, and there are evident gaps in aged care service standards. The enforcement of the existing standards also needs to be strengthened.

47. **Guizhou has a shortage of skilled care workers to provide quality services and manage the system efficiently.** The lack of adequately trained staff is a major barrier to quality improvements in institutional eldercare. In most cases, staff in residential care facilities have low general education levels and lack sector-specific training compared with Western countries. In urban facilities, wage caregiver staff are migrant workers from nearby rural areas or locals who were laid off from state-run enterprises. To address this challenge, Guizhou has started to increase public investments in human resources development, but the training programs in the aged care sector are still quite small. During the 12FYP period, the number of caregivers trained with certificates increased from 98 to 3,230 (largely short-term pre-job training), and several local TVET schools opened new courses and offered short-term training programs. Notably, no actions have been taken yet toward increasing job attractiveness as in other high-income countries. The training needs are huge, including pre-job and in-service training for caregivers as well as skills development for professionals, managers, nurses, doctors, and government officials at the provincial levels and in all the prefectures. A preliminary lower-bound estimate shows that more than 31,000 caregivers and professionals need to be trained, which would cost RMB 80 million in
inputs (see background paper Liao 2018 for more details).

48. **Although the different levels of government have increased public inputs for the aged care sector significantly, public financing is fragmented in a decentralized financing environment, and a mechanism for consolidating public financial resource to improve their performance is lacking.** From 2015 to 2017, total public spending for the aged care sector in Guizhou nearly doubled from RMB 1.63 billion to RMB 2.72 billion. The money comes from three major sources: general budget, WLFs, and ear-marked investment funds, which involved the provincial Development and Reform Commission (DRC), Finance, and DOCA. Within each department, a few divisions are involved in planning, budgeting, accounting, allocating and managing different types of government projects related to the various aged care activities, causing duplication and overlap in infrastructure investment and crowding-out investment for aged care services. Out of the total public investment, only about one-third goes to aged care services, while nearly half is invested in the construction of the residential homes. Therefore, it is important to introduce a mechanism for pooling public financial resources in the aged care sector for better planning, budgeting and utilization to ensure fiscal affordability and financial sustainability.

49. **Despite a lack of experience in building partnerships with the private sector, Guizhou aims to increase this modality of service provision.** While this is a risky move in the short run given the low number and weak capacity of local private service providers, this is the way most governments around the world operate and a way to develop the private market.\(^{20}\) The government can create a steady demand for private service provision that will incentivize firm entry by either providing subsidized services (for which the government pays service providers directly for part or all of the costs) or through vouchers given to end-users. Guizhou, like most OECD countries, has chosen the first modality.\(^{21}\) Hence, Guizhou will be entering into partnerships with various private providers, which could be for-profit or not-for-profit organizations. Clients will then choose their preferred service providers, thereby creating market competition. To that end, fair and transparent rules are needed to enable the market entry and survival of private providers.

50. **Regulatory oversight and monitoring, especially of the private and mixed sectors, are weak in Guizhou and call for actions.** Rules related to the following three areas need to be in place: (a) establishment of standards for licenses for opening; (b) compliance with quality of operating standards; and (c) penalties and suspension of licenses for non-compliance (or alternatively rewards/incentive system). Monitoring of these rules can be done by a government agency or outsourced to independent private sector agencies. Currently, Guizhou has no unified

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\(^{20}\) See World Bank (2015) background note on international experiences in the design of aged care system produced by the World Bank for the Government of Chile.

\(^{21}\) According to World Bank (2015), the creation of demand through cash benefits given directly to end-users is increasing in OECD countries (e.g., the Netherlands, Germany, Eastern Europe, and England) for certain benefits.
information system that collects and keeps data on both public and private providers. There are some checks of the services provided that are commissioned by public agencies, but the government lacks a robust system to hold these external providers accountable for the services delivered. The government also needs to set up a management and evaluation system for home and community-based care organizations, for which quality monitoring is more difficult given the wide range of services provided in varied settings. The system should enable monitoring of the care needs of elderly people and produce data that can be used for quality improvements.

51. **In terms of financing, while Guizhou has been increasing the funds channeled into aged care, the efficiency of public resources needs to be improved urgently.** First, expenditure planning is inadequate, partly due to the multiple sources of financing which will be referred to hereafter as financing fragmentation. While this situation is common when resources come from different government levels (see Section 4), mechanisms are usually put in place to allocate all available resources through different sub-programs and activities efficiently, particularly when those funds are not earmarked to any subprogram. However, Guizhou does not have any of these mechanisms in place. At the macro level, there is no evidence-based expenditure needs assessment and planning based on the totality of available resources. At the meso-level, the large investments in infrastructure are not widely planned and they do not consider a market analysis nor existent infrastructure gaps. At the micro level, the operating and administrative processes are weak, and good models of public-private partnerships (PPPs) are lacking.

*Theory of Change*

**Results Area 1: Expanding coverage of basic aged care services for the elderly**

52. **The objective of the proposed Program activities under RA1 is to expand coverage of basic aged care services.** Specifically, expanding coverage refers to providing more services to a larger group of elderly. This would include: (a) increasing the focus on home and community-based care services instead of beds, buildings and infrastructure; (b) continuing provision of aged care services for urban Sanwu and rural Wubao people for whom the government has committed; and (c) expanding the coverage of basic aged care services to the Dibao and low-income elderly, empty-nest elderly, and senior elderly with functional limitations.

53. **To achieve this result, the proposed activities strengthen the key building blocks of the service delivery chain** (Figure 9). Activities to be included in the PforR boundary are to: (a)

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22 As discussed in World Bank (2015), regulating and monitoring home- and community-based care services is so much more difficult that not all OECD countries do it. For example, in the United States, the agencies that provide home-based care need to be certified. In Australia and the Netherlands, the certification of community-based care is outsourced. In all cases, monitoring mostly focuses on the facility, training of the staff, and prevention of abusive situations exerted by the care receiver.

23 This is typical in federal countries, and it is observed for other public spending such as education, health, and so on.
develop a needs assessment toolkit for measuring the functional limitations of the elderly and carry out needs assessment at the district/county level; (b) define the basic package of aged care services and level of subsidy for the basic package; (c) define eligibility criteria for the elderly accessing the basic package of aged care services based on individual functional needs and an income/assets test; and (d) deliver the basic package of aged care services in urban and rural areas, covering the three tiers of home and community-based care, and institutional care, with an emphasis on home and community-based care. These activities are expected to contribute to improved equity, quality, and efficiency of aged care services. As described below, these activities are closely related to those in Results Area 2 and 3. The specific design of each sub-activity is described below.

**Figure 9. Phases of the Delivery Chain for Aged Care Services**

![Figure 9. Phases of the Delivery Chain for Aged Care Services](image)

*Source: Task Team drew from Lindert [2017]*

54. The *needs assessment* measures the degree of functional limitation of the elderly and examines their personal, social, and medical care needs. This is one of two dimensions for eligibility determination of public aged care programs. Until recent years, China did not have a formal needs assessment system for measurement of functional limitations. Starting from 2008 with four-year pilots, MOCA issued the national *Elderly Ability Assessment Standard* and encouraged provinces to introduce the sector-wide guideline. The MOCA standard builds on the International Resident Assessment (InterRAI)/Minimum Data Set (MDS) from the United States, the Aged Care Funding Instrument (ACFI) from Australia, Easy Care from the United Kingdom, and the LTC Assessment from Japan. It covers four areas of ADL, mental health, sensation and communication, and social involvement, and it uses a set of tables and indicators to measure the degree of functional abilities for the elderly. Based on the individual score for functional limitations, four levels of disability are classified: (a) non-disability, (b) low level, (c) medium level, and (d) high level. Usually, individual functional ability needs assessments are complemented by an assessment (made by a case manager) on household living conditions—including the family structure—which further determines the needs of the elderly and the household.

55. In Guizhou, the national functional limitation assessment is not evenly used. A few public welfare homes have started to pilot the national standards, but most aged care institutions—
both public and private—have developed their own assessment tools. Those tools vary significantly and are mostly used for pricing and internal management.

56. **The Program will develop and put into practice a standardized provincial needs assessment toolkit.** The toolkit will consist of a sequence of three assessments that determine from ‘what’ the elderly could benefit from based on their limitations. First, an (uniform) ADL assessment is conducted, usually by a health technician. Second, a household environment assessment is conducted to determine how disabling the functional limitations are for the individual. For now, an assessment of the needs of children and adult household members living with an elderly person with functional disabilities will not be included. The living conditions are usually assessed by a trained case manager. Based on these two assessments, a combined score of needs is produced. Finally, the needs are mapped to services from the basic package. The toolkit is complemented by manuals for the practitioners to implement the assessments and record the results in the cloud.

57. **A preliminary version of the needs assessment toolkit is already prepared and is being tested on a small scale in urban areas.** During the first year, the needs assessment toolkit developed under the Program will be piloted in some districts and counties. In the second year, the provincial needs assessment toolkit will be implemented and scaled up to cover more districts and counties in the five selected prefectures. At the completion of the Program, all districts and counties in the selected prefectures under the Program will establish mechanism for regular needs assessment. Finally, after Program completion, the provincial needs assessment toolkit is expected to be applied province-wide. The needs assessment will enable Guizhou to direct the resources more efficiently to increase the coverage and quality of the basic package of aged care services.

58. **The needs assessment jointly with a means-test will determine eligibility for the basic package of aged care services.** The needs assessment should be available to all of the population above 60 years of age, which is the age threshold in China. However, Guizhou DOCA and the local implementing authorities will start by delivering the needs assessment to those who are already living in government facilities and receiving welfare benefits (Sanwu and Wubao). In the third year of the Program, the outreach will include the Dibao individuals. In the fourth and fifth year, it will include other low-income elderly and elderly with dementia and functional limitations. Hence, the Program does not invest much in outreach at the outset, as the population to be served is already benefiting from government programs. After Program completion, Guizhou should have the capacity to assess all of its population above age 60 and develop broader outreach strategies. The needs assessment will be complemented further by an economic assessment to determine

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24 For example, in family structures of 2-0-1, which are common in China with adults migrating, a more comprehensive assessment of the household could help determine whether the minors or other elderly without functional limitations need further support.
eligibility for the basic package.

59. **The basic package comprises a list of fully or partially publicly financed aged care services.** The concept of the basic package aims to concentrate scarce resources on interventions that provide the best ‘value for money.’ The basic package will contain a list of aged care and medical services and a subsidy of varying degree for each service, such as Australia’s Home Care Package Program (Box 2). In Guizhou, the basic package will cover the three tiers of home, community- and institution-based care services. Like the concept of the minimum/essential health package services widely used in the health literature, the formulation of the basic package will consider: (a) breadth (Who is the target population of the elderly?); (b) scope (Which care and services will be included?); and (c) depth (What proportion of the care service cost will be publicly financed?).

**Box 2. Home Care Package Program in Australia**

The Home Care Package Program in Australia delivers a package of home care services to assist people in continuing to live at home and enables consumers to have more choice and flexibility in the aged care support provided. It separates from other programs for short-term and flexible care (in home or residential care settings for situations such as restorative care, transition from hospital, or recovery from an accident or illness), entry-level support at home (the Home Support Program includes help with housework, personal care, meals and food preparation, transport, shopping, allied health, social support, and respite care services), and residential aged care (personal and nursing care in aged care homes for older people unable to live independently in their own homes).

The program provides four levels of support: basic care needs (AU$8,000), low-level care needs (AU$14,500), intermediate-level care needs (AU$32,500), and high-level care needs (AU$49,500). Each level of home care package provides a different subsidy amount. This amount is paid to an approved home care provider that the client has selected. The subsidy contributes to the total cost of individual service and care delivery. It is also expected that the client will contribute to the cost of his/her care through a basic daily fee and, in some cases, an income-tested care fee.

The home care package funds can be used to purchase services from the approved list, including: (a) personal care, such as help with showering, dressing, and moving around the home; (b) support services, such as help around the home, visiting the doctor, and attending social activities; (c) nutrition services such as assistance with preparing meals, including special diets for health, assistance with using eating utensils, and assistance with feeding; and (d) clinical care, such as nursing, allied health, and physiotherapy for mobility and strength. Approved home care providers work in partnership with the elderly to tailor care and services to best support individual needs. The home care package funds cannot

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be used as a general source of income for items such as day-to-day bills, food, mortgage payments or rent.


60. **The basic package will be developed under the Program.** In principle, the development of the basic package of aged care services will take into account the degree of ADL limitation of the elderly and their care needs, individual and family economic conditions, and government fiscal and financial capacities at different levels. To design the basic package, Guizhou needs to collect quantity and quality of data from the elderly, facilities, and institutions to estimate unit costs and link with the public budget to determine the level of subsidy for each service. Guizhou has started to collect information for formulating such a basic package in the urban areas and will extend it to rural areas. In the first year of the PforR, Guizhou will formulate the provincial basic package catalogue, including a suggested level of subsidy. For the ongoing provision of aged care services to Sanwu and Wubao people, the current lumpsum package will be broken down to keep it consistent with the provincial basic package catalogue. In the second year, the provincial basic package will serve as the minimum requirement to be implemented and will be scaled up in districts and countries of the Program prefectures. Local governments could top up if they enjoy good fiscal capacities. By the end of the Program, all districts and counties in the selected prefectures will have adopted the basic package and eligibility standards set by the provincial DOCA. After the program, Guizhou plans to roll out the basic package to the rest of the province.

61. **The eligibility criteria determine who is eligible to receive the basic package of aged care services.** In many high-income countries, the public provision of aged care services is delivered in the form of subsidies that vary in level depending on the income level of the elderly, the severity of the functional limitations, and the household environment. This Program will use a means test for basic and low-level care needs, and an asset-test for intermediate and high-level care needs, relying on lessons from high-income countries. The results from both the needs assessment and income/asset means-test will determine the eligibility for a certain level of subsidy.

62. **The basic package of aged care services will be delivered through public and private providers.** For the existing welfare recipients, rural and urban public welfare homes will continue to play major roles in the provision of aged care services, but the quality and management of aged care services will be strengthened under the Program. To expand the coverage of basic aged care services, the provincial government has made it clear that a government purchase approach will be used. To do this, it must select qualified service providers, purchase basic aged care services from contracted service providers, and monitor the quality of delivered services, as further described below.

63. **The above activities, as well as those in other RAs, are highly interconnected and necessary to expand coverage of the basic package of services.** Figure 10 shows the causal chain of activities and intermediate outcomes to achieve the RA1 objective and the PDO. All the
activities of RA1 (not shaded text) are in fact needed for Guizhou to expand coverage and are very much interconnected. Activities in other RAs (shaded text) are also needed to deliver the basic package of aged care services. For example, the results from the needs assessment and the income/asset means test must be recorded in the cloud platform (RA2); the introduction of case management will also help with the household environment assessment of the elderly to complement the functional assessment; and the government must improve the budget planning to better satisfy the resource needs of delivering the new and enhanced basic package of services to a larger group of the population.

Figure 10. Causal Chain for Results Area 1: Expanding Coverage of Basic Aged Care Services for the Elderly

Notes: The text in shaded squares corresponds to activities in RA2 and RA3 that are highly intertwined and needed to achieve the objective of RA1.

64. Activities in RA1 also contribute to increased quality of services and efficiency. For example, the needs assessment data of the elderly which will be collected and regularly updated will inform planning, eligibility determination, service delivery, case management, quality enhancement, budgeting and financing. Similarly, the information on the provincial basic package catalogue will be linked to the provincial information system and used to inform budgeting, transfer, financial management (FM), and performance evaluation. In addition, the catalogue for purchase of services will contribute to the monitoring and the efficient use of resources.

65. Three DLIs will be used to measure the results in RA1. The DLIs are described here
and are indicated in Figure 10 in yellow.

- **DLI1.** Development of the needs assessment toolkit and number of Program districts/Program counties where implementation of the needs assessment toolkit has occurred;
- **DLI2.** Development of the basic package of aged care services and number of Program districts/Program counties where implementation of the basic package of aged care services has occurred; and
- **DLI 3.** Number of the eligible elderly receiving the basic package of elderly care services (PDO1).

**Results Area 2: Enhancing quality of aged care services for the elderly**

66. **The objective of the proposed program activities under RA2 is to enhance the quality of aged care services for the elderly.** Activities to be included in the PforR boundary are to: (a) improve and implement aged care quality standards for facilities and services; (b) introduce case management and promote coordination of aged care and health care services at the home, community, and institutional levels; (c) enhance and expand aged care skills by providing training to wage and family caregivers, professionals, managers, and government officials, job subsidies to wage caregivers, and subsides and respite services for family caregivers; and (d) establish a provincial cloud platform for service delivery, quality enhancement, and public financial management. These activities are expected to contribute to improved quality of aged care services (Figure 11), and because of the various interlinks, they also contribute to other RAs. The specific design of each sub-activity will be described below.
67. **The quality of care is typically measured using structure, process, and outcome indicators.** In OECD countries, elderly care systems rely heavily on inspection and regulation of LTC providers to ensure quality. Quality standards usually cover facilities (construction, equipment and services), but less often include services at home. Instead, for services provided at home, it is more common to see standards for qualifications and the training provided to staff. Quality standards are also needed to provide licenses to open facilities and for continuing operations. All countries with aged care standards have enforcement systems through inspections, but the frequency with which they are carried out varies. Another important element of the enforcement process is the definition of penalties and grace periods when facilities are found not to be in compliance with standards. In OECD countries, a shift can be seen from penalties to incentives for those operators with good performance.

68. **Improving aged care quality standards involves various steps.** These include: developing a provincial quality standards framework; enforcing a few key provincial standards while testing more innovative ones (especially for services); enhancing capacities to write detailed specifications, protocols, and contracts for aged care services; and providing training for monitoring, inspection, and implementation of aged care quality standards. By the completion of
the Program, Guizhou plans to have established a comprehensive aged care quality standards system that enforces both infrastructure standards and service standards. Guizhou has started to review the existing aged care standards formulated at the national, provincial, and local levels as well as the compliance status of ACFs and service providers.

69. **Case management plays an important role in delivery of quality aged care services.** OECD countries have extensive experience in case management, which normally involves a collaborative process with five phases of screening, assessment, planning, implementation, and monitoring to fulfil the individual care needs of the elderly and help promote quality and cost-effective outcomes. The approaches and institutional arrangements for case management differ based on country context, heterogeneity of care needs, tier of care services, and modern technology. For example, in France, case managers work with a professional team comprising coordinators and caregivers in planning, coordinating, and delivering skilled nursing care services for the elderly at institutions, and they employ some platforms and community networks to manage the delivery of home care services. Japan developed a comprehensive case management approach for the elderly with dementia.

70. **Case management is a new concept for China, and Guizhou plans to pilot it under the Program.** Case management will be essential for increasing coordination among the three tiers of aged care and between aged care and health care. Guizhou plans to experiment with various case management models in rural and urban areas for home and community-based care services, and institutional care services and to explore coordination mechanisms among the three tiers of aged care services to build up a continuum care for the elderly. Under the Program, Guizhou will pilot home and community-based care, signing contracts with family and village doctors to deliver coordinated aged care and health services and encouraging local hospitals and aged care institutions to build effective partnerships. This should promote better quality of care for the frail and disabled elderly and those with dementia.

71. **A mechanism to promote coordination between medical care and aged care will be introduced to improve the quality of aged care services and avoid duplication of efforts.** Under the Program, Guizhou will pilot and scale up network coordination of best service models at the home-based and daycare level using good practices from OECD countries (Box 3 and Box 4), review the current practices of care coordination between hospitals and aged care institutions and develop guidelines to promote best models at the institutional level. More efforts will be made to encourage communities to use the health records of the elderly for the needs assessment and to sign contracts with family and village doctors for delivery of basic health services and health management. In addition, partnerships following the best models will be strengthened between local hospitals and aged care institutions to improve the quality of care for the frail and disabled elderly and those with dementia. Guizhou DOCA and Health and Family Planning Commission (HFPC) confirmed that the coordination between aged care and medical care is “to motivate and integrate the existing services, rather than building new facilities.”
Maisons Autonomie Intégration Alzheimer\textsuperscript{26} (MAIA) is a French coordination-type model developed for the elderly which started functioning in 2009. Part of the creation of MAIA was a response to a challenging situation: by 2011, more than 20 percent of the French population was over 60 years of age and there was a great disparity in the availability of services. The demographic shift also revealed the fragmented nature of the French health care system. The fragmentation is noticeable at all levels of responsibility with no single institution being able to determine gerontology policy and with few links between the social care and healthcare sector.

MAIA defined integration as an effective coordination of actors and funding bodies designed to simplify the daily lives of sick people, improve the well-being of caregivers, and provide the best care and services for all. The model does not limit clients to patients; instead, it views both elderly people and their caregivers as the target population. A substantial proportion of dementia care is provided outside the formal health care setting by family members who are either elderly spouses or younger members. It is essential to provide comprehensive, coordinated, and tailored care for both patients and caregivers to improve their quality of life. The unfulfilled needs of people with dementia are correlated with higher rates of nursing home admission and death.

MAIA includes six key elements: (a) round-table coordination involving all stakeholders in the medical, social, administrative, and environmental fields at all levels of responsibility; (b) single entry point; (c) multidimensional standardized assessment tools; (d) individualized service plan; (e) shared clinical files; and (f) case management. A pivotal aspect is that MAIA does not replace the existing system but provides a structure for improving coordination. All the participating organizations combine some of their resources, jurisdiction, and prerogatives, thereby moving their respective boundaries.

The MAIA project is innovative in terms of how it reconciles top-down and bottom-up approaches. At the clinical level, the project is implemented by setting up local pilots in each site and recruiting well-trained and experienced case managers. Case managers play a significant role in terms of coordinating among stakeholders and interacting with clients. They provide long-term and intensive follow-up for individuals presenting complex situations such as family conflicts, social isolation, and medical complications. The local pilots embody a bottom-up approach of integration. At the macro level, the creation of ARS (Regional Health Agency) in 2010 helped unify health care, medical, and social sectors by organizing them under the same legal and funding framework. It simplified the governance through a top-down approach.


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\textbf{Box 3. French MAIA Coordination Model}

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\textbf{Box 4. Integrated Care Model for Elderly: the Quebec Model “PRISMA”}

The Program of Research on Integration of Services for the Maintenance of Autonomy (PRISMA)\textsuperscript{27} is a collaborative research partnership designed to develop and implement mechanisms and tools to enable
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\textsuperscript{26} Homes for the Integration and Autonomy of People Suffering from Alzheimer’s or Associated.

\textsuperscript{27} Programme de recherche sur l'intégration des services pour le maintien de l'autonomie [in French].
integrated services delivery for frail older people. It aims to improve the health, empowerment, and satisfaction of frail older people and their informal caregivers. Canadian elderly care was facing fragmented financing, regulations and other challenges.

The PRISMA model contains six features: (a) coordination among services; (b) single point of entry; (c) case management; (iv) unique assessment tool; (d) individualized service plan; and (e) information tool. All those features work together to deliver promising outcomes. Clients can reach out for help through phone or written referral, and the single-entry point is the mechanism for screening clients’ needs and providing access to all institutions and community organizations. A case manager would be responsible for conducting a thorough assessment of the clients’ complex needs, planning the required services and arranging for clients. The case manager will also discuss with a multidisciplinary team to develop an individualized service plan for clients. All professionals from all organizations use the single assessment instrument to evaluate clients’ needs to avoid duplication of clients’ information and reduce administrative work. Case managers and professionals use a shared information tool to ensure that everyone is on the same page (Hébert 2003).

Coordination is at the core of the model. In the early stage, one of the main challenges was gaining tangible cooperation from agency administrators. The research team first implemented coordination at the strategic level by creating a Joint Governing Board of all health care and social services organizations and community agencies, where people could agree on orientations and policies. At the tactical level, a service coordination committee will be established to monitor service mechanisms and facilitate adaption of the service continuum. At the clinical level, a multidisciplinary team will examine clients’ needs from a holistic perspective and come up with an individualized plan to best serve patients and their caregivers. Increasing the coordination of care services has the potential to provide many benefits, including increased access, greater efficiency, and improved care outcomes.

In contrast, PRISMA uses all the public, private, or voluntary health and social service organizations involved in caring for older people in a given area. The model implies a systemic change of the health and social services system as a whole. PRISMA is embedded within the usual healthcare and social services system without adding extra cost, with every organization keeping its own structure and participating under an umbrella system. The model requires a shift from the traditional institution-based approach to a client-centered approach and involves tremendous coordination efforts at all levels of the organization.


72. A provincial cloud platform will be established to take advantage of modern information technology (IT) to support service delivery, quality enhancement, financing and management in Guizhou. This activity will be carried out by the provincial DOCA. Learning from international and domestic experiences on large IT projects, Guizhou will establish its PCP in three phases: (a) develop the overall architecture design, (b) test and pilot the prototype of the PCP, and (c) scale up the PCP. With the established provincial cloud platform, an information network from province to prefecture, to district/county, and down to street/township will be established. Mobile applications and terminal equipment will be supported, and essential data will be connected, shared, and utilized for service delivery, quality enhancement, budgeting and decision making. The cloud and its applications will give older adults access to the information on the services for which they qualify, providers and their quality performance, which will all
contribute to improved access, quality, and efficiency in the aged care system.

73. **Expansion of human resources and skills enhancement will be a province-wide activity.** Under the Program, the provincial DOCA plans to organize training programs targeted at caregivers, professionals, managers, administrators, and government staff. At the same time, Guizhou plans to increase job attractiveness in the aged care sector and provide financial support for family caregivers. Before launching the training programs, DOCA will carry out training needs assessments by prefecture, review the training capacities of candidate training institutions and schools, purchase training services from qualified training providers, and monitor and assess the quality and outcomes of training activities for the next round of planning and budgeting. In addition, DOCA will develop a job subsidy for caregivers at ACFs as well as support measures for family caregivers such as respite services. With such Program interventions, more formal caregivers should receive different types of training by time (short-term, medium-term and long-term training) and by nature (pre-job training, in-service training and degree education), leading to skills upgrading and more stable and profitable jobs to increase the job attractiveness in the sector and improve the quality of services.

74. **RA2 has two DLIs to measure the results**, indicated in Figure 11 in yellow.
   - **DLI 4.** Development of the aged care quality standards and number of facilities complying with the aged care quality standards (PDO 2);
   - **DLI 5.** Number of wage caregivers receiving training and certification in the aged care sector.

Results Area 3: Strengthening efficiency of aged care financing for the elderly

75. **The objective of the proposed Program activities under RA is to strengthen the efficiency of aged care financing for the elderly.** The design of the proposed Program activities focuses on how to best manage public resources from various sources for planning, budgeting, spending, monitoring, and decision making. The interventions will use existing fiscal budget lines and expenditure framework, but new policy guidelines will be formulated to better plan the allocation of resources across different sub-programs and expense categories, prioritize the allocation of public resources and send appropriate signals to mobilize social and private capital, which in turn will help achieve the Program objectives in RA 1 and RA 2. Activities to be included in the PforR boundary are to: (a) enhance the planning and utilization of public financial resources in the aged care sector by introducing a zero-based budget (ZBB) reform; (b) refine the decision process for new infrastructure investments in the aged care sector to comply with the provincial investment management guidelines; (c) enhance the service delivery and management of public aged care facilities through the promotion of institutional reforms and enable the participation of private providers and operators in the aged care sector; and (d) establish a M&E system, including setting up a provincial M&E framework, collecting quality data and carrying out evaluations. These activities will be expected to contribute to improved efficiency in the aged care system, and through allocative efficiency, more resources could be allocated to expand coverage and improve
the quality of services (Figure 12). The specific design of each sub-activity is described in greater detail below.

**Figure 12. Causal Chain for Results Area 3: Strengthening Efficiency of Aged Care Financing**

Notes: the text in shaded squares corresponds to RA1 and RA2, but that are highly intertwined and needed to achieve the objective of RA3

76. **The Zero-Based Budget (ZBB) reform** will be introduced for aged care financing. The consolidation of public financial resources consists of pooling all public financial resources related to the aged care sector from various government levels to later be allocated to expenses following the provincial guidelines. This will be an important step to better plan, utilize, and manage the scarce public resources and establish a transparent and predictable transfer mechanism. Under the Program, Guizhou will formulate the provincial ZBB guidelines for the aged care sector in the first year and then will implement and scale up the provincial guidelines at the district/county

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28 The zero-based budget approach means that the new budgeting process would start from zero as its base and that budget planning, allocation and execution should be informed by actual local needs from market analysis and the gaps identified for the aged care system development. Traditionally, the incremental increase approach was applied for budgeting, using actual spending in the previous year as the base and added a marginal increase for the new budget in the coming year.
level in the following years. By the completion of the Program, all districts and counties in the selected prefectures will be expected to adopt and implement the provincial guidelines for the aged care sector. These interventions will contribute to increased efficiency, affordability, and sustainability of the aged care system in Guizhou.

77. **The decision process of investment will be improved, and new business models will be tested.** As with the ZBB guidelines, in the first year of the Program, Guizhou will formulate the provincial investment guidelines, which will set up the principles, scope, priorities, approaches, process, and procedures to guide infrastructure investment for the aged care sector. The provincial investment guidelines will then be adopted by and scaled up in the districts and counties of the selected prefectures. By the Program completion, all districts and counties will be expected to adopt the provincial investment guidelines. In addition, new business models will be explored for public welfare homes in rural and urban areas, urban community daycare centers, service stations, and rural happiness homes, together with infrastructure improvements. Those interventions aim to increase the efficiency of ACFs as measured by their occupancy rates.

78. **The Program will also mobilize social and private capital through PPPs.** In addition to public financing, the Guizhou provincial government wants to leverage private sector participation and mobilize private and social capital to maximize financing for development (MFD) for the aged care sector. Under the Program, two types of interventions are proposed: (a) formulating favorable policy measures and setting up mechanisms to enable private sector participation in service delivery, in particular for service providers/operators through a PPP approach, and (b) providing technical assistance to help set up mechanism and a complementary relationship between the PforR and ACIF. For the former, the provincial operational management guidelines will be formulated and adopted by districts and counties to promote institutional reforms for ACFs in rural and urban areas. For the latter, provincial guidelines will be formulated to establish mechanisms between the PforR and the ACIF that would help clearly define the scope, boundary and activities for each of them to build a complementary relationship between them. With these interventions, more ACFs will be operated by non-public operators under appropriate regulations, and more social and private capital will be channeled into Guizhou’s aged care sector to invest in service delivery, infrastructure improvement, and capacity building, which will contribute to increased efficiency and sustainability of the aged care system.

79. **Purchase of aged care services is a new business model in China and Guizhou for developing and managing the aged care sector.** In 2014, following the introduction of the government procurement innovation, specific policy measures on government purchase of

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29 The 2003 China Government Procurement Law covered civil works, goods and services; but did not include the purchase of public services. Realizing that the Government could cope with the challenges in provision of aged care
elderly care services\textsuperscript{30} were formulated, which put basic public elderly care services under the catalogue of government purchase of services. The policy measures encourage using public funds for procurement of (a) home, community and institutional care services for Sanwu and Wubao people, low-income and empty-nest elderly as well as disabled and semi-disabled elderly with economic difficulties; (b) vocational training and education and continuous education for caregivers; (c) elderly ability and care needs assessment; (d) service performance M&E; and so on.

80. **Guizhou aims to establish a comprehensive M&E system for the aged care sector.** Under the Program, with technical support from the World Bank and the AFD, Guizhou DOCA will develop an action plan on the M&E framework at the provincial level in the first year and then implement and scale up the provincial M&E framework at the district/county level in the following years. The M&E system will collect essential information and data from the administrative channels. This would include information from (a) the needs assessment of the elderly on individual characteristics (age, gender, education, and family composition), care needs (degree of functional limitations, types and tiers of care needed), and level of subsidy; (b) service providers on prices, revenues, costs, number of beds and occupancy, and compliance with quality standards; and (c) different levels of government on budget, expenditure, investment and subsidy. The M&E system will also include the household survey on the elderly and families, and the facility survey on service providers at three tiers to evaluate the impacts of Program interventions. With the essential information and data collected, annual assessment reports will be produced on service delivery, quality, financing and management to inform decision making and further reforms. By the completion of the Program, all districts and counties will adopt the provincial M&E framework and appropriate grievance mechanisms will also be established. These interventions will contribute to increased quality, equity, efficiency, and financial sustainability.

81. **RA3 has two DLIs to measure the results,** indicated in Figure 12 in yellow.

- **DLI6.** Development of the zero-based aged care budget planning and allocation guidelines and number of Program districts/Program counties where implementation of the zero-based aged care budget planning and allocation guidelines has occurred (PDO3);
- **DLI7.** Development of the operational management guidelines for public aged care facilities and number of Program districts/Program counties where implementation of the operational management guidelines for public aged care facilities has occurred.

\textsuperscript{30}See MOF, NDRC, MOCA and the National Aged Commission Office. 2014. A Notice on Government Purchase of Elderly Care Services; Ministry of Finance (MOF), MOCA and the State Administration for Market Regulation. 2014. An Interim Measures on Government Purchase of Services. According to those initiatives, the scope of government purchase of services includes basic public services, social administration services, sectoral management and coordination services, technical services, and others.
There are several gender gaps related to aged care. The gender gaps vary along many dimensions: some are against women, others against men; some gender gaps are more pronounced in rural areas than in urban areas and vice versa; some are more commonly observed among the poorest of the poor, others among middle-class families; and some involve the direct beneficiaries of the Program, other its indirect beneficiaries. First, we describe the various gender gaps observed in China—and most likely in Guizhou and discuss the gender gaps that the Program considers narrowing and how they could be monitored.

- **Disadvantaged group 1: men and women with unmet care needs.** The likelihood of having unmet care needs depends on various factors, which place men or women at a disadvantaged position. In general men and women over 60 years of age face different care needs since women are more likely to suffer severe ADL and instrumental activities of daily living (IADL) limitations, partly because women live longer. Focusing on the population with at least one ADL or IADL limitation, it is more likely to have unmet care needs if an elder person is unmarried, has no children, lives in rural areas, has no education, or lacks a pension. Among elderly with functional limitations, unmarried men (either single or widow) are the group with the highest proportion of unmet eldercare needs, even higher than unmarried women (in a conditional model it is estimated that 26 percent of unmarried men and 19 percent of unmarried women have unmet care needs). This is because most of the eldercare in China is provided by relatives, mostly by spouses and children, and the large majority of these unmarried men were never married and do not have children. These men are likely to be ‘bare branches’ (the term used in China for those who did not marry and have children), and as further described in the next paragraph, many of these bare branches men who receive care, are likely to live in rural welfare homes, with low quality of care. Married elderly are more likely to receive care, and among them, women are more likely to have unmet needs. This is mostly due to the fact that when elderly are still married with the spouse alive, care is expected and more likely to come from the spouse; however, men are more likely to provide care to wives than women to husbands. At the same time, children are more likely to provide care to mothers (and mothers-in-law) than fathers (and fathers-in-law), partly compensating for this gap but not fully. Chen et al. (2018) estimate that women are almost 30 percent more likely than men to have unmet

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31 For each age cohort over 65, the share of men with ADL limitations is lower than the share of women. For example, 9 percent of women ages 65-69 had an ADL limited functional ability compared to 8 percent of men. And the gap expands with age: 30 percent of women age 80 and over have ADL limitations compared to less than 25 percent of men. For a rich discussion on observed patterns see the first chapter of Glinskaya and Feng 2019.  
32 We follow the definition used by Chen et al. (2018) [Chen, Xinxin; John Giles, Yafeng Wang, and Yaohui Zhao. 2018. “Gender Patterns of Eldercare in China” Feminist Economics, 24 (2), 54-76.  
33 In China, 70 percent of women with care needs and 32 percent of men are illiterate [based on CHARLS data analyzed by Chen et al. (2018)). They are more likely to live in rural areas.  
34 Chen et al. 2018.
needs.  

- **Disadvantaged group 2: men living in rural welfare homes.** As noticed earlier, unmarried men are the group with the highest proportion of persons with unmet care needs. While there is no formal statistic yet, there is evidence that suggests that among the unmarried elderly living in rural areas receiving eldercare, a larger proportion of men than women live in welfare homes, which provide very poor services. It is observed that 83 percent of rural welfare home residents are men. While some can jump to the conclusion that this is a female disadvantage with women having less access to these services, other facts suggest that this is a choice of women and not a constraint. These facts include the following: (a) rural welfare homes provide meager services consisting simply of basic shelter and offered at very low prices, to make them affordable to Wubao beneficiaries; (b) rural welfare homes are not fully occupied; (c) rural welfare homes carry out a stigma, which push the elderly away from these residences if possible; and (d) survey data indicates that elderly preferred to be cared by family members if that option is viable. The combination of these facts insinuates that only those without any other alternative care (which we know are mostly unmarried men without children (i.e. the bare branches) and many of them without education) would appeal to this poor-quality service. By the same token, it is safe to assume that women do chose not to live in rural welfare homes as they have other care options (as many of the unmarried women are widows who have children who can provide care outside institutions). Hence, while there is no formal proof, the observed facts are consistent with the situation where the poorest of the poor men are confined to rural welfare homes, making them a disadvantaged group. This result is consistent with what is observed in access to health in many OECD countries, where men are at a disadvantaged position.

- **Disadvantaged group 3: women with unpaid care responsibilities.** Women are more likely than men to be informal caregivers. This is the result of social norms that generate this expectation for women. Given the historically high employment rate of women in

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35 Chen et al. 2018.
36 Anecdotal evidence indicates that the stigma is associated to pertain to the lowest of the lowest classes, as these rural welfare homes are almost exclusively occupied by Wubao beneficiaries.
37 As explained by Chen et al. (2018), many women above 60 still have more than 2 children (especially if older), as the one-child policy kicks in for those approaching the age of 60.
39 Cook and Dong (2017) reports that in China the neglect of care is a ‘women’s issue’ with a discourse of ‘low quality’ women (shuzhi dì) in the past, and ‘left over women (shengnü)’ coming as a critique of women who choose economic independence.
China, it is found that unpaid care usually comes at the expense of poor employment choices and lower leisure (and not necessarily lower labor force participation[LFP]). The total work time of women with care responsibilities is 7(10.5) hours per week lower than men in rural (urban) areas.\footnote{Dong and An 2014.}

- **Disadvantaged group 4: women working in the care sector.** As in many other countries, care givers and nurses are mostly female. Currently, in Guizhou, close to 95 percent of current youth enrolled in aged care related field of studies are women. Moreover, as with all traditionally female occupations,\footnote{Vieira, Cardoso, and Portela. 2005. “Gender Segregation and the Wage Gap in Portugal: An Analysis at the Establishment Level.” *The Journal of Economic Inequality* 3 (2), 145-168.} these are badly paid. These facts are consistent with strong occupational segregation, observed worldwide and one of the priorities of the World Bank Gender strategy.

83. **The Program will most likely contribute to close all four gender inequalities describe above to different degrees.** First, the Program addresses the gender differential needs of care by design, as the severity of ADL limitations is part of the eligibility criteria to the basic package. Hence, the Program should contribute to provide more care (paid and unpaid) to women with unmet needs. Second, by improving the quality and number of services (including infrastructure upgrades), the wellbeing of men living in rural welfare homes will improve. Moreover, if quality enhancements do not carry price increases, and some women start choosing these services, this will indicate that the choice spectrum is being broaden, with the gender gap narrowed. Third, by increasing access to services for the elderly and the provision of respite services, women will be freed from some of the care burden. The extent to which it will translate into higher leisure and/or higher (or better) employment opportunities for women will also depend on the strength of the social norms that stigmatize women’s work in the presence of care needs. Finally, while the project is not directly addressing occupational segregation, a small proportion of the skills training is directed to managerial skills, which could—if it is targeted to current female caregivers who then switch to other better paid managerial occupations—marginally improve the occupational segregation.

84. **The team will monitor the contribution of the Program to close two of the identified gender gaps.** First, the indicator *Accumulated time (hours/month) of paid and unpaid care, by gender* (among the married elderly with at least one ADL needs) aims to capture whether the increased access to the basic package contributes to close the gender gap in unmet needs among the married elderly and goes beyond simple unmet needs by measuring the intensity of care received. Second, the indicator *Accumulated time (hours/month) of care provided by family*
members, by gender aims to capture whether the increased access to the basic package contributes to lessening the care burden of women, with women spending less time in this activity.

85. **Guizhou is vulnerable to climate change caused by the mountainous topography and humid monsoon weather.** Between 1961 and 2010, the annual average temperature in Guizhou increased by 0.5 to 1.0 Celsius and is projected to increase under all emissions scenarios by at least 1.0 C by 2100. The average annual precipitation is 900-1,500mm. Over the same 50-year period, the average seasonal precipitation for the spring and autumn in Guizhou declined, whereas the summer and winter precipitation increased, the scenario analysis shows varying trends for the rest of the 21st century. These changes in climate are expected to exacerbate extreme weather events in the region, including heavy rain, flooding, drought, freezing rain, and landslides. The elderly are particularly vulnerable to climate variability which will have negative impacts on their health and wellbeing. Recent research found that warmer temperatures increase the likelihood of the elderly being underweight and an increase in temperature anomalies makes the elderly more susceptible to respiratory and gastrointestinal symptoms, headaches and dizziness, joint and muscle pains, and skin conditions.

86. **The Program will address climate change vulnerability and contribute to climate change co-benefits through two channels.** The first channel is to increase the adaptation capacity in response to extreme weather conditions. Under the PCP, a weather and disaster warning platform will provide real-time information to the ACFs, in particular to those in rural mountainous areas, to take preventive measures by customizing service provision based on the individual health profile. Training activities will be carried out for managers, caregivers, and the elderly to improve their ability to respond to natural disasters and emergencies. The elderly will be provided with knowledge on the climate changes, their impacts, and countermeasures such as choosing suitable weather conditions for outdoor exercises and appropriate indoor temperature for daily living. The adaptation measures are vital for the safety and security of the elderly and service continuity, especially during extreme events. The second channel is to achieve substantial energy efficiency through mitigation for the ACFs. The establishment and operation of the ACFs will adopt energy efficiency measures exceeding the regular standard requirements and specifications of the governments. The site selection for the new ACFs will analyze local topography and climate conditions to minimize the potential risks. The specific energy efficiency measures include:

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energy-saving architecture design; (b) energy-saving materials and equipment introduced to reduce heat transmission and infiltration; (c) installation of energy saving lighting equipment and intelligent light control systems; and (d) utilization of renewable energy such as solar energy, and biogas. The development of PCP will adopt advanced information and communication technology (ICT) technologies, energy efficiency IT infrastructure, and outperformed energy-saving equipment.

87. **The climate change adaptation and mitigation measures are incorporated into the Program design, including the DLIs and the Program Action Plan (PAP).** The climate change adaptation and mitigation measures will be an integral part of the Program activities, which will significantly contribute to climate change co-benefits. For the adaptation part, the activities under DLIs 1, 2, 3 (needs assessment, eligibility determination, and service delivery) and information to be collected and stored in the PCP will be linked with the weather and disaster warning platform for risk management and action-taking. The training activities (DLI 5) will help increase the awareness and improve resilience capacity. For the mitigation part, energy-saving measures will be built into the core service and infrastructure standards (DLI 4) and integrated into the operational management of the public ACFs (DLI 7). The implementation of these measures will be guaranteed by the resource allocation at the high-level policy measures, such as the overarching principles for budget allocation in the ZBB guidelines (DLI 6), and the investment management guidelines for specific investment projects (included in the PAP). Moreover, the PCP—one of the important Program activities at the provincial level (included in the PAP)—will utilize disruptive technology to support an energy-saving monitoring Internet of Things (IoT), which will monitor and optimize the energy saving management at ACFs in real time, and use Big Data to support service delivery, quality enhancement, and public financing management at all levels.

3.C. **Institutional Arrangements**

88. **At all government levels in Guizhou, the commitment to developing the provincial aged care system is strong.** The Guizhou DOCA is the leading government agency at the provincial level responsible for the overall aged care system and the Program. DOCA has a vertical structure down to the prefectures and districts/counties. Implementation of this Program will rely on the existing government structure and working mechanisms. The Program will be implemented at the provincial level and in five municipalities/prefectures (Guiyang, Liupanshui, Qiannan, Qianxinan, and Zunyi) with a total of 48 districts/counties.

*Institutional Arrangements at the Provincial Level*

89. **Under the provincial DOCA, several divisions are involved in the aged care business.** The Social Welfare and Charity Division is the designated unit for overseeing the implementation of the government aged care program. The Social Assistance Bureau is responsible for the services
and cash transfers to the poor elderly. The Planning and Finance Division is in charge of budgeting, accounting, infrastructure projects management, and statistical information. A procurement unit jointly organized by the Finance Division and General Office handles the government procurement process. The information center affiliated with the General Office is responsible for the information system and IT support.

90. **An Aged Care Leading Group (ACLG) has been established.** The ACLG is chaired by the Director General of DOCA and comprises the heads of the relevant divisions and agencies above mentioned above. The ACLG is a decision-making body involved in the major policy issues and action plans on aged care system development in Guizhou. The ACLG reviews and approves the key policies, including technical standards of aged care services, needs assessment tools, the package of basic aged care services, procedures of government purchase of aged-care services, measures and plans for consolidated financial resources, and makes decision on the specific aged-care project proposals. For implementation, the ACLG provides necessary guidance to the agencies involved at all levels and reviews their work performance. The ACLG aims to use an evidence-based approach for its oversight function, relying on robust M&E and paying close attention to the effectiveness of the Program implementation.

91. **The Aged Care Office (ACO) has been established under the ACLG.** The ACO led by the Director of the Social Welfare and Charity Division and comprising the key staff members from other divisions and agencies is responsible for overall implementation of the Program. The ACO has assigned clear roles for each staff/member to be responsible for the specific areas of the Program, such as home and community-based care, social assistance, cloud platform, ACIF, general management, and administrative support. The ACO works with all the aged care offices at the provincial, prefecture and district/county levels in development of the provincial aged care system, including aged care service providers and facilities, and carries out the capacity building and training activities. It will also serve as the coordinator between the WBG and the AFD and all the counterparts in Guizhou during Program implementation. To handle the needs of the rapid growth of aged care sector and the increasing need for implementation capacity, the ACO has recruited an experienced team to support the day-to-day operations with sub-groups managing coordination, procurement, financial resources, environment, social safeguards, and M&E. The ACO will prepare an Operations Manual to guide the Program implementation at the provincial and local levels.

92. **MOCA will establish a department of aged care services in the ministry to consolidate all the government responsibilities for aged care management, and accordingly, Guizhou will set up a new division of aged care services in DOCA.** The government plans to complete the restructuring at the national and provincial levels by around the end of 2018 and at the prefecture and district/county levels by end of March 2019. The institutional reforms would be conducive to building up new mechanisms to support the Program, which could continue relying on government institutional arrangements.
Institutional Arrangements at the Local Level

93. The prefecture and district/county civil affairs bureaus (CABs) are responsible for implementation at the local levels. The structure at the prefecture and district/county levels mirrors that at the provincial level, with a Leading Group (LG) and an ACO embedded in each prefecture and district/county of the Program. The district/county adopts the policies, standards and guidelines developed at the provincial level and hammers out the key drivers of Program implementation across the three RAs.

94. The aged care service delivery system is extended to the townships and villages, where the most intensive interactions with the direct beneficiaries take place. The township government and the community/village committees provide strong support in terms of financing and human resources. Aged care institutions and facilities, both public and private, are the active partners in the service delivery. Civil society organizations (CSOs) and private service providers will be increasingly incentivized to provide services to the elderly, including those in remote areas and/or of ethnic minorities.

Inter-sectoral Coordination

95. Given the cross-cutting nature of aged care systems, the ACLG is responsible for the cross-sectoral coordination with other relevant government agencies, CSOs, and the private sector. The Finance Department/Bureaus and the Development and Reform Commission are the two comprehensive government authorities that are also involved in decision-making on the policies and major issues for the Program, including budget approval. The health sector is also an integral part of the three-tiered service delivery modality. ACFs are encouraged to make contractual/partnership arrangements with hospitals for service provision, training, and technical support. Health workers in the communities and villages will be engaged in the needs assessment screening, health records management, and basic healthcare provision.

Mobilization of Human Resources and Capacity Building

96. Due to rapid growth of the aged care sector, DOCA and its local authorities face challenges such as staff shortages and lack of relevant capacity within the existing government structure so other resources must mobilize. DOCA has instructed relevant public institutions (e.g., Aged Care Services Guidance Center) to support the Program implementation and enhance the quality control. DOCA is mobilizing CSOs and other available resources to conduct the outreach, communication and awareness-raising activities; assist the elderly and their families in accessing the services; and deliver the basic services if qualified.

97. To manage the expanded and more complex aged care system, the government officials in Guizhou will have a steep learning curve. The knowledge and skills required are unprecedented and involve new functions such as regulation of private players. DOCA will identify the capacity gaps and design training programs for government officials and other stakeholders involved in the delivery of aged care services, including managerial staff in the
facilities, caregivers both in the facilities and at home, relevant CSOs and other service providers. DOCA will engage domestic and international experts in the aged care field to support the policy design, service delivery and M&E. The WBG and AFD will work closely with DOCA and its subordinates throughout Program implementation and provide TA as necessary. The AFD TA will also mobilize French experts and transfer knowledge to help build capacities through various collaborations in the areas of defining the basic service package, training and human resource development, needs assessment, and M&E.

**Figure 13. Program Implementation Arrangements**

![Program Implementation Arrangements](image)

*Source: Task team.*

### 4. Program Expenditure Framework

98. The EFA was conducted based on the comprehensive public spending records from DOCA from 2015 to 2017 and projections from 2018 to 2024 for the aged care sector in Guizhou at the provincial, prefecture, and district/county levels. It covered the following aspects: (a) program expenditure scope, (b) program financing and sustainability, and (c) budget execution and expenditure performance.

99. The total expenditure framework of the Program is projected to be USD 1,664.32 million\(^{46}\) over the six-year duration of the Program (2019-2024), of which 21.03 percent (USD 350.00 million) will be financed by the World Bank, 6.88 percent (USD 114.52 million) will be

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\(^{46}\) USD 1,664.32 Million is about 0.79 percent of Guizhou’s GDP in 2017 (USD 211.3 billion).
from the AFD loans, and 72.09 percent (USD 1,199.80 million) will be supported by the government budget at the provincial level and in the five Program prefectures. As shown in Table 1, within the Program, 45.83 percent of the Program budget will be used to support expanding coverage of basic aged care services (RA1), 18.12 percent is expected to enhance the quality of aged care services (RA2), and the remaining 36.05 percent is supposed to help strengthen efficiency of aged care financing for the elderly (RA3).

<table>
<thead>
<tr>
<th>Results Area 1</th>
<th>Activities</th>
<th>Total expenditures</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Needs assessment</td>
<td>34.25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Package: Institutions</td>
<td>474.80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Package: Urban home/community-based facilities</td>
<td>252.29</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development of needs assessment toolkit and basic</td>
<td>1.45</td>
<td></td>
</tr>
<tr>
<td>Results Area 2</td>
<td>Quality standards (including enforcement)</td>
<td>65.13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Case management</td>
<td>130.84</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Job subsidy</td>
<td>21.98</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Respite services</td>
<td>20.56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>42.65</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cloud-based platform</td>
<td>20.35</td>
<td></td>
</tr>
<tr>
<td>Results Area 3</td>
<td>Infrastructure improvement</td>
<td>550.43</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M&amp;E and other government administrative costs</td>
<td>49.58</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1664.32</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Task team’s calculations

The aged care budget appears adequate for financing the development of the aged care system in Guizhou. Contributions to the total aged care budget from each government level have been relatively stable. The provincial and sub-provincial governments in Guizhou have committed to increasing the budgets on aged care in the coming years, and more resources will be geared toward home/community-based aged care facilities and service provision, which fully supports the Program. The WLFs will come back after 2020 to be used for the Program. The implementation of ZBB planning and allocation guidelines will help DOCA divert the resources to service provision. Overall expenditure performance is efficient and provides an adequate basis for the Program.

**Expenditure Scope**

The expenditure boundary of the Program overlaps with the current boundary of the government aged care budget. Table 2 presents the outlays of the Program expenditure framework over 2015-2017. Although the geographic areas covered by the Program are only a subset of the Government program, the composition of the Program expenditure framework (Panel B) does not differ significantly from that of the Government program (Panel A). Some program activities listed in the 13 FYP—notably the aged care products and market and aged care tourism market—are not supported by the government budget. The role of the government in these areas is to provide stewardship and tax incentives to cultivate the development of the private sector.
rather than to directly intervene in the market by injecting financial resources.\textsuperscript{47}

102. The aged care budget over 2015-2017 was heavily infrastructure-driven and dominated by institution-related spending. As shown in Panel B of Table 2, over 66.5 percent of the total 2015-17 budget was used for infrastructure such as building (or providing subsidies to build) aged care institutions and facilities and purchasing equipment. Spending on services and daily operations of facilities and institutions (29.8 percent) and workforce training (1.0 percent) was disproportionally low, which could likely be a factor leading to the low bed occupancy rate and the lack of services (or quality services)\textsuperscript{48} in public aged care facilities and institutions in Guizhou. In addition, 92.5 percent of the total budget was geared toward institutions, leaving only 3.8 percent for home/community-based facilities and thus leaving significant need and opportunity to enhance the development of home/community-based aged care services.

### Table 2. Outlays of the Program Expenditure Framework from 2015 to 2017

<table>
<thead>
<tr>
<th>Areas</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
<th>Results</th>
<th>Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
</tr>
<tr>
<td><strong>Panel A: Whole Province</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Home and community-based aged care (services)</td>
<td>2.63</td>
<td>1.41%</td>
<td>1.70</td>
<td>0.65%</td>
<td>2.23</td>
<td>0.67%</td>
</tr>
<tr>
<td>2. Home and community-based aged care (infrastructure)</td>
<td>9.27</td>
<td>4.98%</td>
<td>10.76</td>
<td>4.11%</td>
<td>4.85</td>
<td>1.46%</td>
</tr>
<tr>
<td>3. Institutional care (infrastructure)</td>
<td>65.51</td>
<td>35.19%</td>
<td>70.27</td>
<td>26.82%</td>
<td>170.54</td>
<td>51.22%</td>
</tr>
<tr>
<td>4. Coordinated aged care and medical care</td>
<td>100.71</td>
<td>54.10%</td>
<td>169.92</td>
<td>64.85%</td>
<td>148.63</td>
<td>44.64%</td>
</tr>
<tr>
<td>5. Aged care quality</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>6. Human resources development</td>
<td>3.38</td>
<td>1.81%</td>
<td>3.36</td>
<td>1.28%</td>
<td>0.73</td>
<td>0.22%</td>
</tr>
<tr>
<td>7. Utilization of modern information technology</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>186.17</td>
<td>100.00%</td>
<td>262.04</td>
<td>100.00%</td>
<td>332.97</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Panel B: Provincial Level and Five Program prefectures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Home and community-based aged care (services)</td>
<td>1.76</td>
<td>1.37%</td>
<td>1.36</td>
<td>0.74%</td>
<td>1.94</td>
<td>1.05%</td>
</tr>
</tbody>
</table>

\textsuperscript{47} This is supported by reviewing the activities supported by public finance over 2015-2017 and is also confirmed by the counterpart.

\textsuperscript{48} As identified in the Guizhou 13FYP of the Aged Care Sector Development released in early 2017, “a wide gap exists between the supply of senior care services and the demand for it... The range of aged care services is narrow, which largely focuses on food provision and basic boarding services.”
103. County-level case studies reveal that the fiscal resources are secured for aged care across counties, and the expenditure scope at the county level is largely similar. To supplement the provincial-level analysis, three counties with different economic conditions were selected to represent the counties in Guizhou (see the economic indicators of the three counties in Table 3), and their aged care expenditure levels and scopes were examined separately. Although GDP per capita and local fiscal status vary significantly, the analysis found that average aged care expenditures per capita for people aged above 60 were at similar levels, ranging from RMB 228.6 to RMB 289.5 per year. This signals that the fiscal resources are secured for aged care in the current fiscal arrangements. The outlays of the expenditure framework in the three counties are also similar to the results at the aggregated provincial level.

### Table 3 Economic Indicators of the Three Selected Counties

<table>
<thead>
<tr>
<th></th>
<th>GDP per capita (RMB)</th>
<th>Fiscal revenue (RMB 100 million)</th>
<th>Fiscal expenditure (RMB 100 million)</th>
<th>Average Annual Aged care spending 2015-2017 (RMB 100 million)</th>
<th>Aged care expenditures per elderly person (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>County A</td>
<td>114,454</td>
<td>44.98</td>
<td>61.60</td>
<td>0.34</td>
<td>257.41</td>
</tr>
<tr>
<td>County B</td>
<td>36,650</td>
<td>13.01</td>
<td>48.95</td>
<td>0.22</td>
<td>228.61</td>
</tr>
<tr>
<td>County C</td>
<td>24,942</td>
<td>3.55</td>
<td>25.98</td>
<td>0.14</td>
<td>289.37</td>
</tr>
</tbody>
</table>

Source: Task team’s calculations

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49 By ranking counties’ (districts included) GDP per capita in 2017, the 48 Project counties were assigned into three groups with different economic conditions—the first 16 counties belong to the “high” group, the next 16 belong to the “medium” group, and the last 16 belong to “low” group. One county in each group was picked to represent the counties with different economic conditions in Guizhou.
The proportional contribution from each government level to the total aged care budget was relatively stable. Within provinces, the aged care budgeting and spending generally take place at the three administrative levels of province, prefectures, and districts/counties (Table 4). The aged care activities at each level can be financed by resources originating from in the corresponding level of the government and by transfer from the upper-level government(s). Over 2015-2017, more than half of the public funding came from districts/counties, about one-quarter came from the provincial government, and about one-tenth came from the central government. Funding from the prefecture-level governments accounted for the smallest share (7 percent), and barely increased during the past three years.

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
</tr>
<tr>
<td>Central Gov.</td>
<td>21.63</td>
<td>11.62%</td>
<td>27.33</td>
<td>10.43%</td>
</tr>
<tr>
<td>Province Gov.</td>
<td>60.75</td>
<td>32.63%</td>
<td>80.39</td>
<td>30.68%</td>
</tr>
<tr>
<td>Prefecture Gov.</td>
<td>12.14</td>
<td>6.52%</td>
<td>14.62</td>
<td>5.58%</td>
</tr>
<tr>
<td>District/County Gov.</td>
<td>90.37</td>
<td>48.54%</td>
<td>137.10</td>
<td>52.32%</td>
</tr>
<tr>
<td>Others¹</td>
<td>1.30</td>
<td>0.70%</td>
<td>2.59</td>
<td>0.99%</td>
</tr>
<tr>
<td>Total</td>
<td>186.17</td>
<td>100.00%</td>
<td>262.04</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Panel B: Provincial Level and Five Program Prefectures

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
</tr>
<tr>
<td>Central Gov.</td>
<td>14.24</td>
<td>11.07%</td>
<td>14.38</td>
<td>7.82%</td>
</tr>
<tr>
<td>Province Gov.</td>
<td>38.71</td>
<td>30.10%</td>
<td>54.39</td>
<td>29.58%</td>
</tr>
<tr>
<td>Prefecture Gov.</td>
<td>10.20</td>
<td>7.93%</td>
<td>12.41</td>
<td>6.75%</td>
</tr>
<tr>
<td>District/County Gov.</td>
<td>64.33</td>
<td>50.02%</td>
<td>101.05</td>
<td>54.96%</td>
</tr>
<tr>
<td>Others¹</td>
<td>1.13</td>
<td>0.88%</td>
<td>1.64</td>
<td>0.89%</td>
</tr>
<tr>
<td>Total</td>
<td>128.61</td>
<td>100.00%</td>
<td>183.86</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Task team’s calculations based on the public spending records pertaining to the aged care sector in Guizhou from 2015 to 2017.

The provincial and sub-provincial governments in Guizhou have committed to increasing their spending on home/community-based ACFs and quality enhancement for aged care services. Table 5 shows the public expenditure projections (the World Bank and AFD loans included) provided by the Finance Division of Guizhou DOCA and all the city-level CABs in Program prefectures for the period 2018-2024. Following the Guizhou 13FYP of the Aged Care Sector Development, the spending on home/community-based ACFs is projected to increase sharply from 2019—expenditures on home/community-based services will almost quadruple, and the expenditures on home/community-based infrastructure will be almost eight times higher and

Activities at the county level and below include activities at county level as well as activities at the township and village levels.
will continue to grow rapidly throughout the Program implementation period. Spending on institutional service provision will also keep increasing at about 5 percent per year, while infrastructure investment in institutions will start to shrink and its share in total aged care spending will keep decreasing. The other areas associated with aged care service quality enhancement such as coordinated aged care and medical care, job subsidies, respite services, and human resources development will also receive greater financial resources.

106. **Disaggregated county-level cases also show strong commitment to enhancing home/community-based facilities and improving the quality of aged care services.** The county-level projections show that local governments will steadily increase public resources on aged care from 2019 to 2024, and 78 percent of the total resources will be allocated to service provision, especially to home/community-based services. With the expected increase in fiscal transfers from upper-level governments, each county will have more fiscal space to support the Program.

*Sustainability and Budget Rigidity*

107. **The budget allocated to aged care appears to be adequate, as the Guizhou provincial government has arranged various measures to continue increasing it annually in the future.** Fiscal spending on aged care had increased steadily over the 12FYP period and the first half of the 13FYP period. Over the 12FYP period, more than RMB 4 billion had been injected into the aged care sector in Guizhou—this amount is about six times the spending during the 11th Five-Year Plan (11FYP) period (2006-2010). According to the provincial 13FYP for the aged care development, all levels of governments in Guizhou pledged to continue increasing their investments in the aged care sector.51 Various measures have been taken to ensure that the level of allowances for the extremely poor will have to be at least 1.3 times of the local *Dibao* standards,52 which means the allowances for the indigent poor will keep increasing with *Dibao* standards.53 Consistently, expenditure projections provided by the county-level Finance Bureaus (FBs) in Program district/counties suggest that the budget for the aged care sector in Guizhou will increase quickly from 2018 to 2024 (Table 5).

108. **In addition, Guizhou DOCA is able to improve the efficiency of fiscal resources allocated to infrastructure activities.** As shown in Table 5, aged care infrastructure construction expenditures still constitute more than one-third (33 percent) of Guizhou’s aged care public expenditure during Program implementation. As the Guizhou Government plans to leverage an

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51 See Article 4.1 of the 13th FYP of Guizhou Aged Care Section Development: http://www.gzsmzt.gov.cn/xxgk/xxgkml/zwj/fgwj/201711/t20171120_2851813.html
52 See Article 1.3 and 2.2 in “Provincial People's Government on further improving the support system of the indigent poor” (Guizhou Government 2017 No. 1) http://gzsrnz/fgb.gzgov.gov.cn/show.aspx?id=12730.
53 Over the years, both rural and urban *Dibao* standards have been growing faster than average rural and urban incomes.
increasing amount of social and private capital to invest in aged care, and the number of beds per 1,000 elderly population is expected to reach a high level after Program completion, the consolidated FM approach proposed by the Program will further reorient the public expenditure structure. This will allow a sustainable flow of money for service provision without introducing too much pressure on the current fiscal system. Notably, the financing gap incurred by coverage expansion is mainly in home/community-based aged care services provision, and the projected expenditures on it in 2024 (USD 74.76 million) are less than the total expenditures on infrastructure (USD 63.30 million on home/community-based facilities and USD 31.19 million on institutional infrastructure).

By the end of the 12FYP, the number of aged care beds per 1,000 elderly population in Guizhou reached 30.7, above the national average of 30.2. The Guizhou 13FYP for the aged care development notes that the number of aged care beds per 1,000 elderly population is planned to reach 35 by the end of 2020.
## Table 5: Projected Program Expenditure Framework, 2018-2024 (USD million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budgeted Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
<td>Level</td>
<td>Share</td>
</tr>
<tr>
<td>Home and community-based aged care</td>
<td>3.70</td>
<td>2.21%</td>
<td>13.94</td>
<td>6.15%</td>
<td>28.90</td>
<td>11.61%</td>
<td>43.85</td>
<td>16.17%</td>
</tr>
<tr>
<td>(services)</td>
<td>5.90</td>
<td>3.52%</td>
<td>46.79</td>
<td>20.63%</td>
<td>49.54</td>
<td>19.90%</td>
<td>52.29</td>
<td>19.29%</td>
</tr>
<tr>
<td>Institutional care</td>
<td>64.57</td>
<td>38.50%</td>
<td>71.18</td>
<td>31.39%</td>
<td>75.37</td>
<td>30.27%</td>
<td>79.55</td>
<td>29.34%</td>
</tr>
<tr>
<td>(services)</td>
<td>85.97</td>
<td>51.26%</td>
<td>44.03</td>
<td>19.42%</td>
<td>40.37</td>
<td>16.21%</td>
<td>36.70</td>
<td>13.53%</td>
</tr>
<tr>
<td>Coordinated aged care and medical care</td>
<td>0.00</td>
<td>0.00%</td>
<td>17.45</td>
<td>7.69%</td>
<td>19.63</td>
<td>7.88%</td>
<td>21.81</td>
<td>8.04%</td>
</tr>
<tr>
<td>Aged care quality</td>
<td>0.00</td>
<td>0.00%</td>
<td>14.36</td>
<td>6.33%</td>
<td>16.15</td>
<td>6.49%</td>
<td>17.95</td>
<td>6.62%</td>
</tr>
<tr>
<td>Human resources development</td>
<td>0.03</td>
<td>0.02%</td>
<td>7.11</td>
<td>3.13%</td>
<td>7.11</td>
<td>2.86%</td>
<td>7.11</td>
<td>2.62%</td>
</tr>
<tr>
<td>Utilization of modern information technology</td>
<td>0.00</td>
<td>0.00%</td>
<td>3.39</td>
<td>1.50%</td>
<td>3.39</td>
<td>1.36%</td>
<td>3.39</td>
<td>1.25%</td>
</tr>
<tr>
<td>Administrative</td>
<td>6.54</td>
<td>3.90%</td>
<td>8.51</td>
<td>3.75%</td>
<td>8.51</td>
<td>3.42%</td>
<td>8.51</td>
<td>3.14%</td>
</tr>
<tr>
<td>Total</td>
<td>167.73</td>
<td>226.75</td>
<td>248.95</td>
<td>271.15</td>
<td>294.27</td>
<td>305.49</td>
<td>317.71</td>
<td>1664.32</td>
</tr>
</tbody>
</table>

Source: Task team’s calculations based on the public spending projections pertaining to the aged care sector in Guizhou from 2019 to 2024.
The ZBB reform will help reduce budget rigidity. The ZBB reform was introduced as a pilot in August 2018 by the Department of Finance (DOF). It will be scaled up and its performance will be monitored as required by DOF. The ZBB practice will help reduce the current budget rigidity and fragmentation and prioritize the public resource allocation to meet the actual needs and fill the gaps in the aged care system development. This practice would enable DOCA to divert the resources that were allocated to infrastructure in the past to other purposes such as service provision in the future. On the other hand, the ZBB will not erode the predicability of the total aged care budget because some recurrent factors (e.g., wages of staff, operational subsidy for public aged care institutions, and subsidies to the Sanwu and Wubao elderly) will not be affected.

The reinstatement of the budget flow from the WLF after 2020 will help finance the expanded coverage of the basic service package and quality enhancement activities. Before the establishment of ACIF, the WLF constituted more than 30 percent of total aged care financing in 2016 in the Program prefectures (USD 52.26 million). It is planned that, after freezing the WLF for the accumulation of the seed money for the ACIF between 2017 and 2020, the WLF will be released from 2021 onward and used to finance the expanded coverage of the basic service package and quality enhancement activities. Given the strong sales growth in the lottery and the resources the WLF can potentially provide, the pressure on the governments to finance the basic service package and quality enhancement is low.

Potential reforms of the Old Age Allowance program may inject additional financial resource for aged care service provision. Guizhou was among the pioneer provinces offering universal cash transfers (Old Age Allowance) to people above age 80. The budgeted expenditures on the Old Age Allowance in Program prefectures amounted to USD 44.46 million in 2018, and are projected to reach USD 60 million in 2023. Policy makers in Guizhou are aware of the increasing fiscal burden of the Old Age Allowance in the face of rapid aging and are considering the possibility of changing the transfer modalities (e.g., vouchers for aged care services instead of cash) to improve the Program effectiveness. While this is still under discussion, potential reforms in this area will help shift the policy focus toward the provision of aged care services and thus support expanded coverage of basic aged care services.

The World Bank and AFD loans do not significantly affect the province’s financial position. In 2017, the total government debt balance in Guizhou reached USD 127.14 billion, which is below the provincial designated debt ceiling (USD 134.64 billion) set by MOF. The World Bank and AFD loans represent a small portion (0.3 percent) of the outstanding debt and do not significantly affect the province’s financial position.
not significantly affect the province’s debt situation. Given rapid economic growth in Guizhou and the increasing central government transfer to the Western provinces (including Guizhou), the pressure on the government to make repayments is not significant.

**Budget Execution and Expenditure Performance**

113. **The ability of local governments to execute budgeted expenditures is reasonably sound.** The general budget predictability rates in five Program prefectures (Table 6), measured as actual funds received as a share of year-beginning general budget projections, show that there are no sizable inflow deviations (10 percent at maximum) from the budget plan. The general budget execution rates in the five Program prefectures, measured as actual expenditure out-turns as a share of approved general budget expenditures, are above 93.8 percent, well above the requirements of the central government or national average, which indicates that budget execution is generally efficient. Overall, Program budgeting follows a reasonable process, is prepared in a timely manner and provides transparency and predictability at different levels.

| Table 6. Budget Predictability and Execution in Five Program Prefectures in 2016 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Indicator | Guiyang | Liupanshui | Qiannan | Quianxinan | Zunyi |
| Actual funds received as a share of year-beginning projection | 102.10% | 106.54% | 89.47% | 106.40% | 89.50% |
| Execution rate as a share of year-beginning projection | 95.76% | 96.25% | 100.15% | 100.04% | 93.79% |

*Source: Released reports on city-level budget execution.*

114. **The alignment between the Guizhou 13FYP for the aged care development and the RAs of the Program will boost the efficiency of accumulated public investments in aged care.** Over the 12FYP period, there have been significant improvements in infrastructure construction as measured by the numbers of institutions/facilities built and the increased number of beds per 1,000 elderly population. Building on this existing ‘hardware’ provision, the Guizhou 13FYP for the aged care development takes a different approach to enhance the provision of basic aged care services, improve and implement aged care standards, promote coordination and integration of aged care and health care services, and expand workforce training. This complementary “software upgrading” is expected to amplify the impact of accumulated investments in the aged care sector and boost expenditure performance over the long term.

115. **Specific activities will be carried out under the Program to increase the performance of future public aged care financing and leverage the resources from the private sector.**

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57 The quarterly provincial GDP growth rate in Guizhou has ranked in the top three nationally for 26 quarters and reached 10.1 percent.
Although aged care financing in Guizhou is considered to be adequate and sustainable, it comes from different channels and is managed by different departments at different levels of governments. The activities under RA3 include introducing ZBB reform to consolidate the utilization and management of public resources so that the provincial DOCA can synergize the spending of public resources all over the province and make a concert effort to ease bottlenecks in local aged care development. Guizhou DOCA has a sound regime and an investment management system for selecting and managing potential projects for the Program, which improves expenditure performance. Individual projects with appropriate technical soundness, cost-benefit assessment, and alignment with the 13FYP and Program RAs will be considered for inclusion in the Program. Implementation of the projects will be monitored closely by DOCA through scrutinizing their execution progress and dynamic budget flows. In addition, the government’s creation of the ACIF will help mobilize resources from the private sector and improve the development of the aged care market.

116. **Province-wide expenditure performance will be improved further during Program Implementation.** In line with the requirements of the 19th CPC National Congress to ‘implement comprehensive performance management,’ Guizhou DOF initiated a reform in May 2018 to systematically improve province-wide expenditure performance by (a) establishing a budget performance management system, (b) expanding monitoring by covering all public expenditures, (c) paying special attention to selected areas, and (d) improving the shortfalls in government capacity. Expenditure performance is expected to be strengthened further after implementation of the policy.

5. **Program Results Framework and M&E**

117. **Monitoring plays a crucial role in the Program.** Monitoring is important not only as part of the due diligence and reimbursement of funds to the Government but also for building the capacity needed to ensure proper implementation of activities, particularly those under RA3. The results of M&E will help inform Program implementation and management while also providing evidence for policy formulation and decision-making.

118. **Monitoring of Program performance will rely on the DLI reporting, RF, administrative data from the cloud platform, and tailored surveys.** The scope of M&E will cover all the Program activities such as service delivery, quality enhancement, financial resources consolidation in a systematic way. Guizhou DOCA will be the agency responsible for reporting on the RF indicators and DLIs, relying on the aggregated information provided by the five

prefectures participating in the Program. DOCA and the Program prefecture and district/county CABs are responsible for collecting the relevant information, entering it in DOCA’s PCP, and developing a M&E system that can produce regular reports to be submitted to DOCA. An independent verification agency (IVA) will be in charge of verifying the reported results. The Program’s RF and the DLIs, disbursement arrangements, and verification protocols are included in Annex 2 of the Program Appraisal Document (PAD).

119. **The cloud will be the center of the M&E system.** First, the DOCA PCP will contain the administrative data comprising all the information pertaining to the elderly, their eligibility status, and the services received from the package. This individual data will enable monitoring of efforts made to expand coverage and improve the quality of services. Second, the DOCA PCP will also keep records of the service providers, facilities, contracts signed for purchase of services, and compliance with quality standards. The inspections conducted to enforce the quality standards in services and facilities as well as the proper implementation of the needs assessment, will also be monitored and entered into the PCP. This information is critical as it can be used to inform future contracts with private sector providers of aged care services. Third, there will be financial data used to monitor the budget and all the financial expenses and transfers from the different levels of governments. This data source tracks the flow of money from the upper levels to the lower levels of government as well as the categories of expenditures, as described in the EFA and in more detail in the Fiduciary Assessment. Fourth, the ACO will conduct surveys on the elderly and their families and on ACFs to assess the service innovations and their social and economic impacts. Finally, there will still be a paper trail with monitoring data coming from the regular reporting from district/counties to prefectures and from Program prefectures to DOCA.

120. **The administrative data stored in the cloud will be complemented by survey data.** DOCA plans to collect three rounds of survey data to have a baseline, a first follow-up in the middle of the project cycle, and an end-line. The survey data will be collected at the level of the household, the facilities, and the community. House-level data will capture the perceptions of welfare improvements from beneficiaries and their families, the satisfaction with the services receive, the assessment of the quality, and the relief of time constraints for other household members. At the facility level, it is important to gather more granular information related to the quality of services and the impact of trained caregivers, improved coordination, and enforced standards on the quality of services. Finally, it would be useful to have a community-level module to see how communities perceive the changes, the functioning of the grievances process, and the community decision making.

**6. Program Economic Evaluation**

121. **The economic impacts of the Program can be categorized into three main dimensions** (Table 7).
Table 7. Economic Benefits Accounting Framework

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy and aged care sector</td>
<td>• Sectoral output increases</td>
</tr>
<tr>
<td></td>
<td>• Job creation</td>
</tr>
<tr>
<td></td>
<td>• Wage increases for existing caregivers</td>
</tr>
<tr>
<td>Utilization of public resources</td>
<td>• Efficiency gain in public spending by providing home/community-based aged care services and enhancing service provision in institutions</td>
</tr>
<tr>
<td>The elderly and their families</td>
<td>• Jobs and earning for family members of the elderly with care needs</td>
</tr>
<tr>
<td></td>
<td>• Reduced expenditures on medical services</td>
</tr>
<tr>
<td></td>
<td>• Increased outside options</td>
</tr>
<tr>
<td></td>
<td>• Living with dignity</td>
</tr>
</tbody>
</table>

Source: The task team.

122. **The first dimension of the framework captures the impacts of the Program on the economy and aged care sector.** An amount of USD 464.52 million in loans from the World Bank and the AFD and USD 1,199.80 million in counterpart funding are expected to: (a) generate output increases in the aged care sector as well as output increases in other economic sectors with backward and forward links;\(^59\) (a) directly create jobs in the aged care sector and the other sectors with backward and forward links; and (c) increase the wage rates enjoyed by the existing caregivers by, for example, improving the quality of services.

123. **The second dimension is the impacts on the efficiency of public spending.** Instead of overinvesting in infrastructure, the Program is expected to improve the efficiency of fiscal inputs by compositionally allocating more resources to aged care services and capacity building. In addition, developing a three-tiered aged care service delivery system by focusing more on home and community-based care will also improve the efficiency of the current aged care system.

124. **The third dimension includes the impacts on the elderly and their families.** The Program is expected to reduce expenditures on medical services and increase earnings (labor incomes) of family members of the elderly with care needs (see discussion below). Other individual-level benefits, although these are difficult to quantify in monetary terms, are also expected, such as improved quality of services, an increase in the types of aged care services, and

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\(^59\) Examples of backward links include the industrial sector increasing its production of aged care equipment and instruments and the education sector offering training programs to formal and informal caregivers. Examples of forward links include increased consumption of goods and services in different sectors by healthier elderly and the workers in the more productive health care sector.
improved opportunity for the elderly to live with dignity.

Economic Benefits under the First Dimension

125. To measure the economy and sector-wide effects of the Program, an Input-Output (I-O) approach was used to estimate the output or value-added multipliers. Notably, the accounting conventions that form the basis of an I-O model impose several assumptions that must be taken into account when interpreting the results. Table 8 shows the estimated outputs and the value added generated by the World Bank and AFD loans and the counterpart financing from the government. Taking the induced household consumption into account, the associated output increase will reach USD 5.6 billion, 3.34 times the size of the original investment. If restricted to the value added brought by the Program, a measure of the impacts on local GDP, then the number reaches USD 2.4 billion, 1.44 times the amount of the original investment. The top three sectors that will generate the largest amounts of the value-added include: (a) health and social service sector (USD 541 million), (b) the sector of agricultural products and services (USD 271 million), and (c) wholesale and retailing sector (USD 170 million).

60 Developed by Wassily Leontief (see Christ, 1955 for a review), the I-O analysis is a method to systematically quantify the backward and forward links across sectors in an economy. The tables contain a vast collection of data describing the amount of value of goods and service that flowed directly between sectors during a given period. The I-O multipliers constructed allow estimating the impact of the increase in production of an industry on the increased demand on the industries that produce the intermediate inputs (so-called backward links, see Miller and Blair, 2009 for a full discussion of backward links).

61 The major assumptions include: (a) fixed production patterns: inputs are used in fixed proportions, without any substitution of inputs across a wide range of production levels; (b) industry homogeneity: all firms within an industry are characterized by a common production process; (c) fixed prices: it assumes there will be no price adjustment in response to supply changes or other factors; (d) local supply conditions: when the coefficients obtained based on national I-O tables are applied to estimate the impact of aged care sector development on the local economy, it is assumed that all intermediate inputs required to produce the change in final demand are produced by local industries; and (e) unclear time dimension: the length of time that it takes for the economy to settle at its new equilibrium after an initial change in economic activity is unclear because time is not explicitly included in I-O tables.

62 Based on the 2012 I-O table of Guizhou, multipliers were constructed that not only account for direct and indirect impacts but also account for induced household impacts based on the purchases made by employees in different sectors (the household sector). In addition, two measures of changes in total economic activity were computed: gross output and value added. Gross output is equal to the sum of the intermediate inputs and value added. It duplicates the value of goods and services if they are used in the production of other goods and services. Value added is defined as the value of gross output net of intermediate inputs. The value of this measure is equal to the sum of compensation of employees, taxes on production and import less subsidies, and gross operating surplus.

63 The most recent average convert ratio between gross capital formation and investment in Guizhou was 63.38 percent, so the investment brought by the PforR can be converted into USD 900.6 million gross capital formation.
Table 8. Input-Output Multipliers and Program Impacts

<table>
<thead>
<tr>
<th>Multiplier</th>
<th>Output (USD million)</th>
<th>Value Added (USD million)</th>
<th>Employment (Thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank and AFD Loans</td>
<td>464.52</td>
<td>1,551.13</td>
<td>669.36</td>
</tr>
<tr>
<td>Government Financing</td>
<td>1,198.80</td>
<td>4,006.38</td>
<td>1,728.89</td>
</tr>
<tr>
<td>Total</td>
<td>1,664.32</td>
<td>5,557.51</td>
<td>2,398.25</td>
</tr>
</tbody>
</table>

Source: The task team’s calculations.

126. To separate the impacts on employment from the overall economic impacts, the analysis estimates the employment multiplier and quantified the impacts on job creation. The employment multiplier is derived based on the assumption that employment levels within an industry are closely tied to the amount of output generated. The employment multiplier estimated based on the 2012 I-O table and 2010 census\(^{64}\) is 0.778, which implies that RMB 1 million (USD 145,000\(^{65}\)) of gross capital formation in the health and social work sector will create 77.8 jobs. The total estimated increase in job creation brought by this Program will amount to 565,770, of which 241,669 jobs will be created in the sector of agricultural products and services; 92,091 jobs will be created in the sector of metal products, machinery, and equipment repair services; and 76,285 jobs will be added to the health and social service sector (including the aged care sector).

Economic Benefits under the Second Dimension

127. The economic benefits under the second dimension, ‘efficiency gain in public spending,’ represents a special value-added brought by the WB. The task team identified that there is an efficiency loss arising from overinvesting in infrastructure (and other “hardware”) and underinvesting in services (and other “software”), which resulted in a strikingly low bed occupancy rate in institutions and other residential ACFs. To break the vicious circle in the aged care delivery system, the WB will help divert a significant amount of the resources under the Program to service provision and proposed policy action steps to consolidate the utilization and management of aged care-related financial resources in a longer term. This value-added by the WB will improve the coverage and quality of services without imposing much of an additional fiscal burden on governments, and therefore increasing the efficiency of the system.

128. Estimates of the efficiency gain are shown in Table 9. As the city of Shanghai stands out as an exceptional case in China for developing an extensive set of home-care support services

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\(^{64}\) The 2012 Guizhou I-O table does not contain employment information. The numbers of jobs in each sector in Guizhou are estimated based on the 2010 National Population Census.

\(^{65}\) The RMB to USD exchange rate employed is 6.89 as of November 12, 2018
(WHO, 2015), it was taken as a representative frontier city with a high-efficiency aged care model, and the multipliers were estimated based on the 2012 I-O table of Shanghai. The multipliers are higher in the first row compared to those in Table 9, which implies that the same amount of investment in the health and social services sector in Shanghai will generate higher economic outputs and higher value-added than in Guizhou. The last row shows the differences between the economic outputs and value-added in Table 8 and Table 9, and these values are interpreted as the potential efficiency gain of the Program. This efficiency gain suggests that the economic benefits can be almost 8 percent higher if more resources are compositionally allocated to home/community-based services. Notably, the estimated efficiency gain here includes the wage increases for the new-hires, as the wage standard in Shanghai was implicitly to compute the multipliers.

<table>
<thead>
<tr>
<th></th>
<th>Output (USD million)</th>
<th>Value Added (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank Loans</td>
<td>464.52</td>
<td>1,673.41</td>
</tr>
<tr>
<td>Government Financing</td>
<td>1,199.8</td>
<td>4,322.21</td>
</tr>
<tr>
<td>Total</td>
<td>1,664.32</td>
<td>5,995.61</td>
</tr>
<tr>
<td>Efficiency Gain</td>
<td>438.10</td>
<td>189.06</td>
</tr>
</tbody>
</table>

*Source: The task team’s calculations.*

**Economic Benefits under the Third Dimension**

129. **Public interventions in the aged care sector can bring significant economic benefits for the elderly and their families.** One justification for public intervention in the aged care sector is the generation of externalities from relieving family members of informal care work and the externalities from preventive measures. Aside from these efficiency concerns, aged care services are usually not affordable for the vast majority of older adults in need of care, especially for the poor. Governments thus have a redistribution role, which is expected to significantly alleviate old-age poverty.

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66 The causal relationship between caregiving and lower engagement in the labor market (lower probability of working, fewer hours of work, less earnings, and lasting impact on labor market performance) has been robustly established in economic literature.

67 Access to social care for the elderly reduces their (and their informal caregivers’) need for medical care (through prevention and substitution), which is more expensive. Consequently, with a formal care provision system established in Guizhou, family members (especially adult children, and most likely adult women) will have more options to seek care in the formal care market and as a result will be able to provide less care through home-production. The children who are the main providers of care for their parents will be able to increase their engagement in the labor market.
130. **Informal caregivers will benefit from having the choice of whether to continue providing care informally or purchase it in the market.** Given that the median education level of informal caregivers in Guizhou is higher than that of paid caregivers, it is expected that once given a choice, many will opt for market work since that their wages will be higher than that of the paid caregivers. Outsourcing care services can, therefore, result in increased income for families who need to purchase care services and increased employment among paid caregivers. Under a number of quantitative assumptions, the total added wage income from market work for the period 2025-2050 was computed (Panel A of Figure 14). The analysis found that expanding coverage of basic aged care services will contribute to 79 percent of the total added wage income; quality enhancement of aged care services will contribute to only 4 percent of the total added wage income; and 17 percent of the total added wage income will be created by strengthening the efficiency of aged care financing. The total added wage income in 25 years after Program completion will amount to USD 1066 million.

131. **Reduced expenditures on medical services will manifest in three ways.** First, the elderly who have acute needs and disabilities and routinely seek care in medical establishments will have options for substituting medical care with (cheaper) social care. Some may substitute more expensive institutional care with home and community-based care. Second, the elderly who are in a fragile state are expected to experience reductions in the occurrence of injuries once they make use of care services. Third, the health condition of informal care providers is expected to improve with the availability of a formal aged care system. Under a number of quantitative assumptions, the total savings in medical expenditures during 2025-2050 was computed (Panel B of Figure 14). The analysis found that the total savings in medical expenditures in 25 years after program completion will reach USD 243 billion, of which 59 percent can be attributed the expanded coverage of basic aged care services, 16 percent can be attributed to quality enhancement of aged care services, and the remaining 25 percent is induced by greater efficiency in aged care financing.

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68 A number of quantitative assumptions about changes in LFP, working hours, and resulting wages are derived on the basis of data collected by CHARLS, and China Labor Statistical Yearbook.

69 A number of quantitative assumptions about changes in medical expenditures have been derived on the basis of data and calculations presented in “Deepening health reform in China, building high quality and value-based service delivery”, a Joint Study Partnership World Bank Group, World Health Organization, Ministry of Finance, National Health and Family Planning Commission, Ministry of Human Resources and Social Security (Report No. 107176)) and on the basis of economic analysis presented in the China Health Reform Program for Results (Report No. 113233–CN).
Panel B: Savings in Medical Expenditures

Source: The task team’s calculations.
Notes: Unit are USD million.
7. Program Action Plan

132. To successfully achieve the Program results, the following activities are planned.

<table>
<thead>
<tr>
<th>Action Description</th>
<th>Responsibility</th>
<th>Recurrent</th>
<th>Frequency</th>
<th>Due Date</th>
<th>Completion Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical</strong></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
| **Develop a technical roadmap** to guide the organization and coordination of Program activities in the three RAs, including an overall technical roadmap in Year 1, annual plan in Years 2-5, and an overall review and sustainability plan in Year 6 | DOCA and CABs at the Program prefecture and Program district/county | Yearly    | Year 1: August 31, 2019 | Year 2-6: November 30                                                               | • Year 1: Overall technical roadmap  
• Year 2-5: Annual technical implementation plan and review report with concrete recommendations  
• Year 6: Overall technical implementation review reports with recommendations for next steps |
| **Define a systemic M&E framework** by DOCA and implement M&E at all government levels | DOCA, CABs at each Program prefecture and Program district/county | Yearly    | Year 1: August 31, 2019 | Year 2-6: November 30                                                               | • Year 1: A provincial M&E framework  
• Year 2-5: List of main M&E activities completed at the end of each calendar year and assessment report with concrete recommendations  
• Year 6: Overall implementation review report with recommendation on M&E for next steps |
| **Develop and implement aged care investment management guidelines.** DOCA will develop the guidelines for investment decision making; Program districts/counties will implement the guidelines based on its requirements | DOCA, CABs at each Program prefecture and Program district/county | Yearly    | Year 1: November 30, 2019 | Year 2-6: November 30                                                               | • Year 1: Investment Management Guideline promulgated by DOCA  
• Year 2-6: DOCA’s approval of district/county investment plan(s) /project(s) in which districts/counties provide supporting documents of effective demand analysis and financial analysis of business operations |
| **Establish the provincial cloud platform** by DOCA in four phases: design overall architecture, develop applications for end-users and implementers, pilot in the selected counties, and roll out across the province | DOCA | Yearly    | Year 1: October 31, 2019 | Year 2-6: January 31                                                               | • Year 1: DOCA’s overall implementation plan and budget on the cloud platform  
• Year 2-6: DOCA’s annual plan and progress report on the cloud platform development at each stage |
<p>| <strong>Fiduciary</strong>                                                                      |                                       |           |           |                         |                                                                                       |</p>
<table>
<thead>
<tr>
<th>Action</th>
<th>Responsible Party(s)</th>
<th>Date</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set up an accounting ledger to record Program transactions and the reporting system to match Program needs that will be followed by the relevant agencies at all levels</td>
<td>DOCA and DOF</td>
<td>August 31, 2019</td>
<td>- An accounting ledger developed by DOCA and DOF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Program financial reporting produced by Program prefectures and Program districts/counties</td>
</tr>
<tr>
<td>Adjust the auditing arrangement to produce the information/reports needed for the Audits</td>
<td>DOCA and DOF</td>
<td>August 31, 2019</td>
<td>Program financial reporting adequate for audits</td>
</tr>
<tr>
<td>Develop provincial guidelines for the government purchase of basic aged care services, which lay out the selection procedures for service providers, contracting requirements, performance review, verification, financial reporting, and payment arrangements</td>
<td>DOCA</td>
<td>October 31, 2019</td>
<td>The provincial guidelines for the government purchase of basic aged care services developed by DOCA and distributed to Program prefectures and Program districts/counties</td>
</tr>
<tr>
<td>Environmental and Social</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engage a qualified monitoring agency to conduct regular social monitoring among approved projects and conduct due diligence on the land use conditions for those institutions selected as potential service providers</td>
<td>DOCA</td>
<td>October 31, 2019</td>
<td>- Contract completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Monitoring report to verify full compliance with national laws and local regulations, as well as the protection of interests of the affected people</td>
</tr>
<tr>
<td>Establish environmental screening mechanism by assigning a staff with competency to collect and review all the proposals submitted by the districts/counties and to screen the candidate activities based on the exclusionary and limitation criteria</td>
<td>DOCA</td>
<td>October 31, 2019</td>
<td>- Staff with good environmental knowledge assigned</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Budget allocated</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Screening reports</td>
</tr>
<tr>
<td>Technical, Fiduciary, Environment, and Social</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Operations Manual (POM) developed and updated to guide implementation at all levels with details on all</td>
<td>DOCA</td>
<td>Year 1: August 31, 2019</td>
<td>- POM developed following the requirements defined in the three assessments and adopted by DOCA, acceptable to the World Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- DOCA-provided training for all levels</td>
</tr>
</tbody>
</table>
operational aspects and with sub-manuals on procurement, FM, land acquisition, citizen engagement, consultations, the grievance redress system, and climate changes

| Year 2-6: updates as needed | • DOCA monitoring of compliance with POM • POM updates as needed with prior agreement from the World Bank |
8. Technical Risk Rating

133. The overall risk is rated Substantial. In the Systematic Operations Risk-rating Tool (SORT) below, the risk categories rated Substantial are: (a) technical design of Program, (b) institutional capacity for implementation and sustainability, (c) fiduciary, and (d) environment and social.

<table>
<thead>
<tr>
<th>Systematic Operations Risk-Rating Tool (SORT) category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Political and governance</td>
<td>Low</td>
</tr>
<tr>
<td>2. Macroeconomic</td>
<td>Moderate</td>
</tr>
<tr>
<td>3. Sector strategies and policies</td>
<td>Moderate</td>
</tr>
<tr>
<td>4. Technical design of Program</td>
<td>Substantial</td>
</tr>
<tr>
<td>5. Institutional capacity for implementation and sustainability</td>
<td>Substantial</td>
</tr>
<tr>
<td>6. Fiduciary</td>
<td>Substantial</td>
</tr>
<tr>
<td>7. Environment and social</td>
<td>Substantial</td>
</tr>
<tr>
<td>8. Stakeholders</td>
<td>Moderate</td>
</tr>
<tr>
<td>OVERALL</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

134. The risk related to technical design of the Program is Substantial, as the technical design of the proposed Program is complex. The Program is designed from a system-wide perspective, aiming to address the multiple dimensions of aged care service delivery, public management, and public financing. The Program will support a series of innovations at the provincial, prefecture and district/county levels in Guizhou to strengthen both the technical and physical capacities for aged care services delivery and governance. The provincial and five prefecture governments will need to play a critical role in facilitating and resolving any conflicts of interest that may arise among the multiple agencies involved. Sufficient technical support is essential to ensure that the principles are adapted appropriately. The joint World Bank and AFD team will provide technical support in the RAs as needed through the preparation and implementation period. In addition, the AFD will finance technical assistance to share the French experience and expertise in the selected areas, that is, aged care standards and protocols, aged care service package, training, and PPPs.
135. **The institutional capacity for implementation risk is Substantial.** This is the first operation on aged care system development in Guizhou and the first operation to be implemented by Guizhou DOCA and local CABs. Therefore, the government and the implementing agencies will have a continuous learning curve during Program preparation and implementation. To mitigate this risk, the World Bank has provided and will continue to provide training on various aspects of PforR operations. From the government side, the risks will be mitigated by strong leadership and good coordination between the province and prefectures as well as among the relevant agencies at all levels. The main sources of the technical and institutional capacity risks to the proposed operation stem from the comprehensiveness and complexity of the Government’s aged care program, which requires a strong institutional framework and robust technical design capacity. However, because of the existing institutional fragmentation, the Program requires to strengthen the cross-sectoral collaboration mechanism among key agencies concerned (such as health, social security, and education), with their roles and responsibilities clearly defined. At the same time, specific weak technical capacity at the local levels, pose substantial challenges. Government officials at both the provincial and prefectural levels have no prior experience using the World Bank’s PforR lending instrument and are still learning. To mitigate this risk, the PAP was discussed and agreed. The Program will also provide intensive TA and capacity building for the development of technical guidelines as well as implementation support.

136. **Fiduciary risks are rated Substantial** due to: (a) the existing commitment to domestic debts; (b) difficulties in assessing the procurement systems of a reasonable and representative number of entities involved in this Program; (c) difficulty in accessing bidding and contract records; and (d) the non-application of World Bank debarment/temporary suspension lists. This may result in unacceptable contract awards to firms and/or individuals under temporary suspension or cross debarment by the World Bank or AFD. A preliminary FM assessment indicates that the source of program funds, government budgeting formulation, and execution procedures for the aged care sector at the provincial, prefecture, and district/county levels are clear but a bit complex. The proposed on-lending arrangements for the Program operations will introduce additional complexity to the existing system. The World Bank team will further assess the Program related budgeting system at all levels and support the finance authority in defining the approach for fund flow, financial reporting, and audit arrangements. Procurement under the Program will rely on the existing procurement system of the implementing agencies. The World Bank will carry out a procurement system assessment of the implementing agencies’ procurement system and capacities. The fiduciary systems assessment will identify the key risks and recommend appropriate mitigation measures.

137. **The overall environmental and social risk rating of this Program is Substantial.** The environmental assessment focused on the activities associated with health care meaning not only physical investment but also services, with the medical waste and radiation being of primary concern. The Environmental and Social Systems Assessment (ESSA) concluded that the existing legal and regulatory frameworks for environment, health, and safety in China and in Guizhou are
generally consistent with the PforR Policy and Directive. The current legal system in Guizhou and the relevant cities or counties are adequate for addressing the social safeguard impacts, and the current system is capable of handling potential land acquisition and ethnic minorities associated with the Program in Guizhou through the institutional arrangements.

138. **The stakeholder risks are rated Moderate and are mainly associated with the cross-sectoral nature of the aged care system.** Accordingly, the provincial LG, a coordination body, will be established to facilitate decision making and communication. A coordination mechanism should be developed to clearly define the roles and responsibilities of each agency to facilitate implementation of the innovations. The participation of nongovernment providers in the delivery of aged care services is relatively new to Guizhou. The policy development in this area and associated TA will help foster an enabling environment that incentivizes the private sector’s participation. Managing the ACIF and the multi-level government relationship—province and prefectures is also a potential risk. As explained earlier, the team will address those risks in the coming mission by further delimiting the boundaries and complementarities with the ACIF. The other risk relates to the repayment of the loan by prefectures to the provincial level, which is being addressed by the counterparts and discussed further.

139. **In view of those ratings above, the overall risk rating is assessed as Substantial.** The World Bank team will conduct the assessments and identify specifics actions to mitigate the risks during preparation and implementation. The actions agreed upon with the provincial government will be included in the PAP for implementation period.

## 9. Program Implementation Support Plan

140. **The objective of implementation support is to facilitate achievement of the PDO during Program implementation.** The joint WB and AFD task team will provide tailored support to DOCA and other implementation agencies to address the technical and capacity issues identified in the preliminary findings of the technical, fiduciary and environmental and social systems assessments. The support will focus on: (a) reviewing implementation progress and achievement of the Program results and DLIs; (b) providing TA in key reform areas; (c) monitoring the performance of procurement, FM, environmental and social systems for the Program implementation; and (d) helping resolve emerging Program implementation issues. The TA in the thematic areas will be provided in the broader context of the World Bank’s operational and knowledge engagement in the aged care sector in China.

141. **From a technical perspective, the joint team will focus on the achievement of Program results including DLIs and provide necessary TA throughout Program implementation.** The joint task team will mobilize international and domestic expertise to support the key areas of (a) needs assessment, (b) quality standards, (c) purchase-of-services, (d) institutional capacity building, (e) information system management, and (f) M&E. To ensure compliance with DLI
disbursement requirements, Guizhou will produce annual work plans for the activities under each RA and will detail the steps to be taken and timeline to meet the targets. The joint team will review these plans and suggest adjustments as necessary.

142. AFD will also finance TA to bring French expertise and good practices to Guizhou. The proposed TA will cover the following activities: (a) strengthening France-Guizhou exchanges through high-level exchanges and (b) developing aged care tools and mechanisms for (in priority order): (i) training of caregivers and managers, (ii) needs assessment toolkits, the basic service package and subsidy criteria, and aged care service evaluation (M&E); (iii) purchasing of aged care services, and case management guidelines; and (iv) facilitating the exchange of practitioners between France and Guizhou.

143. From the Program management perspective, the joint team will review the implementation progress of the PAP and monitor the performance of the environmental, social and fiduciary systems. As necessary, the joint team will provide suggestions for improvement and provide support for capacity building. It will provide advice on the enhancement of the grievance redress mechanism, public consultations, and gender-sensitive services. Key members of the WB implementation support team on fiduciary and social/environmental issues are based in the country office, which will help ensure timely, efficient, and effective implementation support.

144. The joint team will provide support throughout implementation of the Program with a six-year period from 2019 to 2024. The joint team will be led by task team leaders from both organizations and will consist of experts in the relevant technical areas, fiduciary management, environmental and social development, and general operations management. Given the complexity and innovative features of the Program design, the joint team will provide intensive support for the implementation during the first two years of implementation. A Program launch workshop will be carried out around the time of Program effectiveness. Regular implementation support missions will be conducted twice a year and the team will include field visits. Technical missions will be organized between the regular implementation support missions, as needed. Regular meetings with Guizhou DOCA and other implementation agencies will be held to ensure that appropriate support is provided to assist Guizhou in achieving timely implementation. The mid-term review (MTR) is scheduled for the third year of implementation.

145. Notably, the comprehensive TA and implementation support will require funding beyond the regular supervision budget. To better support the implementation with adequate expertise, more resources need to be mobilized to support the proposed TA.
Annex 1: Guizhou Aged Care Industrial Fund

The Guizhou Aged Care Industrial Fund (ACIF) is a limited partnership established by the Guizhou DOCA and Jiahao Equity Investment and Fund Management Limited Company (Jiahao), which is a subsidiary of a state-owned enterprise (SOE) called ‘China Construction Investment Group’. The ACIF is a government-type but autonomous industrial fund. DOCA represents the provincial Government of Guizhou in overseeing the ACIF. Jiahao is a professional fund management company that will operate the investment and management of the ACIF. In December 2018, the provincial government of Guizhou approved the proposal submitted by DOCA to establish the ACIF and clearly specified that DOCA will be responsible for funding the ACIF as the government investor.

The establishment of the ACIF is guided by the 2013 State Council’s ‘Opinions on Accelerating the Development of Aged Care Service Industry’ and the 2014 Guizhou provincial Government’s ‘Implementation Opinions on Accelerating the Development of Aged Care Service Industry’. The governance structure of the ACIF follows the ‘Interim Management Measures on Guizhou Industry Investment Funds’. Its financial operations are supervised under the 2017 provincial Government of Guizhou’s ‘Notice on Credit Information Registration Guidelines of the Government-funded Industrial Investment Fund (Trial)’.

Objectives: The aim of the ACIF is to explore an innovative way of leveraging social and private capital investment that can fill the funding gaps, promote the development of the aged care service industry, and enhance the quality of services in Guizhou. This will in turn contribute to more rapid growth of the local economy and upgrading of the industrial structure for a modern aged care service industry in Guizhou.

Size and funding: The sources of funding for the ACIF are the government, private sector, and SOEs. The size of the ACIF is expected to be RMB 8 billion during its expected life of 10 years, of which, only RMB 1.2 billion (12.5 percent) will come from the government and the remaining RMB 6.8 billion (87.5 percent) will come from social and private capital. The government portion of the contribution to the ACIF will come from the regular budgets (province, prefecture, and district/county), funded by the appropriated Welfare Lottery proceeds. About RMB 210 million of the budget outlays has been earmarked for the ACIF in 2017, and about RMB 330 million has been earmarked each year from 2018 to 2020. In total, the government will pool RMB 1.2 billion as seed fund to partner with social and private capital. Private investors, commercial banks, and SOEs—including the Industrial and Commercial Bank of China (ICBC), China Construction Bank
(CCB), Postal Savings Banks of China, and several other commercial banks, and several insurance companies as well as other qualified investors—provided ’Letter of intention’ to the ACIF. In the first phase, the size of the ACIF is expected to be RMB 1.6 billion to initiate the fund.

**Investment and operation:** The ACIF funds will adopt a market-based mechanism to allow for its independent investment and operation. The ACIF funds will be managed and operated by the Jiahao private sector fund management company and will be separate from regular government expenditures for planning or accounting purposes. The ACIF will invest in individual projects that will be selected from pipeline projects from listings registered in the DOCA’s ‘Management and Information Platform’ and that demonstrate the ability to generate financial returns. The ACIF can provide equity, bonds, and equity and bonds and can also set up sub-funds in particular areas and segmented industries. Specific investment standards and credit enhancement measures will be established for projects in different categories. The ACIF will not invest in high-risk projects. The investments will be made only in operations in Guizhou province.

The selection of investment projects for ACIF financing should align with the requirements of the ‘Guizhou 13th Five Year Plan on the Development of Aged Care System’ and the latest national and provincial policy directives. In each phase, the proportion of the ACIF investment to industrial projects should be more than 60 percent of the fund size. The eligible projects should come from three broad priority areas:

- **Aged care facilities and operations.** The ACIF can invest in service providers for the delivery of aged care services (including construction, purchase, and rental of ACFs) as well as in operators that are contracted to operate publicly-owned aged care service facilities. The ACIF can invest in joint operations, shareholding, mergers, and acquisitions.

- **Coordinated aged care and medical care operations.** The ACIF can invest in institutions that channel health resources to home and community levels, general hospitals, rehabilitation hospitals, geriatric hospitals, nursing homes, and hospices. ACIF can invest in ‘big data’ enterprises that collect health data on the elderly.

- **Aged care industrial cluster and market development.** The ACIF can invest in elderly products, cultural and educational establishments, fitness, leisure and tourism establishments, residential property, and establishments that provide financial services to the elderly. The ACIF can also invest in operating industrial parks and incubators of well-known aged care enterprises and brands. In addition, the ACIF can invest in aged care tourism and income-generation activities.

The ACIF is prohibited from investing in the following activities: guarantees, mortgages, and other services besides financing guarantees (except for the invested enterprise); donations and sponsorship for third parties; deposit collection or loans/fund lending to third parties; issuance of
trust or financial products to raise capital; foreign investments; open trading stock investment, excluding that for the purpose of mergers and acquisitions; direct or indirect engagement in futures and other derivatives; and other businesses forbidden by laws, regulations, and management departments.

Jiahao company is responsible for operating the funds and will charge 2 percent of the actual annual collected fund as management fee if it is a for-profit project and 1 percent in case of a non-profit project.

**Decision making and risk control:** The ACIF has a Risk Control Committee (RCC) that is responsible for evaluating all investment projects, presenting the risk evaluation report and submitting to the Investment Decision Committee (IDC). The RCC has five members—two are delegated from DOCA, two are delegated from Jiahao, and one is the external expert. The Chairman of the RCC is designated by DOCA and has veto power. The IDC has three members—two are delegated from Jiahao and one is the external expert. The IDC’s Chairman is designated by Jiahao. The IDC is responsible for making the investment decisions.

The ACIF prioritizes investment in elderly care projects within the province, and idle capital will either be deposited in the bank or be used to purchase treasury bonds and other fixed income low-risk investment products. The assets of the ACIF are managed by a qualified bank under a Capital Trusteeship Agreement. Each investment project will closely follow the risk control system and the entrusted bank shares the responsibilities.

**Oversight:** The provincial departments—including the DRC, DOF, and DOCA—will oversee the ACIF. The ACIF management body and the trustee bank will regularly report to Guizhou DRC, DOF, and DOCA.

**Duration:** The ACIF is set up for 10 years. After this period, all partners will commission executives to liquidate and withdraw the assets. Ways to withdraw from the ACIF include but are not limited to project transfer, Initial Public Offering (IPO), mergers and acquisitions, profit dividends, shareholder repurchase, and liquidation. Returns and any loss incurred will be shared among investors in terms of the share of funds.

The ACIF is a new investment business model in China. Before the Guizhou ACIF, the Ministry of Commerce and the Ministry of Finance had jointly chosen eight provinces for pilots: Jilin, Shandong, Inner Mongolia, Gansu, Hunan, Hubei, Anhui, and Jiangxi. All of them are central and western provinces, except Shandong. Implementation of those pilots has been slower than expected and the performance of those already established has been mixed. No adequate
information is available on the business model and governance structure for each pilot case. The underlying reasons why some perform well while others do not are still unknown.

Source:

DOCA (Guizhou Department of Civil Affairs), 2018. Proposal of Establishing Guizhou Aged Care Industrial Funds.


Glossary

*Diabao* (Minimum Living Allowance Guarantee Program): A cash transfer program that aims to provide income support to poor families. Local governments (in most cases at the prefectural level) set the *Diabao* thresholds and top up the income of poor families to the *Diabao* threshold level.

*Empty nester* (‘Kong Chao’): The senior elderly in a family without adult children around, including both the married and the widowed.

*Old age allowance*: an age-tested cash subsidy program in which local governments transfer certain amount of money to the senior elderly on a monthly basis.

*Rural happiness homes*: public welfare activity venues managed by village committees. These venues are usually self-governed and are used for rural elders (usually, non-*Wubao* elders) to have leisure and entertainment activities.

*Sanwu* (‘three nos’): urban people who have no legal guardians to support them, have lost the ability to work, and have no source of income.

*Urban and rural welfare homes*: they have traditionally been the places for public institutional care as part of the social welfare system administered by departments of civil affairs. They only accept *Sanwu* and *Wubao* elders and orphans.

*Wubao* (‘five guarantees’): rural people for whom the local government guarantees food, clothing, housing, medical care, and burial expenses.