I. Project Context

Country Context

1. Rapid declines in fertility, coupled with significant increases in life expectancy, have resulted in older people making up an increasing proportion of the populations in many high- and middle-income countries, including OECD countries and countries in East Asia. Across OECD counties, on average, the share of the population over 65 years of age is expected to reach 28 percent in 2050. For Vietnam, Thailand, Korea, and East Asia, these figures are 21.5, 29, 35, and 36 percent, respectively (see World Population Prospects 2017 and World Bank 2016). In OECD countries, public expenditures on long-term care for the elderly have the highest growth across the various functions of health and social spending, and account for 1.7 percent of GDP on average (ranging from 3.7 percent in Netherlands to 0.5 percent in Poland and Israel), see OECD (2017). This variation reflects the population structure, but also reflects the development, composition, and efficiency of the formal delivery systems, and countries continue searching for more efficient delivery and financing models.

2. Population ageing is also occurring rapidly in China which will move from being an 'ageing' to an 'aged' society (from having 7 percent of the population 65 years of age and over to 14 percent) in just 25 years, by 2027. By comparison, this transition took 115 years for France, 45 years for England, and 69 years for the United States. The aging process is projected to accelerate in the next few decades, with the growth of the elderly population being especially pronounced between 2015 and 2040. China is expected to have about 26 percent of the population aged 65 years or above and about 8 percent of the population aged 80 years of age and over by 2050. In fact, the over 80 years old population has
been increasing faster than the proportion of the total elderly population in China. This trend has important implications for developing aged care services because those over 80 are much more likely than those ages 60–80 to require help with self-care and social activities.

3. The Confucian norm of filial piety—which is a central value in traditional Chinese culture—enshrines a virtue of respect for one's parents and, traditionally, elderly care in China has been confined to the familial sphere. Under this cultural mandate, adult children are required to care for elderly parents physically, financially, and emotionally. The preeminence of filial duty is demonstrated by the following Chinese saying "of all virtues, filial piety is the first." Accordingly, co-resident in-kind care provided to parents and parents-in-law was the norm and formal institutional elderly care was rare and limited to a small number of publicly supported welfare recipients. In urban areas, they are referred to as 'three no's' (Sanwu)—people who have no legal guardians to support them, have lost the ability to work, and have no source of income. In rural areas, people who qualify as ‘three no’s-five guarantees’ (Wubao) are the elderly to whom the local government guarantees food, clothing, housing, medical care, and burial expenses.

4. Over the past several decades, rapid demographic and socioeconomic changes brought concerns that families alone might not be able to continue shouldering the burdens of elderly care. These concerns have been compounded by China’s one-child family policy, which was in effect for more than 30 years (and ended in late 2015) and has further strained the capacities of family caregivers. More recently, the duty of caring for one’s parents became codified in Chinese law; in fact, a law called ‘Protection of the Rights and Interests of Elderly People’ was passed, in December 2013, by the standing committee of the National People’s Congress. The nine clauses of the law lay out the duties of children and their obligations with respect to needs of the elderly.

5. Anhui—an agricultural province located in the central region of China along the middle part of Yangtze River—faces particular difficulties in meeting the elderly care needs of its population. Its population is aging faster than that of many other provinces in China. Today, about 10 percent of the population of the province is 65 years of age and over, which is above the national average. This is partly explained by Anhui being a migrant-sending province—nearly 15 million of Anhui’s population of 61 million work in other parts of the country. A common socioeconomic trend in China is that migrant workers, who tend to be relatively young, often leave behind their ageing parents when migrating to take up economic opportunities in other cities. The Anhui Department of Civil Affairs (DOCA) estimates that, of the 6.9 million people over age 65 living in Anhui, about 1.5 million have some limitations in functional ability, for which they require help with activities of daily living (ADL).

6. Most elderly care services in Anhui are supplied informally, just as in the rest of China, and are provided by family members, relatives (the familial caregivers), or by other unpaid caregivers at home. The spouse and children are the most common familial care providers. With regard to the gender of care recipients, men primarily receive care from spouses, while women—who tend to outlive their spouses—are far more likely to receive care from adult children or other providers. This pattern holds in urban and rural areas; nationwide and in Anhui. Among adult children who provide care, the burden of elderly care falls disproportionately on women, as well. The gender difference, in Anhui as well as nationally, is more stark in urban areas where economic opportunities abound. The average time for providing elder care is around 18 hours per week and older caregivers tend to spend more time on caregiving duties. High time demands of elderly care is one of the reasons for early withdrawal of adult women from the labor market. While the use of formal care (both institutional and home-based) does not carry a stigma in the society today, the effective demand for formal care is very sensitive to quality and price considerations, and is constrained by the low availability of services with the desired combination of these two. Urban women and rural men are at the highest risk of not receiving any care.
in Anhui and China overall.

**Sectoral and Institutional Context**

7. The national government is aware of the need to develop an efficient and sustainable approach to aged care. A policy framework has been developed through a number of directives, laws, and regulations. At the central government level, the state council issued several milestone documents, including the 12th Five-Year Plan for the Development of Aged Care Services (2011), the Opinions on Accelerating the Development of Services for the Aged (2013) and, most recently in 2017, the 13th Five-Year Plan for the Development of Elder Care Services and Building of Elderly Care System, which identified new monitorable targets.

8. The vision promoted in these documents are to build a well-functioning market for elderly care services where individuals can find services that satisfy their needs, preferences, and resource constraints. The envisaged system will have three tiers: home-based care will be its bedrock, providing services to 90 percent of all elderly, and it will be supported by community-based care and underpinned with institutional care, providing services to, respectively 7 and 3 percent of the elderly. The documents make clear that private provision and private (self) payment will play the main role in the elderly care system going forward, while the Government will continue to allocate funding to cover services for selected low-income and vulnerable groups. The Government also strongly signaled that it will devote an increasing amount of public resources—over 50 percent of the ‘Welfare Lottery Fund’—to support elderly care services and will continue developing policies to stimulate the market for private provision of all three tiers. It also signaled its readiness for stewardship of the elderly care market and its commitment to start piloting the long-term care insurance (both social and private insurance); encouraged integration between medical and social services; and called for strengthening workforce training—at places where aged care services are delivered, in facilities of higher learning, and in business schools. The specific monitorable targets set for the 13th Five-Year Plan period include the development of private provision, increasing the nursing content of care, expanding geriatric services in hospitals, securing allocations from the ‘Welfare Lottery Fund’, and expanding social grassroots participation of the elderly.

9. Against this backdrop, a new sector of formal elderly care services has emerged in China to meet the needs of the frail and disabled elderly who can no longer be cared for adequately by family caregivers. This sector is evolving across the country, catalyzed by government policies and private sector initiatives. Currently, formal services—both publicly and privately provided—are available to the general population and require private payment. Private facilities charge higher prices as compared with public facilities and those public facilities that are better equipped and offer an attractive array of services maintain a waiting list for interested clients. Free services are available to Sanwu and Wubao senior citizens and are typically provided in public residential facilities that receive funding from the government budget (from various levels of Government). Box 1 presents the landscape of elderly care services that currently exist in China.

10. A similar landscape has developed in Anhui. With regard to institutional care, overall by the end of 2016, there were about 2,585 aged care facilities in Anhui with a total of 330,763 beds (of which 583 were private aged care facilities with 77,315 beds). The overwhelming majority of public facilities are in rural areas; in fact, public rural facilities host about 72,894 elderly people, while urban public facilities host about 17,219 elderly people. The rural public facilities mostly provide shelter, but little care. In recent years, both urban and rural public facilities have started accepting self-paying patients, charging them prices that are typically below those of similar-purpose private facilities. The capital and operating expenditures of public facilities are covered by local government funding and private facilities receive about CNY 5,000 per bed as a one-time construction subsidy and approximately
CNY 200 per month per person as operating subsidy.

11. Formal home-based care and community care are still largely underdeveloped, but are receiving increasing attention. While official data show that there are 1,030 urban community aged day care centers (covering 70 percent of all urban municipalities and 30 percent of rural counties) in Anhui, many of these are in a substandard condition and offer few services. Home-based care started developing recently, including through government contracting with nongovernmental organizations. The coverage is still low, eligibility is restricted to the low income and poor beneficiaries over a certain age (determined locally—over 80 or over 85), and the set of services provided at home and covered by public funding (approximately CNY 100 per month) is limited.

12. The primary regulatory mechanism that the Government deploys to engage private providers is registration and entry licensing—to ensure that providers have at least a certain minimum capacity needed to deliver services. For-profit service providers are required to register with the Industrial and Commercial Administration Department, and not-for-profits must register with DOCA. To obtain an operating license for social care delivery, a provider applies to DOCA and to deliver skilled nursing or long-term care or medical services, the provider applies to the Department of Health. Providers are subjected to qualification reviews to obtain the relevant licenses. Some checks of the services provided are commissioned by public agencies, but the Government lacks a robust system to hold these external providers accountable for the services they deliver. To provide elderly care services, registered providers then need to obtain operating licenses. There is no unified information system that keeps data on both public and private providers. Only a few localities place the subsidy funds in the hands of consumers (for example, provide vouchers or coupons); mostly the payments are made by the contracting government agency to the provider.

13. Going forward, Anhui Province aims to improve its provision of elderly care services. Consistent with the national-level documents, the strategy for elderly care development in Anhui is articulated in the 2014 Action Plan on Accelerating Aged Care Sector and the 2017 13th Five-Year Plan on Aging and Aged Care System Development (hereafter the Action Plans). The near-term objective set out for Anhui is that, by the end of 2020, Anhui will have achieved “… a fully functional aged care system with reasonable layout and appropriate dimension to cover both rural and urban areas that meets the basic needs of the elderly for shelter, medical care, and elderly care services”. Consistent with their current direct delivery governance regime, the provincial authorities have set input targets—aiming to increase the number of (institutional) care facility beds to 45 beds per 1,000 for people 65 years of age and over, reach universal coverage of community aged care stations in the cities, and reach near universal coverage of community service facilities with aged care provision in towns and rural areas (the targets are 90 percent for towns and 80 percent for rural areas). The Anhui Action Plans further direct the relevant authorities and departments to
a) Exercise stewardship over the public and private segments of service provision;
b) Use contracting and contract management as the main policy tool for interacting with private providers, including direct purchasing of services and outsourcing the management and operation of publicly owned aged care facilities to the private and non-government sectors (a so-called mixed model), thereby reaching the target of 70 percent of elderly care beds being operated by non-government operators;
c) Allocate 50 percent of the provincial ‘Welfare Lottery Fund’ to the development of elderly care services;
d) Make construction and operating subsidies available to both public and private aged care facilities and make service subsidies available to both residential and home-based care services;
e) Link the subsidy amount to the level of deterioration in functional ability of the persons served;
f) Establish a complete set of market entry, exit, and other regulatory policies and empower the
Government to develop service standards; 
g) Promote integration of medical and social services, through service coordination of aged care, health care, rehabilitation, and hospice care, with the targets of (i) 80 percent of all elderly being under health case management; and (ii) 30 percent of total beds in elderly care institutions providing nursing care; 
h) Strengthen the rural system by transforming rural welfare homes into regional service centers and reaching the 80 percent target occupancy rate in rural welfare homes; 
i) Expand human resource development for the elderly care sector by collaborating with universities, technical and vocational education and training institutions, schools, and other institutions of learning to provide training to frontline caregivers, managers, operators, and relevant government officials; and 
j) Develop an information system and monitoring and evaluation (M&E) system for aged care services that would be evidence-based and include an assessment of needs and eligibility criteria for receiving public subsidies.

14. These policies and actions conform to good international practices for developing elderly care services (World Bank 2017).

II. Proposed Development Objective(s)

The project development objective (PDO) is to support the government of Anhui province in developing and managing a diversified, three-tiered aged care service delivery system for the elderly, particularly those with limited functional ability.

III. Project Description

Component Name
Supporting the Development of Government Stewardship Capacity
Comments (optional)
This component will (a) support development of a unified information system to facilitate both the development and management of the aged care service system, (b) design and pilot an assessment of functional ability and needs to improve the effectiveness and quality of care services, (c) establish a set of quality standards for aged care services, and (d) support training and building a professional workforce (aged care professionals, managers, administrators) for aged care services. This set of activities to support government stewardship capacity is a strong and innovative feature of this project.

Component Name
Strengthening Community-based and Home-based Care Services
Comments (optional)
This component will strengthen the delivery and management of urban community-based and home-based care services in Anqing and Lu’An. Community-based stations will be developed (built, upgraded, refurbished and equipped). The two municipalities will purchase aged care services for eligible groups including Sanwu, Dibao, low-income empty nesters, and the oldest old elderly whose functional ability and care needs will be assessed. The basket of services for the initial phase of implementation will include visits to empty nester elderly, respite service and and personal care. This component will finance civil works, equipment, consultant services and payments to providers of home-based care.

Component Name
Strengthening the Delivery and Management of Nursing Care
Comments (optional)
This component will (a) strengthen the delivery and management of urban skilled and semi-skilled
nursing facilities in three project cities. Nursing facilities will be attached to public hospitals in Anqing and Lu’An. (b) increase the capacity of urban welfare homes in Ningguo City and Xuanzhou District of Xuancheng municipality, and (c) strengthen the capacity of rural welfare homes in Suzhou.

Component Name
Project Management, Monitoring and Evaluation

Comments (optional)
This component will (a) support project management and build capacity in general management and planning to ensure an effective and efficient project implementation; (b) provide technical guidance through an expert panel to support project implementation; and (c) support the monitoring of the implementation of project activities and the achievements of the intended results.

IV. Financing (in USD Million)

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V. Implementation

The Project will be implemented in Anhui province at the provincial, municipal, city, and county and district levels. The Department of Civil Affairs of Anhui Province (DOCA) is the main implementation agency taking the overall responsibility for the project implementation and coordination. A leading group in DOCA will provide policy guidance and overall direction for the project. The provincial Project Management Office (PPMO) housed in DOCA will be responsible for coordination with local PMOs and provide overall project management as well as responsible for provincial level activities. The project Expert Panel (PEP) will be organized by the PPMO to provide technical support to both the provincial and local levels. The day-to-day project implementation and management is the responsibility of the PMOs and PIUs at all levels.

VI. Safeguard Policies (including public consultation)

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