



# Technical Assistance Consultant's Report

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Project Number: 49028  
October 2017

## People's Republic of China: Hebei Elderly Care Development Project (Financed by the Technical Assistance Special Fund)

### **FINAL REPORT** (Volume 1 of 3)

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For Hebei Provincial Government

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. All the views expressed herein may not be incorporated into the proposed project's design.

Asian Development Bank

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**ABBREVIATIONS**

ADB	-	Asian Development Bank
AFD		Agency for French Development (the French government agency for international cooperation)
AP	-	affected person
CAB	-	Civil Affairs Bureau (as exists in each project district/county)
CDTA	-	capacity development technical assistance
CNY	-	Chinese Yuan
DMF	-	design and monitoring framework
EA	-	executing agency
EC	-	elderly care
ECS	-	elderly care services
EGM	-	effective gender mainstreaming
EIRR	-	economic internal rate of return
EMP	-	environmental management plan
FGD	-	focus group discussion
FMA	-	financial management assessment
FSR	-	feasibility study report
GRM	-	grievance redress mechanism
HCAD	-	Hebei Provincial Civil Affairs Department
HCBC	-	home- and community-based care
HDRC	-	Hebei Development and Reform Commission
HECD		Hebei Elderly Care Development Project (the Project)
HH	-	household
HPFD	-	Hebei Provincial Finance Department
HPMO	-	Hebei Project Management Office
IA	-	implementing agency
ICB	-	international competitive bidding
ICT	-	information and communication technology
IEE	-	initial environmental examination
LIBOR	-	London interbank offered rate
MOF	-	Ministry of Finance (of PRC Government)
NCB	-	national competitive bidding
NDRC	-	National Development and Reform Commission (of the PRC)
NGO	-	nongovernment organization
NPV	-	net present value
O&M	-	operation and maintenance
OCR	-	ordinary capital resources (proposed ADB funding source)
PAM	-	project administration manual
PCR	-	project completion report
PLG	-	project leading group
PMO	-	project management office
PPMS	-	project performance management system
PPP	-	public-private partnership
PPTA	-	project preparatory technical assistance
PRC	-	People's Republic of China
PSA	-	poverty and social assessment
QCBS	-	quality- and cost-based selection
RRP	-	report and recommendation of the President
SGAP	-	social and gender action plan

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SPS	-	Safeguard Policy Statement (of ADB)
TA	-	technical assistance
TOR	-	terms of reference

### **WEIGHTS AND MEASURES**

m		meter
m <sup>2</sup>	–	square meter
mu	–	Chinese unit of area (15 mu = 1 hectare)

### **NOTES**

- (i) The fiscal year of the Government of the People's Republic of China ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

### **CURRENCY EQUIVALENTS**

(Assumed)

Currency Unit	–	Yuan (CNY)
CNY1	=	\$0.1611
\$1	=	CNY6.208

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- (i) The leaders and personnel of Hebei Provincial Government, especially Hebei Project Management Office for their overall coordination work, and the International Financing Divisions of Hebei Provincial Department of Finance, and the Hebei Development and Reform Commission (together with their associates at local government level) for their guidance and advice;
- (ii) Officials of Civil Bureaus/Dept at the County and Provincial level who provided valuable elderly care sector input to the project preparations;
- (iii) The senior management of the project implementing agencies and their appointed professional advisors for their patience during the different iterations of subproject design and in cooperating with the required PPTA due diligence; and.
- (iv) Members of the Asian Development Bank project team for their active involvement and continuous support and advice during the whole of the project preparatory period and especially for the excellent pre-PPTA research and studies that were organized, together with initial briefings provided to the PPTA team.

## 1. INTRODUCTION AND GENERAL ARRANGEMENTS

### 1.1 General Introduction and Background

1. This report is the Final Report of ADB TA 8996-PRC, the project preparatory technical assistance (PPTA) for the proposed Hebei Elderly Care Development Project (HECDP) (or “the project”). The purpose of the PPTA was to prepare the HECDP as a project suitable for ADB loan financing as an investment project utilizing ADB’s ordinary capital resources (OCR), and in order to improve the quality and capacity of elderly care provision in the Hebei Province of the PRC.

2. This final report presents the design and justification of the Project in a format that is intended to be largely suitable for the pending loan negotiations between ADB and Hebei Provincial Government (HPG). The main report (volume 1) provides a summary of the Project, the PPTA work, and the results of that work. Also included as appendices of this volume are a draft RRP together with the summary “linked documents” that were the responsibility of the PPTA team. This RRP package, is the version that was presented for loan negotiations which took place in April 2017. Slightly modified versions of these documents based on the outcome of loan negotiations were approved by ADB Board on 6 June 2017.

### 1.2 Objective and Scope of Work for the PPTA

3. The purpose of the PPTA has been to prepare the HECDP as a project suitable for ADB loan financing in order to improve the quality and coverage of elderly care services (ECs) in Hebei Province, PRC. The overriding objective of the proposed project is to improve the availability and quality of ECs in the participating subproject Districts and Counties, and through its human resources component and other demonstration efforts, in Hebei Province generally.

4. The scope of work within the PPTA included (i) establishing a clear rationale for ADB involvement in the Project, (ii), a sectoral assessment, (ii) technical, environmental, and financial due diligence to optimize the project design and demonstrate the sustainability of the proposed investment; (iii) ensuring adherence to ADB safeguard policies; (iv) conducting economic, social and poverty impact, and institutional analysis; (v) the design of an Elderly Care capacity building and sector development component; and (vi) preparing documentation to support ADB loan processing and the subsequent administration and progress monitoring of the project during the implementation phase. The full terms of reference of the PPTA are included as **Appendix 11** to this report.

5. The main PPTA was undertaken in two over-lapping phases by a team of individual consultants (phase1) responsible for elderly care (EC) sector analysis, assessing the adequacy of implementation arrangements and procurement capacity, ascertaining capacity building needs, the development of an initial procurement plan, and overall program management of the field preparations. In phase 2, a separate consulting firm was engaged by ADB to undertake due diligence assessments and project analysis in the areas of (i) financial and economic analysis; (ii) the involuntary resettlement implications for the project, and the preparation of resettlement plans and due diligence reports; (iii) the environmental assessment and the preparation of an environmental management plan (EMP); (iv) a poverty alleviation and social inclusiveness assessment (PSA);<sup>1</sup>(v) a financial management capacity assessment (the FMA); (vi) examination and due diligence of feasibility stage designs leading to a technical report on the project’s EC design; and (vii) investigation of the opportunities for the use of ICT within the project design, leading to a technical report providing guidance on

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<sup>1</sup> Also included the dimensions of gender equality and indigenous peoples’ implications.

the application of ICT in finalizing their detailed project designs.

6. At the request of HPG the PPTA contracts were extended into a third phase in order to utilize TA savings to provide ongoing support to HPPO and training to the IAs in to assist them in their preparations for the project implementation phase. The actual and further planned use of these savings is outlined in paragraphs 15 and 16 below, and the TA will now remain open until 31 March 2018.

### 1.3 PPTA Progress and Outputs

7. The Phase 1 consultants were mobilized from mid-January 2016 through to mid-March 2016. NAREE International Limited was engaged by ADB as the Phase 2 Consulting firm and mobilized in Shijiazhuang (the capital city of Hebei Province) on 25 April 2016. Through close cooperation between the PPTA team, the ADB project team, Hebei Project Management Office (HPMO) and the project implementing agencies, the following milestones have subsequently been achieved in a timely manner:

• ADB Inception Mission	-	14 to 21 March 2016
• Submission of Interim Report	-	13 May 2016
• ADB Inception Mission	-	16 to 20 May 2016
• Progress Review Workshop and Mission	-	25 to 27 July 2016
• Completion of PPTA analysis and due diligence	-	30 September 2016
• ADB loan fact-finding mission	-	10 to 17 October 2016
• Informal Endorsement of Project Design by NDRC	-	18 October 2016
• ADB and local government sign-off of RPs	-	31 October 2016
• HDRC approval of subproject proposals	-	30 November 2016
• ADB endorsement of IEE/EMP	-	9 December 2016
• ADB SRM endorsement of the project documents	-	12 December 2016
• Loan negotiations	-	11 April 2017
• ADB Board approval	-	6 June 2017
• Project Implementation training workshop	-	13 to 16 June 2017

8. All the outputs produced under the PPTA are included within this final report or have been used in its compilation. They comprise:

- Draft RRP (**Appendix 1** of this report);
- RRP linked documents:
  - Draft PAM (**Appendix 2**)
  - Summary Sector Analysis (**Appendix 3**)
  - Summary Financial Analysis (**Appendix 4**)
  - Summary Economic Analysis (**Appendix 5**)
  - Integrated Risk Assessment and Management Plan (**Appendix 6**)
  - Summary Poverty Reduction and Social Assessment (**Appendix 7**)
  - Social and Gender Action Plan (**Appendix 8**)
  - Proposed Capacity Development Technical Assistance (CDTA) (**Appendix 9**)
  - Development Coordination (**Appendix 10**)
- Detailed Sector Analysis (**See Volume 2**)
- Technical Report on Home- and Community-Based Care (**See Volume 2**);
- Technical Report on Residential Care (**See Volume 2**);
- Strategy for EC Human Resources Development (**included in the PAM**)
- Procurement Risk Assessment (**See Volume 2**);
- Resettlement Plans and land acquisition due diligence reports (**See Volume 3**);
- Initial Environmental Examination (**See Volume 3**);
- Fiduciary Management Assessment (**See Volume 3**);

- Detailed Financial Analysis (**See Volume 3**);
- Detailed Economic Analysis (**See Volume 3**);
- Poverty and Social Assessment (**See Volume 3**);
- Technical Report on EC Design (**See Volume 3**); and
- Guidance and Suggestions for the use of ICT in the EC subprojects (**See Volume 3**).

9. All PPTA outputs have been reviewed via the tripartite LFF process, and internally within ADB. The revised set of loan documents resulting from this review process, together with a draft loan and project agreements prepared by ADB legal counsel were endorsed by the ADB's senior review meeting (SRM) on 12th December 2016.

10. In addition to providing a comprehensive and well supported justification of the project, together with suggested improvements to the project design the PPTA team has also considered potential implementation issues, including an assessment of the capacity of the executing agency and the implementing agencies to successfully implement the project in a smooth and effective manner. Proposed implementation arrangements are documented in the PAM (appendix 2).

#### 1.4 Capacity Building

11. Whilst HPMO is highly experienced in the successful execution of ADB funded projects, the HECDP IAs lack the knowledge and experience required to successfully implement an ADB loan project. therefore, in order to ensure program implementation can progress smoothly, it is necessary to support the PMO, GED TVET Division and the TVET schools and colleges who will implement the program.

12. Consulting support to HPMO, and more especially to the project implementing agencies and local city and/or county civil affairs bureaus (CABs), is therefore a key feature of the project design and an essential risk mitigation measure designed to build the required capacity these organizations need in order to discharge their responsibilities for project implementation, EC service provision, and (in the case of the CAB's) EC sector administration in an effective manner. Given the lack of experience the implementing agencies possess in the management of ADB funded projects this support is needed on a continuing basis from the current time until EC services are fully operational.

13. Support is being provided in the form of (i) limited start-up consulting utilizing project preparatory technical assistance budget savings during the period through to loan effectiveness; (ii) an extensive package of consulting and training funded from the loan and directed primarily at the implementing agencies in order that they receive the support they need to construct the project infrastructure and operationalize EC services that meet the expectations of the elderly population in terms of scope, quality and pricing; and (iii) a "piggy-backed" TA targeted primarily at local CABs in order to build their EC sector management capacity, and especially in the areas of sector planning, the assessment of care needs and mechanisms to ensure all elderly have their essential care needs met, the regulation of EC services, and in developing the role of the voluntary sector and civil society organizations.

14. In order to support program implementation a \$670,000 accompanying capacity development technical assistance (CDTA) to be financed by ADB has designed by the PPTA team to meet the required capacity building needs. The CDTA will have six outputs: (i) a model-demand based elderly care sector plan and supporting planning manual; (ii) a demonstration elderly care assessment system, including user toolkits, computer software, and implementation guidance; (iii) model procedures for the effective regulation of elderly care service providers; (iv) creation of a model arrangement for the effective involvement of the voluntary sector in the provision of elderly care (that can be replicated elsewhere); (v) a pilot online support facility for family caregivers; and (vi) effective TA dissemination through knowledge sharing. Further details of this proposed CDTA are included in Appendix 9 of this report and the full TOR is included in the PAM.



15. Subsequent to successful loan negotiations in April 2017, selective members of the PPTA team in conjunction with ADB and HPMO have undertaken the following start-up consulting work:

- (a) Organized and participated in a training and awareness workshop hosted by HPG to improve the readiness of the project IAs for the discharge of their implementation responsibilities. This workshop, spanning three and a half days took place from 13<sup>th</sup> to 16<sup>th</sup> June 2017 and focused on (i) the legal provisions and requirements as set out in the loan and project agreements; (ii) project related financial management; (iii) procurement - with particular emphasis on the preparation of bidding documents and the bidding and bid evaluation process; and (iv) the strategies for operationalizing EC services as set out in the PAM.
- (b) Updating key sections of the PAM to reflect the changes in the project implementation as a result of the unforeseen delay in holding loan negotiations (delayed from December 2016 to April 2017) – these changes focused on the updating of the procurement plan and the S-curve financial forecast;
- (c) Working with HPMO and ADB to prepare and agree the procurement documentation required to bid the main loan consulting services contract - in doing this, some modifications to the originally agreed TOR were made so as to incorporate the requirements of new MOF regulations and also to make some rationalization as requested by HPMO to make the consulting more manageable, and
- (d) Finalizing this final report and other PPTA outputs that needed updating.

16. As at 30<sup>th</sup> September 2017, some minor PPTA savings remain un-utilized. Subject to other priorities not being identified, it is planned that these will mainly be used for (i) providing technical EC design support to the IAs and their design institutes pending the appointment of the loan consulting services firm, and (ii) arranging some domestic familiarization visits for the IAs to study best practices in the delivery of EC services in China. All funds must be used by the final TA closure date of 31<sup>st</sup> March 2018.

## 2. THE PROPOSED PROJECT

17. The proposed project will support the development of an integrated three-tier elderly care system (ECS) in Hebei Province (Hebei) through improving the quality and coverage of home, community, and residential elderly care (EC) services and facilities. The project will be the first project for the Asian Development Bank (ADB) focusing on ECS and services development, and among the first EC projects funded by international financial institutions in the PRC.

### 2.1 Strategic Context

18. The most significant demographic challenge facing the PRC today is the aging of the population, and the social and economic impacts that will occur as a result of the rapid pace and scale of the demographic change. The proportion of people above the age of 60 across the PRC is expected to grow from roughly 12% in 2010 to 34% by 2050. Combined with fast urbanization, internal migration of youth away from rural areas, and the impacts of the one child policy, traditional family support systems are stressed and increasingly unable to meet EC needs. The population is aging rapidly at a time when the country's per capita income remains modest and social security systems are still insufficient to meet the needs of senior citizens. The growing demand for quality and affordable EC services exceeds current supply and is an urgent development issue that must be addressed.

19. Hebei entered into an “aging society” status in 1999 when it passed the 10% threshold of population over the age of 60. In 2016, it is projected to be 17% and is expected to rise to 31% by 2050. Within the province, there is great diversity in the distribution of elderly,

their care needs, income levels, and availability of services. In some rural counties, there is a high density of elderly who are “left behind” after their children have moved to urban areas. In other cases, few elderly remain making it difficult to provide decentralized services. The urban areas are aging at different rates, resulting in a diversity of demand for services. The government has identified Hebei as a demonstration province for EC development due to its past history in developing care models and because it is representative of the challenges other provinces face with limited government funds available for EC and growing elderly populations. There is a strong desire in the province—and nationally—to identify care models and partnerships, which can deliver quality and affordable EC, and the optimum roles for government, private sector, and civil society stakeholders in the sector.

20. The PRC has developed policies to support the elderly since the late 1970s. The PRC’s Twelfth Five-Year Plan, 2011–2015 supported creating a three-tiered old age care system (home, community, and residential) and improving geriatric care and health services. The government strategy of developing the ECS with “home-based care as the foundation, community care as a necessary support, and residential care as supplements” is relevant and in line with international trends of supporting “aging in place,” de-institutionalization, and active aging. The PRC’s Thirteenth Five-Year Plan, 2016–2020 seeks to build on this framework, expand coverage, and enhance the quality of services by improving planning and developing services for elderly with care needs. The Plan includes (i) strengthening human resources and management capacity for EC; (ii) developing new services and promoting health and EC integration; and (iii) defining responsibilities for public, private, and voluntary sector stakeholders. Key challenges in achieving these goals include addressing unbalanced rural–urban development, tackling significant financing gaps in the sector, and developing the EC market.

21. Translating the national policies into programs on the ground in Hebei is challenging. At the residential nursing care level, only 50% (210,000) of the projected need for beds in the province is currently available and public perceptions and the quality of EC facilities are low. Human resources, and incentives and policies to retain and train staff are insufficient. Planning for the expansion of EC services is not systematic, and home and community care services are largely underdeveloped. Government financing of EC is limited. To help address the dearth of services, local governments are seeking ways to incentivize the development of services and increase private and voluntary sector involvement, both of which do not yet play a significant role. Poor public perceptions on the quality of services, affordability, and traditional cultural attitudes are key constraints to the uptake and sustainability of services.

## 2.2 Project Rationale

22. To address these problems, the proposed project will develop five “anchor” EC residential facilities (run by both public and private sector) targeting elderly with long-term care needs. These facilities will also develop and operate home- and community-based care (HCBC) services and information and communications technology (ICT) networks to serve a broad range of elderly and support the concept of “aging in place”—a lifestyle that consultative research suggests most elderly prefer. Additional facilities and services, such as rehabilitation centers, will also be constructed to help relieve pressure on hospital beds and as a step to improving health and EC sector integration—an emerging policy drive of the government. Capacity building for implementing agencies, local civil affairs bureaus (CABs), and implementation of pilots to address critical aspects of ECS development is an integral part of the project design. Yanshan University (YSU) will develop an EC training center and a range of short- and long-term new courses in five priority areas of EC: (i) caregiving and nursing, (ii) occupational therapy, (iii) EC management, (iv) geriatric psychology, and (v) ICT for EC. Combined together, the subprojects seek to create demonstration facilities and services, expand human resources, and improve industry capacity for the three-tiered ECS in Hebei.

23. **Strategic fit.** The project supports the PRC’s Thirteenth Five-Year Plan, 2016–2020 (footnote 6) and the Hebei Provincial Thirteenth Five-Year Plan, 2016–2020, which seek to develop the ECS, stimulate investment; and define roles and responsibilities for the

government, private, and voluntary sectors. The project is aligned with ADB's country partnership strategy, 2016–2020 pillar on inclusive growth; the midterm review of Strategy 2020, which supports social protection and health; and the Operational Plan for Health, 2015–2020, which has EC as a focus area.

## 2.3 Project Scope

24. **Impact and Outcome** The impact of the project is aligned with the government's goal that a comprehensive three-tiered ECS (home, community, and residential) is established. The expected outcome is that the capacity of the ECS and quality of EC services in Hebei is improved.

25. **Outputs.** The project will generate four outputs.

26. **Output 1:** Community and home care services improved. The output will support the development of quality HCBC services by developing (i) selected community centers; (ii) services and support networks to improve and expand service delivery and quality; (iii) capacity of the implementing agencies to create sustainable HCBC services that meet the needs of the elderly; and (iv) ICT networks that support the elderly and EC service delivery.

27. **Output 2:** Residential elderly care service capacity increased and quality improved. This output will support development of facilities, which will (i) provide residential care services for elderly with various types of need (i.e., nursing care, dementia care, rehabilitation); (ii) establish links to existing health care facilities and home and community care to support a continuum of care; and (iii) serve as demonstration models of government and private sector collaboration for other small cities seeking to improve EC quality and service delivery.

28. **Output 3:** Development of human resources and industry capacity improved. This output will help address the EC human resources shortages and quality by supporting YSU to (i) develop training programs and faculty capacity in emerging EC service areas, such as caregiving and nursing, rehabilitation, EC management, technology to support EC, and counseling; (ii) develop curriculum and training materials in the priority areas with selected academic and training institutions across the province; and (iii) develop an EC training and research center, and student dormitory on the YSU campus.

29. **Output 4:** Capacity of elderly care sector organizations improved. This output will build the capacity of EC stakeholders and local CABs in planning, EC management, assessment, and quality assurance and monitoring. It will also implement innovative pilots in priority areas, such as health and EC integration, new services development (rehabilitation and dementia care), HCBC services, and ICT for EC. Training and advisory support will be provided to facilitate the efficient implementation and operationalization of the EC services to be provided through the project.

30. **Innovation and special features.** The project will have demonstration value for other PRC provinces and developing countries in the Asia and Pacific region facing similar challenges of aging populations. Innovative and special features include development of (i) an integrated EC service model which links home, community and residential care and management, (ii) innovative pilots to support good practice ECS development in critical areas such as EC management, quality assurance, new services development; (iii) a model of government and private sector collaboration that has only limited risk for government and which may prove to be more flexible and market responsive than use of PPP and (iii) a human resources development program at the tertiary and continuing education levels which anticipates the growth of the sector and new skills needed.

31. **Project composition.** The project comprises six different subprojects, five of which will create integrated three-tier ECS in local cities and counties dissipated across Hebei Province and one provincial level subproject with YSU (located in Qinghuangdao City in eastern Hebei) that will strengthen EC sector human resources and conduct specialized

research relevant to the sector. The five cities and counties that will create the integrated ECS are Shuangluan District, Chengde Municipality; Li County, Baoding Municipality; Xinji City (provincially governed); Julu County, Xingtai Municipality; and She County, Handan Municipality. Table 2.1 summarizes the project activities that will be undertaken within each of the six subprojects. Further information on the socioeconomic profiles of the five cities and/or counties and contents of the individual subprojects that make up the project can be found in the PAM.

**Table 2.1: Summary of Project Activities by Subproject**

<b>Name of Subproject</b>	<b>Name of Implementing Agency</b>	<b>Output 1: Community and Home Care Services Improved</b>	<b>Output 2: Residential Elderly Care Service Capacity Increased and Quality Improved</b>	<b>Output 3: Development of Human Resources and Industry Capacity Improved<sup>a</sup></b>	<b>Output 4: Capacity of Elderly Care Sector Organizations Improved</b>
Xinji Parents' Paradise EC Community Center	Xinji Juyouleyuan EC Service Corporation	(i) Eight HCBC service centers serving five townships will be established by renovating existing buildings (area <sup>b</sup> : 7,900 m <sup>2</sup> , with capacity of 130 beds) (ii) Connect with ICT platform	(i) A new EC center and a small geriatric hospital <sup>c</sup> will be constructed (total area: 30,223 m <sup>2</sup> , with a total of 438 beds, including 60 geriatric hospital beds [50 geriatric and/or 10 palliative]) (ii) ICT center (iii) Rehabilitation center (iv) Palliative care rooms (v) 232 staff (including caregivers, management staff, and administrative staff) for the EC center, geriatric hospital (60), and HCBC service centers (vi) Training to caregivers and management staff	NA	Piloting of horizontal medical care and EC integration through cooperation with Xinji No. 1 Municipal Hospital
Julu County Healthcare and EC Integrated Service Center	Julu County Hospital	(i) Four HCBC centers will be rehabilitated (area: 3,309 m <sup>2</sup> , with capacity of 110 beds) (ii) Establish information center	(i) A new EC center with a total floor area of 20,945 m <sup>2</sup> will be constructed with a capacity of 403 beds, including rehabilitation center; recuperation and dementia rooms (ii) Palliative care rooms (iii) 249 staff (including caregivers, management staff, and administrative staff) for the EC center and HCBC centers (iv) Training to caregivers and management staff	NA	Piloting of vertical health and elderly care integration
Chengde Shuangluan District Haoren Health and EC	Chengde Haoren EC Service Industry Corporation	(i) 25 (22 community and three street level) HCBC centers will established by rehabilitating	(i) A new EC center and a rehabilitation hospital will be constructed (area: 25,008.72 m <sup>2</sup> , with a total of	NA	Piloting of: (i) EC assessment (ii) Using ICT in assessment of client

Name of Subproject	Name of Implementing Agency	Output 1: Community and Home Care Services Improved	Output 2: Residential Elderly Care Service Capacity Increased and Quality Improved	Output 3: Development of Human Resources and Industry Capacity Improved <sup>a</sup>	Output 4: Capacity of Elderly Care Sector Organizations Improved
Service Center Project		existing buildings in 25 local communities (area: 7,400 m <sup>2</sup> ) (ii) Connect with ICT platform	430 beds, including 100 beds for rehabilitation (ii) ICT platform (iii) Palliative care rooms (iv) 396 staff (including caregivers, management staff, and administrative staff) for the EC center, rehabilitation hospital, and HCBC centers (v) Training to caregivers and management staff		needs (iii) Community-based care
She County Binhe EC and Rehabilitation Center	Hebei Runqinyuan EC Industry Development Corporation	(i) Three HCBC centers will established (area: 3,100 m <sup>2</sup> , with capacity of 80 beds) (ii) Connect with ICT platform	(i) A new EC center with a floor area of 25,850 m <sup>2</sup> providing 360 beds will be built (ii) Rehabilitation center (iii) An ICT center (iv) Palliative care rooms (v) 174 staff (including caregivers, management staff, and administrative staff) for the EC center and HCBC centers (vi) Training to caregivers and management staff	NA	Piloting for: (i) EC quality management (ii) Use of ICT in the administration, needs assessment, and record-keeping of residential care and HCBC systems
Baoding Li County EC Comprehensive Service Center	Li County Guangrongyuan	(i) 10 HCBC centers will be established by rehabilitating four existing buildings and constructing six new centers in local towns and/or townships (area: 7,285.9 m <sup>2</sup> , with capacity of 400 beds) (ii) Establish call and/or response center	(i) A new residential EC center will be built (total area: 38,455.79 m <sup>2</sup> with a capacity of 425 beds) (ii) Health checking center (iii) Rehabilitation center (iv) Call and/or response service center (v) Palliative care rooms (vi) 276 staff (including caregivers, management staff, and administrative staff) for the EC center and HCBC centers	NA	Piloting for EC and HCBC development strategy and planning

Name of Subproject	Name of Implementing Agency	Output 1: Community and Home Care Services Improved	Output 2: Residential Elderly Care Service Capacity Increased and Quality Improved	Output 3: Development of Human Resources and Industry Capacity Improved <sup>a</sup>	Output 4: Capacity of Elderly Care Sector Organizations Improved
			(vii) Training to caregivers and management staff		
YSU Health and EC Integration Training Center	YSU	NA	NA	(i) A new EC training center inside the YSU campus will be constructed with a floor area of 13,960 m <sup>2</sup> will be built (ii) A student dormitory building with capacity of 1,000 beds, with a floor area of 6,000 m <sup>2</sup> will be built (iii) 33 faculties will be newly engaged	(i) <b>EC management.</b> YSU will develop a range of training courses in EC management (ii) <b>ICT for EC.</b> YSU will design courses on ICT for EC to respond to the fast growing human resources needs in this area (iii) <b>Occupational therapy for EC</b>

EC = elderly care, HCBC = home- and community-based care, ICT = information and communications technology (for call and response), m<sup>2</sup> = square meter, NA = not applicable, YSU = Yanshan University.

<sup>a</sup> Training should at least include topics in (i) characteristics of elderly in need of care and clinical issues of EC, (ii) dementia care, (iii) medical rehabilitation center, (iv) generic quality assessment, and (v) EC management.

<sup>b</sup> Medical recovery, physiotherapy, etc.

<sup>c</sup> Level 1 hospital = 20 to 99 beds (smallest hospital type).

**Sources:** Domestic subproject feasibility study reports, September 2016.



## 2.4 Implementation Plans and Arrangements

### A. Project Readiness Activities

28. Table 2.2 indicates the main project readiness activities and indicative timing for each activity that needs to be completed to achieve loan effectiveness in December 2018 (considered a realistic date for project implementation to commence). In order to ensure the project implementation proceeds in a timely manner, key activities to fully establish the implementation arrangements include (i) appointment of qualified design institutes to undertake preliminary and detailed design work on behalf of the implementing agencies, (ii) appointment of a procurement agent by HPMO and the establishment of project procurement procedures, and (iii) the establishment of project financial management arrangements under the overall oversight of Hebei Provincial Department of Finance (HPDF) and advance contracting action in relation to the appointment of the loan implementation consultants in order that these can be mobilized as soon as practical after loan effectiveness.

**Table 2.2: Summary of Project Readiness Activities**

Indicative Activities	Months								Responsible Agency(s)
	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	July to Dec 2017	
ADB staff review meeting									ADB
Approval of domestic FSRs									HDRC
Loan negotiations									ADB, relevant agencies of PRC National Government, HPG
Advance contracting actions									HPMO and implementing agencies
Implementation workshop									HPMO, implementing agencies, local government, invited experts
Preliminary and detailed design									Implementing agencies and their design institutes
Establish implementation arrangements									HPMO, implementing agencies, local government,
ADB Board approval									ADB
Loan and grant signing									ADB, MOF, HPG
Advance action for procurement of CDTA and project management consultant									ADB, HPMO
Government legal opinion provided									MOF, HPG
Loan and grant effectiveness									MOF, ADB

ADB= Asian Development Bank, CDTA = capacity development technical assistance, FSR = feasibility study report, HDRC = Hebei Development and Reform Commission,



HPMO = Hebei project management office, HPG = Hebei Provincial Government, MOF = Ministry of Finance, PRC = People's Republic of China.

Source: PPTA estimates.

## B. Overall Project Implementation Plan

29. Table 2.3 is a Gantt chart recording outputs with key implementation activities on a quarterly basis. It will be updated annually, and submitted to ADB with contract and disbursement projections for the following year.

**Table 2.3: Project Implementation Plan**

Activities	2016				2017				2018				2019				2020				2021				2022			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>1. Design and Monitoring Framework</b>																												
<b>Output 1: Community and home care services improved</b>																												
Build, rehabilitate, and equip 51 community care centers																												
Implement study tour to Beijing and Japan on HCBC																												
Develop HCBC service specifications and assessment system																												
Establish a training and support program for family caregivers																												
Establish a home safety assessment and modification program																												
Establish call center support systems																												
<b>Output 2: Residential elderly care service capacity increased and quality improved.</b>																												
Undertake land acquisition and resettlement																												
Construct residential care facilities																												
Develop and implement market research study																												
Develop and implement learning collaborative on EC management and services																												
Design, implement, and evaluate EC pilots																												
<b>Output 3: Development of human resources and industry capacity improved</b>																												
Construct EC training center and student dormitory																												
Design curriculum for five fields and develop 19 textbooks																												
Establish training plan (including study tours) for faculty																												
Establish research center for priority areas																												
<b>Output 4: Capacity of elderly care sector organizations improved</b>																												
Implementation of resettlement plan, EMP, and SGAP																												
Develop and implement CAB learning program																												
Develop and implement CAB and HCBC service pilots																												
Conduct pilot evaluation																												

Activities	2016				2017				2018				2019				2020				2021				2022			
Initiate roll out of successful pilots																												
<b>2. Management Activities</b>																												
Establish project management arrangements																												
Procurement																												
Consultant selection procedures																												
Environmental management plan activities																												
Social and gender action plan activities																												
Communication strategy activities																												
Progress reporting																												
Midterm review																												
Project completion report and review																												

CAB = civil affairs bureau, EC = elderly care, EMP = environmental management plan, HCBC = home- and community-based care, SGAP = social and gender action plan.

**Source:** PPTA estimates

### C. Project Implementation Organizations—Roles and Responsibilities

30. The Hebei Provincial Government (HPG) will be the executing agency for the project. The Hebei project leading group (HPLG) has been established, led by the Vice Governor and includes membership from the Development and Reform Commission, Finance, Civil Affairs, Education, Committee on Aging, Environment Protection, Industry and Information, Human Resources and Social Security, Housing and Urban-rural Development, Land Management Departments, and the Health and Family Planning Commission. The HPLG will be responsible for overall coordination of the project. Under the HPLG, a project management office (HPMO) has been established in the Hebei Provincial Foreign Debt Management Center in the HPDF. HPMO is responsible for the preparation, implementation, management, and supervision of the project and will provide guidance to the subproject cities and counties.

31. The subproject cities and counties have each established project leading group (PLG) with responsibilities at local level that largely mirror those of HPLG at the provincial level, with the key local players being the city/county civil affairs bureau, development and reform commission, finance, and health bureaus. Each local PLG has set up a small project office to facilitate effective coordination within the local government on project matters. The relevant local governments, following local selection procedures, have assigned responsibility for day-to-day subcomponent implementation to a designated implementing agency. These implementing agencies are a mix of private and public entities (further details of the selection process of the private enterprise implementing agencies is described in paragraphs 34 to 41 below). Table 2.4 identifies the different subprojects, the relevant implementing agency, and its legal form.

**Table 4: Project Implementing Agencies**

	City and/or County	Subproject Implementing Agencies	Type of Organization
1.	Provincial level	YSU	government institution
2.	Xinji City <sup>a</sup>	Xinji Juyouleyuan EC Service Corporation	private enterprise
3.	Shuangluan District, Chengde City	Chengde Haoren EC Service Industry Corporation	private enterprise
4.	Li County, Baoding City	Li County Guangrongyuan	government institution
5.	She County, Handan City	Hebei Runqinyuan EC Industry Development Corporation	private enterprise
6.	Julu County, Xingtai City	Julu County Hospital	government institution

EC = elderly care, YSU = Yanhsan University.

<sup>a</sup> Xinji is a county level city that is directly governed by HPG.

**Source: PPTA Consulting Team**

32. The YSU subproject differs from the rest because it is part of a provincial-wide initiative to improve the quality of human resources in the EC sector and also to train increased numbers of caregivers needed to meet the continually increasing demand for EC services. The university is in Qinghuangdao Municipality, Hebei Province, and is under the direct supervision of Hebei Education Department. Thus, the institutional arrangements (see figure 1) and financing arrangements (as documented in the project financial analysis) for this subproject are somewhat different from the others.

33. The implementation roles and responsibilities of the main project stakeholder organizations are summarized in Table 2.5. All the implementing agencies, with the exception of Li County Guangrongyuan, will be the end borrowers of ADB funds and responsible for debt servicing and loan repayment. Li County Guangrongyuan currently operates under the government

budgetary system without any financial autonomy from the county government, and therefore has no independent capacity to service debt. Later, if this implementing agency is reformed and becomes financially autonomous and is made responsible for operating the facilities, then onlending at that time might well become feasible.

**Table 2.5: Project Implementation Responsibilities**

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
<b>1. Project Execution</b> Hebei Provincial Government (HPG, executing agency)	(i) Establish project management arrangements. (ii) Assume overall accountability for ensuring project success.
1.1. Hebei Project Leading Group (HPLG)	The HPLG, led by the Vice Governor, includes high-level officials from HCAD (provincial level), HPFD, HDRC, and other key stakeholders, including HHFPC, HHRSSD, HPEPD, HPED, and HPLMD and will: (i) provide overall project direction and any required policy guidance; (ii) oversee the preparation and implementation of the project; (iii) provide overall guidance to the project; (iv) support cross-agency policy dialogue; and (v) review project progress and provide strategic advice to support effective implementation.
1.2 Hebei Provincial Finance Department (HPFD)	(i) Exercises overall financial management supervision of the project. (ii) Maintain the project imprest account and keep necessary financial records. (iii) Manage the loan disbursement process. (iv) Liaison with MOF.
1.3 Hebei Development and Reform Commission (HDRC)	(i) Approval of project proposal, domestic feasibility study and preliminary design, and submission of authorization request for foreign capital utilization. (ii) Approval of any major changes needed to project scope. (iii) Liaison with NDRC.
1.4 Hebei Civil Affairs Department (HCAD)	(i) Oversight of the elderly care sector within Hebei Province, including standard setting, regulation, and policy development. (ii) Supervision of local CABs. (iii) Participate in policy dialogue with ADB as required. (iv) Participating in the organization of training and other capacity building activities, and in the actual activities as appropriate.
1.5 Hebei Project Management Office (HPMO)	(i) Supervision of implementing agency activities and provide guidance and support, as needed. (ii) Coordinate project preparation and implementation activities, including the necessary implementation, financial and procurement planning. (iii) Establish and operate the grievance redress mechanism. (iv) Appoint the procurement agent and oversee project procurement. (v) Appoint and supervise the activities of the project implementation and EC capacity building consultants. (vi) Communications and coordination with ADB. (vii) Monitor and report project progress and performance, including environmental, resettlement, social and gender safeguards and action plans. (viii) Have the project financial accounts and related financial statements consolidated and audited annually in accordance with appropriate auditing standards acceptable to ADB. (ix) Prepare and submit ad-hoc reports on project activities as

Project Implementation Organizations	Management Roles and Responsibilities
	<p>required.</p> <p>(x) Coordinate project evaluation and dissemination activities.</p>
<b>Project Implementation</b>	
2.1 Project Implementing Agencies	<p>(i) Implement subproject and be a focal point for liaison with the HPMO.</p> <p>(ii) Appoint design, construction supervision, and required monitoring institutes.</p> <p>(iii) Procurement and contract management (will be supported by procurement agent).</p> <p>(iv) Implement capacity building activities for implementing agencies.</p> <p>(v) Project accounting and financial management.</p> <p>(vi) Ensure quality in project activities necessary to meet objectives.</p> <p>(vii) Coordinate EMP implementation relating to their subproject.</p> <p>(viii) Prepare withdrawal applications for submission to the local finance department and HPMO.</p> <p>(ix) Take actions as needed to implement the agreed gender and social action plans.</p> <p>(x) Establish and maintain implementing agencies level project monitoring systems and reporting to HPMO.</p> <p>(xi) Arrange necessary counterpart funding.</p>
2.2 Local Finance Departments	<p>(i) Provide a guarantee that the ADB loan will be repaid.</p> <p>(ii) Overall financial supervision of the subproject within their jurisdiction.</p> <p>(iii) Review and endorse withdrawal applications.</p> <p>(iv) Facilitate and/or provide counterpart funding.</p>
2.3 Local Civil Affairs Bureaus	<p>(i) Administration of EC subsidies.</p> <p>(ii) Licensing and regulatory supervision of organizations wishing to provide EC services. Setting and monitoring EC service standards.</p> <p>(iii) Preparation of local EC sector plans.</p> <p>(iv) Facilitate and encourage voluntary sector participation in EC.</p> <p>(v) Assessment of care needs and ensuring the most vulnerable elderly receive the services they require.</p> <p>(vi) Participate in project training and capacity building activities.</p>
<b>Asian Development Bank</b>	<p>(i) Development partner to HPG and supervises project implementation to ensure ADB interests are safeguarded.</p> <p>(ii) Disburses the loan in accordance with the agreed procedures upon receipt of duly authorized withdrawal applications and necessary supporting documentation.</p> <p>(iii) Provides guidance to HPG, HPMO, and the implementing agencies to help resolve any implementation issues that arise.</p> <p>(iv) Reviews project progress reports and monitors implementation of resettlement plans, the EMP, SGAP, and other key project activities.</p> <p>(v) Requires HPG, HPMO, or any individual implementing agencies act on any non-compliance issues.</p> <p>(vi) Organizes the overall PCR, which is then jointly conducted with various agencies of HPG, the implementing agencies, and related project stakeholders.</p>

ADB = Asian Development Bank, CAB = civil affairs bureau, EC = elderly care, EMP = environmental management plan, HCAD = Hebei Civil Affairs Department, HDRC = Hebei Development and Reform Commission, HPFD = Hebei Provincial Finance Department, HPG = Hebei Provincial Government, HHFPC = Hebei Provincial Health and Family Planning Commission, HPLG = Hebei project leading group, HPMO = Hebei project management office, MOF = Ministry

of Finance, NDRC = National Development and Reform Commission, PCR = project completion report, SGAP = social and gender action plan.

Source: PPTA Consulting Team

## **D. Selection of Project Implementing Agencies**

### **1. Overview of the Selection Process**

34. Hebei Development and Reform Commission (HDRC), in association with Hebei Civil Affairs Department (HCAD) and Hebei Provincial Finance Department (HPFD, first issued a notice asking for expressions of interest in the project from the cities and/or counties of Hebei Province. All cities and/or counties advertised widely in searching for social partners ensuring the selection process was undertaken in a legal, open, and transparent manner.

35. Private sector involvement is encouraged in the EC sector, as stated in national policy documents, such as (i) *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35, 2013)*, issued by the State Council; (ii) *Opinions on Promoting the Development of Health and Senior Care Service Program (Circular No. 2091, 2014)*, issued by the National Development Reform Commission; and (iii) *Opinions on Encouraging Social Capital Involving Elderly Care Sector (Circular No. 33, 2015)* issued jointly by ten ministries and commissions, including Ministry of Civil Affairs and Ministry of Education. From a practical perspective, HPG recognized the need to get the private sector more involved in the provision of EC services ideally in a way that stimulated the local EC industry and reduced reliance on government budgets.

36. Cities and/or counties reviewed the proposals they received and if they were prepared to support them they forwarded these to HPMO. A key requirement was the willingness of the local finance bureau to provide a guarantee in the sum of the ADB loan the city and/or county was seeking to borrow. So from an early stage there was an onus on the city and/or county to satisfy itself their subproject was financially sound.

37. HPMO (with HDRC, HFD, and HCAD representatives participating) considered all the proposals submitted to them, totaling over 50, and selected what they considered to be the most appropriate set of subprojects. This selection was endorsed by the HPLG and then submitted to National Development and Reform Commission (NDRC) and Ministry of Finance (MOF) for final approval.

38. This selected list of subprojects were then presented to ADB in January 2015 and discussed at the ADB pre-reconnaissance mission in March 2015 and have subsequently been modified in content and adjusted in scale through a process of three-way dialogue between Hebei, the national government, and ADB. From the original nine subprojects presented to ADB in January 2015, five have been dropped and two new subprojects with public institutions (Julu County and YSU have been added, leaving the current six subprojects.

### **2. Key Points to Note**

39. The selection process followed by HPG and the project cities has followed a commonly used, accepted, and perfectly legal way for government to engage with the private sector. That is, through a process of negotiations to arrive at a mutually acceptable arrangement that meets the needs of both parties. The subprojects have arisen through local governments using tried and trusted local communications to engage with a local private sector partner they had confidence in to deliver the required EC project.

40. As confirmed with NDRC in July 2015, this project does not profess to be a public-private partnership (PPP) one and does not feature on the list of endorsed or proposed PPP project established by the PRC MOF. Under these circumstances, the subproject selection process did not follow PPP procedures. Repayment guarantees from local governments merely show their trust in the implementing agencies and their support to local EC development. The private sector project implementing agencies will utilize the project facilities in their ownership to provide EC services on a commercial basis while being subject to government regulation and monitoring similar to any other private enterprise. This arrangement is not considered to constitute a PPP.

41. To explain this further, a key element in a PPP is risk sharing between government and the private partner. In the current project design, there is very limited risk on the part of the local government. All counterpart finance is to be provided by the private partners and they will receive no specific subsidies or concessions from government that are not available to any other private EC service provider. The government support has taken the form of enabling administrative action, advice, and dialogue to optimize the proposals (as is now continuing during the project preparatory technical assistance) and the willingness to provide a financial guarantee for the ADB loan financing. However, that guarantee will itself come with conditions to protect government interests if the project were to fail. Thus, local governments are facilitating local private sector participation in the EC industry in order to build up that industry and provide improved EC services in the local area. Local government is not contracting for the provision of specific services.

#### **E. Project Implementation Strategies**

42. Project implementation strategies were developed during the course of project preparations and are to be used as general guidance in the implementation of the project. These strategies will be reviewed and updated as necessary in the light of experience and the intention is that this will occur at least once before implementation commences. The draft strategies, that are included as appendixes to the PAM are as follows:

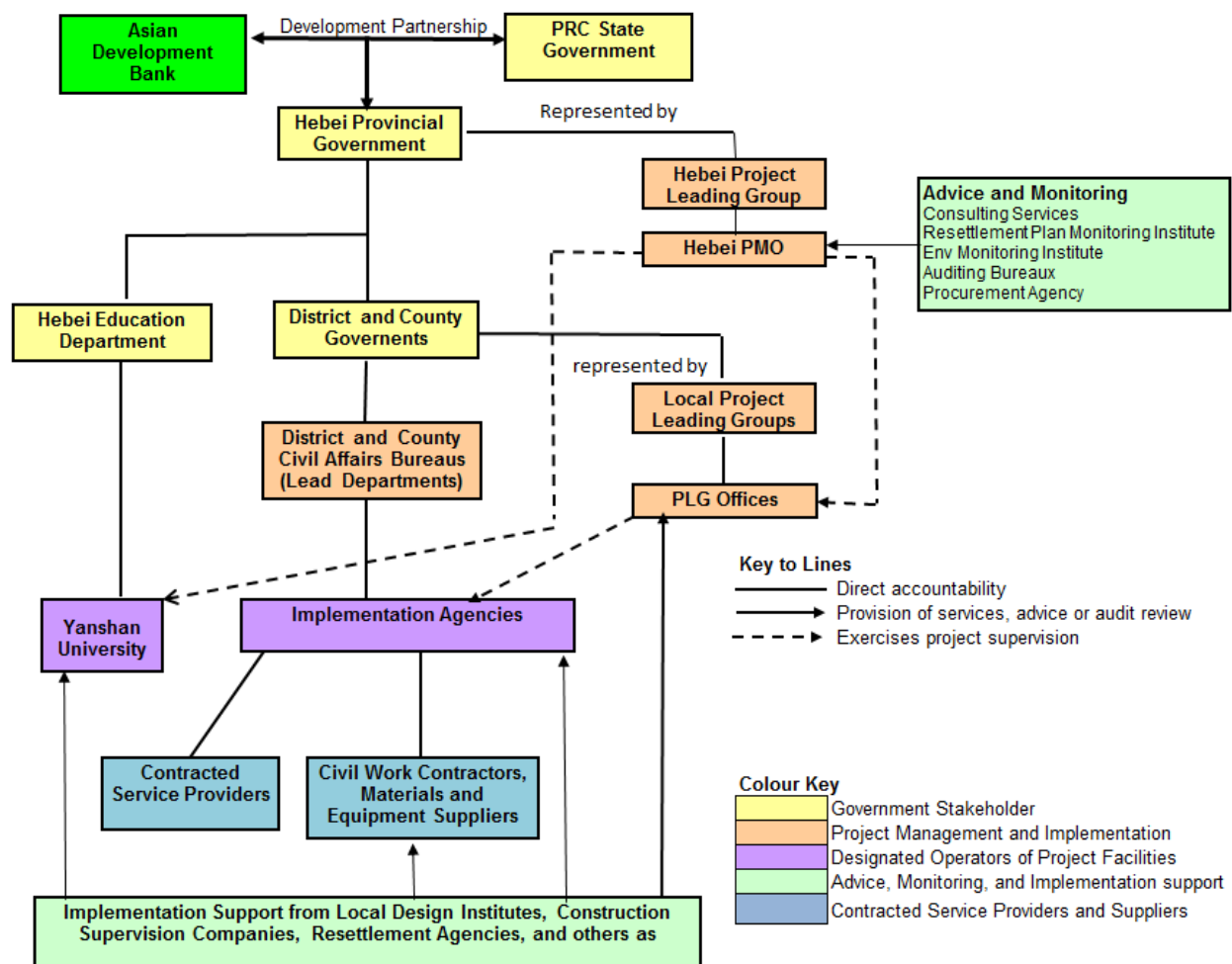
- (i) guidelines and key points checklist on the project detailed design for EC facilities (PAM appendix 2),
- (ii) generic implementation strategy and roadmap for HCBC (PAM appendix 3),
- (iii) generic implementation guidance for safety and quality assurance in residential care (PAM appendix 4), and
- (iv) generic human resources development plan for subprojects (PAM appendix 5).



## F. Project Organization Structure

43. Table 2.4 identifies the five participating local governments and their implementing agencies. Figure 1 depicts the overall project organization and the relationships between the different stakeholders involved.

**Figure 1: Project Organization**



PLG = project leading group, PMO = project management office, PRC = People's Republic of China,  
Source: Asian Development Bank review



## 2.5 Costs and Financing

### A. Cost Estimates Preparation and Revisions

44. The project investment cost is estimated at \$180.11 million, including taxes and duties of \$6.54 million. The total cost includes physical and price contingencies and financial charges during implementation.

45. Cost estimates were prepared by local design institutes and compiled by the project preparatory TA consultant. During implementation, costs will be updated in the procurement plan by ADB project officer at least once a year to reflect the actual contract prices, contract variations, and updated cost estimates.

### B. Key Assumptions

46. The following key assumptions underpin the cost estimates and financing plan:
- (i) Exchange rate: CNY6.65 = \$1.00 (as of September 2016);
  - (ii) Physical contingencies computed at 10% of base cost. Price contingencies based on expected cumulative inflation over the implementation period are presented in Table 6. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate; and
  - (iii) Interest during construction for ADB loan has been computed at the 5-year US dollar fixed swap rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile interest during construction for local commercial bank loan has been computed at 6%.

**Table 6: Escalation Rates for Price Contingency Calculation (%)**

Item	2016	2017	2018	2019	2020	2021
Foreign rate of price inflation	1.5	1.4	1.5	1.5	1.5	1.5
Domestic rate of price inflation	1.7	2.0	2.1	2.1	2.1	2.1

Source: ADB estimates

### C. Summary Financial Data

47. The project investment plan is summarized in Table 2.7 below. More detailed analyses of project costs and financing are included in the full financial analysis for the project which can be found in volume 3 of this report.

**Table 2.7: Project Investment Plan**

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Community and home care services improved	10.62
2. Residential elderly care service capacity increased and quality improved	117.81
3. Development of human resources and industry capacity improved	17.02
4. Capacity of the elderly care sector organizations improved	2.50
<b>Subtotal (A)</b>	<b>147.94</b>
<b>B. Contingencies<sup>c</sup></b>	<b>24.98</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>7.19</b>

**Total (A+B+C)****180.11**

- <sup>a</sup> Includes taxes and duties of \$6.54 million to be financed from counterpart funds and Asian Development Bank (ADB) loan resources. ADB loan will cover taxes and duties on items financed by ADB. Financing of taxes and duties is proposed because the due diligence showed that (i) the amount of taxes and duties is within the reasonable threshold identified in the country partnership strategy, (ii) the amount does not represent an excessive share of the investment plan, (iii) taxes and duties apply only in respect to ADB-financed expenditures, and (iv) financing of the taxes and duties is material to the success of the project.
- <sup>b</sup> In second quarter 2016 prices.
- <sup>c</sup> Physical contingencies computed at 10% of base cost. Price contingencies computed at 1.5% for 2016, 1.4% for 2017, and 1.5% for 2018 and thereafter on foreign exchange costs; and 1.7% for 2016, 2.0% for 2017, 2.1% for 2018 and thereafter on local currency. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate.
- <sup>d</sup> Includes interest and commitment charges. Interest during construction for ADB loan has been computed at the 5-year US dollar fixed swap rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile, interest during construction for local commercial bank loan has been computed at 6%.

**Note:** Numbers may not sum precisely because of rounding.

**Source:** PPTA estimates.

48. The summary financing plan is in Table 2.8. It is proposed that the ADB loan will finance 55.52% of the project cost, the PRC Government will finance 14% of the cost, and the private sector will finance 24.63% and raise a further 5.85% through commercial borrowing. Counterpart funding will come from Li and Julu county government fiscal budgets, a local commercial bank loan (for Xinji subproject), and the implementing agencies' own contributions to the project (owner equity contribution).

**Table 2.8: Financing Plan**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank		
Ordinary capital resources (loan)	100.00	55.52
Government	25.22	14.00
Private sector <sup>a</sup>	54.90	30.48
<b>Total</b>	<b>180.11</b>	<b>100.0</b>

<sup>a</sup> This amount includes one commercial loan of \$10.53 million by one of the private implementing agencies and \$44.37 million of equity financing by the private sector investors.

**Note:** Numbers may not sum precisely because of rounding.

**Source:** PPTA estimates.

49. The government has requested a loan of \$100 million from ADB's ordinary capital resources to help finance the project. The loan will have a 20-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan agreement and project agreement. The government has requested that repayment will follow the straight-line commitment-linked repayment option. The loan will also finance taxes and duties on items financed by ADB. The local county governments, local commercial bank loans, and the project owners will finance the remaining \$80.11 million of project cost. Based on these loan terms and this repayment option, the average loan maturity is 12.75 years and therefore, there is no maturity premium payable to ADB. The PRC Government has provided ADB with (i) the reasons for its decision to borrow under ADB's LIBOR-based lending facility based on these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB. The Controller's Department in ADB will provide the final confirmation and issue the amortization schedule at loan negotiations.

## 2.6 Financial Management

### A. Financial Management Assessment

50. The financial management assessment was conducted in July and August 2016 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The financial management assessment considered the capacity of the executing agency and implementing agencies, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the key financial management risks identified were (i) **implementation risk**: lack of familiarity with ADB disbursement procedures and requirements, which may delay project implementation; (ii) **compliance risk**: lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) **financing risk**: delays in provision of, or inadequate counterpart funding which may delay project implementation; and (iv) **construction and operational risk**: inadequate experience in construction and operating management, which will impact project progress and quality of the services to be provided after project completion. It was concluded that the overall pre-mitigation financial management risk of the implementing agencies is substantial.<sup>2</sup> The executing agency and implementing agencies have agreed to implement an action plan as key measures to address the deficiencies identified. The financial management action plan is included in the PAM.

51. Financial management risks and risk-mitigation measures will be reviewed and updated throughout the life of the project with the support of a financial management consultant to be engaged by HPMP.

### B. Disbursement

#### A. Disbursement Arrangements for ADB Funds

52. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. Initial training on the basics of disbursement procedures has already been provided and further training is planned before the PPTA formally closes.

53. A combination of direct payment by ADB, reimbursement, and imprest fund procedures may be used for disbursement of the loan. Responsibilities for different disbursement activities can be summarized as follows: (i) the HPMP will prepare project-level disbursement projections based on individual projections prepared by each implementing agency; (ii) individual implementing agencies will be responsible for arranging counterpart financing or requesting budgetary allocations for counterpart funding, as appropriate; (iii) the implementing agencies will prepare disbursement claims and collect supporting documents, which will then be passed to the local city/county finance bureau for review and endorsement before onward transmission to HPMP; and (iv) HPMP will confirm eligibility for ADB financing and request HPDF to initiate the

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<sup>2</sup> HPG and/or HPMP (executing agency level) are highly experienced in the financial management of ADB projects and are assessed as low risk. However, 5 of the 6 implementing agencies are in county level (fourth-tier cities), and most are immature organizations, thus the overall financial management risk is assessed as substantial.

disbursement. HPDF is responsible for making payments from the imprest account (see next paragraph) and is also responsible for sending loan withdrawal applications to ADB to initiate either imprest account replenishment or, where appropriate, to initiate direct payments by ADB to foreign-based consultants or suppliers.

54. **Imprest account procedures.** To facilitate project implementation through timely release of loan proceeds, HPFD will establish an imprest account, denominated in US dollars, in its name, promptly after loan effectiveness. The imprest account is to be used exclusively for the ADB's share of eligible expenditures and HPFD is accountable and responsible for proper use of advances to the imprest account. The total outstanding advance to the imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for the forthcoming 6 months. The initial and additional advances to the imprest account should be requested based on estimated expenditures for the forthcoming 6 months to be financed through the imprest account. The imprest account will be established, managed, and liquidated in accordance with the ADB *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed by the PRC Government and ADB. The handbook describes which supporting documents should be submitted to ADB and which should be retained by the HPDF when liquidating and replenishing the imprest account. No advances will be made from the imprest account to the project implementing agencies.

55. In view of HPFD's extensive experience in the financial management of ADB and other foreign-financed projects, the statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

56. Before the submission of the first withdrawal application, the HPDF, on behalf of HPG, should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is in accordance with the Loan Disbursement Handbook. Individual payments below such amount should be paid (i) by the EA/IA and subsequently claimed from ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB.

## **B. Disbursement Arrangements for Counterpart Funding**

57. Government or government institution sourced counterpart funds will be disbursed in accordance with normal local government budgetary and related financial procedures. A combination of reimbursement- and commitment-based disbursement will be used depending on the amounts involved and local circumstances. Detailed procedures will vary slightly depending on detailed local procedures that are adopted for disbursing government funds.

58. Counterpart funds sourced by the private implementing agencies will be disbursed directly by the implementing agency following their normal expenditure control and payment remittance procedures. The disbursement of the commercial loan funds will be disbursed in accordance with any specific stipulations in the loan agreement to be signed between the Xinji implementing agency and the commercial lender (no details of any such stipulations or the commercial lender's documentation requirements are currently available).

**C. Accounting.**

59. The HPG will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accrual-based accounting following the equivalent national accounting standards. The HPG will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

**D. Auditing and Public Disclosure**

60. The HPG will cause the detailed consolidated project financial statements to be audited<sup>3</sup> in accordance with to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB.<sup>4</sup> The audited project financial statements together with the auditor's opinion will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the HPG (or HPMO on their behalf).

61. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements, where applicable.

62. Being privately owned enterprises, the Xinji Juyouleyuan EC Service Corporation, Chengde Haoren Elderly Care Service Industry Corporation, and Hebei Runqinyuan EC Industry Development Corporation are required to have their annual financial statements audited by a suitably qualified independent auditor. The audited entity financial statements, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

63. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

64. The government, HPG, and all the implementing agencies have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

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<sup>3</sup> The consolidated project financial statements will be prepared using an accrual basis.

<sup>4</sup> ADB. 2013. *Financial Management Technical Guidance Note: Financial Reporting and Auditing*. Manila.



65. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.<sup>5</sup> After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>6</sup>

## 2.7 Procurement

66. To expedite project implementation, the government requested ADB to approve advance contracting of consultant services and works packages. The government has not requested ADB to approve retroactive financing.

67. **Advance contracting.** All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid, bidding documents, and bid evaluation reports under advance contracting will be subject to ADB approval. Advance contracting will include (i) tendering and bid evaluation for civil works packages, (ii) awarding of contracts, and (iii) recruitment of consultants. The issuance of invitations to bid under advance contracting will be subject to ADB's approval. In preparing the bidding documents under the advance contracting arrangement, the HPG, through the PMO, must ensure that the provisions of the PAM are complied with, and all loan assurances agreed at loan negotiations are incorporated in their latest form. These assurances include monitoring and reporting requirements placed on contractors, compliance with labor laws and regulations, and specific measures in the environmental management plan (EMP) and social and gender action plan (SGAP).

### Procurement of Goods, Works, and Consulting Services

68. All procurement of goods and works where there is any ADB funding will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).<sup>7</sup>

69. International competitive bidding (ICB) procedures will be used for civil works contracts estimated to exceed \$30 million, and goods contracts estimated to exceed \$3 million.<sup>8</sup> Contract estimated at less than the ICB thresholds will be procured following national procedures in accordance with the PRC Tendering and Bidding Law (1999), subject to modifications as agreed with ADB and described in the NCB annex to the procurement plan (see the PAM for details). Contracts for works estimated to cost less than the ICB threshold values above, but estimated to cost more than \$100,000 and contracts for goods estimated to cost less than the ICB threshold values above, but estimated to cost more than \$100,000 will be procured on the basis of NCB procedures. Shopping will be used for contracts for procurement of works and goods estimated at \$100,000 and below.

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<sup>5</sup> ADB. 2011. *Public Communications Policy*. Manila. <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

<sup>6</sup> This type of information would generally fall under public communications policy exceptions to disclosure. Paragraph 97(iv) and/or 97(v).

<sup>7</sup> Available at <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

<sup>8</sup> Two exceptions to this general threshold were agreed at loan fact-finding in respect of contract no LX-E01 with an estimated value of \$3.17 million and contract no CD-E01 with an estimated value of \$3.12 million.

70. Procurement under ICB procedures will use the single-stage one-envelope modality. Procurement shall use the latest ADB standard bidding documents which can be downloaded from ADB's website.

71. For procurement under NCB, the following provisions will apply: (i) the advertisement may be limited to the national press, an official gazette or an open access website; (ii) bidding shall follow the standard bidding documents issued by MOF and approved by ADB; and (iii) bidding documents may be only in the Chinese language and CNY may be used for the purpose of bidding and payment. Procurement under NCB and shopping will be subject to the provisions of the NCB annex of the procurement plan.

72. **Eligibility of state-owned enterprises.** Under the ADB Procurement Guidelines, bidders that are SOEs must meet related eligibility requirements of ADB's Procurement Guidelines. In order to establish eligibility, the SOEs or institutions shall demonstrate, *inter alia*, that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not a dependent agency of the borrower and/or project executing agency.

73. **Recruitment of consultants.** All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference and the indicative budget for consulting services are provided in Section V below and provided in detail in **Appendix 7** of the PAM.

74. An estimated 213 person-months (13 international, 200 national) of consulting services are required to (i) facilitate project management and implementation; and (ii) strengthen the institutional, financial management, and operational capacity of the implementing agencies. In addition, the YSU has requested to use ADB funds to finance capacity building activities associated with the development of its new EC human resources development program and planned EC research initiatives. The detailed consulting and training needs for this subproject are still to be finalized. As the default, unless otherwise agreed with ADB, consulting firms will be engaged using the quality- and cost-based selection method with a standard quality–cost ratio of 80:20.

75. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is included in the main text of the PAM. A full listing of anticipated contracts required to execute the whole project is included as appendix 12 to the PAM. Table 2.9 includes basic procurement data relating to the project.

**Table 2.9: Basic Procurement Data**

<b>Project Name:</b> Hebei Elderly Care Development Project	
<b>Project Number:</b> 49028-002	<b>Approval Number:</b> TBD
<b>Country:</b> People's Republic of China	<b>Executing Agency:</b> Hebei Provincial Government
<b>Project Procurement Classification:</b> B	<b>Implementing Agencies:</b> (i) YSU, (ii) Xinji Juyouleyuan EC Service Corporation, (iii) Chengde Haoren EC Service Industry Corporation, (iv) Li County Guangrongyuan, (v) Hebei Runqinyuan EC Industry Development Corporation, and (vi) Julu County Hospital.
<b>Procurement Risk:</b> Moderate	
<b>Project Financing Amount:</b> \$180.11 million <b>ADB Financing:</b> \$100 million <b>Non-ADB Financing:</b> \$80.11 million	<b>Project Closing Date:</b> 31 Dec 2022
<b>Date of First Procurement Plan:</b>	<b>Date of this Procurement Plan:</b> 17 October 2016

17 October 2016 (loan fact-finding)			
<b>Procurement of Works and Goods</b>	NCB	47 contracts	\$116.98 million
	Shopping	2 contracts	\$ 0.11 million
<b>Consulting Services</b>	QCBS (80:20)	163 person-months	\$ 2.5 million
	TBD	person-months: TBD (the design of this consulting package(s) will be finalized at project inception)	\$ 1.28 million
Retroactive financing and advance contracting		The government has not requested approval of retroactive financing. Advance contracting will be used on selective basis, including for the procurement of works contracts and consulting services.	

EC = elderly care, TBD = to be determined, YSU = Yanshan University.

76. Except as ADB may otherwise agree, the following process thresholds as defined in tables 2.10 and 2.11 shall apply to procurement of goods and works.

**Table 2.10: Thresholds for the Procurement of Goods and Works**

Method	Threshold	Comments
International competitive bidding (ICB) for works	Above \$30 million	Prior review
ICB for goods	Above \$3 million	Prior review
National competitive bidding (NCB) for Works	From \$100,001 up to \$30 million	Prior review for (i) the first bidding package overall and first package for each private enterprise implementing agency and (ii) all packages \$10 million or above.
NCB for goods	From \$100,001 up to \$3 million	Prior review for the first bidding package overall and first package for each private enterprise implementing agency.
Shopping for works	Up to \$100,000	
Shopping for goods	Up to \$100,000	

**Table 2.11: Thresholds for the Procurement of Consulting Services**

Method	Comments
Quality and cost-based selection	Default method using 80:20, with full technical proposal
Consultants qualification selection	No need yet identified for the use of this selection method
Individual consultant selection	No need yet identified for the use of this selection method

## 2.8 Capacity Building and Consulting Services

### *Bank Funded Consulting Services*

77 Consulting support to HPMO, and more especially to the project implementing agencies and local city and/or county civil affairs bureaus (CABs), is a key feature of the project design and an essential mitigation measure designed to build the required capacity these organizations need in order to discharge their responsibilities for project implementation, EC service provision, and (in the case of the CAB's) EC sector administration in an effective manner. Given the lack of experience the implementing agencies possess in the management of ADB funded projects this support is needed on a continuing basis from the current time until EC services are fully operational.

78 Support using ADB funding will be provided in the form of (i) limited start-up consulting utilizing project preparatory technical assistance budget savings during the period through to loan



effectiveness; (ii) an extensive package of consulting and training funded from the loan and directed primarily at the implementing agencies in order that they receive the support they need to construct the project infrastructure and operationalize EC services that meet the expectations of the elderly population in terms of scope, quality and pricing; and (iii) a “piggy-backed” TA targeted primarily at local CABs in order to build their EC sector management capacity, and especially in the areas of sector planning, the assessment of care needs and mechanisms to ensure all elderly have their essential care needs met, the regulation of EC services, and in developing the role of the voluntary sector and civil society organizations.

### ***Consulting Services for Yanshan University***

79 In addition, the Yanshan University subproject will include a capacity building component to assist the university develop its EC programs. The objective of this package(s) is to provide a mix of best practice advice, support and training to the management and staff of YSU involved in the development of their proposed EC training courses and research. A total sum of \$2.21 million has been budgeted by YSU for this purpose of which an estimated \$1,280,000 will be financed from the ADB loan on capacity building and training (this package) and \$930,000 equivalent from YSU counterpart funds on curriculum development and study (procurement plan ref YS-S02). However the detailed composition of the services needed under both these packages and indeed the optimum procurement approach have yet to be finalized. The work to fully specify the services needed will continue over the next few months and the results, detailed terms of reference, and the procurement arrangements will be confirmed with ADB no later than the project inception mission.

### ***Non- Bank Financed Consulting Services***

80 In addition, there will be various non-bank funded consulting procured by either HPMO or individual IAs to provide specialist professional support to assist in the project implementation.

81 **Appointment of external auditor** is a sole source appointment made by the PRC National Audit Office. The normal practice is for this work to be undertaken by the provincial audit department or a qualified audit institute/company they assign. There is a standard terms of reference used for all such audits, which can be varied dependent the specific needs of an individual project. In this case no specific additional requirements have been identified. The is no budget line item for this contract which is provided for in the general project management cost line item, with costs shared by the implementing agencies in proportion to their ADB loan size.

82 **Elderly care design institutes.** Each implementing agency will need to appoint a suitably qualified design institute to undertake the preliminary and detailed design of the project facilities, to prepare the **technical** parts of bidding documents and to review the need and suggest design changes during construction when issues arise. It is normal practice for this procurement to be the subject of competitive bidding – but all bidders will have to demonstrate to the appointing implementing agency that they have the required qualifications and experience. It is also normal for such work to be let on a fixed price output based contract. The is no budget line item for this contract which is provided for in the general project management cost line item, with each individual implementing agency responsible for bearing their own costs.

83 The HPMO will appoint a **procurement agent** to advise and support the implementing agencies in their project procurement work in relation to all contracts funded by ADB. The is no budget line item for this contract, which is provided for in the general project management cost line item, with costs shared by the implementing agencies in proportion to their ADB loan size.

84 **Construction supervision companies.** Each implementing agency will need to appoint

a suitably qualified construction supervision company that will undertake the day-to-day responsibility for contract site supervision.

85 **Environmental monitoring.** Each implementing agency will need to appoint a suitably qualified environmental monitoring institute or company to undertake any specialist environmental monitoring that is stipulated in the project's environment monitoring plan (EMP). Given the localized nature of this monitoring activity it is quite likely these will be sole source negotiated price contracts. The required budget for this monitoring is estimated in the EMP and forms part of the environmental management line item in the project cost tables.

86 **External resettlement monitoring.** Each of the four implementing agencies where land acquisition and resettlement is required for the project will need to appoint an independent external monitoring agency to review how the resettlement plans are implemented, to confirm that all resettlement activity has been conducted in accordance with the RP and to report on any outstanding issues. It is important that only institutions previously experienced in ADB resettlement work are considered and a generic terms of reference for the required monitoring duties is included in the EMP. The costs of external monitoring are provided for in the resettlement budget contained in each resettlement plan.

### ***Capacity Development Technical Assistance***

87 The overall goals of the capacity development technical assistance (CDTA) are aligned with those of the project and the PRC's Thirteenth Five-Year Plan, 2016–2020 to establish an integrated comprehensive three-tier system of elderly care that:

- (i) improves access to elderly care services;
- (ii) provides quality care services in line with the essential needs of the elderly; and
- (iii) mobilizes resources from family, the private sector and voluntary organizations, with government providing financial support, targeted at the most vulnerable, together with sector planning and regulatory oversight.

88 The project outputs from the CDTA are set out below and the detailed terms of reference for the consultant selection by use of an output based contract are set out in the PAM.

- (i) A model demand based EC sector plan and supporting planning manual.
- (ii) Demonstration EC assessment system, including user toolkits, computer software and implementation guidance.
- (iii) Model procedures for the effective regulation of EC service providers.
- (iv) Creation of a model arrangement for the effective involvement of the voluntary sector in the provision of elderly care (that can be replicated elsewhere).
- (v) Pilot online support facility for family caregivers.
- (vi) Effective TA dissemination.

89 In view of the specialist nature of the TA and due to ADB's greater experience and knowledge of EC sector best practices, it has been agreed in discussion between HPMP and ADB that the ADB will play the lead role in the procurement of the CDTA. However, HPMP will be involved at each stage of the procurement and invited to give its no objection.

### ***Summary of Proposed Consulting and Capacity Building***

90 A schedule of the consulting services contracts due to be procured under the HECDP is in table 2.12.

**Table 2.12: Procurement of HECDP Consulting Services and Technical Assistance**

General Description	Estimated Value (\$)	Estimated Number of Contracts	Recruitment Method	Comments
<b>To be Organised by ADB</b>				
Project readiness consulting	0.07	tbd	Extension of existing/ ICS	PPTA funded. ICS only if new expertise required.
Capacity Development Technical Assistance	0.65	1	QCBS (80:20)	Output based contract proposed
<b>To be Procured by HPMO</b>				
CS-01 Project implementation support	2.50	1	QCBS (80:20)	Prior ADB review
<b>To be Procured by YSU</b>				
YS-SO1 Capacity building and training	1.28	1	TBD - QCBS is default	Prior ADB review Optimum procurement packaging and method under investigation
YS-SO2 Curriculum development and study	0.93	1	NBF but TBD	Optimum procurement packaging and method under investigation
<b>Other Project Requirements</b>				
External auditor	NEA	1	NBF- Sole source	Assignment by National Audit Authority
EC design institutes	NEA	6	NBF Competitive	Qualifications must met national criteria
Procurement agent	NEA	1	NBF- Competitive	Qualifications must meet MOF guidelines
Construction supervision companies	NEA	6	NBF- Competitive	Qualifications must met national criteria
Environmental monitoring	See EMP	6	TBD	Most likely sole source with local EMS. EMP specifies requirements
External resettlement monitoring	See resettlement plans	4	NBF - Competitive	Requirements stipulated in resettlement plans.

EMP = environmental management plan, EMS = environmental monitoring station, ICS = Individual consultant selection. MOF = Ministry of Finance, NBF = Non-Bank Financed; NEA = no estimate available (part of project management budget). TBD = to be decided.

## 2.9 Environmental and Social Safeguards

91 Prohibited investment activities. Pursuant to ADB's Safeguard Policy Statement (SPS, 2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

### A. Environment

92 **Environment due diligence.** The project is classified as category B for environment. Therefore, based on the SPS, environment, health, and safety implications of the project have been reviewed and a draft initial environmental examination (IEE) and an environmental management plan (EMP) for the project have been developed.<sup>9</sup> The IEE and EMP are included within volume 3 of this report. The EMP defines contractual clauses for civil works contracts,

<sup>9</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

environmental, health and safety measures, construction supervision requirements, and institutional responsibilities to ensure proper environmental management throughout the project construction cycle and during initial operation of the facilities. Environmental and social safeguard complaints or disputes will be handled in accordance with the grievance redress mechanism (GRM) established for the project, supervised by the HPMO. The GRM procedures are documented in the EMP.

93 **Management of environment, health, and safety risks.** During construction of new buildings and facilities, minor environmental impacts are anticipated including noise, fugitive dust, solid wastes, as well as risks to community and occupational health and safety. Overall, construction-related impacts are minimal, localized, short term, and can be effectively mitigated through the application of good construction practices and implementation of the generic EMP developed for the construction phase. The project management office (HPMO) will have the overall responsibility for supervising the implementation of the EMP, coordinating the project level GRM and reporting to ADB through the semiannual progress reporting and the annual environment monitoring reporting process. The HPMO will assign one environment officer (HPMO-EO) to supervise the effective implementation of the EMP. To ensure that the contractors comply with the EMP provisions, the HPMO-EO will prepare and provide the following specification clauses for incorporation into the bidding documents: (i) a list of environmental management requirements to be budgeted by the bidders in their proposals, (ii) environmental clauses for contractual terms and conditions (as appended to the EMP), and (iii) major items in the EMP. Construction contractors will be responsible for implementing the mitigation measures during construction. In their bids, contractors will be required to respond to the environmental management requirements defined in the EMP. Each contractor will be required to develop site-EMPs and will assign a person responsible for environment, health, and safety. The implementing agency responsible a particular subproject will assume day-to-day responsibility for supervising the contractors' performance and adherence to the EMP in relation to that subproject. Each implementing agency will assign suitably qualified staff to (i) review and approve contractors' site-specific EMP, (ii) conduct site inspections following the site inspection checklist (as appended to the EMP), (iii) act as local entry point for environmental complaints under the project GRM, and (iv) submit inspection results to the contractors for information, and to HPMO for verification and confirmation. Where works are being implemented using advance contracting arrangements then the HPMO need to ensure the above requirements are adhered to from the outset.

## **B. Land Acquisition and Resettlement**

94 The project activities will require some land acquisition and resettlement. The involuntary resettlement category is "B". Four resettlement plans have been prepared for Xinji, She County, Shuangluan and Li County in accordance with the Government laws and regulations and the SPS 2009.

95 **Due diligence.** YSU will use their own land with a State-owned Land Use Certificate issued in 2004. The land is vacant. No land acquisition is needed. The land needed for the Julu County subproject has been acquired within the last three years by the local government. Two resettlement due diligence reports have been prepared have been prepared for these subprojects.

96 **Resettlement plans.** Xinji City, She County, Shuangluan District, and Li County need to newly acquire collective land for this project. Four resettlement plans have been prepared by the implementing agencies. They were reviewed and cleared by ADB in accordance with SPS's requirements for involuntary resettlement. To date, Xinji Municipal Government has endorsed the resettlement plan and disclosed the relevant information to the affected persons. The other

resettlement plans have been endorsed by the local government and disclosed to affected persons. The resettlement plans will also be posted on the ADB website in advance of the ADB staff review meeting.

97 **Impacts identified.** Most of the subprojects mainly include two kinds of components, one is the construction of an elderly care center and the other is the construction or rehabilitation of daycare centers. The construction of elderly care center requires some land acquisition and resettlement. They are always built in the communities or villages through leasing land or existing properties which do not belong to individuals and with no land acquisition and resettlement, house demolition or directly affected population. In total, the project will permanently occupy 201.09 *mu*<sup>10</sup> of land, of which 32.34 *mu* of land has been acquired with 49 households and 219 affected persons. A total of 168.75 *mu* of collective land will be acquired by this project, of which 32.37 *mu* of land in Shuangluan District and She County is classified as cultivated land. Land acquisition will affect 91 households and 310 affected persons, which is not deemed a significant impact because the per capita land loss area is very small (in Shuangluan District, it is 0.23 *mu* and in She County, it is only 0.09 *mu*). A total of 1,195 square meters (m<sup>2</sup>) of houses will be demolished, and two enterprises with nine workers will be affected. For the construction of daycare centers of all the subprojects, there will be 5.2 *mu* of land leasing in six villages and 14,143.6 m<sup>2</sup> of property space will be leased from 10 institutions, 22 communities, and 10 property companies.

98 The rural farmers suffering land loss will be offered cash compensation at replacement costs and various livelihood restoration measures. Compensation for standing crops, auxiliaries, and other assets will also be paid directly to the affected persons. The affected enterprise in Xinji project will only lose housing and ground attachments and will receive cash compensation at replacement costs. The other affected enterprise in Li County have to shut down and plan to do other business, they will not only get cash compensation for the losing housing and ground attachments, but also reemployment measures for the affected workers. The measures for economic rehabilitation include provision of employment opportunities during the project construction and operational phases for the affected persons, promotion and development of new enterprises. self-employment through secondary and tertiary businesses, and provision of technical training to the affected persons to increase their skills. Special support will also be provided to vulnerable affected persons. The cost estimate for land acquisition and resettlement for the four subprojects is equivalent to CNY28.46 million, including contingencies. Table 2.13 summarizes the impacts that are envisaged. Details of the compensation to be made and of the mitigating actions planned are contained in the resettlement plans.

99 **Entitlements and compensation standards.** The land acquisition and resettlement compensation standards will follow HPG on Implementing Location-based Land Prices for Land Acquisition (2008), the Notice of the HPG on Amending Location-based Land Prices for Land Acquisition (HPG [2015] No.28) and ADB's Policy on Involuntary Resettlement.<sup>11</sup> According to Document HPG [2015] No.28, land acquisition compensation includes compensation at location-based land price, and compensation for young crops and ground attachments, in which location-based land price includes resettlement subsidy and land compensation. The location-based land prices for land acquisition in the project area and affected villages are showed in Table 2.14.

100 **Implementation arrangement and schedule.** For each subproject there will be at least two full-time staff responsible for land acquisition and resettlement respectively. They will take the

<sup>10</sup> A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 square meters).

<sup>11</sup> ADB. 1995. *Policy on Involuntary Resettlement*. Manila.

lead responsibility for coordinating the planning, implementation, financing, and monitoring of land acquisition and resettlement. They will work closely with relevant village officials, land administration bureaus and will be responsible for supervision and monitoring of resettlement (e.g. delivery of entitlements, selection of new housing sites, restoration of incomes, provision of replacement land, and other economic measures). A training program will be organized for the resettlement officers. Resettlement plans will be updated based on final design and detailed measurement survey and must be sent to ADB for review and approval prior to award of civil works contracts. All compensation and resettlement assistance is to be paid to affected households prior to commencement of construction activities.

101 **Resettlement cost.** The cost estimate for land acquisition and resettlement for the eight components is equivalent to CNY28.46 million, including contingencies. Resettlement implementation will be scheduled to precede the subprojects construction schedules. Resettlement implementation will be completed prior to subcomponent construction. The implementing units and the district and county governments will ensure that such funds are made available on a timely manner. The resettlement budget is summarized in table 2.15 below.

102 For the Julu County and YSU subprojects, where the land acquisition and resettlement has been completed, the due diligence undertaken has confirmed (i) compensation rates, the resettlement program and compensation distribution program were determined in close consultation with the affected persons or their representatives; and (ii), the compensation was paid to the AHs in full and in a timely manner. Adequate preparation and public participation took place and no grievances have been raised to date. The compensation rates applied and the resettlement program appear to have complied with the applicable state and provincial regulations and policies, and ADB's principles as existed at the relevant time. Due diligence consultations have confirmed the affected persons are satisfied with the outcome of the resettlement, and their income has risen, demonstrating that resettlement has been effective.



**Table 2.13: Summary of Project Involuntary Resettlement Impacts**

No	Component	Land Acquisition (mu)	Of which Cultivated (mu)	Households	Number of Affected Persons	House Demolition (m <sup>2</sup> )	Affected Enterprise	Affected Worker	Land Leasing (mu)	Property Leasing (m <sup>2</sup> )
1	Xinji City	39.75		0	0	250	1	2		400
2	Shuangluan District	30.00	8.37	5	37					7600
3	Li County	75.00		0	0	945	1	9	5.20	3043.60
4	She County	24.00	24.00	86	273					3100
<b>Subtotal</b>		<b>168.75</b>	<b>32.37</b>	<b>91</b>	<b>310</b>	<b>1,195</b>	<b>2</b>	<b>11</b>	<b>5.20</b>	<b>14,143.60</b>

AP = affected person, m<sup>2</sup> = square meters.**Table 2.14: Location-based Land Compensation Rate for Land Acquisition**

County and/or City	Affected Village Name	Average Location-based Land Price	Tier-1	Tier-2	Tier-3
Xinji City	—	82,035	102,940	80,880	78,680
	Xinleitou	—	102,940	—	—
Shuangluan District	—	115,246	154,000	134,000	119,000
	Dayuanbao	—	—	134,000	—
Li County	—	78,614	96,200	87,200	78,200
	Beiguan	—	—	87,200	—
She County	—	72,014	75,000	73,000	71,000
	Xiaqing	—	75,000	—	—

**Table 2.15 : Summary of Resettlement Cost (units CNY10,000)**

Cost item	Category	Xinji City	Shuangluan District	Li County	She County	Subtotal	% of total
1	Land acquisition compensation	409.19	409.96	654.00	208.80	1681.94	59.09
1.1	Land compensation and resettlement subsidy	409.19	384.85	654.00	180.00	1628.03	
1.2	Young crop compensation		25.11		28.80	53.91	
2	House demolition compensation	15.75	0.00	81.40	0.00	97.15	3.41
2.1	Compensation for structure	15.75		78.90		94.65	
2.2	Subside			2.50		2.50	
3	Compensation for attachments	102.00	75.25	11.25		188.50	6.62
4	Land acquisition taxes	183.26	199.34	100.00	81.64	564.24	19.82
5	Other cost	19.00	25.31	44.80	13.46	102.56	3.60
6	Contingencies	70.27	46.01	74.67	20.88	211.82	7.44
	<b>Total</b>	<b>799.47</b>	<b>755.86</b>	<b>966.11</b>	<b>324.78</b>	<b>2846.22</b>	<b>100.00</b>

### C. Ethnic Minority

103 The safeguard category for Indigenous Peoples is C. The social assessment determined that in Hebei ethnic minorities make up a very small percentage of the population. Of the six project sites, there are very few ethnic minorities except Shuangluan District, Chengde City, where the population is about 30% of total population, of which, Man is the majority ethnic minority group occupying 25.9%, Meng, 1.76%; and Hui, 0.99%. The assessment determined that they are well integrated socially and economically into this urban area and are not living in any distinct communities. Therefore, an ethnic minority development plan is not required. Ethnic minority elderly in the local communities to be served by the project facilities will benefit equally from the project investments as a result of an improved range and quality of EC services that will become available. No specific action is necessary under the project.

### D. Gender and social dimensions

104 A poverty and social assessment, including a questionnaire survey, community and focus group discussions, and key informant interviews was conducted during project preparation. Based on a survey of 354 questionnaires and 35 focus group discussions, it was found that regarding preferences for care, 58.8% of elderly respondents chose to be taken care of by their children, 19.3% chose the community and home-based EC services, and 15.6% chose the EC institutions as their preferred means of care. Individual EC decisions are influenced by a variety of factors, including an older person's health condition, economic status, age, education level, number of children, traditional EC concepts, and social networks. These factors will also influence willingness-to-pay. However, obviously, the limited income of poor elderly restricts their expectation of enjoying EC services. Without government subsidies or assistance, it will be difficult for poor elderly to live in an EC residential care with good quality. Thus, there is a need for provincial and local governments to assess the options for subsidizing the semi-disabled or disabled and poor elderly and if possible, expand coverage and amounts. The HCBC to be established and improved under the project will expand coverage, access and affordability of EC services for the low and middle income elderly.

105 The project will benefit residents of the five subproject sites through the development of integrated residential, community, and home-based EC services, facilities, and ICT systems.



The construction of EC facilities and their operation will create new job opportunities for about 2,200 persons. The project will benefit a total of about 300,000 persons in the six project areas when the services are operational and 4,400 students will have been certified by YSU at project completion. The project targets low- and middle-income elderly who comprise approximately 40% of the total elderly population, and will promote improved care assessment systems to allow care to be directed to those most in need. The project will directly benefit local EC services providers, caregivers, and local officials through capacity building. The project targets low and middle income elderly who comprise approximately 40% of the total elderly population.

### **Gender**

106 The project is classified as “effective gender mainstreaming” (EGM). Analysis of the survey and focus group discussion data revealed gendered differences in elderly needs and circumstances. Among the elderly population, women typically outnumber, live longer, and suffer from more diseases than men. Especially among the “empty nest” elderly, fully independent elderly, and those 80 and above, women significantly outnumber men, but their income levels are typically lower than those of men. Family contributions often play a significant role in access to care services for both women and men, but to what degree varies among individuals and circumstances. Development of EC will help relieve family caregivers and give unsupported elderly better access to care. Benefits will include reduced time burdens for family caregivers and improved job opportunities from training in a service industry traditionally female dominated.

107 A social and gender action plan (SGAP) has been prepared to be carried out by the implementing agencies during project implementation, under the overall oversight of the HPMO. Social inclusiveness and gender mainstreaming is the objective of the SGAP actions. All the actions, indicators, responsible institutions, timeframe, and budget have been discussed with the HPMO, implementing agencies, and relevant local government departments and agreement reached on the actions included. The SGAP is Appendix 8 of this report.

## **2.10 Monitoring and Reporting Arrangements**

### **A. Project Performance Monitoring**

108 At the commencement of project implementation, HPMO and the implementing agencies, with the assistance of consultants, will develop a comprehensive project performance monitoring system (PPMS), including procedures to generate data systematically on the inputs and outputs of the components, as well as the indicators to be used to measure the project impact taking into account the components' scope. The HPMO, on behalf of HPG, will (i) refine the initial outline PPMS design (see Appendix 10 of the PAM); (ii) confirm achievable targets; (iii) finalize monitoring, recording, and reporting arrangements; and (iv) establish systems and procedures to capture required data and information, no later than 6 months after loan effectiveness. The PPMS will include indicators to assess progress towards achieving targets set out in the project's design and monitoring framework (DMF), implementation progress indicators, and key financial indicators to monitor financial performance and to give early warning of potential problems with the financial sustainability of the individual subprojects.

109 The HPMO together with the implementing agencies, and with consulting support, will be responsible for monitoring and reporting on the performance of the project. The basis for performance monitoring will be the DMF (see the draft RRP included as appendix 1 of this report). The DMF identifies the principal performance targets for the impact, outcome and

outputs of the project. By collection of data from the sources identified in the DMF, the HPMO will be able to report to ADB the performance of the project on a semiannual basis.

**110 Compliance monitoring.** Compliance with policy, legal, financial, economic, environmental, social, and other covenants contained in the loan and project agreements will be monitored by HPMO and the implementing agencies will be required to advise HPMO of any circumstances that result or will likely result in noncompliance. HPMO will report the latest situation in respect of covenant compliance in each of its semiannual progress reports to ADB. ADB will monitor compliance through a review of the HPMO progress reports and through selective follow-up discussions or more detailed reviews during supervisory missions to Hebei.

## **B. Safeguards Monitoring**

**111 Environment management plan implementation supervision and monitoring.** The six implementing agencies through their assigned environmental supervisors will conduct regular construction site inspections in accordance with the inspection plan defined in the EMP (EMP, Appendix 2), and using the inspection checklist attached to the EMP, the loan implementation environment consultant will give advice, as necessary. The HPMO, with the support of the loan implementation environment consultant will synthesize the quarterly environmental inspection and monitoring results provided by the implementing agencies into the semiannual progress reports and the consolidated annual reports prepared for ADB.

**112 Involuntary resettlement and indigenous peoples safeguards.** Internal and external monitoring of resettlement plan implementation will be conducted. Monitoring methodologies are specified in the resettlement plans. Each implementing unit will carry out internal supervision and monitoring to ensure compliance with the provisions of the resettlement plan. The PMO and implementing units have agreed to a set of supervision milestones with ADB, to ensure timely and effective implementation of resettlement activities. An independent agency under contract to the subprojects PMOs will implement external monitoring and evaluation. Semiannual external monitoring reports will be forwarded directly to both the HPMO and ADB. The project implementation resettlement consultant will provide advice and training to the implementing agencies in how to establish their local resettlement monitoring systems and provide a quarterly reporting form for submission to HPMO. This consultant will also support HPMO in preparing resettlement progress reports for inclusion in the semiannual project progress reports. The project is classified as category C for indigenous peoples safeguard and there are no specific monitoring requirements.

**113 Gender and social dimensions monitoring.** The project management office in coordination with the implementing agencies and with the assistance of the project management consulting service (includes 8 person-months input by a social and gender consultant), are responsible for reporting on progress and achievements of the project. Key indicators from both plans will be included in the PPMS and reported on semiannually. This results based monitoring system will also include an analysis of gender, and social issues.

**114 Evaluation.** ADB and the government will review project implementation at least once a year. In addition, ADB and the government will undertake a comprehensive midterm review 2 years after the start of project implementation to include a detailed evaluation of the project scope, implementation arrangements, achievement of scheduled targets, and progress made in implementing the agreed capacity building measures. Feedback from the PPMS outputs will be analyzed. A Procurement Review for Effective Implementation may also be conducted by ADB to assess progress and any issues that have arisen issues in procurement implementation and any such review will be timed to provide input for the midterm review. Within 3 months of physical completion of the project, HPG will submit a project completion report to ADB that will include its own comprehensive evaluation of the project.

**B. Reporting**

115 The HPG, through HPMO, will provide ADB with (i) semiannual progress reports in a format consistent with ADB's project performance reporting system, a template for this report is provided as Appendix 11 to this PAM; (ii) consolidated annual report and review, including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) an updated procurement plan, and (d) an updated implementation plan for the next 12 months; and (iii) a project completion report within 3 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and private entity audited financial statements together with the associated auditor's report, should be adequately reviewed and follow up action taken as necessary. Reporting requirements are summarized in Table 2.16.

**Table 2.16: Reporting Requirements**

Reports	Reference	Due Time
Project performance monitoring system (i) Develop comprehensive project performance monitoring system procedures (ii) Reporting of baseline and progress data	(To follow: This column will refer to the relevant clause of the project agreement or this PAM that stipulates the particular reporting requirement)	No later than 6 months after loan effectiveness  Included in semiannual, project progress reports (see below)
Project progress reports Report due each January is to include an annual review		Semiannual within 1 month after the end of each 6-month period (i.e., in July and January)
Audited project accounts, financial statements, and audit report (including auditor's opinion)		Not later than 6 months after the closure of each fiscal year (i.e. by 30 June)
Audited entity statements and audit report with auditors' opinion for each of the three privately owned implementing agencies.		Annually, within one month of the completion of the audit.
Social monitoring Reporting on SGAP implementation		To be included in the semiannual project progress reports
EMP progress reporting by the PMO to ADB		Key issues to be included in the semiannual project progress reports and full details to be reported in the annual environmental monitoring reports
Resettlement plan monitoring		Quarterly from implementing agencies to HPMO and semiannually by HPMO to ADB (in semiannual project progress reports)
Covenant compliance		Semiannually in project progress reports.
Project completion report		Not later than 3 months after the physical completion of the project

ADB = Asian Development Bank, EMP = environmental management plan, HPMO = Hebei project management office, PMO = project management office, SGAP = social and gender action plan.

**C. Stakeholder Communication Strategy**

116. A stakeholder consultation and engagement plan has been prepared to highlight the most important communications challenges faced by the project and is included in the PAM.

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**3. A SUMMARY OF THE PPTA WORK**

117. This section of the report briefly discusses the work performed during the PPTA work, and the methodologies applied. Those methodologies were largely taken from or were consistent with relevant ADB guidelines for the design and due diligence required to establish project justification and sustainability.

**3.1 Overview**

118. The main PPTA work to prepare the project for loan processing and approval was undertaken in two overlapping phases:

- The process of confirming the conceptual design of the project program and defining the required due diligence was undertaken by a group of consultants during the period from mid January to April 2015. This work was undertaken largely by the PPTA Team Leader, together with Elderly care sector specialists (international and national), all directly engaged by ADB. The conceptual design of the project and key due diligence requirements were confirmed during the tripartite discussions of the ADB's PPTA inception mission to Hebei that took place from 14 to 21 March 2016.
- The phase two work involved completing the detailed project design and conducting the required due diligence, including the identification of capacity building needs. For this phase, there was continued involvement of the staff consultants to undertake the detailed project design (especially in defining the scope and scale EC services the Project was expected to deliver), to undertake the procurement capacity, institutional and selective integrity due diligence, to identify capacity building needs and design a capacity building program for the project implementation phase, and to coordinate overall project preparations (including documentation needed by ADB to process the loan approval). In addition, a consulting company, (NAREE) were engaged by ADB to conduct specific due diligence assessments and to organize certain training activities for the benefit of the proposed IAs. The consulting company was mobilized in late April 2016.

119. All the consultants worked closely in conjunction with each other to complete the program design and required due diligence in a timely manner and the loan fact-finding mission was held from 10 to 17 October, with the project design receiving appraisal stage endorsement by both the ADB mission and the relevant government authorities, including NDRC at national level.

120. During the course of the PPTA work, slippage of approximately one month occurred, largely as a result of changes in the composition of the project. Three subprojects dropped out of the project: (i) Xuanhua District of Zhangjiakou, (ii) Hebei Medical University, and (iii) Zunhua city, in May, June and September, respectively. Fortunately, HPMO was able to act swiftly to fill the gaps created by the first two withdrawals with the Julu County and Yanshan University sub-projects joining the HECDP. Because the Zunhua city withdrawal occurred very late in the PPTA, it was not possible to replace that subproject without causing undue delay in the processing of the loan approval. Therefore, instead, it was agreed with HPMO that the loan funds previously earmarked for Zunhua be re-distributed amongst the other sub-projects.

121. Other factors that created some problems for the PPTA work included (i) inexperience of the IAs and their design institutes in EC; (ii) being a new sector for ADB, the EC consultants lacked experience in ADB project preparation; the resignation of both Human Resources Specialists midway through the PPTA; (iii) changes in institutional arrangements made by the Shuang luan and Xinji IAs, that involved them setting up new companies to manage their EC businesses; and (v) the lack of engagement in project design on the part of

Hebei Provincial Civil Affairs Department (HCAD).

122. The PPTA work undertaken to produce the main outputs, the methodologies followed and any output specific issues that arose are briefly described in the following two sections of this chapter. Overall conclusions on the conduct of the PPTA and lessons learned are briefly discussed in section 3.4 and in section 3.5 follow-on work to enhance IA readiness for project implementation is discussed.

### 3.2 Work Performed by Individual Consultants

123. The following experts were recruited directly by ADB via individual consultant selection:

- (a) Project Management Specialist/ team leader (international)
- (b) EC Sector and Residential Care Specialist (international)
- (c) EC Sector Specialist (national)
- (d) EC Residential Care Specialist (national)
- (e) HCBC Specialists (international and national)
- (f) EC Human Resources Development Specialists (international and national)
- (g) Procurement and Governance Specialist (national)

124. The main work undertaken and the outputs prepared by the individual consultants have been as follows:

125. **Sector Analysis.** The sector analysis was undertaken in two stages. In 2015 the ADB commissioned two brief studies to research the EC sector at both the national and Hebei provincial level respectively. This work formed the basis for the further more detailed, updated, and broader sector analysis that was performed during the main PPTA, and including the identification of relevant international experience and best practice. This work, which was performed on an intermittent basis between May and September 2016, led to the production of two PPTA outputs; (i) a detailed sector analysis report (included within volume 2 of this report); and (ii) a summary sector analysis to meet the needs of the RRP linked document (appendix 3 of this main report).

126. **Technical Report on the Development of Home- and Community-Based Elderly Care Services.** This report was the main deliverable of the two HCBC specialists, whose work included (i) site visits and discussions relating to each sub-project IA's plans for the development of HCBC services as the cornerstone for the construction of the three tier EC system that forms the core of government policy for future EC service provision and as a key facilitator of "aging in place" allowing the elderly to grow old in familiar surroundings, and in a multi-generational community; (ii) reviews of the HCBC sections of the draft feasibility studies commissioned by the IAs and making constructive suggestions; (iii) consideration of the role of centralized call centres to support HCBC provision; and (iv) the development of selective pilot HCBC programs, and the identification of HCBC capacity building needs. In addition to the main technical report (included in Volume 2), a brief HCBC implementation strategy for the project was prepared and is included in the PAM.

127. **Technical Report on Residential Elderly Care Services.** This report was the main deliverable of the two residential EC specialists, whose work included (i) site visits and discussions relating to each sub-project IA's plans for the residential facilities to be constructed under the project; (ii) reviews of draft feasibility studies, including the robustness of demand analysis undertaken to justify the size of the facilities planned; (iii) consideration of the role of rehabilitation centres and the potential impact on the project design of the government's



health-EC integration strategy; and (iv) ascertaining specialist care needs, such as those elderly with dementia, fully dependent elderly, those in need of palliative care etc. As for HCBC, a number of pilot initiatives for improved residential care have been developed and will be implemented initially by selective IAs with a view to wider roll-out later in the project implementation period. In addition to the main technical report (included in Volume 2), a brief residential EC service implementation strategy for the project was prepared and is included in the PAM.

128. **Procurement Capacity Assessment and Procurement Planning.** A procurement capacity assessment was conducted on all project entities that will be involved in project procurement in accordance with relevant ADB guidelines. The conclusions of the assessment have been generally accepted by the ADB reviewers, although some minor adjustments were made to the list of contracts slated for prior ADB review. These adjustments recognize the somewhat higher procurement risk that is perceived in relation to the three privately owned IAs due to their lack of ADB and public sector procurement arrangements. The overall procurement risk ascribed to the project is moderate. In addition the PPTA procurement specialist has provided some initial familiarisation training on the application and requirements of ADB procurement guidelines and has worked with the IAs and their design institutes to prepare a procurement plan for the project - as now included in the draft PAM.

129. **Project Administration Manual.** A comprehensive project administration manual (PAM) has been prepared for the HECDP in accordance with the latest ADB template (see Appendix 2 for the main text and volume 2 for the full version). This drafting work was largely undertaken by the PPTA team leader drawing on work undertaken by other consultants and included in their more detailed report outputs (most notably from work undertaken by the financial, procurement and environmental/social safeguards specialists on the PPTA team. In addition, the PAM includes (i) specific details on implementation arrangements, strategies, and plans, as well as details of consulting support and capacity building activities deemed necessary to support the IAs during the project implementation phase, and in operationalizing the planned EC services the Project will provide; and (ii) a framework for project performance management, evaluation and reporting.

130. **Integrity Due Diligence Reports.** The procurement and governance specialist, together with the PPTA team leader worked with the ADB project team to carry out integrity due diligence (IDD) in accordance with ADB requirements where the end borrower of ADB loan funds is a private entity. Draft IDD reports and source documentation were provided to ADB. No issues of concern were revealed in the course of this exercise.

131. All the main outputs referred to above, with the exception of the IDD reports, were produced initially as drafts and then revised to incorporate comments made by the ADB project team, other ADB expert reviewers and by HPMO. The IDD reports were treated as confidential in nature and passed directly to the ADB project officer only.

132. **Human Resources Development.** This work failed to meet original expectations largely as a result of both experts engaged by ADB resigning from their positions. The original intention had been that these experts would: (i) work with the individual subproject IAs to develop detailed HRD strategies and plans for each sub-project that, once implemented, would allow them to provide the necessary EC services; (ii) work with Hebei Medical University (subsequently replaced by Yanshan University) to design and plan the implementation of output 3 of the Project; and (iii) work with HCAD and Hebei Department of Human Resources and Social Security to develop/revise HPG's provincial HRD strategy for the EC sector. The outcome was that EC specialist in part filled the gap for task (i) by reviewing HR plans in the draft FSRs, task (ii) was substantially completed due to the involvement of the Education Specialist from the ADB project team and task (iii) was abandoned due to lack of interest from HCAD in cooperating with the PPTA team. The output from task (ii) has been incorporated in the PAM.

133. In addition the team leader drafted other miscellaneous RRP linked documents

including (i) Development Coordination (see appendix 10), (ii) the capacity development technical assistance proposal (see appendix 9), (iii) an initial list of potential loan and project assurances, and (iv) the risk assessment and management plan (see appendix 6).

134. The team leader, in consultation with HPMO and the ADB project team leader, took sole charge of preparing the capacity development program for the project implementation phase, including the preparation of the consulting services and CDTA terms of reference included in the PAM. None of the other consultants, either individual or from the consulting firm, were involved in this process. This was done quite deliberately to avoid any issue of conflicts of interest arising. In particular this was in recognition that the consultants who performed the detailed PPTA work had established effective relationships with the IAs, and that in view of their expertise and knowledge of the project, the HPMO and IAs may wish to utilize a number of these consultants during the implementation phase. It was considered important to ensure that HPMO and the IAs have such options because the number of experienced good quality consultants working in the EC sector in the PRC is quite limited.

### 3.3 Work Performed by the Consulting Firm

135. The following experts were provided by the consulting firm, NAREE International Limited:

- (a) Project Coordinator/Deputy Team Leader (national)
- (b) Economic and Financial Specialist (international)
- (c) Economist (national)
- (d) Financial Specialist (national)
- (e) Environmental Specialists (international and national)
- (f) Social Development Specialist (national)
- (g) Resettlement Specialist (national)
- (h) EC Design Specialists (international and national)
- (i) ICT Specialist (national)

136. The main work undertaken and the outputs prepared by the consultants provided by the consulting firm have been as follows:

137. **Economic Analysis** and investigations were conducted by the PPTA economists during the project preparations, having regard to relevant Asian Development Bank guidelines.<sup>12</sup> The analysis evaluated the economic rationale and sustainability of the proposed Project and its constituent sub-projects. These investigations also revealed rapid aging is a big risk to the aggregate savings rates in several countries in East Asia and the Pacific, including the People's Republic of China (PRC) due to increased government spending on long-term care, health, and pensions. The PPTA work concluded that the project had a strong economic rationale and justification. Two specific outputs were produced (i) a detailed economic analysis of the proposed HECDP (included in Volume 3) and a summary economic analysis for use as an RRP linked document (appendix 5 of this main report).

138. **Financial Analysis** and a financial management assessment were conducted in accordance with relevant ADB guidelines<sup>13</sup> by the PPTA financial specialist. Three main outputs were produced (i) a Financial Management Assessment report (included in Volume 3); (ii) a detailed financial analysis of the project, including a financial sustainability analysis the results of investigations to confirm the viability of proposed project financing sources (also included in Volume 3); and (iii) a summary financial analysis encompassing the results of both

<sup>12</sup> Including ADB's *Guidelines for Economic Analysis of Projects*, and *Handbook for the Economic Analysis of Health Sector Projects*.

<sup>13</sup> Guidelines for the Financial Management and Analysis of Projects, Financial Due Diligence: a Methodology Note, and Technical Guidance Note: Financial Management Assessment.



(i) & (ii) for use as an RRP linked document (appendix 4 of this main report). The main issues arising from the analysis were the inability to fully confirm financing sources, and concerns over the financial sustainability of the IAs, most especially the privately owned IAs who need to raise their own counterpart funding. The first of these issues has been mitigated by reaching an agreement that the private IAs pay up equity financing of at least 20% of their respective total project costs in advance of FSR approval and loan negotiations. The financial sustainability risk will need to be closely monitored during the course of project implementation and relevant financial indicators have been included in the outline PPMS within the PAM. The main period of risk is during the early years of operations prior to the project facilities becoming fully utilized.

139. **An Initial Environmental Examination (IEE).** The Project was initially categorized as “B” for environmental safeguards based on the ADB Safeguards Policy Statement, 2009 (SPS), and this categorization was subsequently confirmed. Therefore the PPTA environmental specialists prepared an IEE for the project in accordance with ADB guidelines and using the domestic environmental assessments commissioned by the IAs as source documents. In addition site visits, supplementary consultations and due diligence were undertaken to ensure all ADB requirements were met. An environmental management plan (EMP) was prepared as an annex to the IEE and this was subject to IA consultation and agreement via the ADB loan fact-finding process. Subsequent to loan fact-finding the IEE/EMP was updated in response to ADB reviewer comments and following ADB internal “peer review”, although the changes made as a result of these reviews were relatively minor in largely clarifying in nature. The IEE/EMP has now been endorsed by the ADB senior review meeting on 12<sup>th</sup> December 2016. It is included in full in volume 3 of this report.

140. **Poverty and Social Assessment.** A poverty and social assessment (PSA) was conducted through primary and secondary data collection methods. Extensive consultations with all relevant stakeholders, focus group discussions and key informant interviews with project beneficiaries and desk review of relevant documents were undertaken. Initial conclusions from the fieldwork were presented to a project workshop in late July, allowing these to be incorporated into the project design as appropriate and where possible. The PSA was the main output produced and is included in Volume 3. In addition, using material from the PSA two linked documents to the RRP were drafted - the social and gender plan (SGAP) (included appendix 8 of this main report) and the summary poverty reduction and social strategy (SPRSS) (included appendix 7 of this main report). Key findings from the field research were (i) the strong preference of most elderly to continue to reside in their own homes or with family rather than relocate to residential EC institutions; and (ii) a relatively low level of willingness to pay for EC services. The research also indicated a significant number of elderly relied on siblings for financial support.

141. **Resettlement planning and land acquisition due diligence.** The project activities will require some land acquisition and resettlement and the involuntary resettlement category was assessed as “B”. Four resettlement plans were prepared for Xinji, She County, Shuangluan and Li County in accordance with the Government laws and regulations and the ADB’s SPS. The PPTA resettlement specialist provided advice on RP preparation, reviewed the draft RPs prepared by/on behalf of the four IAs, and made further modifications following review by ADB’s resettlement specialists. The RPs have subsequently been endorsed by the relevant local governments, disclosed to the affected persons and posted on the ADB website. For the other two subprojects no land acquisition is required and PPTA work was restricted conducting appropriate due diligence: (i) Yanshan University will use their own land, which is currently vacant and the University possesses a State-owned Land Use Certificate issued in 2004; and (ii) the land needed for the Julu County subproject has been acquired within the last three years by the local government and made available to the IA. The PPTA outputs which comprise the 4 endorsed RPs and two due diligence reports are included in full in Volume 3.

142. **Technical Report on EC Design.** This report was the main output of the two PPTA EC design specialists. The report presents (i) comprehensive guidance on EC design best practices and (ii) the outcome of the work undertaken to review and refine the feasibility study stage designs contained in the draft feasibility studies (FSRs) prepared by design institutes appointed by the IAs. This work proved more difficult than envisaged as most IAs and their design institutes had only very limited knowledge of EC design requirements or related operating experience, as well as not appreciating the scope of work and the level of detail required in order to establish the subproject justification needed for FSR approval. The result

was that several of the designs had to go through repeated revisions before being endorsed as being acceptable to ADB. The full technical report is included in Volume 3. Key design principles applicable to the detailed design stage of the Project have been extracted from the technical report and included as a guidance note within the PAM.

143. **ICT Investigations and Report.** The ICT specialist on the PPTA team undertook investigations into the current use of ICT within the Hebei EC sector and what opportunities existed within the proposed sub-projects to utilize ICT to enhance EC service levels and efficiency. A technical report was prepared on these investigations, suggestions for ICT applications to be included in the project design, and with guidance on the design and implementation of ICT systems. This report is included within volume 3 of this report.

144. All these outputs were produced initially as drafts and then revised to incorporate comments made by the ADB project team, other ADB expert reviewers and by HPMD

145. **Organization of Training and Project Review Workshops.** During the course of the PPTA a number of workshops were organized to provide training to IA staff, improve awareness of elderly care and share best practise experience, and to review progress in the project preparations. These workshops were funded from the PPTA budget and organized by the consulting firm in conjunction with HPMD. Training was provided in the financial management of ADB projects, EC facility design, ADB resettlement and environmental safeguards requirements, preparation of FSRs, ADB procurement guidelines and procurement plan preparation. Awareness presentations were made in relation to the use of ICT (including in the context of Health/EC integration), EC best practices (including the development of HCBC services), the results of the social surveys and issues arising therefrom.

### 3.4 Summary of Conclusions and Lessons Learned.

146. The PPTA has succeeded in preparing a project design that was endorsed at the ADB loan fact-finding mission and has subsequently been endorsed by the ADB senior review meeting. The project design also received strong support from NDRC as an informal briefing provided at the conclusion of loan fact-finding.

147. The main PPTA work was completed one month later than scheduled, although this was largely a consequence of changes made in the composition of the project during the course of the PPTA. The splitting of the PPTA work between a group of individual consultants and a consulting firm and into two overlapping phases worked reasonably well, although the overall size of the PPTA was large, and it proved unwieldy to manage at times, especially during field visits and at ADB review missions. For the loan fact-finding mission the number of consultants involved and ADB project team participation were reduced and this helped increase the efficiency of the mission discussions.

148. The PPTA team benefitted considerably from some advance work on sector analysis and also a socioeconomic survey in Xinji city. In hindsight it would have been better to have mobilized the social development specialist as part of phase 1, and thus to have commenced the main social consultations and survey at an earlier stage. As it was, the social work dragged on longer than desirable and was not fully completed until just after loan-fact finding.

149. From the outset of the Project there have been concerns over the level of buy-in and ownership of the project design from HCAD, which at provincial government level is the department responsible for EC sector management. These concerns have persisted throughout the PPTA with only very limited engagement of HCAD officials in project discussions. In contrast there has been strong support for the Project from HPFD and HDRC as well as local Civil Affairs Bureaus at the county/city level. This situation has necessitated the project being designed on a bottom-up basis by responding primarily to local city/county priorities and there has been only very limited opportunity for effective policy dialogue. This lack of policy dialogue was particularly frustrating given this Project was the first EC project loan for ADB in the PRC and the PRC EC sector is currently immature and in need of substantive policy development. This is undoubtedly an area where an opportunity for potential ADB value added has been lost due to HCAD disinterest in the Project. The lesson

is that for future projects the commitment of the relevant sector Department should be assured from the outset.

150. An issue that arose from the social and financial due diligence was that of ECS affordability of the low and middle income elderly target by the Project. There is serious doubt over whether the pricing of ECS needed to provide financial sustainability is compatible with the affordability of the target group, unless they are able and willing to access life savings and/or be supported by working siblings. Without government subsidies or assistance, it will be difficult for many poor elderly to live in an EC residential care with good quality service provided. Thus, there is a need for provincial and local governments to assess the options for subsidizing the semi-disabled or disabled and poor elderly and if possible, expand coverage and amounts. It is to be hoped that the HCBC services to be established and improved under the project will expand coverage, access and affordability of EC services for the low and middle income elderly who are able to live in relatively independent manner, but again subsidies may be needed to facilitate access by the poorer group of elderly who lack family support. Furthermore willingness to pay for EC services is doubtless compromised by the absence of comprehensive affordable health care. Therefore many elderly are very reluctant to spend otherwise disposable income fearing they will likely need to finance potentially expensive health care a little later in life. There is therefore a significant risk that the project whilst proving to be financially sustainable will not reach large sections of the target beneficiary group - but instead benefit the elderly with middle to higher levels of affordability. It was concluded the issue of EC subsidies was not one that could easily be addressed at the project level but that instead initiatives were needed from national and provincial levels of government.

151. It has been emphasized by the ADB project team from the outset that the Project is primarily about increasing the scope and improving the quality of EC services. It is not an infrastructure project, even though the majority of loan funds will support the construction of improved EC infrastructure. Project success will be judged by the services provided, and how well these meet the needs and expectations of the elderly that use them. A significant concern in this respect is that three of the five IAs have no previous experience in the EC sector, and for the other two IAs the project represents a very significant upscaling of their EC involvement. The development of HCBC services will be an entirely new business line for all the IAs and will necessitate thorough market research. The project implementation will therefore be inherently complex and major capacity building within both the IA and local CAB organizations will be needed in order to make the goal of creating comprehensive three tier EC systems a reality.

152. National and Hebei provincial level studies indicate very significant shortfalls in both the volume and skills levels of EC staff. The project design, through the inclusion of the Yanshan University training and research subproject will make a modest contribution to addressing this problem. However, the establishment of minimum skills requirements for EC workers and managers (as apply in other social sectors such as health and education) does not appear to be on the HCAD policy agenda. This creates a major risk to quality assurance in EC service provision and also in the financial viability of training institutions such as Yanshan university. Currently EC services have a very poor public perception – this needs to be addressed and for EC to become viewed as a key profession that the majority of the population are likely to have to call on to improve life quality as we get older, and we can have confidence in.

### **3.5 Follow-on Work Required to enhance Project Readiness**

153. Although the submission of this report represents the substantial completion of the PPTA work the ADB PPTA budget has not been fully expended and there are some tasks that ideally should be completed in advance of loan effectiveness. These include the following:

- 
- (a) Working with HPMO leadership to establish effective project management arrangements for the implementation, including developing standard templates for routine notifications and requests from implementing agencies to HPMO and from HPMO of ADB.
  - (b) Providing project progress reporting templates customized to the needs of the Project and ADB information needs, together with training in their use.
  - (c) Assisting in the preparation of a project financial management manual for the project in conjunction with HPMO financial staff and HPDF. Training in the use of the manual, in project accounting requirements, in associated record keeping and financial controls, and in financial progress reporting needs. This is seen as a high priority action and assurances were sought on this during ADB's internal review process.
  - (d) Establishing procurement systems and procedures at implementing agency and HPMO level, and working with HPMO to prepare the request for proposals and related documentation for contract CS01 (project implementation consulting) in order to expedite the engagement of this consultant.
  - (e) Undertaking design review and assisting in the preparation of the technical part of bidding documents (will depend on progress made by the IAs in preparing their designs).
  - (f) Establishing systems and providing advice and training needed for the effective implementation of resettlement plans and reporting to HPMO/ADB thereon.
  - (g) Organize and conduct a project implementation seminar to discuss implementation strategies and harmonize individual implementing agency project implementation approaches and timelines, and maximize inter-implementing agency communications and cooperation.
  - (h) Further discussions with YSU on finalizing the content of their capacity-building component and how this should be funded and procured.
  - (i) Possible assistance with advance procurement action by YSU for their initial works contracts (assumes timely completion and approval of the detailed designs).

## **Appendices**

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### **Appendix 1**

#### **Draft Report and Recommendation of the President**

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Project Number: 49028-002  
May 2017

# Proposed Loan and Technical Assistance Grant People's Republic of China: Hebei Elderly Care Development Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011 after excluding information that is subject to exceptions to disclosure set forth in the policy.

## CURRENCY EQUIVALENTS

(as of 6 April 2017)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1452
\$1.00	=	CNY6.8889

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAB	–	civil affairs bureau
ECS	–	elderly care system
ECSS	–	elderly care services
EIRR	–	economic internal rate of return
HCBC	–	home- and community-based care
HPG	–	Hebei Provincial Government
HPMO	–	Hebei Project Management Office
ICT	–	information and communication technology
IEE	–	initial environmental examination
LIBOR	–	London interbank offered rate
PAM	–	project administration manual
PRC	–	People's Republic of China
m <sup>2</sup>	–	square meter
SPS	–	Safeguard Policy Statement
TA	–	technical assistance

## NOTE

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

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## PROJECT AT A GLANCE

1. Basic Data		Project Number: 49028-002	
Project Name	Hebei Elderly Care Development Project	Department /Division	EARD/EASS
Country	China, People's Republic of	Executing Agency	Hebei Provincial Government
Borrower	People's Republic of China		
2. Sector		ADB Financing (\$ million)	
✓ Health	Health sector development and reform		40.00
	Health system development		40.00
Education	Education sector development - social protection initiatives		20.00
		Total	100.00
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change Information	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Civil society organizations Implementation Private Sector		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Medium
Household Targeting	No	Urban	Medium
SDG Targeting	Yes		
SDG Goals	SDG3, SDG11		
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		100.00	
Sovereign Project (Regular Loan): Ordinary capital resources		100.00	
Cofinancing		0.00	
None		0.00	
Counterpart		80.11	
Loan		80.11	
Total		180.11	
Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-OTHERS) in the amount of \$670,000.			

## **I. The Proposal**

1. I submit for your approval the following report and recommendation on a proposed loan to the People's Republic of China (PRC) for the Hebei Elderly Care Development Project.<sup>1</sup> The report also describes the proposed technical assistance (TA) for the Establishment of an Integrated Comprehensive Three-Tier System for Elderly Care, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.

2. The proposed project will support the development of an integrated three-tier elderly care system (ECS) in Hebei Province through improving the quality and coverage of home, community, and residential elderly care services (ECSS) and facilities. It will be the first project for the Asian Development Bank (ADB) comprehensively addressing ECS and services development by public and private sector.

## **II. The Project**

### **A. Rationale**

3. The most significant demographic challenge facing the PRC is the aging of the population, and the social and economic impacts that will occur because of the rapid pace and scale of the demographic change. The proportion of people above the age of 60 across the PRC is expected to grow from about 12% in 2010 to 34% by 2050. Traditional family support systems are increasingly unable to meet elderly care needs because of the combined impacts of fast urbanization, internal migration of youth away from rural areas, and the one-child policy. The population is aging rapidly while the country's per capita income is still modest and social security systems are insufficient to meet the needs of senior citizens. The growing demand for quality and affordable ECSS and development of care models for urban and rural areas exceeds supply. These are urgent development issues that must be addressed.<sup>2</sup>

4. Hebei entered "aging society" status in 1999 when it passed the 10% threshold of population over the age of 60. This is projected to be 17% in 2016, rising to 31% by 2050. The province has great diversity in the distribution of elderly, their care needs, income levels, and availability of services. Some rural counties have a high density of elderly who are "left behind" after their children have moved to urban areas. Few elderly remain in other counties, making it difficult to provide decentralized services. Urban areas are aging at different rates, resulting in a variety of demand for services. The government has identified Hebei as a demonstration province for elderly care development because of its experience in developing a rural care model, and since it is representative of the challenges other provinces face with limited government funds available for elderly care and growing elderly populations.<sup>3</sup> A strong desire exists in the province—and nationally—to identify models and implementation partnerships that can deliver quality and affordable ECSS. To achieve this, it is necessary to identify and define the optimum roles for government, private sector, civil society stakeholders, and the public in elderly care.

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<sup>1</sup> The design and monitoring framework is in Appendix 1.

<sup>2</sup> The project is included in ADB. 2016. *Country Operations Business Plan: People's Republic of China, 2016–2018*. Manila.

<sup>3</sup> In 2008, a model of mutual support communal homes for the rural elderly called "Xingfu Yards" (translated as "Happiness Yards") was developed, which the Ministry of Civil Affairs has rolled out nationally since 2011.

5. The PRC's Twelfth Five-Year Plan, 2011–2015 supported creating a three-tiered old age care system with home-based care as the base, community care as a support, and residential care as supplement.<sup>4</sup> This is in line with international trends to support “aging in place” (supporting elderly to live in their communities), de-institutionalization, and active aging. The PRC's Thirteenth Five-Year Plan, 2016–2020 seeks to expand coverage, and enhance the quality of services by developing the private sector and civil society organizations capacity to play a greater role in elderly care.<sup>5</sup> The government is seeking models for elderly care that address key challenges: financing gaps, developing the market, and improving the unbalanced rural–urban development. In the next 5 years, significant changes are expected to take place: (i) subsidies to the sector will increase and be better targeted, and new programs such as long-term care insurance may play a greater role in promoting access; and (ii) the next generation of elderly (particularly urban) will be better-off and more able to afford care. Stimulating the role of the private sector and civil society is critical for expanding coverage and improving the quality of services. ADB's recently approved project in Yichang Municipality, Hubei will develop one approach—a model public–private partnerships for ECSS in urban districts.<sup>6</sup> A range of other models that can successfully operate in less-developed areas, build new partnerships for service delivery, and address the multiple care needs of aging populations, also needs to be developed.

6. Translating national policies into programs in Hebei is challenging. For residential nursing care, only 50% of the projected total need for beds (250,000) in the province is available, and public perceptions and the quality of elderly care facilities are low. Human resources, incentives, and policies to retain and train staff, are insufficient. Planning for the expansion of ECSS is not systematic, and home and community care services are largely underdeveloped. Critical service areas such as dementia care and rehabilitation are very limited, and government financing of elderly care is insufficient. To help address the lack of services, local governments are seeking ways to incentivize new care models and private and civil society organizations (CSOs) involvement, neither of which are yet significant. Poor public perceptions of the quality of services, affordability, and traditional cultural attitudes are key constraints to the uptake and sustainability of services.

7. To address these problems, the project will develop five anchor elderly care residential facilities (run by the public and private sectors) targeting elderly with long-term care needs.<sup>7</sup> These will serve as care hubs, and develop and operate home- and community-based care (HCBC) services and information and communication technology (ICT) networks to serve a broad range of elderly. This will support the concept of “aging in place”, a lifestyle that consultations with elderly found that most prefer, and affordable care options. Additional facilities and services, such as rehabilitation centers, will be constructed to help relieve pressure on hospital beds to improve health and elderly care sector integration—an emerging government policy focus. Capacity building for implementing agencies, local civil affairs bureaus (CABs), and implementation of pilot projects to address critical aspects of ECS development are integral to the project design.

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<sup>4</sup> Government of the PRC, State Council. 2011. *National Economy and Social Development Twelfth Five-Year Plan, 2011–2015*. Beijing.

<sup>5</sup> Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016–2020*. Beijing. The plan includes (i) giving access to 80% of all urban and rural residents for home- and community-based care (HCBC), and (ii) significantly increasing residential elderly care beds to keep pace with demand as the elderly population expands.

<sup>6</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Public–Private Partnership Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei*. Manila.

<sup>7</sup> The residential care facilities in Li and Julu Counties will be run by government institutions and those in She County, Xinji City and Chengde City by private enterprises.

Yanshan University will develop an elderly care training center and short- and long-term new courses in five priority areas: (i) caregiving and nursing, (ii) occupational therapy, (iii) elderly care management, (iv) geriatric psychology, and (v) ICT for elderly care. Together, the subprojects seek to create demonstration facilities and services, expand human resources, and improve industry capacity for the three-tiered ECS in Hebei.

8. **Strategic fit.** The project supports the PRC's Thirteenth Five-Year Plan, 2016–2020 (footnote 5) and the Hebei Provincial Thirteenth Five-Year Plan, 2016–2020, which seek to develop the ECS, stimulate investment, and define roles and responsibilities for the government and the private and CSOs. The project is aligned with ADB's country partnership strategy, 2016–2020 pillar on inclusive growth; the Midterm Review of Strategy 2020, which supports social protection and health; and the Operational Plan for Health, 2015–2020, which has elderly care as a focus area.<sup>8</sup>

## B. Impact and Outcome

9. The impact, which is aligned with the government's goal, will be an established comprehensive three-tiered ECS (home, community, and residential). The outcome will be improved capacity of the ECS and quality of ECSS in Hebei.

## C. Outputs

10. The project will have four outputs. Output 1, improved community and home care services, will develop (i) selected community centers, (ii) services and support networks to improve and expand service delivery and quality, (iii) capacity of the implementing agencies to create sustainable HCBC services that meet the needs of the elderly, and (iv) ICT networks that support the elderly and service delivery. Output 2, increased residential elderly care service capacity and improved quality, will (i) provide residential care services for elderly with various types of need (i.e., nursing care, dementia care, rehabilitation); (ii) establish links to existing health care facilities and home and community care to support a continuum of care; and (iii) serve as demonstration models of government and private sector collaboration for other small cities seeking to improve elderly care quality and service delivery. Output 3, improved development of human resources and industry capacity, will help address the human resources shortages and quality by supporting Yanshan University to develop (i) training programs and faculty capacity in emerging service areas, such as caregiving and nursing, rehabilitation, elderly care management, technology to support elderly care, and counseling; (ii) curriculum and training materials in the priority areas with selected academic and training institutions across the province; and (iii) an elderly care training and research center, and student dormitory on the Yanshan University campus. Output 4, improved capacity of elderly care sector organizations, will build the capacity of stakeholders and local CABs in planning, elderly care management, assessment, and quality assurance and monitoring. It will also implement innovative pilot projects in priority areas, such as health and elderly care integration, new services development (rehabilitation and dementia care), HCBC services, and ICT. Training and advisory support will be provided to facilitate the efficient implementation and operationalization of the ECSS.

11. **Innovative features.** The project will have demonstration value for other PRC provinces and developing countries in Asia and the Pacific facing similar challenges of aging populations.<sup>9</sup>

<sup>8</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and ADB. 2015. *Operational Plan for Health, 2015–2020*. Manila.

<sup>9</sup> ADB's East Asia Department has an additional four elderly care projects in the 2017–2019 pipeline.

Innovative features include the development of (i) an integrated elderly care service model that links home, community, and residential care and management; (ii) pilot projects to support good practice ECS development in areas such as management, quality assurance, and new services development; (iii) a model of government and private sector collaboration that has only limited risk for government and which may be more flexible and market responsive than use of public-private partnerships; and (iv) a human resources development program at the tertiary and continuing education levels, which anticipates the growth of the sector and demand for new skills.

#### D. Summary Cost Estimates and Financing Plan

12. The project is estimated to cost \$180.11 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM).<sup>10</sup>

**Table 1: Project Investment Plan (\$ million)**

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
5. Community and home care services improved	10.62
6. Residential elderly care service capacity increased and quality improved <sup>c</sup>	117.81
7. Development of human resources and industry capacity improved	17.02
8. Capacity of the elderly care sector organizations improved	2.50
<b>Subtotal (A)</b>	<b>147.94</b>
<b>B. Contingencies<sup>d</sup></b>	<b>24.98</b>
<b>C. Financing Charges During Implementation<sup>e</sup></b>	<b>7.19</b>
<b>Total (A+B+C)</b>	<b>180.11</b>

Note: Numbering may not sum precisely because of rounding.

<sup>a</sup> Includes taxes and duties of \$5.02 million. Such amount does not represent an excessive share of the project cost based on the staff instruction on business processes for cost sharing and eligibility of expenditures for ADB financing. The government will finance taxes and duties of \$2.23 million by cash contribution.

<sup>b</sup> In mid-2016 prices as of October 2016.

<sup>c</sup> Residential care services include the nursing care and rehabilitation facilities and associated equipment, which will also support the community and home care services in output 1.

<sup>d</sup> Physical contingencies computed at 10% for civil works field research and development, training, surveys, and studies. Price contingencies computed at average of 5.6% on foreign exchange costs and 6.6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest and commitment charges. Interest during construction for the OCR loan has been computed at the 5-year US dollar fixed swap rate plus an effective contractual spread of 0.5% and no maturity premium. Commitment charges for the OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

13. The government has requested a regular loan of \$100 million from ADB's ordinary capital resources to help finance the project. The loan will have a 20-year term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan and project agreements. The government has requested that repayment follow the straight-line commitment-linked repayment method. Based on this straight-line method, the average loan maturity is 12.75 years and no maturity premium is payable to ADB. The loan will also finance taxes and duties on items financed by ADB. The local county governments and the project owners will finance the remaining \$80.11 million of project cost. The government has also requested the provision of technical assistance not exceeding the equivalent of \$670,000 to the Government of the PRC for Establishment of an Integrated Comprehensive Three-tier System for Elderly Care.

<sup>10</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

14. The summary financing plan is in Table 2. The ADB loan will finance 55.52% of the project cost, the Government of the PRC will finance 13.93% of the cost, and the private sector will finance 24.70% and raise a further 5.85% through commercial borrowing. Counterpart funding will come from Li County and Julu County fiscal budgets, a commercial bank loan of \$10.53 million, and the implementing agencies' contributions to the project (equity contributions), totaling \$44.50 million.

**Table 2: Summary Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (loan)	100.00	55.52
Counterpart		
Government	25.09	13.93
Private sector <sup>a</sup>	55.03	30.55
<b>Total</b>	<b>180.11</b>	<b>100.0</b>

Note: Numbering may not sum precisely because of rounding.

<sup>a</sup> Includes one commercial loan of \$10.53 million by one of the private implementing agencies and \$44.50 million of equity financing by the private sector investors.

Source: Asian Development Bank estimates.

15. The Government of the PRC is the borrower of the loan and will make the loan available to Hebei Provincial Government (HPG) under its relending arrangements upon terms and conditions satisfactory to ADB. HPG will make the loan proceeds available to the relevant city and/or county. The onlending terms and conditions of the loan proceeds will be the same as those of the ADB loan. The cities will, in most cases, onlend to their designated project owner. The project implementing agencies will take the ultimate interest rate and foreign exchange risk, except in Li County where it will fall on the local government. The indicative flow of funds and relending arrangements are in the PAM (footnote 10).

## **E. Implementation Arrangements**

16. The implementation arrangements are summarized in Table 3 and described in detail in the PAM.

**Table 3: Implementation Arrangements**

Aspects	Arrangements
Implementation period	July 2017–June 2022
Estimated completion date	30 June 2022 (with loan closure by 31 December 2022)
<b>Management</b>	
(i) Oversight body	Hebei Project Leading Group Deputy provincial governor (chair) Representatives of Hebei Civil Affairs Department, Hebei Provincial Education Department, Hebei Provincial Finance Department, Hebei Development and Reform Commission, Hebei Human Resources and Social Security Department, Hebei Provincial Environmental Protection Department, Hebei Provincial Land Management Department, and Hebei Provincial Health and Family Planning Commission (members)
(ii) Executing agency	Hebei Provincial Government
(iii) Key implementing agencies	(i) Shuangluan District, Chengde City: Chengde Haoren Elderly Care Service Industry Corporation (ii) Julu County: Julu County Hospital (iii) Li County: Li County Guangrongyuan (iv) She County: Hebei Runqinyuan Elderly Care Industry Development Corporation (v) Xinji City: Xinji Juyouleyuan Elderly Care Service Corporation (vi) Qinhuangdao Municipality: Yanshan University



Aspects	Arrangements		
(iv) Implementation unit	Hebei Project Management Office (operates as the office of Hebei Project Leading Group and has a total of 13 staff)		
Procurement	NCB	47 contracts	\$116.98 million
	Shopping	2 contracts	\$0.11 million
Consulting services	QCBS (80:20)	163 person-months	\$2.5 million
	To be determined	No. of person-months: To be determined (the design of this consulting package(s) will be finalized at project inception)	\$1.28 million
Retroactive financing and advance contracting	The government has not requested approval of retroactive financing. Advance contracting will be used on selective basis, including for the procurement of works contracts and consulting services.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, NCB = national competitive bidding, QCBS = quality- and cost-based selection.  
Source: Asian Development Bank.

17. The project includes funding for international and national consulting services to support Hebei Project Management Office (HPMO) and the implementing agencies to implement the project and carry out capacity-building activities. The project design also includes limited start-up consulting to assist with project-readiness activities. The terms of reference for consulting services are in the PAM.

### III. Attached Technical assistance

18. The capacity development TA to be financed by ADB is included to provide support to local government county civil affairs bureaus (CABs) to help build their sector management capacity and address key issues, including (i) sector planning and regulation, (ii) social inclusion and assessment of care needs, and (iii) use of the CSOs as resource to expand the scope and provision of elderly care services. The TA is estimated to cost \$695,150, of which \$670,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). It has six outputs: (i) a model demand-based elderly care sector plan and supporting planning manual; (ii) a demonstration elderly care assessment system, including user tool kits, computer software, and implementation guidance; (iii) model procedures for the effective regulation of elderly care service providers; (iv) the creation of a model arrangement for the effective involvement of the CSOs in elderly care provision; (v) a pilot online support for family caregivers; and (vi) effective TA dissemination. HPG will be the executing agency and HPMO will be the implementing agency over the five-year implementation period. HPG will provide counterpart support in the form of staff, office accommodation, and other in-kind contributions.

### IV. Due diligence

#### A. Technical

19. The project will finance construction of (i) five elderly care institutions, (ii) 51 community centers and/or offices, (iii) a center of excellence for human resource development; and (iv) procurement and installation of associated equipment. Technical feasibility was found to be adequate after careful examination of the project's compatibility with local conditions and future demand projections for elderly care service. All buildings, with a total area of about 172,000 square meters (m<sup>2</sup>), will be designed and constructed in accordance with relevant design standards and codes. International and domestic best practices were studied to optimize the functional, aesthetic, engineering, environmental, and economic aspects of the facilities. The architectural design will follow community-based, care-focused, efficient, inclusive, and non-

institutional principles established during project preparation. The design incorporates infection control, fire control, accident prevention, and emergency evacuation to ensure user safety. Low-carbon, resource-efficient measures, including solar and photovoltaic panels, water recycling, and passive energy-saving designs will be adopted. All five elderly care institutions will be designed to meet the two-star national green building standard.<sup>11</sup> About 88% of the community centers will be housed in rehabilitated existing buildings.

## B. Economic and Financial

20. **Economic analysis.** Economic benefits will include (i) an increase in the years of life gained and enhanced quality of life for the elderly through improving care services, better integration of elderly care and medical services, and support for “aging in place; (ii) labor released from informal care, such as the return of the adult children who have been caregivers to the labor market; (iii) medical cost savings, since formal elderly care is professional and performs better in acute and chronic disease prevention, reducing morbidity and hospital admissions; (iv) fall prevention; (v) time savings for informal caregivers, increased number of employment opportunities, and earnings; (vi) benefits generated by ICT, such as administration cost savings and a higher possibility of independent living; and (vii) increased number of trained caregivers and medical personnel certified by the new university programs, measured by the wage premium. However, these benefits are difficult to quantify, so only three benefit streams were applied for the economic internal rate of return (EIRR) calculation: (i) years of life gained from residential care; (ii) other benefits (revenues at elderly care centers, community and home care centers, and rehabilitation centers); and (iii) the wage premium from students trained at Yanshan University. At a 12% discount rate, the whole project is found to be economically viable with a net present value of CNY515.0 million and a base case EIRR of 18.5%. The subproject baseline EIRRs are as follows: Chengde City 16.7%, Julu County 22.1%, Li County 16.7%, She County 20.6%, Xinji City 17.3%, and Yanshan University 20.3%.<sup>12</sup>

21. **Financial sustainability.** Financial analysis has been undertaken to establish the project’s financial viability.<sup>13</sup> The two main analyses conducted were (i) a financial sustainability analysis, including calculation of the financial internal rate of return for revenue-generating subprojects; and (ii) due diligence on the veracity of the proposed counterpart financing plans. The financial analysis shows that the estimated project financial internal rate of return (5.52%) comfortably exceeds the weighted average cost of capital (2.84%) for the overall project. Each revenue-generating subproject also passed this test. The results were robust against all the normal sensitivities, but are most vulnerable to income shortfalls. Financial projections indicate cash shortages in the early years of operations, which may require additional financing in adverse circumstances. Difficulties were encountered in obtaining evidence to verify that the proposed private investors have the necessary financial means and commitment to the project. This has been resolved by the investors agreeing to make an up-front equity contribution of 20% of total subproject costs. For the Yanshan University subproject, a fiscal sustainability analysis was performed, which shows that net incremental costs of the proposed subproject will constitute a maximum of 1.0% of gross Yanshan University revenues during project construction, decreasing to 0.6% once the facilities are fully operational. This incremental burden is considered sustainable.

<sup>11</sup> Government of the PRC, Ministry of Housing and Urban–Rural Development. 2015. *Green Building Evaluation Standard (GB.T50378-2014)*. Beijing.

<sup>12</sup> Economic Analysis (accessible from the list of linked documents in Appendix 2).

<sup>13</sup> Financial Analysis (accessible from the list of linked documents in Appendix 2).

## C. Governance

22. The financial management assessment was conducted in accordance with ADB guidelines, and identified the main financial management risks as (i) implementation risk: lack of familiarity with ADB disbursement procedures and requirements, which may delay project implementation; (ii) compliance risk: lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) financing risk: delays in the provision of, or inadequate counterpart funding, which may delay project implementation; and (iv) construction and operational risks: inadequate experience in construction and services operating management, which will affect project progress and the quality of services to be provided after project completion. The overall financial management risk rating of the project, before considering mitigating measures, is *substantial*. Agreed mitigation measures have been built into the project design and will be closely monitored during project implementation.<sup>14</sup>

23. A procurement risk assessment was undertaken in accordance with ADB project administration instructions, using a risk-based approach. The assessment reveals that, at executing agency level, HPMO, which will oversee project procurement, has extensive experience and proven performance in managing the forms of procurement required. However, at implementing agency level, capacity is lower and the risk is higher, especially for the privately-owned implementing agencies. This risk will be mitigated through HPMO's oversight, the early appointment of an experienced procurement agent, training of implementing agency staff, and consulting support (footnote 14), with increased oversight for the private implementing agencies. With these measures in place, the risk of misprocurement is considered *moderate*.

24. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and HPG, the executing agency. The specific policy requirements and supplementary measures are described in the PAM.

## D. Poverty, Social, and Gender

25. A poverty and social assessment was conducted. Based on the consultations undertaken, most elderly prefer to be taken care of by their children, followed by a preference for HCBC services to support independent living, and then residential care if necessary because of disability or lack of care services from the family or community. The expansion of HCBC services under the project will support this strong aging in place preference and address the need for lower cost care services. Individual elderly care decisions are influenced by a variety of factors, including an older person's health condition, economic status, age, level of education, number of children, traditional elderly care concepts, and social networks. Given the diversity of elderly, their care needs, and income levels, assessing the affordability of ECSS across the population is difficult. Residential care, which provides services for disabled elderly, is expensive for most low- and middle-income elderly. Financing of elderly care is a major issue. This project will take place during a time of rapid developments in policies on subsidies and other support, such as long-term care insurance and the possible use of medical insurance for elderly care. The construction of elderly care facilities and their operation will create about 2,200 new jobs. The project will benefit about 300,000 persons in the six project areas when services are operational, and Yanshan University will have certified 4,400 students at project completion. The project targets low- and middle-income elderly, who make up about 40% of the total elderly, and will promote improved care assessment systems to allow care to be directed to those most in need.

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<sup>14</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

26. **Gender.** Among the elderly, women typically outnumber, live longer, yet have poorer health and lower incomes than men. Family contributions often play a significant role in access to care services for both women and men, but to what degree varies among individuals and circumstances. Development of elderly care will help relieve family caregivers and give unsupported elderly better access to care. Benefits will include reduced time burdens for family caregivers and improved job opportunities in a service industry traditionally dominated by females. A social and gender action plan has been prepared and agreed.<sup>15</sup>

## E. Safeguards

27. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.

28. **Environment (category B).** An initial environmental examination (IEE), including an environmental management plan, was prepared and will be disclosed on the ADB website. The IEE complies with ADB's SPS. The project will help establish safe, operationally and energy-efficient public buildings, which meet the two-star national green building standards. The IEE concludes that the project's anticipated environmental impacts can be mitigated through implementation of the environmental management plan. Some environmental impacts are anticipated, including waste, wastewater, noise, fugitive dust, community and occupational health, and safety. Overall, implementation-related impacts are localized, short-term, and can be effectively mitigated through the application of good construction and housekeeping practices, and implementation of construction phase community and occupational health and safety plans. During operation, no major environmental impacts are anticipated, and minor impacts will be addressed through conventional operation and maintenance practices. Environmental management is supported by loan covenants, capacity development, and institutional-strengthening activities under the project. Environmental complaints or disputes will be handled in accordance with the grievance redress mechanism established for the project.

29. **Involuntary resettlement and indigenous peoples (category B).** Four resettlement plans have been prepared for Xinji City, She County, Shuangluan District, and Li County in accordance with government laws and regulations and ADB's SPS. A total of 168.75 *mu* of collective land will be affected, most of which is unused land, garden land, and collective construction land not allocated to any households.<sup>16</sup> Of these, 32.37 *mu* are cultivated land. The impacts on 91 households (310 persons) are marginal as their main source of income is mostly nonagricultural, with agricultural income accounting for only 2%–4% of their total income. Houses to be demolished (1,195 m<sup>2</sup>) will affect two enterprises and 11 workers. Extensive consultations were carried out during resettlement planning, and key information in the resettlement plans was disclosed in October 2016 by distributing copies of resettlement information booklets to the affected villages and households. The resettlement plans have a provision on leasing land and properties for establishing community elderly care centers. The cost of resettlement is estimated at CNY28.46 million, including contingencies. Due diligence was carried out for the 39.75 *mu* of project land previously acquired.<sup>17</sup> This concluded that resettlement planning and implementation were carried out satisfactorily, in accordance with state and provincial regulations and policies. The executing agency has the capacity to update, implement, and monitor the resettlement plans. The indigenous peoples impact is categorized C. Ethnic minorities make up 4.55% of the total

<sup>15</sup> Social and Gender Action Plan (accessible from the list of linked documents in Appendix 2).

<sup>16</sup> A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 m<sup>2</sup>).

<sup>17</sup> Resettlement Plan 4: Xinji City (accessible from the list of linked documents in Appendix 2).

population in Hebei, of which 71% are Man. Two project sites in Shuangluan District and Chengde City have a larger ethnic minority population, but the social assessment determined that this population is well-integrated socially and economically in the project areas, and it will not be adversely affected by land acquisition and resettlement.

## F. Summary of Risk Assessment and Risk Management Plan

30. Major risks and mitigating measures not previously referred to in this report are summarized in Table 4 and described in detail in the risk assessment and risk management plan (footnote 14). The overall risk was rated as medium.

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigation Measures</b>
Availability of counterpart financing cannot be confirmed	Each private implementing agency has deposited a ring-fenced equity contribution of at least 20% of the total estimated investment cost.
Affordability and demand assumptions for elderly care services prove overoptimistic; social inclusiveness objectives prove unachievable.	The proposed pricing schedule is already in use at one public elderly care institution in Julu County. Capacity building will develop in-depth business plans for each implementing agency. The national government is reviewing subsidy arrangements with a view to improving their targeting and effectiveness.
Delay in procurement or misprocurement	Hebei Project Management Office, which will oversee procurement, is highly experienced. Implementing agencies will be supported by a procurement agency and consulting support from a procurement specialist. Increased oversight will be applied to the procurement activities of the private implementing agencies because of the elevated risk they present.
Implementing agencies fail to build adequate capacity to construct suitable elderly care facilities and provide quality services.	The implementing agencies will have support from consultants for design review, procurement, and construction management. Other consultants will work in parallel to prepare implementing agencies for the services and operational phase and will support, as needed, until loan closure.
The possibility of financial failure of one or more project implementing agencies constitutes a substantial financial risk, particularly when existing financial management capacity is considered.	Financial analysis has been undertaken to assess this risk, and all implementing agencies are robust against the normal range of sensitivities tested. The local government will act to maintain service continuity should a failure arise. The financial consultant will help the implementing agencies undertake periodic testing of assumptions and market research to assess the continued viability of private implementing agency business plans and provide in-depth financial management training.

Source: Asian Development Bank.

## V. Assurances

31. The government and the HPG have assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents. The government and the HPG have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement and project agreement.

## VI. Recommendation

32. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$100,000,000 to the People's Republic of China for the Hebei Elderly Care Development Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 20 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements presented to the Board.

Takehiko Nakao  
President

May 2017





Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
3. Development of human resources and industry capacity improved	2b. By 2022, all implementing agencies offer a minimum set of services comprising residential care facilities, providing care and nursing services for semi-disabled and disabled older persons, dementia care, and rehabilitation services (disaggregated by implementing agency) (2016 baseline: 0)	2b–2c. Implementing agency project reports, HPMO monitoring	Hebei Civil Affairs Department does not accept the need to regulate for increased certification requirements.
	2c. At least 35% of managerial positions during the operations period are targeted to women (2016 baseline: 0)		
	3a. At least five elderly care training programs developed by Yanshan University by 2022 (2016 baseline: 0)	3a–3c. Yanshan University reports, HPMO monitoring	
	3b. Number of new elderly care priority area textbooks (increased above the baseline) developed, including gender-sensitive learning materials, by 2022 (disaggregated by priority area) (2016 baseline: 0)		
	3c. At least 4,000 certifications awarded in new elderly care short- and long-term courses by 2022 (disaggregated by sex, course, and certification level) (2016 baseline: 0)		
4. Capacity of elderly care sector organizations improved	4a. At least two project city governments to have comprehensive elderly care sector plans approved, including financing section, by 2020 (2016 baseline: 0)	4a. HPMO monitoring reports	
	4b. All project implementing agencies and CABs to have developed volunteer groups for elderly support by 2022 (2016 baseline: 0)	4b. Pilot report, HPMO monitoring reports	

<b>Key Activities with Milestones</b>
<p>1. Community and home care services improved</p> <p>1.1 Build, rehabilitate, and equip 51 community care centers by 2022</p> <p>1.2 Implement study tour to Beijing and Japan on HCBC by 2019</p> <p>1.3 Develop HCBC service specifications for each implementing agency and assessment system by 2019</p> <p>1.4 Establish a training and support program for family caregivers by 2019</p> <p>1.5 Establish a home safety assessment and modification program by 2020</p> <p>1.6 Establish call center support systems by 2021</p> <p>2. Residential elderly care service capacity increased and quality improved</p> <p>2.1 Undertake land acquisition and resettlement during 2017–2018</p> <p>2.2 Construct residential care facilities by 2020</p> <p>2.3 Develop and implement market research study by 2017</p> <p>2.4 Develop and implement learning collaborative on elderly care management and services by 2018</p> <p>2.5 Design, implement, and evaluate elderly care pilot project by 2022</p> <p>3. Development of human resources and industry capacity improved</p> <p>3.1 Construct elderly care training center and student dormitory by 2019</p> <p>3.2 Design curriculum for five fields and develop 19 textbooks by 2022</p> <p>3.3 Establish training plan (including study tours) for faculty by 2017</p> <p>3.4 Establish research center for priority areas by 2020</p> <p>4. Capacity of elderly care sector organizations improved</p> <p>4.1 Implement resettlement plan, environmental management plan, and social and gender action plan by 2022</p> <p>4.2 Develop and implement CAB learning program by 2021</p> <p>4.3 Develop and implement CAB and HCBC service pilot projects by 2021</p> <p>4.4 Conduct pilot evaluation by 2020</p> <p>4.5 Initiate rollout of successful pilot projects by 2021</p>
<p><b>Inputs</b></p> <p>Asian Development Bank: \$100.00 million (loan)</p> <p>Government: \$25.09 million</p> <p>Private sector: \$55.03 million</p> <p>Total: \$180.11 million</p> <p>Asian Development Bank: TASF-Others: \$0.67 million</p> <p>Note: Numbering may not sum precisely because of rounding.</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p>

CAB = civil affairs bureau, HCBC = home- and community-based care, HPMO = Hebei project management office.

<sup>a</sup> Government of the People's Republic of China, State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*. Beijing.

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=49028-002-3>

1. Loan Agreement
2. Project Agreement
3. Sector Assessment (Summary): Health
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Attached Technical Assistance
8. Financial Analysis
9. Economic Analysis
10. Country Economic Indicators
11. Summary Poverty Reduction and Social Strategy
12. Social and Gender Action Plan
13. Initial Environmental Examination
14. Resettlement Plan 1: Li County
15. Resettlement Plan 2: She County
16. Resettlement Plan 3: Shuangluan District
17. Resettlement Plan 4: Xinji City
18. Risk Assessment and Risk Management Plan

# **Hebei Elderly Care Development Project**

## **Final Report**

### **Volume One**

#### **Appendix 2**

##### **Project Administration Manual (PAM)**

##### **Main Text Only without Annexes**

**(the Full Version is included as Document 2-E within Volume 2 )**

# Project Administration Manual

Project Number: 49028-002  
Loan Number: LXXXX-PRC  
May 2017

People's Republic of China: Hebei Elderly Care  
Development Project

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CAB	–	civil affairs bureau
CNY	–	Chinese Yuan
DMF	–	design and monitoring framework
ECS	–	elderly care system
ECSS	–	elderly care services
EGM	–	effective gender mainstreaming
EMP	–	Environmental Management Plan
GRM	–	grievance redress mechanism
HCAD	–	Hebei Provincial Civil Affairs Department
HCBC	–	home- and community-based care
HDRC	–	Hebei Development and Reform Commission
HPFD	–	Hebei Provincial Finance Department
HPLG	–	Hebei project leading group
HPMO	–	Hebei project management office
ICT	–	information and communications technology
LIBOR	–	London interbank offered rate
MOF	–	Ministry of Finance
NCB	–	national competitive bidding
NDRC	–	National Development and Reform Commission
NGO	–	nongovernment organization
PAM	–	project administration manual
PCR	–	project completion report
PPMS	–	project performance management system
PPP	–	public–private partnership
PRC	–	People's Republic of China
QCBS	–	quality- and cost-based selection
SGAP	–	social and gender action plan
TOR	–	terms of reference
TBD	–	to be determined

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Available ANNEXES (not included here but as Document 2-E in Volume 2)



1. Brief Description of the Subprojects
2. Guidelines and Key Points Checklist on the Project Detailed Design for Elderly Care Facilities
3. Generic Implementation Strategy and Roadmap for Home- and Community-based Care
4. Strategies for Building Capacity in Residential Care in Hebei
5. Strategies for Developing Human Resources for Elderly Care
6. Environmental Management Plan
7. Consulting Terms of Reference
8. Terms of Reference for Attached Capacity Development Technical Assistance
9. Outline Training Plan
10. Outline Design of Project Performance Management System
11. Template for Semiannual Project Progress Report
12. Full Schedule of Identified Procurement Packages

## **Glossary of Terms Used**

Daycare center	Community-based care facility providing services to elderly people living in the local community, and their families, that might include daycare, short-stay residential care, rehabilitation, and cultural and entertainment activities.
Dementia care	Either home- and community-based or residential care facilities providing care for elderly people suffering dementia
Geriatric hospital	Hospital providing outpatient and/or inpatient care mainly for old people but it can also provide clinical services for other patients. In the People's Republic of China (PRC), it is under the administration of the health department.
Health and elderly care integration	The process of achieving improved integration of health and elderly care (EC) services, including improved coordination and cooperation between health and EC sector agencies/service providers. Current methods include four models: (i) residential care facility operating a clinic or hospital within the facility; (ii) residential care facility having a working relationship with a hospital to provide health care for its residents; (iii) hospital operating residential care; and (iv) daycare center having a working relationship with a clinic or hospital.
Health checking center	Community-based clinics where old people come for medical checks.
Home- and community-based care	Includes all forms of daycare center and home care services. Care services can be either provided at the center (community-based services) or at the homes of the elderly (home-based services).
Long-term care insurance	An insurance system providing for the cost of long-term care. Current local piloting programs in the PRC fall into two categories: (i) an independent system in which individuals contribute a certain amount of money matched by funds transferred from medical insurance; and (ii) operating within the medical insurance system with separate accounts, and individuals do not make additional contributions.
Rehabilitation center	In the PRC, each province or major city has a rehabilitation center under the civil affairs department. Its main function is to produce rehabilitative or assistive devices and provide rehabilitation services for disabled people after undergoing surgery in a hospital. In recent years, rehabilitation centers have also started to operate rehabilitative hospital within the center, which also includes diagnosis and treatment of people with cognitive or other disabilities.
Palliative care/end of life care	Care provided to the terminally ill patients beyond the point of active medical treatment, with the purpose of palliating their pain

and symptoms, and focusing on their emotional and spiritual needs.

Rehabilitation hospital      Hospital that diagnoses and provides rehabilitation services for disabled people, which is under the federation of people with disabilities. It does not perform surgeries.

Residential care              Long-term care provided to people in a residential setting rather than in their own home or in a daycare center.

### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Hebei Provincial Government, participating local governments and the project implementation agencies are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan and grant agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President, changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

## I. PROJECT DESCRIPTION

### A. Rationale

1. The most significant demographic challenge facing the People's Republic of China (PRC) is the aging of the population, and the social and economic impacts that will occur because of the rapid pace and scale of the demographic change. The proportion of people above the age of 60 across the PRC is expected to grow from about 12% in 2010 to 34% by 2050. Traditional family support systems are increasingly unable to meet elderly care needs because of the combined impacts of fast urbanization, internal migration of youth away from rural areas, and the one-child policy. The population is aging rapidly while the country's per capita income is still modest and social security systems are insufficient to meet the needs of senior citizens. The growing demand for quality and affordable elderly care services (ECSS) and development of care models for urban and rural areas exceeds supply. These are urgent development issues that must be addressed.<sup>31</sup>

2. Hebei entered “aging society” status in 1999 when it passed the 10% threshold of population over the age of 60. This is projected to be 17% in 2016, rising to 31% by 2050. The province has great diversity in the distribution of elderly, their care needs, income levels, and availability of services. Some rural counties have a high density of elderly who are “left behind” after their children have moved to urban areas. Few elderly remain in other counties, making it difficult to provide decentralized services. Urban areas are aging at different rates, resulting in a variety of demand for services. The government has identified Hebei as a demonstration province for elderly care development because of its experience in developing a rural care model, and since it is representative of the challenges other provinces face with limited government funds available for elderly care and growing elderly populations.<sup>32</sup> A strong desire exists in the province—and nationally—to identify models and implementation partnerships that can deliver quality and affordable ECSS. To achieve this, it is necessary to identify and define the optimum roles for government, private sector, civil society stakeholders, and the public in elderly care.

3. The PRC's Twelfth Five-Year Plan, 2011–2015 supported creating a three-tiered old age care system with home-based care as the base, community care as a support, and residential care as supplement.<sup>33</sup> This is in line with international trends to support “aging in place” (supporting elderly to live in their communities), de-institutionalization, and active aging. The PRC's Thirteenth Five-Year Plan, 2016–2020 seeks to expand coverage, and enhance the quality of services by developing the private sector and civil society organizations to play a greater role in elderly care.<sup>34</sup> The government is seeking models for elderly care that address key challenges: financing gaps, developing the market, and improving the unbalanced rural–urban development. In the next 5 years, significant changes are expected to take place: (i) subsidies to the sector will increase and be better targeted, and new programs such as long-term care insurance may play a greater role in promoting access; and (ii) the next generation of elderly (particularly urban) will be better-off and more able to afford care. Stimulating the role of the private sector and civil society

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<sup>31</sup> The project is included in ADB. 2016. *Country Operations Business Plan: People's Republic of China, 2016–2018*. Manila.

<sup>32</sup> In 2008, a model of mutual support communal homes for the rural elderly called “Xingfu Yards” (translated as “Happiness Yards”) was developed, which the Ministry of Civil Affairs has rolled out nationally since 2011.

<sup>33</sup> Government of the PRC, State Council. 2011. *National Economy and Social Development Twelfth Five-Year Plan, 2011–2015*. Beijing.

<sup>34</sup> Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016–2020*. Beijing. The plan includes (i) giving access to 80% of all urban and rural residents for home- and community-based care (HCBC), and (ii) significantly increasing residential elderly care beds to keep pace with demand as the elderly population expands.

is critical for expanding coverage and improving the quality of services. Asian Development Bank's (ADB) recently approved project in Yichang Municipality, Hubei will develop one approach—a model public-private partnerships for ECSS in urban districts.<sup>35</sup> A range of other models that can successfully operate in less-developed areas, build new partnerships for service delivery, and address the multiple care needs of aging populations, also needs to be developed.

4. Translating national policies into programs in Hebei is challenging. For residential nursing care, only 50% (210,000) of the projected need for beds in the province is available, and public perceptions and the quality of elderly care facilities are low. Human resources, incentives, and policies to retain and train staff, are insufficient. Planning for the expansion of ECSS is not systematic, and home and community care services are largely underdeveloped. Critical service areas such as dementia care and rehabilitation are very limited, and government financing of elderly care is insufficient. To help address the lack of services, local governments are seeking ways to incentivize new care models and private and voluntary sector involvement, neither of which are yet significant. Poor public perceptions of the quality of services, affordability, and traditional cultural attitudes are key constraints to the uptake and sustainability of services.

5. To address these problems, the project will develop five anchor elderly care residential facilities (run by the public and private sectors) targeting elderly with long-term care needs. These will serve as care hubs, and develop and operate home- and community-based care (HCBC) services and information and communication technology (ICT) networks to serve a broad range of elderly. This will support the concept of “aging in place”—a lifestyle that consultative research suggests most elderly prefer—and affordable care options. Additional facilities and services, such as rehabilitation centers, will be constructed to help relieve pressure on hospital beds to improve health and elderly care sector integration—an emerging government policy focus. Capacity building for implementing agencies, local civil affairs bureaus (CABs), and implementation of pilot projects to address critical aspects of ECS development are integral to the project design. Yanshan University will develop an elderly care training center and short- and long-term new courses in five priority areas: (i) caregiving and nursing, (ii) occupational therapy, (iii) elderly care management, (iv) geriatric psychology, and (v) ICT for elderly care. Together, the subprojects seek to create demonstration facilities and services, expand human resources, and improve industry capacity for the three-tiered ECS in Hebei.

## **B. Impact and Outcome**

6. The impact, which is aligned with the government's goal, will be an established comprehensive three-tiered ECS (home, community, and residential). The outcome will be improved capacity of the ECS and quality of ECSS in Hebei.

## **C. Outputs**

7. The project will have four outputs. Output 1, improved community and home care services, will support creating quality HCBC services by developing (i) selected community centers, (ii) services and support networks to improve and expand service delivery and quality, (iii) capacity of the implementing agencies to create sustainable HCBC services that meet the needs of the elderly, and (iv) ICT networks that support the elderly and service delivery. Output 2, increased residential elderly care service capacity and improved quality, will support the development of

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<sup>35</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Public-Private Partnership Demonstration Program to Transform Delivery of Elderly Care Services in Yichang, Hubei*. Manila.

facilities that (i) provide residential care services for elderly with various types of need (i.e., nursing care, dementia care, rehabilitation); (ii) establish links to existing health care facilities and home and community care to support a continuum of care; and (iii) serve as demonstration models of government and private sector collaboration for other small cities seeking to improve elderly care quality and service delivery. Output 3, improved development of human resources and industry capacity, will help address the elderly care human resources shortages and quality by supporting Yanshan University to (i) develop training programs and faculty capacity in emerging service areas, such as caregiving and nursing, rehabilitation, elderly care management, technology to support elderly care, and counseling; (ii) develop curriculum and training materials in the priority areas with selected academic and training institutions across the province; and (iii) develop an elderly care training and research center, and student dormitory on the Yanshan University campus. Output 4, improved capacity of elderly care sector organizations, will build the capacity of stakeholders and local CABs in planning, elderly care management, assessment, and quality assurance and monitoring. It will also implement innovative pilot projects in priority areas, such as health and elderly care integration, new services development (rehabilitation and dementia care), HCBC services, and ICT for elderly care. Training and advisory support will be provided to facilitate the efficient implementation and operationalization of the ECSS to be provided through the project.

8. **Innovation and special features.** The project will have demonstration value for other PRC provinces and developing countries in Asia and the Pacific facing similar challenges of aging populations.<sup>36</sup> Innovative and special features include the development of (i) an integrated elderly care service model that links home, community, and residential care and management; (ii) pilot projects to support good practice ECS development in areas such as management, quality assurance, and new services development; (iii) a model of government and private sector collaboration that has only limited risk for government and which may be more flexible and market responsive than use of public–private partnerships; and (iv) a human resources development program at the tertiary and continuing education levels, which anticipates the growth of the sector and demand for new skills.

9. **Strategic fit.** The project supports the PRC's Thirteenth Five-Year Plan, 2016–2020 (footnote 5) and the Hebei Provincial Thirteenth Five-Year Plan, 2016–2020, which seek to develop the ECS, stimulate investment, and define roles and responsibilities for the government and the private and voluntary sectors. The project is aligned with ADB's country partnership strategy, 2016–2020 pillar on inclusive growth; the Midterm Review of Strategy 2020, which supports social protection and health; and the Operational Plan for Health, 2015–2020, which has elderly care as a focus area.<sup>37</sup>

10. **Innovation and special features.** The project will have demonstration value for other PRC provinces and developing countries in Asia and the Pacific facing similar challenges of aging populations.<sup>38</sup> Innovative and special features include the development of (i) an integrated elderly care service model that links home, community, and residential care and management; (ii) pilot projects to support good practice ECS development in areas such as management, quality assurance, and new services development; (iii) a model of government and private sector collaboration that has only limited risk for government and which may be more flexible and market

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<sup>36</sup> ADB's East Asia Department has an additional four elderly care projects in the 2017–2019 pipeline.

<sup>37</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and ADB. 2015. *Operational Plan for Health, 2015–2020*. Manila.

<sup>38</sup> ADB's East Asia Department has an additional four elderly care projects in the 2017–2019 pipeline.



responsive than use of public–private partnerships; and (iv) a human resources development program at the tertiary and continuing education levels, which anticipates the growth of the sector and demand for new skills.

11. **Project composition.** The project comprises six different subprojects, five of which will create integrated three-tier ECS in local cities and counties dissipated across Hebei Province and one provincial level subproject with YSU (located in Qinghuangdao City in eastern Hebei) that will strengthen EC sector human resources and conduct specialized research relevant to the sector. The **five** cities and counties that will create the integrated ECS are Shuangluan District, Chengde Municipality; Li County, Baoding Municipality; Xinji City (provincially governed); Julu County, Xingtai Municipality; and She County, Handan Municipality. Table 1 summarizes the project activities that will be undertaken within each of the six subprojects. Further information on the socioeconomic profiles of the five cities and/or counties and contents of the individual subprojects that make up the project can be found in Appendix 1.

**Table 1: Summary of Project Activities by Subproject**

<b>Name of Subproject</b>	<b>Name of Implementing Agency</b>	<b>Output 1: Community and Home Care Services Improved</b>	<b>Output 2: Residential Elderly Care Service Capacity and Improved Quality Increased</b>	<b>Output 3: Development of Human Resources and Industry Capacity Improved <sup>a</sup></b>	<b>Output 4: Capacity of Elderly Care Sector Organizations Improved</b>
Xinji Parents' Paradise Elderly Care Community Center	Xinji Juyouleyuan Elderly Care Service Corporation	(iii) Eight HCBC service centers serving five townships will be established by renovating existing buildings (area <sup>b</sup> : 7,900 m <sup>2</sup> , with capacity of 130 beds) (iv) Connect with ICT platform	(vii) A new elderly care center and a small geriatric hospital <sup>c</sup> will be constructed (total area: 30,223 m <sup>2</sup> , with a total of 438 beds, including 60 geriatric hospital beds [50 geriatric and/or 10 palliatives]) (viii) ICT center (ix) Rehabilitation center (x) Palliative care rooms (xi) 232 staff (including caregivers, management staff, and administrative staff) for the elderly care center, geriatric hospital (60), and HCBC service centers (xii) Training to caregivers and management staff	NA	Piloting of horizontal medical care and elderly care integration through cooperation with Xinji No. 1 Municipal Hospital
Julu County Healthcare and Elderly Care Integrated Service Center	Julu County Hospital	(iii) Four HCBC centers will be rehabilitated (area: 3,309 m <sup>2</sup> , with capacity of 110 beds) (iv) Establish information center	(v) A new EC center with a total floor area of 20,945 m <sup>2</sup> will be constructed with a capacity of 403 beds, including rehabilitation center; recuperation and dementia rooms (vi) Palliative care rooms (vii) 249 staff (including caregivers, management staff, and administrative staff) for the elderly care center and HCBC centers (viii) Training to caregivers and management staff	NA	Piloting of vertical health and elderly care integration
Chengde Shuangluan District Haoren	Chengde Haoren Elderly Care Service	(iii) 25 HCBC centers (22 community and 3 street level) will	(vi) A new elderly care center and a rehabilitation hospital will be constructed	NA	Piloting of: (iv) Elderly care assessment

<b>Name of Subproject</b>	<b>Name of Implementing Agency</b>	<b>Output 1: Community and Home Care Services Improved</b>	<b>Output 2: Residential Elderly Care Service Capacity and Improved Quality Increased</b>	<b>Output 3: Development of Human Resources and Industry Capacity Improved <sup>a</sup></b>	<b>Output 4: Capacity of Elderly Care Sector Organizations Improved</b>
Health and Elderly Care Service Center Project	Industry Corporation	established by rehabilitating existing buildings in 25 local communities (area: 7,400 m <sup>2</sup> ) (iv) Connect with ICT platform	(area: 25,008.72 m <sup>2</sup> , with a total of 430 beds, including 100 beds for rehabilitation) (vii) ICT platform (viii) Palliative care rooms (ix) 396 staff (including caregivers, management staff, and administrative staff) for the elderly care center, rehabilitation hospital, and HCBC centers (x) Training to caregivers and management staff		(v) Using ICT in assessment of client needs (vi) Community-based care
She County Binhe Elderly Care and Rehabilitation Center	Hebei Runqinyuan Elderly Care Industry Development Corporation	(iii) Three HCBC centers will established (area: 3,100 m <sup>2</sup> , with capacity of 80 beds) (iv) Connect with ICT platform	(vii) A new elderly care center with a floor area of 25,850 m <sup>2</sup> providing 360 beds will be built (viii) Rehabilitation center (ix) An ICT center (x) Palliative care rooms (xi) 174 staff (including caregivers, management staff, and administrative staff) for the elderly care center and HCBC centers (xii) Training to caregivers and management staff	NA	Piloting for: (iii) EC quality management (iv) Use of ICT in the administration, needs assessment, and record-keeping of residential care and HCBC systems
Baoding Li County Elderly Care Comprehensive Service Center	Li County Guangrongyuan	(iii) 10 HCBC centers will be established by rehabilitating four existing buildings and constructing six new centers in local towns and/or townships (area: 7,285.9 m <sup>2</sup> , with capacity of 400 beds) (iv) Establish call and/or response center	(viii) A new residential elderly care center will be built (total area: 38,455.79 m <sup>2</sup> with a capacity of 425 beds) (ix) Health checking center (x) Rehabilitation center (xi) Call and/or response service center (xii) Palliative care rooms (xiii) 276 staff (including caregivers, management	NA	Piloting for elderly care and HCBC development strategy and planning

Name of Subproject	Name of Implementing Agency	Output 1: Community and Home Care Services Improved	Output 2: Residential Elderly Care Service Capacity and Improved Quality Increased	Output 3: Development of Human Resources and Industry Capacity Improved <sup>a</sup>	Output 4: Capacity of Elderly Care Sector Organizations Improved
			staff, and administrative staff) for the elderly care center and HCBC centers (xiv) Training to caregivers and management staff		
YSU Health and Elderly Care Integration Training Center	YSU	NA	NA	(iv) A new elderly care training center inside the YSU campus will be constructed with a floor area of 13,960 m <sup>2</sup> will be built (v) A student dormitory building with capacity of 1,000 beds, with a floor area of 6,000 m <sup>2</sup> will be built (vi) 33 faculties will be newly engaged	(iv) Elderly care management. YSU will develop a range of training courses in elderly care management (v) ICT for elderly care. YSU will design courses on ICT for elderly care to respond to the fast-growing human resources needs in this area (vi) Occupational therapy for elderly care

HCBC = home- and community-based care, ICT = information and communication technology (for call and response), m<sup>2</sup> = square meter, NA = not applicable, YSU = Yanshan University.

<sup>a</sup> Training should at least include topics in (i) characteristics of elderly in need of care and clinical issues of EC, (ii) dementia care, (iii) medical rehabilitation center, (iv) generic quality assessment, and (v) EC management.

<sup>b</sup> Medical recovery, physiotherapy, etc.

<sup>c</sup> Level 1 hospital = 20 to 99 beds (smallest hospital type).

Sources: Domestic subproject feasibility study reports, September 2016.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

12. Table 2 indicates the main project readiness activities and indicative timing for each activity that needs to be completed to achieve loan effectiveness in December 2017 (considered as the earliest realistic date for project implementation to commence). In order to ensure the project implementation proceeds in a timely manner, key activities to fully establish the implementation arrangements include (i) appointment of qualified design institutes to undertake preliminary and detailed design work on behalf of the implementing agencies, (ii) appointment of a procurement agent by HPMO and the establishment of project procurement procedures, and (iii) the establishment of project financial management arrangements under the overall oversight of Hebei Provincial Finance Department (HPFD) and advance contracting action in relation to the appointment of the loan implementation consultants in order that these can be mobilized as soon as practical after loan effectiveness.

**Table 2: Summary of Project Readiness Activities**

Indicative Activities	Months								Responsible Agency(s)
	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017	Jul to Dec 2017	
ADB staff review meeting									ADB
Approval of domestic FSRs									HDRC
Loan negotiations									ADB, relevant agencies of PRC national government, HPG
Advance contracting actions									HPMO and implementing agencies
Implementation workshop									HPMO, implementing agencies, local government, invited experts
Preliminary and detailed design									Implementing agencies and their design institutes
Establish project implementation arrangements									HPMO, implementing agencies, local government
ADB Board approval									ADB
Loan and grant signing									ADB, MOF, HPG
Advance action for procurement of CDTA consultant									ADB, HPMO
Government legal opinion provided									MOF, HPG
Loan and grant effectiveness									MOF, ADB

ADB= Asian Development Bank, CDTA = capacity development technical assistance, FSR = feasibility study report, HDRC = Hebei Development and Reform Commission, HPMO = Hebei project management office, HPG = Hebei Provincial Government, MOF = Ministry of Finance, PRC = People's Republic of China.

Source: Asian Development Bank estimates.

## B. Overall Project Implementation Plan

13. Table 3 is a Gantt chart recording outputs with key implementation activities on a quarterly basis, updated annually, and submitted to ADB with contract and disbursement projections for the following year.<sup>39</sup>

**Table 3: Project Implementation Plan**

Activities	2016				2017				2018				2019				2020				2021				2022			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>3. Design and Monitoring Framework</b>																												
<b>Output 1: Community and home care services improved</b>																												
Build, rehabilitate, and equip 51 community care centers																												
Implement study tour to Beijing and Japan on HCBC																												
Develop HCBC service specifications and assessment system																												
Establish a training and support program for family caregivers																												
Establish a home safety assessment and modification program																												
Establish call center support systems																												
<b>Output 2: Residential elderly care service capacity and improved quality increased</b>																												
Undertake land acquisition and resettlement																												
Construct residential care facilities																												
Develop and implement market research study																												
Develop and implement learning collaborative on elderly care management and services																												
Design, implement, and evaluate elderly care pilots																												
<b>Output 3: Development of human resources and industry capacity improved</b>																												
Construct elderly care training center and student dormitory																												

<sup>39</sup> Gantt chart available in eHandbook on project implementation at <http://www.adb.org/documents/handbooks/project-implementation/>

Activities	2016				2017				2018				2019				2020				2021				2022			
Design curriculum for five fields and develop 19 textbooks																												
Establish training plan (including study tours) for faculty																												
Establish research center for priority areas																												
<b>Output 4: Capacity of elderly care sector organizations improved</b>																												
Implementation of resettlement plan, EMP, and SGAP																												
Develop and implement CAB learning program																												
Develop and implement CAB and HCBC service pilots																												
Conduct pilot evaluation																												
Initiate roll out of successful pilots																												
<b>4. Management Activities</b>																												
Establish project management arrangements																												
Procurement																												
Consultant selection procedures																												
Environmental management plan activities																												
Social and gender action plan activities																												
Communication strategy activities																												
Progress reporting																												
Midterm review																												
Project completion report and review																												

CAB = civil affairs bureau, EMP = environmental management plan, HCBC = home- and community-based care, SGAP = social and gender action plan.

Source: Asian Development Bank estimates



## IV. Project Management Arrangements

### A. Project Implementation Organizations: Roles and Responsibilities

14. The Hebei Provincial Government (HPG) will be the executing agency for the project. The Hebei project leading group (HPLG) has been established, led by the deputy provincial governor and includes membership from the Hebei Civil Affairs Department, Hebei Provincial Education Department, Hebei Provincial Finance Department, Hebei Development and Reform Commission, Hebei Human Resources and Social Security Department, Hebei Provincial Environmental Protection Department, Hebei Provincial Land Management Department, and Hebei Provincial Health and Family Planning Commission. The HPLG will be responsible for overall coordination of the project. Under the HPLG, a project management office (HPMO) has been established in the Hebei Provincial Foreign Debt Management Center in the HPFD. HPMO is responsible for the preparation, implementation, management, and supervision of the project and will provide guidance to the subproject cities and counties.

15. The subproject cities and counties have each established project leading group (PLG) with responsibilities at local level that largely mirror those of HPLG at the provincial level, with the key local players being the city/county civil affairs bureau, development and reform commission, finance, and health bureaus. Each local PLG has set up a small project office to facilitate effective coordination within the local government on project matters. The relevant local governments, following local selection procedures, have assigned responsibility for day-to-day subcomponent implementation to a designated implementing agency. These implementing agencies are a mix of private and public entities (further details of the selection process of the private enterprise implementing agencies is in section B below). Table 4 identifies the different subprojects, the relevant implementing agency, and its legal form.

**Table 4: Project Implementing Agencies**

	City and/or County	Subproject Implementing Agencies	Type of Organization
7.	Provincial level	YSU	Government institution
8.	Xinji City <sup>a</sup>	Xinji Juyouleyuan Elderly Care Service Corporation	Private enterprise
9.	Shuangluan District, Chengde City	Chengde Haoren Elderly Care Service Industry Corporation	Private enterprise
10.	Li County, Baoding City	Li County Guangrongyuan	Government institution
11.	She County, Handan City	Hebei Runqinyuan Elderly Care Industry Development Corporation	Private enterprise
12.	Julu County, Xingtai City	Julu County Hospital	Government institution

YSU = Yanshan University.

<sup>a</sup> Xinji is a county level city that is directly governed by Hebei Provincial Government.

Source: Asian Development Bank.

16. The YSU subproject differs from the rest because it is part of a provincial-wide initiative to improve the quality of human resources in the elderly care and also to train increased numbers of caregivers needed to meet the continually increasing demand for ECSS. The university is in Qinghuangdao Municipality, Hebei Province, and is under the direct supervision of Hebei Education Department. Thus, the institutional arrangements (figure 1) and financing arrangements (as documented in the project financial analysis) for this subproject are somewhat different from the others.

17. The implementation roles and responsibilities of the main project stakeholder organizations are summarized in Table 5. All the implementing agencies, except for Li County Guangrongyuan, will be the end borrowers of ADB funds and responsible for debt servicing and loan repayment. Li County Guangrongyuan currently operates under the government budgetary system without any financial autonomy from the county government, and therefore has no independent capacity to service debt. Later, if this implementing agency is reformed and becomes financially autonomous and is made responsible for operating the facilities, then onlending at that time might well become feasible.

**Table 5: Project Implementation Responsibilities**

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
Hebei Provincial Government (HPG, executing agency)	<ul style="list-style-type: none"> <li>(i) Establish project management arrangements.</li> <li>(ii) Assume overall accountability for ensuring project success.</li> </ul>
1. Hebei Project Leading Group (HPLG)	<p>The HPLG, led by the Deputy provincial governor, includes high-level officials from HCAD (provincial level), HPFD, HDRC, and other key stakeholders, including HHFPC, HHRSSD, HPEPD, HPED, Hebei Provincial Health and Family Planning Commission, and HPLMD and will:</p> <p>(chair)</p> <ul style="list-style-type: none"> <li>(i) provide overall project direction and any required policy guidance;</li> <li>(ii) oversee the preparation and implementation of the project;</li> <li>(iii) provide overall guidance to the project;</li> <li>(iv) support cross-agency policy dialogue; and</li> <li>(v) review project progress and provide strategic advice to support effective implementation.</li> </ul>
2. Hebei Provincial Finance Department (HPFD)	<ul style="list-style-type: none"> <li>(i) Exercise overall financial management supervision of the project</li> <li>(ii) Maintain the project imprest account and keep necessary financial records</li> <li>(iii) Manage the loan disbursement process</li> <li>(iv) Liaison with MOF</li> </ul>
3. Hebei Development and Reform Commission (HDRC)	<ul style="list-style-type: none"> <li>(i) Approve project proposal, domestic feasibility study and preliminary design, and submit authorization request for foreign capital utilization</li> <li>(ii) Approve any major changes needed to project scope</li> <li>(iii) Liaison with NDRC</li> </ul>
4. Hebei Civil Affairs Department (HCAD)	<ul style="list-style-type: none"> <li>(i) Oversee elderly care within Hebei Province, including standard setting, regulation, and policy development</li> <li>(ii) Supervision of local CABs</li> <li>(iii) Participate in policy dialogue with ADB as required</li> <li>(iv) Participate in the organization of training and other capacity building activities, and in the actual activities as appropriate</li> </ul>
5. Hebei Project Management Office (HPMO)	<ul style="list-style-type: none"> <li>(i) Supervise implementing agency activities and provide guidance and support, as needed</li> <li>(ii) Coordinate project preparation and implementation activities, including the necessary implementation, financial, and procurement planning</li> <li>(iii) Establish and operate the grievance redress mechanism</li> <li>(iv) Appoint the procurement agent and oversee project procurement</li> <li>(v) Appoint and supervise the activities of the project implementation and EC capacity building consultants</li> <li>(vi) Communicate and coordinate with ADB</li> <li>(vii) Monitor and report project progress and performance, including environmental, resettlement, and social and gender safeguards and action plans</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>(viii) Have the project financial accounts and related financial statements consolidated and audited annually in accordance with appropriate auditing standards acceptable to ADB</li> <li>(ix) Prepare and submit ad-hoc reports on project activities as required</li> <li>(x) Coordinate project evaluation and dissemination activities</li> </ul>
Project Implementation	
1. Project Implementing Agencies	<ul style="list-style-type: none"> <li>(i) Implement subproject and be a focal point for liaison with the HP MO</li> <li>(ii) Appoint design, construction supervision, and required monitoring institutes</li> <li>(iii) Procurement and contract management (will be supported by procurement agent)</li> <li>(iv) Implement capacity building activities for implementing agencies</li> <li>(v) Project accounting and financial management</li> <li>(vi) Ensure quality in project activities necessary to meet objectives</li> <li>(vii) Coordinate EMP implementation relating to their subproject</li> <li>(viii) Prepare withdrawal applications for submission to the local finance department and HP MO</li> <li>(ix) Take actions as needed to implement the agreed gender and social action plans</li> <li>(x) Establish and maintain implementing agencies level project monitoring systems and reporting to HP MO</li> <li>(xi) Arrange necessary counterpart funding</li> </ul>
2. Local Finance Departments	<ul style="list-style-type: none"> <li>(i) Provide a guarantee that the ADB loan will be repaid.</li> <li>(ii) Overall financial supervision of the subproject within their jurisdiction.</li> <li>(iii) Review and endorse withdrawal applications.</li> <li>(iv) Facilitate and/or provide counterpart funding.</li> </ul>
3. Local Civil Affairs Bureaus	<ul style="list-style-type: none"> <li>(i) Administer of elderly care subsidies</li> <li>(ii) License and regulate supervision of organizations wishing to provide elderly care services. Setting and monitoring elderly care service standards</li> <li>(iii) Prepare of local elderly care sector plans</li> <li>(iv) Facilitate and encourage voluntary sector participation in elderly care</li> <li>(v) Assess care needs and ensuring the most vulnerable elderly receive the services they require</li> <li>(vi) Participate in project training and capacity building activities</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
Asian Development Bank	<ul style="list-style-type: none"> <li>(i) Development partner to HPG and supervise project implementation to ensure ADB interests are safeguarded</li> <li>(ii) Disburse the loan in accordance with the agreed procedures upon receipt of duly authorized withdrawal applications and necessary supporting documentation</li> <li>(iii) Provide guidance to HPG, HPMO, and the implementing agencies to help resolve any implementation issues that arise</li> <li>(iv) Review project progress reports and monitors implementation of resettlement plans, the EMP, SGAP, and other key project activities</li> <li>(v) Require HPG, HPMO, or any individual implementing agencies act on any non-compliance issues</li> <li>(vi) Organize the overall PCR, which is then jointly conducted with various agencies of HPG, the implementing agencies, and related project stakeholders</li> </ul>

ADB = Asian Development Bank, CAB = civil affairs bureau, EMP = environmental management plan, HCD = Hebei Civil Affairs Department, HDRC = Hebei Development and Reform Commission, HPFD = Hebei Provincial Finance Department, HPG = Hebei Provincial Government, HHFPC = Hebei Provincial Health and Family Planning Commission, HPLG = Hebei project leading group, HPMO = Hebei project management office, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, PCR = project completion report, SGAP = social and gender action plan.

Source: Asian Development Bank.

## 1. Selection of Project Implementing Agencies

### a. Overview of the Selection Process

18. Hebei Development and Reform Commission (HDRC), in association with Hebei Civil Affairs Department (HCD) and Hebei Provincial Finance Department (HPFD), first issued a notice asking for expressions of interest in the project from the cities and/or counties of Hebei Province. All cities and/or counties advertised widely in searching for social partners ensuring the selection process was undertaken in a legal, open, and transparent manner.

19. Private sector involvement is encouraged in elderly care, as stated in national policy documents, such as (i) *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35, 2013)*, issued by the State Council; (ii) *Opinions on Promoting the Development of Health and Senior Care Service Program (Circular No. 2091, 2014)*, issued by the National Development Reform Commission; and (iii) *Opinions on Encouraging Social Capital Involving Elderly Care Sector (Circular No. 33, 2015)* issued jointly by 10 ministries and commissions, including Ministry of Civil Affairs and Ministry of Education. From a practical perspective, HPG recognized the need to get the private sector more involved in the provision of EC services ideally in a way that stimulated the local EC industry and reduced reliance on government budgets.

20. Cities and/or counties reviewed the proposals they received and if they were prepared to support them they forwarded these to HPMO. A key requirement was the willingness of the local finance bureau to provide a guarantee in the sum of the ADB loan the city and/or county was seeking to borrow. So, from an early stage there was an onus on the city and/or county to satisfy itself their subproject was financially sound.

21. HPMO (with HDRC, HFD, and HCD representatives participating) considered all the proposals submitted to them, totaling over 50, and selected what they considered to be the most appropriate set of subprojects. This selection was endorsed by the HPLG and then submitted to

National Development and Reform Commission (NDRC) and Ministry of Finance (MOF) for final approval.

22. This selected list of subprojects was then presented to ADB in January 2015 and discussed at the ADB pre-reconnaissance mission in March 2015 and have subsequently been modified in content and adjusted in scale through a process of three-way dialogue between Hebei, the national government, and ADB. From the original nine subprojects presented to ADB in January 2015, five have been dropped and two new subprojects with public institutions (Julu County and YSU) have been added, leaving the current six subprojects.

#### **b. Key Points to Note**

23. The selection process followed by HPG and the project cities has followed a commonly used, accepted, and perfectly legal way for government to engage with the private sector. That is, through a process of negotiations to arrive at a mutually acceptable arrangement that meets the needs of both parties. The subprojects have arisen through local governments using tried and trusted local communications to engage with a local private sector partner they had confidence in to deliver the required EC project.

24. As confirmed with NDRC in July 2015, this project does not profess to be a public–private partnership (PPP) one and does not feature on the list of endorsed or proposed PPP project established by the PRC MOF. Under these circumstances, the subproject selection process did not follow PPP procedures. Repayment guarantees from local governments merely show their trust in the implementing agencies and their support to local elderly care development. The private sector project implementing agencies will utilize the project facilities in their ownership to provide elderly care services on a commercial basis while being subject to government regulation and monitoring similar to any other private enterprise. This arrangement is not considered to constitute a PPP.

25. To explain this further, a key element in a PPP is risk sharing between government and the private partner. In the current project design, there is very limited risk on the part of the local government. All counterpart finance is to be provided by the private partners and they will receive no specific subsidies or concessions from government that are not available to any other private elderly care service provider. The government support has taken the form of enabling administrative action, advice, and dialogue to optimize the proposals and the willingness to provide a financial guarantee for the ADB loan financing. However, that guarantee will itself come with conditions to protect government interests if the project were to fail. Thus, local governments are facilitating local private sector participation in the elderly care industry in order to build up that industry and provide improved elderly care services in the local area. Local government is not contracting for the provision of specific services.

## **2. Project Implementation Strategies**

26. Project implementation strategies were developed during project preparations and are to be used as general guidance in the implementation of the project. These strategies will be reviewed and updated as necessary in the light of experience and the intention is that this will occur at least once before implementation commences. The draft strategies included as appendixes to this PAM are as follows:

- (v) guidelines and key points checklist on the project detailed design for EC facilities (Annex 2 in TOC),

- (vi) generic implementation strategy and roadmap for HCBC (Annex 3),
- (vii) generic implementation guidance for safety and quality assurance in residential care (Annex 4), and
- (viii) generic human resources development plan for the subprojects (Annex 5).

## B. Key Persons Involved in Implementation

### Executing Agency: HPG

Hebei Provincial Foreign Debt  
Management Center—Hebei Project  
Management Office

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### Asian Development Bank

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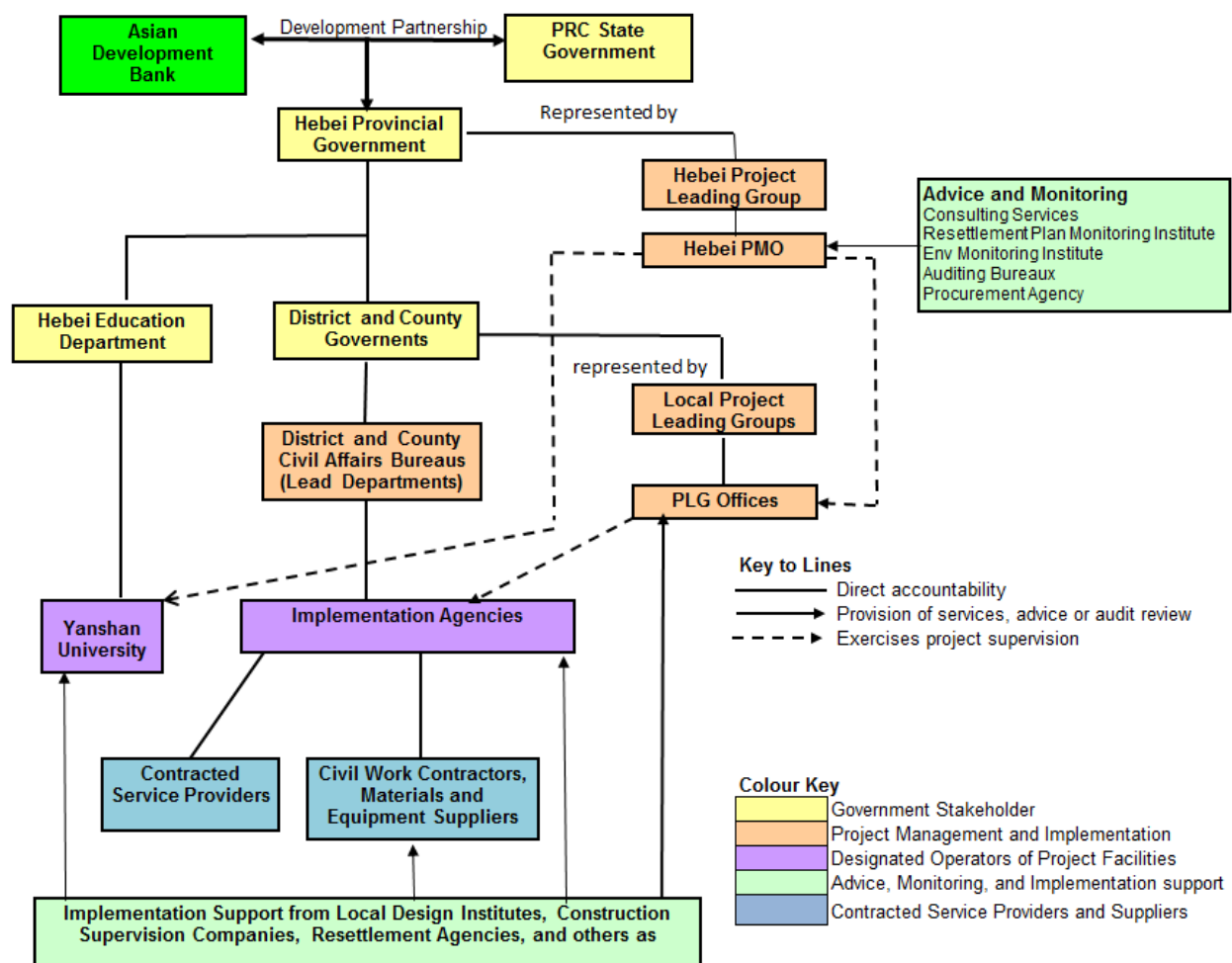
Mission Leaders

Staff Name: Wendy Walker  
Position: Principal Social Development Specialist, EASS  
Telephone: +63 2 632 6645  
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Staff Name: Bai Jie  
Position: Associate Project Officer (Urban Development), PRCM  
Telephone:  
Email address: [jbai@adb.org](mailto:jbai@adb.org)

## C. Project Organization Structure

27. Table 4 identifies six project implementing agencies. Figure 1 depicts the overall project organization and the relationships between the different stakeholders involved.

**Figure 1: Project Organization**



PLG = project leading group, PMO = project management office, PRC = People's Republic of China.

Source: Asian Development Bank review.

## IV. Costs and Financing

### A. Cost Estimates Preparation and Revisions

28. The project investment cost is estimated at \$180.11 million, including taxes and duties of \$6.54 million. The total cost includes physical and price contingencies and financial charges during implementation.

29. Cost estimates were prepared by local design institutes and compiled by the project preparatory TA consultant. During implementation, costs will be updated in the procurement plan by ADB project officer at least once a year to reflect the actual contract prices, contract variations, and updated cost estimates.

### B. Key Assumptions

30. The following key assumptions underpin the cost estimates and financing plan:
- (iv) Exchange rate: CNY6.65 = \$1.00 (as of Q2/2016);
  - (v) Physical contingencies computed at 10% of base cost. Price contingencies based on expected cumulative inflation over the implementation period are presented in



Table 6. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate; and

**Table 6: Escalation Rates for Price Contingency Calculation (%)**

Item	2016	2017	2018	2019	2020	2021
Foreign rate of price inflation	1.5	1.4	1.5	1.5	1.5	1.5
Domestic rate of price inflation	1.7	2.0	2.1	2.1	2.1	2.1

Source: Asian Development Bank.

- (vi) Interest during construction for ADB loan has been computed at the 5-year US dollar fixed swap rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile interest during construction for local commercial bank loan has been computed at 6%.

### Summary Financial Data

31. The project investment plan is summarized in Table 7 below:

**Table 7: Project Investment Plan**

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
9. Community and home care services improved	10.62
10. Residential elderly care service capacity increased and quality improved <sup>c</sup>	117.81
11. Development of human resources and industry capacity improved	17.02
12. Capacity of the elderly care sector organizations improved	2.50
<b>Subtotal (A)</b>	<b>147.94</b>
<b>B. Contingencies<sup>d</sup></b>	<b>24.98</b>
<b>C. Financing Charges During Implementation<sup>e</sup></b>	<b>7.19</b>
<b>Total (A+B+C)</b>	<b>180.11</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Includes taxes and duties of \$6.54 million to be financed from counterpart funds and Asian Development Bank (ADB) loan resources. The ADB loan will cover taxes and duties on items financed by ADB. Financing of taxes and duties is proposed because the due diligence showed that (i) the amount of taxes and duties is within the reasonable threshold identified in the country partnership strategy, (ii) the amount does not represent an excessive share of the investment plan, (iii) taxes and duties apply only in respect to ADB-financed expenditures, and (iv) financing of the taxes and duties is material to the success of the project.

<sup>b</sup> In second quarter 2016 prices.

<sup>c</sup> Residential care services include the nursing care and rehabilitation facilities and associated equipment, which will also support the community and home care services in output 1.

<sup>d</sup> Physical contingencies computed at 10% of base cost. Price contingencies computed at 1.5% for 2016, 1.4% for 2017, and 1.5% for 2018 and thereafter on foreign exchange costs; and 1.7% for 2016, 2.0% for 2017, 2.1% for 2018 and thereafter on local currency. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate.

<sup>e</sup> Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 5-year US dollar fixed swap rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile, interest during construction for the local commercial bank loan has been computed at 6%.

Source: Asian Development Bank estimates.

32. The financing plan is in Table 8. The ADB loan will finance 55.52% of the project cost, the PRC Government will finance 13.93% of the cost, and the private sector will finance 24.70% and raise a further 5.85% through commercial borrowing. Counterpart funding will come from Li and Julu county government fiscal budgets, a local commercial bank loan (for Xinji subproject), and the implementing agencies' own contributions to the project (owner equity contribution).

**Table 8: Financing Plan**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank		
Ordinary capital resources (loan)	100.00	55.52
Government	25.09	13.93
Private sector <sup>a</sup>	55.03	30.55
<b>Total</b>	<b>180.11</b>	<b>100.0</b>

<sup>a</sup> This amount includes one commercial loan of \$10.53 million by one of the private implementing agencies and \$44.50 million of equity financing by the private sector investors.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

33. The government has requested a regular loan of \$100 million from ADB's ordinary capital resources to help finance the project. The loan will have a 20-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan agreement and project agreement. The government has requested that repayment will follow the straight-line commitment-linked repayment option. The loan will also finance taxes and duties on items financed by ADB. The local county governments, local commercial bank loans, and the project owners will finance the remaining \$80.11 million of project cost. Based on these loan terms and this repayment option, the average loan maturity is 12.75 years and therefore, there is no maturity premium payable to ADB. The PRC Government has provided ADB with (i) the reasons for its decision to borrow under ADB's LIBOR-based lending facility based on these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

### C. Detailed Cost Estimates by Expenditure Category

34. Table 9 identifies the types of expenditure included in the overall project cost, with investment costs broken down by project specific primary expenditure categories. Costs are stated both in the local currency in which almost all expenditure will be incurred, and in US dollars, being the selected currency denomination of the ADB loan.

**Table 9: Detailed Cost Estimates by Expenditure Category**

Item	CNY million			\$ million			% of Base Cost	% of Total Cost
	Foreign Exchange Costs	Local Currency Costs	Total Cost	Foreign Exchange Costs	Local Currency Costs	Total Cost		
<b>A. Investment Cost</b>								
1. Civil works	148.11	444.34	592.45	22.27	66.82	89.09	60	49
2. Equipment and materials	180.80	45.20	226.00	27.19	6.80	33.99	23	19
3. Capacity building	16.63	0.00	16.63	2.50	0.00	2.50	2	1
4. Land acquisition and resettlement	0.00	25.87	25.87	0.00	3.89	3.89	3	2
5. Project management fee	0.00	103.65	103.65	0.00	15.59	15.59	11	9
6. Environmental management fee	0.00	1.20	1.20	0.00	0.18	0.18	0	0
7. Management and teacher's training Curriculum and science development	0.00	8.50	8.50	0.00	1.28	1.28	1	1
8. Initial working capital	0.00	6.20	6.20	0.00	0.93	0.93	1	1
<b>Subtotal (A)</b>	<b>345.54</b>	<b>638.28</b>	<b>983.82</b>	<b>51.96</b>	<b>95.98</b>	<b>147.94</b>	<b>100</b>	<b>82</b>
<b>B. Contingencies</b>								
1. Physical	34.55	63.83	98.38	5.20	9.60	14.79	10	8
2. Price	21.29	46.43	67.72	3.20	6.98	10.18	7	6
<b>Subtotal (B)</b>	<b>55.85</b>	<b>110.26</b>	<b>166.10</b>	<b>8.40</b>	<b>16.58</b>	<b>24.98</b>	<b>17</b>	<b>14</b>
<b>C. Financial Charges During Implementation</b>								
1. Interest during construction	39.10	6.99	46.09	5.88	1.05	6.93	5	4
2. Commitment charges	1.75	0.00	1.75	0.26	0.00	0.26	0	0
<b>Subtotal (C)</b>	<b>40.84</b>	<b>6.99</b>	<b>47.84</b>	<b>6.14</b>	<b>1.05</b>	<b>7.19</b>	<b>5</b>	<b>4</b>
<b>Total Project Cost (A+B+C)</b>	<b>442.23</b>	<b>755.53</b>	<b>1197.76</b>	<b>66.50</b>	<b>113.61</b>	<b>180.11</b>	<b>122</b>	<b>100</b>

Note: Numbering may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

## D. Detailed Cost Estimates by Financier

35. The government financing relates to the three-public sector implementing agencies (YSU and the subproject owners in Li and Julu counties). Shareholder funding relates to the three privately owned subproject owners in Shuangluan District, Xinji City and She County. One subproject owner in Xinji City will obtain a commercial bank loan to help finance the subproject. Shareholders investing in the subprojects comprise two corporate shareholders and eleven individual investors.

**Table 10: Detailed Costs by Financier**

Item	Total Costs	ADB		County Government		Local Bank Loan		Shareholder	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Base Cost</b>									
1. Civil works	89.09	58.41	66	10.33	12	8.56	10	11.79	13
1a Julu county	11.22	7.22	64	3.99	36	0.00	0	0.00	0
Major civil works	10.25	7.22	70	3.03	30	0.00	0	0.00	0
Minor civil works	0.96	0.00	0	0.96	100	0.00	0	0.00	0
1b Li county	20.11	13.78	68	6.34	32	0.00	0	0.00	0
1c Shuangluan district, Chengde city	17.89	11.57	65	0.00	0	0.00	0	6.31	35
Major civil works	16.88	11.57	69	0.00	0	0.00	0	5.31	31
Minor civil works	1.00	0.00	0	0.00	0	0.00	0	1.00	100
1d She county	12.02	6.96	58	0.00	0	0.00	0	5.06	42
Major civil works	11.79	6.96	59	0.00	0	0.00	0	4.83	41
Minor civil works	0.23	0.00	0	0.00	0	0.00	0	0.23	100
1e Xinji city	17.36	8.80	51	0.00	0	8.56	49	0.00	0
1f Yanshan university	10.50	10.09	96	0.00	0	0.00	0	0.41	4
2. Equipment and materials	33.99	32.03	94	0.26	1	0.00	0	1.70	5
2a Major equipment and material	32.03	32.03	100	0.00	0	0.00	0	0.00	0
2b Miscellaneous minor items	1.96	0.00	0	0.26	13	0.00	0	1.70	87
3. Capacity building	2.50	2.50	100	0.00	0	0.00	0	0.00	0
4. Land acquisition and resettlement	3.89	0.00	0	1.32	34	0.00	0	2.57	66
5. Project management fee	15.59	0.00	0	4.64	30	1.96	13	8.98	58
6. Environmental management fee	0.18	0.00	0	0.06	33	0.00	0	0.12	67
7. Management and teacher's training	1.28	0.00	0	0.00	0	0.00	0	1.28	100
8. Curriculum and science development	0.93	0.00	0	0.00	0	0.00	0	0.93	100
9. Initial working capital	0.50	0.00	0	0.14	28	0.00	0	0.36	72
<b>Subtotal (A)</b>	<b>147.94</b>	<b>92.94</b>	<b>63</b>	<b>16.75</b>	<b>11</b>	<b>10.53</b>	<b>7</b>	<b>27.73</b>	<b>19</b>

Item	Total Costs	ADB		County Government		Local Bank Loan		Shareholder	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>B. Contingencies</b>									
1. Physical	14.79	0.00	0	4.76	32	0.00	0	10.04	67.85
2. Price	10.18	0.00	0	3.58	35	0.00	0	6.60	64.85
<b>Subtotal (B)</b>	<b>24.98</b>	<b>0.00</b>	<b>0</b>	<b>8.34</b>	<b>33</b>	<b>0.00</b>	<b>0</b>	<b>16.64</b>	<b>66.63</b>
<b>C. Financial Charges During Implementation</b>									
1. Interest during construction	6.93	6.81	98	0.00	0	0.00	0	0.12	1.76
2. Commitment charges	0.26	0.25	97	0.00	0	0.00	0	0.01	3.30
Subtotal (C)	7.19	7.06	98	0.00	0	0.00	0	0.13	1.81
<b>Total Project Cost (A+B+C)</b>	<b>180.11</b>	<b>100.00</b>	<b>56</b>	<b>25.09</b>	<b>14</b>	<b>10.53</b>	<b>6</b>	<b>44.50</b>	<b>24.71</b>
<b>% of Total Project Cost</b>	<b>100%</b>	<b>56%</b>		<b>14%</b>		<b>6%</b>		<b>25%</b>	

Note: Numbering may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

## E. Detailed Cost Estimates by Outputs

Table 11: Detailed Cost Estimates by Outputs (\$ million)

Item	Total Costs	Output 1		Output 2		Output 3		Output 4	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Investment Cost</b>									
1. Civil works	89.09	6.72	8	71.87	81	10.50	12		
2. Equipment and materials	33.99	3.90	11	26.83	79	3.26	10		
3. Capacity building	2.50		0	0.00	0	0.00	0	2.50	100
4. Land acquisition and resettlement	3.89		0	3.89	100	0.00	0		
5. Project management fee	15.59		0	14.57	93	1.02	7		
6. Environmental management fee	0.18		0	0.15	83	0.03	17		
7. Management and teachers' training	1.28		0		0	1.28	100		
8. Curriculum and science development	0.93		0		0	0.93	100		
9. Initial working capital	0.50		0	0.50	100	0.00	0		
<b>Subtotal (A)</b>	<b>147.94</b>	<b>10.62</b>	<b>7</b>	<b>117.81</b>	<b>80</b>	<b>17.02</b>	<b>12</b>	<b>2.50</b>	<b>2</b>
<b>B. Contingencies</b>									
1. Physical	14.79	1.06	7	11.78	80	1.70	12	0.25	2
2. Price	10.18	0.73	7	8.11	80	1.17	12	0.17	2

Item	Total Costs	Output 1		Output 2		Output 3		Output 4	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>Subtotal (B)</b>	<b>24.98</b>	<b>1.79</b>	<b>7</b>	<b>19.89</b>	<b>80</b>	<b>2.87</b>	<b>12</b>	<b>0.42</b>	<b>2</b>
<b>C. Financial Charges during Implementation</b>									
1. Interest during construction	6.93	0.50	7	5.52	80	0.80	12	0.12	2
2. Commitment charges	0.26	0.02	7	0.21	80	0.03	12	0.00	2
<b>Subtotal (C)</b>	<b>7.19</b>	<b>0.52</b>	<b>7</b>	<b>5.73</b>	<b>80</b>	<b>0.83</b>	<b>12</b>	<b>0.12</b>	<b>2</b>
<b>Total Project Cost (A+B+C)</b>	<b>180.11</b>	<b>12.93</b>	<b>7</b>	<b>143.42</b>	<b>80</b>	<b>20.72</b>	<b>12</b>	<b>3.04</b>	<b>2</b>

Note: Numbering may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

## F. Detailed Cost Estimates by Year

**Table 12: Detailed Cost Estimates by Year (\$ million)**

Item	Total Cost	2017	2018	2019	2020	2021	2022
<b>A. Investment Cost</b>							
1. Civil works	89.09	10.78	39.42	27.08	10.53	1.28	0.00
2. Equipment and materials	33.99	0.00	2.64	13.20	10.07	8.08	0.00
3. Capacity building	2.50	0.40	0.84	0.73	0.38	0.15	0.00
4. Land acquisition and resettlement	3.89	3.89	0.00	0.00	0.00	0.00	0.00
5. Project management fee	15.59	7.21	3.27	2.97	1.76	0.38	0.00
6. Environmental management fee	0.18	0.01	0.07	0.07	0.02	0.01	0.00
7. Management and teacher's training	1.28	0.13	0.38	0.26	0.26	0.26	0.00
8. Curriculum and science development	0.93	0.09	0.28	0.19	0.19	0.19	0.00
9. Initial working capital	0.50	0.00	0.00	0.20	0.14	0.16	0.00
<b>Subtotal (A)</b>	<b>147.94</b>	<b>22.51</b>	<b>46.91</b>	<b>44.68</b>	<b>23.35</b>	<b>10.50</b>	<b>0.00</b>
<b>B. Contingencies</b>							
1. Physical	14.79	2.25	4.69	4.47	2.33	1.05	0.00
2. Price	10.18	0.82	2.64	3.36	2.21	1.14	0.00
<b>Subtotal (B)</b>	<b>24.98</b>	<b>3.07</b>	<b>7.33</b>	<b>7.83</b>	<b>4.55</b>	<b>2.19</b>	<b>0.00</b>
<b>C. Financial Charges During Implementation</b>							
1. Interest during construction	6.93	0.04	0.56	1.40	2.08	1.78	1.06
2. Commitment charges	0.26	0.07	0.10	0.06	0.03	0.01	0.00
<b>Subtotal (C)</b>	<b>7.19</b>	<b>0.11</b>	<b>0.67</b>	<b>1.46</b>	<b>2.11</b>	<b>1.79</b>	<b>1.06</b>
<b>Total Project Cost (A+B+C)1</b>	<b>180.11</b>	<b>25.69</b>	<b>54.91</b>	<b>53.97</b>	<b>30.01</b>	<b>14.48</b>	<b>1.06</b>
<b>% of Total Project Cost</b>	<b>100.00</b>	<b>14.26</b>	<b>30.49</b>	<b>29.96</b>	<b>16.66</b>	<b>8.04</b>	<b>0.59</b>

Note: Numbering may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

### G. Allocation and Withdrawal of Loan Proceeds

36. Table 13 provides the amounts allocated by expenditure category for loan financing and the basis for withdrawal from the loan account. Hebei Province has allocated the total loan proceeds across the different participating local governments and this capping of loan on a subproject basis results in different percentages of eligible civil works expenditure qualifying for withdrawal from the loan account for each city/county. A number of small value equipment contracts have been set aside for local financing due to the need for these to be sole sourced or where domestic procurement is considered more suitable. Such contracts are clearly shown in the project procurement plan and tables 10 and 13 can be reconciled accordingly.

**Table 13: Allocation and Basis for Withdrawal from the Loan Account**

Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	58,410,000		
1A	Julu County		7,220,000	70% of total expenditure claimed
1B	Li County		13,780,000	68% of total expenditure claimed
1C	Chengde City		11,570,000	69% of total expenditure claimed
1D	She County		6,960,000	59% of total expenditure claimed
1E	Xinji City		8,800,000	51% of total expenditure claimed
1F	Yanshan University		10,080,000	86% of total expenditure claimed
2	Goods, capacity improvement, and training	34,530,000		100% of total expenditure claimed
3	Financial charges during implementation	7,060,000		100% of total amount due
<b>Total</b>		100,000,000		

Note: Subject to the condition for withdrawal application described in Loan Agreement (Schedule 3).

Source: Asian Development Bank estimates.

## H. Contract and Disbursement S-Curve

37. Tables 14 and 15 include the data used to produce the required S-curve. The projected S-curve for the project is in Figure 2.

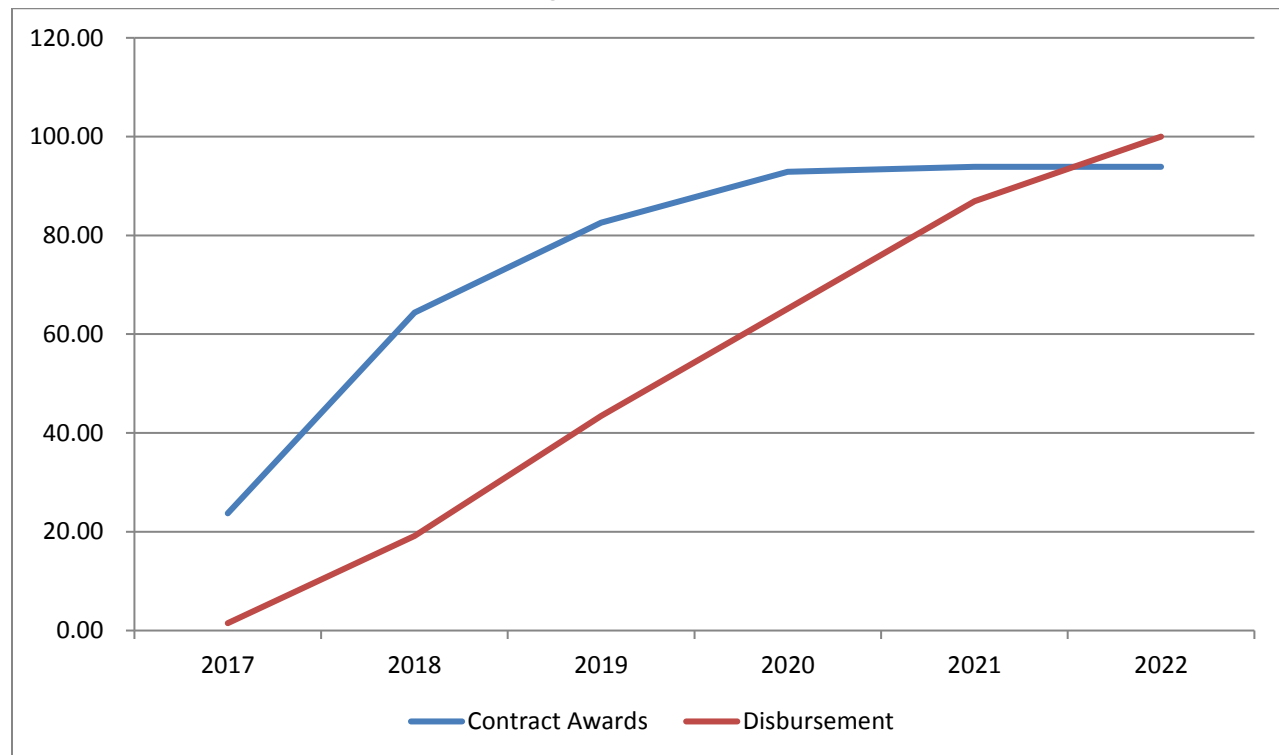
**Table 14: Projected Quarterly Contract Awards and Disbursements**

Year	Projected Contract Awards (\$ million)					Projected Disbursement (\$ million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2017	0.00	0.00	18.71	5.22	<b>23.93</b>	0	0	0	1.51	<b>1.51</b>
2018	14.33	0.00	2.45	23.20	<b>39.98</b>	3.06	3.67	4.59	6.12	<b>17.45</b>
2019	0.00	9.66	4.12	4.07	<b>17.86</b>	4.24	5.09	6.36	8.48	<b>24.17</b>
2020	4.42	0.00	5.89	0.00	<b>10.31</b>	3.84	4.60	5.75	7.67	<b>21.87</b>
2021	0.86	0.00	0.00	0.00	<b>0.86</b>	3.40	4.25	5.66	8.49	<b>21.80</b>
2022	0.00	0.00	0.00	0.00	<b>0.00</b>	6.60	6.60	0.00	0.00	<b>13.21</b>
<b>Total</b>	<b>19.61</b>	<b>9.66</b>	<b>31.17</b>	<b>32.49</b>	<b>92.94</b>	<b>21.14</b>	<b>24.22</b>	<b>22.37</b>	<b>32.78</b>	<b>100.00</b>

**Table 15: Cumulative Contract Awards and Disbursements by Year**

Item	2017	2018	2019	2020	2021	2022
Contract awards	23.93	63.91	81.77	92.08	92.94	92.94
Disbursement	1.51	18.96	43.13	64.99	86.79	100.00

**Figure 2: S-Curve**







Finance Bureau, JCH = Julu County Hospital, LCFB = Li County Finance Bureau, LCG = Li County Guangrongyuan, PRC = People's Republic of China, SCFB = She County Finance Bureau, XCFB = Xinji County Finance Bureau, XJECC = Xinji Juyouleyuan Elder Care Service Corporation.

**Notes:**

1. The imprest is a US\$ account. All remittances payable in foreign currency are to be made direct from the imprest account to the contractor/supplier or arranged as a direct payment by ADB.
2. For remittances in CNY, the HPFD will convert US\$ to CNY and then the governments' integrated payments remittance system will be used either to pay contractors or suppliers directly or to reimburse local Finance Bureaus or (mostly) the implementing agencies who have already paid the suppliers and/or contractors. Thus, the diagram shows a largely nominal flow based on the onlending not the real flow but for accounting purposes there must be transactions recorded at each level as shown in the diagram.

## **V. Financial Management**

### **A. Financial Management Assessment**

38. The financial management assessment was conducted in July and August 2016 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The financial management assessment considered the capacity of the executing agency and implementing agencies, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the key financial management risks identified are (i) implementation risk: lack of familiarity with ADB disbursement procedures and requirements, which may delay project implementation; (ii) compliance risk: lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) financing risk: delays in provision of, or inadequate counterpart funding, which may delay project implementation; and (iv) construction and operational risk: inadequate experience in construction and services operating management, which will impact project progress and quality of services to be provided after project completion. The financial management risk rating of the project is substantial before agreed to implement an action plan as key measures to address the deficiencies.<sup>40</sup> The executing agency and implementing agencies have agreed to implement an action plan. The mitigation plan is provided in Table 16.

**Table 16: Proposed Action Plan for Financial Management**

<b>Action</b>	<b>Responsibility</b>	<b>Timing</b>
1. Covenants to be included in the legal agreements to ensure adequate counterpart funds to support capital, operation and maintenance, and debt repayment requirements relating to government-owned implementing agencies	ADB	Loan negotiations
2. Training on ADB disbursement procedures and requirements	HPFD and/or HPMO with consulting support as needed	1 month before first disbursement and any other time as needed
3. Training on ADB financial management requirements, specifically accounting, reporting, and auditing	HPFD and/or HPMO with consulting support as needed	3 months before loan effectiveness and any other time as needed

<sup>40</sup> HPG and/or HPMO (executing agency level) are highly experienced in the financial management of ADB projects and are assessed as low risk. However, 5 of the 6 implementing agencies are in county level (fourth-tier cities), and most are immature organizations, thus the overall financial management risk is assessed as substantial.

Action	Responsibility	Timing
4. Close monitoring to quickly identify potential issues in counterpart funding	HPFD, HPMO, and county finance bureaus	At least once a quarter during project implementation
5. A financial expert requirement and some professional engineers to be included in the capacity building package in output 4 of the project; they will provide professional financial management and engineering support, and training for the financial and other relevant staff in the project entities.	HPFD and/or HPMO	As soon as possible after loan effectiveness

ADB = Asian Development Bank, HPFD = Hebei Provincial Finance Department, HPMO = Hebei project management office.

39. Financial management risks and risk-mitigation measures will be reviewed and updated throughout the life of the project with the support of a financial management consultant to be engaged by HPMO.

## B. Disbursement

### 1. Disbursement Arrangements for Asian Development Bank Funds

40. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.<sup>41</sup> Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

41. A combination of direct payment by ADB, reimbursement, and imprest fund procedures may be used for disbursement of the loan. Responsibilities for different disbursement activities can be summarized as follows: (i) the HPMO will prepare project-level disbursement projections based on individual projections prepared by each implementing agency; (ii) individual implementing agencies will be responsible for arranging counterpart financing or requesting budgetary allocations for counterpart funding, as appropriate; (iii) the implementing agencies will prepare disbursement claims and collect supporting documents, which will then be passed to the local city/county finance bureau for review and endorsement before onward transmission to HPMO; and (iv) HPMO will confirm eligibility for ADB financing and request HPFD to initiate the disbursement. HPFD is responsible for making payments from the imprest account (see next paragraph) and is also responsible for sending loan withdrawal applications to ADB to initiate either imprest account replenishment or, where appropriate, to initiate direct payments by ADB to foreign-based consultants or suppliers.

42. **Imprest account procedures.** To facilitate project implementation through timely release of loan proceeds, HPFD will establish an imprest account, denominated in US dollars, in its name, promptly after loan effectiveness.<sup>42</sup> The imprest account is to be used exclusively for the ADB's share of eligible expenditures and HPFD is accountable and responsible for proper use of advances to the imprest account. The total outstanding advance to the imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for the forthcoming 6 months. The initial and additional advances to the imprest account should

<sup>41</sup> Disbursement eLearning. [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

<sup>42</sup> The bank charges incurred in the operation of the imprest account may be financed from the loan proceeds.

be requested based on estimated expenditures for the forthcoming 6 months to be financed through the imprest account. The imprest account will be established, managed, and liquidated in accordance with the ADB *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed by the PRC Government and ADB. The handbook describes which supporting documents should be submitted to ADB and which should be retained by the HPFD when liquidating and replenishing the imprest account. No advances will be made from the imprest account to the project implementing agencies.

43. In view of HPFD's extensive experience in the financial management of ADB and other foreign-financed projects, the statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest account.<sup>43</sup> Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

44. Before the submission of the first withdrawal application, the HPFD, on behalf of HPG, should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is in accordance with the Loan Disbursement Handbook. Individual payments below such amount should be paid (i) by the EA/IA and subsequently claimed from ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB.

## **2. Disbursement Arrangements for Counterpart Funds**

45. Government—or government institution—sourced counterpart funds will be disbursed in accordance with normal local government budgetary and related financial procedures. A combination of reimbursement- and commitment-based disbursement will be used depending on the amounts involved and local circumstances. Detailed procedures will vary slightly depending on detailed local procedures that are adopted for disbursing government funds.

46. Counterpart funds sourced by the private implementing agencies will be disbursed directly by the implementing agency following their normal expenditure control and payment remittance procedures. The disbursement of the commercial loan funds will be disbursed in accordance with any specific stipulations in the loan agreement to be signed between the Xinji implementing agency and the commercial lender (no details of any such stipulations or the commercial lender's documentation requirements are currently available).

## **C. Accounting**

47. The HPG will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accrual-based accounting and the equivalent national accounting standards. The HPG will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations, which are consistent with international accounting principles and practices.

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<sup>43</sup> SOE forms are available in Appendix 9B and 9C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

## D. Auditing and Public Disclosure

48. The HPG will cause the detailed consolidated project financial statements to be audited<sup>44</sup> in accordance with to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB.<sup>45</sup> The audited project financial statements together with the auditor's opinion will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the HPG (or HPMO on their behalf).

49. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements, where applicable.

50. Being privately owned enterprises, the Xinji Juyouleyuan Eldery Care Service Corporation, Chengde Haoren Elderly Care Service Industry Corporation, and Hebei Runqinyuan EC Industry Development Corporation are required to have their annual financial statements audited by a suitably qualified independent auditor. The audited entity financial statements, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

51. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

52. The government, HPG, and all implementing agencies have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>46</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

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<sup>44</sup> The consolidated project financial statements will be prepared using an accrual basis.

<sup>45</sup> ADB. 2015. *Financial Management Technical Guidance Note: Project Financial Reporting and Auditing*. Manila.

<sup>46</sup> ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project, financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project, financial statements are not received within 12 months after the due date, ADB may suspend the loan.

53. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.<sup>47</sup> After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>48</sup>

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<sup>47</sup> ADB. 2011. *Public Communications Policy*. Manila. <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

<sup>48</sup> This type of information would generally fall under public communications policy exceptions to disclosure. Paragraph 97(iv) and/or 97(v).

## V. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

54. To expedite project implementation, the government requested ADB to approve advance contracting of consultant services and works packages. The government has not requested ADB to approve retroactive financing.

55. **Advance contracting.** All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid, bidding documents, and bid evaluation reports under advance contracting will be subject to ADB approval. Advance contracting will include (i) tendering and bid evaluation for civil works packages, (ii) awarding of contracts, and (iii) recruitment of consultants. The issuance of invitations to bid under advance contracting will be subject to ADB's approval. In preparing the bidding documents under the advance contracting arrangement, the HPG, through the PMO, must ensure that the provisions of this PAM are complied with, and all loan assurances agreed at loan negotiations are incorporated in their latest form. These assurances include monitoring and reporting requirements placed on contractors, compliance with labor laws and regulations, specific measures in the environmental management plan (EMP), and social and gender action plan (SGAP).

### B. Procurement of Goods, Works, and Consulting Services

56. All procurement of goods and works where there is any ADB funding will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).<sup>49</sup>

57. International competitive bidding (ICB) procedures will be used for civil works contracts estimated to exceed \$30 million, and goods contracts estimated to exceed \$3 million.<sup>50</sup> Contract estimated at less than the ICB thresholds would be procured following national procedures in accordance with the PRC Tendering and Bidding Law (1999), subject to modifications as agreed with ADB and consigned in the NCB annex to the procurement plan. Contracts for works estimated to cost less than the ICB threshold values above, but from \$100,001 and contracts for goods estimated to cost less than the ICB threshold values above, but from \$100,001 will be procured based on NCB procedures. Shopping will be used for contracts for procurement of works and goods estimated at \$100,000 and below.

58. Procurement under ICB procedures will use the single-stage one-envelope modality. Procurement shall use the latest ADB standard bidding documents which can be downloaded from ADB's website.

59. For procurement under NCB, the following provisions will apply: (i) the advertisement may be limited to the national press, an official gazette or an open access website; (ii) bidding shall follow the standard bidding documents issued by MOF and approved by ADB; and (iii) bidding documents may be only in the Chinese language and CNY may be used for bidding and payment. Procurement under NCB and shopping will be subject to the provisions of the NCB annex of the procurement plan.

<sup>49</sup> Available at <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

<sup>50</sup> Two exceptions to this general threshold were agreed at loan fact-finding in respect of contract no LX-E01 with an estimated value of \$3.17 million and contract no CD-E01 with an estimated value of \$3.12 million.

60. **Eligibility of state-owned enterprises.** Under the ADB Procurement Guidelines, bidders that are SOEs must meet related eligibility requirements of ADB's Procurement Guidelines. In order to establish eligibility, the SOEs or institutions shall demonstrate, *inter alia*, that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not a dependent agency of the borrower and/or project executing agency.

61. **Recruitment of consultants.** All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference and the indicative budget for consulting services are provided in Section VII below and provided in detail in **Annex 7** of this PAM.

62. An estimated 163 person-months (13 international, 150 national) of consulting services are required to (i) facilitate project management and implementation; and (ii) strengthen the institutional, financial management, and operational capacity of the implementing agencies. In addition, the YSU has requested to use ADB funds to finance capacity building activities associated with the development of its new EC human resources development program and planned EC research initiatives. The detailed consulting and training needs for this subproject are still to be finalized. As the default, unless otherwise agreed with ADB, consulting firms will be engaged using the quality- and cost-based selection method with a standard quality–cost ratio of 80:20.

63. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

## C. Procurement Plan

**Table 17: Basic Data**

<b>Project Name:</b> Hebei Elderly Care Development Project	
<b>Project Number:</b> 49028-002	<b>Approval Number:</b> TBD
<b>Country:</b> People's Republic of China	<b>Executing Agency:</b> Hebei Provincial Government
<b>Project Procurement Classification:</b> B	<b>Implementing Agencies:</b> (i) YSU, (ii) Xinji Juyouleyuan Elderly Care Service Corporation, (iii) Chengde Haoren Elderly Care Service Industry Corporation, (iv) Li County Guangrongyuan, (v) Hebei Runqinyuan Elderly Care Industry Development Corporation, and (vi) Julu County Hospital
<b>Procurement Risk:</b> Moderate	
<b>Project Financing Amount:</b> \$180.11 million <b>ADB Financing:</b> \$100 million <b>Non-ADB Financing:</b> \$80.11 million	<b>Project Closing Date:</b> 31 Dec 2022
<b>Date of First Procurement Plan:</b> 17 October 2016 (loan fact-finding)	<b>Date of this Procurement Plan:</b> 24 April 2017

TBD = to be determined, YSU = Yanshan University.



## Month Procurement Plan

### a. Procurement and Consulting Methods and Thresholds

64. Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

**Table 18: Thresholds for the Procurement of Goods and Works**

Method	Threshold	Comments
International competitive bidding for works	Above \$30 million	Prior review
International competitive bidding for goods	Above \$3 million	Prior review
National competitive bidding for Works	From \$100,001 up to \$30 million	Prior review for (i) the first bidding package overall and first package for each private enterprise implementing agency and (ii) all packages \$10 million or above.
National competitive bidding for goods	From \$100,001 up to \$3 million	Prior review for the first bidding package overall and first package for each private enterprise implementing agency.
Shopping for works	Up to \$100,000	
Shopping for goods	Up to \$100,000	

**Table 19: Thresholds for the Procurement of Consulting Services**

Method	Comments
Quality and cost-based selection	Default method using 80:20, with full technical proposal
Consultants qualification selection	No need yet identified for the use of this selection method
Individual consultant selection	No need yet identified for the use of this selection method

### b. Goods and Works Contracts Estimated to Cost \$1 Million or More

65. The following table lists goods and works contracts for which the procurement activity is expected to commence within the next 18 months.

**Table 20: Procurement of Larger Value Goods and Works anticipated to Commence within 18 Months**

<b>Package Number</b>	<b>General Description</b>	<b>Estimated Value (\$ million)</b>	<b>Procurement Method</b>	<b>Review (Prior and/or Post)</b>	<b>Bidding Procedure</b>	<b>Advertisement Date (Quarter and/or Year)</b>	<b>Comments</b>
<b>Civil Works</b>							
<b>A. To be procured by Chengde Haoren EC Service Corporation</b>							
CD-C01	EC residential care center and EC service information center	5.75	NCB	Prior	1S1E	Q3/2017	
<b>B. To be procured by Julu County Hospital</b>							
JL-C01	EC service center	10.25	NCB	Prior	1S1E	Q4/2017	
<b>C. To be procured by Hebei Runqinyuan Elderly Care Industry Development Corporation</b>							
SX-C01	EC service center	11.79	NCB	Prior	1S1E	Q4/2017	
<b>D. To be procured by Xinji Juyouleyuan Elderly Care Service Corporation</b>							
XJ-C01	Nursing clinic and rehabilitation center	12.22	NCB	Prior	1S1E	Q3/2017	
<b>E. To be procured by YSU</b>							
YS-C01	Training center	10.50	NCB	Prior	1S1E	Q2/2017	Advance contracting
<b>Subtotal</b>		<b>50.51</b>					
<b>Goods</b>							
<b>A. To be procured by Xinji Juyouleyuan Elderly Care Service Corporation</b>							
XJ-E01	Elevators and public equipment	1.17	NCB	Prior	1S1E	Q4/2017	
<b>B. To be procured by YSU</b>							
YS-E02	Simulation and practical training equipment	1.09	NCB	Post	1S1E	Q2/2018	
<b>Subtotal</b>		<b>2.26</b>					
<b>Total</b>		<b>52.77</b>					

Notes: (i) using the exchange rate of \$1 = CNY6.65, and (ii) all contract values exclude physical contingencies.  
1S1E = one stage, one envelope, YSU = Yanshan University.

## 2. Consulting Services Contracts Estimated to Cost \$100,000 or More

66. Table 21 lists ADB funded consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

**Table 21: Consulting Services Estimated to Cost \$100,000 or More**

<b>Package Number</b>	<b>General Description</b>	<b>Estimated Value (\$)</b>	<b>Recruitment Method</b>	<b>Review (Prior and/or Post)</b>	<b>Advertisement Date (Quarter and/or Year)</b>	<b>Type of Proposal</b>	<b>Comments</b>
CS01	Project implementation support	2,500,000	QCBS (80:20)	Prior	Q3/2017	FTP	International and national ADB-financed (100%), advance contracting
YS-S01	Capacity building and training	1,280,000	TBD	Prior	Q3/2017	TBD	National ADB-financed (100%)
<b>Total</b>		<b>3,780,000</b>					

Notes:

(i) Using the exchange rate of \$1 = CNY6.65.

(ii) All contract values exclude physical contingencies.

ADB = Asian Development Bank, FTP = full technical proposal, QCBS = quality- and cost-based selection, TBD = to be determined.

## 2. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

67. Table 22 groups smaller-value goods, works, and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

**Table 22: Smaller Value Contracts to be Procured in the next 18 months**

<b>Package Number</b>	<b>General Description</b>	<b>Estimated Value (\$ million)</b>	<b>Number of Contracts</b>	<b>Procurement Method</b>	<b>Review (Prior and/or Post)</b>	<b>Bidding Procedure</b>	<b>Advertisement Date</b>	<b>Comments</b>
<b>Goods</b>								
<b>A. To be procured by Julu County Hospital</b>								
JL-E02	Water pumping equipment	0.07	1	Shopping	Post		Q1/2018	
JL-E03	Concentrated solar power equipment	0.12	1	NCB	Post	1S1E	Q1/2018	
JL-E04	Boiler house and heat exchanging equipment	0.19	1	NCB	Post	1S1E	Q1/2018	
JL-E05	Medical wastewater treatment equipment	0.11	1	NCB	Post	1S1E	Q1/2018	
JL-E06	Elevators for EC service center	0.50	1	NCB	Post	1S1E	Q2/2018	
<b>B. To be procured by YSU</b>								
YS-E01	Teaching equipment and living facilities	0.38	1	NCB	Post	1S1E	Q2/2018	

1S1E = one single bid, one envelope; EC = elderly care; NCB = national competitive bidding; YSU = Yanshan University.

### 3. Indicative List of Packages Required Under the Project

68. Table 23 provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

**Table 23: Indicative List of Packages Required Under the Contract**

Package Number	General Description	Estimated Value (\$ million)	Estimated Number of Contracts	Procurement Method	Review (Prior and/or Post)	Bidding Procedure	Comments
<b>Civil Works</b>							
<b>A. To be procured by Chengde Haoren elderly care service corporation</b>							
CD-C02	Medical rehabilitation center	10.40	1	NCB	Prior	1S1E	Q3/2018
CD-C03	Landscaping and outdoor facilities	0.73	1	NCB	Post	1S1E	Q2/2020
<b>B. To be procured by Li County civil affairs service center</b>							
LX-C01	Integrated EC service center and four urban daycare centers	18.33	1	NCB	Prior	1S1E	Q3/2018
LX-C02	Six rural daycare centers	1.78	1	NCB	Post	1S1E	Q2/2020
<b>C. To be procured by Xinji Juyouleyuan elderly care service corporation</b>							
XJ-C02	Dining hall, leisure center, and outdoor facilities	2.79	1	NCB	Post	1S1E	Q1/2019
XJ-C03	Community-based EC facilities	2.35	1	NCB	Post	1S1E	Q1/2019
<b>Goods</b>							
<b>A. To be procured by Chengde Haoren elderly care service corporation</b>							
CD-E01	Medical rehabilitation equipment	3.12	1	NCB	Prior	1S1E	Q2/2019
CD-E02	Intelligent EC service platform	1.39	1	NCB	Post	1S1E	Q2/2020
CD-E03	Nursing equipment and facilities	2.08	1	NCB	Post	1S1E	Q2/2020
CD-E04	Office and leisure equipment	0.22	1	NCB	Post	1S1E	Q2/2020
CD-E05	Auxiliary living facilities and vehicles	0.32	1	NCB	Post	1S1E	Q2/2020
CD-E06	Wastewater treatment facilities	0.15	1	NCB	Post	1S1E	Q2/2020
<b>B. To be procured by Julu County hospital</b>							
JL-E07	Wastewater treatment facilities	0.04	1	Shopping	Post		Q1/2019
JL-E08	Elevators for community-based EC service centers	0.18	1	NCB	Post	1S1E	Q1/2019
JL-E09	Information center equipment	0.61	1	NCB	Post	1S1E	Q1/2019
JL-E10	Medical rehabilitation equipment	0.63	1	NCB	Post	1S1E	Q1/2019
JL-E11	Vehicles	0.20	1	NCB	Post	1S1E	Q1/2019
JL-E12	Kitchen equipment	0.14	1	NCB	Post	1S1E	Q4/2019

Package Number	General Description	Estimated Value (\$ million)	Estimated Number of Contracts	Procurement Method	Review (Prior and/or Post)	Bidding Procedure	Comments
<b>C. To be procured by Li County civil affairs service center</b>							
LX-E01	Equipment for integrated EC service center and daycare centers	3.17	1	NCB	Post	1S1E	Q4/2019
LX-E02	Health examination and rehabilitation equipment	1.04	1	NCB	Post	1S1E	Q4/2020
LX-E03	Information service equipment	1.26	1	NCB	Post	1S1E	Q4/2019
LX-E04	Elevators	0.76	1	NCB	Post	1S1E	Q3/2018
<b>D. To be procured by Hebei Runqinyuan elderly care industry development corporation</b>							
SX-E01	Liquid oxygen equipment	0.05	1	NCB	Post	1S1E	Q3/2019
SX-E02	Central ventilation system	0.10	1	NCB	Post	1S1E	Q3/2019
SX-E03	Office furniture	0.32	1	NCB	Post	1S1E	Q3/2018
SX-E04	Nursing equipment	1.23	1	NCB	Post	1S1E	Q3/2018
SX-E05	Electronic information equipment	1.36	1	NCB	Post	1S1E	Q3/2019
SX-E06	Electronic information equipment	0.48	1	NCB	Post	1S1E	Q3/2019
SX-E07	Health Rehabilitation and fitness equipment	0.66	1	NCB	Post	1S1E	Q3/2018
SX-E08	Medical equipment	1.95	1	NCB	Prior	1S1E	Q3/2019
SX-E09	Vehicles	0.54	1	NCB	Post	1S1E	Q3/2018
<b>E. To be procured by YSU</b>							
YS-E03	Office equipment	0.25	1	NCB	Post	1S1E	Q1/2019
YS-E04	Research equipment	0.81	1	NCB	Post	1S1E	Q2/2019
<b>F. To be procured by Xinji Juyouleyuan elderly care service corporation</b>							
XJ-E02	Fitness and leisure equipment	1.09	1	NCB	Post	1S1E	Q1/2019
XJ-E03	Medical rehabilitation and nursing equipment, office equipment, etc.	2.24	1	NCB	Post	1S1E	Q1/2019
XJ-E04	Equipment for geriatric hospital	2.02	1	NCB	Post	1S1E	Q1/2019

1S1E = one single bid, one envelope; EC = elderly care; NCB = national competitive bidding; YSU = Yanshan University.

#### 4. List of Awarded and Ongoing, and Completed Contracts

69. Tables 24 and 25 lists the awarded and ongoing contracts, and completed contracts.

**Table 24: Awarded and Ongoing Contracts**

Goods and Works							
Package	General	Estimate	Awarded	Procurement	Advert	Date of	Comments

Number	Description	Estimated Value	Contract Value	Procurement Method	Date	ADB Approval of Contract Award	
<b>NOT APPLICABLE</b>							
<b>Consulting Services</b>							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advert Date	Date of ADB Approval of Contract Award	Comments
Savings from the project preparatory technical assistance will be used to provide start-up consulting support. The project preparatory technical assistance contracts are open until 31 December 2016 and may be further extended for this purpose. See Section V below for further details.							

**Table 25: Completed Contracts**

<b>Goods and Works</b>								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (Quarter and/or Year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
<b>NONE</b>								
<b>Consulting Services</b>								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (Quarter and/or Year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
<b>NONE</b>								

## 5. Non-ADB Financed Project Activities

70. Table 26 lists goods, works, and consulting services contracts over the life of the project, financed by non-ADB sources (non-bank financed).

**Table 26: Non-ADB Financed Procurement**

General Description	Estimated Value (\$ million)	Estimated Number of Contracts	Procurement Method	Comments
<b>Civil Works</b>				
<b>A. To be procured by Chengde Haoren Elderly Care Service Corporation</b>				
CD-C04 Home- and community-based EC service centers	1.00	1	Government procedures	
<b>B. To be procured by Julu County Hospital</b>				
JL-C02 Piping	0.53	1	Government procedures	
JL-C03 Rehabilitation of community based EC service centers	0.44	1	Government procedures	
<b>C. To be procured by Hebei Runqinyuan elderly care industry development corporation</b>				
SX-C02 Home- and community-based EC service centers	0.23	1	Government procedures	
<b>Goods</b>				
<b>A. To be procured by Chengde Haoren Elderly Care Service Corporation</b>				
CD-E07 Daycare equipment and facilities	0.96	1	Government	

General Description	Estimated Value (\$ million)	Estimated Number of Contracts	Procurement Method	Comments
			procedures	
<b>B. To be procured by Julu County Hospital</b>				
JL-E01 Electric transformation and distribution equipment	0.26	1	Government procedures	
<b>C. To be procured by YSU</b>				
YS-E05 Special equipment robot	0.74	1	Government procedures	

EC = elderly care, YSU = Yanshan University.

General Description	Estimated Value (\$)	Estimated Number of Contracts	Recruitment Method	Comments
<b>To be procured by YSU</b>				
YS-SO2 Curriculum development and study	0.93	1	NBF but TDB	Optimum procurement packaging and method under investigation
<b>Other Project Requirements</b>				
External auditor	NEA	1	Sole source	Assignment by National Audit Authority
EC design institutes	NEA	6	Competitive	Qualifications must meet national criteria
Procurement agent	NEA	1	Competitive	Qualifications must meet MOF guidelines
Construction supervision companies	NEA	6	Competitive	Qualifications must meet national criteria
Environmental monitoring	See EMP	6	TBD	Most likely sole source with local EMS. EMP specifies requirements
External resettlement monitoring	See resettlement plans	4	Competitive	Requirements stipulated in resettlement plans.

EMP = environmental management plan, EMS = environmental monitoring station, MOF = Ministry of Finance, NEA = no estimate available (part of project management budget).

## D. Regulation and Reference Documents

71. The procedures to be followed for NCB shall be those set forth in The Government Procurement Law of People's Republic of China approved on 29 June 2002 and Law of the People's Republic of China on Bid Invitation and Bidding of the People's Republic of China promulgated on August 30, 1999 with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.<sup>51</sup>

## E. Procurement Procedures

### a. Competitive Bidding Procedure (Procurement Law Article 26 and Law on Bidding Article 10)

<sup>51</sup> The Government Procurement Law of People's Republic of China. [http://china.org.cn/china/LegislationsForm2001-2010/2011-02/14/content\\_21917023.htm](http://china.org.cn/china/LegislationsForm2001-2010/2011-02/14/content_21917023.htm); Law of the People's Republic of China on Bid Invitation and Bidding of the People's Republic of China. [http://www.npc.gov.cn/englishnpc/Law/2007-12/11/content\\_1383557.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/11/content_1383557.htm)



72. Public tendering is the acceptable method of government procurement, and public invitation is the accepted bid invitation mode.

**b. Eligibility**

73. The eligibility of bidders shall be as defined under section I of the Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those provided in section I of the Guidelines, as amended from time to time.

**c. Advertising**

74. All invitations to prequalify or to bid shall be advertised in the national press (China Daily Newspaper) or a free and open access website ([www.chinabidding.com](http://www.chinabidding.com)). Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum preparation period of 28 days shall be given. The preparation period shall count (i) from the date of advertisement, or (ii) when the documents are available for issue, whichever date is later. The advertisement and the prequalification and bidding documents shall specify the deadline for such submission.

**d. Bidding Period**

75. The minimum bidding period is 28 days prior to the deadline for the submission of bids.

**e. Participation by Government-Owned Enterprises**

76. Government-owned enterprises in the Borrower's country may be permitted to bid if they can establish that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not a dependent agency of the Borrower/Project Executing Agency.

**f. Rebidding**

77. Re-bidding shall not be allowed solely because the number of bids is less than three.

**F. Bidding Documents**

**a. Qualification Requirements**

78. Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents, and in the prequalification documents if the bidding is preceded by a prequalification process.

**b. Bid Submission and Opening**

79. Bidders shall be allowed to submit bids by mail or by hand.

80. All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

**c. Bid Evaluation and Award**

81. No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower and/or project executing agency.

82. Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

### **G. Asian Development Bank Policy Clauses**

83. Each contract financed with the proceeds of the loan shall provide that the suppliers and contractors shall permit ADB, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by ADB.

84. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that the Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question.

85. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices or any integrity violation in competing for, or in executing, ADB-financed contract.

### **H. Consultants' Terms of Reference**

86. Consulting support to HPMO, and more especially to the project implementing agencies and local city and/or county civil affairs bureaus (CABs), is a key feature of the project design and an essential mitigation measure designed to build the required capacity these organizations need to discharge their responsibilities for project implementation, EC service provision, and (in the case of the CAB's) EC sector administration in an effective manner. Given the lack of experience the implementing agencies possess in the management of ADB funded projects this support is needed on a continuing basis from the current time until EC services are fully operational.

87. Support will be provided in the form of (i) limited start-up consulting utilizing project preparatory technical assistance budget savings during the period through to loan effectiveness; (ii) an extensive package of consulting and training funded from the loan and directed primarily at the implementing agencies in order that they receive the support they need to construct the project infrastructure and operationalize EC services that meet the expectations of the elderly population in terms of scope, quality and pricing; and (iii) a "piggy-backed" TA targeted primarily at local CABs in order to build their EC sector management capacity, and especially in the areas of sector planning, the assessment of care needs and mechanisms to ensure all elderly have their essential care needs met, the regulation of EC services, and in developing the role of the voluntary sector and civil society organizations.

# **I. Project Readiness Consulting (financed from the project preparatory technical assistance budget)**

## **1. Objective and Scope of Work**

88. The objective of this consulting is to support the HPMO and implementing agencies by providing a program of priority capacity building to ensure these key agencies are as prepared and trained in advance of loan effectiveness as is reasonably practicable, in order that they can perform their respective project implementation duties in a satisfactory manner. A small group of consultants fully familiar with relevant ADB project implementation requirements will be used following on from the detailed project preparatory technical assistance work. The necessary advice, support and training will cover, but not necessarily be restricted to the following:

- (i) Working with HPMO leadership to establish effective project management arrangements for the implementation, including developing standard templates for routine notifications and requests from implementing agencies to HPMO and HPMO of ADB.
- (ii) Providing project progress reporting templates customized to the needs of the Project and ADB information needs, together with training in their use.
- (iii) Assisting in the preparation of a project financial management manual for the project in conjunction with HPMO financial staff and HPFD. Training in the use of the manual, in project accounting requirements, in associated record keeping and financial controls, and in financial progress reporting needs.
- (iv) Establishing procurement systems and procedures at implementing agency and HPMO level, and working with HPMO to prepare the request for proposals and related documentation for contract CS01 (project implementation consulting) to expedite the engagement of this consultant.
- (v) Undertaking design review and assisting in the preparation of the technical part of bidding documents.
- (vi) Establishing systems and providing advice and training needed for the effective implementation of resettlement plans and reporting to HPMO/ADB thereon.
- (vii) Organize and conduct a project implementation seminar to discuss implementation strategies and harmonize individual implementing agency project implementation approaches and timelines, and maximize inter-implementing agency communications and cooperation.

89. Fuller terms of reference and specific outputs required are provided in Annex 7 of this PAM. However, actual work required and/or possible prior to loan effectiveness will depend on (i) how smoothly the loan processing, approval and signing milestones are achieved, (ii) the rate of progress made with the preliminary and detailed design of the project facilities. The deployment of consulting resources will therefore depend in large part on these factors. Table 27 gives an initial estimate of consulting inputs required and Table 28 the required budget.

**Table 27: Estimate Consultants' Inputs during Start-up Phase**

<b>Expert Inputs</b>	<b>Person-months</b>
Financial management specialist (national)	1.0
Procurement specialist (national)	1.0
Resettlement specialist (national)	1.5
EC design review specialist (national)	1.5
Environmental specialist (national) - unlikely to be needed	TBD
Other resource persons	TBD
<b>Total</b>	<b>5.0</b>

EC = elderly care, TBD = to be determined.

**Table 28: Consultants' Outline Budget**

<b>Item</b>	<b>Amount (\$)</b>
1. Consultants fees and per diem	35,000
2. Workshop and seminar	27,500
3. Miscellaneous travel costs	1,250
4. Contingency	6,250
<b>Total</b>	<b>70,000</b>

Source: Asian Development Bank estimates.

## **J. Loan Financed Consulting**

### **1. Support for Project implementation (CS-01)**

#### **a. Objective and Scope of Work**

90. The objective of this package is to support the HPMO and (especially) the project implementing agencies in the discharge of their project implementing agencies. The consultants will work under the general guidance of the HPMO, providing advice, assistance and necessary training. The work required can be viewed as comprising three main parts; (i) project implementation support for the design and construction of the required EC infrastructure, (ii) implementation support to the implementing agencies to help operationalize the EC services they plan to provide; and (iii) organization and execution of an EC training program.

91. The work required under each of these three areas is outlined below. Detailed terms of reference are provided in Appendix 7 of this PAM:

#### **b. Project Implementation Support for the Design and Construction of the Required Elderly Care Infrastructure**

92. The following expected provision of comprehensive support and guidance to the implementing agencies (and HPMO, as required) on all aspects of the design, procurement, and physical construction of the project's EC infrastructure are as follows:

- (i) updating of project implementation plans, physical progress monitoring, project progress reporting to ADB, participation at ADB supervisory and review missions, support to HPMO in the preparation of the borrower project completion report;
- (ii) design review and advice to local design institutes (with emphasis on the incorporation of best practices;
- (iii) establishing procurement systems and procedures; supporting bidding document and/or request for proposals preparation and/or review, participation in bid evaluations procurement plan updates, and advice on resolving contractual issues arising during construction;
- (iv) construction management (progress tracking, potential contract variations, contract claims, resolving unforeseen technical issues, etc.);
- (v) establishing project accounting and financial reporting systems and ongoing support in financial reporting;
- (vi) environmental monitoring and updating of environmental management plan;
- (vii) updating resettlement plans based on final design and detailed measurement survey of affected persons (if not achieved during the start-up period) and resettlement plan implementation (including internal monitoring);
- (viii) Advice, training and support associated with the implementation of the SGAP; and
- (ix) design, training and operation of the project performance management system

(PPMS) and support in PPMS reporting to ADB.

**c. Implementation Support to the Implementing Agencies as Service Provider on Operationalizing Elderly Care Services**

93. This part of the consulting package will recommend steps for each implementing agency to follow, to ensure that EC services are made operational in a timely manner, and that appropriate systems and procedures are put in place to ensure quality standards are achieved from the outset. Consulting work in support of the implementing agencies will include:

- (i) Advice and support to implement the agreed program of pilot initiatives.
- (ii) Help in dissemination of the results of pilot initiatives and roll out across all implementing agencies.
- (iii) Provide advice, guidance, and support on the detailed planning and execution of the roll out of each implementing agencies' HCBC services.
- (iv) Provide advice and guidance on maximizing the potential value-added role of EC call centers and optimizing the use of ICT for this purpose.
- (v) Preparing and updating the operational business plans of the implementing agencies.
- (vi) Provide advice, guidance, and support on the development of residential EC management and operational systems and procedures, including:
  - a) quality assurance and patient safety systems,
  - b) medical rehabilitation and health and/or EC integration initiatives, and
  - c) dementia recognition and care.
- (vii) Advice on the preparation of local human resources and training plans and their execution, also advice on human resources issues that arise during the pre-operation and early operation stages.
- (viii) Organizing stakeholder consultations and surveys to ensure a participative approach to the monitoring and evaluation of EC services provided under the project.

**d. Organization and Execution of an Elderly Care Training Program**

94. The outline training needs that this program will need to respond to have been identified as follows:

- (i) International study, ideally in an Asian country with cultural similarities to the PRC, and which already has an advanced EC system in place that is comparable with best international practices. Japan has been provisionally selected as the most suitable.
- (ii) Part-time residential care training modules delivered over an 18-month to 2-year period with implementing agency managers and staff as the main targets and including:
  - a) characteristics and clinical issues of EC users,
  - b) EC management training,
  - c) generic quality assurance system,
  - d) dementia care, and
  - e) medical rehabilitation center operations.
- (iii) Home and community care training that includes:
  - f) HCBC management training,
  - g) home safety assessment training, and
  - h) contractor training for Home Adaptations.

**Table 29: Contract Package CS01—Consultants' Inputs**

<b>Expert Inputs</b>	<b>Person- Months</b>
<b>A. International Experts</b>	
Home and community care specialist	5
Residential care specialist	6
Human resources specialist	2
<b>Subtotal (A)</b>	<b>13</b>
<b>B. National Experts</b>	
Team leader and/or construction management specialist	30
Procurement and contract management specialist	10
Financial management specialist	18
Social and gender specialist	8
Environmental specialist	9
Resettlement specialist	6
EC design specialist	5
Home and community care specialist	18
Residential care specialist	18
Human resources specialist	18
Information, communication, and technology specialist	4
Stakeholder consultation, monitoring, and valuation specialist	6
<b>Subtotal (B)</b>	<b>150</b>
<b>Total (A+B)</b>	<b>163</b>

Source: Asian Development Bank estimates.

**Table 30: Contract Package CS01—Consultants' Outline Budget<sup>a</sup>**

<b>Item</b>	<b>Amount (\$)</b>
1. International consultants (remuneration, travel to Hebei, per diem, and fees)	260,000
2. National consultants (remuneration, travel to Hebei, per diem, and fees)	1,155,000
3. Training workshops in Hebei	54,000
4. Specialist training (as itemized in annex 7)	813,000
5. Travel in Hebei	38,000
6. Office administration and operation	155,000
7. Project completion and evaluation survey and consultations	25,000
<b>Total</b>	<b>2,500,000</b>

<sup>a</sup>. Detailed breakdown of budget with assumptions is provided in Appendix 7

## **2. Yanshan University Capacity Building and Training (YS-S01)**

95. The objective of this package(s) is to provide a mix of best practice advice, support and training to the management and staff of YSU involved in the development of their proposed EC training courses and research. The overall work involved is described in Appendix 5 of this PAM. A total sum of \$2.21 million has been budgeted by YSU for this purpose of which an estimated \$1,280,000 will be financed from the ADB loan on capacity building and training (this package) and \$930,000 equivalent from YSU counterpart funds on curriculum development and study (procurement plan ref YS-S02). However, the detailed composition of the services needed under both these packages and indeed the optimum procurement approach have yet to be finalized. The work to fully specify the services needed will continue over the next few months and the results, detailed terms of reference, and the procurement arrangements will be confirmed with ADB no later than the project inception mission

### **K. Non- Bank Financed Consulting Services**

96. The following consulting contracts will be financed from counterpart funds and procured using domestic procedures.

97. **Yanshan University curriculum development and study** (procurement plan ref YS-S02.

This is a complementary package to YS-S01 referred to above. Detailed design of the package is to be worked on over the coming months in parallel with the design of YS-S01. The budget estimate for these services is \$930,000 equivalent and decisions have yet to be made on how many separate packages will be involved—a matter that will be decided only after the detailed services required have been defined.

98. **Appointment of external auditor** is a sole source appointment made by the PRC National Audit Office. The normal practice is for this work to be undertaken by the provincial audit department or a qualified audit institute/company they assign. There is a standard terms of reference used for all such audits, which can be varied dependent the specific needs of an individual project. In this case, no specific additional requirements have been identified. There is no budget line item for this contract which is provided for in the general project management cost line item, with costs shared by the implementing agencies in proportion to their ADB loan size.

99. **Elderly care design institutes.** Each implementing agency will need to appoint a suitably qualified design institute to undertake the preliminary and detailed design of the project facilities, to prepare the **technical** parts of bidding documents and to review the need and suggest design changes during construction when issues arise. It is normal practice for this procurement to be the subject of competitive bidding – but all bidders must demonstrate to the appointing implementing agency that they have the required qualifications and experience. It is also normal for such work to be let on a fixed price output based contract. There is no budget line item for this contract which is provided for in the general project management cost line item, with each individual implementing agency responsible for bearing their own costs.

100. The **HPMO** will appoint a procurement agent to advise and support the implementing agencies in their project procurement work in relation to all contracts funded by ADB. There is no budget line item for this contract, which is provided for in the general project management cost line item, with costs shared by the implementing agencies in proportion to their ADB loan size.

101. **Construction supervision companies.** Each implementing agency will need to appoint a suitably qualified construction supervision company that will undertake the day-to-day responsibility for contract site supervision.

102. **Environmental monitoring.** Each implementing agency will need to appoint a suitably qualified environmental monitoring institute or company to undertake any specialist environmental monitoring that is stipulated in the project's environment monitoring plan (EMP). Given the localized nature of this monitoring activity it is quite likely these will be sole source negotiated price contracts. The required budget for this monitoring is estimated in the EMP and forms part of the environmental management line item in the project cost tables.

103. **External resettlement monitoring.** Each of the four implementing agencies where land acquisition and resettlement is required for the project will need to appoint an independent external monitoring agency to review how the resettlement plans are implemented, to confirm that all resettlement activity has been conducted in accordance with the RP and to report on any outstanding issues. It is important that only institutions previously experienced in ADB resettlement work are considered and a generic terms of reference for the required monitoring duties is included in Appendix 7. The costs of external monitoring are provided for in the resettlement budget contained in each resettlement plan.

## **L. Capacity Development Technical Assistance**

104. The overall goals of the capacity development technical assistance (CDTA) are aligned with those of the project and the PRC's Thirteenth Five-Year Plan, 2016–2020 to establish an integrated comprehensive three-tier system of elderly care that:

- (iv) improves access to elderly care services (ECSS);
- (v) provides quality care services in line with the essential needs of the elderly; and
- (vi) mobilizes resources from family, the private sector and voluntary organizations, with government providing financial support, targeted at the most vulnerable, together with sector planning and regulatory oversight.

105. The project outputs from the CDTA are set out below and the detailed terms of reference for the consultant selection by use of an output based contract are set out in Appendix 8.

- (i) A model demand based EC sector plan and supporting planning manual.
- (ii) Demonstration EC assessment system, including user toolkits, computer software and implementation guidance.
- (iii) Model procedures for the effective regulation of EC service providers.
- (iv) Creation of a model arrangement for the effective involvement of the voluntary sector in the provision of elderly care (that can be replicated elsewhere).
- (v) Pilot online support facility for family caregivers.
- (vi) Effective TA dissemination.

106. In view of the specialist nature of the TA and due to ADB's greater experience and knowledge of EC sector best practices, it has been agreed in discussion between HPMO and ADB that the ADB will play the lead role in the procurement of the CDTA. However, HPMO will be involved at each stage of the procurement and invited to give its no objection.

**Table 31: Capacity Development Technical Assistance  
Estimated Consulting Inputs Needed**

<b>Expert Inputs</b>	<b>Person-Months</b>
International experts	8
National experts	24
<b>Total</b>	<b>32</b>

Source: Asian Development Bank estimates.

**Table 32: Capacity Development Technical Assistance  
Cost Estimates and Financing Plan  
(\$'000)**

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (8 person-months)	144.00
ii. National consultants (24 person-months)	168.00
b. International and domestic travel	28.00
c. Reports and communications	25.00
d. Office accommodation and administration costs	12.00
2. Workshops, training, seminars, and conferences <sup>b</sup>	102.00
3. Surveys	20.00
4. Miscellaneous administration and support costs <sup>c</sup>	
a. Pilot ICT system for assessment of care needs	85.00
b. Seed financing of voluntary sector initiatives	50.00
c. Dissemination and knowledge sharing	36.00
<b>Total ADB Financing</b>	<b>670.00</b>
<b>B. Government "in kind" Financing</b>	
1. Office accommodation	18.00



Item	Total Cost
2. Workshops, training, seminars, and conferences <sup>b</sup>	3.15
3. Dissemination and knowledge sharing	4.00
<b>Total Costs</b>	<b>695.15</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources) This amount also includes ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the PRC Government.

<sup>b</sup> Workshops, training, seminars, and conferences.

Purpose	Venue
Conferences	Hebei, PRC
Workshops	Hebei, PRC
Best practice study tour in the PRC	TBD. Lead candidates are Beijing; Shanghai; and Hong Kong, China
Asian study tour	TBD. Lead candidates are Japan, Korea, and Singapore
Training sessions in Hebei (average 1.5 days)	Hebei, PRC

<sup>c</sup> Miscellaneous administration and support costs.

ADB = Asian Development Bank, ICT = information and communications technology, PRC = People's Republic of China, TBD = to be determined.

Source: Asian Development Bank estimates.

## VII. Safeguards

107. Prohibited investment activities. Pursuant to ADB's Safeguard Policy Statement (SPS, 2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

### A. Environment

108. **Environment due diligence.** The project is classified as category B for environment. Therefore, based on the SPS, environment, health, and safety implications of the project have been reviewed and a draft initial environmental examination (IEE) and an environmental management plan (EMP) for the project have been developed.<sup>52</sup> The EMP, included as Appendix 6 of this PAM, defines contractual clauses for civil works contracts, environmental, health and safety measures, construction supervision requirements, and institutional responsibilities to ensure proper environmental management throughout the project construction cycle and during initial operation of the facilities. Environmental and social safeguard complaints or disputes will be handled in accordance with the grievance redress mechanism (GRM) established for the project, supervised by the HPMO. The GRM procedures are documented in the EMP.

109. **Management of environment, health, and safety risks.** During construction of new buildings and facilities, minor environmental impacts are anticipated including noise, fugitive dust, solid wastes, as well as risks to community and occupational health and safety. Overall, construction-related impacts are minimal, localized, short term, and can be effectively mitigated through the application of good construction practices and implementation of the generic EMP developed for the construction phase. The project management office (HPMO) will have the overall responsibility for supervising the implementation of the EMP, coordinating the project level GRM and reporting to ADB through the semiannual progress reporting and the annual environment monitoring reporting process. The HPMO will assign one environment officer (HPMO-EO) to supervise the effective implementation of the EMP. To ensure that the contractors

<sup>52</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

comply with the EMP provisions, the HPMO-EO will prepare and provide the following specification clauses for incorporation into the bidding documents: (i) a list of environmental management requirements to be budgeted by the bidders in their proposals, (ii) environmental clauses for contractual terms and conditions (as appended to the EMP), and (iii) major items in the EMP. Construction contractors will be responsible for implementing the mitigation measures during construction. In their bids, contractors will be required to respond to the environmental management requirements defined in the EMP. Each contractor will be required to develop site-EMPs and will assign a person responsible for environment, health, and safety. The implementing agency responsible for a particular subproject will assume day-to-day responsibility for supervising the contractors' performance and adherence to the EMP in relation to that subproject. Each implementing agency will assign suitably qualified staff to (i) review and approve contractors' site-specific EMP, (ii) conduct site inspections following the site inspection checklist (as appended to the EMP), (iii) act as local entry point for environmental complaints under the project GRM, and (iv) submit inspection results to the contractors for information, and to HPMO for verification and confirmation. Where works are being implemented using advance contracting arrangements then the HPMO need to ensure the above requirements are adhered to from the outset.

## **B. Land Acquisition and Resettlement**

110. The project activities will require some land acquisition and resettlement. The involuntary resettlement category is "B". Four resettlement plans have been prepared for Xinji, She County, Shuangluan and Li County in accordance with the Government laws and regulations and the SPS 2009.

111. **Due diligence.** YSU will use their own land with a State-owned Land Use Certificate issued in 2004. The land is vacant. No land acquisition is needed. The land needed for the Julu County subproject has been acquired within the last three years by the local government. Two resettlement due diligence reports have been prepared for these subprojects.

112. **Resettlement plans.** Xinji City, She County, Shuangluan District, and Li County need to newly acquire collective land for this project. Four resettlement plans have been prepared by the implementing agencies. They were reviewed and cleared by ADB in accordance with SPS's requirements for involuntary resettlement. To date, Xinji Municipal Government has endorsed the resettlement plan and disclosed the relevant information to the affected persons. The other resettlement plans have been endorsed by the local government and disclosed to affected persons. The resettlement plans will also be posted on the ADB website in advance of the ADB staff review meeting.

113. **Impacts identified.** Most of the subprojects mainly include two kinds of components, one is the construction of an elderly care center and the other is the construction or rehabilitation of daycare centers.<sup>53</sup> The construction of elderly care center requires some land acquisition and resettlement. They are always built in the communities or villages through leasing land or existing properties which do not belong to individuals and with no land acquisition and resettlement, house demolition or directly affected population. In total, the project will permanently occupy 201.09 *mu*<sup>54</sup> of land, of which 32.34 *mu* of land has been acquired with 49 households and 219 affected persons. A total of 168.75 *mu* of collective land will be acquired by this project, of which 32.37 *mu* of land in Shuangluan District and She County is classified as cultivated land. Land acquisition

<sup>53</sup> The daycare centers under the subprojects will all be located in the communities or villages and designed to provide leisure and recreational places, and daycare services for old people living at home within the local community.

<sup>54</sup> A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 square meters).

will affect 91 households and 310 affected persons, which is not deemed a significant impact because the per capita land loss area is very small (in Shuangluan District, it is 0.23 *mu* and in She County, it is only 0.09 *mu*). A total of 1,195 square meters (m<sup>2</sup>) of houses will be demolished, and two enterprises with nine workers will be affected. For the construction of daycare centers of all the subprojects, there will be 5.2 *mu* of land leasing in six villages and 14,143.6 m<sup>2</sup> of property space will be leased from 10 institutions, 22 communities, and 10 property companies.

114. The rural farmers suffering land loss will be offered cash compensation at replacement costs and various livelihood restoration measures. Compensation for standing crops, auxiliaries, and other assets will also be paid directly to the affected persons. The affected enterprise in Xinji project will only lose housing and ground attachments and will receive cash compensation at replacement costs. The other affected enterprise in Li County must shut down and plan to do other business, they will not only get cash compensation for the losing housing and ground attachments, but also reemployment measures for the affected workers. The measures for economic rehabilitation include provision of employment opportunities during the project construction and operational phases for the affected persons, promotion and development of new enterprises. self-employment through secondary and tertiary businesses, and provision of technical training to the affected persons to increase their skills. Special support will also be provided to vulnerable affected persons. The cost estimate for land acquisition and resettlement for the four subprojects is equivalent to CNY28.46 million, including contingencies. Table 33 summarizes the impacts that are envisaged. Details of the compensation to be made and of the mitigating actions planned are contained in the resettlement plans.

**Table 33: Summary of Project Involuntary Resettlement Impacts**

No	Component	Land Acquisition (mu)	Of which Cultivated (mu)	Households	Number of Affected Persons	House Demolition (m <sup>2</sup> )	Affected Enterprise	Affected Worker	Land Leasing (mu)	Property Leasing (m <sup>2</sup> )
1	Xinji City	39.75		0	0	250	1	2		400
2	Shuangluan District	30.00	8.37	5	37					7600
3	Li County	75.00		0	0	945	1	9	5.20	3043.60
4	She County	24.00	24.00	86	273					3100
<b>Subtotal</b>		<b>168.75</b>	<b>32.37</b>	<b>91</b>	<b>310</b>	<b>1,195</b>	<b>2</b>	<b>11</b>	<b>5.20</b>	<b>14,143.60</b>

AP = affected person, m<sup>2</sup> = square meters.

115. **Entitlements and compensation standards.** The land acquisition and resettlement compensation standards will follow HPG on Implementing Location-based Land Prices for Land Acquisition (2008), the Notice of the HPG on Amending Location-based Land Prices for Land Acquisition (HPG [2015] No.28) and ADB's Policy on Involuntary Resettlement.<sup>55</sup> According to Document HPG [2015] No.28, land acquisition compensation includes compensation at location-based land price, and compensation for young crops and ground attachments, in which location-based land price includes resettlement subsidy and land compensation. The location-based land prices for land acquisition in the project area and affected villages are showed in Table 34.

**Table 34: Location-based Land Compensation Rate for Land Acquisition**

County and/or City	Affected Village Name	Average Location-based Land Price	Tier-1	Tier-2	Tier-3
Xinji City	—	82,035	102,940	80,880	78,680
	Xinleitou	—	102,940	—	—
Shuangluan District	—	115,246	154,000	134,000	119,000
	Dayuanbao	—	—	134,000	—
Li County	—	78,614	96,200	87,200	78,200
	Beiguan	—	—	87,200	—
She County	—	72,014	75,000	73,000	71,000
	Xiaqing	—	75,000	—	—

<sup>55</sup> ADB. 1995. *Policy on Involuntary Resettlement*. Manila.

116. **Implementation arrangement and schedule.** For each subproject, there will be at least two full-time staff responsible for land acquisition and resettlement respectively. They will take the lead responsibility for coordinating the planning, implementation, financing, and monitoring of land acquisition and resettlement. They will work closely with relevant village officials, land administration bureaus and will be responsible for supervision and monitoring of resettlement (e.g. delivery of entitlements, selection of new housing sites, restoration of incomes, provision of replacement land, and other economic measures). A training program will be organized for the resettlement officers. Resettlement plans will be updated based on final design and detailed measurement survey and must be sent to ADB for review and approval prior to award of civil works contracts. All compensation and resettlement assistance is to be paid to affected households prior to commencement of construction activities.

117. **Resettlement cost.** The cost estimate for land acquisition and resettlement for the eight components is equivalent to CNY28.46 million, including contingencies. Resettlement implementation will be scheduled to precede the subprojects construction schedules. Resettlement implementation will be completed prior to subcomponent construction. The implementing units and the district and county governments will ensure that such funds are made available on a timely manner.

**Table 35: Summary of Resettlement Cost (units CNY10, 000)**

Cost item	Category	Xinji City	Shuangluan District	Li County	She County	Subtotal	% of total
1	Land acquisition compensation	409.19	409.96	654.00	208.80	1681.94	59.09
1.1	Land compensation and resettlement subsidy	409.19	384.85	654.00	180.00	1628.03	
1.2	Young crop compensation		25.11		28.80	53.91	
2	House demolition compensation	15.75	0.00	81.40	0.00	97.15	3.41
2.1	Compensation for structure	15.75		78.90		94.65	
2.2	Subside			2.50		2.50	
3	Compensation for attachments	102.00	75.25	11.25		188.50	6.62
4	Land acquisition taxes	183.26	199.34	100.00	81.64	564.24	19.82
5	Other cost	19.00	25.31	44.80	13.46	102.56	3.60
6	Contingencies	70.27	46.01	74.67	20.88	211.82	7.44
	<b>Total</b>	<b>799.47</b>	<b>755.86</b>	<b>966.11</b>	<b>324.78</b>	<b>2846.22</b>	<b>100.00</b>

118. For the Julu County and YSU subprojects, where the land acquisition and resettlement has been completed, the due diligence undertaken has confirmed (i) compensation rates, the resettlement program and compensation distribution program were determined in close consultation with the affected persons or their representatives; and (ii), the compensation was paid to the AHs in full and in a timely manner. Adequate preparation and public participation took place and no grievances have been raised to date. The compensation rates applied and the resettlement program appear to have complied with the applicable state and provincial regulations and policies, and ADB's principles as existed at the relevant time. Due diligence consultations have confirmed the affected persons are satisfied with the outcome of the resettlement, and their income has risen, demonstrating that resettlement has been effective.

### **C. Ethnic Minorities**

119. The safeguard category for Indigenous Peoples is C. The social assessment determined that in Hebei ethnic minorities make up a very small percentage of the population. Of the six project sites, there are very few ethnic minorities except Shuangluan District, Chengde City, where the population is about 30% of total population, of which, Man is the majority ethnic minority group occupying 25.9%, Meng, 1.76%; and Hui, 0.99%. The assessment determined that they are well integrated socially and economically into this urban area and are not living in any distinct communities. Therefore, an ethnic minority development plan is not required. Ethnic minority elderly in the local communities to be served by the project facilities will benefit equally from the project investments because of an improved range and quality of EC services that will become available. No specific action is necessary under the project.

## **VIII. Gender and social dimensions**

120. A poverty and social assessment, including a questionnaire survey, community and focus group discussions, and key informant interviews was conducted during project preparation. Based on a survey of 354 questionnaires and 35 focus group discussions, it was found that regarding preferences for care, 58.8% of elderly respondents chose to be taken care of by their children, 19.3% chose the community and home-based EC services, and 15.6% chose the EC institutions as their preferred means of care. Individual EC decisions are influenced by a variety of factors, including an older person's health condition, economic status, age, education level, number of children, traditional EC concepts, and social networks. These factors will also influence willingness-to-pay. However, obviously, the limited income of poor elderly restricts their expectation of enjoying EC services. Without government subsidies or assistance, it will be difficult for poor elderly to live in an EC residential care with good quality. Thus, there is a need for provincial and local governments to assess the options for subsidizing the semi-disabled or disabled and poor elderly and if possible, expand coverage and amounts. The HCBC to be established and improved under the project will expand coverage, access and affordability of EC services for the low and middle income elderly.

121. The project will benefit residents of the five subproject sites through the development of integrated residential, community, and home-based ECSS, facilities, and ICT systems. The construction of EC facilities and their operation will create new job opportunities for about 2,200 persons. The project will benefit a total of about 300,000 persons in the six project areas when the services are operational and 4,400 students will have been certified by YSU at project completion. The project targets low- and middle-income elderly who comprise approximately 40% of the total elderly population, and will promote improved care assessment systems to allow care to be directed to those most in need. The project will directly benefit local EC services providers, caregivers, and local officials through capacity building. The project targets low and middle income elderly who comprise approximately 40% of the total elderly population.

### **A. Gender**

122. The project is classified as "effective gender mainstreaming" (EGM). Analysis of the survey and focus group discussion data revealed gendered differences in elderly needs and circumstances. Among the elderly population, women typically outnumber, live longer, and suffer from more diseases than men. Especially among the "empty nest" elderly, fully independent elderly, and those 80 and above, women significantly outnumber men, but their income levels are typically lower than those of men. Family contributions often play a significant role in access to care services for both women and men, but to what degree varies among individuals and

circumstances. Development of elderly care will help relieve family caregivers and give unsupported elderly better access to care. Benefits will include reduced time burdens for family caregivers and improved job opportunities from training in a service industry traditionally female dominated.

123. A social and gender action plan (SGAP) has been prepared to be carried out by the implementing agencies during project implementation, under the overall oversight of the HPMO. Social inclusiveness and gender mainstreaming is the objective of the SGAP actions. All the actions, indicators, responsible institutions, timeframe, and budget have been discussed with the HPMO, implementing agencies, and relevant local government departments and agreement reached on the actions included. The SGAP is in Table 36.

Table 36: Social and Gender Action Plan

Outputs	Action	Indicators and Targets	Institutions	Timeframe	Budget
<b>Output 1: Improved community and home care services</b>					
Improve selected community centers and rural communal homes	<ol style="list-style-type: none"> <li>1. Establish gender-sensitive community feedback mechanism on quality and accessibility of EC services</li> <li>2. Establish and/or use self-support groups of elderly and their families at the community level</li> </ol>	<ol style="list-style-type: none"> <li>1. Feedback records to collect qualitative data (sex-disaggregated analysis)</li> <li>2. Number of self-support groups; number of groups' participants (age- and sex-disaggregated)</li> <li>3. At least one self-support group established in each county, city, district</li> </ol>	Implementing agencies, PMO, consultants, design institute, civil affairs department (provincial level), communities	2017–2019	Project budget  At least one group for each implementing agency funded at CNY1,200 per year for 3 years
Develop information technology networks	<ol style="list-style-type: none"> <li>(i) Training and consultations for elderly on ICT networks</li> <li>(ii) Ensure vulnerability disaggregation capability of the database</li> </ol>	<ol style="list-style-type: none"> <li>(i) Number and % of training participants (age- and sex-disaggregated)</li> <li>(ii) Number of calls received and responded to by the call center (disaggregated by sex, age, urban/rural, kind of assistance requested)</li> </ol>	Implementing agencies, PMO, civil affairs department (provincial level), communities, ICT operator	2017–2022	Project budget
Develop services and support networks	Develop a HCBC services working group	<ol style="list-style-type: none"> <li>1. 50% of group members are female</li> <li>2. Time and frequency of working group meetings; minutes of the meetings</li> </ol>	Implementing agencies, PMO, civil affairs and health department (provincial department)	2017–2018	Project budget
<b>Output 2: Increased residential elderly care service capacity and improved quality</b>					
Provide expanded institutional care facilities and services for elderly at various stages of need	<ol style="list-style-type: none"> <li>1. Staff orientation and in-service training on diversity and inclusion</li> <li>2. Caregivers supporting program and counseling services</li> </ol>	<ol style="list-style-type: none"> <li>1. At least 80% of staff, including caregivers, receive training on diversity and inclusion</li> <li>2. Number and % of participants of which at least 70% are women</li> <li>3. Average occupancy of residential care beds reaches 90% by 2022. Occupancy disaggregated by sex, age, and care need level</li> </ol>	Implementing agencies, PMO, civil affairs department (provincial level)	2017–2022	Project budget
<b>For Outputs 1–2: Generating job opportunities</b>					
Develop HCBC services centers, elderly care centers, and a training center in YSU	1. Generate 690 skilled and 176 unskilled jobs at the construction stage, with no age discrimination	(i) At least 20% are made available to the low-income persons and 15% to women during the construction period (Baseline for female	Implementing agencies, PMO, consultants, design institute,	2017–2022	Project construction and operation funds



Outputs	Action	Indicators and Targets	Institutions	Timeframe	Budget
	2. Generate 1,211 skilled and 153 unskilled jobs at the operation stage, with no age discrimination	(ii) construction workers is 5%) At least 30% are made available to the low-income persons and 50% to women during the operation period (Baseline for female staff is 30%) (iii) At least 35% of managerial positions during the operation period will be given to women	contractors		
<b>Output 3: Improved development of human resources and industry capacity</b>					
Develop training programs and training materials	1. Develop gender-sensitive textbooks and training materials 2. Raise the awareness of home, community- and residential-based ECSs' providers and local officials on social inclusion 3. Develop and disseminate outreach materials on job opportunities	1. Number of gender-sensitive textbooks and learning materials by 2022 (disaggregated by priority area) 2. Gender- and age-sensitive training courses and materials; number, %, and type of trainees (sex-disaggregated) 3. At least 70% of the outreach materials recipients are female	YSU, training program developer, social consultant, elderly care consultants, PMO, civil affairs department (provincial level), human resource and social safeguards department	2017–2022  2017–2019	Project budget
<b>Output 4: Improved capacity of elderly care sector organizations (pilot)</b>					
Develop local elderly care development planning (Li County)	Consultation with stakeholders on socially inclusive local EC development	(i) Draft socially inclusive elderly care planning document (ii) Number, %, and types of stakeholders participated in the planning process (sex-disaggregated)	Implementing agencies, PMO, consultants, local government, civil affairs department (provincial level)	2017–2019	Project budget
Develop the elderly long-term care assessment system (Shuangluan District)	Develop an age- and gender-sensitive elderly care assessment guideline	An age- and gender-sensitive EC care assessment guideline			
Develop quality management system (She County)	Develop quality monitoring indicators for gender sensitive and social inclusiveness	Monitoring indicators established (age- and sex-disaggregated)			

ECS = elderly care system, HCBC = home- and community-based care, ICT = information and communications technology, PMO = project management office, YSU = Yanshan University.

Source: Asian Development Bank

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

**Table 37: Project Design and Monitoring Framework**

Impact the Project is Aligned With			
A comprehensive three-tiered elderly care system (home, community, and residential) established (Opinions on Promoting the Development of Senior Care Service Industry [Circular No. 35, 2013]) <sup>a</sup>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<b>Outcome</b> Capacity of the elderly care system and quality of ECSS in Hebei improved	a. Community elderly care centers with in-home stations cover all urban communities and 90% of townships (2016 baseline: 70%) b. 3% residential care rate achieved and maintained by 2022 (2016 baseline: 2.2%) c. Proportion of elderly care managers with license to practice increased to 100% and care workers to 90% (2017 baseline: To be determined)	a–c. Annual Hebei Civil Affairs Department reports (provincial level)	Policies to improve sector financing, regulation, and monitoring are not developed and implemented.
<b>Outputs</b> 1. Community and home care services improved	1a. Number of elderly served by home-based services provided by the project implementing agencies in 2022 (age-, sex-, and location-disaggregated) (2016 baseline: 0) 1b. Number of community centers constructed or rehabilitated and resourced with equipment under the project (2022 target: 51; 2016 baseline: 0) 1c. Number of calls received and responded to by the call center (disaggregated by sex, age, urban and/or rural, kind of assistance requested) (2016 baseline: 0)	1a. Implementing agency monitoring reports, semiannual HPMO reports  1b. Implementing agency monitoring reports, semiannual HPMO reports, annual CAB reports  1c. Annual call center reports, semiannual HPMO reports	Information on HCBC services not adequately communicated to the elderly and their families
2. Residential elderly care service capacity increased and quality improved	2a. Average occupancy of residential care beds provided under the project reaches 90% by 2022 (occupancy to be disaggregated by sex,	2a. Semiannual HPMO project monitoring reports	Potential conflict of interest between the project objective of targeting low- to middle-income elderly with care needs and the

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	age, and care need level) (2016 baseline: 0%)		implementing agencies' desire to maximize revenue by targeting higher-income elderly with greater discretionary spending power
	2b. By 2022, all implementing agencies offer a minimum set of services comprising residential care facilities, providing care and nursing services for semi-disabled and disabled older persons, dementia care, and rehabilitation services (disaggregated by implementing agency) (2016 baseline: 0) 2c. At least 35% of managerial positions during the operations period will be targeted to women (2016 baseline: 0)	2b–2c. Implementing agency project reports, HPMO monitoring	Land acquisition and resettlement policies are not implemented effectively.
3. Development of human resources and industry capacity improved	3a. At least five elderly care training programs developed by Yanshan University by 2022 (2016 baseline: 0) 3b. Number of new elderly care priority area textbooks developed, including gender-sensitive learning materials, by 2022 (disaggregated by priority area) (2016 baseline: 0) 3c. Target of at least 4,000 certifications awarded in new elderly care short- and long-term courses by 2022 (disaggregated by sex, course, and certification level) (2016 baseline: 0)	3a–3c. Yanshan University reports, HPMO monitoring	Hebei Civil Affairs Department does not accept the need to regulate for increased certification requirements.
4. Capacity of elderly care sector organizations improved	4a. At least two project city governments to have comprehensive elderly care sector plans approved, including financing section, by 2020 (2016 baseline: 0) 4b. All project implementing agencies and CABs to	4a. HPMO monitoring reports  4b. Pilot report, HPMO monitoring reports	Lack of clarity in defining roles and responsibilities of relevant agencies

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	have developed volunteer groups for elderly support by 2022 (2016 baseline: 0)		
<b>Key Activities with Milestones</b>			
1. Community and home care services improved 1.1 Build, rehabilitate, and equip 51 community care centers by 2022 1.2 Implement study tour to Beijing and Japan on HCBC by 2019 1.3 Develop HCBC service specifications for each implementing agency and assessment system by 2019 1.4 Establish a training and support program for family caregivers by 2019 1.5 Establish a home safety assessment and modification program by 2020 1.6 Establish call center support systems by 2021  2. Residential elderly care service capacity increased and quality improved 2.1 Undertake land acquisition and resettlement during 2017–2018 2.2 Construct residential care facilities by 2020 2.3 Develop and implement market research study by 2017 2.4 Develop and implement learning collaborative on elderly care management and services by 2018 2.5 Design, implement, and evaluate elderly care pilot project by 2022  3. Development of human resources and industry capacity improved 3.1 Construct elderly care training center and student dormitory by 2019 3.2 Design curriculum for five fields and develop 19 textbooks by 2022 3.3 Establish training plan (including study tours) for faculty by 2017 3.4 Establish research center for priority areas by 2020  4. Capacity of elderly care sector organizations improved 4.1 Implement resettlement plan, environmental management plan, and social and gender action plan by 2022 4.2 Develop and implement CAB learning program by 2021 4.3 Develop and implement CAB and HCBC service pilot projects by 2021 4.4 Conduct pilot evaluation by 2020 4.5 Initiate rollout of successful pilot projects by 2021			
<b>Inputs</b> Asian Development Bank: \$100.00 million (loan) Government: \$25.09 million Private sector: \$55.03 million Total: \$180.11 million Note: Numbers may not sum precisely because of rounding.			
<b>Assumptions for Partner Financing</b> Not applicable			

CAB = civil affairs bureau, HCBC = home- and community-based care, HPMO = Hebei project management office.

<sup>a</sup> Government of the PRC, State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*. Beijing.

Source: Asian Development Bank.

124. The design and monitoring framework (DMF) for the project has been agreed between the ADB, HPG, and the six implementing agencies. The DMF forms the foundation against, which project success will be evaluated. While the high-level project design (impact and outcome) are unlikely to change during project implementation, changes are likely to occur at the output and inputs levels of the DMF. The continued relevance of the DMF and specific targets will be monitored as part of the project supervision and the DMF will be updated accordingly when necessary.

## **B. Monitoring**

### **1. Project Performance Monitoring**

125. At the commencement of project implementation, the project management office (HPMO) and implementing agencies, with the assistance of consultants, will develop a comprehensive PPMS, including procedures to generate data systematically on the inputs and outputs of the components, as well as the indicators to be used to measure the project impact considering the components' scope. The HPMO, on behalf of HPG, will (i) refine the initial outline PPMS design (Appendix 10 of this PAM); (ii) confirm achievable targets; (iii) finalize monitoring, recording, and reporting arrangements; and (iv) establish systems and procedures to capture required data and information, no later than 6 months after loan effectiveness. The HPMO together with the implementing agencies, and with consulting support, will be responsible for monitoring and reporting on the performance of the project. The basis for performance monitoring will be the DMF. The DMF identifies the principal performance targets for the impact, outcome and outputs of the project. By collection of data from the sources identified in the DMF, the HPMO will be able to report to ADB the performance of the project on a semiannual basis.

126. **Compliance monitoring.** Compliance with policy, legal, financial, economic, environmental, social, and other covenants contained in the loan and project agreements will be monitored by HPMO and the implementing agencies will be required to advise HPMO of any circumstances that result or will likely result in noncompliance. HPMO will report the latest situation in respect of covenant compliance in each of its semiannual progress reports to ADB. ADB will monitor compliance through a review of the HPMO progress reports and through selective follow-up discussions or more detailed reviews during supervisory missions to Hebei.

### **2. Safeguards Monitoring**

127. **Environment management plan implementation supervision and monitoring.** The six implementing agencies through their assigned environmental supervisors will conduct regular construction site inspections in accordance with the inspection plan defined in EMP (EMP, Appendix 2), and using the inspection checklist attached to the EMP, the loan implementation environment consultant will give advice, as necessary. The HPMO, with the support of the loan implementation environment consultant will synthesize the quarterly environmental inspection and monitoring results provided by the implementing agencies into the semiannual progress reports and the consolidated annual reports prepared for ADB.

128. **Involuntary resettlement and indigenous peoples safeguards.** Internal and external monitoring of resettlement plan implementation will be conducted. Monitoring methodologies are specified in the resettlement plans. Each implementing unit will carry out internal supervision and monitoring to ensure compliance with the provisions of the resettlement plan. The PMO and implementing units have agreed to a set of supervision milestones with ADB, to ensure timely and effective implementation of resettlement activities. An independent agency under contract to the subprojects PMOs will implement external monitoring and evaluation. Semiannual external monitoring reports will be forwarded directly to both the HPMO and ADB. The project implementation resettlement consultant will provide advice and training to the implementing agencies in how to establish their local resettlement monitoring systems and provide a quarterly reporting form for submission to HPMO. This consultant will also support HPMO in preparing resettlement progress reports for inclusion in the semiannual project progress reports. The project is classified as category C for indigenous peoples safeguard and there are no specific monitoring requirements.

129. **Gender and social dimensions monitoring.** The project management office in coordination with the implementing agencies and with the assistance of the project management consulting service (8 person-months, social and gender consultant), are responsible for reporting on progress and achievements of the project. Key indicators from both plans will be included in the PPMS and reported on semiannually. This results based monitoring system will also include an analysis of gender, and social issues.

130. **Evaluation.** ADB and the government will review project implementation at least once a year. In addition, ADB and the government will undertake a comprehensive midterm review 2 years after the start of project implementation to include a detailed evaluation of the project scope, implementation arrangements, achievement of scheduled targets, and progress made in implementing the agreed capacity building measures. Feedback from the PPMS outputs will be analyzed. A Procurement Review for Effective Implementation may also be conducted by ADB to assess progress and any issues that have arisen issues in procurement implementation and any such review will be timed to provide input for the midterm review. Within 3 months of physical completion of the project, HPG will submit a project completion report to ADB that will include its own comprehensive evaluation of the project.<sup>56</sup>

### C. Reporting

131. The HPG, through HPMO, will provide ADB with (i) semiannual progress reports in a format consistent with ADB's project performance reporting system, a template for this report is provided as Appendix 11 to this PAM; (ii) consolidated annual report and review, including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) an updated procurement plan, and (d) an updated implementation plan for the next 12 months; and (iii) a project completion report within 3 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and private entity audited financial statements together with the associated auditor's report, should be adequately reviewed and follow up action taken as necessary. Reporting requirements are summarized in Table 38.

**Table 38: Reporting Requirements and Schedule**

Reports	Reference	Due Time
Project performance monitoring system (i) Develop comprehensive project performance monitoring system procedures (ii) Reporting of baseline and progress data	(To follow: This column will refer to the relevant clause of the project agreement or this PAM that stipulates the particular reporting requirement)	No later than 6 months after loan effectiveness  Included in semiannual, project progress reports (see below)
Project progress reports Report due each January is to include an annual review		Semiannual within 1 month after the end of each 6-month period (i.e., in July and January)
Audited project accounts, financial statements, and audit report (including auditor's opinion)		Not later than 6 months after the closure of each fiscal year (i.e. by 30 June)
Audited entity statements and audit report with auditors' opinion for each of the three privately owned implementing agencies.		Annually, within one month of the completion of the audit.
Social monitoring		To be included in the semiannual project

<sup>56</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

Reports	Reference	Due Time
Reporting on SGAP implementation		progress reports
EMP progress reporting by the PMO to ADB		Key issues to be included in the semiannual project progress reports and full details to be reported in the annual environmental monitoring reports
Resettlement plan monitoring		Quarterly from implementing agencies to HPMO and semiannually by HPMO to ADB (in semiannual project progress reports)
Covenant compliance		Semiannually in project progress reports.
Project completion report		Not later than 3 months after the physical completion of the project

ADB = Asian Development Bank, EMP = environmental management plan, HPMO = Hebei project management office, PMO = project management office, SGAP = social and gender action plan.

## D. Stakeholder Communication Strategy

132. A stakeholder consultation and engagement plan (Table 39) has been prepared to highlight the most important communications challenges faced by the project

**Table 39: Stakeholder Consultation and Engagement Plan**

Outputs	Action	Indicator	Budget	Stakeholders and/or Participants
<b>Output 1: Improved community and home care services</b>				
Improve selected community centers and rural communal homes	(i) Raising public awareness of the community and home care services (ii) Local elderly's involvement in designing the community and home care services and deciding the pertinent prices, so as well in the implementation and monitoring (iii) NGOs and/or volunteers' involvement in supporting the community and home care services	(i) Media promotion, posters, and promotion activities in the communities (ii) The number of consulting workshops or the internal an/or external evaluation/monitoring activities, the number of the elderly participants, and the consultation/evaluation and/or monitoring record (iii) The number of NGOs and/or volunteers involved in the community and home care services	Project budget, government finance	Implementing agencies, PMO, design institute, consultants, local government CAD, the media, local people including the elderly, NGOs, volunteers
Develop services and creating links and support networks between selected residential institutions to improve and expand service delivery and quality	(i) Workshop or meeting organized to establish the social network among community centers and/or rural communal homes and residential	(i) The number of workshop or meeting organized; the participants (ii) Times to attend the pertinent conferences or exhibitions	Project budget, government finance	Implementing agencies, PMO, consultants, CAD, the elderly associations, community centers, rural communal homes, residential institutions, elderly care industry associations,

Outputs	Action	Indicator	Budget	Stakeholders and/or Participants
	(ii) institutions Attending conferences or exhibitions to strengthen the links with various suppliers in the elderly care industries			suppliers in the elderly care industries
Develop information technology networks that link home- and community-based service providers to elderly individuals	(i) Raising public awareness of elderly care calling service, including the elderly, and various business units encouraged and attracted to provide pertinent ECSS  (ii) Training the elderly and the community/village cadres how to use the push-to-talk facilities	(i) Media promotion, posters and other promotion activities in the communities; the number of business units attracted and involved  (ii) The numbers of the communities/villages, the elderly and the community/village cadres who receive the training workshops	Project budget, government finance, business payment	Implementing agencies, PMO, local government, CAD, the media, local people including the elderly, community and/or village cadres, business units, calling facility supplier
<b>Output 2: Increased residential elderly care service capacity and improved quality</b>				
Provide expanded institutional care facilities and services for elderly at various stages of need	(i) The involvement of the elderly living in the elderly care institutions and their close relatives in the implementation and monitoring  (ii) Encouraging NGOs and/or volunteers' involvement in supporting the ECSS	(i) The internal or external ECSS evaluation/monitoring system  (ii) The number of NGOs and/or volunteers involved in the ECSS, their activities record	Project budget	Implementing agencies, PMO, consultants, CAD, the elderly, the relatives, NGOs and/or volunteers
Establish links to existing health facilities and home and community care to support a continuum of care	(i) Workshop or meeting organized by the civil affairs department and health department to establish the social network among community centers/rural communal homes, residential institutions and medical	(i) The number of workshop or meeting organized; the participants  (ii) Times to attend the pertinent conferences or exhibitions	Project budget, government finance	Implementing agencies, PMO, CAD, health department, community centers/rural communal homes, residential elderly care institutions, medical institutions, elderly care and/or medical facility industry associations, suppliers in the elderly care and health industries



Outputs	Action	Indicator	Budget	Stakeholders and/or Participants
	institutions (ii) Attending conferences or exhibitions to strengthen the links with various suppliers in the elderly care and health industries			
Serve as training bases for ECSS management and human resources development	Providing trainings, workshop, and visits for the peers who want to learn	The times of trainings, workshop, and visits provided; the number of peer participants	Project budget	Implementing agencies, PMO, CAD, residential elderly care institutions
Serve as demonstration model				
Output 3: Improved development of human resources and industry capacity				
Develop training programs in ECSS provision for home-, community-, and residential-based care providers	(i) Consulting of trainings demand (ii) Organizing training workshops (iii) Training evaluation and improvement	(i) The number of consulting workshops/interviews; participants and minutes (ii) Times of training workshops; the number of trainees (iii) Evaluation records by the trainees	Project budget	Implementing agencies; PMO; training program developer; consultants; CAD; home-, community-, and residential-based care providers
Develop training materials and an outreach strategy for training caregivers	(i) Consulting of training content demand (ii) Training material evaluation and improvement	(i) The number of consulting workshops/interviews; participants and minutes (ii) Evaluation records by the trainees	Project budget	Implementing agencies; PMO; training material developer; consultants; CAD; home-, community-, residential-based care providers
Develop a training center on the YSU campus	Consulting of training facilities demanded	The number of consultation workshops; kinds and number of participants	Project budget	Implementing agencies; PMO; consultants; CAD; suppliers of elderly care facilities; home-, community-, and residential-based care providers
Output 4: Improved capacity of elderly care sector organizations				
Develop local EC Development Planning	(i) Consulting of local elderly care service demand (ii) Plan implementation, monitoring, and improvement (iii) Evaluating the plan implementation	(i) Local elderly care service demand analysis; the number of consultation workshops; kinds and number of participants (ii) Monitoring report and suggestions for improvement (iii) Evaluation report; the number of evaluation workshops; kinds and	Project budget	Implementing agencies; PMO; consultants; CAD; health department; human resource and social security department; home-, community-, and residential-based care providers; the elderly and their relatives

Outputs	Action	Indicator	Budget	Stakeholders and/or Participants
		number of the interviewees		
Develop the elderly long-term care assessment system	(i) Consulting local demand of the elderly long-term care assessment system (ii) Attending the training/visit of the elderly long-term care assessment system (iii) Evaluating the elderly long-term care assessment system to be established	(i) The number of consulting workshops/interviews; participants and minutes (ii) Times of training and/or visits; the number of participants (iii) Evaluation report; the number of consulting workshops/interviews; participants and minutes	Project budget	Implementing agencies; PMO; consultants; CAD; health department; human resource and social security department; home-, community-, and residential-based care providers; the elderly and their relatives
Develop quality management system for elderly care institutions	(i) Consulting local demand of quality management system for elderly care institutions (ii) Attending the training/visit of the elderly long-term care assessment system (iii) Evaluating the quality management system to be established	(i) The number of consulting workshops/interviews; participants and minutes (ii) Times of training/visits; the number of participants (iii) Evaluation report; the number of consulting workshops and/or interviews; participants and minutes	Project budget	Implementing agencies; PMO; consultants; CAD; health department; human resource and social security department; home-, community-, and residential-based care providers; the elderly and their relatives

CAD = civil affairs department, , ECSS = elderly care services, NGO = nongovernment organization, PMO = project management office.

## X. ANTICORRUPTION POLICY

133. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>57</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>58</sup>

134. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the project. These include:

- (i) HPG, shall, and shall cause the implementing agencies to ensure they and all agencies involved in the project, comply with ADB's Anticorruption Policy (1998, as amended to date). HPG shall also cause the implementing agencies to undertake the following anticorruption actions: (a) involving full-time officials from

<sup>57</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>58</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

the relevant Discipline Investigation Bureau in the bidding, award, and implementation of contracts; (b) introducing a dual-signing system, in which the contract winner signs an anticorruption contract with the employer when they sign and execute the contract; and (c) periodically inspecting the contractors' fund withdrawals and settlements.

- (ii) In furtherance of the principles of transparency, participation, accountability, and zero-tolerance for corruption, HPG shall maintain a relevant website that describes the project in order to provide the public with information on the project and project progress including setting out (a) the procurement plan and tracking of procurement contract awards, (b) relevant laws and regulations, and (c) job opportunities.

135. **Grievance and redress mechanism.** HPG will ensure that within 60 days following the effective date, comprehensive grievance redress mechanisms are established in accordance with the provisions of the Project Agreement to receive and facilitate resolution of stakeholder (including the general public) concerns, complaints, and grievances about the project. The grievance procedures should have multiple channels for both receiving and processing grievances of different types. For example, environmental grievances will be dealt with in a different manner to allegations of misprocurement.

136. **Risk management.** During project preparations, a risk assessment and risk management plan were prepared in accordance with the ADB's Second Governance and Anticorruption Action Plan. The assessment and appropriate mitigation measures were discussed and agreed with HPG and the implementing agencies. The risk management plan is a separate linked document to the Report and Recommendation to the President.

## **XI. ACCOUNTABILITY MECHANISM**

137. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>59</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

138. All revisions and/or updates during implementation are to be recorded in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement S-curves.

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<sup>59</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.



# **Hebei Elderly Care Development Project**

## **Final Report**

### **Volume One**

#### **Appendix 3**

##### **Summary Sector Analysis**

## SECTOR ASSESSMENT (SUMMARY): HEALTH<sup>60</sup>

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. The People's Republic of China (PRC) faces tremendous challenges in ensuring the wellbeing of its elderly population. The population is aging rapidly at a time when the per capita income remains modest. Social security systems (health insurance and pension programs) cover a broad portion of the population, but are still insufficient to meet the financial needs of senior citizens, especially the high potential financial burden of medical costs, which reduces the propensity to spend on elderly care (EC) services. Social welfare programs are targeted and limited in coverage and benefit rates. As a result, 22.9% of the elderly have consumption levels that are below the poverty line.<sup>61</sup> Although the vast majority (88.7%) of the elderly who need assistance with daily activities currently receive help from family members, the number of elderly living alone is likely to increase in the future given the fewer number and greater migration of children, posing challenges for provision of EC, especially in rural areas.<sup>62</sup>

2. Responding to this challenge, the PRC Government has taken robust action to provide social protection to the elderly. It has expanded the coverage of public pension and health insurance programs, strengthened social safety net programs, expanded services for the elderly, and raised social awareness about the need to assist the elderly. The PRC's Twelfth Five-Year Plan laid out a framework for developing a three-tier system of EC with "home care as the foundation, community services as backbones, and residential care facilities as supplements."<sup>63</sup> The government provides some EC services, with the main focus on residential care for the most vulnerable and elderly war veterans (whose numbers are depleting). This has led to imbalances in the system with many public residential care facilities being underused, and inadequate facilities being available for the broader public. Much progress has been made in the major urban centers, where public services are better developed, a large percentage of the population can afford services, and local governments have funds to subsidize access. A major challenge is to identify models for less developed provinces and particularly for rural areas where the majority of elderly are located. There is a strong focus in more recent legislation on stimulating the role of private sector, non-profit, and voluntary organizations in the sector; thus expanding coverage and improving quality of services. Key challenges to developing the elderly care system (ECS) lie in the areas below.

<sup>60</sup> This summary is based on the full project sector assessment, which is available on request.

<sup>61</sup> Peking University. 2013. *China Health and Retirement Longitudinal Study (CHARLS)*. Beijing.

<sup>62</sup> A study report on "the state of personal care workers in Hebei, its problems and solutions." A study supported by Provincial and Municipal Elderly Committees of Hebei, conducted in Zhangjiakou, Hengshui, Cangzhou, Tangshan, Qinhuangdao, and Shijiazhuang. Section 2.1. Available at [http://wenku.baidu.com/link?url=TFledsv0urMCazcopig2K6M-mArye3KLU2IsEkvgPiiXA6CGWqwxDcoaMviFoR9bbYgY0iBsgUVVg\\_jwXokvXnB1Dlf1Cbw9ynE\\_etwmGT](http://wenku.baidu.com/link?url=TFledsv0urMCazcopig2K6M-mArye3KLU2IsEkvgPiiXA6CGWqwxDcoaMviFoR9bbYgY0iBsgUVVg_jwXokvXnB1Dlf1Cbw9ynE_etwmGT)

<sup>63</sup> Government of the PRC, State Council. 2011. *National Economy and Social Development Twelfth Five-Year Plan, 2011–2015*. Beijing. The government seeks to develop a system of EC commonly referred to as 90-7-3. The three-tiered system provides 90% of elderly to age at home supported by home care services, 7% to receive community-based services, and 3% institutional services.

3. **Human resources.** As in all countries, the dearth of skilled workers for the ECS is a critical constraint for expansion and quality of service delivery. It is projected that there should be 10 million long-term care (LTC) positions covering home-, community-, and residential-based care, including positions such as physicians, nurses, rehabilitation specialists, social workers, and other elder care technicians. But, today there are less than 300,000 people working in the PRC's residential care. Among the existing workforce, the majority are women—more than half of them over 40 years old and 70% have received no education or training beyond high school level. Hebei is no exception; there were about 20,000 care workers in Hebei by 2014. Based on the strategic plan on EC human resources development of the Hebei Civil Affairs Department, Hebei will need more than 200,000 EC workers by 2020.<sup>64</sup>

4. **Affordability of services.** To date, government subsidies are largely directed toward service providers and primarily to residential care. Limited pensions, income, and other assets are critical barriers for many elderly. While those who are below the minimum living standard can receive subsidized care in public institutions, for all others, their primary choices are limited to private sector and non-profit services, many of which do not offer services for semi-dependent and dependent elderly. This is an area of much change at the policy level, and new pilots for establishing LTC insurance are being conducted across the country (including in two of the subproject areas: Julu County and Shuangluan District).

5. **Lopsided development and low public perceptions.** To date, the majority of effort and government subsidies have gone into the development of residential care services. There is an urgent need to support “aging in place,” clearly define home- and community-based care services, build public awareness, and expand access. Public perceptions of residential care are low as many are concerned about quality of services and limited options. Many residential care institutions and community-based programs do not accept elderly with care needs such as dementia or physical disabilities.

6. **Quality.** Quality of services is related to skilled human resources, establishment of clear standards, quality monitoring systems, and regulation. All of these are still areas of development for the PRC EC sector. Lack of experience in the sector by new entry service providers prevents matching services and facilities with real needs of the elderly.

7. **Policy and regulation.** In addition to the PRC's twelfth and thirteenth five-year plans, there is a great deal of new policy being discussed and drafted to support creating a robust ECS.<sup>65</sup> This includes (i) regulations to incentivize private sector and voluntary organizations to enter into the sector; and (ii) subsidies, which will promote quality and access for those with care needs, develop assessment and quality monitoring systems and EC services, and develop financing mechanisms, such as LTC insurance.

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<sup>64</sup> Hebei Provincial Government, 2016. *Provincial Economy and Social Development Thirteenth Five-Year Plan 2016-2020*. Shijiazhuang, Hebei.

<sup>65</sup> Government of the PRC, State Council. 2010. *National Economy and Social Development Twelfth Five-Year Plan, 2010-2015*. Beijing; Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016-2020*. Beijing.

8. The EC sector is relatively new, rapidly developing, and multisectoral. There are many challenges in developing the system, appropriate services, and identifying models that respond to the needs of the rapidly emerging and extremely diverse older population. Opportunities for investment for Asian Development Bank (ADB) and others lie at all levels: policy, facilities, human resources, urban environments, and services development.

## **2. Government's Sector Strategy**

9. The PRC has been addressing the consequences of its aging population since the late 1970s, with successive policies to finance old age care, stimulate private sector participation, define the responsibilities of families, and organize community-wide responses to support the elderly. The Twelfth Five-Year Plan called for establishing an old age care system (with targets for home, community, and residential care) by expanding grassroots aging associations; encouraging volunteerism among senior citizens; developing the non-profit services sector; and improving health management services. The 2012 revision of the Elderly Law includes requirements for local governments to develop community services for senior citizens.<sup>66</sup> The opinions of the State Council (September 2013) to accelerate the development of EC service industry recognizes the progress made and the significant challenges that remain.<sup>67</sup> The Thirteenth Five-Year Plan seeks to further expand access to services, improve quality, and strengthen the roles and responsibilities of government, the private sector, voluntary associations, and the public in EC.

10. The China National Committee on Aging is present from central to county government nationwide. The committee is responsible for planning, developing policies, conducting activities, and coordinating across 32 ministries and institutions. The major stakeholders in provision of EC include Ministry of Civil Affairs, which, under the Twelfth Five-Year Plan, was appointed as the lead agency for responding and coordinating EC, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security, and the National Development and Reform Commission. At the local level, civil affairs bureaus are the lead agencies for planning and monitoring EC programs.

11. Adequate funding of the sector has been a critical constraint for expanding access and ensuring affordability of services for the elderly and this is an area that is rapidly undergoing policy reform. According to the China Aged Care Industry Report, 2014–2017, the PRC aged market's estimated worth is CNY4 trillion and will surge to CNY13 trillion by 2030.<sup>68</sup> Many local real estate developers, insurance companies, and others have entered the sector. Despite private sector's involvement, especially in high end "lifestyle" focused investments, the central government is still the major EC funder. In 2012, nationally a total amount of CNY3.1 billion was used for piloting residential care facilities. The Ministry of Civil Affairs allocated CNY50 million from the welfare lottery funds for building rural EC facilities. Between 2010 and 2012, investments from local government increased from CNY15.6 billion to CNY27.7 billion, while private funding in 2012

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<sup>66</sup> Law of the People's Republic of China on Protection of the Rights and Interests of the Elderly.

<sup>67</sup> Government of the PRC, State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*. Beijing.

<sup>68</sup> China Aged Care Industry Report, 2014–2017. <http://www.reportlinker.com/p01162198-summary/China-Aged-Care-Industry-Report.html>



reached CNY14.5 billion.<sup>69</sup>

**Table 1: Sources of Elderly Care Funding in 2012**

Sources of funding	Amount (CNY billion)	%
Local government	27.7	29.0
Welfare lottery	54.0	56.0
Private	14.5	15.0
<b>Total</b>	<b>96.2</b>	<b>100.0</b>

12. Before 2013, welfare lottery funds were the major source for both central and local governments to fund EC services, and this was also the major source of revenue for social assistance programs. In 2013, the State Council's "Opinions on Speeding Up the Development of the EC Service Industry" allowed the provision of subsidies out of general revenues or free loans for building or operating residential care facilities. Since 2013, there has been liberation of public resources that can be deployed to support EC: (i) general revenues were allowed to fund EC services; (ii) insurance funds can be invested in the industry; and (iii) piloting reverse housing mortgages for elderly to buy care services. Despite these actions, local governments continue to be the major EC service provider. Funding of EC services is generated by local governments from diverse sources, including government allocations, public donations, preferential policies, and subsidies to address both supply and demand.

### **3. ADB Sector Experience and Assistance Program**

13. ADB has been conducting technical assistance at national and provincial levels over the past 15 years in social protection, public financial management, education, and urban development. More recently, a pipeline of TAs on EC has emerged. Focal areas include (i) municipal level planning for EC services; (ii) promotion of market innovation in developing EC, including franchising models for affordable community and residential EC facilities and services; (iii) development of human resources in technical and vocational education and training, and tertiary education programs; (iv) development of social workers for elderly with special needs; (v) improving efficiency in public service procurement, financing, and service delivery; (vi) outsourcing of public welfare services to non-profit organizations; and (vii) rural pension reform. In 2016, two loans have been prepared.<sup>70</sup> There are additional four loans in the 2017–2019 pipeline focusing on EC services and systems and public-private partnership. Development of the sector will create opportunities for new lending in education, health, social protection, and urban development. Development of EC and healthy cities are two pillars of the new Healthy Cities 2030 agenda.<sup>71</sup>

14. ADB is also implementing a six country regional technical assistance to build capacity of developing member countries EC systems and services.<sup>72</sup> A training program and resource manual have been prepared. The portfolio in this sector is beginning to

<sup>69</sup> X. Yuebin. 2014. *The Elderly Care System in China*. Consultant's report. Manila. (SC102836).

<sup>70</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Elderly Care Development Project*. Manila; ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Public-Private Partnerships Demonstration Program to Transform Local Government Delivery of Elderly Care Services*. Manila.

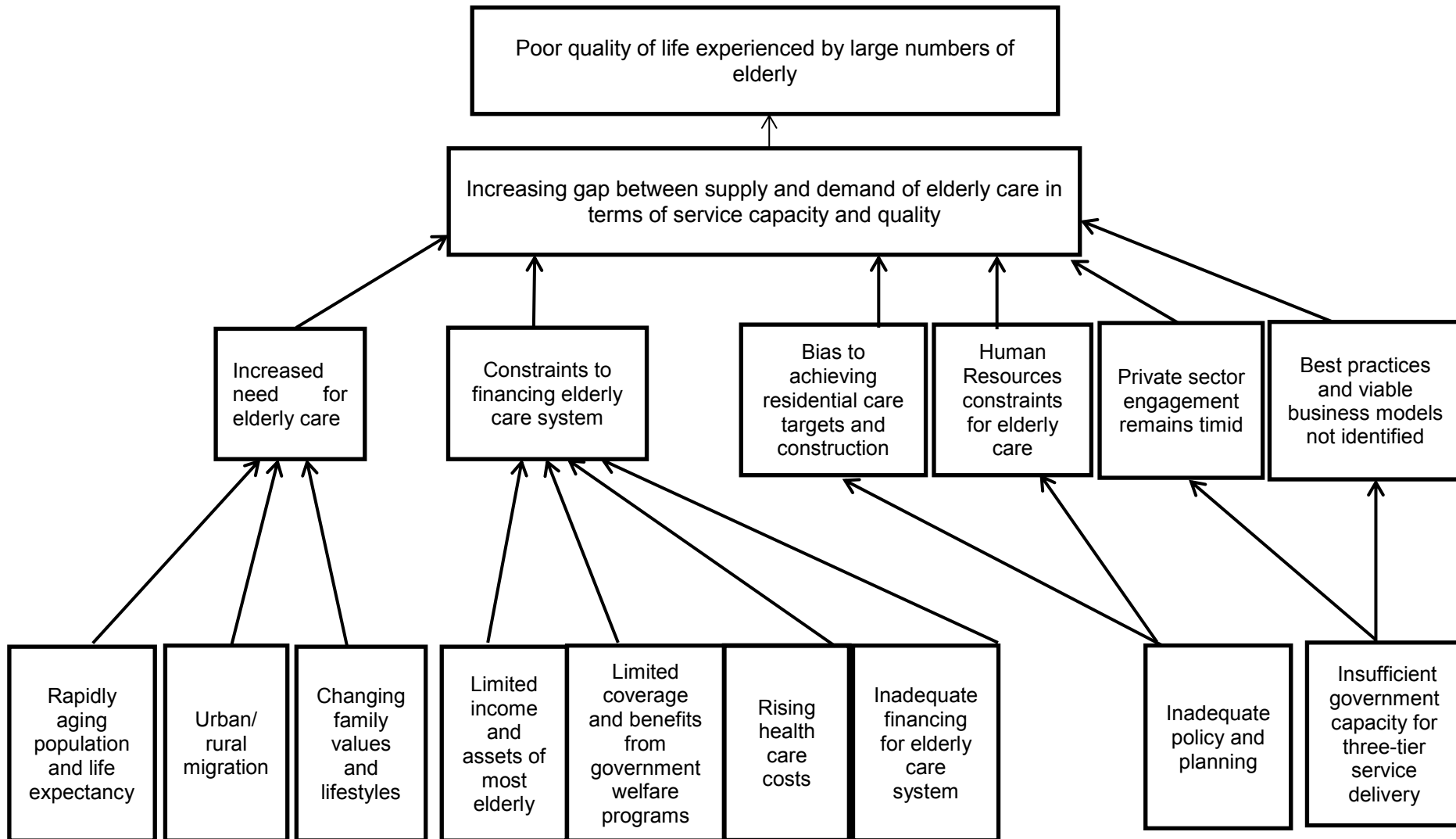
<sup>71</sup> Government of the PRC, State Council. 2016. *Guidelines of the "Healthy China 2030" Plan*. Beijing.

<sup>72</sup> ADB. 2016. *Technical Assistance for Strengthening Developing Member Countries' Capacity in Elderly Care*. Manila.

emerge in other countries, such as Viet Nam, which is engaging with the Japan Fund for Poverty Reduction to assess the possible development of LTC insurance.

15. This project and all current EC sector investments are taking place in an environment of rapid policy change and efforts to pilot and learn from new approaches. One critical area to be addressed is to define the roles and responsibilities of government, private sector, voluntary organizations, and the public. The project design emphasizes, in line with central government sector strategy, the creation of integrated three-tier EC systems in five county level cities and/or districts of Hebei, as well as a human resource development subproject, in partnership with Yanshan University to help tackle the critical shortage of skilled care-workers. The project will leverage private funding without significant contributions or risk sharing from city governments, and potentially providing a model of private sector participation that will prove more viable to many local governments than the alternative public-private partnership model. In addition, the project will pilot new innovations that aim to overcome current failings or inefficiencies in the sector. These innovations include increased use of information and communications technology, the development of care needs assessment systems, improved health and EC services integration, improved sector planning, and the design of systems to safeguard service quality and patient safety.

### Problem Tree for Hebei Elderly Care Development Project



Source: Asian Development Bank.

# **Hebei Elderly Care Development Project**

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#### **Appendix 4**

#### **Summary Financial Analysis**

## FINANCIAL ANALYSIS

### A. Introduction

1. This financial analysis has been undertaken in accordance with the guidelines for financial management and analysis of projects of the Asian Development Bank (ADB).<sup>73</sup> The analysis included assessments of the future viability of revenue generating projects and the fiscal impact of nonrevenue generating projects. In addition, fiscal impact analysis was used to assess the capacity of local governments to guarantee their respective share of the ADB loan.

2. The project comprises the development of integrated three-tier elderly care (EC) systems in five localities of Hebei Province: (i) Shuangluan District, Chengde City; (ii) Li County, Baoding Municipality; (iii) Xinji City; (iv) Julu County, Xingtai Municipality; and (v) She County, Handan Municipality—each will offer a suitable mix of home, community, and residential care services based on local needs. A full financial analysis has been performed accordingly on these five subprojects to ensure that these services will be fully financed from user fees. The sixth subproject involves EC human resources development and research initiatives by Yanshan University (YSU), located in Qinhuangdao Municipality in the northeast of Hebei, which was considered nonrevenue generating and has been subject to fiscal impact analysis.

### B. Cost Estimates

3. The project investment cost is estimated at \$180.11 million, including taxes and duties of \$6.54 million. The total cost includes physical and price contingencies and financial charges during implementation. Cost estimates were prepared by local design institutes based on local market rates and reviewed by the project preparatory technical assistance financial specialist. During implementation, costs will be updated in the procurement plan by the ADB project officer at least once a year to reflect the actual contract prices, contract variations, and updated cost estimates. The indicative project investment plan is summarized below, with detailed cost estimates set out in the project administration manual.

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost <sup>b</sup></b>	
1. Community and home care services improved	10.62
2. Residential elderly care service capacity increased and quality improved	117.81
3. Development of human resources and industry capacity improved	17.02
4. Capacity of the elderly care sector organizations improved	2.50
<b>Subtotal (A)</b>	<b>147.94</b>
<b>B. Contingencies <sup>c</sup></b>	<b>24.98</b>
<b>C. Financing Charges During Implementation <sup>d</sup></b>	<b>7.19</b>
<b>Total (A+B+C)</b>	<b>180.11</b>

<sup>a</sup> Includes taxes and duties of \$6.54 million to be financed from counterpart funds and Asian Development Bank (ADB) loan resources. ADB loan will cover taxes and duties on items financed by ADB. Financing of taxes and duties is proposed because the due diligence showed that (i) the amount of taxes and duties is within the reasonable threshold identified in the country partnership strategy, (ii) the amount does not represent an excessive share of the investment plan, (iii) taxes and duties apply only in respect to ADB-financed expenditures, and (iv) financing of the taxes and duties is material to the success of the project.

<sup>b</sup> In second quarter 2016 prices.

<sup>c</sup> Physical contingencies computed at 10% of base cost. Price contingencies computed at 1.5% for 2016, 1.4% for 2017, and 1.5% for 2018 and thereafter on foreign exchange costs; and 1.7% for 2016, 2.0% for 2017, 2.1% for 2018 and thereafter on local currency. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for ADB loan has been computed at the

<sup>73</sup> ADB. 2005. *Financial Management and Analysis of Projects*. Manila; ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

5-year US dollar fixed swap rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile, interest during construction for local commercial bank loan has been computed at 6%.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

### **C. Project Financing**

4. The ADB loan (\$100 million from ordinary capital resources) will finance 55.52% of the project cost, the Government of the People's Republic of China will finance 13.93.00% of the cost; the private sector will finance 24.70%; and raise a further 5.85% through commercial borrowing.

5. The project preparatory technical assistance due diligence has confirmed the viability of the public sector implementing agency financing plans and it is agreed these will all be supported by the normal local government assurances and documentation. However, due diligence investigations in respect of the proposed private implementing agency financing plans gave cause for some concern as verification of the different funding sources (mainly required equity injection and one commercial bank loan) did not prove possible. Detailed discussions with the government and the implementing agencies were held on this issue to identify a solution that would prove workable for the needs of all parties. It was decided that the only practical way for the necessary commitment to be demonstrated is for the private investors to contribute at least 20% of the total estimated investment cost of their respective subprojects. They would also provide documentation to verify these sums had been contributed and that they were specifically ring-fenced for financing the proposed ADB subproject. Each of the implementing agencies agreed this was viable and has undertaken to provide the required evidence of such funding as soon as practical. It has been further agreed that conditions for disbursement will be placed on any subproject implementing agencies that have failed to meet this requirement by the time of loan negotiations.

### **D. Financial Sustainability of the Project's Elderly Care Services**

6. The five subprojects will provide a range of EC services that will be paid for by users at market rates. A financial internal rate of return (FIRR) has been computed for each of these subprojects based on assumptions agreed with the implementing agencies (Table 2). These FIRRs were each found to exceed the weighted average cost of capital in the relevant subproject financing plan, thus indicating each subproject is financially viable. The average FIRR was computed as 5.52% compared to the average weighted average cost of capital of 2.84%. In accordance with ADB guidelines for the financial analysis of investment projects, a range of sensitivity tests were conducted on the results. It was identified that the results are most sensitive to a reduction in revenues obtained from the provision of EC services. This finding increases the importance of accurate forecasting of service demand and also the use of pricing structures that a broad range of elderly from different socioeconomic backgrounds can afford. Furthermore, the financial analysis calculated the projected financial performance of each implementing agency over a 15-year period. This exercise showed that the implementing agencies are all most vulnerable to financial shocks during the early period of operations while occupancy rates and service volumes are building up to the break-even point. This period is years 5 to 10 with the private implementing agencies being the most exposed to adverse circumstances. The variables considered for the sensitivity analyses were a 10% increase in capital costs, a 10% increase in operations costs, a 1-year delay in implementation, and a 10% decrease in revenues. The results of the analysis are summarized in Table 2.

**Table 2: Comparison of Financial Internal Rate of Return and Weighted Average Cost of**

**Capital with Financial Internal Rate of Return Sensitivities (%)**

	<b>Shuangluan</b>	<b>Julu</b>	<b>Li</b>	<b>She</b>	<b>Xinji</b>	<b>Overall</b>
FIRR base case	<b>4.85</b>	<b>7.53</b>	<b>4.87</b>	<b>5.73</b>	<b>5.74</b>	<b>5.52</b>
WACC	<b>3.02</b>	<b>2.74</b>	<b>2.89</b>	<b>2.71</b>	<b>2.75</b>	<b>2.84</b>
+10% Capital cost	4.00	6.48	4.01	4.71	4.81	<b>4.60</b>
+10% Operations cost	3.96	6.29	4.18	4.82	5.19	<b>4.71</b>
One year delay	4.54	7.21	4.54	5.38	5.42	<b>5.19</b>
-10% Revenue	2.94	5.03	3.17	3.64	4.12	<b>3.63</b>

FIRR = financial internal rate of return, WACC = weighted average cost of capital.

Source: Asian Development Bank.

7. The main assumptions used in the analysis performed were (i) level of demand was assessed relative to a national yardstick that 3% of elderly require long-term care and current provision in all the subproject areas was found to be well short of this level; (ii) the incremental service capacity and/or volumes to be created by the project was taken from the project feasibility studies once verified by EC specialists, with full achievable capacity taken as 98% of nominal total capacity; and (iii) pricing assumptions are based on the actual charges used at a similar facility that is already being successfully operated in Julu County. Full details of the assumptions used are documented in the detailed financial analysis.<sup>74</sup>

8. The following key financial performance indicators were determined to ascertain financial sustainability of entities: (i) a debt equity ratio not exceeding 2.33 (70:30); (ii) a debt service coverage ratio of at least 1.1; (iii) a current ratio of at least 1; and (iv) cost recovery ratio of at least 1, namely total revenues exceeding operations and maintenance (O&M) and greater of depreciation and debt service requirement. The results of the financial analysis show that once they achieve full operating capacity, the implementing agencies can each meet all the required financial performance indicators with the exception of Xinji from 2021 to 2025—due to its obligation to repay its commercial loan during this period—thus, indicating some form of re-financing will be required at this time. However, as long as tariff and occupancy assumptions hold good this will not create a problem.

## **E. Fiscal Affordability Analysis of Subprojects**

9. A fiscal affordability analyses was completed in order to assess the fiscal sustainability and debt repayment capacity of Julu, Li, and She counties; Shuanglan District; and Xinji City. The objectives of this assessment were (i) to review the fiscal historical revenues and expenditure during 2013–2015; and (ii) based on historical revenue-generating capacity—to estimate the future fiscal revenues and expenditure, assess the financial capacity of the local governments to finance counterpart funding during project construction and O&M, during operation period and debt service requirement, and during the loan payback period. In this analysis, a fiscal cost burden exceeding 2% of total revenues is assumed to be problematic as it may crowd out other programs or delay the provision of counterpart funds. While the financial responsibilities of the participating local governments differ dependent on the individual subproject financing plans, it was felt prudent to apply the same tests to each local government to cover the situation where a local government might feel obliged to step in as a result of the financial failure of one of the private investors.

10. The results of this analysis show that each local government can afford the counterpart funds, O&M cost, and debt service of ADB loan without the cost burden exceeding 2% of their total fiscal revenues. Indeed, once the project facilities are operational the potential fiscal burdens are generally well below 0.5%.

<sup>74</sup> Available on request.

## F. Fiscal Impact of Yanshan University Subproject

11. The YSU subproject, in common with other ADB education projects, is considered nonrevenue generating as although tuition and other fees are paid by students, these are only intended to cover part of the costs of service provision, and universities also obtain subsidy finance from the relevant government and/or departmental budget. YSU, as the end borrower of ADB loan, will service the ADB loan for the subproject and is also responsible for counterpart funding during construction period and incremental recurrent O&M costs that result from the subproject. The historical financial performances of the university for the last 3 years (2013–2015) were reviewed to determine whether it will be able to meet these commitments.

12. Analysis of the net incremental costs of the proposed subproject shows these will constitute a maximum of 1.0% of gross YSU revenues during project construction, decreasing to 0.6% once the facilities are fully operational. This incremental burden is considered sustainable.

## G. Financial Management Assessment

13. The project financial management assessment was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects, the Financial Due Diligence: a Methodology Note, and the Technical Guidance Note: Financial Management Assessment.<sup>75</sup> The scope of the financial management assessment included (i) Hebei Provincial Department of Finance, and the finance bureaus of Shuangluan District, Julu County, Li County, She and Xinji City, who are overseeing the subproject preparations and implementation on behalf of their local government respectively; and (ii) YSU, Chengde Haoren Elderly Care Service Industry Corporation, Julu County Hospital, Li County Guangrongyuan, Hebei Runqinyuan Industry Development Corporation, and Xinji Juyouleyuan EC Service Corporation, which are the project implementing agencies.

14. The assessment covered funds-flow arrangements, staffing, accounting and financial reporting systems, internal and external auditing arrangements, and financial information systems using the ADB financial management assessment questionnaire. It identified the main financial management risks as (i) **implementation risk**: lack of familiarity with ADB disbursement procedures and requirements, which may delay project implementation; (ii) **compliance risk**: lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) **financing risk**: delays in provision of, or inadequate counterpart funding, which may delay project implementation; and (iv) **construction and operational risk**: inadequate experience in construction and services operating management, which will impact project progress and quality of the services to be provided after project completion.

15. The overall financial management risk rating of the project before considering mitigating measures is substantial. The identified financial management risks and the implementation of agreed mitigation measures will need to be closely monitored during project implementation. A financial management action plan has agreed with the government accordingly.

**Table 3: Agreed Action Plan for Improved Financial Management**

Action	Responsibility	Timing
1. Covenants to be included in the legal agreements to ensure adequate counterpart funds to support capital, operations and maintenance, and debt repayment requirements relating to the government-owned implementing agencies	ADB	Loan negotiations

<sup>75</sup> ADB. 2015. *Financial Management Technical Guidance Note: Financial Management Assessment*. Manila.



Action	Responsibility	Timing
2. Training on ADB disbursement procedures and requirements	HPDF and/or HPMO with consulting support as needed	1 month before first disbursement and any other time, as needed
3. Training on ADB financial management requirements, specifically accounting and reporting, auditing	HPDF and/or HPMO with consulting support as needed	3 months before loan effectiveness and any other time, as needed
4. Close monitoring to quickly identify potential issues in counterpart funding	HPDF, HPMO, and county finance bureaus	At least once a quarter during project implementation
5. A financial expert requirement and some professional engineers to be included in the capacity building package in Output 4 of the project. They will provide professional financial management and engineering support, and training for the financial and relative staff in the project entities, including financial management manual development.	HPDF and/or HPMO	As soon as possible after loan effectiveness

ADB = Asian Development Bank, HPDF = Hebei Provincial Department of Finance, HPMO = Hebei project management office.

16. Given the agreed actions and HPMO oversight that will be in place, despite the substantial level of inherent risk, the project's financial management arrangements once appropriate mitigation measures have been actioned, are considered satisfactory.

# **Hebei Elderly Care Development Project**

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#### **Appendix 5**

#### **Summary Economic Analysis**

## ECONOMIC ANALYSIS

### A. Background

1. **Economic analysis** and investigations were conducted during project preparation, in accordance with Asian Development Bank (ADB) guidelines. They show that rapid aging poses a significant risk to the aggregate savings rates in several countries of East Asia and the Pacific, including the People's Republic of China (PRC) because of increased government spending on long-term care, health, and pensions.<sup>76</sup>

2. **Population dynamics and elderly care demand.** In the PRC, demand is increasing for an affordable and good quality elderly care system (ECS) that exceeds current supply. This trend of increasing demand for elderly care services is anticipated to continue until at least 2050 when the elderly population is expected to peak. By 2050, about one third of the population will be over the age of 60; of these, 24% will be age 65 or older and 17% will be age 70 and over. This compares with 10% of people aged 60 and over in 2000 and 12% in 2010. After 2025, the percentage of elderly in the PRC's population will reach 20% and accelerate.

3. At the same time, a substantial and growing gap exists between local government fiscal capacity and the increasing resources needed. The Government of the PRC recognizes the need to mobilize private sector resources and capacity to narrow this gap, and is encouraging private sector participation in several forms. Private financing could provide elderly care services without increasing public sector debt or by reducing the impact on the public sector through public-private partnerships. This responds to another key economic challenge faced by the PRC—rising levels of government debt.

4. Despite rising demand for elderly care services, many residential care facilities remain under-occupied. This applies especially to facilities run by private sector service providers. The under-utilization of privately provided ECS facilities can be attributed to several factors, but one of the main reasons is their poor quality, which fails to meet the needs and expectations of elderly.<sup>77</sup> Improving and ensuring quality standards is a key function for local governments. Other reasons for under-occupancy include (i) overlapping effects of culture (the tradition is for family to look after their elderly and a failure to do so can create a sense of shame), (ii) the strong preference for most elderly to live with and be looked after by their children, and (iii) the current poor perception of the elderly care industry, affordability, and willingness-to-pay.

5. **Key government sector planning assumptions and targets.** A key government planning assumption is that 90% of the elderly (aged over 60) will be capable of living at home with few if any care needs. A further 7% will be able to remain in their communities, receiving a mix of care provided by local community centers or homecare services, while 3% will need long-term residential (institutional) care. Local governments have been urged to act on this planning assumption and facilitate the availability of adequate long-term care beds to serve the 3% of the elderly assumed to require long-term residential care. The residential demand forecasts in the draft feasibility study reports for each of the project are based on this 3% figure.

### B. The Project

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<sup>76</sup> Detailed Economic Analysis (supplementary document accessible from the list of linked documents in Appendix 2), and World Bank. 2015. *Live Long and Prosper: Aging in East Asia and Pacific*. <https://openknowledge.worldbank.org/bitstream/handle/10986/23133/9781464804694.pdf>

<sup>77</sup> The poor quality of elderly care facilities includes the limited range of services provided by most facilities, which do not include dementia care, skilled cognitive care, and other essential long-term care services.

6. The project aims to build elderly care residential facilities and develop capacities to meet this growing demand. In particular, it will develop an integrated ECS for home, community, and residential care (institutional) to cover the urban and rural areas of selected cities and counties in Hebei in five locations (Chengde City; Julu, Li, and She counties; and Xinji). One subproject at Yanshan University will develop human resources for the elderly care industry to meet the gap in elderly care staffing.

### C. Economic Costs, Benefits, and Assumptions

7. **Costs.** The economic costs include (i) the investment cost for all project components, (ii) the economic operational maintenance cost, and (iii) other recurrent costs.<sup>78</sup> Base costs plus physical contingencies of the project and each of the subproject capital costs are estimated and apportioned based on tradable, non-tradable (10% of civil works), and skilled and unskilled labor costs (20% of civil works, 20% of capacity building, and 10% of project management costs). Operation and maintenance costs for each subproject and the overall project are estimated and apportioned on the basis of tradable and non-tradable works, consumables, services, equipment and machinery, and skilled (30%) and unskilled labor (70%) valued in economic prices. The world price numeraire was used for the calculation. The costs of non-traded goods were adjusted by a standard conversion factor (SCF) of 0.987. The unskilled labor cost was adjusted by a shadow wage rate factor of 0.67 and multiplied by the SCF.<sup>79</sup>

8. **Benefits.** The project benefits will include (i) a possible increase in years of life gained (YLG); (ii) improved quality of life for the elderly by improving care services, better integration of elderly care and medical services, and the practical application of the “aging in place” concept of having elderly remain in their homes and communities,<sup>80</sup> (iii) labor released from informal care, such as the return of adult children who have been caregivers to the labor market, which generally creates more value than informal care provision at home; (iv) medical cost savings, since formal elderly care is professional and performs better in acute and chronic disease prevention, reducing the elderly’s morbidity and hospital admissions; (v) fall prevention; (vi) time savings for informal caregivers; incremental number of job opportunities and earnings; (vii) benefits generated by information and communication technology, such as administration cost savings and a higher possibility of independent living; and (viii) the incremental number of trained caregivers and elderly care personnel certified by the new Yanshan University programs on elderly care and gerontology.

9. These benefits are difficult to quantify because (i) they are closely interrelated (Figure); (ii) some benefits derive from both health and elderly care investments; (iii) established methodologies for quantification are lacking; and (iv) data are insufficient, some data sets (such as willingness to pay) are unreliable, and data collection faces constraints. This makes the calculation of the economic internal rate of return (EIRR)—to establish the economic justification of the overall project—likely to prove contentious.

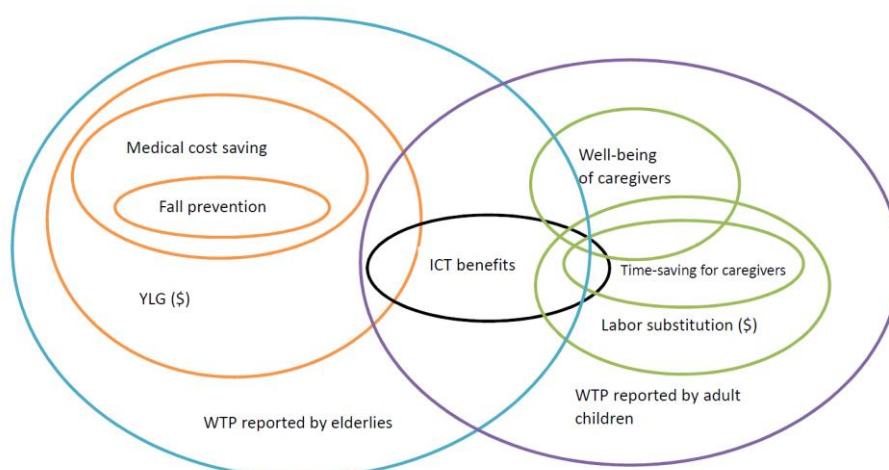
### Figure: Types of Economic Benefits<sup>81</sup>

<sup>78</sup> The opportunity cost of students represented by the earnings foregone while they are at school and/or in training was not included in the cost, as it considered minimal since most of them will be out of work requiring retraining.

<sup>79</sup> The SCF was obtained from the following projects: ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People’s Republic of China for the Guangdong Chaonan Water Resources Development and Protection Demonstration Project*. Manila; ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People’s Republic of China for the Xinjiang Tacheng Border Cities and Counties Development Project*. Manila; and ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People’s Republic of China for the Shandong Groundwater Protection Project*. Manila.

<sup>80</sup> A significant majority of elderly interviewed during the project preparatory technical assistance social assessment expressed a preference to “age in place” either living independently or with their siblings. This result mirrors similar preferences in many studies undertaken internationally.

<sup>81</sup> Developed by project preparatory technical assistance consultant.



ICT = information and communication technology, YLG = years of life gained, WTP = willingness to pay.  
Source: Asian Development Bank.

10. Nevertheless, the due diligence attempted to quantify the more promising benefit streams to establish an economic justification for the project. Only three streams of benefits were applied for the EIRR calculation: (i) YLG from residential care; (ii) other benefits (revenues at elderly care centers, community and home care centers, and rehabilitation centers); and (iii) the wage premium from students trained at Yanshan University.

11. **Years of life gained.** The Chinese Longitudinal Healthy Longevity Survey (CLHLS) estimated the YLG for all subprojects providing elderly care residential services directly to the elderly (Chengde, Julu, Li, She, and Xinji) except the Yanshan University subproject. This approach is in line with ADB's *Handbook for the Economic Analysis of Health Sector Projects*,<sup>82</sup> where the YLG approach is adopted.<sup>83</sup> By controlling social, health, family, and economic variables, as well as unobservable heterogeneity, the regressions yield statistically significant estimates of coefficients of residential care on the YLG. Staying in a nursing home is estimated to increase the elderly's probability of survival by 9.0% annually. Since the baseline survival rates vary by age, the 2011 life table (mortality table) for the PRC was obtained to calculate the hazard reduction for each age of the elderly who stay in residential care facilities. The YLG was converted to monetary values by multiplying the value of life gained, which was estimated at CNY0.056 million per annum. This was multiplied by the number of available beds and the anticipated bed utilization rates, giving a gross benefit of nearly CNY 4.6 billion over the life of the project (table 1).

12. **Revenues from elderly care centers, and home and community care and rehabilitation centers.** Since it is difficult to quantify the improvement in quality of life by providing elderly care in the community and at home, the direct revenues from providing services were considered as project benefits. Elderly care center revenues include those derived from health examinations, information service centers, and rehabilitation clinics. The revenue from health examinations is calculated by multiplying the estimated number of health examinations year 1: 400, year 2: 1,800, year 3: 2,400, years 4–20 3,000 by the cost per examination (CNY300 per examination). The information service center revenues are calculated by multiplying the estimated number of information services and remote monitoring services by the cost per service (CNY2 per month for each service) and utilization ratio of 60% for the first year, 80% for the second year, and 98% for the third to 20th years. The

<sup>82</sup> ADB. 2000. *Handbook for the Economic Analysis of Health Sector Projects*. Manila. <https://www.adb.org/sites/default/files/institutional-document/32767/files/economic-analysis-health-projects.pdf>. The illustration of YLG, including the formula, is in Appendix 4 of the handbook.

<sup>83</sup> To estimate the YLG as a result of residential care, CLHLS data were used. The CLHLS data are longitudinal data that contain six waves of surveys (1998, 2000, 2002, 2005, 2008–2009, and 2011–2012) randomly selected in 23 provinces with 9,093 initial observations. Multilevel Logit regressions were used to fit the discrete-time survival model. Detailed Economic Analysis (supplementary document accessible from the list of linked documents in Appendix 2).

rehabilitation clinic revenue was calculated by multiplying the estimated annual revenue (CNY10,980,368 per year) by the annual operating ratio (60% for the first year, 80% for the second year, and 100% for the third to 20th years).<sup>84</sup>

13. **Wage premium benefits from Yanshan University subproject.** The economic analysis of this subproject adopted the approach used for most technical and vocational education and training projects supported by ADB in the PRC. This assumes that the more skilled a worker is, the more economically productive they are, and this translates into a wage premium that can be used as a proxy for the enhanced economic output the newly trained worker delivers.

14. Based on the literature, the following wage premiums are assumed for each position: management personnel for elderly care CNY2,000, information and communication technology personnel CNY1,000, entry-level caregivers CNY500, intermediate caregivers CNY800, senior caregivers CNY1,200, and network administrators CNY1,000.. The wage premium benefit was calculated by multiplying the estimated wage premium by the expected enrolment per year (estimated as: management personnel for elderly care: 20, information and communication technology talent: 20, primary care staff: 300, intermediate nursing staff: 200, senior nursing staff: 50, and network administrator: 30).<sup>85</sup>

15. **Economic internal rate of return** (discounted for 20 years). Using the methodology described above, the base case EIRR calculation for individual subprojects and the whole project is presented in Tables 1 and 2. At a 12% discount rate, the whole project is found to be economically viable. The net present value (NPV) of the net benefits for the whole project is CNY515.0 million and the base case EIRR for the whole project is 18.5%, which exceeds the economic opportunity cost of capital. The subproject baseline EIRRs are as follows: Chengde City 16.7%, Julu County 22.1%, Li County 16.7%, She County 20.6%, Xinji City 17.3%, and Yanshan University 20.3%.. Table 1 presents the EIRR of the entire project.

**Table 1: Project Economic Internal Rate of Return (CNY million)**

Year	Benefits			Costs			Net Benefits
	Benefit YLG	Other Benefits	Wage Premium	Total	Capital Costs	Operation and Maintenance	
2017	0.0	0.0	0.00	0.0	156.8	0.0	(156.8)
2018	0.0	0.0	0.00	0.0	318.5	0.0	(318.5)
2019	0.0	0.0	0.00	0.0	299.5	0.0	(299.5)
2020	32.0	17.3	0.00	49.2	164.0	15.0	(129.7)
2021	67.1	36.2	7.48	110.8	56.2	29.7	24.9
2022	142.1	61.6	20.69	224.3	0.0	57.2	167.1
2023	172.9	78.1	33.06	284.1	0.0	69.4	214.8
2024	197.1	90.2	39.71	327.0	0.0	79.0	248.0
2025	203.0	98.0	47.90	349.0	0.0	83.6	265.3
2026	209.1	103.5	55.91	368.5	0.0	87.4	281.2
2027	215.4	106.6	60.64	382.7	0.0	89.7	292.9
2028	221.6	109.8	62.46	393.9	0.0	92.2	301.7
2029	228.0	113.1	64.33	405.5	0.0	94.7	310.8
2030	234.6	116.5	66.26	417.4	0.0	97.2	320.2
2031	241.4	120.0	68.25	429.7	0.0	99.9	329.8
2032	248.4	123.6	70.30	442.3	0.0	102.6	339.7
2033	255.6	127.3	72.41	455.4	0.0	105.4	349.9
2034	263.1	131.2	74.58	468.8	0.0	108.3	360.4
2035	270.7	135.1	76.81	482.6	0.0	111.3	371.3
2036	278.6	139.1	79.12	496.9	0.0	110.0	386.9
2037	286.7	143.3	81.49	511.5	0.0	113.0	398.5
2038	295.1	147.6	83.94	526.6	0.0	116.1	410.5
2039	303.7	152.1	64.23	520.0	0.0	119.4	400.6
2040	216.3	103.7	27.27	347.2	0.0	84.0	263.2

<sup>84</sup> Project preparatory technical assistance consultant estimates based on current data.

<sup>85</sup> Wage premiums were obtained and estimated by using China Household Income Project data, together with Song (2013), Deng (2014), Han et al. (2016), Wang et al. (2015); for the duration of the career and depreciation rate, see Huang (2012).



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#### **Appendix 6**

##### **Risk Assessment and Management Plan**



## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>1. Financial Management</b>		
<b>A. Inherent Risks</b>		
1.1 Inadequate financial management, management, and skills capacity at subprovince levels of government and within the project implementing agencies	Medium	Training on ADB financial management requirements, specifically accounting and reporting, and auditing requirements to be given before loan effectiveness.
1.2 Project-specific risk: inexperienced implementing agencies and some local governments lack experience with ADB projects	Medium	Project readiness consulting to be provided in (a) assistance to prepare the project financial manual, (b) budget preparation and management, and (c) project accounting. To include training on each.
1.3 Project-specific risk: fiscal sustainability	Medium	Due diligence undertaken during project preparations indicates local governments can support their public implementing agencies.
(i) Inadequate budgetary resources exist to ensure the project investments are sustainable		
(ii) Private implementing agency business plans prove unrealistic leading to inadequate revenues and cash flow deficiencies	High	Periodic testing of assumptions and market research to be undertaken to assess the continued viability of private implementing agency business plans. Local governments to give an assurance on service continuity in the event of implementing agency financial failure.
<b>Overall Inherent Risk</b>	<b>Medium</b>	
<b>B. Control Risks</b>		
1.4 Implementing entities: project financial management policies and procedures are not in place	Medium	The project will adopt the generally accepted accounting principles in the PRC. <sup>a</sup> The implementing agencies will be required to set up the project accounts within 3 months after loan effectiveness.
1.5 Funds flow: Lack of familiarity with ADB disbursement procedures	Medium	Training will be conducted before loan effectiveness to ensure the relevant local finance bureau and implementing agency staff acquire the required knowledge.
1.6 Staffing: Insufficient trained staff are available to give an adequate level of financial control	Medium	All implementing agencies have designated at least two experienced financial staff to assume responsibility for project financial matters, thus allowing training and capacity building to commence in advance of project inception
1.7 Accounting and reporting: Lack of familiarity with ADB requirements	Medium	Training will be conducted before loan effectiveness to ensure local finance bureau and implementing agencies staff acquire the required knowledge.
1.8 Internal audit: Most implementing agency have no internal audit units	High	Public implementing agencies are subject to close financial supervision by local finance bureau. Where needed the private implementing agencies have agreed to contract internal audit support to strengthen internal control.
1.9 Reporting and monitoring: Delayed submission of audited project financial statements	Medium	The financial consulting expert engaged as part of the capacity building work will assist the implementing agencies and HPMO to prepare the financial statements.
<b>Overall Control Risk</b>	<b>Medium</b>	
<b>2. Procurement</b>		
2.1 Procurement capacity is low, leading to irregularities	High	<ul style="list-style-type: none"> <li>(i) Use of a specialist procurement agent and project management consultants will enhance capacity.</li> <li>(ii) Training in ADB procurement procedures prior to the commencement of procurement of ADB-financed contracts</li> </ul>

<b>Risk Description</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
2.2 Lack of professionalism in the procurement function	High	(i) Use of an accredited procurement agent will enhance professionalism and provide training. (ii) Use of accredited experts for bid evaluations.
2.3 Delays in the procurement process	High	(i) Training in project management and planning. (ii) Use of standard bidding documents and ADB advance contracting facility is available. (iii) Advice and support of tendering company and consultants.
2.4 Non-performance by contractors or suppliers	Medium	(i) Investigation and monitoring of past performance (where practical and specific circumstances merit). (ii) Use of performance guarantees to be considered.
<b>Overall Procurement Risk</b>	<b>High</b>	
<b>3. General Project Implementation Risks</b>		
3.1 Policies to improve sector financing, regulation, and monitoring are not developed and implemented.	High	At project level, the proposed pricing schedule is already in use at one public EC institution in Julu County and the capacity building will develop in-depth business plans for each implementing agency. In a national context, government is reviewing subsidy arrangements with a view to improving their targeting and effectiveness.
3.2 Social inclusiveness objectives prove unachievable	High	Financial constraints prevent short-term mitigation measures being incorporated into the project design. National government recognize this issue as a key challenge and pilot initiatives for long-term care insurance and reviews of the current subsidy arrangements in order to improve social inclusiveness in EC are ongoing.
3.3 Implementing agencies fail to build adequate capacity to construct suitable EC facilities and provide quality services.	High	The implementing agencies will have support from consultants for design review, procurement, and construction management. Other consultants will work in parallel with the implementing agencies to prepare them for the operational phase and will continue to support operations until project completion.
3.4 Affordability and demand assumptions for EC services prove overoptimistic. FIRRs are sensitive to cash shortfalls	High	The proposed pricing schedule is already in use at one public EC institution in Julu County. Two other implementing agencies have undertaken their own market research.
3.5 The availability of counterpart financing cannot currently be confirmed.	High	ADB and the government have agreed that each private implementing agency must deposit a ring-fenced equity contribution of at least 20% of total estimated investment cost as a pre-condition for access to ADB funding.
3.6 Information on HCBC services not adequately communicated to the elderly and their families.	Low	Generally, communications at local community level are good in the PRC.
3.7 HCAD does not accept the need to regulate for increased certification requirements to assure staff competency thus discouraging service providers and individual caregivers from investing in training and skills improvement.	High	HCAD thinking is at odds with general government policy to improve employee skills levels through investment in TVET and also the approach in other professions in the PRC where accredited skills and qualifications are required.
3.8 Potential conflict of interest arises between the project objective of targeting low to middle income elderly	High	Further policy dialogue to be pursued during project implementation. Current subsidy regime gives no incentive for implementing agencies to target low income elderly or those with more

<b>Risk Description</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
with care needs and the implementing agencies natural desire to maximize revenue by targeting higher income elderly with higher discretionary spending power.		significant care needs. National government is currently considering fundamental changes in the subsidy arrangements so subsidies are better targeted and given to individual elderly rather than service providers. Meanwhile, FSR designs have been carefully reviewed to ensure project facilities are not overtly targeted to the better off.
3.9 Several implementing agencies lack experience and knowledge in the EC sector thus potentially compromising service quality.	High	A large capacity building program with consulting support and training is included in the project design to assist all implementing agencies operationalize their EC services and implement quality assurance and patient safety systems. The attached TA will improve the capacity of local CAB to conduct inspections and enforce standards
<b>Overall Project Risk</b>	<b>High</b>	
<b>4. Corruption and Governance</b>		
4.1 Corruption in the procurement process	High	(i) Involvement and inspections of local supervision departments at the county and provincial level. (ii) Increased transparency in the procurement process (see 4.5 below).
4.2 Lack of clarity in responsibility for anticorruption measures	Low	(i) ADB contracts to contain clauses to make contractor responsibilities and consequences clear. (ii) PAM includes anticorruption responsibilities, measures, and procedures.
4.3 Failure to enforce anticorruption measures	Low	(i) The government has introduced an integrity program that targets prevention and punishment. (ii) Anticorruption offices (discipline and inspection offices) have a clearly defined set of responsibilities to investigate and prosecute.
4.4 Existence of conflicts of interest	Low	(i) No apparent institutional conflicts of interest or integrity issues have been identified during the project preparations. (ii) Local government regulations require officials to declare conflicts of interest.
4.5 Lack of transparency	Low	Loan conditions to promote greater transparency and public availability of information, including the project procurement plan and contracts awards.
<b>Overall Corruption and Governance Risk</b>	<b>Low</b>	
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, CAB = civil affairs bureau, EC = elderly care, FIRR = financial internal rate of return, FSR = feasibility study report, HCAD = Hebei Civil Affairs Department, HCBC = home- and community-based care, HPMO = Hebei project management office, PAM = project administration manual, PRC = People's Republic of China, TA = technical assistance, TVET = technical and vocational education and training.

<sup>a</sup>. The "Accounting Methods for Projects Financed by the World Bank" issued by the PRC Ministry of Finance, which apply to all foreign aid-financed projects.

Note: All risk assessments made are pre-mitigation (i.e., they assume mitigation action is not taken or is ineffective)  
Source: Asian Development Bank estimates.

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**Appendix 7**

**Summary Poverty Reduction and Social Strategy**

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	People's Republic of China	Project Title:	Hebei Elderly Care Development Project
Lending/Financing Modality:	Project	Department / Division:	East Asia Department / Urban and Social Sectors Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: geographic targeting

#### A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The project will support development of an integrated three-tier ECS in Hebei Province through improving the quality and coverage of home, community, and residential EC services and facilities. The proposed project will support development of care services in priority areas (i.e., dementia care and rehabilitation); expansion of home- and community-based services to cover a wider range of elderly and care needs; and help establish the systems to support EC planning, human resources development, and institutional capacity.

The project was proposed during the PRC's Twelfth Five-Year Plan (2011–2015) and the Hebei Provincial Twelfth Five-Year Plan (2011–2015), which developed a three-tiered system of services, stimulate investment in the sector, and define roles and responsibilities for government and the private sector.<sup>a</sup> It is aligned with the PRC Thirteenth Five-Year Plan (2016–2020) as it supports developing and strengthening the ECS in the PRC.<sup>b</sup> The project is aligned with ADB's country partnership strategy (2016–2020) pillar on inclusive growth; the midterm review of Strategy 2020, which supports social protection and health; and the Operational Plan for Health (2015–2020), which has EC as a focus area.<sup>c</sup>

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. In 2012, the PRC central government identified 14 key contiguous destitute regions for the new round of development-oriented poverty reduction, and Yan Mountain-Taihang Mountain area in Hebei is one of these regions. There are five project sites where EC institutions are to be located. In all sites, except Xinji City, the per capita annual disposable income of urban and/or rural residents is lower than the average level of Hebei.

Hebei Province entered into an "aging society" status in 1999 when it passed the 10% threshold of population over the age of 60. In 2015, the elderly over 60 years old accounts for 17.6%, 19.3%, 15.4%, 13.9%, and 13.3% of the total population of Xinji City, Shuangluan District, and Li, She, and Julu counties, respectively.

2. Beneficiaries. The construction of EC facilities and their operations will create new job opportunities for about 2,200 persons. The project will benefit a total of about 300,000 persons in the six project areas when the services are operational and it is expected that 4,400 students will have been certified by YSU at project completion. The project targets low- and middle-income elderly who comprise approximately 40% of the total elderly population, and will promote improved care assessment systems to allow care to be targeted to those most in need. The project will also directly benefit local EC services providers, caregivers, and local officials through capacity building.

3. Impact channels. The direct impacts of the program will be (i) increased availability of ECS facilities through construction of five EC institutions, and build or renovate 51 HCBC service centers in five selected project sites, which will provide local elderly with improved and expanded EC services from various aspects; (ii) improved human resources and training opportunities in EC through the development of the center of excellence at Yanshan University; (iii) improved access to quality and expanded EC services, including daily care, health care, rehabilitation, entertainment, psychological support, etc. HCBC service centers will supply nutritious meals, health screening, rehabilitation, escorting, home delivery, respite care, etc.; (iv) access to the ICT calling services with provision of wide range of EC services, e.g., home delivery meals, housekeeping, home nursing, remote monitoring, remote medical treatment, information and referral, etc.; (v) creating direct skilled and unskilled job opportunities during construction and operation of the project; and (vi) capacity building of local government to plan, develop, and implement high quality ECS. The project will indirectly ease the burden of family caregivers.

4. Other social and poverty issues. As part of the HCBC services development, implementing agencies agreed to establish self-support groups of elders and their families to promote mutual support. They also agreed to organize caregivers supporting program, including counseling services.

5. Design features. The project design responds to issues raised by the poverty and social analysis. Key design features include (i) the basic design of integrated services and delivery supports low- and middle-income elderly who comprise approximately 40% of the total elderly population and elderly who have care needs, which are currently not being met (i.e., dementia care and rehabilitation), and therefore it helps to ensure social inclusiveness; (v) raise awareness of various stakeholders on social inclusiveness through consultations and training; (vi) establishment of ICT service for elderly people to provide social, medical, daily care and emergency services; and (vii) setting employment targets for the poor and women.

### II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. During the project preparatory technical assistance, a total of more than 524 people were consulted and interviewed through surveys and FGD. Three consultation meetings with government agencies, 35 FGD with beneficiaries, and 28 key informant interviews with relevant stakeholders were held. During preparation of the resettlement plan, 26 consultation meetings were organized with stakeholders, and more than 322 people were consulted in the process. In addition, during the environmental impact assessment preparation, a total of more than 616 people in 39 villages and 30 agencies

were consulted.

In project implementation, the participatory approaches are (i) stakeholder consultations including poor and vulnerable elderly during the detailed project design prior to the implementation; (ii) active engagement during the implementation, (iii) wide involvement during monitoring and evaluation, e.g., establishing community feedback mechanism or establishing a quality assessment system.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. ECS- related CSOs will be consulted during the program implementation for the detailed analyses of care needs and service providers.

3. Civil society organizations. Collaboration with existing CSOs will be conducted during project implementation. Volunteers are widely encouraged to be involved in the EC services.

4. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

☒ Information gathering and sharing (M) ☒ Consultation (M) ☒ Collaboration (L) ☐ Partnership

5. Participation plan. ☐ Yes. ☒ No. No separate consultation and participation plan, and stakeholders' communication strategy will be prepared. The actions are included in the SGAP.

### III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

**A. Key issues.** The PSA data revealed some gender differences in elderly needs. Among the elderly population, women typically outnumber men and suffer from more diseases. Especially among the 'empty nest' elderly, fully independent elderly, and the oldest old, women outnumber men. Income levels of elderly women are often typically lower than men's. The project will benefit female elderly in the project area through providing better and a wider range of services which can support "aging in place" and specialized needs. The project will create job opportunities during the construction and operation periods, and address training and skills development for a wide range of EC specialties in a service industry where women are widely employed. Through the development of the training programs, women caregivers who are already employed will improve their professional EC skills and achieve formal certificates. Ultimately, by providing EC service options, the project will alleviate men and women's time burden as family caregivers. According to the PSA findings, only a few interviewed stakeholders had awareness of gender issues in EC. Therefore, the project will provide consultations and training for EC sector stakeholders on gender and age-sensitive EC.

**B. Key actions.** ☒ Gender action plan ☐ Other actions or measures ☐ No action or measure

The key activities in the SGAP include the following: (i) ensure design of services are gender sensitive; (ii) ensure wide consultation and participation of female; (iii) raise the awareness of home-, community-, and residential-based ECS providers and local officials on gender sensitive issues through training; and (iv) ensure skilled and unskilled jobs to women during the construction and operation period.

### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

#### A. Involuntary Resettlement

Safeguard Category: A ☒ B ☐ C ☐ FI

1. Key impacts. A total of 168.75 *mu* of collective land will be affected. Of these, 32.37 *mu* are cultivated land. The impacts on 91 households (310 persons) are found to be marginal as their main source of income is derived mostly from non-agricultural sources. Houses to be demolished (1,195 m<sup>2</sup>) will affect two enterprises and 11 workers. There are also 40 daycare centers to be built or reconstructed in the communities or villages through leasing land or existing properties which do not belong to individuals and with no land acquisition and resettlement, house demolition, or directly affected population. There will be 5.2 *mu* of land leasing in six villages and 14,143.6 m<sup>2</sup> properties leasing in five institutions, 22 communities, and 10 property companies.

2. Strategy to address the impacts. Four resettlement plans have been prepared for Xinji City, Shuangluan District, and Li and She counties, in line with ADB's Safeguard Policy Statement (SPS, 2009). Extensive consultations were carried out during resettlement planning and key information in the resettlement plans was disclosed in October 2016 by distributing information booklets to the affected villages and houses. Compensation for lost assets and resettlement allowances will be paid to affected people, and income restoration and/or livelihood rehabilitation will be arranged in accordance with the resettlement plan prior to the commencement of related civil works. The PMO and the implementing agencies will assume responsibility for planning, implementing, financing, and reporting on land acquisition and resettlement. The grievance redress mechanism has been established. The PMO will engage an external monitoring institute who will submit external monitoring reports semiannually to ADB during resettlement implementation.

#### 3. Plan or other Actions

<input checked="" type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <sup>1</sup>
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input type="checkbox"/> No action	

#### B. Indigenous Peoples

Safeguard Category: ☐ A ☐ B ☒ C ☐ FI

1. Key impacts. The total ethnic minority population accounts for 4.55% of the total population with Man making up the majority of the total ethnic minority population (70.82%). Of the six project sites, there are very few ethnic minority except Shuangluan District, Chengde City, where the ethnic minority is about 30% of its total population, of which, Man is the majority ethnic minority group occupying 25.9%, Meng, 1.76%; and Hui, 0.99%. The social assessment determined that this population is well integrated socially and economically in the project areas. The project will bring positive impacts or benefits to all elderly including ethnic minorities in the project areas. No adverse impact is anticipated. Is broad community support triggered? ☐ Yes ☒ No

2. Strategy to address the impacts. Not applicable.

#### 3. Plan or other actions.

<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input checked="" type="checkbox"/> No action	

## V. ADDRESSING OTHER SOCIAL RISKS

### A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market.

☐ unemployment ☐ underemployment ☐ retrenchment ☒ core labor standards (L)

2. Labor market impact. During the construction stage, about 866 job opportunities will be created for the local people, of which 690 are skilled and 176 unskilled. During the operation period, 1,364 permanent jobs will be created, of which, 1,211 are skilled and 153 unskilled. The YSU component will develop new skilled workers for the EC sector.

### B. Affordability

A WTP and affordability analyses were conducted as part of the PSA. A variety of factors including health condition, economic status, age, education level, number of children, traditional EC concepts, and social network influence the WTP. One important factor is that many elderly do not actually know what some services such as HCBC are and therefore have little to base willingness on. EC in the PRC is by and large a "user pays" service; affordability undoubtedly has a major impact on the real demand for ECS, especially as current subsidies are generally targeted to give incentives to EC service providers, rather than targeting the less well-off individual elderly most in need of care services. This factor suppresses WTP and real ECS demand, and suggests, based on the OECD data, that a better targeted subsidy regime, together with EC sector financing reform, would further increase demand and at the same time substantially improve the level of social inclusiveness of ECS. This project design focuses on developing HCBC services to provide broader and more affordable services for low- and middle-income elderly. Residential care is more expensive and for many requires family assistance and subsidies.

### C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

☒ Communicable diseases (NA) ☐ Human trafficking ☐ Others (please specify) \_\_\_\_\_

2. Risks to people in project area.

All construction will take place in established urban or residential centers and will be limited in scope and impact.

## VI. MONITORING AND EVALUATION

1. Targets and indicators. 15% women and 20% poor for unskilled laborers during the construction, 50% women, and 30% low income people for skilled, semi-skilled, and unskilled laborers during the operation of the project. A comprehensive project performance monitoring system, and the social and gender monitoring indicators will be developed in consultation with the implementing agencies and with the assistance of consultants.

2. Required human resources. One national resettlement specialist (6 person-months) and one national social development and gender specialist (8 person-months) will be hired by the executing agency and/or project management office during project implementation. The terms of reference and budget are included in the budget for project implementation.

3. Information in the project administration manual. The project administration manual outlines the main poverty, social, and gender issues and includes SGAP.

4. Monitoring tools. During project implementation, internal monitoring results of SGAP will be incorporated in the project performance monitoring system report.

ADB = Asian Development Bank, CSO = civil society organization, EC = elderly care, ECS = elderly care system, FGD = focus group discussion, HCBC = home- and community-based care, ICT = information and communications technology, m<sup>2</sup> = square meters, NA = not applicable, PMO = project management office, PRC = People's Republic of China, PSA = poverty and social assessment, SGAP = social and gender action plan, WTP = willingness-to-pay, YSU = Yanshan University.

<sup>a</sup> Government of the PRC, State Council. 2011. *National Economy and Social Development Twelfth Five-Year Plan, 2011–2015*. Beijing.

<sup>b</sup> Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016–2020*. Beijing.

<sup>c</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and ADB. 2015. *Operational Plan for Health, 2015–2020*. Manila.

<sup>d</sup> A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 square meters).

Source: Asian Development Bank.

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#### **Appendix 8**

##### **Social and Gender Action Plan**



## Social and Gender Action Plan

Outputs	Action	Indicators and targets	Responsible Institutions	Timeframe	Budget
Output 1: Community and home care services improved					
Improve selected community centers and rural communal homes	3. Ensure affordability of community EC services for vulnerable elderly, including women 4. Ensure design of services are gender sensitive 5. Establish gender sensitive community feedback mechanism on quality and accessibility of ECS 6. Establish/use gender sensitive self-support groups of elders and their families	4. Number and percentage of the vulnerable elderly enjoying the EC services of which at least 40% are female. 5. Number of gender-sensitive design features 6. Feedback records 7. At least one self-support group (age and sex-disaggregated) established in each county/city/district, funded at 1,2000 Yuan per year for three years	Implementing agencies, PMO, consultants, design institute, civil affair department, communities	2017–2019	Project budget
Develop information technology networks	1. Training and consultations on how to use ICT terminal facilities	1. Number and percentage of training participants (age and sex-disaggregated)	Implementing agencies, PMO, civil affair department, communities, ICT operator	2017–2022	
Develop services and creating links and support networks	3. Develop a HCBC working group from relevant stakeholders	1. 50% of group members are female	Implementing agencies, PMO, civil affair and health departments	2017–2018	
Output 2: Institutional elderly care service capacity increased and quality improved					
Provide expanded institutional care facilities and services for elderly at various stages of need	3. Staff orientation and in-service training on diversity and inclusion 4. Organize caregivers supporting program, including counseling services	4. About 80% of staff, including caregivers, received training on diversity and inclusion 5. Number and percentage of participants of which 70% are women.	Implementing agencies, PMO, consultants, civil affair department	2017–2022	Project budget

<b>For Outputs 1-2: Generating Job Opportunities</b>					
Develop HCBS centers, EC centers and a training center in Yanshan University	1. Generate 690 skilled and 176 unskilled jobs at the construction stage with no age discrimination  2. Generate 1,211 skilled and 153 unskilled jobs at the operation stage with no age discrimination	3. 20% of which are first made available to the poor and 15 % to women (Baseline for female construction workers is 5%) 4. 30% of which are first made available to the low-income person and 50 % to women (Baseline for female staff is 30 %) 5. 35 % of managerial positions will be given to women	Implementing agencies, PMO, consultants, design institute, contractors	2017–2022	Project construction and operation funds
<b>Output 3: Elderly Care planning, development of human resources and industry capacity improved</b>					
Develop training programs and training materials	4. Raise the awareness of residential, community and home based ECSs' providers and local officials on social inclusion issues through providing gender and age-sensitive training.  5. Yanshan University to develop a gender and age-sensitive staff recruitment and development plan	4. Gender and age-sensitive training courses and materials 5. Number, percentage and type of trainees (Sex-disaggregated)  6. Number and percentage of newly recruited staff (sex and age disaggregated)	Yanshan University, PMO, civil affairs, human resource and social safeguard dept.	2017–2022  2017-2019	Project budget
<b>Output 4: Capacity of the EC Sector Organizations Improved (Pilot)</b>					
Develop the elderly long-term care assessment system (Shuangluan District)	1. Develop a gender and age-sensitive EC care assessment guideline	1. A gender and age-sensitive EC care assessment guideline	Implementing agencies, PMO, consultants, local government, civil affairs department	2017-2019	Project budget
Develop quality management system for EC institutions (She County)	2. Develop quality monitoring indicators for gender sensitive and social inclusiveness	2. Monitoring indicators established (sex and age-disaggregated)			

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#### **Appendix 9**

##### **Proposed Capacity Development Technical Assistance (CDTA)**

## **CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE**

### **PRC: Establishment of an Integrated Comprehensive Three-Tier System for Elderly Care**

#### **1 Introduction**

1. An attached capacity development technical assistance (CDTA) is proposed to support the Government of the People's Republic of China (PRC) to strengthen management of the elderly care sector. The CDTA will provide specific support to local government county civil affairs bureaus (CABs) to help build their sector management capacity, and specifically, to address key issues, including (i) sector planning and regulation, (ii) social inclusion and the assessment of care needs, and (iii) use of the voluntary sector as a resource to expand the scope and provision of elderly care services.

2. The Asian Development Bank (ADB) country partnership strategy, 2016–2020 for the PRC focused on three strategic pillars: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. It supported four priority sectors (natural resources and agriculture, energy, transport, and urban development) and four drivers of change (private sector development and operations, good governance and capacity development, gender equity, and knowledge solutions). The strategy includes the improvement and expansion of social services, such as education, health, and elderly care.<sup>86</sup> Elderly care is one of the key knowledge areas and is a national priority sector for development in the PRC. The proposed TA highlights sustainable infrastructure and development of age-friendly communities.

#### **2 ISSUES**

3. Increased life expectancy and lower birth rates over the last 30 years mean that the number of elderly in the PRC is increasing rapidly and makes up an ever increasing proportion of the population. While care of the elderly through support from the family remains the backbone of elderly care, the impacts of (i) the one child policy, and (ii) the rural to urban migration by young family members (empty nest phenomena) are placing an increased strain on the tradition of family caregiving to elderly relatives. The PRC's Thirteenth Five-Year Plan, 2016–2020 recognizes this issue and lists the elderly care industry as one of 10 priorities.<sup>87</sup> The plan also provides for increased government support, while stressing the need to mobilize private sector and voluntary organizations to improve access, quality, and coverage of services for all elderly. The President of the PRC has repeatedly identified this as an urgent national priority.

4. The planning processes in the elderly care sector are currently weak, generally based on high level supply side assumptions and do not take account of the needs of local elderly persons. There is no system in place to assess the care needs of individual elderly and ensure they get the care they require. In the PRC, the voluntary sector is less involved in the care of the elderly than in many other countries and/or regions (e.g., Hong Kong, China), and therefore is a largely untapped resource. Local CABs need to enhance their regulatory and enforcement capacity to ensure the growing number of private sector elderly care service operators maintain adequate standards of service provision and patient safety. The caregivers in the family and among friends lack professional support and guidance.

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<sup>86</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

<sup>87</sup> Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016–2020*. Beijing.

### 3 THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

5. The Hebei Elderly Care Development Project (HECDP), which will be the first ADB-funded loan project in the elderly care sector, will seek to create a socially inclusive three-tier (home, community, and residential) elderly care system in its project cities as envisaged in national policy guidance and in a way aligns elderly care service levels with the expectations of the elderly. It is a flagship demonstration project both for the PRC Government and ADB, the outcome of which will attract interest, not just in the PRC, but also to other ADB member countries facing similar issues. The piggybacked CDTA will complement the ADB loan investment by strengthening local governments' capacity to plan, monitor, and regulate public and private elderly care services provided in their area, and to mobilize voluntary organizations to provide their support. This will strengthen implementation and result in the development of balanced and sustainable elderly care systems and services that address the care needs of the elderly.

6. **Project goals.** The overall goals of the project are aligned with those of the PRC Thirteenth Five-Year Plan to establish an integrated comprehensive three-tier system of elderly care that:

- (i) improves access to elderly care services;
- (ii) provides quality care services in line with the essential needs of the elderly; and
- (iii) mobilizes resources from family, the private sector, and voluntary organizations, with government providing financial support targeted at the most vulnerable, together with sector planning and regulatory oversight.

#### A. Impact and Outcome

7. The impact will be the creation of a system for providing (i) elderly care services regardless of financial means, and (ii) convenient access to the essential care services for the elderly. The outcome will be the enhanced capacity of elderly care service providers, and the involvement of the voluntary sector. The CDTA will put in place essential building blocks to achieve this goal:

- (i) as an essential public service, the provision of elderly care services need to be properly planned and regulated; the CDTA will provide the tools and capacity building to achieve this;
- (ii) a system that allows the care needs of individual elderly to be diagnosed and attended to;
- (iii) effective mobilization of the voluntary sector; and
- (iv) improved support to family and friends who bear the brunt of much elderly care provided in the PRC.

8. The project outcome will be further achieved through a program that will address the following challenges:

- (i) the detailed care needs of all elderly that require assistance with daily living are identified and assessed, and the elderly are directed to an appropriate service provider(s), so that they can obtain the care they need;
- (ii) local CABs are provided the capacity to (a) undertake scientific demand-based planning for the development of elderly care services, and (b) regulate the operations of elderly care service providers to ensure minimum standards of care and patient safety are maintained;
- (iii) greater involvement of voluntary organizations in the provision of elderly care services, especially for home and community care services; and
- (iv) greater empowerment and support to the elderly, for either living independently or supported at home by family and friends.

#### B. Outputs and Key Activities

9. The CDTA will support the effective implementation of five outputs, together with dissemination and knowledge sharing activities as follows:

- (i) A model demand-based elderly care sector plan and supporting planning manual.
- (ii) Demonstration elderly care assessment system, including user toolkits, computer software, and implementation guidance.
- (iii) Model procedures for the effective regulation of elderly care service providers.
- (iv) Creation of a model arrangement for the effective involvement of the voluntary sector in the provision of elderly care (that can be replicated elsewhere).
- (v) Pilot online support facility for family caregivers.
- (vi) Effective CDTA dissemination through knowledge sharing.

10. Specific activities under the CDTA include (i) recruitment of consultants; (ii) project inception workshop; (iii) survey of voluntary organizations the CDTA will be engaging with; (iv) selection of partner(s) voluntary organization(s); (v) development of draft elderly care plans, systems, and procedures; (vi) pilot testing and stakeholder feedback; (vii) finalization of model plans, systems, and procedures, and/or manuals; (viii) evaluation and review by Hebei Civil Affairs Department (HCAD) and ADB; (ix) a conference on CDTA outputs and lessons learned; (x) conduct workshops to disseminate the lessons learned and best practices in implementing the CDTA; (xi) training (an overarching activity that continues throughout the CDTA project); and (xii) stakeholder consultations (overarching activity that continues throughout the CDTA project).

### C. Cost and Financing

11. The TA is estimated to cost \$695,150, of which \$670,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial and translation assistance, communication facilities for consultants, and other in-kind contribution.

**Table 1: Cost Estimates and Financing Plan**  
(\$'000)

Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (8 person-months)	144.0
ii. National consultants (24 person-months)	168.0
b. International and domestic travel	28.0
c. Reports and communications	25.0
d. Office accommodation and administration costs	12.0
2. Workshops, training, seminars, and conferences <sup>b</sup>	102.0
3. Surveys	20.0
4. Miscellaneous administration and support costs <sup>c</sup>	
a. Pilot ICT system for assessment of care needs	85.0
b. Seed financing of voluntary sector initiatives	50.00
c. Dissemination and knowledge sharing	36.00
<b>Total ADB Financing</b>	<b>670.00</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources). This amount also includes ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the PRC Government.

<sup>b</sup> Workshops, training, seminars, and conferences.

<sup>c</sup> Miscellaneous administration and support costs

Purpose	Venue
Conferences	Hebei, PRC
Workshops	Hebei, PRC
Best practice study tour in the PRC	TBD. Lead candidates are Beijing; Shanghai; and Hong Kong, China
Asian study tour	TBD. Lead candidates are Japan, Korea, and Singapore
Training sessions in Hebei (average 1.5 days)	Hebei, PRC

ADB = Asian Development Bank, ICT = information and communications technology, PRC = People's Republic of China, TBD = to be determined.

Source: Asian Development Bank estimates.

## D. Implementation Arrangements

12. The Hebei Provincial Government (HPG) will be the executing agency and the Hebei Provincial Finance Department, through the Hebei Project Management Office (HPMO), will be the implementing agency. The CDTA will share the same oversight arrangement as the HECDP with the HECDP project leading group providing high level direction and coordination to the CDTA. A consulting firm will be recruited to support HPG, and individual consultants will be recruited for implementing the other outputs. The proposed CDTA will be implemented over a 36-month period from 1 July 2017 to 30 June 2020.

13. Implementation monitoring of the CDTA project will be undertaken jointly by HPMO and ADB in parallel with the monitoring of the HECDP. As each output is completed, this would be pilot tested; the results jointly evaluated by ADB experts and local stakeholders, and then, finalized. Project stakeholders will have inputs to the evaluation process through participation in various workshops and seminars for this purpose. The workshops will be held after pilot testing of individual outputs. It is envisaged that there will be two workshops per year, with larger conferences at the project inception stage to further refine CDTA design based on stakeholder feedback. There will be another conference before CDTA closing to discuss the CDTA outcome and proposed follow-up actions and dissemination plans for the outputs and outcome.

## E. Consulting Services

14. A consulting firm with experience and wide knowledge of the PRC elderly care sector will be engaged to provide the CDTA services (the firm will be engaged by ADB in close consultation with HPMO and in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). The selection will be through the quality- and cost-based (QCBS) selection method with a 90:10 ratio applied to place adequate emphasis on the requirement for high quality outputs that can be subsequently applied and replicated.

15. The needs for approximately 8 international and 24 national person-months of consulting inputs have been identified, however, it is considered that this CDTA is highly suited to the output-based form of contract and the detailed terms of reference has been prepared accordingly.<sup>88</sup> However, the estimated required consulting expertise is summarized in Table 2. All consultant field inputs will be in the PRC (Shijiazhuang, Hebei Province).

**Table 2: Summary of Consulting Services Requirement**

<b>Positions</b>	<b>Person-Months Required</b>
<b>International</b>	
1. Home and community EC specialist / deputy team leader	6
2. Resource persons	2
<b>Subtotal (A)</b>	<b>8</b>
<b>National</b>	
1. Home and community care EC specialist / team leader	12
2. Voluntary sector development specialist	4
3. EC assessment system specialist	4
4. EC sector planning and regulatory specialist	4
<b>Subtotal (B)</b>	<b>24</b>
<b>Total (A+B)</b>	<b>32</b>

EC = elderly care.

Source: ADB estimates.

## F. Knowledge Sharing

<sup>88</sup> The detailed CDTA terms of reference are in the Project Administration Manual, Appendix 10.

16. The CDTA output dissemination will be carried out primarily within Hebei, but all provinces will be able to participate and given free access to and usage of the CDTA materials. Specific dissemination activities will include:

- (i) a closing conference to present and discuss the CDTA project findings and results,
- (ii) production and distribution of manuals and training materials, and
- (iii) creation of a central repository for CDTA manuals and training materials with online access.

17. Knowledge sharing will be a continuous process throughout the CDTA. During CDTA implementation, there will be sharing of experiences, and progress between the counties and cities participating in the HECDP, and to other local civil affairs administrations within Hebei via HCAD. Main knowledge sharing will be achieved through (i) six workshops and two conferences; (ii) establishment of a CDTA website (or specific pages added to an existing site, such as the HCAD site), allowing download of CDTA outputs and resource materials; (iii) presentations by CDTA participants at conferences and/or workshops across the PRC; and (iv) encouraging visits to the CDTA demonstration facilities by interested parties from inside and outside Hebei.

18. Up to closure of the CDTA, the CDTA team and HPMO will manage the dissemination activities in consultation with HCAD. Financial provision of \$138,000 has been included in the CDTA budget for the workshops, conferences, and creation of the CDTA website.



# **Hebei Elderly Care Development Project**

## **Final Report**

### **Volume One**

#### **Appendix 10**

##### **Development Coordination**

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Since 1990, Hebei Provincial Government (HPG) has received financial assistance from various bilateral development agencies and international financial institutions (IFIs). By the end of 2015, the agreed loan amount from the IFIs—the Asian Development Bank (ADB), the Nordic Investment Bank, and the World Bank—accounted for \$2.4 billion equivalent. For bilateral financial assistance, HPG received a total of \$650.7 million from 16 countries mainly in the agriculture, communication, education, health, and urban sectors.

2. Among the IFIs, ADB is the second largest development partner of HPG after the World Bank. Since 1998, ADB has provided seven investment loans totaling \$100.64 billion for projects that contribute to Hebei's energy efficiency, urban and water infrastructure, and environmental improvements.<sup>89</sup>

3. Hebei has received financial assistance under 63 projects from 15 multilateral and bilateral development partners. Among the 63 projects, 44 are in the health sector and involve purchasing medical equipment for public hospitals and universities. The other 19 projects cover other sectors with an approved amount of about \$2 billion. These were financed by ADB, Agence Française de Développement, the Government of Australia, KfW, the Export-Import Bank of Korea, Japan Bank for International Cooperation, the Spanish Agency for International Development Cooperation, the Swedish International Development Cooperation Agency, and the World Bank, as shown in the table below.

**Major Development Partners**

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Education</b>			
JBIC	Higher Education Project	2006	46.8
<b>Energy</b>			
AFD	Qinghuangdao Coal–Gas Works Project	1988	17.8
ADB	Hebei Zhanghewan Pumped Storage Project	2002–2013	144.0
ADB	Hebei Energy Efficiency Improvement and Emission Reduction Project	2011–2018	100.0
ADB	Chemical Industry Energy Efficiency and Emission Reduction Project	2015–2021	100.0
ADB	Beijing–Tianjin–Hebei Air Quality Improvement–Hebei Policy Reforms Program	2015–2020	300.0
<b>Industry</b>			
Australia	Tangshan Ceramic Gas Producing Reaction Oven Project	1991	5.7
AECID	Xingtai Steel Company Ltd. Coal Gas Purification Project	2001	2.3
<b>Transport</b>			
World Bank	National Highway Project	1994–2014	380.0
ADB	Hebei Roads Development Project	1998–2004	180.0
Korea Eximbank	Tianjin–Baoding Road Project	2002	21.4
World Bank	Shizheng Railway Project	2008–2015	300.0

<sup>89</sup> ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Beijing–Tianjin–Hebei Air Quality Improvement–Hebei Policy Reforms Program*. Manila; ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Chemical Industry Energy Efficiency and Emission Reduction Project*. Manila; ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Energy Efficiency Improvement and Emission Reduction Project*. Manila; ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Small Cities and Towns Development Demonstration Sector Project*. Manila; ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Wastewater Management Project*. Manila; ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Zhanghewan Pumped Storage Project*. Manila; and ADB. 1998. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hebei Roads Development Project*. Manila.

Development Partner	Project Name	Duration	Amount (\$ million)
World Bank	Zhanghu Railway Project	2012–2018	200.0
<b>Urban</b>			
World Bank	Hebei Urban Environment Project	2000–2008	150.0
ADB	Hebei Zhanghewan Pumped Storage Project	2002–2013	144.0
Sida	Baoding Urban Management GIS Project	2004	0.5
Sida	Handan Urban Management GIS Project	2004	0.5
Sida	Qinghuangdao Urban Management GIS Project	2004	0.5
ADB	Small Cities and Towns Development Demonstration Sector Project	2009	100.0
KfW	Tangshan Security Housing Energy Efficiency Upgrading Project	2013	25.2
ADB	Beijing–Tianjin–Hebei Air Quality Improvement–Hebei Policy Reforms Program	2015–2016	300.0
<b>Water</b>			
ADB	Hebei Wastewater Management	2002–2009	82.4

ADB = Asian Development Bank, AECID = Spanish Agency for International Development Cooperation, AFD = Agence Française de Développement, GIS = geographic information system, JBIC = Japan Bank for International Cooperation, Korea Eximbank = Export-Import Bank of Korea, Ltd. = limited, Sida = Swedish International Development Cooperation Agency.

Sources: Asian Development Bank and Hebei Provincial Government.

## B. Institutional Arrangements and Processes for Development Coordination

4. ADB is committed to sharing sector information and experience with its developing member countries and other development agencies. In support of the 2005 Paris Declaration and the 2008 Accra Agenda for Action, ADB has been harmonizing its policies, procedures, and practices with key development partners through parallel implementation structures, technical working groups, and joint missions. In addition, ADB has been supporting global and regional efforts to boost aid effectiveness.

5. In the People's Republic of China (PRC), development coordination is mainly done by the central government. Development partners are requested to align their operations to support the implementation of the national development strategy, as set out in the PRC's Thirteenth Five-Year Plan, 2016–2020 for social and economic development and approved by the People's Congress.<sup>90</sup> ADB's PRC Resident Mission plays a key role in drawing lessons from project processing and implementation, and in sharing knowledge and experience with other development partners.

6. Within HPG, Hebei Development and Reform Commission and Hebei Provincial Department of Finance are responsible for development coordination. They receive requests for development assistance from the 11 municipal governments under their jurisdiction, match needs with the priorities and programs of the different development partners, and make requests to the central government for projects to be included in the relevant support program.

## C. Achievements and Issues

7. Since 1992, coordination with development partners such as the World Bank, other bilateral development agencies, and IFIs to support the PRC's five-year plans has improved; specifically in the areas of public awareness and education, financial and institutional strengthening, and environmentally sustainable and balanced socioeconomic development. The Hebei Elderly Care Development Project will be one of the first elderly care loan projects in the PRC and the first of its type for ADB. Other ongoing lending initiatives in elderly care in the PRC include ADB's public–private partnership initiative in Yichang City of Hubei Province, and the World Bank's preparatory work for an elderly care project in Anhui Province.

<sup>90</sup> Government of the PRC, State Council. 2015. *National Economy and Social Development Thirteenth Five-Year Plan, 2016–2020*. Beijing.

8. Several bilateral donors are also active in elderly care in the PRC. One of these, France's Agence Française de Développement (AFD), approached ADB, the Ministry of Finance, and HPG during project preparation with a view to cofinancing an expanded project. Upon joint invitation by ADB and HPG, AFD accepted an invitation to attend ADB's interim project preparatory technical assistance mission in May 2016 and held discussions on how it might participate. AFD's involvement was supported by the Ministry of Finance, which confirmed its "in principle" interest in a co-financing arrangement with ADB. The discussions during the mission focused on the major constraint to elderly care development in Hebei—workforce shortage and inadequate skills. Based on AFD's skills and experience, this was identified as an area where it could add value. Unfortunately, the discussions concluded that it would not be possible to include an AFD co-financing component in the project without significant disruption to project preparations, given the late approach by AFD.

#### **D. Summary and Recommendations**

9. ADB has provided 226 public sector loans to the PRC totaling \$31.08 billion in commitments during 1986–2015. It has also provided \$5.68 billion for 40 non-sovereign projects and \$460.0 million in grants for 801 technical assistance projects over the same period. In addition to sharing lessons and innovative approaches in project processing and implementation, strengthening development coordination among multilateral and bilateral development agencies and IFIs is expected to minimize transaction costs, maximize responsiveness, deal with policy issues more systematically, provide greater support for reforms and capacity building, and promote greater accountability to achieve a better development impact in the PRC.

# **Hebei Elderly Care Development Project**

## **Final Report**

### **Appendix 11**

#### **PPTA Terms of Reference**

## TERMS OF REFERENCE

A total of 63 person-months of consulting services (21 international, 42 national) are estimated as being required, with some recruited directly by ADB and some via a contract with a consulting firm. The estimated needs are as indicated in the following summary, but are subject to variation in accordance with individual contract provisions:

**Table A3.3: Summary of Consulting Services Requirement**

Positions	International Person-months	National Person-months
<b>A. Individual Consultants</b>		
1. Senior project development specialist (team leader)	5	
2. Senior EC and residential care specialist	3	
3. Residential EC specialist		3
4. EC Sector Specialist		2
5. EC community and home-based specialist	2	4
6. EC human resources development and training specialist	2	4
7. Project Management and procurement specialist		2
8. PPP advisor		3
<b>B. Consulting Firm</b>		
3.1.1 1. EC design and development specialist	2	6 (deputy team leader)
3.1.2 2. Financial specialist	3 (see note)	4
3.1.3 3. Economist		2
3.1.4 4. Involuntary resettlement specialist		3
3.1.5 5. Poverty, social, and gender specialist	2	4
3.1.6 6. Environment specialist	2	3
3.1.7 7. IT network specialist		2
<b>Total</b>	<b>21</b>	<b>42</b>

EC = elderly care, IT = information technology, PPP = public-private partnership.

Source: Asian Development Bank.

**Note:** The international expert will cover both the financial and economic analysis and due diligence of the project.

### A. Project Preparatory Technical Assistance Outputs

The PPTA outputs will include:

- (i) **Design and monitoring framework.** The consultants will conduct a design and monitoring framework (DMF) workshop—including problem tree and objective tree analyses—involving stakeholders from Hebei Provincial Government (HPG) and the proposed subproject municipality and county governments, representatives of elderly care (EC) services, and involved institutions. The consultants will discuss and reach preliminary agreement with senior HPG officials and project executing agency on the (a) project impact, outcome, outputs, components, and activities; (b) preliminary project costs, implementation activities, and timeframes; and (c) problem tree and objective tree analyses, and DMFs for each project component and for the project as a whole. The project is intended to be classified as effective gender mainstreaming (EGM), hence the consultants will identify suitable actions and indicators from the gender action plan for incorporation into the DMF.
- (ii) **Sector and subsector analysis.** The consultants will conduct a comprehensive review of the EC sector in Hebei Province in the context of the Twelfth Five-Year Plan, Thirteenth Five-Year Planning documents, and other relevant policies. A comprehensive review of EC systems (ECS), services, and human resources and

training will be conducted. This will include an examination of (a) supply of access to and affordability of EC; (b) existing financing, standards, and assessment and monitoring systems and methods; (c) EC personnel training and management systems; (d) existing and potential forms of industry partnerships in EC; and (e) the existing systems and methods for needs analysis and planning for EC services and facilities. The sector analysis will include a review of reports, studies, and policy papers prepared by the People's Republic of China (PRC) (provincial and municipal governments) and international development agencies, such as the World Bank, JICA, WHO, etc. Considering the review and international best practices, the consultants will assess the project rationale and justification, and give recommendations for further strengthening the project design. Based on this review and analysis, and in accordance with ADB guidelines and templates, the consultants will prepare the necessary appendix for the report and recommendation of the President (RRP).

- (iii) **Technical review.** The consultants will review the technical design of all project components to make sure they are technically sound, meet all relevant technical standards and safeguard requirements (including addressing universal design), and are suitable for ADB financing support. Based on that review, the consultants will recommend improvements to the technical design of each project component based on the best national or international practices.
- (iv) **Project administration Manual.** The consultants will prepare the draft project administration manual (PAM), which will (a) include information and schedules describing project implementation, including project readiness filters; (b) specify executing agency, implementing agency, and ADB project implementation roles and responsibilities; (c) identify implementation arrangements, including costs and financing, financial management, consulting services and procurement, safeguards, performance monitoring, evaluation, and reporting and communications. The consultant will prepare the PAM in consultation with the government and ADB, and will be agreed initially at loan fact-finding. Monitoring and evaluation should include such client satisfaction surveys, tools as tracer studies, employer surveys, and impact evaluation to ensure that lessons from the project can be captured and shared.
- (v) **Financial analysis and financial management assessment.** The consultants will review the draft feasibility studies prepared by HPG and undertake financial analyses to ensure that the project cost estimates, financing plan, procurement plan, financial analyses, and financial sustainability assessment and affordability meet ADB requirements. The consultants will prepare a financial management assessment (FMA) with risk mitigation plan if needed. The FMA, funds flow, financial reporting and auditing arrangement should be summarized in the RRP and PAM, and the full FMA provided as a supplementary document to the RRP. The consultants will then prepare the required RRP appendixes.
- (vi) **Economic analysis.** The consultants will review the draft feasibility study prepared by HPG and conduct economic analyses of the project, including least-cost analyses and affordability analyses to ensure the economic analysis meets ADB requirements. The consultants will then prepare the required RRP appendix.
- (vii) **Poverty and social assessment and summary poverty reduction and social strategy.** The consultants will help HPG engage a qualified institute to conduct poverty and social analysis in accordance with ADB requirements. The consultants will conduct key informant and focus group discussions, conduct and analyze survey data on services needs, perceptions on service quality, usage, satisfaction, and affordability; and prepare a poverty and social analysis (including analysis and due diligence for any ethnic minority issues and gender ), which will make recommendations for design, implementation, and monitoring to strengthen the

project's development impact. Based on this analysis, in consultation with stakeholders and government—and in accordance with ADB guidelines—the consultants will prepare a poverty and social assessment which will include the social action plan, gender action plan, and summary poverty reduction and social strategy.

- (viii) **Gender action plan.** The project is intended to be classified as EGM. As such, the consultants will work with HPG to conduct a gender assessment and prepare a gender action plan with the objective of ensuring the project maximizes benefits for women which meets ADB's EGM categorization requirements, and includes consultation with stakeholders and government.
- (ix) **Environmental assessment and measures.** The consultants will provide guidance to the domestic environmental impact assessment institute in preparing the domestic environment impact statements (EIS) for the project components and prepare a consolidated project initial environmental examination (IEE) report, including environment management plan in ADB's required format and complying with ADB's Safeguard Policy Statement (2009). The consultants will assess the capacity of the executing agency and implementing agencies for environmental management, monitoring, and supervision, and recommend required measures for capacity building and institutional strengthening. The consultants will assist the executing agency with meaningful consultation and participation during development of the IEE report, and establishment of a project level grievance redress mechanism. The consultants will prepare contractor specifications for environmental management and monitoring. The consultants will also establish environmental baseline indicators and performance targets for the design and monitoring framework, and prepare the required RRP appendixes.
- (x) **Involuntary resettlement assessment and measures.** The consultants will conduct an assessment of land acquisition and resettlement impacts based on proposed construction plans and submit due diligence reports in accordance with ADB requirements. This due diligence will confirm the current categorization, which is B. A resettlement plan(s) will be prepared in accordance with the ADB's Safeguard Policy Statement (SPS, 2009). If the categorization is C, no RPs will be required, but all activities need to be screened.
- (xi) **Ethnic minority (indigenous peoples) assessment.** The consultants will conduct a thorough scoping of ethnic minority issues integrating with social, poverty and gender analysis in the project and confirm the categorization for indigenous peoples which is currently C. If any issues are identified, appropriate analysis and measures will either be integrated into the project design or included in an ethnic minority development plan in accordance with ADB requirements. The consultants will assist the executing agency to prepare the relevant documents and implementation and working arrangements.
- (xii) **Risk assessment and management plan.** The consultants will work with stakeholders to identify potential project-related risks and prepare a draft governance risk assessment and management plan. The consultants will also prepare the required RRP appendix.
- (xiii) **Institutional capacity assessment and review.** The consultants conduct an institutional capacity assessment and review the institutional arrangements proposed for the project and conduct a financial management assessment and a procurement assessment of the executing agency project management office (PMO) and implementing agencies to assess their capability to implement the project and operate and maintain the project facilities. These assessments will also integrate any proposed efforts to include public-private partnerships in the implementation. The consultants will make recommendations for training and other



measures to strengthen the capacity to meet the operational needs of project implementation.

The following are the detailed terms of reference for specialists hired as individual consultants directly by ADB.

**1. Senior project development specialist/team leader (international, 5 person-months).**

A postgraduate degree in economics or social sciences and experience in ADB project preparation are preferred. S/he will lead the team of consultants, submit all required PPTA outputs of the team of consultants, and design an appropriate project in line with ADB requirements. The team leader will consider efficient project design including streamlined procurement packages.

**Objective and Purpose of the Assignment:** The specialist will lead the team of consultants, submit all required project preparatory technical assistance (TA) outputs of the team of consultants, and design an appropriate project in line with Asian Development Bank (ADB) requirements. The team leader will consider efficient project design including streamlined procurement packages.

**Scope of Work:** The specialist will prepare all required TA project documentation for ADB approval.

**Detailed Tasks and/or Expected Outputs:** In close cooperation with the ADB project processing team and the TA consultants, the specialist will:

- (i) guide the consulting team and coordinate inputs from all team members;
- (ii) serve as a liaison between the project management office and ADB;
- (iii) prepare institutional assessment and risk management plan;
- (iv) provide inputs for the elderly care sector assessment;
- (v) prepare the project design, including rationale; description of outputs; financing and investment plan; detailed costing, procurement plan, consultant selection, and implementation arrangements; safeguards due diligence and mitigation measures; risk and mitigation measures; legal assurances required; and a design and monitoring framework;
- (vi) finalize the project administration manual, development coordination matrix, financial and economic analysis, financial management and procurement capacity assessment, detailed project costing, a gender analysis and plan, an environmental assessment and environmental plan, a resettlement assessment and plan, a poverty and social analysis, summary poverty reduction and social strategy, a risk assessment and management plan, and other documents required for ADB documentation; and
- (vii) finalize a report for each subproject summarizing the technical, social and financial aspects, and describes key activity areas of each subproject and anticipated consultant inputs during implementation.

**2. Senior elderly care and residential care specialist (international, 3 person-months);** A postgraduate degree in economics or business is preferred, with minimum of 10 years general experience working with government and private sector, and 5 years experience in ECS development. Deliverables are EC sector assessment in Hebei Province and institutional aspects of each subproject, and identified hubs for services and institutional care for urban/rural elderly. A good command of the Chinese language and experience in the PRC is a must.

**Objective/scope.** Carry-out the EC sector assessment in Hubei Province and the institutional aspects of each subproject and identify important hubs for the urban/rural elderly.

**Tasks.** In close cooperation with the provincial Bureaus of the development reform commission, Finance and Civil Affairs, and officials of concerned local government, the specialist will have the following tasks:

### **(a) Elderly Care Sector Assessment**

- (i) Analyze the EC situation in Hebei Province to get a comprehensive understanding of EC issues (demographic, socioeconomic, financing, policy and regulatory aspects, human resources situation, gender issues, available services in the public and private for profit and not for profit sectors, new development trends, etc.).
- (ii) Meet all key stakeholders (public, private sector firms, not-for-profit organizations) to discuss and collect information, understand their expectations, and get their views on current situation, proposed policies, appetite for investment and constraints to address the current and future local situation, and develop an EC industry banking on the proximity of major cities (Beijing and Tianjin).
- (iii) Review current government policies on EC—identify strengths and weakness (social protection, incentives to private sector, accreditation and regulation and make recommendations.
- (iv) Analyze the affordability of current and future EC services in Hebei Province for different socioeconomic groups (3 “Nos”, 5 guarantees, *dibao* recipients, marginal poor, middle-class, and better-offs).<sup>91</sup>
- (v) Analyze appropriateness of EC services modalities given needs, affordability, cost-effectiveness, and implementation considerations, including ICT support.
- (vi) Study the constraints and potential for human resources production for EC services and management in the provinces.
- (vii) Analyze quality of EC provided to the elderly and current quality and safety monitoring and assurance systems.
- (viii) Study the arrangements (services, financial, proximity, and quality) for health care provided to the elderly.
- (ix) Collect qualitative data through focus group discussions with officials, private sector, community leaders, volunteers, and older people.
- (x) Prepare a sector analysis based on the quantitative and qualitative information collected, which will serve as a basis for provincial wide planning and include clear recommendations for future development of the EC sector in Hebei Province.

### **(b) Institutional Elderly Care Services (for each subproject)**

- (i) Analyze the institutional EC services currently provided in the locality (capacity, services, quality, facilities, human resources, medical services, etc.).
- (ii) Describe the different care level that will be provided through institutional care of each subproject and estimate the demand and willingness and ability to pay of the target population.
- (iii) Detail the type, quality standards, and quantity of services that will be provided in the institutions, including social, medical, psychological, and rehabilitation and other support services given the target population.
- (iv) In collaboration with the civil engineer, propose quality (e.g., universal design) and safety features for the construction of the EC facilities.
- (v) Analyze and discuss arrangements with medical facilities for health care needs, including transitioning elderly to home based care -exceeding in-house service capacity.
- (vi) Describe quality assurance measures that will be implemented in-house to ensure quality services and safety of the elderly.
- (vii) Detail human resources recruitment strategies, continuous development programs, and quality monitoring for the different professional categories of personnel (social, management, caregivers, medical [doctors, nurses, physiotherapists, psychologists] and support staff).
- (viii) Describe IT support systems that will be implemented in the facilities to promote high performance of services and efficiency or operations.
- (ix) In cooperation with the financial specialist, analyze the business model, project investment and operations cost over 20 years, and match with potential revenues (fee schedule and government subsidies) to assess financial viability of the operation.

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<sup>91</sup> Minimum livelihood guarantee scheme in the PRC.

- (x) Provide capacity building to local government officials, private sector operators and nongovernment organizations to understand the recommendations for institutional EC under the PPTA.
- (xi) Reformulate each subproject to ensure a needs-based and commercially viable operation.

**Deliverables.** Reformulated subprojects that are needs-based and commercially viable

### 3. **Residential EC specialist (national, 3 person-months)**

This specialist will assist the international senior elderly care and residential care specialist in the part (b) Institutional Elderly Care Services tasks described above and contribute as appropriate to the related deliverables.

### 4. **EC Sector Specialist (national, 2 person-months)**

This specialist will assist the international senior elderly care and residential care specialist in the part (c) Elderly Care Sector Assessment tasks described above and contribute as appropriate to the related deliverables.

5. **Elderly care community and home-based specialist (international, 2 person-months; national 4 person-months).** A postgraduate degree in social sciences or nursing with basic experience in public health economics or business, minimum of 10 years general experience working with government and private sector, and 5 years experience in ECS development is preferred. Concerned local governments of Hebei Province will be supported in enhancing the community and home-based care aspects of each subproject submitted for ADB financing.

**Objective/scope.** Support concerned local governments of Hebei Province in enhancing the community and home-based care aspects of each subproject submitted for ADB financing.

**Qualifications (international).** The specialist should have a postgraduate degree in social sciences or nursing with basic experience in public health economics or business, with at least 10 years of general experience working with government and private sector, and 5 years of experience in ECS development. A good command of the Chinese language and experience in the PRC is a must.

**Tasks.** In close cooperation with the provincial Bureaus of the development reform commission, Finance and Civil Affairs and officials of concerned local government, the specialist will do the following tasks:

- (i) Analyze the community and home-based care services currently provided in the locality (capacity, services, quality, facilities, services providers and other human resources, medical services, IT services, etc.); analyze rural arrangements for localities wishing to invest in rural support systems ("happiness yards").
- (ii) Map the area and decide on appropriate coverage areas by community centers and identify coverage gaps.
- (iii) Describe the different services (non-medical—activities of daily living, instrumental activities of daily living, social, medical) that will be provided to elderly in their homes and in community/day care centers.
- (iv) Describe types of service providers to deliver the different services, their qualifications at recruitment, and contracting requirements.
- (v) Propose training programs and quality assurance/monitoring systems for service providers.
- (vi) Analyze required IT support services to link demand (home-based) and supply (service providers), including human resources requirements, IT hardware and software and financial viability of call centers. Provide an overview of globally available options for IT support systems for home based EC.
- (vii) In collaboration with the financial analyst, analyze the different business models and carry-out a financial analysis of the community centers, IT services, and services

providers taking into account willingness and ability to pay of community members and potential government subsidies.

- (viii) Analyze and discuss arrangements with medical facilities for health care needs exceeding the capacity of services providers.
- (ix) Provide capacity building to local government officials, private sector operators, and nongovernment organizations to understand the recommendations for community and home-based EC under the PPTA.
- (x) Reformulate each subproject to ensure needs-based and financially viable community and home-based care operations.

**Deliverables.** Reformulated subprojects that are needs-based and financially viable

**6. Elderly care human resources development and training specialist (international, 2 person-months; national, 4 person-months).** The international expert will have at least 15 years experience in the development of human resources training systems and curriculum development in EC. The national expert will have at least 10 years' experience in human resources and institutional development. Both experts should have at least a Master's degree in education, training management, or relevant disciplines and experience in the EC sector. Knowledge and experience of international best practices are required. Experience in the PRC with education and training programs is an asset. Proficiency in the English language is required. The consultants shall complete the following tasks:

- (i) Conduct an assessment of provincial human resources needs, existing training programs (including higher education, TVET and on-the-job training programs) in Hebei Province for EC professions. The assessment will cover areas, such as certification, accreditation, teacher training, and quality.
- (ii) Assess human resources gaps at the subproject level and training needs.
- (iii) In collaboration with Hebei Medical College, and Hebei local government stakeholders design a human resources training and development component of the project that addresses human resources and capacity needs for all three levels of care services (home, community, and institutional care).
- (iv) Design subcomponent that addresses improving accreditation, certification, and monitoring of human resources for subproject and provincial level.
- (v) Provide cost estimates (consulting services, materials, etc.) for developing human resources training system, skills standards, curriculum, training materials, assessment methods for Hebei Medical College component.
- (vi) Design an EC training plan.

**Deliverables** are assessment of human resources capacity development needs and subcomponent design to support improved quality and coverage of care services.

**7. Project Management and procurement specialist (national, 2 person-months)**

In close cooperation with the ADB team leader and the TA consultants, the specialist will

- (i) guide the consulting team and coordinate inputs from all team members;
- (ii) serve as a liaison between the project management office (PMO) and ADB;
- (iii) prepare procurement assessment and provide inputs to institutional assessment and risk management plan;
- (iv) assist the team leader to finalize the project administration manual (PAM), development coordination matrix, and procurement capacity assessment, detailed project costing, risk assessment and management plan, and other documents required for ADB documentation; and
- (v) finalize a report for each subproject summarizing the technical, social, and financial aspects, and describes key activity areas of each subproject and anticipated consultant inputs during implementation).

**8. Public-private partnership advisor (national, 3 person-months).** The consultant will have a master's degree in finance, economics, law, engineering, management or other relevant field, as well as have at least 10 years of experience in preparation of infrastructure

or other public health services. An emphasis on private sector participation in health service delivery is strongly preferred. The consultant must also have detailed understanding of the fiscal and economic growth issues facing cities in the PRC and an understanding of the enabling environment for PPPs and their use in the PRC. High level management skills are required. In this regard, the consultant must have a demonstrated work history in privately financed infrastructure or other public services via PPPs or other modes of private sector engagement. Project-level experience in high quality PPPs within the PRC is strongly preferred, such as in the structuring of PPP projects or undertaking economic, financial, legal or technical analysis for the preparation or implementation of PPPs. A demonstrated understanding of good practices for PPPs and government policy and procedures is required. Fluency in the Chinese language is essential. Proficiency in English and experience in social sector PPPs are an advantage.

**Scope of work.** The consultant will identify and design at least two preliminary implementation plans for PPP for the institutional care subprojects in accordance with government requirements and good international practices.

**Detailed tasks.** In leading the preparation of outline implementation plans, the consultant will prepare a preliminary output-specification, payment mechanism, and risk allocation, and conduct a preliminary fiscal affordability and value-for-money assessment. The consultant will also identify the resources required to finalize project preparation, develop a project preparation plan, and prepare terms of reference and a costing for advisors required to complete preparation of an actual project. The consultant will draw on the analysis of other consultants, particularly the sector, technical, financial, economic and institutional, social, environmental and gender assessments, and inform the work of the other consultants so that necessary material required to develop the proposed PPPs is prepared in a timely and efficient manner. Contributions to the implementation plan of potential PPPs may be required to address strategic, economic, commercial, and financial and management issues. All work must be undertaken in accordance with PRC regulations and government procedures.

**Output/reporting requirements.** The consultant will present the design at least two preliminary implementation plans for PPP for the residential care subprojects in accordance with government requirements and good international practices.

**Note:** Although provision has been made for this position no appointment has been made at this time and it is unlikely to be needed.

The following are the detailed terms of reference for specialists hired through the consulting firm.

**1. Elderly Care Design and Development Specialists (international, 2 person-months; national 6 person-months [deputy team leader])**

The experts shall be professionally qualified, with a minimum of a graduate degree in architecture or related fields, and must have at least 15 years' (international) and 8 years' (national) work experience in public facility programming, design and development, with strong expertise in elderly care and health care facilities. The experts will (i) undertake a technical review of the EC institution design and recommend alternative design features; (ii) identify opportunities to improve universal design features in home-based and community service components; (iii) draw lessons and experiences from successful international and domestic EC facilities design and development; (iv) propose capacity development program for elderly facility development; (v) collect project related data for project preparation; (vi) provide inputs on cost estimates, procurement plans, appropriate contract packaging, implementation schedule, and bid documents; (vii) manage and supervise (a) inputs and outputs of all other experts, and (b) quality assurance of all TA outputs in conformity with ADB requirements; and (viii) coordinate all activities during TA implementation.

The national consultant will serve as the deputy team leader and help to coordinate and ensure quality of inputs from all consultants. S/he will assist the team leader in project management.

**Deliverables.** Reformulated subprojects that are needs-based, financially viable, and exhibit best practices in design to ensure safety, efficiency, access, and mobility; assessment of subproject plans and options for enhancement; inputs to the design of the all components; and inputs to project design and documents (i.e., PAM).

## **2. Financial Specialist (national 4, person-months)**

The specialist should preferably have at least 10 years of experience and a master's degree or equivalent professional qualification in accounting, economics, finance and/or business. The specialist will conduct financial due diligence of the proposed loan project in accordance with ADB's requirements.<sup>92</sup> Relevant guidance is available at below link: <http://www.adb.org/projects/operations/financial-management-resources>. S/he should have professional expertise in accounting, financial analysis and market analysis of a project. The specialist will report to the team leader and perform the following tasks:

(i) Identify and obtain a set of data and information to estimate costs of (a) constructing a target subproject unit, including maintenance costs; (b) operating the target subproject. The set of data and information for (b) will include a plan of human resources to deliver the planned services, and the operation costs (b) should include wages and welfare costs of all human resources to deliver the planned services.

(ii) Work with the sector experts to prepare detailed cost estimates of the capital and operations and maintenance cost for each project component, identify contract packages and the financing plan (including advising loan terms and reviewing counterpart funding availability) and prepare the draft Procurement Plan.

(iii) Based on the planned fee-schedule, analyze the marketability of the planned services, and estimate utilization rate of the planned services, including the occupation rate of beds and times of other services per month; analyze affordability of the planned fee-schedule, based on household incomes of the target country/locality.

(iv) Analyze the profitability of the planned business and the financial evaluation of the planned project based on the estimated capital and recurrent costs (including financing cost, operating and maintenance costs), the estimated service utilization rate, and the planned fee-schedule; review cost recovery mechanisms and give recommendations for strengthening the financial sustainability of project components and the sector as a whole.

(v) Examine the possible fiscal subsidies, and analyze fiscal impact of the project funding and maintenance requirements on the government; carry out financial sustainability of the planned project.

(vi) Undertake financial management assessments (using the updated questionnaire) including financial reporting, internal control, auditing arrangements and the financial performance of the relevant executing and implementing agencies under the project in accordance with ADB's Guidelines for Financial Management and Analysis of Projects; assess the design of funds flow and disbursement mechanisms, and identify any further capacity building (financial management and ADB disbursement procedures) and other risk mitigation measures to address financial management weakness identified.

(vii) Be responsible for the preparation and presentation of EC financing issues, including cost recovery and related financial and fiscal policies at the workshops.

(viii) Provide and participate in training during the TA and in the workshops, focusing on ADB procedures for financial analysis and financial management analysis, procurement capacity assessment, and disbursement.

(ix) Prepare S-curve projections for quarterly contract awards and disbursement throughout project implementation period.

**Deliverables.** Provide the financial analysis, financial management assessment, and

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<sup>92</sup> Asian Development Bank. 2014. Financial Management, Cost Estimates, Financial Analysis, and Financial Performance Indicators. Operations Manual. OMG2/BP. Manila.

related documents for the RRP; finalize the (a) financial analysis and financial evaluation, (b) cost estimates and financing plan, (c) financial management action plan and loan covenants, and (d) assessment of potential project-related risks in three specific thematic issues, namely, anticorruption, governance risk assessment, and management plan.

### **3. Economist (national, 2 person-months)**

The specialist should preferably have at least 10 years of experience and a master's degree or equivalent professional qualification in economics, finance and/or business. S/he should have professional expertise in economic analysis and market analysis of a project. The specialist will report to the team leader and perform the following tasks:

- (i) Conduct the economic analysis for each project component and for the overall project in accordance with ADB's Guidelines for Economic Analysis of Projects and other relevant policies and guidelines.
- (ii) Review the economic rationale for each project component.
- (iii) Assess the social and economic justification for each project component and the project as a whole, based on government's goals, objectives, policies and plans relating to general social and economic development, urban/rural development, and actual development patterns.
- (iv) Work with sector experts to evaluate the demand for component services considering population and economic growth.
- (v) Identify all quantifiable and non-quantifiable economic benefits (incremental and non-incremental) and costs of each component.
- (vi) Work with the sector experts to assess alternative options for each component and complete the economic least-cost analysis.
- (vii) Estimate economic internal rate of return of each component and the project as a whole and conduct sensitivity and risk analysis.
- (viii) Develop economically sound indicators of the impact of the subprojects, and use the household survey and other relevant sources to develop baseline and performance target indicators.
- (ix) Assist the team leader to carry out project appraisal to specify assurances and other conditions attached to the loan.

**Deliverables.** The economic analysis; inputs to the financial analysis; associated loan covenants; and assessment of the project benefits; impacts, assumptions, and risks.

### **4. Financial and Economic Specialist (international, 3 person-months)**

The specialist should preferably have at least 10 years of experience and a master's degree or equivalent professional qualification in accounting, economics, finance and/or business. S/he should have professional expertise in economic analysis and market analysis of a project. The specialist will conduct financial due diligence of the proposed loan project in accordance with ADB's requirements.<sup>93</sup> Relevant guidance is available at below link: <http://www.adb.org/projects/operations/financial-management-resources>. S/he should have professional expertise in accounting, financial analysis and market analysis of a project. The specialist will report to the team leader and perform the following tasks:

- (i) Identify and obtain a set of data and information to estimate costs of (a) constructing a target subproject unit, including maintenance costs; (b) operating the target subproject. The set of data and information for (b) will include a plan of human resources to deliver the planned services, and the operation costs (b) should include wages and welfare costs of all human resources to deliver the planned services.
- (ii) Work with the sector experts to prepare detailed cost estimates of the capital and

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<sup>93</sup> ADB. 2014. Financial Management, Cost Estimates, Financial Analysis, and Financial Performance Indicators. Operations Manual. OMG2/BP. Manila.

operations and maintenance cost for each project component, identify contract packages and the financing plan (including advising loan terms and reviewing counterpart funding availability) and prepare the draft Procurement Plan.

(iii) Based on the planned fee-schedule, analyze the marketability of the planned services, and estimate utilization rate of the planned services, including the occupation rate of beds and times of other services per month; analyse affordability of the planned fee-schedule, based on household incomes of the target country/locality.

(iv) Analyze the profitability of the planned business and the financial evaluation of the planned project based on the estimated capital and recurrent costs (including financing cost, operating and maintenance costs), the estimated service utilization rate, and the planned fee-schedule; review cost recovery mechanisms and give recommendations for strengthening the financial sustainability of project components and the sector as a whole.

(v) Examine the possible fiscal subsidies, and analyze fiscal impact of the project funding and maintenance requirements on the government; carry out financial sustainability of the planned project.

(vi) Undertake financial management assessments (using the updated questionnaire) including financial reporting, internal control, auditing arrangements and the financial performance of the relevant executing and implementing agencies under the project in accordance with ADB's Guidelines for Financial Management and Analysis of Projects; assess the design of funds flow and disbursement mechanisms, and identify any further capacity building (financial management and ADB disbursement procedures) and other risk mitigation measures to address financial management weakness identified.

(vii) Be responsible for the preparation and presentation of EC financing issues, including cost recovery and related financial and fiscal policies at the workshops.

(viii) Provide and participate in training during the TA and in the workshops, focusing on ADB procedures for financial analysis and financial management analysis, procurement capacity assessment, and disbursement.

(ix) Prepare S-curve projections for quarterly contract awards and disbursement throughout project implementation period.

**Deliverables (financial).** Provide the financial analysis, financial management assessment, and related documents for the RRP; finalize the (a) financial analysis and financial evaluation, (b) cost estimates and financing plan, (c) financial management action plan and loan covenants, and (d) assessment of potential project-related risks in three specific thematic issues, namely, anticorruption, governance risk assessment, and management plan.

(x) Conduct the economic analysis for each project component and for the overall project in accordance with ADB's Guidelines for Economic Analysis of Projects and other relevant policies and guidelines.

(xi) Review the economic rationale for each project component.

(xii) Assess the social and economic justification for each project component and the project as a whole, based on government's goals, objectives, policies and plans relating to general social and economic development, urban/rural development, and actual development patterns.

(xiii) Work with sector experts to evaluate the demand for component services considering population and economic growth.

(xiv) Identify all quantifiable and non-quantifiable economic benefits (incremental and non-incremental) and costs of each component.

(xv) Work with the sector experts to assess alternative options for each component and complete the economic least-cost analysis.

(xvi) Estimate economic internal rate of return of each component and the project as a whole and conduct sensitivity and risk analysis.



(xvii) Develop economically sound indicators of the impact of the subprojects, and use the household survey and other relevant sources to develop baseline and performance target indicators.

(xviii) Assist the team leader to carry out project appraisal to specify assurances and other conditions attached to the loan.

**Deliverables (economic).** The economic analysis; associated loan covenants; and assessment of the project benefits; impacts, assumptions, and risks.

#### **5. Involuntary Resettlement Specialist (national, 3 person-months)**

The involuntary resettlement international expert will have at least a Master's degree in sociology or other relevant area, and at least 5 years of experience. The consultant will complete the following tasks:

(i) Orient HPG and the subproject stakeholders on ADB's SPS requirements and procedures, in compliance with SPS, conduct due diligence and assist the PMO to prepare RP's (as necessary) if any involuntary resettlement or land acquisition issues are identified in compliance with SPS.

(ii) For land that has already been acquired, due diligence will be undertaken to (a) determine whether lands were acquired in anticipation of ADB support; and (b) ensure that there are no outstanding land acquisition and resettlement issues. In case there are outstanding issues, prepare a corrective action plan or resettlement plan. If there are no issues, a due diligence report will be prepared.

(iii) Assess the capacity of the PMO to manage land acquisition and resettlement. Prepare arrangements for resettlement plan implementation and monitoring if necessary, including capacity building measures.

**Deliverables.** Due diligence reports for the subprojects and all other necessary resettlement documentation.

#### **6. Poverty, Social, and Gender Specialist (international, 2 person-months; national, 4 person-months)**

The experts will have at least a Master's degree in anthropology, sociology, ethnic minorities, gender, development, or other relevant with at least 10 years (for international) and 5 years (for national) of experience. Experience in the PRC is essential and preferred experience in assessing the social dimensions of health or social care. The consultants will work closely with and provide inputs to the work of the other specialists across all disciplines and complete the following tasks:

(i) Conduct secondary literature review, and focus group and key informant interviews concerning poverty, social, ethnic minority, and gender issues in EC.

(ii) Undertake scoping for the ethnic minority impacts under the project in accordance with the social safeguards policy requirements of ADB. If it category C, no further action is required other than the due diligence report. If any issues are identified, appropriate analysis and measures will either be integrated into the project design or included in an ethnic minority development plan in accordance with ADB requirements. The consultants will assist the executing agency to prepare the relevant documents and implementation and working arrangements.

(iii) Conduct a survey of elderly and caregivers in the proposed subproject areas covering care services needs, affordability, accessibility, usage of care services (including family care), and client satisfaction.

(iv) Based on the findings and analysis, provide baseline information for the project on poverty levels, socioeconomic conditions, assessment of benefits and risks, mitigation and enhancement activities, recommendations to further strengthen the development impact of the project with attention to design, implementation, and monitoring for poor, women, and ethnic minorities, if applicable.

- (v) Prepare a poverty and social analysis report, which will include a social action plan, gender action plan, and summary poverty reduction and social strategy.
- (vi) Inputs will also be provided for the RRP, design and monitoring framework, and PAM.
- (vii) Provide inputs from the poverty and social analysis and support the analyses for the EC consultants and design consultants.

**Deliverables.** As stated in items (V), (vi) and (vii) above.

## **7. Environment Specialist (international, 2 person-months; national, 3 person-months)**

The international expert will have at least 10 years and the national expert at least 8 years of experience. The environment experts will conduct an initial environmental assessment of the project EC facilities. The consultants will complete the following tasks:

- (i) Provide guidance and training to the domestic design institutes, implementing agencies and executing agencies on ADB's environment safeguards requirements.
- (ii) Assess the environmental impacts of the project, including direct, indirect, induced and cumulative impacts to physical, biological and socioeconomic resources within the project's area of influence.
- (iii) Review the domestic environmental impact assessment statements (EIS) prepared for the project components and ensure that all EIS get the approval of relevant environment protection authorities.
- (iv) Based on the EIS review, help prepare a consolidated project initial IEE report, including environment management plan in ADB's required format, and responsive to ADB's SPS.
- (v) Evaluate the environmental appropriateness of project components, and recommend environmentally friendly options for project component design and construction, including
  - (a) full compliance with domestic and universal design principles, i.e. ensuring that all facilities account for functional requirements of EC;
  - (b) all building designs in compliance with relevant design standards and codes for energy-efficient and safe public buildings;
  - (c) equipment procurement adherence to PRC green public procurement policies;
  - (d) incorporating emergency preparedness and response plans (to respond to earthquakes, fires and other disasters); and
  - (e) connection to municipal services (water supply, wastewater and solid waste collection, district heating), or provide suitable on-site services.
- (vi) Coordinate public consultation process for IEE and help establish a grievance redress mechanism.

**Deliverables:** As referred to above, with the main output being as described in item (iv).

## **8. Information Technology Network Specialist (national, 2 person-months)**

**Scope of work.** The specialist will support the development of the subproject components on developing information technology (IT) systems to support delivery of elderly care services for all subprojects, and provide inputs to the overall project design for provincial level IT planning for the elderly care sector.

The specialist will have an advanced degree (beyond bachelors) in IT, computer science or other relevant discipline. S/he will have at least 10 years of experience in developing and (including design, costing, staffing) of IT networks to support linking consumers to service providers. The consultant shall complete the following tasks:

- (i) Assess current IT subproject plans, platforms, including their content, capacity, cost of operations and maintenance, usage, coverage, monitoring, updating and training systems.
- (ii) Consult service providers, users, government regulators on the existing systems and ideas for improvement.
- (iii) Assess communication outreach approaches for new users.
- (iv) Prepare a gap analysis of existing systems and possible new IT solutions or

improvements.

(v) Design the component for establishing and improving IT networks to support service delivery and access to information for elderly.

(vi) Provide information on costing, activities, human resource requirements, timing, outputs and monitoring indicators.

**Deliverables.** Assessment of current IT system, subproject plans, and options for enhancement; inputs to the design of the component for establishing and improving IT networks; reformulated subprojects that are needs-based and financially viable; and input to project design and documents (i.e., PAM).

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