26 January 2018

EU-China Social Protection Reform Project

Component 2 macro-activities

1 Chinese Short Term Expert

(Annual Work Plan 2018 – Macro-Activities 2.1 to 2.12)

Topic 2.3.2
The role of public finance and enterprise annuities funds in the Chinese social security system

TERMS OF REFERENCE (ToR)

1. **Background**

1.1 **General**

The purpose of the EU-China Social protection reform project ("the Project") is to contribute to the improvement and inclusiveness of China's social protection system through strengthening the institutional capability for developing policies, for implementing legal and regulatory frameworks and for supervising systems of social insurances, social assistance and financial management in the area of social security. In particular, the Project's purpose will be pursued through the following three components in relation to which specific Chinese government entities playing the role of partner of the consortium have been identified:

i. Component 1: Consolidation of institutional capacity for social protection policy development and reforms in collaboration with the National Development and Reform Commission ("NDRC");

ii. Component 2: Enhancing of institutional capacity for financial management and supervision concerning social security funds in collaboration with the Ministry of Finance ("MoF"); and

iii. Component 3: Improving of legal framework and policy for social assistance in collaboration with the Ministry of Civil Affairs ("MoCA" and, together with NDRC and MoF, the "Chinese Ministries"),

These ToR fall under Component 2 of the project.

2. Description of the Assignment

2.1. Overall and Specific Objectives

2.1.1 Overall Project Objectives

The overall scope of the SPRP project is to further develop social equity and inclusiveness of economic development throughout Chinese society. For the Component 2, the main target is to enhance the institutional capacity for financial management and supervision concerning social security funds.

In 2018, the Component 2 will analyze the following three topics:

2.1.3 - Alternative policy measures to cope with the impact of ageing on the financial sustainability of the social security system;
2.1.5 - Social contribution collections: toward a unified system;
2.3.2 - The role of public finance and enterprise annuities funds in the Chinese social security system.

This ToR is for the topic 2.3.2

2.1.2 Specific Objectives

One of the key issues in China's pension reform is how to define the responsibility of public finance's subsidy for social security funds: that is whether the subsidies should be used as contributory payment for the equally-considered period or should be used to cover the expenditure deficit.
Many countries provide public finance subsidies to social insurance funds, such as the pension funds. Subsidies are used in many ways and in some Countries more than one system is adopted.

The first way consists in using subsidies to fully or partially pay pension contribution for specific groups, such as parents (especially mothers) during paternity/maternity leaves.
The second way consists in using subsidies to pay a given share of employees' contributions. For example, in Luxembourg, the public finance subsidizes 8% of salary for pension contribution, and the contribution rate of both employer and employee is 8%.
A third method consists in using subsidies to cover a given proportion of social fund's annual expenditure. For example, in Japan, a certain proportion of National Pension (which corresponds to China's Pension for Resident) is paid with public subsidies. In 2009, the subsidies accounted for 1/3 of the annual expenditure and later the proportion was increased to 1/2.
A fourth way consists in subsidizing pension fund with a given percentage of tax revenues. For example, in Germany a certain proportion of VAT and of the ecological tax on fossil energy are used to subsidize German pension fund.
The fifth way consists in using subsidies to cover the deficit in social fund's balance, which means that the public finance takes the responsibility for the balance of the fund.
A sixth way consists in using subsidies to cover the deficit resulting from pre-defined causes. For example, in Poland, there is a Demographic Reserve Fund funded through different channels (private revenues of state-owned enterprises and contributory revenue) aimed to provide subsidies to cover the pension deficit resulting from demographic change (ageing), and to offer zero-interest loans to pension funds for covering deficits caused by short-term lack of liquidity.
A seventh way consists in using subsidies to guarantee minimum pension schemes. For example, some pensioners of low-level pensions can receive subsidies from public finance to supplement their pension income to reach a pre-defined level. This is a mesure adopted in Chile, Mexico, Hungary, Poland and Sweden.
A eighth way consists in using subsidies to pay in transitional costs resulting from transformation of a PAYG system to a Fully Funded system. The Chilean reform in 1980s adopted this approach.
In general, the first four ways are used to pre-subsidizing social fund; the 5^{th} and 6^{th} are post-subsidizing the deficit; the 7^{th} is a direct subsidy to individual pensioner, and the 8^{th} is a special subsidy used during institutional transformations.

The Assessment report will analyse the present situation in China from both a qualitative and quantitative perspective, discuss the proposals present in the literature and advantages and disadvantages of each proposal. More specifically it will analyse the situation of private pension funds at the provincial level, eventually supported by study visits to Chinese provinces that present the most interesting and innovative procedures.

2.2. Requested Services

The Expert(s) will submit a draft of the report for comments and suggestions to the project team and a final report that should meet the expectations of the Resident Expert and the Project Leader (INPS). The Expert(s) will then present the main results of the research at the dedicated Panel Discussion in June, 2018.

2.3. Outputs

- a report of around 40 pages, in English and Chinese, that will include an executive summary, a table of contents, and a bibliography
- a power point presentation in English and Chinese

3. Experts' Profile

Requirements Short Term Expert	Requirement/ asset
Qualifications and skills	
University Degree within the relevant sectors of Social Protection, Law, Political Science, Economics	A
Fluent in English and Chinese both verbally and in writing	A
Strong analytical and drafting skills	R
Ability to develop and maintain good professional relations with stakeholders, particularly counterparts and staff members in an international setting	R
Ability to work in team and share knowledge relating to social security to the counterpart	R
Previous experience in execution tasks in other international projects	A
Strong training skills	R
Professional experience	
10 years experience of working in areas related to Social Protection at the domestic and international levels	R
Possessing professional experience relevant to the ToR for his/her specific assignment	R

4. Location & Duration

Location: Beijing and other locations if needed

Timing: February-June 2018. Draft report by 1st April 2018, final report by 1st June 2018. Power point presentation one week before the Panel Discussion.

Working days: Maximum 30 w/days

5. How to apply:

Interested Expert(s) are requested to submit three documents:

1. Candidacy – Letter of intents
2. A CV in English (Europass format suggested), possibly in word format
3. A copy of her/his Identification Document

Applications are to be sent to C2 Resident Expert, Mr. Michele Bruni: Michele.bruni@eucsprp.org by or before February 11th, 2018.