

# EU-China Social Protection Reform Project

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## **Component 2 macro-activities**

**(Annual Work Plan 2017 – Macro-Activity 2.6)**

### **ONE WORKSHOP DISCUSSANT EU Expert**

#### **Topic 2.3.1**

**Investment strategies of social funds and risk control methodologies**

**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**

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 2017, the Component 2 will analyze the following three topics:

2.1.4 An integrated system for the coordinated management of the social assistance system

2.1.6 Development of Old-age Service Industry and Long Term Care System

#### **2.3.1 Investment strategies of social funds and risk control methodologies**

**This ToR is for the topic 2.3.1**

### **2.2. Specific Objectives**

The 1997 pension reform established the passage from a state-or entity-secured, pay-as-you-go (PAYG) system to a new system that “combines social pooling and personal account”. In this system employers contribute 20% of the salary into a social pooling account and employees pay 8% into their personal accounts. The social pooling is similar to the US payroll tax, while the personal accounts need appropriate investment channels to preserve and possibly increase the values of the contributions.

As an emerging economy, China has not yet accumulated enough pension funds for the newly retired who worked during the planned economy period. Hence, local governments have to divert the funds of the employees’ personal accounts to pay the retirees’ pensions. As a consequence, the worker’s personal accounts are de facto partly empty (Faure and Xu 2014).

In a recent study on pension sustainability of 54 large economies, China ranked 53<sup>th</sup> (Allianz, 2016

Pension Sustainability Index), and there were clear indications that the Chinese pension system was, in the long run, one of the least sustainable.

Moreover, it has been computed that, from 1997 to 2010, the average rate of return of China’s pension fund was less than 2%, a value lower than the average rate of increase of the CPI in the same period, causing a total loss of more than RMB 600 billion (\$95.4 billion).

A first effort to deal with these problems was the enactment in 2011 of the Social Insurance Law which established that, in order to preserve and possibly increase its value, the social insurance fund should make investments and operations, regulated by the State Council. The investments could include investments in the capital market.

In August 2015, China’s State Council published investment guidelines allowing local pensions to be invested in a wider range of riskier assets, with the maximum stocks and equities ratio set at 30 percent of total net assets, equivalent to around 600 billion RMB.

Finally, the 13<sup>th</sup> Five Year Plan of the CPC, has stressed the necessity to appropriate a portion of state capital to replenish social security funds, and strengthen risk management in order to ensure increasing rates of returns on investments.

On this regard, the international (and more specifically the EU experiences) could provide a benchmark on the management strategies and practices that have been implemented by numerous countries to warranty the financial sustainability of their pension funds.

**2.3. Requested Services**

The Expert will actively attend the final Workshop on the topic 2.3.1, to be held in Beijing on 26<sup>th</sup> - 27<sup>th</sup> February, 2018, as Workshop Discussant. The Expert, after reading the research material produced by the EU and Chinese experts and the policy proposal, will participate to the debate presenting his motivated opinions.

**2.3. Outputs**

- a power point presentation and/or a briefing of the speech

**3. Experts’ Profile**

<b>Requirements for Experts</b>	<b>Requirement/Asset</b>
<b>Qualifications and skills</b>	
University Degree within the relevant sectors of Demography, Social Protection, Law, Political Science, and Economics	R
Excellent organizational, communication, writing and interpersonal skills	R
Strong analytical and drafting skills	R
Previous experience in execution tasks in other international projects	A
Fluent in English both verbally and writing	A
Ability to develop and maintain good professional relations with stakeholders, particularly counterparts and staff members in an international setting	R
<b>General professional experience</b>	
At least <b>5 years</b> of experience working in areas related to Social Protection and/or Employment policies	R
Public servant within one of the Applicant Entities of the Consortium or staff from public institutions cooperating with the Applicant Entities of the Consortium or researcher from the research institution outside Consortium. Public servants and staff from public institutions cooperating with the Applicant Entities who fulfill the requirements take	R

precedence over candidates outside Consortium.	
Previous working experience in international projects, preferably with EU funded projects	A
Previous working experience in China	A
<b>Specific professional experience-related to action</b>	
Possessing professional experience relevant to the ToR for his/her specific assignment	R
Previous experience in research or previous publications in the area of social sciences	A

### 3.1 Working Languages

The incumbent should be fluent in English both verbally and in writing.

### 4. Location & Duration

Location: Experts' countries and Beijing

Timing: February 2018.

**Working days:** Maximum 5 w/days (including the short mission to Beijing). For the mission to Beijing, the project covers flight expenditures and provide maximum 3 per diems.

### 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), pdf 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](mailto:Michele.bruni@eucsprp.org) and the C2 Coordinator, Ms. Valeria Bonavolontà: [valeria.bonavolonta@inps.it](mailto:valeria.bonavolonta@inps.it) by or before February 4<sup>th</sup>, 2018.

### 6. Personal data protection

INPS – Istituto Nazionale della Previdenza sociale, based in Rome (Italy), Via Ciro il Grande 21, is the Responsible of personal data processing, as EU-China SPR Project Leader and Component 2 Coordinator. INPS informs you that your personal data contained in the application for the present ToR will be processed by the Component 2 Resident Expert of the EU-China SPR Project, his assistant and INPS employees involved in the EU-China SPR Project – Component 2, in compliance with the Italian Legislative Decree no. 196 dated 30/06/2003 on personal data protection, in order to process your application to the selection. Your personal data will be processed also with electronical instruments. Your data will be communicated to other public or private Institutions only in cases provided by the Italian laws. INPS informs you that, in accordance to art. 7 of the above mentioned decree, you are entitled, in particular, to have access to your personal data, to request rectification, updating or deleting of information if data are incomplete or wrong. You should contact INPS at the e-mail address: [Comp2.InpsProgettoCina@inps.it](mailto:Comp2.InpsProgettoCina@inps.it) to exercise the rights provided in art. 7.