14 September 2018

EU-China Social Protection Reform Project

Component 2 macro-activities

1 Chinese Short Term Expert

(Annual Work Plan 2018 – Macro-Activities 2.6)

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

POLICY SUGGESTIONS

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 5th and 6th are post-subsidizing the deficit; the 7th is a direct subsidy to individual pensioner, and the 8th is a special subsidy used during institutional transformations.

2.2. Requested Services

Following up the outcomes of the Panel Discussion, the Chinese Expert will provide a policy recommendation report on the topic 2.3.2 based on the research activities carried out by EU and Chinese experts. The expert will coordinate his activity with the EU experts involved in the panel discussion, and the resident expert. The goal is to provide a complete policy reference to be submitted to the MoF and discussed at the Workshop, scheduled in Beijing in October 2018.

The Expert will take all necessary action to provide the policy suggestion report to the satisfaction of the Project represented by the Component 2 coordinator (INPS). He will submit a mid term draft for comments and amendment suggestions by the project team. He will present the main results of the survey at the dedicated Workshop.

2.3. Outputs

- a report of around 20 pages, in English and Chinese
- 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: September-October 2018. Power point presentation one week before the Workshop timing. Policy recommendation report within two weeks after the Workshop.

Working days: 10 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 and the C2 Coordinator, Ms. Valeria Bonavolontà: valeria.bonavolonta@inps.it by or before September 22th, 2018.