

9 May 2018

DCI-ASIE/2014/350-601
EU-China Social Protection Reform Project

Component 2 macro-activities

(Annual Work Plan 2018 – Macro-Activity 2.4; 2.6)

*China's fiscal, economic, and demographic imbalances at the
provincial level*

STUDIES AND RESEARCH

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, Component 2 plans to use the provisions contained in the project budget (Studies and Research, line 6.2) to conduct three comprehensive academic studies. This ToR is for the following research:

China’s fiscal, economic, and demographic imbalances at the provincial level

2.1.2 Specific Objectives

The Chinese fiscal system presents a striking contrast between a very low level of provincial autonomy and a relatively high importance of subnational revenues (Bird, 2012). It has also been suggested that the key to China public finance stability and political stability may lie in getting subnational taxes and the other critical components of its intergovernmental fiscal system right (Wong and Bird, 2008).

Under the planned economy all expenditures were determined at the centre, but the responsibilities for day-to-day public administration and social services such as education (except universities), public safety, health care, social security, housing etc., were all delegated to subnational governments,

financing being provided by a revenue sharing system, largely negotiated.

With the introduction of the market economy, tax revenues (that were collected at the provincial level) started to decline also due to the inability of the central government to monitor local situations.

A drastic reform of the fiscal system was introduced in 1994. It aimed to recentralize the fiscal system and pursue two main objectives: stop the decline in revenues and strengthen the situation of the central government. Together with the introduction of new taxes (VAT and the business tax on services), the new system changed the way revenues were shared between central and provincial governments by shifting from a negotiated system to a system in which all taxes are either specifically assigned to central or subnational governments or shared. Another important element was the establishment of a national tax administration that largely eliminated opportunities for local governments to divert central revenues into their coffers. New fiscal reforms were then introduced in 1998 “to convert fees into taxes” and in 2002. However, in spite of all these reforms, the Chinese fiscal system continues to be affected by serious challenges.

A first important issue in China’s pension reform is how to define the responsibility of public finance’s subsidies 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.

Moving our attention to the provincial level the huge fiscal gaps of subnational governments (that by now are all dependents on central government to finance expenditures) situation has pushed local governments to attempt to cope with their increasing fiscal problems by increasing revenues in a variety of legal and quasi-legal ways. In particular this has resulted in a rapid growth of extra budgetary funds while the fiscal system has become more and more pervaded by a host of implicit and hidden revenues, transfers, and expenditures driven in part by the lack of any good formal local tax bases and facilitated by the continuing obscurity of the line between governments and business especially at the local level.

Finally, the concentration of economic and demographic growth in coastal region has been increasing income provincial disparities, while determining a deterioration in public services provided by inland provinces.

All this suggests that China needs to find solution to fiscal provincial imbalances. The research aims to suggest policies measures to face these complex issues starting from a clear representation of the problems faced by China, also on the on the basis of the solution adopted by countries faced by similar problems.

The research is articulated into two parts.

The first part will provide a detailed description of the way in which China use public finance subsidies.

The second part will pursue the following goals:

- Mapping provincial fiscal imbalances and transfers and their historical evolution;
- Discuss the problem of extra budgetary finance and provide quantitative estimates of this phenomenon;

- Analyse the impact of economic and demographic provincial differences on past present and future fiscal imbalances;
- Identify some policy recommendations to solve the existing problem of provincial fiscal imbalances

2.3 Requested Services

The Grant application form indicates that “Comparative studies of EU Member states, specific insights and detailed studies (... will be conducted) to investigate on issues related to the options selected (...).

This Term of Reference provide for the completion of an in-depth study on *China’s fiscal, economic, and demographic imbalances at the provincial level*.

The Expert will take all necessary action to provide a study to the satisfaction of the Project represented by the Component 2 coordinator (INPS) on the above-mentioned topic. The expert will perform his/her assignment in collaboration with the C2 Resident Expert. The expert will submit a midterm draft for comments and amendment suggestions by the project team.

2.4. Outputs

- a Report of around 50 pages, in English and Chinese
- an abstract of the Report in English and Chinese

3. Procedure and Selection criteria

This call for interest is primarily intended at research and other institutions located within one of the Consortium member countries.

Criteria for selection are summarized in the table below.

Requirements incumbent institution	Requirement/Asset
Proven experience in conducting comparative research at European level in Social protection and Labour market fields	R
Publication/research record in English language	R
Previous participation in international research projects	R
Knowledge of Chinese labour market and social protection context	A
International network of labour market and social protection correspondents	A
Based in one of the Consortium members ‘countries	A

Entities from the Consortium are as follows: from **Italy** INPS – National Social Security Institute; from **Belgium**, Federal Public Service Social Security; from **Poland**, Ministry of Family, Labour and Social Policy (MRPiPS); from **Romania**, Ministry of Labor, Family, Social Protection and Elderly (MoLFSPE); from **Spain**, Ministry of Employment and Social Security (MEySS) and International and Ibero-American Foundation for Administration and Public Policies (FIIAPP); from **France**, EXPERTISE FRANCE. Associates of the Applicant also participating in the action are Scuola Nazionale dell’Amministrazione (National School of Administration) from Italy and the Ministry of Labour and Social Affairs of the **Czech Republic**.

Requirements for Experts	Requirement/Asset
Qualifications and skills	
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
General professional experience	
At least 5 years 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 precedence over candidates outside Consortium.	R
Previous working experience in international projects, preferably with EU funded projects	A
Previous working experience in China	A
Specific professional experience-related to action	
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

A team of experts can also conduct the research study in a coordinated manner and submit just one application for all the members of the group, by clearly indicating the division of work among the experts.

4. Location, Duration and Budget

Location: Expert's country. If visits to other places are required, cost is to be covered by the honorarium.

Timing: The draft of the report to be delivered in July 30th 2018, finalized report by 10th September 2018.

Working days: ----

Budget Honorarium lump sum, 8.000 euros. The honorarium is for the outputs required (see 2.4 above). If a team of Experts will be selected, the sum above will be shared among them, according to the criteria that will be illustrated in the contract.

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 and the C2 Coordinator, Ms. Valeria Bonavolontà: valeria.bonavolonta@inps.it by or before May 18th, 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 electronic 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 to exercise the rights provided in art. 7.