

**Interim Report 2017**



**Social Protection Reform Project**  
**中国-欧盟社会保障改革项目**

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## ANNEX VI INTERIM NARRATIVE REPORT

### 1. Description

1.1 Name of Coordinator of the grant contract: Italian Institute of Social Security (INPS).

1.2 Name and title of the Contact person: Mr. Massimo Antichi, Head of Central Directorate for Studies and Researches.

1.3 Name of Beneficiaries and affiliated entities in the Action:

- Italian Institute of Social Security (INPS);
- Expertise France - former ADECRI;
- Federal Public Services Social Security (FPS);
- Ministry of Labour and Social Justice - former Ministry of Labour, Family, Social Protection and Elderly People;
- Ministry of Family, Labour and Social Policy (MRPiPS) - former Ministry of Labour and Social Policy;
- Ministry of Employment and Social Security (MEySS);
- Ministry of Labour and Social Affairs (MoLSA);
- International and Iberoamerican Foundation for Administration and Public Policies (FIIAPP);
- Italia Previdenza (SISPI);
- National School of Administration (SNA).

1.4 Title of the Action: EU-China Social Protection Reform Project (SPRP).

1.5 Contract number: DCI-ASIE/2014/350-601

1.6 Start date and end date of the reporting period: 17<sup>th</sup> November 2016 - 16<sup>th</sup> November 2017.

1.7 Target country(ies) or region(s): People's Republic of China.

1.8 Final beneficiaries and/or target groups<sup>1</sup> (if different) (including numbers of women and men):

The overall scope of the SPRP project is to further develop social equity and inclusiveness of economic development throughout Chinese society. To better describe the specific objectives both problems/needs and cross cutting issues have been analysed in order to define the three different Components of the SPRP project. For each Component specific Chinese government entities have also been identified. The three Components are the following:

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<sup>1</sup> "Target groups" are the groups/entities who will be directly positively affected by the project at the Project Purpose level, and "final beneficiaries" are those who will benefit from the project in the long term at the level of the society or sector at large.

<b>Component 1</b>	Consolidation of institutional capacity for social protection policy development and reforms in collaboration with the National Development and Reform Commission (NDRC), China's "super ministry" and comprehensive policy making agency, responsible for strategic overview of the national social and economic development of China.
<b>Component 2</b>	Enhancing of institutional capacity for financial management and supervision concerning social security funds in collaboration with the Ministry of Finance (MoF), responsible for China's economic and public finance policy, the central government's annual budget and for public finance legislations.
<b>Component 3</b>	Improving of legal framework and policy for social assistance in collaboration with the Ministry of Civil Affairs (MoCA), responsible for policy development in the area of social assistance and the operation of the social assistance/welfare system.

### Other Stakeholders

In addition to the Main Stakeholders, other Stakeholders involved in the SPRP have been identified.

- **The Ministry of Human Resources and Social Security (MoHRSS)** is responsible for the operation of the social insurance schemes and the development of social insurance policies/regulations;
- **National Health and Family Planning Commission (NHFPC)**: will be involved in the project activities related to the impacts on medical insurance;
- **The Chinese Insurance Regulatory Commission (CIRC)** is a sector supervision body on insurance companies;
- **All-China Women's Federation (ACWF)** is a semi-government institution which is fully devoted to gender protection;
- **All-China Federation of Trade Unions (ACFTU)**: represents the interests of the workers who are the main beneficiaries of and contributors to social security schemes;
- **The Legislative Affairs Office of the State Council (LAO)** is an administrative office within the State Council of the People's Republic of China which assists the Premier in providing legal advice and administrative laws to govern the behaviour of the different government departments.

## **Final Beneficiaries**

The Final Beneficiaries of the Social Protection Reform Project are potentially all Chinese citizens. In order to focus our attention to the different beneficiaries, different clusters have been identified. It is important to stress that these clusters are not mutually exclusive; thus, a citizen can belong to more than one cluster. The following table describes each cluster as well as the impact of the three project Components on each of them.

Final Beneficiaries		Components		
		1	2	3
<b>Private Sector Workers</b>	Employees who have a regular contract of employment with a private sector entity	X	X	
<b>Commercial Activity Owners</b>	People who own their own business	X	X	
<b>Self-Employed</b>	People who are not formally hired by companies but they are paid for services provided	X	X	
<b>Informal Employees</b>	People who have a temporary, seasonal, part-time or hourly-paid work	X	X	
<b>Foreign Workers</b>	Non-Chinese citizens working in China	X	X	
<b>Private Sector Pensioners</b>	People who have concluded their work in a private sector entity and they are eligible to receive retirement benefits	X	X	
<b>Rural Landless Households</b>	Farmers without landed property	X	X	X
<b>Rural Workers</b>	Farmers with landed property	X	X	X
<b>Public Sector Workers</b>	Employees who have a contract of employment with a public sector entity	X	X	
<b>Public Sector Pensioners</b>	People who have concluded their work in Government entity and they are eligible to receive retirement benefits	X	X	
<b>Unemployed People</b>	People without a job at present moment	X	X	X
<b>Relatives of Workers</b>	Families of every type of workers	X	X	
<b>Women</b>	Adult female Citizens	X	X	
<b>Elderly People</b>	People who are over the retirement age (In China the retirement age is about 60 year-old for the men and 55 year-old for the women)		X	X
<b>Children</b>	People aged less than 16 years		X	X
<b>Disabled People</b>	People who are physically or mentally disabled		X	X
<b>Person afflicted by Occupational Accidents</b>	Workers suffering of occupational injury or disease	X	X	
<b>Enterprise</b>	A company organized for commercial purposes		X	
<b>Minors Workers</b>	Workers between 16 and 18 years old	X	X	
<b>Patients</b>	People who are under medical care or treatment		X	X
<b>Migrant Workers</b>	People who leave their administrative division (Province, County or Municipality) and settle in another administrative division for working reasons	X	X	X
<b>Indigent People</b>	People that cannot provide the necessities of life (food, clothing, decent shelter etc.) for themselves		X	X

As clearly showed in the above table, Component 1 has an impact on all clusters active in the working world or receiving a pension benefit. In addition, Component 2 deals with the general management of the funds and is crosswise and cuts across all clusters. Finally, Component 3 aims to improve the living conditions of individuals most needy and destitute.

### **Target Groups**

The Target Groups of the Social Protection Reform Project are Entities that will be directly and positively affected by the project. This includes all the staff of the Chinese Government institution involved in the SPRP.

The following table contains a first list of the Target Groups identified and it shows how the three Components activities affect them.

Target Group	Components		
	1	2	3
High level Officials of NDRC	x	x	x
Managers of NDRC	x		
Staff of NDRC	x		
High level Officials of MoF	x	x	x
Managers of MoF	x	x	x
Staff of MoF	x	x	x
High level Officials of MoCA	x	x	x
Managers of MoCA			x
Staff of MoCA			x
High level Officials of MoHRSS	x	x	x
Managers of MoHRSS	x		
Staff of MoHRSS	x		
High level Officials of MoA	x	x	x
Managers of MoA	x		
Staff of MoA	x		
High level Officials of NHFPC	x	x	x
Managers of NHFPC	x		x
Staff of NHFPC	x		x
High level Officials of LAO	x	x	x
Managers of LAO	x	x	x
Staff of LAO	x	x	x
Members of CIRC	x	x	x
Representatives of ACWF	x		x
Local Administrators*	x	x	x
Local Officials*	x		x
Local Staff*	x		x

\*if requested by stakeholders or ministries due to the involvement of local units in the project

High level officials, managers and staff of ACFTU are target groups for C1.

1.9 Countries in which the activities take place (if different from 1.7):

During the period under review,

(C1) France Policy dialogue and international workshop (Sept.2017)

Sweden Dialogue and study visit, Income distribution (Sept.2017)Finland Dialogue and study visit, Income distribution (Sept.2017)

Italy Official visit to review employment and social security reforms, discuss prospects for future cooperation (July 2017)

Belgium Official visit to review employment and social security reforms, discuss prospects for future cooperation (July 2017)

Spain Official visit to review employment and social security reforms, discuss prospects for future cooperation (July 2017)

(C2) France Training course (September 2017).

(C3) Italy MoCA ministerial visit /policy dialog (May 2017)

France training for MoCA central and provincial high level staff (June 2017)

Romania MoCA study visit (September 2017)

Poland MoCA study visit (September 2017)

## **2. Assessment of implementation of Action activities**

### ***2.1. Executive summary of the Action***

During this third year, scientific activities of the 3 Components have been planned and launched, both in Europe and in China, and priority topics have been defined in order to start project activities.

#### ***Specific Objectives:***

- **Component 1:** Greater effectiveness and inclusiveness of China's social security system through strengthening the institutional capacity for developing policies.
  - Indicator: Comprehensive reforms proposals are developed and subject of public discussion.
- **Component 2:** Implementation of appropriate legal and regulatory frameworks and for enhanced and sustainable financial management of the social security system.
  - Indicator: Mechanisms for Social security financial management are clarified and subject of public discussion.
- **Component 3:** Improvement of the policy and legal framework and policy enforcement of social assistance.
  - Indicator: Reports concerning access to social assistance show improvements in benefits targeting.

### ***2.2. Results and Activities***

Starting from the three Components, eleven Expected Results for the SPRP project have been identified. The first Expected Result is generally broad while the other 10 are strictly connected to each specific Component.

### ***Horizontal result and activities***

***R1 – "Mechanisms for EU-China high level policy dialogue on social protection reform is established and partnerships between Specialized Public Bodies of EU Member States and the National Development and Reform Commission (NDRC), the Ministry of Finance (MoF) and the Ministry of Civil Affairs (MoCA) on social protection are developed"***

- *"Indicator 1": High-level conferences attract attention of the technical specialists and of the media. → nothing to report for the period under review.*
- *"Indicator 2": Mechanisms for further high-level dialogue on social protection policy development, financial management and social assistance after the end of the project are agreed. → C1 activities: Programming mission to pilot sites (A.5.5), NDRC top level mission to EC, Spain, Italy for conclusion of memoranda (A.3.4)*
- *"Indicator 3": Dedicated Project Website updated every month. → Achieved. The dedicated project web site that SISPI created and implemented had been active and online throughout the year. The web site is updated on a daily basis according with Resident Expert requirements. Description of project events, activities and Tender and recruitment offers are continuously updated. The website offers the possibility to download all project materials.*
- *"Indicator 4": 2 Electronic Newsletters a year. → Achieved. From 17th November 2016 to 16th November 2017 the joint Project Newsletter has been realized and published every six months. All experiences and activities carried out by each Component during the two periods have been gathered and published. Resident Experts provided their contribution summarizing activities carried out and the reports produced.*
- *"Indicator 5": List of users recorded in the Electronic Directory of Contacts is shared across all participants each quarter. → Achieved. All project stakeholders have registered their details within the project contact directory, which is updated on a quarterly basis and available on the Project Website Shared Area. In this way all authorized users (Project Consortium Representatives and Project Local Staff) can easily access and download the Data Base.*
- *"Indicator 6": Cooperative work between EU and national stakeholders in social protection is documented. → C1 publications during the period under review: 4 bilingual Newsletters, Volume III Assessment reports (EN and CN), Compendium of reform proposals vol. III (EN and CN), Technical Notes EN; C2 publications during the period under review: 4 bilingual Newsletters, Compendium of 2016 Reform Proposals (EN-CN), Compendium of 2016 Assessment Reports (EN-CN); C3 publications during the period under review: 4 bilingual Newsletters, Volume 2016 research topics Assessment reports and policy recommendation reports (EN and CN), Compendium of reform proposals 2016 (EN and CN), research study on social assistance assessments – Chinese and EU contribution, Technical Notes EN.*
- *"Indicator 7": At least 3 Member States have signed or are negotiating MoUs with the GoC on cooperation in the area of social protection*  
C1 MOU negotiated with Spain and EC DG V (signature anticipated in 2018)  
C3 starting cooperation on the MoCA – INPS and Italian Ministry of Labour and Social Policy MoU as a follow up of the May 2017 MoCA ministerial visit to Italy.
- *"Indicator 8": EU Member States Embassies thoroughly informed about SPRP Project achievements in at least 2 Information Events 1<sup>st</sup> briefing with member states held on 8 June 2017*
- *"Indicator 9": Foreign companies doing business in China – particularly those from EU*

Member States – are informed about China's social protection reform plans through 2 Information Events

### *Component 1 results and activities*

#### ***R2 – "Under the leadership of NDRC, coordination of policy making among government agencies in areas related to social protection reform is strengthened"***

- 2.1 "Indicator 1": NDRC proposals on social protection reform for inclusion in the XIII Five-year Plan are shared with other stakeholders and taken as a basis for discussion in preparatory works. → Achieved (Activity A.2.1). This indicator was considered as met with the publication of the XIII Five-year Plan including NDRC proposals, as reported in the previous Interim Report.
- 2.2 "Indicator 2": A comprehensive proposal for social administration systems reform is elaborated and disseminated to interested stakeholders under project auspices. → Partially achieved. While the broad lines of a comprehensive proposal for social administration systems reform were already developed and disseminated in 2015 contacts were made during the period under review with pilot sites in Guangdong Province to further elaborate on specific aspects of governance in social insurance management – activities to be conducted in 2018
- 2.3 "Indicator 3": Analysis and proposals developed under project auspices are made known to a broad audience, nationally and internationally → Being pursued (A.2.2, A.2.3) Activity Reports and proposals elaborated under C1 auspices during the period under review were discussed nationally and internationally in a variety of fora and contributed to the national debate.

*Topic: 1.1.2 Coordination of policy making among government agencies in areas related to social protection reform*

#### **A. 2.1 Technical notes on European experience and best practices in pension reform**

The project component 1 significantly influenced the contents of relevant parts of the XIIIth Five-year Plan, and the table below shows the correspondence between the goals of the Plan, and the objectives pursued through the Project C1.

XIII <sup>TH</sup> FIVE YEAR PLAN COMMITMENTS	CORRESPONDING CHALLENGES	MATCHING PROJECT EXPECTED RESULTS (C.1)
- Ensure complete coverage o Universal and effective coverage	SYSTEM FRAGMENTATION	1.4 RURAL-URBAN INTEGRATION & VESTING
- Make the system more attractive o Target particular groups (migrant workers, flexible employment) o Strengthen development of public service facilities and information platform o Take initiatives concerning use of social security cards	SYSTEM ATTRACTIVENESS	1.1. IMPROVED INTER-AGENCY COOPERATION
- Guarantee sustainability o Ensure actuarial balance o Perfect funding mechanisms o Clearly establish respective responsibilities of Government, enterprises, individuals o Reduce insurance premium for enterprises o Use portion of state assets to replenish social security funds, expand channels for investment, strengthen risk management	ECONOMIC AFFORDABILITY	1.2. POLICY DEVELOPMENT & EVALUATION
- Improve pension benefit levels	LOW LEVEL OF	1.3 FULL COVERAGE THROUGH

<ul style="list-style-type: none"> <li>○ Enhance basic old-age insurance (social pooling and individual accounts)</li> <li>○ Establish multi-layer old-age insurance system</li> <li>○ Place social pooling under unified management</li> <li>○ Improve individual accounts system, establish incentive/restraints on basic pensions, regularly adjust basic pensions</li> </ul>	PROTECTION	OLD AGE INSURANCE
<ul style="list-style-type: none"> <li>- Broaden scope of coverage</li> <li>○ Launch pension schemes that allow for deferred payment of individual income tax</li> <li>○ Better use Unemployment insurance, Work injury insurance, establish flexible contributions</li> <li>○ Make transferability easier</li> </ul>	REDISTRIBUTIVE EFFECT	1.1. IMPROVED INTER-AGENCY COOPERATION
<ul style="list-style-type: none"> <li>- Population ageing (chapter 65)</li> <li>○ Support two-children policy</li> <li>○ Facilitate employability of elder workers</li> <li>○ Gradually increase retirement age</li> </ul>	THE CHALLENGE OF AGEING	1.2. POLICY DEVELOPMENT & EVALUATION

Over project life, a number of technical research, exchanges and dialogues have been conducted, addressing a great variety of technical topics, and reporting the wealth of European experience in the various aspects of social protection reform to the Chinese reality and prospects. While these activities have been duly documented and enshrined in a very rich and detailed series of publications and report available notably from the project website in English and in Chinese languages, it was felt useful to supplement this scientific documentation with a set of short notes, presenting in a concise yet accessible manner the fundamentals of European experience in main pension reform topics, as those might be relevant for the Chinese stakeholders also involved in the design and implementation of systemic and parametric reforms. The project C1 therefore elaborated 22 such Notes, covering 12 technical topics (see table below). Their contents, available in English as well as in Chinese languages, is derived from project works, be it works under the current project or under its predecessor, the EU-China Social security reform project (2006-2010).

TOPICS	NOTES
PENSION REFORM	0 – Selected Pension reforms in Europe
MANAGEMENT REFORM	111-Fraud
PENSION SCHEME EVALUATION	122-General principles for pension reform
	122-Social security performance indicators
	122-Evaluation of Social security
AFFORDABILITY OF PENSION SCHEMES	123-State budget financing
GENDER	124-Gender considerations
REFORM FOR PUBLIC SECTORS	131-Reform of public pension schemes
MULTITIER PENSION SYSTEMS	134-Multitier pension systems
PARAMETRIC REFORM	0 – Selected Pension reforms in Europe
	136-Extending working life
	136-Parametric-Minimum standards
	136-Indexation
DEMOGRAPHIC AGEING	137-Demography and social security
	137-Long term care insurance
	137-Retirement Age
NOTIONAL DEFINED CONTRIBUTIONS	139-NDC European Best Practices
	139-NDC self-financing
INDIVIDUAL ACCOUNTS	141-Adjusting for Longevity
	141-Adjusting individual records

	141-Regulations for Funded schemes
VESTING AND PORTABILITY	143-Principles of Coordination (migrant workers)
	143-Social insurance for mobile workers in Europe

Output: Technical Notes - Chinese version under proof reading.

### **A.2.2. Participation in outside events**

Component 1 of the project entertains privileged relations with entities and individuals interested in project works, outside the circle of NDRC. The component has developed working relations with several international organizations based in Beijing, such as the ILO, the World Bank, the UNDP, the British Council, and the Friedrich-Ebert-Foundation FES. Visiting European Experts and the Resident Expert for Component 1 have taken part in a number of meetings organized by institutions outside the project where they contributed technical papers and made the project works under Component One know by other interested circles. This participation significantly increased during the period devoted to finalisation of proposals for parametric pension reform, as shown form the table below.

#### **Outside events with Component One participation**

<b>Title</b>	<b>Date</b>	<b>Organizers</b>
Workshop on Social security protection of Migrant workers in China	April 2015	ACFTU, ILO
Seminar on Social security response to economic crisis	Jan. 2016	ILASS, CASS
Construction of the Governance Mechanism of Social Security during the Social Transformation	July 2016	SSI, Renmin University
Social Security and Economic Development	Sep. 2016	FES, CASS, ILO, ISSA
ILO-China-ASEAN High Level Seminar to achieve the social development goals (SDGs) on Universal Social Protection	Sep. 2016	ASEAN, ILO, MoH, RSS
International Symposium on Past, Present and the Future of Welfare States	Aug. 2017	CASS, ILO, Renmin Univ., ISSA
Seminar on the reform of pension benefits adjustment mechanisms in China	Sep. 2017	MoH, RSS, ILO
Meeting on Non financial defined contribution pension schemes	Oct. 2017	CISS, CASS

Chinese authors of assessment reports produced for project component one in 2017<sup>2</sup> are also among the main protagonists for leading public discussion around pension reform, which helps in enriching and popularizing project input into the said discussion.

Output: Sessional reports; technical contributions

*Topic 1.1.3 Monitoring interaction between employment promotion and social protection policies*

### **A. 2.3. Second EU-NDRC High level policy dialogue**

The second EU-China high level employment and social security policy dialogue was held in Paris on 15 September 2017. The general theme of the Dialogue was Inclusive growth and social integration – Chinese and European experiences. From the European side, high level decision makers from the EC, the OECD, Belgium, France and Finland took part, while the Chinese delegation was led by Mr. Li Kang, DG for Employment and Income distribution of NDRC. The meeting was divided into two sessions. NDRC DG Department of Income distribution Mr Li Kang and Ms Barbara Kauffmann presented keynote addresses on respectively Alternative forms of Employment and Paving the way to inclusive growth in the EU. Mr Stefano Scarpetta (OECD), Ms Zhou Hong (CASS China), Mr Koen Vleminckx (Federal service Social security Belgium), Mr Antero Kiviniemi (Finland) and Mr Li Shi (Institute for Income distribution, China) submitted additional comments. This Activity also contributed to project result R.1, Indicator Cooperative work between the EU and China. The First Dialogue was held in Beijing in April 2016.

Output: Session report; PPT presentations.

### ***R3 – "Capacity of NDRC in policy development and implementation, notably establishing and enforcing a national policy evaluation technique in the area of social protection, is enhanced"***

- *3.1 "Indicator 1":* A national policy evaluation technique in the area of social protection is developed and tested under the auspices of the project. → Being pursued (Activities A.3.1, A.3.2).
- *3.2 "Indicator 2":* At least two-thirds of local officers involved in the training in China and in Europe demonstrate a high level of approval of the training activities. → Being pursued (Activity A.3.2) During the period under review no training activity was completed
- *3.3 "Indicator 3":* Clear goals are assigned to the pension system in terms of replacement of past income and minimum living standards. → Achieved (Activity A.3.1) The report on Social security evaluation put forward clear recommendations on the achievements of the pension schemes vis-à-vis goals that could reasonably be assigned to those.
- *3.4 "Indicator 4":* A methodology to assess gender implications of proposed social protection reforms is developed. → Being pursued (Activity A.3.3) National reports (situation in Guangdong and Sichuan Provinces) detailed a methodology to be followed concerning the assessment of female situation in employment and social security areas. Those will be further discussed with European participation in 2018.

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<sup>2</sup> Prof. Zheng Gongcheng, prof. Zhou Hong, prof. Li Shi, prof. Lin Yi, prof. Yue Jinglun

- *3.5 "Indicator 5":* Interrelation between social protection and employment policies is documented and used for evaluation purposes → Being pursued A substantial part of C1 programme of activities for 2016 was devoted to this indicator (see previous interim report). Under the period under review, the Evaluation of employment policies was undertaken (Activity A.3.1). In 2018, the inter-relation between Employment and Social security policies will be at the core of C1 programme of activities.
- *3.6 "Indicator 6"* Memoranda of understanding or equivalent instruments are discussed and concluded between NDRC and European partners, to use as a basis for continued cooperation in social protection → Being pursued (Activity A.3.4) MOUs are under advanced discussion with Spain and the EC. A visit by a high-level delegation was organised by NDRC with limited support from the project during the period under review, to help progress in bilateral negotiations with 3 entities.

#### A. 3.1 Situation analysis on evaluation techniques in the fields of social security and of employment promotion

Mr. Zheng Gongcheng and Mr. Yue Jinglun have accepted the assignment of conducting situation analysis cum reform proposals on evaluation techniques for, respectively, social security and employment promotion in China. Mr. Yue Jinglun report (Evaluation of employment policies) was received in both English and Chinese versions. Mr Yue Jinglun and Mr Zheng Gongcheng presented their findings during the panel discussion meeting held on 30 August 2017 (PPTs available).

Evaluation, Employment policies: The Chinese Communist Party and the government highly value employment. In the long run, the principle of "jobs first" will not change and the employment policies will "seek for progress while emphasizing stability".

At the top, there should be proactive policy design and coordination among different departments at the national level, particularly between economic, industrial and employment policy-makers. Labour and employment cannot be separated from economic and industrial development.

In terms of concrete policy measures, three types of coordination should be taken into consideration.

First, the employment policies shall emphasize the long-term development, but also stabilize short- to medium-term employment.

The second is the balance between industrial and social upgrading. The essence of employment policies is to guarantee livelihood, so the human-based principle is a confirmation of the value of human and human labour.

Third, while stabilizing the numbers of jobs, the governments should also improve the quality of work on the basis of social security schemes.

Last but not the least, there should be more flexibility between the central plan and local policy implementation. Employment is no doubt the responsibility of the State, but the local

governments can be entitled with more flexibility. Huge gaps exist among different regions and between urban and rural areas in China, although the policies have tried to address this problem in a long time.

Evaluation, Social security policies: China's social security system has been undergoing a comprehensive and profound overhaul since the mid-1980s, transforming from being state and work unit (danwei) based towards an institutional setting independent from work units with their respective distinctive boundaries. This shift is phrased as from state-work units based protection to state-society based protection. Social security, once provided exclusively to urban population, now brings benefits to the whole population. Overall, China's social security and economic development have achieved positive interaction and joint progress over the latest three decades, yet there remain problems that need to be addressed by deepening the reform on the basis of objective evaluation.

1. **The institutional framework has taken its initial shape, yet it is still under further construction.** As of today, the framework of China's social security system is in place while all the schemes are playing their due roles; yet some basic elements of the system, including its structure and positioning, multi-layer structure, administrative system, operating mechanism, as well as the legislation, remain to be constructed and consolidated.
2. **Universal coverage has been essentially attained, yet the equity of the system needs to be promoted.** More than 97% of China's population is covered by health insurance, basically achieving the intended goal of establishing universal health insurance coverage. The pension scheme benefits all elderly across the country and monthly pensions are accessible to all the elderly population. Social assistance also extends to all the eligible population. Elderly care services and services for persons with disability are also developing rapidly. China's social security system has become a fundamental way as well as an institutional guarantee for all people to share the fruits of national development; however, the benefit gaps among regions, between urban and rural areas, and among groups, remain wide.
3. **The responsibility of the government is highlighted, but its boundary remains blurred. Also, the mechanism for the sharing of responsibilities between central and local governments need to be clarified.**
4. **The benefit level of Chinese social security is on the rise, yet the mechanisms for coordinated development and standardized indexation of benefits are absent.**
5. **China's social security system is shifting from long-term experimental reform to a new stage towards a mature and fully-formed system.**

### Major Evaluation of China's old-age pension

The old-age pension scheme is the mainstay of China's social security system, thus the key to evaluating China's social security system is to evaluate its old-age pension. Four major indicators can be used for the evaluation of Chinese pension schemes: coverage rate, replacement rate, equity and sustainability.

#### INDICATOR 1: COVERAGE RATE.

China's pension system coverage has been constantly extending since 1998; especially in 2009, the government launched the government-partial-funded pension scheme for rural residents, which further extended to non-salaried urban population in the 16-59 age group

in 2011 and achieved full basic pension coverage in 2012, which means all the elderly can receive monthly pensions in varying amounts. However the pension scheme for employees still has a larger space for coverage extension, mainly among migrant employees.

#### **INDICATOR 2: REPLACEMENT RATE.**

The apparently declining replacement rate does not reveal the real level of pension payouts, as the contribution base across the country is broadly below the average wage.

The replacement rate, calculated on the share of average pension in per capita net income of rural residents, ranges from 10%-13%, being relatively low.

#### **INDICATOR 3: EQUITY.**

The regionally segmented pension schemes give rise to inequity and the large disparity among regions and groups.

#### **INDICATOR 4: CONTRIBUTION RATE.**

This indicator shows the burden of contributing on the working population. The per capita contribution of urban employees' pension scheme was increasing over time, while the average contribution rate was declining.

#### **INDICATOR 5: SUSTAINABILITY.**

Whether a pension system is sustainable can largely be judged from three aspects: First, pension fund balance; second, construction of multi-layer pension scheme; third, space to adjust the relevant parameters.

**(1) Balance of pension fund for urban employees.** Its growing trend indicates that the fund balance was increasing, and sustainability was strengthened. In addition, China has put in place the National Social Security Fund - the strategic reserve fund, which has amounted to 2 trillion CNY.

**(2) The underdeveloped multi-layer pension system.** In 2011, the average replacement rates of public pension and private pension in OECD countries were 42.2% and 30.4%, respectively, while the replacement rate of enterprise annuity schemes in China was only 5%. It is obvious that the second and third layers of pension system still have huge potential to be scaled up in China.

**(3) Parameters influencing the pension system.** In terms of coverage rate, contribution base, contribution rate, length of contributions, replacement rate, retirement age, and fiscal responsibility, China still has plenty of room for changes. To be more specific: (i) more than 100 million migrant workers are not yet covered by the employees' pension system; (ii) contribution bases in different region only amount to 70% of the local average wage, leaving room for adjustment in the real contribution rate; (iii) The current minimum length of contribution of 15 years is overly short and thus must be extended; (iv) the replacement rate calculated with the real contribution wage according stands at 67%, being still high; (v) the average retirement age is now only 54 years old, and thus can be extended for

considerable years; (vi) government subsidies accounts for about 16% of the total fund revenue.

The above shows that there is great room for adjustments in China's pension system. As long as the appropriate regulatory measures are taken, the sustainability of the pension system can surely be enhanced.

Outputs: Assessment reports; PPT presentations

### **A. 3.2 Training course on Evaluation techniques**

The initial arrangements proposed to the approached potential host for the training in Germany did not work out. An alternative path was explored by NDRC and Expertise France so that the training may be held in Germany early in 2018 under the framework of Mainz University.

Output: (expected) Training report; Training materials

### **A. 3.3 Assessment reports, Gender considerations in Pension reform**

The newly introduced topic on Gender considerations under pension reform was addressed at the local level. Prof. Lin Yi, from Sichuan South-West University, and Prof. Yue Jinglun, from Guangdong based Sun Yat Sen University, conducted these reviews targeting women's social security rights and employment positions (including for female migrant workers). These reviews include both national and local considerations and will be used for the continued topic consideration under proposed Component One Plan of Activities for the year 2018.

#### ***Guangdong Assessment***

##### **Policy recommendations**

##### **(A) Of the main system of policy recommendations**

First, the establishment of general system of public pension. The establishment of general public pension system, for all residents, men and women to provide the same basic old-age security. Second, reduce the urban workers' pension insurance system access threshold. Third, reduce the requirements for pension eligibility. Fourth, the expansion of female migrant workers maternity insurance coverage. Fifth, learn from the experience of developed countries.

##### **(B) Policy recommendations for the transfer of pension rights**

First, the realization of basic pension national co-ordination. Second, the use of "sub-calculation, unified release" principle of pension. Third, strengthen the construction of social security information system.

##### **The "urban and rural old-age insurance system convergence " proposal**

First, to allow migrant workers, especially women migrant workers choose to participate in the household registration workers' pension insurance

Second, to participate in urban workers' pension insurance payment of less than 15 years of migrant workers, the same can enjoy the basic pension benefits

**(C) To speed up the establishment of women's flexible retirement system**

**(D) The establishment of statistical data by sex collection and reporting**

**(E) To strengthen policy advocacy**

### ***Sichuan Assessment***

#### **Main Policy recommendations**

The data analysis of female employment and social security in Chengdu and Luzhou reflects not only the features in Chengdu and Luzhou themselves, but also the common problems in the whole country. It is necessary to give constructive policy suggestions to the government from the overall concept.

**1 Actively guide and support female employment, and build a benign relationship between employment and social security**

**2 Accelerate the structural reform of old-age insurance system to promote gender equality in the urban and rural system**

**3 Optimize parameter reform of old-age insurance system to promote the equalization of retirement age between men and women**

**4 Building a female compensation mechanism in social security system**

**5 Building a female interest distribution mechanism in social security system**

Those two reports will be supplemented by studies on relevant European experience and approach conducted as part of C1 Plan of Activities for 2018. An international seminar on Gender considerations in pension reform will be held in China in 2018, at which time reform proposals submitted will be officially considered by NDRC.

Output: Two assessment reports

### **A. 3.4. Visit to Spain, Italy, EUC of NDRC Vice-Chairperson**

The visit initially planned for Mr. Wang Xiaotao was in fact led by NDRC Inspector General Ms Zhu Yingjuan. From 6 to 15 July, the delegation of 4 officials from NDRC Employment and Income distribution department visited partner organizations in Italy, Spain and at the European Union Headquarters in Brussels. During the visits, the delegation held bilateral talks on employment promotion and social security reform, including challenges caused by population ageing. At the same time, ties for future technical and policy bilateral cooperation were further strengthened. Similar discussions on the future of bilateral cooperation were held in Paris, at the margin of the International Workshop – see R.4, Activity 4.1.4 - between NDRC DG Li Kang and France Strategie, which objective is objective is to contribute to determining the main orientations for the future of the country and the medium- and long-term objectives of its economic, social, cultural and environmental development, as well as the preparation of the reforms.

Output: Mission report.

***R4 – "National policy framework for a full coverage of old-age insurance system throughout China is consolidated by strengthening the interface of various schemes, permission funding pooling, old-age insurance scheme for civil servants/the employee of public agencies and the existing multi-lawyer pension system"***

- 4.1 "Indicator 1": A comprehensive model for multitier design of the pension system is developed under project auspices. → Being pursued (Activities A.4.1, A.4.2, A.4.3, A.4.4). Activities conducted in 2015 and 2016 contributed to the elaboration of the required model. During the period under review the discussion around parametric reform further contributed to fine-tune the model. A further refined proposal will be submitted in 2018.
- 4.2 "Indicator 2": A comprehensive policy for developing a universal social pension model is developed and disseminated under project auspices. → To be addressed. This topic is to be considered under C1 programme of activities for 2018
- 4.3 "Indicator 3": An analysis of the consequences of demographic ageing on the pension system is conducted and discussed under project auspices. → Partially achieved. This aspect was discussed and documented under 2016 programme of activities. Further considerations and revised analysis will be produced in 2018 (pilot activities with Shanghai, cross-components special activity).

#### **A. 4.1 Situation analysis, Parametric pension reform**

Ms. Zhou Hong has accepted the assignment of conducting situation analysis cum reform proposals on parametric changes in pension schemes in China. She presented her first findings for peer review during the panel discussion meeting held on 30 August 2017 (see R.4, 4.1.3) – as well as, after duly revising on the basis of comments made in Beijing, during the International Workshop held in Paris on 14 September 2017.

As it can be seen from the reform practice of public pension in EU countries, parametric reform is an important means of pension reform. Some countries mainly adopt the method of parametric reform; whereas other countries use parametric and structural reforms alternately and complementarily. There are similarities and differences in reform of different countries, and their effects vary. With regard to the effects of parametric reform, currently the assessment is not widely available. There are several noteworthy points:

- i. Public pension deficits could be reduced, with the sustainability of pension being improved
- ii. "Adequacy" means a lot for the public pension systems
- iii. It is unfavourable for the low-incomers and the early retirees in the labor market
- iv. The employment rate and unemployment rate of the elderly are increased, with the poverty risk of poverty the elderly being on the rise
- v. The social contribution burden of enterprises is increased
- vi. The space for structural reform of the pension system is expanded
- vii. The dispute over the modes of reform is not yet over

While drawing lessons from European experience, China should not only pay attention to the theories, policies and methods of structural reform, but also attach importance to the guiding

ideology, strategy selection and concrete operation methods of parametric reform. The parametric reform of pension can be focused on both the contribution and the expenditure.

1. From the contribution stage, there are some entry points:

(1) Adjust the contribution base.

(2) Raise the contribution rate.

(3) Increase the retirement age.

(4) In addition to increasing the retirement age, limiting early retirement or encouraging later retirement is also a popular option for reform.

2. From the expenditure stage, the main topics are focused on the calculation of pension benefits:

(1) Which parameters are linked to the pension? Are they linked with contribution, in order to reflect the principle of more pay for more work? Or are they linked to a wage index that allows retirees to share the growth of social wealth? Or are they tied to the price index to control the over-rapid growth of pension? In general, the left-wing parties in Europe argue that pension should be linked to the wage index; whereas the right-wing parties hold that pension should be linked to price index. Different policy options reflect different political ideas, or argue that social members share economic growth and prosperity, or strive to achieve fiscal sustainability. Therefore, political choices are required before policy choices.

(2) Should pension benefits calculate personal income for the last 5 years? Or the average personal income in the last 10 or 25 years? Countries have different policy choices according to their own national conditions, but the current trend is generally to calculate the income for the last five years to 10 years or beyond. Given that the average person's income increases with seniority, the longer the calculation period is, the lower the pension benefits will eventually be calculated.

(3) Introduce the sustainable computing factor or "score". For instance, while calculating the pension benefits, Germany has particularly calculated the "income score", years of working/contribution, pension current value, sustainability factor, category factor, actuarial factor, etc. It has included a lot of elements into calculation factors, to meticulously reflect a variety of policy choice through parameters.

Third, parametric reforms in European countries could influence each other and learn from each other, meanwhile they have their own characteristics and trade-offs. Therefore, China could also consider multi-pronged reform when implementing reforms.

Fourth, according to preliminary estimates, the parametric reforms of pension in European countries have mostly reached the basic goal of controlling the increase of public pension. However, reducing the pension expenditure is not the only goal of reform, nor its original purpose. The establishment of public pension system in Europe is to reduce the poverty of old age and realize the balanced development of society.

China should not ignore the effects of reform on society when drawing a lesson from Europe, as it can consider the introduction of social balance factor (or index), which could help enable the reforms to cut spending, and to balance the gap between the rich and the poor.

Fifth, some European countries, such as Sweden and Italy, begin to try out "personal notional account ". This is a sort of pension accounting reform, with the main purpose being to balance the intergenerational conflicts, and likely to solve the new problems caused by flexible employment. Since the discussion in this regard has just begun, this report would not introduce or comment on the system.

Finally, although the parametric pension reforms in Europe have been implemented for many years, as a conscious and systematic reform action, it is still in its infancy. Its ultimate effects and various roles need to be further observed. Thus, it is recommended to continue the study.

Finally, the project C1 technical team drew the list below of parametric reforms that could be envisaged for the Chinese pension scheme for Urban employees.

#### 1. Contribution rate

Currently 28%: 20% employer + 8% employee

Adjusted rates by 1-8 percentage point downwards, effect on the level of pension replacement and the financial sustainability of the fund

#### 2. Qualifying period

The current system provides a minimum qualifying period of 15 years of contributions

The estimated contribution period is 22-30 years, the impact on the level of pension treatment and the replacement rate

#### 3. Retirement age

Calculate the impact of delayed retirement on pension treatment and redistribution

From 2022 onwards

Option 1: ordinary female workers every 3 years to extend by 1 year, female cadres, men every 4 years to extend by 1 year.

Option 2: ordinary female workers every 2 years to extend by 1 year, female cadres, men every 3 years to extend by 1 year.

#### 4. Interest rate on Personal accounts

Calculate the impact of interest rates on personal account on the accumulation of pension benefits

Option 1: Average annual wage growth of urban non-private units in the previous year \* 80%

Option 2: Average annual wage growth of urban non-private units in the previous year \* 60%

#### 5. Computation of benefits

Benefit formula

Full basic pension: payment of 30 (or 35) years, to reach the retirement age, can receive full pension 40-50%

Every one year not full career, treatment deduction 1 or 2 percentage points.

#### 6. Benefit adjustment

Estimated impact of pension adjustment index on the change and redistribution of pensions

Option 1: Benefit Adjustment Index = Average wage growth rate of urban non-private sector workers in the previous year \* 60%

Option 2: Benefit adjustment index = last year GDP growth rate \* 50% + last year, urban non-private sector workers in the average wage growth rate \* 30%

Option 3: Benefit Adjustment Index = Average wage growth rate of urban non-private sector workers in the previous year \* 100%

Output: Assessment report; PPT presentation

#### **A. 4.2 European country profiles, Parametric pension reform**

Experts from France, Italy, Sweden, Germany, Poland and the Czech Republic have accepted the assignment of producing national reports on parametric changes in pension schemes over the last decade in their respective countries. All 6 reports have been received and translated into Chinese. Experts presented their reports during the International Workshop held in Paris on 14 September 2017. Five of them (from Czech Republic, Germany, Italy, Sweden) also took part in an international seminar on the future of welfare states held by the Chinese Academy of Social Sciences CASS in Beijing on 29 September 2017, and in the Panel discussion held by NDRC on 30 August 2017.

Outputs: Assessment reports; PPT presentations

#### **A. 4.3 Panel discussion, Parametric pension reform, Redistribution and Policy Evaluation technique**

The panel discussion meeting was held on 30 August 2017 in Beijing. Four Chinese experts presented their draft reports, five European experts participated. 25 participants in total took part in the meeting.

Output: (expected) Meeting report; PPT presentation

#### **A. 4.4 International Workshop: Towards fair, affordable and adequate pensions - parametric reform and redistribution through public pension schemes**

The Workshop was held on 14 September 2017 in Paris. Three Chinese participants including the NDRC DG of the Employment and Income distribution department, Prof. Zhou Hong (parametric reform) and prof. Li Shi (Income redistribution) presented keynote statements and reports. The Chinese delegation totalled 6 participants. European participants including the Delegate for the European and International Affairs, Ministry of Solidarities and Health, Ministry of Labour Ms Nathalie Nikitenko, the Chairman of the EU SPC WG on the Pension Adequacy report Mr Andrasz Rangus, prof. Vanhuisse from the Danish Center for Social welfare and Ms Thevenot, OECD Social Policy Division, also presented keynote addresses and reports on the

topics on the agenda (Parametric reforms in public pension systems, and the Influence of parametric reforms on redistribution through social security).

Output: Meeting report (expected); PPT presentations (received)

***R5 – "Reform efforts in response to urbanization trends, in particular the harmonization/integration of the various basic social protection systems for different groups of beneficiary, the portability of social insurances and better suited assistance schemes are supported"***

- ***5.1 "Indicator 1":*** Model provisions for totalization and vesting of pension rights across regions are developed and piloted in selected places. → This indicator was fully achieved in 2015 and 2016. See previous Interim reports.
- ***5.2 "Indicator 2":*** An analysis of the interrelation between social and economic development and the suitability and sustainability of pension schemes is developed and used for macro projections to support systemic reform proposals. → Being pursued (Activities A.5.1, A.5.2, A.5.3, A.5.4). Reports documented the redistributive effects of social protection in China as part of C1 programme of activities for 2016, and in relation with parametric reforms in 2018. Further works will be devoted to income redistribution mechanisms as part of the Component programme of activities for 2018. Another report dealing with sustainability was produced as part of the Component programme of activities for 2016 (see previous interim report)
- ***5.3 "Indicator 3":*** Proposals for bilateral Europe- China cooperation at the decentralized level are developed and start being implemented in response to the growing urbanization trend and labour mobility across the country → Being pursued (Activity A.5.5) A joint NDRC-Consortium exploratory mission held in March 2017 to selected pilot sites for Component 1 led to the formulation of a programme for extended bilateral collaboration to start being implemented in 2018

**A. 5.1 Situation analysis on the relationship between social-economic development and the redistribution function of social security (parametric reform)**

Mr. Li Shi has accepted the assignment of evaluating the impact on the redistribution function of social security of envisaged parametric reforms in the Chinese pension system. He has submitted his preliminary findings during the panel discussion meeting held in Beijing on 30 August 2017, and submitted his revised contribution during the International workshop held in Paris on 14 September 2017.

**Redistribution effect of pension parameter reform: simulation analysis**

The reform of the pension system in China needs to pay attention to the following main parameters:

First, **the coverage of the insurance**, that is, the coverage rate. Coverage is the starting point of analyzing the redistribution effect of pension system and determines the size of its redistribution effect. There is no doubt that the greater the coverage, the larger the size of the pension fund collected, the more conducive to narrowing the income gap.

#### **Simulation 1: Urban pension to achieve full coverage.**

If full coverage would be achieved, the inequality of disposable income would decline, but the decline is not so significant. The results show that the Gini coefficient of disposable income changes from 0.40540 to 0.40536 if those not participated in the system are assumed to make contribution to the urban worker's pension system. If those are assumed to make contribution to the urban resident's pension system, the Gini coefficient of disposable income would decline from 0.40536 to 0.40480. The decline is not significant.

In China, majority of urban workers are covered by the urban worker's pension insurance, and their income is relatively high. The low-income groups, such as temporary workers and self-employed, contribute to the pension in the form of taxation, but do not participate in the system because of "too high" contribution fees. In other words, the fragmentation of the urban pension system undoubtedly leads to low effect on income distribution.

The **income base for contribution**. From the 2005 Pension Reform Agenda it is not difficult to see that the pension contribution is based on the wage level of workers, that is, the higher wage is, the higher contribution. It should be taken into account that high-income earners pay more to the system, but in general, the average life expectancy of high-income earners is higher than the low-income earners, which will weaken the progressive effect of pension contribution. In general, the income base for contribution has the upper limit and the lower limit. If the upper limit is higher, that is, the higher the income of workers, and the lower the lower limit is, the pension system can produce a strong progressive effect on the income gap.

#### **Simulation 2: Contribution fully in accordance with the income base**

We assume such a scenario in which workers participate in urban worker's pension insurance make contribution to the system in accordance with the stipulation. The Gini coefficient of disposable income changes from 0.4054 to 0.3973, falling by less than 1 percentage point when the urban workers make contribution following the stipulated income base.

It is important to note that about 33% of the workers aged 20-59 participating in the urban worker's pension insurance with wage income less than 60% of the provincial average wage, while only 4% of them with wage income higher than three times of the average income. In this case, the actual contribution rate for the low-income workers is higher than 8%. In the face of the high rate of contributions, many workers with economic difficult will give up their participation, causing them to be excluded from the pension insurance. In other words, the existing system is to impose a lower (actual) contribution rate on high-income earners and a higher (actual) rates for low-income earners, resulting in reverse redistribution of the system.

Third, **the pension contribution rate**. Contribution rate is the core of the pension system, having a direct impact on the pension level. The results show that due to the current income base there is regressive effect.

**Simulation 3: the contribution rate reduced to 6%.**

**Simulation 4: different contribution rates for various income groups.**

As for the inequality of the disposable income of all sampled workers before and after adjustments of contribution rate, it can be seen that the Gini coefficient of disposable income decreased from 0.4054 to 0.3993 after reducing the contribution rate, but the decrease was not significant. However, the Gini coefficient of disposable income decreased from 0.4054 to 0.3368, by about 7 percentage points, if a lower contribution rate is applied to the low-income group and a higher rate to the high income group. Fourth, **reduce differential of pension distribution**. The results above show that the distribution of pensions among urban retirees is less fair, and the pension levels of retirees in different sectors vary widely, and the pensions are tilted to a few rich retirees.

**Simulation 5: Reduce pension income inequality - setting upper and lower limits.**

**Simulation 6: Adjustment of pension income: uniform standards.**

Before and after the adjustments. It can be seen that the Gini coefficient of disposable income decreases from 0.4054 to 0.4012 when the upper and lower limits are set, the decrease is not significant. But if we further reduce the upper limit by 10%, the Gini coefficient drops to 0.3978. Further, if we only increase the lower limit by percentage (such as 5% or 10% or 15%), there is little impact on the overall income gap. This result shows that the vertical imbalance in the distribution of pensions, especially the pension more distributed to a small number of rich people, increases pension inequality among pensioners and income inequality among all people as well.

Fifth, **the pension adjustment mechanism**. It should be noted that both inflation and real wage growth will affect pension income. First, if the pension income is fixed, the slight inflation will make it decreased in real value. In order to avoid the redistribution effect of inflation, the pension income will be considered to be attached with inflation in all countries. However, this adjustment mechanism relies on accurate inflation data. Another consideration for adjustment is the growth rate of real wage. Adjusting pension based on post-tax real wage growth can ensure that retirees share the fruits of economic development with their incumbents, while adjusting pension with inflation ensures that retirees maintain their basic standard of living. But this adjustment mechanism will bring huge financial pressure, may also deepen the intergenerational imbalance, and deteriorate fiscal balance of the pension system.

**Simulation 7: Adjustment of the annual growth rate of pension income: controlling upper growth.**

**Simulation 8: Adjustment of the annual growth rate of pension income: different pension adjustment mechanism for differential groups.**

It can be seen that the Gini coefficient of disposable income decreases from 0.4054 to 0.4048 (0.4046) when controlling the upper growth, while the decrease is not significant. Then if we further apply different pension adjustment mechanism for the rich and poor, the Gini coefficient drops to 0.4047, implying that there is little impact on the overall income gap. This result further indicates that the vertical imbalance in the distribution of pensions increases pension inequality at first. Then even though we adjust the pension growth mechanism, there is little impact on its redistribution effect.

### **Simulation analysis of urban pension system parameters reform in China**

#### **Parameter reform 1: Change in the contribution rate**

As mentioned above, the contribution rate is the core of the pension system. The results above also show that the existing pension system caused low-income workers to pay actually the higher rate than the high-income ones, generating a regressive redistribution.

#### **Simulation of Urban Pension System Reform 1: Downgrade Contribution Rate.**

When the contribution rate is reduced by 2 percentage points to 6%, the Gini coefficient decreases from 0.4054 to 0.3993; when the contribution rate is reduced to 5%, the Gini coefficient decreases to 0.4003; when the contribution rate drops 4 points to 4%, the Gini coefficient decreases to 0.4014. In other words, in the short term, the decline in contribution rate can make a positive redistribution effect. However, it should also be noted that as the contribution rate continues to decline, the Gini coefficient of income distribution does not decrease. It is not difficult to understand that with the decline in personal pension contributions, although the current disposable income has increased, but then the individual accounts of the pension will be reduced accordingly, and then pension income of retirees also declined. Therefore, the decline in the contribution rate in short-term can play a positive redistribution effect, but in the long run it may widen the income gap between generations.

#### **Parameter reform 2: Postponing retirement age**

As we all know, in recent years, China's aging trend is grim. According to the forecast, by 2025 the number of elderly people over 60 years old in China will be 291 million, and the elderly population aged 65 and over was 195 million. By 2040, elderly people over age 60 were 398 million (Du Peng et al., 2015).

#### **Simulation of Parameter Reform 2: Extension of retirement age.**

It can be seen that with the extension of retirement age, the redistribution effect of pension is declining. If retirement age is extended by one year, the Gini coefficient of income inequality rises to 0.4068. And when the retirement age is extended by five years, the Gini of income distribution rises to 0.4187, by about 3 percentage points. In other words, with the extension of the retirement age, the system becomes more disequalising.

### **Redistributive effects of the pension system in Rural China**

Generally, the effect of redistribution of the pension system in rural China just makes the Gini coefficient of income gap of rural residents narrowed by 2.1%, which is much smaller than that in urban areas.

In general, it is quite clear that the pension system has a role in narrowing the income gap for migrant workers, but its role is very limited. However, the pension insurance helps to narrow the income gap, making it fell by 0.09%. Pension income has a positive role in income redistribution and makes the Gini coefficient of the income gap narrowed by about 1.98%. Also, similar to the situation of urban residents, retired pension has the most important redistributive effect.

Outputs: Report; PPT presentation

#### **A. 5.2 Panel discussion, Parametric pension reform, Redistribution and Policy Evaluation techniques**

See R4, activity 4.1.3 above

#### **A. 5.3 International Workshop: Towards fair, affordable and adequate pensions - parametric reform and redistribution through public pension schemes**

See R4, activity 4.1.4 above

#### **A. 5.4 Dialogue and study visit to Sweden and Finland on best practices in fields of pension reforms, employment policy and income distribution**

- STATUS (planned, on-going, completed, delayed) Completed
- DATE FOR COMPLETION *Planned:* September 2017 *Actual:* 22 September 2017
- Topic: 1.4.2 Relationship between social-economic development and the redistribution function of social security
- Description: From 18 to 22 September 2017, a delegation of 4 high level NDRC officials led by director General Li Kang visited Sweden and Finland to get better acquainted with the achievements of these two countries in achieving high income redistribution through social protection policies and practices. In Sweden (18-19 September), discussions were held with the Ministry of Social Affairs and Health, and with the Swedish Pension Agency. In Finland (20-21 September) contacts included the United Nations University - World Institute for Development Economics Research, the Ministry of Social Affairs and Health, the Social security and Insurance department and the Unemployment insurance fund.
- Output: Mission Report
- *Topic: 1.1.1 Social insurance management reform*

#### **A. 5.5 Provincial planning visit to Shanghai and Guangdong**

From 26 February to 3 March 2017, under the auspices of Component 1 programme of activities for the year, NDRC and the interested Consortium members led a mission to C1 pilot sites in Shanghai and Guangdong Province. This activity intervened at the request of NDRC. Its objective

was for members of the Consortium to get better acquainted with the economic and social situation in the places visited, and to formulate with NDRC proposals for future cooperation activities matching the expectations of the pilot sites, as well as the competences and availability of the European party. Preliminary thematic suggestions for future cooperation include: Long-term care; legal, financial and operational management of services for the elderly; Enhancement of Statistics Management as a tool for decision-making in the field of Social Security; Management of social security in a context of workers mobility; Organisation basic and supplementary health insurance, in coordination with health providers; Preparation of teaching material to raise awareness on the importance of solidarity in social protection schemes and entrepreneurship.

The table below presents the proposed cooperation programme for pilot sites, as elaborated following the mission and subsequent discussion with potential beneficiaries.

Theme	Modality of operation	Chinese partner	EU Partner
Long-term care : legal, financial and operational management of services for the elderly	<ul style="list-style-type: none"> <li>• Peer-to-peer exchange visits in China and Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Shanghai MDRC</li> <li>• Municipality of Shanghai</li> <li>• Xuhui District Social Welfare Institute</li> </ul>	<ul style="list-style-type: none"> <li>• Municipality of Marseille (France)</li> <li>• Municipal Center for Social Action</li> <li>• Local Family Allowances Fund</li> </ul>
Enhancement of Statistics Management as a tool for decision-making in the field of Social Security	<ul style="list-style-type: none"> <li>• Internships in Europe</li> <li>• Short-term technical assistance in China</li> </ul>	<ul style="list-style-type: none"> <li>• Guangdong PDRC</li> </ul>	<ul style="list-style-type: none"> <li>• Banque Carrefour de la Sécurité Sociale (Data exchange and warehousing system of the Belgian Social Security)</li> <li>• French National Old-Age Insurance Fund (CNAV)</li> <li>• French National Family Allowances Fund (CNAF)</li> </ul>
Management of social security in a context of workers mobility	<ul style="list-style-type: none"> <li>• Internship in Europe</li> <li>• Short-term technical assistance in China</li> </ul>	<ul style="list-style-type: none"> <li>• Guangdong PDRC</li> </ul>	<ul style="list-style-type: none"> <li>• EU Social Security liaison bodies</li> </ul>
Organisation basic and supplementary health insurance, in coordination with health providers	<ul style="list-style-type: none"> <li>• Policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Guangdong PDRC</li> <li>• Guangzhou Social Insurance Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Health Agency of Lyon Region</li> </ul>
Preparation of teaching material to raise awareness on the importance of solidarity in social protection schemes and entrepreneurship	<ul style="list-style-type: none"> <li>• Short-term technical assistance in China</li> <li>• Delivery of teaching sessions in elementary schools</li> </ul>	<ul style="list-style-type: none"> <li>• Municipality of Qingyuan</li> </ul>	<ul style="list-style-type: none"> <li>• French National Employment Public Service (Entrepreneurship)</li> <li>• French National Education Mutual Fund (Solidarity in social Protection)</li> </ul>

Output: Mission report.



## ***Component 2 results and activities***

During the period under review, the Component 2 carried out activities that contributed to the achievement of the three results assigned to the Component. More specifically, the C2 engaged government stakeholders, social protection experts and scholars in a series of EU-China policy dialogue activities, such as a two weeks overseas training, panel discussions, workshops and working meetings, as described below. All the activities are in line with the yearly work plan and respond to MoF policy priorities.

***R6 – “The capacity of MoF financial management and supervision of central and local model of social security system and the extension of social security system coverage are enhanced, in particular in the fields of division of expenditure responsibilities, mid -terms budgeting of fund, and performance assessment model”.***

- *6.1 “Indicator 1”:* A comprehensive policy proposal on division of decision power and expenditure responsibilities between central and local government is developed under project auspices. → Achieved. The project contributed to the identification of best practices on division of decision power and expenditure responsibilities between central and local government which were debated with MoF officials and deepened in the Training Activity conducted in Italy. Comprehensive policy recommendations were submitted to MoF in March 2017 (Activity A.6.1).
- *6.2 “Indicator 2”:* Methodologies and tools for managing social protection expenditure, financial resources, and strategies to extend the social insurance coverage are elaborated under the project auspices. → Achieved. Practices in the field of the extension of social insurance coverage have been identified, debated and analysed. The 2016 training course held in Italy contributed to upgrade MoF officials’ knowledge in this field. Comprehensive policy recommendations were submitted to MoF in March 2017 (Activity A.6.2).
- *6.3 “Indicator 3”:* A comprehensive policy proposal for the promotion of a coordinated management of the social assistance system is developed under project auspices. → Partially Achieved (A.6.3; A.6.4; A.6.5). A policy recommendation report for the promotion of a coordinated management of the social assistance system has been drafted and will be submitted to MoF in February 2018. The 2016 training course in Italy and the 2017 training course in France contributed to upgrade MoF officials’ knowledge in this field.
- *6.4 “Indicator 4”:* A set of social security performance indicators is developed, tested and discussed with interested stakeholders. → To be addressed.
- *6.5 “Indicator 5”:* An analysis of the development of old age services and of the suitability of a Long Term Care Insurance scheme is developed, and used to support reform proposals. → Partially Achieved (A.6.6; A.6.7; A.6.8; A.6.9). A comprehensive analysis on old age services and Long-Term Care system development has been carried out and discussed. A report with policy recommendations has been drafted and will be submitted to MoF in February 2018. The 2017 training course held in France contributed to upgrade MoF officials’ knowledge in this field.

*Topic 2.1.1 Division of decision power and expenditure responsibilities on social security between central and local government*

### **A. 6.1 Policy Proposals**

The present pattern of power division according to which “the central government makes decision while the local governments is in charge of implementation” should remain basically unchanged, but it is necessary to further improve the coordination of power and expenditure responsibilities, in order to facilitate a healthy and harmonious development of the system.

Therefore, the central government should improve institutions and mechanisms to comprehensively manage the social pension insurance, develop the basic framework and standards, and work toward its sustainability. For what relates to social assistance, such as the Minimum Livelihood Guarantee (Dibao), the central government should remain responsible for the formulation, promulgation and implementation of national laws and regulations on assistance and relief programs, while guiding the local governments to implement regulations and policies. The central government should also establish institutions for the assessment and supervision of the use of social assistance and relief funds, in order to be able to carry on a comprehensive monitoring of policy implementations and financial allocation.

The local governments at municipal (prefecture), and county (city) level, are responsible for the management of contribution collection, benefit payment, administrative management and fund investment, while the central government only formulates policies and regulations. Therefore, the central government should strengthen its powers in four areas: 1) the coordination of benefit payments of social pensions; 2) the development of security mechanism to face risks; 3) the improvement of the mechanisms for social insurance investment and operation; 4) the supervision of the revenues, expenses and balance of the funds, in order to ensure their financial safety.

In the medium and long term, the power over the social pension system should be assumed by the central government, while the competencies of local governments should include: 1) improving planning, implementation and supervision of local social security plans, and establishing macro management mechanism in line with local conditions; 2) taking responsibilities of funding the social security plans that are allocated to local governments, while making sure that the plans are timely funded and properly used.

Finally, a coordination mechanism for handling the powers shared by the central and local governments should be established. In order to solve possible conflicts, and reach the desired goals the allocation should be made through periodic discussions between central and local governments.

Output: Policy suggestions report (bilingual)

*Topic 2.1.2 - Social security coverage on atypical employment: methodologies and tools of analysis and management*

#### **A. 6.2 Policy Proposals**

Based on the current situation of the Chinese social insurance for atypical workers and on relevant international experiences in extending social insurance coverage to the informal sector, the following policy proposals and suggestions were advanced:

**1. To develop a national unified social insurance system.** The fragmentation and complexity that characterizes the current social insurance system in China is one of the main obstacles that atypical workers have to face. Atypical workers are mainly migrants and self-employed, usually with low education and low income. A unified national social insurance system would help them to keep the accrued rights, to transfer and accumulate credits and to protect them against risks. In addition, the national unified social insurance should be transparent and easy to understand also to atypical workers with low education.

**2. To reduce the contribution level and improve subsidy standards.** The standard contribution of social insurance is quite high. The current contribution base and the contribution rate that applies to atypical workers are lower than those of formal sector employee, and in some provinces and cities the contribution frequency is flexible. However, atypical workers may still not be able to afford social insurance contributions and pay them regularly since they are often

very mobile and have irregular and low income. So, reducing the contribution rate and improving the subsidy system might help to extend the coverage to all atypical workers.

**3. To Improve management procedures.** To improve the management procedures for registering, collecting contributions and paying benefits might stimulate workers to join a social insurance scheme. An interesting suggestion is provided by the international experiences on “auto enrolment mechanisms” into pension systems and other social insurance schemes adopted for the workers and employees of the informal sector. These mechanisms allow flexible workers to register and deduct contribution automatically.

**4. Information.** It has been shown that one reason atypical workers do not join social insurance programs actively is the lack of knowledge on social insurance in general and of specific schemes in particular. So, education and good public communications could also play an important role in extending coverage.

Output: Policy suggestions report (bilingual)

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

**A.6.3 Situation Analysis - Promoting the Construction of Social Assistance Coordination System - A Study on the Implementation Plan for the Coordination of Social Assistance Resources**

The social assistance system, together with social insurance and social welfare, is a crucial part of the national social security system. As China's economic and social development advances into a new historical era, the issue of income distribution has aroused increasing concerns among the public. Subsequently, there emerge more calls for reforms in the social security system. On November 12, 2013, at the third Plenary Session of the 18th CPC Central Committee a proposal was introduced: “the general objective of the cause of deepening the all-round reforms is to improve and develop the socialist system with Chinese characteristics, and to promote the modernization of national governance systems and governance capacity.” Thus, we must take the two important aspects of social assistance system, namely, the design and the management into consideration, and strive to make them compatible with each other.

According to the requirements of the third, fourth, and fifth plenary sessions of the 18th CPC Central Committee, the coordinated social assistance system ought to exert its function more effectively in guaranteeing the basic living standard of the citizens. It is also necessary to achieve the healthy and sustainable development of the social assistance system and to improve the performance of financial expenditure. In order to achieve these aims, it's recommended to analyse, evaluate, and improve the design and implementation of the Chinese social assistance system, to optimize the top-level design, to clarify the functions of all social assistance policies, to improve the framework, the specific arrangements and operation schemes for the institutional integration and coordination, and eventually to contribute to the healthy and sustainable development of social assistance system.

The report focuses on the institutional coordination of social assistance to provide support for the Chinese government to make decisions about the systems and policies related to the construction of a coordinated social assistance system, addressing the issues of policy coordination; financial coordination; cross-sector and information coordination.

Output: Assessment report, bilingual

**A.6.4 European Best Practices**

1. Case studies of the Netherlands, Sweden and the United Kingdom



The paper documents the most relevant experiences of the UK, the Netherlands, and Sweden while providing the background of the social assistance programs, on the following themes: i) the integration of social assistance schemes and policies; ii) the coordination of social assistance with other social protection schemes and poverty reduction programs; iii) the classification of beneficiaries and alternatives methodologies to assess eligibility; iv) the integration and coordination of funds; v) benefit bundling, benefit traps and incentives to work; vi) the role of central and local governments in financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds; vii) the information platforms.

Finally, the report indicates the main challenges of the current policies, trends and future perspectives for reform. Section 1 of the report sets out background information in relation to the three countries selected (i.e. the Netherlands, Sweden and the UK). Sections 2-4 describe each national scheme in some detail. Finally, section 5 draws some conclusions as to the key points identified in the report.

## 2. Social Assistance in the Czech Republic

The paper covers the social assistance benefit schemes in the Czech Republic, their management and the cooperation between the organizations involved. Individual social benefit schemes are introduced together with the description of each major benefit and criteria for its granting. In this regard, the history of the Living Minimum and Existence Minimum is described in detail to enable a good understanding of this criteria used for eligibility assessment and for the calculation of some benefits. The report provides a short history of the social assistance benefits administration. The current responsible authority, the Labour Office of the Czech Republic, is presented in detail. Finally, the paper presents the linkage of social assistance benefit schemes with other schemes and the cooperation between the responsible administrative bodies.

## 3. Case study of Italy

The Italian constitution (art.38) affirms that the State provides social assistance to every citizen who is unable to work and is in a state of economic need. Social assistance refers to a large variety of policies, including both monetary and in-kind benefits, which have been made progressively available to people in need and which are financed by general tax revenue and do not depend on contributions paid by the beneficiary. The main actor in charge of these policies is the State, through the national institute for social protection (Istituto Nazionale della Previdenza Sociale, INPS). In addition, a significant role, still to be fully exploited, is given to the local authorities (regions, provinces and municipalities), and other public and private actors.

The paper provides an analysis on the social assistance policies in Italy, state expenditure in social assistance, governance, the main challenges and prospects of reform.

Output: Best practice reports, bilingual

### A. 6.5 Panel Discussion held on 29<sup>th</sup> August 2017 in Beijing

The panel was held on 29th August in cooperation with the Dibao Division of the MoF. It was devoted to a theme that is becoming very crucial in a phase in which China is confronting new socioeconomic challenges connected with aging and the entrance in the phase of normal economy: to improve the organizational arrangements of social assistance in order to increase its efficiency.

In the morning session, Prof. Jiang Zhen introduced the discussion describing the existing situation and defining the main challenges faced by China in order to build a coordinated system

of social assistance. He recalled that the Chinese system evolved in accordance with the establishment and improvement of the socialist market economy and plays the essential role of “safety net” and “shock absorber”. However, the system is still confronted by a series of serious challenges (functional segmentation and dispersion of relief resources, poor coordination between social assistance and poverty alleviation, welfare bundling, insufficient capacity to keep track of the changes of the economic conditions of the beneficiaries, etc.) that need to be confronted as soon as possible, also by taking advantage of local experiences.

China needs to develop a better and more relevant framework of laws and regulations, to coordinate the use of funding, to integrate the management of relevant department as well as key information and eventually improve the allocation of social assistance resources. Prof Jiang Zhen did therefore suggest a series of specific policy suggestions aimed to reach the previous goals.

EU countries have chosen different solution for creating a well-coordinated and efficient system of social assistance. In the second part of the morning session, Mel Cousins outlined the solutions proposed by UK, Sweden, and the Netherlands, Pavel Janeček illustrated the Czech Republic model, while Renzo Turatto and Alessandro Longhi introduced the Italian case.

In China decisions are taken at the central level, but historically important suggestions often come from the local level that very often plays the role of laboratory and testing ground of new ideas.

For this panel C2 and MoF had therefore decided to devote the afternoon session to the presentation of relevant initiatives taken by the provinces of Hebei, Shandong and Hanui in order to effectively improve the management of the local Social assistance system. The presentations were made respectively by Wenzhou Liu, Wei Song and Meimei Sun.

The panel was attended by around 25 participants, including representatives from Dibao and Actuarial Divisions of the Ministry of Finance, China International Economic Exchange Center, National School of Administration, Chinese Academy of Social Sciences, the EU Delegation to China and Mongolia, and the UK Embassy

Output: Meeting report, several PPTs.

#### *Topic 2.1.6 Development of Old-age Services and Long Term Care System*

##### **A.6.6 Situation Analysis**

The paper provides a background analysis of the development of old age services and long term care system in China. The analysis includes four sections: ageing trends and impact; basic concepts of old-age services and long term care; international experiences of old-age services and long term care; statistical data related to long term care policy. Furthermore, the paper outlines the current situation and problems of old age services in China, notably: the achievements of old-age service during the 12th FYP, the unprecedented policies support, the large scale investments from the state and the society, the rapid growth of service agencies and beds, the growing consensus on the old-age service system. The paper underlines the fact that attention had been paid to potential demand, but not to effective demand and that the policies are exhaustive but some key points must be addressed.

Output: Assessment report, bilingual

##### **A.6.7 European Best Practices**

1. Long term care in France: In search for a balanced policy

Demographic projections anticipate a strong increase in the number of dependents from 2025 to 2060, linked to the aging of the baby boom generation. Expenses related to dependency cover a broad perimeter and are financed mainly by public funds (expenditure related to dependency is estimated at € 26-34 billion in 2010) and will dramatically increase. Aging and dependence are still the subject of very negative social representations; therefore we must change the way in which we look at aging and dependence in order to adapt public policies and develop a system of "Well Aging". Particular attention should be paid to the rights of the elderly. A multidimensional tool could be put in place to better assess dependent persons and provide them with more effective assistance. Co-ordination of care for dependence is the key to allow a pathway that will meet the evolution of the person. Institutional accommodations must be diversified and the organization and quality of services at home must be improved especially by addressing the needs of the caregivers. Taking aging into account will make it possible to improve the management of dependency (Prevention, urban planning, adaptation of housing, etc.).

## 2. Organization, financing and delivery of LTC in Italy

The Italian LTC financing is managed at three institutional levels: Central, Regional and Community based. The Central Government, through Social Security, administers the so called "indemnities for caring", cash benefits amounting to € 507 per capita provided to invalid people, 80% of whom are elderly. Benefits are granted in relation to the health condition of the recipient and independently from his/her economic position.

Regions are responsible for delivering LTC services: they manage and allocate resources devoted to LTC. The source of funding is the Regional Health Fund, autonomously administered by each region. Community services are managed by the municipalities, whose financing is mainly provided by communities' direct taxation.

Starting from the definition and measurement of LTC in Italy and in European Countries, the paper describes the financing system of long term care and elderly care in Italy, providing analysis on the regional differences in eligibility rules for LTC and detailed regional case studies.

## 3. Long-term care in Europe- A review and synthesis of the most recent evidence

The report provides an overview of the Long-Term Care regimes in place in Europe. By taking a comparative perspective, section 2 highlights past and future trends in the demand for care and support for older people in Europe. It provides a quantitative framework of the demographic changes and the prevalence of disability. It also discusses the main issues around the supply of informal and formal LTC services. The framework helps in setting the scene for the subsequent review of the main features of the EU-LTC regimes.

Fully aware of the vast differences between the Member States of the European Union, section 3 examines the coverage of publicly funded LTC, its intensity and the range of options adopted by EU member states in the financing, management and organization of their LTC programs. The final part of the section is devoted to define five different clusters of EU countries. Section 4 outlines the main challenges that the European LTC systems face, the recent reforms implemented and the current policy debate.

## 4. Development of Old Age Services and Long Term Care System in Germany

The German Long Term Care system came into force in 1995 through the fifth pillar embedded in the social insurance system. The Long Term Care insurance follows the Bismarck system which is based primarily on social insurance contributions. The main reason for introducing this 5th pillar was the steadily increase of the number of elderly dependent from social care support and the parallel increase of expenditures of social welfare schemes, mainly, due to transfers to residential care facilities.

Long Term Care insurance system implementation implies also the definition of dependency and the subsequent entitlement to benefits. At that time, physical impairment was in the focus and the assessment result distinguished three grades of dependency linked to the time required for care per day. The benefit packages offered by the insurance consists of cash and/or kind options and aims at services related to ADL/IADL. Service providers are represented by NGOs, as well as by private and public entities. Against the background of the subsidiarity principle the major role in the provision of services is played by NGOs and private contractors, whereas the public providers are marginally represented. Regardless of the legal form, providers are bound by law to fulfil quality standards in order to enter the market and conclude agreements with the LTC funds.

The well-developed professional service provider system in LTC represents a big industry, but does not represent the majority. Since the beginning of LTC insurance, about 2/3rd of all eligible persons and beneficiaries of service packages are living at home. This general tendency is unbowed and supported by the LTC benefit packages as well as by social security arrangements for informal caregivers.

Funding the system is managed by LTC compulsory insurances, either social or private institutions. Since the implementation of LTC insurance revenues and expenditures are balanced and even well stocked with reserves. Cost control and sustainability were accomplished by keeping the level of benefit packages constant over a long time period and by providing incentives for home and informal care which keeps expenditures low.

A first reform of LTC was initiated in 2015 and a second entered into force as from January 2017. New regulation on benefits and services systematically implement the aim of the new definition of LTC needs. The previous system based on three categories of care linked to the time needed per day has been replaced by five uniformly valid grades of care and takes into account physical, mental and psychological impairments. Updated benefit packages have increased home care packages, both in cash and kind and, informal care givers are eligible for social protection through contribution payment settled by LTC Insurance.

Output: Best practice reports, bilingual

#### **A. 6.8 Panel Discussion held on 5<sup>th</sup> September 2017 in Beijing**

The panel was held on 5th September 2017, in cooperation with the Medical Insurance Division and Veteran Benefit Division of the Ministry of Finance. The Division Director Mr. Jiang Yu chaired the meeting. The first presentation covering the Chinese context, illustrating the main challenges and proposing a first set of policy suggestions was delivered by Prof. Tang Jun. Prof. Tang Jun started his presentation outlining the main characteristics of the aging process that is affecting China and that, according to the last Chinese forecasts, is expected to accelerate in the near future; in his opinion, the aging process is irreversible, but its consequences will not be so dramatic as sustained by Chinese media and some foreign researchers.

The second part of the presentation was devoted to define LTC and old age services as well as the concepts of successful aging, healthy aging, and active aging. Prof Tang Jun stressed that, learning from the experiences of more developed countries, LTC should adhere to the three principles of “continuity, self-decision, and autonomy”, and include daily life assistance, medical care, nursing and rehabilitation. As a consequence of their different socioeconomic developments, historical and cultural traditions different countries adopt different models of LTC. There is no doubt that during the 12th FYP the problem of LTC and old-age services made great progress and more importantly a general consensus has been reached on developing an old-age service system based on home care, supported by community care and supplemented by institutional care. It must however be recognized that some wrong choices have been made like putting attention on increasing the number of beds but not to their effective use, considering more the potential demand than the effective demand, while the large amount of legislation that has been enacted has however missed some key points.

Finally, starting from the proposal of Xi Jinping to “implement policies to support the development of old-age services”, and establish “a long-term care system that articulates relevant insurance, welfare and social assistance schemes” Prof Tang Jun started to outline some policies proposal that will be formalized, in cooperation with the EU experts and the C2 RE and presented in the workshop to be held in early 2018.

The rest of the meeting was devoted to the EU experiences. The first intervention was made by Marcello Morciano that provided an overview of EU LTC. After presenting the future trends in the demand for care and support for older people in Europe, he examined the coverage of publicly funded LTC, its intensity and the range of options adopted by EU member states in financing, managing and organizing their LTC programs. Then he summed up the differences by defining five clusters of EU countries. He concluded his intervention by outlining the main challenges that the European LTC systems face, the recent reforms implemented and the current policy debate in a broad range of EU member states.

Building on the general framework presented by Morciano, Jean-Yves Hocquet presented the French system, Renzo Turatto the Italian system, while Michele Bruni illustrated the German model on the basis of a paper written by Monica Gabanyi, who could not attend the seminar.

The panel was attended by around 30 participants, including representatives from the Medical Insurance Division, the Veteran Benefit Division and the Actuarial Division of the MoF, the Chinese Academy of Social Sciences, the Renmin and Wuhan Universities, the Italian Embassy.

Output: Meeting report, several PPTs.

#### **A.6.9 Training in France “Social Security in an Ageing Society: EU Practices Responding to the Demographic Challenge” for 14 central government and provincial government MoF officials, from 10th to 24th September 2017.**

The training program was held in France from 10th to 24th September 2017, the first 10 days in Paris and the last three in Marseille. The course was attended by fourteen officials from the Social Security department of the Chinese Ministry of Finance (three from the central government and eleven from provincial offices). The delegation was led by Mr. Fu Jinling, Deputy Director-General of the Social Security department of the Ministry of Finance.

The training was organized in strict cooperation by the Italian Institute of Social Protection (INPS), the Italian National School of Administration (SNA), the C2 Beijing office, with the logistic support of Expertise France and SISPI Italia Previdenza.

The content of the course was in line with the policy priorities of the Chinese Government, which is currently trying to cope with the rapid ageing of the population and to define adequate policies in the social protection field.

The main objectives of the course were: 1) the assessment of the European situation on structural problems such as population ageing, on the sustainability of public pensions and health care vis-à-vis ageing, and on long-term care; 2) the analysis of the EU member countries policy responses to the impact of population dynamics on pension systems, healthcare and long-term care, including the role of financial markets; 3) to discuss and deepen the understanding of the main lessons coming from EU experiences on the interplay between ageing and societies' well-being 4) to draw, when possible, comparisons between the European and the Chinese situations and derive suggestions that could inspire the Ministry of Finance to design and propose effective new policy measures.

Coherently the broad program of the training included four main parts. The first was devoted to the demographic trends in EU and China and their impact on the sustainability of the pension, health-care and long-term care systems. The second mainly focused on the financial management of pension funds, investment strategies, risk control methodologies, and the role of private pensions to guarantee the financial sustainability of the pension system in aging societies. The third analyzed the Long-term care systems of some EU member countries as well as their financial sustainability; it did also focus on the relevance of technology and information platforms, while discussing the relative role of the public sector and of the market, including the third sector. Local experiences were at the center of the fourth part of the training program in which public officials of the regional administration of Lazio (Italy) and of the municipality of Marseille (France) presented their experiences in providing and managing services for the elderly and disabled people.

Overall, more than 25 international experts (academicians and public officials) from Italy, France, Germany, the Czech Republic and UK were engaged in the training that included both lectures and visits to leading institutions involved in social assistance. In each occasion, the trainees had the time to engage in lively debates that did guarantee a better understanding of the EU experiences, while giving them the possibility to appreciate their relevance for the challenges faced by China.

Outputs: Training Report, Evaluation Report, several PPTs

***R7 – “Enhance the top level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform”.***

- 7.1 “Indicator 1”: A comprehensive reform proposal for the establishment of a multi-pillar pension system is proposed under project auspices and debated with interested stakeholders for future implementation. → Achieved (A.7.1). A reform model for the development of a multi-pillar pension system was debated, transmitted to MoF and tabled for future implementation. Pro and Cons of EU pension models based on a NDC system were comprehensively debated in the 2016 Training program.
- 7.2 “Indicator 2”: A set of methodologies to assess the economic sustainability and adequacy of the Chinese pension system are proposed to MoF under the project auspices and debated for future policy development. → Achieved (A.7.2). Actuarial models for the long-term sustainability of the social protection system were analysed and debated in the workshop. The 2016 Training course raised MoF officials’ knowledge on actuarial forecasting methodologies.

- 7.3 “Indicator 3”: Actuarial models are analysed and disseminated under project auspices.  
→ Achieved (A.7.2). Actuarial models for the long-term sustainability of the social protection system were analysed and debated in the workshop.

*Topic 2.2.1 - Nominal personal account reform in the basic pension insurance system*

**A. 7.1 Policy Proposals**

After discussing the main characteristics and problems of the Chinese pension system, a proposal for the design of a Multi-pillar Pension System was presented.

Firstly, government’s boundaries should be reasonably and clearly defined. Within the multi-pillar pension system, the government should play three important roles. First of all, the government should calculate and pay the transitional cost of current pension system for urban enterprise employees explicitly. These include the early retirement caused by bankruptcy of the state-owned enterprises during the transformation from planned economy to market economy, and also the “empty account” brought by the transition from traditional Pay-As-You-Go DB pension system to the hybrid “DB plus DC” pension system. Next, the unlimited financial role of the government should be limited to specific programs for specific groups. That is to say the government should no longer be responsible for unlimited subsidies to pay basic pensions but only for specific programs, such as the “zero-pillar” pension for low-income group. Moreover, for the supplementary personal pension plans, the government ought to give tax credits in order to encourage the development of the second and the third pillar.

Secondly, the government should establish the dual-basic urban employees’ pension system after separating the individual accounts and therefore:

**(1) establish the dual basic old-age social insurance for urban employees.** On the one hand, the public pension system for urban employees should be set to provide basic income security for urban employees working in formal sectors while the current insured threshold should be raised to realize the goal of “high threshold, high pension benefit”. On the other hand, the national pension system should be provided to urban employees working in the informal sectors. However the threshold for informal-sector workers should be lowered to realize the goals “low threshold, low pension benefit but universal coverage”. In this way, we can achieve the goal of “universal coverage, sustainable finance, and low income differential within people from various income-level”.

**(2) Separating individual account from basic public pension system and establishing voluntary personal saving-account for retirement.** Mandatory individual accounts will engender a series of problems and government will be the final payer of the possible loss. In comparison, voluntary personal-saving-accounts can provide more flexibility, especially for low-income groups and young people. Thirdly, individual accounts in the existing public pension system for urban & rural residents should be canceled, and the system should go back to the “zero-pillar” Pension System for residents. The existing public pension system for urban & rural residents is a combination of government allowance and individual account rather than social insurance. It will arouse comparisons among people in different pension systems, and generate political risks. In consequence, we should call off the individual account, and help it return to the nature of government allowance, namely “zero pillar” of pension scheme, so as to provide “a safety net” (non-contributory pension system) for the poor or those without work.

**(3) Finally, we can establish, strengthen and encourage the national voluntary personal saving accounts as the “third-pillar” pension scheme.** In the background of population ageing, a multi-pillar pension system should be established to ensure the sustainability of the first pillar scheme. Moreover a situation of continuous economic and income growth will make feasible the development of other pillars. The source of the funds of the other pillars will be provided by individual accounts, separated from the public pension system, plus certain amount of household saving from urban and rural residents. Lastly, from an historical perspective, the

tradition of “informal security” is an important feature of China's traditional welfare culture. In China, the responsibility to support other family members is set by law.

Output: Policy suggestions report (bilingual)

*Topic 2.2.2 - Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System in China*

**A. 7.2 Policy Proposals**

A social security system must be, at the same time, financially sustainable, fair and adequate. Financial sustainability can be defined in different ways. In general, we can say that a social protection system is financially sustainable if, in the long run, has the ability to pay benefits when they fall due. Sustainability can also be assessed in relation to current and future social protection spending as a share of GDP. Too high a share could be considered unsustainable because it crowds out more productive government expenditures such as investment in education or capital goods, or results in an increase in taxation (including that on wages) to a level that is counterproductive to growth. Adequacy basically means that the welfare benefits are sufficient. For example, a widely used measure of the adequacy for a pension system is the replacement rate, which is the ratio between benefits and earnings of a single individual. Fairness is more difficult to measure; usually it is done analyzing the cross-sectional and intergenerational redistribution, using the internal rate of return (IRR).

In relation to the problems of sustainability valuation, the main issues are: a fragmented social security system; the lack of integrated data and comprehensive data analysis; the lack of a regular social security valuation system; the lack of specialized institutions and personnel; actuarial report and mid-term social budgeting; and finally, it should be underlined that the Chinese social insurance legislation is missing a regular actuarial valuation.

Both social budgeting and social insurance actuarial valuations are essential to promote social security's fairness and sustainability. After about 20 years of social security reform, people have gradually realized the important role that actuarial valuation can play, while some important experiences have been gathered. However, as we have mentioned, many problems still remain and in the future they must be confronted one by one and step by step, improving and completing the legislation, defining provisions for regular actuarial valuation and social budgeting, completing existing databases, building valuation models, creating specialized actuarial institutions, and so on.

The main policies proposals advanced are the following: 1. Making statutory requirement for social security budgeting and actuarial valuation; 2. Promoting social insurance actuarial reporting system; 3. Organizing the Independent specialized Institution; 4. Completing national social insurance network data system; 5. Developing social insurance actuarial model and micro simulation models.

Output: Policy suggestions report (bilingual)

***R8 – “The capacity of the MoF in the management of social insurance funds, focusing on fiscal support budgeting, account system, investment techniques and adjustment mechanisms for pension benefits is strengthened”.***

- **8.1 "Indicator 1":** A set of strategies for the investments of pension funds and techniques to strengthen risk control management are introduced and discussed under project auspices. → Partially achieved (A.8.1; A.8.2). Strategies for the pension fund portfolio management: risk & risk premium, diversification, allocation and governance were discussed. The 2016 and 2017 training courses raised MoF officials' knowledge on investment methodologies, risk management techniques and management of social security funds. A report with policy recommendations has been drafted and will be submitted to MoF in February 2018.

- 8.2 "Indicator 2": A comprehensive policy to promote the management of pension funds is developed and discussed. → To be addressed.

#### **A.8.1 Situation Analysis Investment Strategies of Social Insurance Funds and Risk Control Methodologies in China**

Over the past decades the demographic dividend has been widely regarded as a critical contributor to China's rapid economic progress. However, as a result of "one family one child" policy, population imbalance between young and old people is becoming increasingly noteworthy. China is currently suffering from severe aging and has the largest number of elderly population in the world, which is bringing an enormous demographic pressure to the Chinese pension system.

The ongoing pension system reform is pushing towards an effective and sustainable solution for the pension deficit. The basic social insurance funds have begun to invest in capital market and one of the most important tasks is at present to lower management costs and gain better returns learning from international experiences. The Netherlands' quasi-mandatory occupational pension system, British auto-enrollment reform and LGPS, and the NDC in Sweden and Italy can offer China both experience and lessons on pension funds investment strategies and risk control.

Output: Assessment report, bilingual

#### **A.8.2 European Best Practices**

##### **1. Investment Strategies for LGPS Funds in the UK**

All social security funds and most occupational pension schemes for UK public sector workers are organized on a pay-as-you-go basis funded from taxation. The most important exception is the Local Government Pension Scheme (LGPS) covering local government workers consisting of 89 separate funds in England and Wales, 8 in Scotland and 1 in Northern Ireland and with total assets of £240 billion. The LGPS is a defined benefit scheme (DB) which has the general objective of being funded at 100% of past and future service liabilities evaluated in triennial (three yearly) actuarial valuations. Employee contributions are fixed by law leaving the balance of any actuarial deficit to be met by employer contributions and investment returns. Employer contribution have steadily risen over the past decade and given the real cuts in local government budgets, both central government and local governments are pinning their hopes that the current actuarial deficits are eliminated through strong investment returns.

LGPS funds have been invested across the traditional asset classes of equities (shares), fixed interest bonds and property since the 1960s. However, the low interest rate environment in the aftermath of the Financial Crisis and the volatile nature of the equity markets, have made LGPS consider other forms of alternative investments in private equity, hedge funds and infrastructure to achieve higher net returns. To help facilitate achievement of this objective the Government has proposed creating larger pools of LGPS which while guaranteeing each fund's autonomy in its investment strategy will cut the cost of investing. These large pools are currently being established and it will be the mid-2020s before this approach can be properly evaluated.

The formation of larger investment pools coupled with a relaxation in investment allocation controls may offer the chance for Chinese social pools associated with the urban scheme for enterprise employees to achieve higher investment returns although the demographic situation with pension benefits exceeding contributions in many provinces has reduced the window of opportunity compared to the situation of 15 years ago.

Output: Best practice report, bilingual

### ***Component 3 results and activities***

Under the reviewed period, November 17<sup>th</sup>, 2016 – November 16<sup>th</sup>, 2017, several activities have been undertaken. The key were workshop, panel discussion, training, ministerial visit and two study visits to two EU countries each. The research undertaken in this period focused on 6 topics and involved several Chinese and EU senior experts. All this assured that Component 3 contributed in supporting MoCA, the main Chinese stakeholder, in the field of interests foreseen for C3 EU-China SPRP.

### ***R9 – "Capacity of MoCA for promulgating and enforcing the Social Assistance Law and the regulations on rural and urban minimum standards of living are strengthened; the skills of local officials in policy transmissions and implementation are upgraded"***

- 9.1 "Indicator 1": The legal framework for social assistance is reviewed and widely discussed, reform proposals are developed and tested under project auspices; → Partially achieved. Three topics out of four for this result are still under progress due to finalising the policy recommendations/reform proposals for MoCA as well as pilots for all the topics to be implemented in 2018.
- 9.2 "Indicator 2": At least two-thirds of local officers involved in the training in China and in Europe demonstrate a high level of approval of the training activities; → Partially achieved. High satisfaction rates for participants in C3 2017 training (activity 9.4) and study visits activities (activities 9.3 and 9.5). These were activities for 4-8 days and 2 weeks (in case of the training) on social assistance: legal framework, minimum standards of living, services for specific vulnerable groups, monitoring and evaluation. The events led to extended knowledge and practice exchange between EU and CN partners.
- 9.3 "Indicator 3": Better access of clients to social assistance mechanisms (at urban and rural levels) is documented through project activities: → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018 and 2018+ (TBC).
- 9.4 "Indicator 4": Percentage of decrease in overlapping benefits. → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018<sup>3</sup> and 2018+ (TBC).

#### ***Topic 3.1.1 Legal Framework of Social Assistance***

#### ***Topic 3.1.2 Governance framework for Social Assistance administration and management process***

#### ***Topic 3.1.3 Processes and activities of policy transmission and implementation carried out at central and local level of Social Assistance***

#### ***Topic 3.1.4 Monitoring and evaluation of Social Assistance schemes***

### **A.9.1 2<sup>nd</sup> C3 Workshop on 2016 research topics (December 2016)**

2<sup>nd</sup> C3 Workshop hosted by MoCA on December 13<sup>th</sup>, 2016 was an opportunity to discuss the first policy recommendations from Chinese and EU sides. Among more than 30 participants of the event were high level MoCA officials (central and local levels), Chinese experts, researchers and practitioners as well as EU experts. The meeting was led by Director General of Social Assistance Department of MoCA.

In December C3 was hosting 3 EU expert missions in Beijing. Based on the discussion and exchanges during the 2<sup>nd</sup> C3 Workshop, the Chinese experts provided policy recommendations

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<sup>3</sup> In 2017 Component 3 together with MoCA and support from Prof. Guan Xinping was working on setting the goals and methods for the C3 pilots. The full program of the pilot will be available in January 2018.

for the three topics 3.1.2; 3.1.3 and 3.1.4. Each of the three EU experts contributed to the Workshop as well as to other bilateral technical exchanges during the mission in China, which lasted around 7-10 days in China for each expert.

Contribution to the result 9 topic 3.1.2 - were the EU best practices and preliminary reform policy recommendations delivered by an EU expert Adrianos Pavlos and a Chinese expert Zuo Ting.

Contribution to the result 9 topic 3.1.3 - were the EU best practices and preliminary reform policy recommendations delivered by an EU expert Josee Goris and a Chinese expert Guo Yu.

Contribution to the result 9 topic 3.1.4 - were the EU best practices and preliminary reform policy recommendations delivered by an EU expert Jean-Yves Hocquet and a Chinese expert Gang Shuge.

Outputs: Workshop ppt package EN&CN; 2016 research Component 3 Volume (both English and Chinese versions). As a follow-up of preparation to the Workshop and discussion held, the reform proposals (policy recommendations) in relation to all topics have been proposed separately by the Chinese and EU experts and are available from the Project webpage in the 2<sup>nd</sup> C3 Workshop meeting report.

#### **A.9.2 Research study: 2016-2017 research study of Component 3 on social assistance system<sup>4</sup>**

Component 3 has organized the 2015 High Level Forum on Social Protection Reform Challenges for Legal Framework of Social Assistance. As a follow up of the debate between Chinese and EU policymakers, ministerial officials, experts and scholars, and continuing the cooperation with the Ministry of Civil Affairs, Component 3 sponsored a research which goal was to conduct a comprehensive assessment of the social assistance system in China. This research study was divided into two parts. The first part of the research was performed by Prof. Guan Xinping from the Nankai University. The title of the research is: Research study on social assistance structures of P.R. China. The second part was executed by EU expert Mr Mihai Magheru. This part of the research is named: Research study on most relevant EU countries experiences for social assistance structure of the P.R. China. The author of the report Mr Mihai Magheru presented several EU experiences including countries practices (from Czech Republic, Cyprus, Denmark, Estonia, Romania, Spain, Sweden, etc.) related to the main aspects of the social assistance identified within China report by Prof. Guan Xinping from the Nankai University (China). The main goal of the report is to “raise awareness about the different EU social assistance approaches and to familiarize the Chinese decision-makers with new or complementary models, a special emphasis of the study consists in bringing relevant information regarding both cross-cutting issues and social assistance measures. ‘Cross-cutting issues’ replaces the “general challenges” evoked by the China report as means to reflect the transversality of challenges both from a vertical (decentralization and de-concentration) and horizontal (inter-sectorial) perspectives.

Outputs: research published

[http://www.euchinasprp.eu/images/documents/Component3/04.07.2017.report%20on%20research%20study%20on%20social%20assistance\\_China&EU%20contributions\\_EN.PDF](http://www.euchinasprp.eu/images/documents/Component3/04.07.2017.report%20on%20research%20study%20on%20social%20assistance_China&EU%20contributions_EN.PDF)

#### **A.9.3 Ministerial visit to Italy (May 2017)**

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<sup>4</sup> Report available :

[http://www.euchinasprp.eu/images/documents/Component3/04.07.2017.report%20on%20research%20study%20on%20social%20assistance\\_China&EU%20contributions\\_EN.PDF](http://www.euchinasprp.eu/images/documents/Component3/04.07.2017.report%20on%20research%20study%20on%20social%20assistance_China&EU%20contributions_EN.PDF)

In May 2017, Component 3 organized, in collaboration with MoCA, a ministerial visit of 4 days under the leadership of MoCA Deputy Minister and 5 high level MoCA officials, in Italy (the EU-China SPRP Consortium Project Leader country). The ministerial visit created a dialog at the policymaking level (between Italian Ministry of Labour and Social Policy and the National Institute for Social Security and Chinese ministry in terms of social policy) as well as among practitioners and focused on legal framework, minimum standards of living, specific vulnerable groups of social assistance beneficiaries and governance of social assistance including involving NGOs.

Outputs: package of EN&CN ppts; summary of the event presented in the 3/2017 Newsletter; MoCA mission report.

#### **A.9.4 C3 training in France (June 2017)**

On June 11<sup>th</sup> - 24<sup>st</sup>, 2017 a 14 day training of 15 high level MoCA officials under the leadership of Deputy Director General of Social Assistance Department of MoCA to France took place. The topic of the training was: Social Assistance Benefits and Services Legal Framework, Implementation and Monitoring. The MoCA delegation members were central and local high level officials responsible for social assistance.

Outputs: package of EN&CN ppts; Mission (training) report; summary of the event presented in the 2/2017 C3 Newsletter.

#### **A.9.5 C3 study visit to Romania and Poland (September 2017)**

On September 13<sup>th</sup> – 20<sup>th</sup>, 2017 a 8 day study visit of 5 high level MoCA officials under the leadership of Director of Social Assistance Department of MoCA to Romania and Poland took place. Its main theme was the social assistance: legal framework, minimum standards of living and services for specific vulnerable groups. The MoCA delegation members were central and local high level officials responsible for social assistance.

Outputs: package of EN&CN ppts; Mission report; summary of the event presented in the 3/2017 C3 Newsletter.

#### ***R10 – "The legal frameworks on a) formulation of unified standards for the estimation and calculation of social assistance benefits, b) recognition of social assistance target groups and c) identification of low-income families are consolidated"***

- **10.1 "Indicator 1":** A set of proposals for unification of benefits standards in social assistance is developed, discussed and tested under project auspices. → Partially achieved. This indicator has been partially achieved through 4<sup>th</sup> C3 Panel Discussion (activity A.10.1), 2<sup>nd</sup> C3 Workshop on 2016 research topics (activity A.9.1), research study (activity A.9.2), Ministerial visit to Italy (activity A.9.3) Component 3 training in France (activity A.9.4) and Study visit to Romania and Poland (activity A.9.5).
- **10.2 "Indicator 2":** A methodology for functional identification of social assistance beneficiaries (target groups) is developed, discussed and tested under project. → Partially achieved. To be further developed within C3 pilots activities in 2018 and 2018+ (TBC).
- **10.3 "Indicator 3":** A definition and quantification of goals to be assigned to social assistance benefits are developed and discussed under project auspices. → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018<sup>5</sup> and 2018+ (TBC).

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<sup>5</sup> In 2017 Component 3 together with MoCA and support from Prof. Guan Xinping was working on setting the goals and methods for the C3 pilots. The full program of the pilot will be available in January 2018.

- 10.4 "Indicator 4": A methodology for and requirement for social assistance services is developed. → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018<sup>6</sup> and 2018+ (TBC).

*Topic 3.2.1 Experiences on unified standards for calculation of Social Assistance benefits*

*Topic 3.2.2 Optimization of social assistance – procedures and eligibility criteria for social assistance benefits*

*Topic 3.2.3 Coordination of overall social assistance resources*

*Topic 3.2.4 Fraud in social assistance: identification, coping strategy and prevention*

#### **A.10.1. 4<sup>th</sup> Component 3 panel discussion (June 2017)**

The 4<sup>th</sup> Component 3 panel discussion on the topics 3.2.2, 3.2.3 and 3.2.4 was hosted on June 29<sup>th</sup>, 2017 by Ministry of Civil Affairs, the main stakeholder of Component 3 EU-China SPRP. The discussion has been chaired by Mr Liu Xitang Director General of Social Assistance Department of MoCA. Welcoming speech was delivered by Mr Lars Gronvald, Head of Development & Co-operation Section, Delegation of the European Union. Among 50 participants were high level officials from MoCA: Ms Chai Mei, Deputy Director-General of International Cooperation Department, Mr Liu Yong, Deputy Director General of Social Assistance Department, Ms Jiang Wei, Deputy Director General of Social Assistance Department, Mr Li Wei Dong, Deputy Director General, Center of Monitoring and Verification for Low Income Families of MoCA; local staff from Beijing, Inner Mongolia Autonomous region, Jilin Civil Affairs Bureau, Jiangsu Civil Affairs Bureau, Anhui Civil Affairs Bureau, Guangdong Civil Affairs Bureau, Guizhou Civil Affairs Bureau, Shaanxi Civil Affairs Bureau, Qinghai Civil Affairs Bureau. Chinese scholars (including experts contributing to the Component 3 EU-China SPRP research activities from the very beginning of the Project) and EU-China SPRP Office representatives supported the event. The main goal of the event, as for the morning session, was to present first research outputs on the issues of targeting in social assistance (Prof. Yao Jianping); coordination of social assistance resources (Prof. Zhang Haomiao) and fraud identification and prevention in social assistance (Professor Lin Yi). Presentations were followed by comments and suggestions from scholars invited to the event by MoCA. The afternoon session was dedicated to the outputs of the study on social assistance structures of P.R. China -main achievements and challenges, performed by Prof. Guan Xinping. This presentation was followed by comments coming from scholars and local staff.

Outputs: Panel discussion ppt package EN&CN; 2017 research topic Component 3 Volume (both English and Chinese versions) to be published in Feb 2018; panel discussion report; summary of the event presented in the 2/2017 C3 Newsletter.

#### **A.10.2 Assessments reports**

The 2017 topics have been studied by 3 Chinese experts Prof. Yao Jianping, Prof Zhang Haomiao and Prof. Lin Yi. Each expert has worked on one of the topics 3.2.2, 3.2.3 and 3.2.4. All the reports have been submitted to MoCA – main beneficiary of the Component 3 activities. The main goal of the assessment reports was to identify the main issues, achievements, challenges related to optimization of the social assistance benefits process, coordination of the social assistance recourses as well as prevention and identification of the fraud in social assistance.

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<sup>6</sup> In 2017 Component 3 together with MoCA and support from Prof. Guan Xinping was working on setting the goals and methods for the C3 pilots. The full program of the pilot will be available in January 2018.

***R11 – "Efforts of MoCA in improved care for poor rural people and disabled people are strengthened, and public information and transparency of social assistance policies are raised at provincial level"***

- **11.1 "Indicator 1":** Targeting of social assistance towards the specific groups (children, elderly, people with disabilities, poor rural people); service delivery for them is documented and discussed under project auspices, mechanisms for improving the situation are developed and tested. → Partially achieved. This indicator has been partially achieved through the 4<sup>th</sup> C3 Panel Discussion (activity A.10.1), 2<sup>nd</sup> C3 Workshop on 2016 research topics (activity A.9.1), research study (activity A.9.2), Ministerial visit to Italy (activity A.9.3), Component 3 training in France (activity A.9.4) and Study visit to Romania and Poland (activity A.9.5).
- **11.2 "Indicator 2":** Tools for public information and its transparency i.e. via campaigns and awareness on social assistance, are developed and tested under project auspices; → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018<sup>7</sup> and 2018+ (TBC).
- **11.3 "Indicator 3":** Increase of Beneficiaries satisfaction on the public information on social assistance. → Not achievable at this stage of the Project. To be performed within C3 pilots activities in 2018<sup>8</sup> and 2018+ (TBC).

*Topic 3.1.2 Governance framework for Social Assistance administration and management process*

*Topic 3.1.3 Processes and activities of policy transmission and implementation carried out at central and local level of Social Assistance*

*Topic 3.1.4 Monitoring and evaluation of Social Assistance schemes*

**Summary on main conclusions on the above topics**

The main goal of all activities specified above is to provide a synthesis report on policy reform proposals<sup>9</sup> to MoCA. These was achieved through the research activities performed by Chinese and EU experts as well as several practical (technical)<sup>10</sup> exchanges within the three topics executed in China and EU countries visited by MoCA staff (central and provincial level).

<sup>7</sup> In 2017 Component 3 together with MoCA and support from Prof. Guan Xinping was working on setting the goals and methods for the C3 pilots. The full program of the pilot will be available in January 2018.

<sup>8</sup> In 2017 Component 3 together with MoCA and support from Prof. Guan Xinping was working on setting the goals and methods for the C3 pilots. The full program of the pilot will be available in January 2018.

<sup>9</sup> [http://www.euchinasprp.eu/images/documents/Component3/2016%20Draft%20Reform%20Proposals/13.03.2017.C3\\_draft%20reform%20%20%20proposals\\_2016\\_research\\_topics\\_EN.pdf](http://www.euchinasprp.eu/images/documents/Component3/2016%20Draft%20Reform%20Proposals/13.03.2017.C3_draft%20reform%20%20%20proposals_2016_research_topics_EN.pdf)

<sup>10</sup>

Topic 3.1.2

<http://www.euchinasprp.eu/images/documents/Component3/EN%20Project%20webpage%20C3%20publishing%20request/Governance%20framework%20of%20%20Social%20Assistance%20C3%20Volume%20on%202016%20research%20topic%203.1.2%20EN.pdf>

Topic 3.2.3

<http://www.euchinasprp.eu/images/documents/Component3/EN%20Project%20webpage%20C3%20publishing%20request/Monitoring%20and%20evaluation%20of%20%20Social%20Assistance%20C3%20Volume%20on%202016%20research%20topic%203.1.4%20EN.pdf>

topic 3.2.4



The main reform proposals (based on in depth assessment reports and EU best practises reports) which are a kind of pathway indication for further developing social assistance benefits and service scheme and first of all drafting comprehensive legal provision 'package' on social assistance.

Since the three topics covered just partly all three results to be achieved within Component 3, it is appropriate to clarify that the reform proposals made could be adjusted after completing all topics foreseen for each of the results R9-R11.

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<http://www.euchinasprp.eu/images/documents/Component3/EN%20Project%20webpage%20C3%20publishing%20request/Transmission%20and%20implementation%20of%20%20%20Social%20Assistance%20C3%20Volume%20on%202016%20research%20topic%203.1.3%20EN.pdf>

**2.3. If relevant, submit a revised logframe, highlighting the changes.**

At the beginning of 2017, the Logical Framework has been revised and it has been approved during the PAC meeting of February 2017 together with the related Aide Mémoire. The new version is reported below and it will be used by all three Components during the last two project years. It includes, as far as C1 is concerned, the relevant recommendations formulated by the mid-term evaluation team in its final report which intervened during the period under review<sup>11</sup>

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
<b>Overall Objective</b>	Furthering social equity and inclusiveness of economic development throughout Chinese society	- Social protection coverage, income distribution, poverty levels, government budget and GDP shares allocated to social protection	- National and provincial statistics.	- Guidelines and priorities of the Chinese government regarding the reform do not change - The EU and Chinese institutions remain interested in the project activities
<b>Specific Objectives</b>	C1. Greater effectiveness and inclusiveness of China's social security system through strengthening the institutional capacity for developing policies	- Comprehensive reforms proposals are developed and subject of public discussion	- See C1 six-months reports - COMPENDIUM OF FIRST SET OF PENSION REFORM PROPOSALS (EN-CN) <a href="http://sprp-cn.eu/reports/2015DraftReformProposalsEN.pdf">http://sprp-cn.eu/reports/2015DraftReformProposalsEN.pdf</a> <a href="http://sprp-cn.eu/reports/2015DraftReformProposalsCN.pdf">http://sprp-cn.eu/reports/2015DraftReformProposalsCN.pdf</a>	- NDRC, MoF, MoCA and other Stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium; - NDRC, MoF, MoCA, Chinese Expert, and other Stakeholders ensure their availability for operational meeting, interviews etc., according to the plan shared in order to contribute actively to the project;
	C2. Implementation of appropriate legal and regulatory frameworks and for enhanced and sustainable financial management of the social security system	- Mechanisms for Social security financial management are clarified and subject of public discussion	- PAC meeting minutes - Evidence of public debate (e.g. media excerpts) - Statistical reports from MoCA	- The EU and Chinese institutions

<sup>11</sup> EU-China Social Protection Reform Project – Mid-Term Evaluation Specific contract 2017/383373/1 Final Evaluation Report Prepared by Beate Scherrer Michael Gericke August 2017Annex 6

	C3. Improvement of the policy and legal framework and policy enforcement of social assistance.	- Reports concerning access to social assistance show improvements in benefits targeting	- PAC meeting minutes - Evidence of public debate (e.g. media excerpts) - Statistical reports from MoCA	remain interests in long-term cooperation/partnership
		Memoranda of Understanding / cooperation agreement	- Signed with Poland April 2016 - 6 month Project report	

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
<b>Results</b>	<b>R1.</b> Mechanisms for EU-China high level policy dialogue on social protection reform is established and partnerships between Specialized Public Bodies of EU Member States and the National Development and Reform Commission (NDRC), the Ministry of Finance (MoF) and the Ministry of Civil Affairs (MoCA) on social protection are developed	<ul style="list-style-type: none"> <li>- High level conferences attract attention of the technical specialists and of the media</li> <li>- Mechanisms for further high level dialogue on social protection policy development, financial management and social assistance after the end of the project agreed;</li> <li>- Dedicated Project Website updated every month;</li> <li>- 2 Electronic Newsletters a year;</li> <li>- List of users registered to the Electronic Directory of Contacts is widespread among the participants each quarter;</li> <li>- Cooperative work between EU and national stakeholders in social protection is documented</li> </ul>	<ul style="list-style-type: none"> <li>- External project evaluation reports;</li> <li>- NDRC, MoF, MoCA and local government publications, documents and reports;</li> <li>- National and ministerial statistics;</li> <li>- National audit reports;</li> <li>- Media &amp; news report;</li> <li>- Project Website;</li> <li>- Electronic Newsletters;</li> <li>- Directory of Contacts;</li> <li>- Constitutional PAC meeting, Press Conference, High Level International Conferences and Closing Conference minutes.</li> </ul>	<ul style="list-style-type: none"> <li>- NDRC, MoF, MoCA and other Stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium;</li> <li>- NDRC, MoF, MoCA, Chinese Expert, and other Stakeholders ensure their availability for operational meeting, interviews etc., according to the plan shared in order to contribute actively to the project;</li> <li>- The EU and Chinese institutions remain interests in long-term cooperation/partnership;</li> <li>- The main Chinese stakeholders promptly satisfy operational requests of the Consortium.</li> </ul>

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
<b>Result</b>	R2. Under the leadership of NDRC, coordination of policy making among government agencies in areas related to social protection reform is strengthened.	<ul style="list-style-type: none"> <li>- NDRC proposals on social protection reform for inclusion in the XIIIth Five-years Plan are shared with other stakeholders and taken as a basis for discussion in preparatory works;</li> <li>- A comprehensive proposal for social administration systems reform is elaborated and disseminated to interested stakeholders under project auspices.</li> <li>- Analysis and proposals developed under project auspices are made known to a broad audience, nationally and internationally</li> </ul>	<ul style="list-style-type: none"> <li>- See NDRC website and reports on activities</li> <li>- See project website</li> <li>- Participation in national and international events organized outside the scope of the project</li> </ul>	<p>NDRC and other Component 1 Stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium ;</p> <ul style="list-style-type: none"> <li>- NDRC, Component 1 Chinese Expert, and other Component 1 Stakeholder ensure their availability for operational meeting, interviews etc., according to the plan shared in order to contribute actively to the project;</li> <li>- The EU and Chinese institutions remain interests in long-term cooperation/partnership.</li> </ul>
<b>Result</b>	R3. Capacity of NDRC in policy development and implementation, notably establishing and enforcing a national policy evaluation technique in the area of social protection, is enhanced.	<ul style="list-style-type: none"> <li>- A national policy evaluation technique in the area of social protection is developed and tested under the auspices of the project;</li> <li>- At least two-thirds of local officers involved in the training in China and in Europe demonstrate a high level of approval of the training activities;</li> <li>- Clear goals are assigned to the pension system in terms of replacement of past income and minimum living standards</li> <li>- A methodology to assess gender implications of proposed social protection reforms is developed</li> </ul>	<ul style="list-style-type: none"> <li>- See project website</li> </ul>	

		<ul style="list-style-type: none"> <li>- Interrelation between social protection and employment policies is documented and used for evaluation purposes</li> </ul>	- Project reports	
		<ul style="list-style-type: none"> <li>- Memoranda of understanding or equivalent instruments are discussed and concluded between NDRC and European partners, to use as a basis for continued cooperation in social protection</li> </ul>	- MoUs drafted and signed	
<b>Result</b>	R4. National policy framework for a full coverage of old-age insurance system throughout China is consolidated by strengthening the interface of various schemes, permission funding pooling, old-age insurance scheme for civil servants/the employee of public agencies and the existing multi-lawyer pension system	<ul style="list-style-type: none"> <li>- A comprehensive model for multitier design of the pension system is developed under project auspices;</li> <li>- A comprehensive policy for developing a universal social pension model is developed and disseminated under project auspices;</li> <li>- An analysis of the consequences of demographic ageing on the pension system is conducted and discussed under project auspices.</li> </ul>	- See project website	
<b>Result</b>	R5. Reform efforts in response to urbanization trends, in particular the harmonization/integration of the various basic social	<ul style="list-style-type: none"> <li>- Model provisions for totalization and vesting of pension rights across regions are developed and piloted in selected places</li> </ul>	- See project website	

	protection systems for different groups of beneficiary, the portability of social insurances and better suited assistance schemes are supported	<ul style="list-style-type: none"> <li>- An analysis of the interrelation between social and economic development and the suitability and sustainability of pension schemes is developed, and used for macro projections to support systemic reform proposals.</li> <li>- Proposals for bilateral Europe- China cooperation at the decentralized level are developed and start being implemented in response to the growing urbanization trend and labor mobility across the country</li> </ul>	<ul style="list-style-type: none"> <li>- Project documentation, reports from Provincial authorities</li> </ul>	
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INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
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<b>Results</b>	<p><b>R6</b> The capacity of MoF financial management and supervision of central and local model of social security system and the extension of social security system coverage are enhanced, in particular in the fields of division of expenditure responsibilities, mid -terms budgeting of fund, and performance assessment model.</p>	<ul style="list-style-type: none"> <li>- A comprehensive policy proposal on division of decision power and expenditure responsibilities between central and local government is developed under project auspices</li> <li>- Methodologies and tools for managing social protection expenditure, financial resources, and strategies to extend the social insurance coverage are elaborated under the project auspices</li> <li>- A comprehensive policy proposal for the promotion of a coordinated management of the social assistance system is developed under project auspices.</li> <li>- A set of social security performance indicators is developed, tested and discussed with interested stakeholders</li> <li>- An analysis on the development of old age services and the suitability and sustainability of a Long Term Care Insurance scheme is developed, and used to support reform proposals.</li> </ul>	<ul style="list-style-type: none"> <li>- PAC meeting minutes;</li> <li>- Approval surveys at the end of the Training / Study Visit in China and in Europe;</li> <li>- Minutes and reports of the Workshops /Panel Discussion/ in China;</li> <li>- Project Website Documentation on C2</li> <li>- Project contributed by submitting preliminary policy proposals report to MoF (2016)</li> <li>- Project scientific reports</li> </ul>	<ul style="list-style-type: none"> <li>- MoF and other Component 2 stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium;</li> <li>- MoF, Component 2 Chinese Expert, and other Component 2 stakeholder ensure their availability for operational meeting, interviews etc., according to the plan shared in order to contribute actively to the project;</li> <li>- The EU and Chinese institutions remain interested in long-term cooperation/partnership.</li> </ul>
	<p><b>R7</b> Enhance the top level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform.</p>	<ul style="list-style-type: none"> <li>- A comprehensive reform proposal for the establishment of a multi-pillar pension system is proposed under project auspices and debated with interested stakeholders for future implementation;</li> <li>- A set of methodologies to assess the economic sustainability and adequacy</li> </ul>		

		<p>of the Chinese pension system are proposed to MoF under the project auspices and debated for future policy development</p> <ul style="list-style-type: none"> <li>- Actuarial models are analysed and disseminated under project auspices.</li> </ul>		
	<p><b>R8</b> The capacity of the MoF in the management of social insurance funds, focusing on fiscal support budgeting, account system, investment techniques and adjustment mechanisms for pension benefits is strengthened.</p>	<ul style="list-style-type: none"> <li>- A set of strategies for the investments of pension funds and techniques to strengthen risk control management are introduced and discussed under project auspices.</li> <li>- A comprehensive policy to promote the management of pension funds is developed and discussed.</li> </ul>		

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
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<b>Results</b>	<b>R9.</b> Capacity of MoCA for promulgating and enforcing the Social Assistance Law and the regulations on rural and urban minimum standards of living are strengthened; the skills of local officials in policy transmissions and implementation are upgraded.	<ul style="list-style-type: none"> <li>- The legal framework for social assistance is reviewed and widely discussed, reform proposals are developed and tested under project auspices;</li> <li>- At least two-thirds of local officers involved in the training in China and in Europe demonstrate a high level of approval of the training activities;</li> <li>- Better access of clients to social assistance mechanisms (at urban and rural levels) is documented through project activities;</li> </ul>	<ul style="list-style-type: none"> <li>- PAC meeting minutes;</li> <li>- Approval surveys at the end of the Training / Study Visit in China and in Europe;</li> <li>- Minutes and reports of the High Level Event on Social Assistance/Panel Discussion/ Workshops in China;</li> <li>- Approval surveys at the end of the Workshops in China.</li> </ul>	<ul style="list-style-type: none"> <li>- MoCA and other Component 3 stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium;</li> <li>- MoCA, Component 3 Chinese Experts, and other Component 3 stakeholder ensure their availability for operational meeting (panel discussion), interviews etc., according to the plan shared in order to contribute actively to the project;</li> <li>- The EU and Chinese institutions remain interests in long-term cooperation/partnership.</li> </ul>
	<b>R10.</b> The legal frameworks on a) formulation of unified standards for the estimation and calculation of social assistance benefits, b) recognition of social assistance target groups and c) identification of low-income families are consolidated.	<ul style="list-style-type: none"> <li>- A set of proposals for unification of benefits standards in social assistance is developed, discussed and tested under project auspices;</li> <li>- A methodology for functional identification of social assistance beneficiaries (target groups) is developed, discussed and tested under project;</li> <li>- A definition and quantification of goals to be assigned to social assistance benefits are developed and discussed under project auspices.</li> <li>- A methodology for and requirement for social assistance services is developed;</li> </ul>	<ul style="list-style-type: none"> <li>- Project contributed by submitting preliminary policy proposals report to MoCA (2016). Final policy proposals to be drafted after the C3 pilots completing.</li> <li>- Review of the government documents have been included in the 2015 and 2016 Volume on research topics of 2015&amp;2016&amp;2017 and deeply discussed with MoCA during several events organised with active</li> </ul>	

	<p><b>R11.</b> Efforts of MoCA in improved care for poor rural people and disabled people are strengthened, and public information and transparency of social assistance policies are raised at provincial level.</p>	<ul style="list-style-type: none"> <li>- Targeting of social assistance towards the specific groups (children, elderly, people with disabilities, poor rural people); service delivery for them is documented and discussed under project auspices, mechanisms for improving the situation are developed and tested.</li> <li>- Tools for public information and its transparency i.e. via campaigns and awareness on social assistance, are developed and tested under project auspices.</li> </ul>	<p>participation of the EU experts.</p> <ul style="list-style-type: none"> <li>- Several research outputs within the Volume 2015 /2016 and 2017</li> <li>- Local visits to several provinces across China performed</li> </ul>	
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**2.4. Please provide an updated action plan<sup>12</sup>**

Overall presentation of activities - Component 1 - Revised November 2017													
ID	DESCRIPTION	Y 3		Y 4									
		S 2		S 1						S 2			
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18
<b>1</b>	<b>Component 1 - Strengthening institutional capacity for for social protection policy development and reforms</b>												
<b>1.1</b>	<b>Result 2: Under the leadership of NDRC, coordination of policy making among government agencies in areas related to social protection reform is strengthened</b>												
1.1.1	Social insurance administration systems reform - Contribution to XIIIth 5-Year Plan								TP	TP			
1.1.2	Coordination of policy making among government agencies in areas related to social protection reform												
1.1.3	Monitoring interaction between employment promotion and social protection policies	IW							PD	S		OT	
<b>1.2</b>	<b>Result 3: Capacity of NDRC in policy development and implementation, notably establishing and enforcing a national policy evaluation technique in the area of social protection, is enhanced</b>												
1.2.1	Relationship of pension benefit with minimum social wage												
1.2.2	National policy evaluation technique in the area of social protection (indicators, methods and programs)												

<sup>12</sup> This plan will cover the financial period between the interim report and the next report.

ID	DESCRIPTION	Y 3		Y 4									
		S 2		S 1						S 2			
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18
1.2.3	Affordability of Pension schemes (contributions and Government subsidies)								PD				
1.2.4	Gender considerations in pension schemes (provisional title)					PD							WS
1.3	<b>Result 4: National policy framework for a full coverage of old-age insurance system throughout China is consolidated by strengthening the interface of various schemes, pension funding pooling, old-age insurance scheme for civil servants/the employee of public agencies and the existing multi-layer pension system</b>												
1.3.1	Pension reform for public sectors												
1.3.2	Social pooling of the basic pension component - Evaluation of the combination of basic pension & individual accounts												
1.3.3	Universal social pension models												
1.3.4	Multi-tiered design of pension systems (public pension, enterprise annuity and individual pension)												
1.3.5	Occupational pension plans for public sectors and private pension plans									PD			
1.3.6	Vesting, indexation and adjustment mechanisms of pension benefit												

ID	DESCRIPTION	Y 3		Y 4									
		S 2		S 1						S 2			
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18
1.3.7	Ageing population and possible strategy of dealing with this situation												PS
1.3.8	Issue related to the informal sector integration in social security schemes									PD	IW/S		
1.3.9	NDC (notional defined contribution) pension reform												
1.4	<b>Result 5: Reform efforts in response to urbanization trends, in particular the harmonization/integration of the various basic social protection systems for different groups of beneficiaries, the portability of social insurances and better suited assistance schemes</b>												
1.4.1	Improvement of the individual account component in public pension system for urban workers												
1.4.2	Relationship between social-economic development and the redistribution function of social security	SV											
1.4.3	Strategy of integrating social security system in urban and rural context also through the portability of social insurances									WS			

<b>LEGENDA</b>	
	Identification Phase: Situation analysis, Identification and review of possible relevant EU experience, Workshop with Stakeholders on the Identification Phase.
	Analysis Phase: Specific analysis of relevant EU experience, Training/visits to EU countries, Workshop with Stakeholders on the Analysis Phase, Elaboration of reform proposal.
	Follow-up Phase: Follow-up and ongoing technical assistance and tool development, Training needs analysis and training definition, Possible Training conducted (EU and/or China), Possible pilot application, Evaluation of follow-up phase and lesson learned.
<b>T</b>	In-country training
<b>OT</b>	Overseas training
<b>S</b>	Study visit abroad
<b>PS</b>	Pilot sites study visit abroad
<b>TP</b>	Technical cooperation, pilot sites

COMPONENT 2 Nov. 2017-Nov. 2018 ACTIVITIES PLAN - GANTT													
ID	DESCRIPTION	2017		2018									
		S 2		S1						S2			
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18
2	Component 2 - Enhance institutional capacity for financial management and supervision concerning social secuty funds												
2.1	Result 6: The capacity of MoF financial management and supervision of central and local model of social security system and the extension of social security system coverage are enhanced, in particular in the fields of division of expenditure responsibilities, mid -terms budgeting of fund, and performance assessment model.												
2.1.1	Division of decision power and expenditure responsibilities on social security between central and local government												
2.1.2	Social security coverage on informal employment: methodologies and tools of analysis and management								OT				
2.1.3	Alternative policy measures to cope with the impact of ageing on the financial sustainability of the social security system								PD				WS
2.1.4	An integrated system for the coordinated management of the social assistance system				WS								
2.1.5	Social contribution collections: toward a unified system								PD				WS
2.1.6	Development of Old-age Services and Long Term Care System				WS								
2.2	Result 7: Enhance the top-level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform.												
2.2.1	Nominal personal account reform in the basic pension insurance system								OT				
2.2.2	Models and Methodologies for the Social and Economic sustainability analysis in social protection system								OT				

COMPONENT 2 Nov. 2017-Nov. 2018 ACTIVITIES PLAN - GANTT													
ID	DESCRIPTION	2017		2018									
		S 2		S1						S2			
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18
2.3	Result 8: The capacity of the MoF in the management of social insurance funds, focusing on fiscal support budgeting, account system, investment techniques and adjustment mechanisms for pension benefits is strengthened.												
2.3.1	Investment strategies of social funds and risk control methodologies	PD			WS								
2.3.2	The role of public finance and enterprise annuities funds in the Chinese social security system								PD				WS

LEGENDA	
	Identification Phase: Situation analysis, Identification and review of possible relev.
	Analysis Phase: Specific analysis of relevant EU experience, Training/visits to EU
	Follow-up Phase: Follow-up and ongoing technical assistance and tool development, Training needs analysis and training definition, Possible Training conducted (EU and/or China), Possible pilot application, Evaluation of follow-up
PD	Panel discussion
WS	Workshop Analysis phase
OT	Overseas Training

Overall presentation of activities Component 3														
ID	DESCRIPTION	Y 4												
		S 2		S 1						S 2				
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47	M 48
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18	XI 18
3	<b>Component 3 - Improving of legal framework and policy for social assistance</b>	SV						SV	PD			SV/MS		
3.1	<b>Result 9: The capacity of the MoCA for promulgating and enforcing the Social Assistance Law and the regulations on rural and urban minimum standards of living are strengthened; the skills of local officials in policy transmission and implementation are upgraded.</b>													
3.1.1	Legal framework on Social Assistance													
3.1.2	Governance framework for Social Assistance administration and management process													
3.1.3	Processes and activities of policy transmission and implementation carried out at central and local level of Social Assistance													
3.1.4	Monitoring and evaluation of Social Assistance schemes													
3.2	<b>Result 10: The legal frameworks on a) formulation of unified standards for the estimation and calculation of social assistance benefits, b) recognition of social assistance target groups c) identification of low-income families are consolidated</b>													
3.2.1	Experiences on unified standards for calculation of Social Assistance benefits													
3.2.2	Optimization of social assistance – procedures and eligibility criteria for social assistance benefits	WS												
3.2.3	Coordination of overall social assistance resources	WS												
3.2.4	Fraud in social assistance: identification, coping strategy and prevention	WS												

Overall presentation of activities Component 3														
ID	DESCRIPTION	Y 4												
		S 2		S 1						S 2				
		M 36	M 37	M 38	M 39	M 40	M 41	M 42	M 43	M 44	M 45	M 46	M 47	M 48
		XI 17	XII 17	I 18	II 18	III 18	IV 18	V 18	VI 18	VII 18	VIII 18	IX 18	X 18	XI 18
3	Component 3 - Improving of legal framework and policy for social assistance	SV						SV	PD			SV/MS		
3.3	Result 11: Efforts of the MoCA in improved care for poor rural people and disabled people are strengthened, and public information and transparency of social assistance policies are raised at provincial level													
3.3.1	Social Assistance for specific groups - services for children, elderly, people with disabilities, with a special focus on poor rural people													
3.3.2	Providing services for social assistance beneficiaries								PD			WS		
3.3.3	Publicity of social assistance laws and regulations (techniques and instruments used for dissemination of information)								PD			WS		

LEGENDA	
	Identification Phase: Situation analysis, Identification and review of possible relevant EU experience, Workshop with Stakeholders on the Identification Phase
	Analysis Phase: Specific analysis of relevant EU experience, Training/visits to EU countries, Workshop with Stakeholders on the Analysis Phase, Evaluation of analysis phase
	Follow-up Phase: Follow-up and ongoing technical assistance and tool development, Training needs analysis and training definition, Possible Training conducted (EU and/or China), Possible pilot application, Evaluation of follow-up phase and lesson learned.
MSV	Ministerial study visit
SV	Study visit abroad
PD	Panel Discussion
WS	Workshop
HLPD	High Level Policy Dialog
C	Technical consultancy by European expert
HLE	First High Level Event on Social Assistance

### 3. Beneficiaries/affiliated entities and other Cooperation

3.1 How do you assess the relationship between the Beneficiaries/affiliated entities of this grant contract (i.e. those having signed the mandate for the Coordinator)? Please provide specific information for each Beneficiary/affiliated entity.

The Consortium has continued to respect and actualize the procedures set up for managing the internal (Consortium) and external (EUD-China) relationships.

The project Secretariats' have been appreciated by local staff and experts involved in project activities and events.

The work of Component Coordinators and Consortium Partners has played a key role in carrying out planned activities and achieving important Project objectives.

During the PAC meeting hold in Beijing on the 24<sup>th</sup> February 2017 the EUD strongly appreciated and supported the mechanism established to involve EU countries in participating to project activities, both within and outside the Consortium. It was discussed and agreed that EU best practices should provide China with the maximum value for future reference. Furthermore the EUD appreciated C2 efforts in promoting cross-cutting issues. However, EUD stressed the need to identify the required resources, to understand how to optimize the product, and how to develop it successfully. During the PAC it was therefore suggested that the overlap between C2 and C3 common research areas in 2017 activity plan, could become an opportunity to strengthen the interlinkages among Components, share practices and promote cooperation..

How would you assess the relationship between your organisation and State authorities in the Action countries? How has this relationship affected the Action?

Relationships with State authorities in the Action countries were excellent. The Consortium has received both from Chinese and European Authorities full availability and support for the organization of the Project activities and events. We can fully state that it has been achieved the collaboration spirit required to carry out a co-financing projects.

3.2 Where applicable, describe your relationship with any other organisations involved in implementing the Action:

- Associate(s) (if any)

The relationship with authorities that joined the Consortium as Associates is the same one described with reference to the Beneficiary/affiliated entity under point 3.1 of the present report.

- Sub-contractor(s) (if any)
- Final Beneficiaries and Target groups
- Other third parties involved (including other donors, other government agencies or local government units, NGOs, etc.)

3.3 Where applicable, outline any links and synergies you have developed with other actions.

Not Applicable.

- 3.4 If your organisation has received previous EU grants in view of strengthening the same target group, in how far has this Action been able to build upon/complement the previous one(s)? (List all previous relevant EU grants).

Not Applicable.

#### 4. Visibility

During the third year of the Project SISPI, has continued to implement several visibility activities.

The English version of the website is online since April 1st 2016 and has been implemented according to the recommendations received by EU Delegation, Project Leader and Consortium members, as well as by applying the Visibility guidelines. It is updated following Resident Experts and Component Coordinators requests (upload of Term of References and Events section). SISPI has been updating the official project website <http://www.euchinasprp.eu/> with information in English and Chinese about Project activities, progresses and events.

The Directory of Contacts was shared among Consortium members and updated. The new version was uploaded within the website private area, in order to be shared among all registered users.

The Horizontal Secretariat has selected a supplier of graphics services for the production of communication materials which have been used for project events in Europe and in China.

During the reference period, the following visibility materials have been produced in Europe:

- Development of newsletter graphic design
- Development of the graphic design for Spanish brochure for C1

The Beijing local staff have commissioned several visibility materials with project logo to be disseminated during Project events. During 2016/2017, the following visibility items have been realized in Beijing:

- 50 C3 HLF Booklet on Social Protection Reform
- 40 PAC: Aide Memoire 2017 draft
- 80 PAC: Agenda
- 38 PAC: Table Nameplate
- 40 PAC: Participant List
- 500 Blue Notebook with Project Logo
- 50 C2 book English: Enhancing Institutional Capacity for Financial Management of the Pension System
- 50 C2 book Chinese: Enhancing Institutional Capacity for Financial Management of the Pension System
- 150 C3 Report Book (3.1.2/3.1.3/3.1.4)
- 100 C2 Newsletter Spring 2017 English
- 100 C2 Newsletter Spring 2017 Chinese
- 20 Aide Memoire 2017 final
- Business Cards for 6 people
- 200 Project Leaflet
- 100 C2 Newsletter Summer 2017
- 100 C2 Newsletter Autumn 2017
- 15 C2 Training in France Namebadges

**List of acronyms used in the report**

Acronym	Description
ACFTU	All-China Federation of Trade Unions
ACWF	All-China Women's Federation
CEC	China Enterprise Confederation
CASS	China Academy of Social Science
CIRC	Chinese Insurance Regulatory Commission
EN3S	Ecole Nationale Supérieure de Sécurité Sociale (National School of Advanced
ESF	European Social Fund
EU	European Union
EU MS	European Member State
EUD	European Union Delegation
IAC	Insurance Association of China
IASIA	International Association of Schools and Administration Institutes
IBRD	International Bank of Reconstruction and Development
ICT	Information and Communication Technology
ILO	International Labour Organization
IMC	Internal Management Committee
ISSA	International Social Security Association
LAC	Latin America & the Caribbean
M&E	Monitoring and Evaluation
MIS	Management Information System
MoA	Ministry of Agriculture
MoCA	Ministry of Civil Affairs
MoF	Ministry of Finance
MOFCOM	Ministry of Commerce
NHFP	National Health and Family Planning Commission;
MoHRSS	Ministry of Human Resources and Social Security
NDRC	National Development and Reform Commission
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
OHS	Occupational Health & Safety
OPHRD	Operational Programme Human Resources Development
PAC	Project Advisory Committee
SAFEA	State Administration of Foreign Experts Affairs
SAI	Shanghai Administration Institute
SAWS	State Administration for Work Safety
SOCIEUX	Social Protection European Union Expertise in development cooperation
UNDP	United Nations Development Programme

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