

Audience of the Project results

Macro-activity 0.1 – Component 2



Social Protection Reform Project
中国-欧盟社会保护改革项目

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1. Document Scope

Macro-activity 0.1 of the Grant application form establishes that “After the setting up of the Office in Beijing, the Resident Experts, in collaboration with the three Component Coordinators and the Project Leader, will (...) carry out an in-depth analysis regarding the Audience of the Project’s Results”. This document responds to the above requirement, as far as Component 2 is concerned.

For the purpose of the analysis to follow, the “*Audience of the Project Results*” is to be understood as representing mainly the conjunction of the project beneficiaries and target groups. For each of these clusters, the relevance of the project expected results would be assessed in the light of the Problems and Needs – including horizontal issues – to which activities to be conducted are expected to provide an answer. Project results will also be of interest to a broader audience, composed of international stakeholders, partners of China in implementing social protection reforms and of the general public in country and abroad, contacted through the project’s visibility strategy (macro-activity 0.2).

Table 1 below summarizes the identified Problems and Needs, and the Results to be achieved through project activities as far as Component 2¹ is concerned.

Table 1 – Component 2: Problems, Needs and Results

I	P	R	
1			Gender Equality
2			Disability
3			Good governance
4			Human rights
	1		Major disparities between rural & urban regions
	2		Steady growth of ageing population
	3		Separate social insurance schemes applied to different social groups
	4		Inappropriate supervision and management of the social security funds
	5		Unbalanced, multilayer social protection system
		6	Consolidate the capacity of the MoF in management and supervision of fiscal support to social security
		7	Enhance the national analysis model of old-age insurance and develop the skills and knowledge of provincial administrators
		8	Strengthen the capacity of the MoF in the management of social insurance funds

I: Cross cutting issues; P: Problems and Needs; R: Expected results

The three results pertaining to Component 2 are to be pursued through 11 topics. The main issues within the financial management and supervision concerning social security funds, may be conceptualized, developed and implemented. Those issues mainly refer to: business and expenditure responsibilities on social security; social security policy on informal employment; fiscal policy on basic pension insurance system; tools and methodologies for social funds’ management.

Table 2 hereafter relates the topical contents of each “theme” to identified problems, needs and horizontal issues and to the results, they are to contribute to.

¹ Component 2 overall objective is “Enhancing institutional capacity for financial management and supervision concerning social security funds in collaboration with the Ministry of Finance (MoF)”.

Table 2 – Component 2: Topics to be covered through project activities

Main issues	Result	#	Topic	Start date
Business and expenditure responsibilities on social security; social security policy on informal employment	R6	2.1.1	Division of decision power and expenditure responsibilities on social security between central and local government	April 2015
		2.1.2	Social security coverage on informal employment: methodologies and tools of analysis and management	July 2015
		2.1.3	Fiscal policies in support to social security, leverage among different financial sources and efficiency of fund use	January 2016
		2.1.4	Mid-term budgeting of social security	January 2016
		2.1.5	Models for evaluating effects of social security policy implementation	January 2016
Fiscal policy on basic pension insurance system	R7	2.2.1	Nominal personal account reform in the basic pension insurance system	April 2015
		2.2.2	Models and Methodologies for the Social and Economic sustainability analysis in social protection system	July 2015
		2.2.3	Methodologies and Actuarial Models for pension insurance	January 2016
Tools and methodologies for social funds' management	R8	2.3.1	Budgeting of social security expenditures and fund management	July 2016
		2.3.2	Investment strategies of social funds and risk control methodologies	July 2016
		2.3.3	Management of basic Pension Fund	January 2016

The Chinese Ministry of Finance (MoF) – and more specifically its Department of Social Security- is the main Government stakeholder for Component 2. Other Government or quasi-Governmental stakeholders identified in the Grant Application form are the **Ministry of Human Resources and Social Security (MoHRSS)**; the **Ministry of Agriculture (MoA)**; the **National Health and Family Planning Commission (NHFPC)**; the **Chinese Insurance Regulatory Commission (CIRC)**; the **All-China Women's Federation (ACWF)**; and the **Legislative Affairs Office of the State Council (LAO)**.

Table 3 – Component 2: Target groups

Target Groups, Component 2
High level officials of NDRC
High level officials, managers and staff of MoF
High level officials of MoCA
High level officials of MoHRSS
High level officials of MoA
High level officials of NHFPC
High level officials, managers and staff of LAO
Members of CIRC
Local administrators *

** If requested due to involvement of local units*

Beyond the target groups the most significant audience for project's results will be that of the many individuals and groups whose social protection level should be improved through project activities. The Grant application forms lists those beneficiaries as described in table 4 hereafter.

Table 4 – Component 2: Final beneficiaries *

Final beneficiaries, Component 2
Private sector workers
Commercial activity owners
Self-Employed
Informal Employees
Foreign workers
Private sector pensioners
Rural landless households
Rural workers
Public sector workers
Public sector pensioners
Unemployed people
Relatives of workers
Women
Elderly People
Children
Disabled People
Persons afflicted by occupational accidents
Enterprise
Minors workers
Patients
Migrant workers
Indigent People

** As per Grant application form*

Over several decades now, China has established solid international, multilateral and bilateral partnerships with international organizations interested in its social protection system. In addition to members of the Consortium, a number of national agencies from and outside EU member States have conducted technical assistance projects in the area of social security or social protection reform in China. As noted in the China UNDAF 2011-2015 (outcome 2.2), a variety of UN Agencies and the World Bank are committed towards programs and projects targeting improved social protection and reduction in socio-economic and regional disparities. As such, the international community will indeed be part of the overall audience interested in project results. In that regard, it is worth recalling that, the SPRP was designed as the continuation of the EU-China social security reform cooperation project – 2006-2011 –, a major component in China’s on-going improvements in its social protection system. The SPRP therefore attracts a high level of attention and raises significant expectations for all foreign partners of China involved in such a sensitive field of action.

Similarly, the importance attached under “new normality” circumstances to the proper and satisfactory functioning of social protection – under which mechanisms virtually all Chinese residents fall, including 820 million affiliated or beneficiaries of old age insurance schemes – is likely to attract the special attention of media. Results achieved – or not achieved – by the project may therefore acquire a degree of visibility unprecedented in social protection technical cooperation in China.

2. Relevance of project's results

2.1 Audience: Target groups

Among the target groups, five are expected to be concerned with project's results at all levels of their respective structure, namely high level officials, managers and staff.

Ministry of Finance- MoF is the main stakeholder for Component 2 of the project as it plays a key role in financing social protection, notably for old-age benefits since all schemes – workers, urban and rural residents, public employees – require subsidization on top of contributions paid if any². Within MoF, the Department of Social Security, Budget Bureau, Policy Research Office and the General Department are the main project counterparts. In particular, the Department of Social Security is responsible for the central social security budgets and sectional budgets of **Ministry of Human resources and Social security (MoHRSS)**, **Ministry of Civil Affairs (MoCA)** and the **National Health and Family Planning Commission (NHFPC)**; budget auditing of national social insurance funds; allocation of social assistance fund and the relevant financial policies as well as the fiscal expenditures of social security, employment and medical care.

NDRC is the overall leader on behalf of Chinese agencies for the three components of the project. As a matter of fact, NDRC is the body responsible for the strategic overview of the national social and economic development, including for social protection reform through its Department for Employment and Income distribution. As a strategic body, the Commission is called upon to intervene at all levels where social protection reforms may be discussed and decided upon, i.e. national, provincial and local.

NDRC is not however in charge of implementing policy decisions – a task which, in the area of social security, is incumbent upon **MoHRSS** and specialized Agencies, such as the National Social insurance administration Center, the National social security fund (under close monitoring by Ministry of Finance) and the various local social security bureaux and commissions – 8400 Agencies functioning in 2013 throughout the country.

Three Ministries (MoCA, NDRC and MoF) are a priori interested in all of the project results, topics and sub-topics.

Improvements in social protection is a key to retain on farming activities younger generations of rural workers which otherwise would join the cohorts of migrant workers in ever-growing numbers. It is also a key for agricultural efficiency and sustainability that, for those workers choosing to alternate urban and rural employment, bridging social protection operations, including vesting of pension rights and access to comprehensive medical care function as smoothly and efficiently as possible. **Ministry of Agriculture** is therefore expected to monitor relevant project results at all levels of its staff – with interest primarily focusing on 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.*

The **National Health and Family Planning Commission (NHFPC)** is basically interested in project activities having an impact on access to medical care – which will mobilize its staff at all level of

² The decision to collect contributions from public employees for financing their pension scheme was enacted in January 2015.

responsibilities. It is only higher levels of its management that will be interested in closely following upon Component 2 project results in this regard.

In that respect, activities contributing towards achieving results 7 - Enhance the top level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform is expected to be of highest interest for NHFPC staff at all levels of responsibilities.

The **Legislative Affairs Office of the State Council (LAO)** is instrumental in the design and finalization of all legal instruments of national significance, including those related to social protection. Its staff at all levels will have a direct interest in following upon instruments that might emerge from project activities, notably those pursuant to the implementation of the 2011 Social insurance law and the 2015 state council decision concerning Pension reform for staff in public institution. It is to be expected that, without prejudice to the legal contents to be possibly emerging from the pursuance of other results that all the results of Component 2– *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; Enhance the top level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform; 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* -. will attract the attention of LAO staff involved in Component 2 project activities.

Ministry of Civil Affairs **MoCA** is no more directly in charge of the rural pension scheme which it was proactive in implementing in its early years. It is therefore only higher levels of its management that will be interested in closely following upon project results, notably inasmuch as improvements in social protection via social insurance may interfere with social assistance / social welfare mechanisms.

2.2 Audience: Beneficiaries

With great transformation of China’s society and economy since 1980s, China’s social security has gradually reformed to a comprehensive system to protect people’s basic living standard in case of retirement, disease, unemployment and accident. Currently, China’s social security system is mainly composed of three parts: social insurance, social assistance and social welfare. Social insurance, including public pension, health insurance, unemployment insurance, work injury insurance and maternity insurance, is the main part since it covers majority of the people, especially for public pension and health insurance.

By the end of 2013, public pension had covered 80% of the total population (820 million people) and health insurance had covered more than 95% of the total population (1.3 billion people). Social Insurance Act issued in October 2010 symbolized the legalization process of China’s social security system. Chinese government has launched “National Insurance Registration Program” since July 2014, meaning that it is on the way to the age of “Universal Social Security”. By continuous reform and innovation, China has constructed comprehensive social security system that covers both urban and rural citizens with world renowned progress in terms of complete programs.

However, China’s social security system faces challenges in the societal and economic environment. Ageing population has become increasingly severe since the past two decades. The

number of people over the age of 60 reached 202 million, constituting 14.8% of the population, and it is projected to enter the peak of ageing period by 2030, when the ageing degree of China will exceed the world's average level.

Considering this background, the supporting ratio of working generation to retired generation will decrease from current 3:1 to 1.3:1 in the ageing peak period, which will exert negative impact on pension fund and health insurance fund. Moreover, under “New Normal” situation, contribution of social security is influenced negatively owing to slowdown in economic growth and adjustment of economic structure. Besides, with the rapid development of urbanization, it is very hard for floating population (migrant workers) to get portable and sufficient pension fund or health insurance. Fragmented management also leads to inefficiency and financial cost.

The report on Baseline data produced by Component 2 main Chinese expert – Research – provides more detailed information on the current situation and challenges.

2.3 Audience: International partners

With the launching of the Social Protection Reform Project, the European Union confirms its status of major partner of China in the field of social reforms, following the successful implementation over five years – 2006-2011 – of the EU-China Social security reform project (component 1, Policy; Component 2, Provincial reform plans) of which the current project is viewed as a successor.

Other major international actors in the field of social security / social protection reform are the International Labour Organization – ILO – which first involvement in social security reform in China dates back to 1987, and the World Bank, which has been monitoring the evolution of the situation in this area for a couple of decades while financing and conducting a number of studies and projects. China has marked its interest for a possible ratification of ILO Convention 102 on Social security (minimum standards).

Among the other actors in the area of social reforms in China, aside from the UN and Bretton Woods institutions, it has to be mentioned that the Asian development Bank always showed a keen interest on pension and health care reforms. OECD has conducted a few studies on social security reform and took part in a number of international initiatives in that area. Bilateral partners such as France, Germany, the UK or USA also developed a variety of limited projects of interest for social security reform over the last few decades.

The international community being actively involved for a number of years in social reforms in China will therefore follow with great attention and interest developments occurring under the framework of the current project – and its participation in major project events is to be commanded (such as that of the WB and OECD in the meeting on pension reform organized in Brussels in February 2015 under the auspices of the SPRP).

2.4 Audience: Media, and the general public

With the growing importance of social security protection across the Chinese society, and the uncertainties concerning the social and economic future linked to the emergence of the “new normal” situation, it is likely that project activities will attract attention from the media, and through them from the general public, provided they may be presented in a simple, understandable and pragmatic manner.

While some topics to be considered under the project may appear as far too technical to retain broad public attention, other issues, such as the fiscal policy on basic pension insurance system and the design of a social security policy on informal employment have a potential to generate public discussion.

The project has to develop its own public relations and visibility strategy. There is no doubt that the a priori attention of the media for certain topics will contribute to shaping future visibility plans to be elaborated by the competent SPRP authorities.

Stefano Patriarca, 28 May 2015.