

Interim Report 2016



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, Family, Social Protection and Elderly People (MoLFSPE);
- 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 2015 - 16<sup>th</sup> November 2016.

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
Private Sector Workers	Employees who have a regular contract of employment with a private sector entity	X	X	
Commercial Activity Owners	People who own their own business	X	X	
Self-Employed	People who are not formally hired by companies but they are paid for services provided	X	X	
Informal Employees	People who have a temporary, seasonal, part-time or hourly-paid work	X	X	
Foreign Workers	Non-Chinese citizens working in China	X	X	
Private Sector Pensioners	People who have concluded their work in a private sector entity and they are eligible to receive retirement benefits	X	X	
Rural Landless Households	Farmers without landed property	X	X	X
Rural Workers	Farmers with landed property	X	X	X
Public Sector Workers	Employees who have a contract of employment with a public sector entity	X	X	
Public Sector Pensioners	People who have concluded their work in Government entity and they are eligible to receive retirement benefits	X	X	
Unemployed People	People without a job at present moment	X	X	X
Relatives of Workers	Families of every type of workers	X	X	
Women	Adult female Citizens	X	X	
Elderly People	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
Children	People aged less than 16 years		X	X
Disabled People	People who are physically or mentally disabled		X	X
Person afflicted by Occupational Accidents	Workers suffering of occupational injury or disease	X	X	
Enterprise	A company organized for commercial purposes		X	
Minors Workers	Workers between 16 and 18 years old	X	X	
Patients	People who are under medical care or treatment		X	X
Migrant Workers	People who leave their administrative division (Province, County or Municipality) and settle in another administrative division for working reasons	X	X	X
Indigent People	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):

- Italy → Training;
- France → Policy dialogue and Study visit;
- Spain → Training and Ministerial visit;
- Poland → Policy dialogue and Study visit;
- Czech Republic → Study visits;
- Romania → Study visit;
- Belgium → Policy dialogue.

## 2. Assessment of implementation of Action activities

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

During this second year, several changes have interested the SPRP Project structure, especially on the European side. Following the leaving of Formez, the management structure of the Project has been reorganized, in order to have stronger bases to operate without significant burdens and delays. The main change has affected the Secretariat role, which has been entrusted to Expertise France, for Component 1 and Component 3, and SISPI, as far as Component 2 and horizontal activities are concerned. The latter has joined the Consortium as affiliated entity to INPS at the beginning of the second project year. Another substantial change has occurred in the Component 2 scope, where both the management and the scientific parts have faced modification of roles and responsibilities at different level.

Based on the experience of the first year, the revision of the project budget allowed the project to have the needed financial resources for the most important budget items. Furthermore, in order to strength the project relations and create new synergies among the three Components, the Project has foreseen a coordination meeting among the three Components, involving European Partners and all the three Chinese Beneficiaries.

Under the scientific point of view, important events have both been performed in China and in Europe that allow the Chinese Counterparts to better deepen topics under their prior interest for 2016. Moreover, the Consortium has included in the plan of 2016 the participation of the European experts outside the Consortium, collaboration that will be further strength during the plan of 2017 with specific activities and events to be performed in other Countries than those members of the SRPR Consortium.

#### *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. → Achieved. Thanks to the participation of more than 150 among academics, high-level civil servants, and experts, a solid visibility of the Project has been achieved. (Activity A1.2)
- *"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. → Partially Achieved. Solid bases have been built especially through the organization of the high level event under Component 1 scope among project stakeholders, both in Europe and in China. (Activity A1.2). *In April 2016, a ministerial policy dialog has been held in Warsaw between MoCA and the Polish Ministry of Family, Labour and Social Policy. In the framework of the policy dialog meeting an extension of the existing Memorandum of Understanding (from 2013) between the two Ministries has been signed. The main goal of the agreement signed is to cooperate at high (ministerial) and experts level in terms of exchanging knowledge and practises in relation to legal framework of social assistance and welfare; institutional organisation of the social assistance system (including the role NGOs) and the benefits schemes implemented.*
- *"Indicator 3":* Dedicated Project Website updated every month. → Achieved. The web site developed by the previous Horizontal Secretariat wasn't adequate to ensure the highest project visibility. Therefore SISPI created and implemented a dedicated project website where is possible to download all project materials. The actual website represents an adequate visibility instrument to disclose every kind of information related to project's activities: it is uploaded on a daily basis according to the Resident Experts requirements.
- *"Indicator 4":* 2 Electronic Newsletters a year. → Achieved. In 2016 the joint Project Newsletter has been realized and published every six months, collecting all the experiences and activities carried out by each Component during the reference period. Each Resident Expert provided his own contribution summarizing the activities carried out and the reports produced.
- *"Indicator 5":* List of users registered to the Electronic Directory of Contacts is widespread among the participants each quarter. → Achieved. In order to ensure the exchange and the sharing of information, all participants have been requested to register to the project directory of contacts, which is updated and shared on the Project Website Shared Area, allowing to all authorized users (Project Consortium Representatives and Project Local Staff) to display and download the Data Base. The Directory of Contacts is updated and shared at least on a quarterly basis.
- *"Indicator 6":* Cooperative work between EU and national stakeholders in social protection is documented. → Achieved. Component 1, 2 and 3 have produced and shared with the EUD various documents such as best practices, situational analyses and assessment reports, as well as the summaries of STEs' missions. Cooperative work has been performed also for organising the events held in China. (Activity A1.1.)

#### **A1.1 "Second PAC meeting in Beijing on 6<sup>th</sup> April 2016"**

The PAC meeting is the formal event to share and approve all the decisions taken during the Inception phase of the project. During this event all major stakeholders have shared the project's guidelines, the plan of the project activities for the next 12 months and the relative priorities to be addressed. The meeting has also provided sessions dedicated to individual Component, which has advanced scientific themes with all the major players involved, both European and Chinese.

#### **A1.2 "2016 EU-China High Level Event on Perspectives of Employment Policy and Social Security Reform 2016 to 2020"**

The High Level Event on *Perspective of Employment Policy and Social Security Reform during 2016 to 2020* was held on 28<sup>th</sup> and 29<sup>th</sup> September 2016 in Beijing. It gathered some 150 participants – academics, high-level civil servants, and experts – practically at par between Chinese and European representatives. For the technical preparation of the event, the project Component 1 had financed a study on the Coordination between Employment and Social security policies in Europe, awarded after a competitive call for interest to the French National School for Higher Social Security Studies – EN3S. It also asked eminent Chinese experts to produce assessment reports on the main items to be addressed during the event – which were the subject of peer review and interactive discussion during a Panel discussion meeting held on 6<sup>th</sup> September 2016. Furthermore, to facilitate mutual understanding and policy dialogue between Chinese and European specialists on the occasion of the High Level Event, Countries member of the European Consortium managing the project on behalf of the European Union were then invited to produce national country reports, describing in turn the situation in their respective countries on each of the concerned topics.

### ***Component 1 results and activities***

During the period under review, activities conducted under Component 1 programme have contributed to the pursuance of all 4 objectives assigned to this component. Activities consisted of reform-oriented research in eight technical topics of particular relevance for pension schemes, policy dialogue, in-country and overseas capacity building, as detailed below.

#### ***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***. 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***. During the period under review, work continued with administrative units in the project pilot regions to fine tune the upgrading of their managerial practices on the basis of the general recommendations produced during the first year of the project activities. Works in that regard are to be continued in 2017. The elaboration of a Comprehensive proposal for social administration system reform also embodied consideration of the relationship between social protection and employment promotion mechanisms as well as the impact of demographic ageing on the shaping of the social protection structure, including sustainability aspects.

##### ***Topic 1.1.1 Social insurance administration systems reform***

#### **A.2.1 Workshop with stakeholders on 2015 Topics held in Beijing on 20<sup>th</sup> January 2016 for 39 participants**

The Workshop upheld the reform proposals identified during the analysis phase of the same topic, as reported in the previous Interim report. As a result, those proposals were made public and disseminated in an electronic format both in English and Chinese.

Outputs: Workshop report; Compendium of reform proposals, 2016.

#### **A.2.2 Provincial Training on Social insurance administrative systems reform in relation with migrant workers social security rights held in Foshan (Guangdong Province) on 27<sup>th</sup> and 28<sup>th</sup> April 2016 for 25 participants**

Participants in this Training and Exchange seminar came from Development Reform Commission and Social security administration from different government levels in Guangdong and Sichuan Provinces.

Key note speeches were delivered by Chinese and European experts on topics such as the integration of rural and urban pension schemes, the portability of migrant workers social security entitlements, use of information technology in social security management, governance and financing of institutions. Representatives from local Governments also presented their experiences in these areas, ensuring a productive dialogue and exchange among experts and participants.

Outputs: Seminar report; Eight PPT presentations.

**A.2.3 Provincial Dialogue and Study visit on the reform, modernisation and coordination of social security schemes, with special reference to mobile workers and computerisation, held between 23<sup>rd</sup> and 30<sup>th</sup> October 2016 in France and the Czech Republic for 16 participants from Guangdong Province, Sichuan Province and the central level of NDRC**

The main focuses of interest for the delegations were the reform, modernisation and coordination of social security schemes, with special reference to mobile workers and computerisation. The Provincial delegations were accompanied by representatives from NDRC Central level, and in total 16 Chinese officials benefitted from this activity.

Contacts in France, arranged by Expertise France, included the Pensions Advisory Board; the French liaison body for migrant workers' social security rights CLEISS, the National Pensions Information Technology Center and the responsible ministries.

In the Czech Republic, the programme coordinated by the Ministry of Labour and Social Affairs included exchanges with the Social security administration, the Public employment services and the Ministry at the highest level, with Minister Ms. Marksova meeting with the delegation.

Output: Mission report.

*Topic 1.1.3 Monitoring interaction between Employment promotion and Social protection policies*

**A.2.4 Policy dialogue and international workshop on Employment and Social security reform held in Beijing on 26<sup>th</sup> April 2016 with 40 participants**

The policy dialogue and international workshop on Employment and Social security gathered high-level officials from the European Commission, NDRC leaders, Chinese and European Experts, to discuss interrelations between employment and social security policies, in the perspective of addressing emerging labour market challenges under the context of the new normal economy for China, and the recovering European economies.

Discussions paved the way to continued contacts between NDRC and the European Commission in the labour and social fields, and their results were used in the preparation of the project forthcoming 2016 High Level Event on the Perspective of Employment Policy and Social Security Reform.

Outputs: Meeting report; 14 bilingual PPT presentations.

**A.2.5 Situation Analysis Population Ageing, Change of Labour Market and Social Security for the Old Age**

The situation analysis concluded that the rapid increase of retirees has resulted in decrease of replacement rate of the urban employee basic pension insurance in spite of the rapid expansion of coverage of the insurance. It is true that expansion of the coverage will help maintain the replacement rate not decline further in a short run, but it is actually an issue of financing to maintain a stable replacement in a long run. However, the contribution rate of the pension insurance is already the highest in the world, and the solution will not be possible to find through expansion of coverage. China's state owned assets are a solid source for ensuring balance to pension funds. The contribution of the state-owned assets into building up of pension funds will be characteristic of the Chinese public pension insurance system.

Output: Assessment report, bilingual.

### **A.2.6 Panel discussion on 2016 Topics, held on 6<sup>th</sup> September 2016 in Beijing for 20 participants**

The meeting, chaired by Mr. Ha Zengyou, Deputy Director General of NDRC Employment and Income distribution department, upheld the conclusions and policy recommendations presented in the report on Population Ageing, Change of Labour Market and Social security for the old age presented by Mr. Zhang Juwei.

Outputs: Meeting report; Compendium of reform proposals, 2016.

### **A.2.7 European Best Practices - Relations between Employment and Social security policies in Europe**

The Best practices analysis concluded that both in China and across Europe, providing to the active population sufficient decent employment opportunities is at the core of the preoccupations of Government authorities at all levels, and of the social partners. In China, these preoccupations are embodied in the XIII Five-year Plan, which was adopted in March 2016 by the National People's Congress (NPC). The period covered by the Plan - 2016 - 2020 - in fact coincides to that remaining for the European Strategy for smart, sustainable and inclusive growth, making the goals pursued by the two partners, China and the EU, absolutely compatible. In Europe, Social protection was affirmed as one of the main objectives of European construction. However its place was limited in European law to the achievement of the single labour market. Because social protection is organized in the Member States according to very different models (level, funding, benefits) reflecting the national diversity, it offers to the third country policymakers a wide range of possibilities even if, in all the countries, there is a major trend towards adapting the post-World War II systems to the socio- logical changes taking care not to load the wages with undue charges. Through the development of social security coordination, Europe is trying to identify these changes (new risks, new forms of work) but also to fight against social fraud that can distort labour markets. The need for coordination is responding to adapting European Regulations, by improving the convergence of national social policies and by better bridging the employment and social policies through the Open method of coordination. The contribution of recent studies shows that social protection could have a direct although limited impact on employment. Its main added value to a sustainable growth and to employment lies in traditional social objectives as the reduction of inequalities in the search of a more employment friendly balance.

Output: Best practices bilingual report.

### **A.2.8 High Level Event on Perspectives of Employment policy and Social security reform during 2016 to 2020 held in Beijing on 28<sup>th</sup> and 29<sup>th</sup> September 2016 for 150 participants**

Since the late seventies China has progressively introduced a «modern» social protection system as a key element for China's transition to a market economy and the Chinese leadership intends to further expand it as part of a transition to an internal consumption centred economic model. At the same time it is clear that the «new normal» economy and the desirable shift from a two-digit, export-oriented basis to a more modest, internal consumption centred economic model is a challenge for both the labour market, and the social security system. As China implements reforms under the "new normal", maintaining stability in the labour market is a priority. Thus, the Chinese leadership is looking for an approach that balances the needs and limitations of a restructuring labour market, with the need to provide its citizens a better access to social protection and social services. The XIII five-year Plan for National Economic and Social Development that was adopted earlier in 2016 by the National People's Congress therefore devotes a particular interest to issues related to employment and social protection, including their relations and mutual influence.

The Europe 2020 Strategy which happens to henceforth cover the same period as the Chinese thirteenth five-year plan also includes in its headline targets employment and social inclusion, thus marking a remarkable convergence in preoccupations between the two entities.

The structure retained for the High Level Event provided for presentations by both Chinese and European experts over 5 sessions related to various aspects of employment promotion and social protection development, namely the prospective macro-economic situation during the period under review; the strategies to support employment and job creation; the relations between employment and social security policies, and the objective of universal coverage; the social efficiency of social security and its contribution to income distribution; and, the sustainability of social security systems, including financial considerations.

More than 150 participants attended the sessions, practically in equal proportions between Chinese representatives and representatives from European countries and international organizations. Chinese participants came from central ministries; academic circles and provincial governments, while 11 European countries and 4 international organisations were represented.

Background technical reports reflecting on the European and Chinese situation in key areas for pension reform such as the relations between employment and social security policies, the redistributive effect of social security measures, the impact of ageing on pension systems and the financial sustainability of the said systems had been prepared for the Event. National reports prepared by all seven countries members of the lead consortium for the EU-China Social protection reform project were also prepared to respond to the main questions raised by their Chinese counterparts during the preparatory works for the Event.

Presentations made during the High Level Event deeply inspired the future activity plans of the project Component 1 starting with the year 2017. It led to the further negotiation and conclusion of several cooperation agreement between NDRC and its European counterparts in the Employment and Social protection fields, notably with the European Commission DG for Employment, as well as with French, Italian, Polish and Spanish authorities.

Output: Conference report in three volumes (vol. I - Summary of proceedings and PPT presentations; vol. II, Assessment reports; vol. III, European national country profiles) in English. Chinese version forthcoming.

***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. → Evaluation techniques to be addressed in 2017. Works conducted in 2016 on financial sustainability prepared for further consideration of the topic.

*Topic 1.2.3 Affordability of pension schemes (contributions and Government subsidies)*

**A.3.1 Situation analysis on the financial sustainability of basic pension system**

Although the urban basic old age insurance system has made great contribution to reforming the economic system and constructing the harmonious society, the problems of the fairness and sustainability of old age insurance system are increasingly prominent. Currently, urban old age insurance system is in the period when pension benefits are increasing rapidly and the financial subsidies are in the largest amount, which has increased from 54.4 billion Yuan in 2005 to 471.6 billion Yuan in 2014. At the same time, China's

urban old age insurance is still in the enormous pressure on how to adjust system parameter, reform the structure of the system and to establish some sub systems.

At present, there are six main problems existing in the financial sustainability of pension system. First, the income ability of the system is low. Due to the negative incentive, the principle of "pay more and gain more" has not be established in the system, then the contributions and benefits disconnected with each other, resulting in the problems of real contribution rates lower than statutory contribution rates and smaller real contribution bases. Second, the automatic balance mechanism to resist the aging is absent. The automatic adjustment mechanism has not been set up in the social pooling system financing on the pay-as-you-go basis. And the pension divisor in the individual account system has not adjusted dynamically with the increasing life expectancy. Third, due to the low pooling level, the sustainability of social pooling is increasingly highlighted. Low pooling level results in the large amount of financial subsidies do not help to promote the establishment of pension fund investment system. Fourth, the design of individual account system is birth defects. The individual account system cannot live without government transfer. Social Insurance Law has provided that the assets in the account can be inherited. Thus, the people who live longer than life expectancy can receive the benefits until they die. Moreover, it is difficult to fully fund individual accounts. The scale of empty account has expanded to 3095.5 billion Yuan at the end of 2013, and the real account has increased to only 415.4 billion Yuan. The goal of partial funded pension system has not been achieved. The fifth is that the management system is not ordered, which affects the financial capacity of the system. The Interim Regulation on the Collection and Payment of Social Insurance Premiums in 1999 has provided that the tax authorities should collect the social insurance premium directly or by the social insurance agencies. Due to coexisting of double system, the contribution incomes cannot reach its designated position. Besides, the social insurance agencies are administrated by the local administrators, which reduce the efficiency of the system. The sixth is that workers put excessive reliance on the basic old age insurance managed by the government. The retirement income coming from the market share is too low. The multi-level old age insurance system has not been set up.

In order to establish a more fair and sustainable basic pension system, it needs to be reformed as follows:

- I. reduce the contribution rate of old age insurance and establish the reasonable contribution base. The contribution base should be public and under the supervision of employees.
- II. advance the implementation of national pooling to enhance the portability.
- III. enhance the financial sustainability of basic pension system via the principle of actuarial balance. The measures include: develop a more dynamic and scientific pension divisor, and establish a normal and reasonable pension adjustment mechanism; all of these measures will promote a more scientific and more sustainable basic pension system.
- IV. improve individual account, which helps to promote the incentive mechanism. It is suggested to expand the scale of individual accounts and promote the new form of hybrid social pooling and individual accounts.
- V. introduce the role of market mechanism and pay more attention to second and third pillars. It should set up a more independent investment institution to improve the investment performance of pension fund.
- VI. make full use of the role of the second and third pillars via preferential tax policies and open up investment options limited until now.

Output: Assessment report (bilingual).

### **A.3.2 Panel discussion on 2016 Topics, held on 6<sup>th</sup> September 2016 in Beijing for 20 participants**

The meeting, chaired by Mr. Ha Zengyou, Deputy Director General of NDRC Employment and Income distribution department, upheld the conclusions and policy recommendations presented in the report on the financial sustainability of basic pension system presented by Mr. Zheng Bingwen.

Outputs: Meeting report; Compendium of reform proposals, 2016.

- *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. → Achievement in the process. High satisfaction rates of the participants in 2016 training activities. These activities consisted in a two-week training in Spain on Demographic ageing and social security (activity A.4.3) and a provincial training course held in Foshan - Guangdong Province - on Social insurance administrative systems reform in relation with migrant workers social security rights (activity A.2.2).
- *3.3 "Indicator 3":* Clear goals are assigned to the pension system in terms of replacement of past income and minimum living standards. → Progress towards this indicator will hopefully be achieved through activities conducted under the 2017 programme, notably those related to parametric reform of the pension system (topic 1.3.6 consolidated).

***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. → Achieved. This indicator was already referred as "achieved" in the first Interim report.

*Topic 1.3.1 Pension reform for public sector*

*Topic 1.3.2 Social pooling of the basic pension component – Evaluation of the combination between basic pension and individual accounts*

*Topic 1.3.4 Multi-tiered design of pension systems (public pension, enterprise annuity and individual pension)*

### **A.4.1 Workshop with stakeholders on 2015 Topics held in Beijing on 20<sup>th</sup> January 2016 for 39 participants**

The Workshop upheld the reform proposals identified during the analysis phase of the same topics, as reported in the previous Interim Report. As a result, those proposals were made public and disseminated in an electronic format both in English and Chinese.

Outputs: Workshop report; Compendium of reform proposals, 2016.

- *4.2 "Indicator 2":* A comprehensive policy for developing a universal social pension model is developed and disseminated under project auspices. → Universal social pension model has not been addressed yet. Hopefully it will be considered under the activity plan of the year 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. An analysis of the consequences of demographic ageing on the pension system was conducted in 2016. The topic was further explored during other activities conducted in 2016 as detailed below. Activities undertaken in 2017 will help to complete the analysis to be conducted pursuant to this indicator.

*Topic 1.3.7 Ageing population and possible strategy of dealing with this situation*

**A.4.2 Situation analysis on China's ageing population and its economic impact**

In the 21<sup>st</sup> century, China is becoming an aging population society in an all-round way, which will bring a series of challenges to its development. On the one hand, aging has profound influences on many factors of economic development, such as labour market supply, capital accumulation, national savings, national income distribution and economic development potential, etc. On the other hand, the increasing of aging will increase the pressure on the social development; the demand of pension, medical and nursing assistance will increase and it will be difficult to balance the supply.

In full attention to the series of challenges brought from aging, we should see that ageing would also bring some opportunities at the same time. Ageing can increase the "consumer" population in the process of economic development, thus it can effectively expand domestic demand. In addition, it will bring some opportunities, such as developing elderly human resources to supplement the labour supply, developing the pension industry to upgrade industrial structure and improving the pension system to perfect the capital market. All of these can not only bring benefits for the elderly, but also can form a new economy growth point.

Overall, challenges and opportunities coexist in the aging process, it needs to be discussed in depth and comprehensively. Despite the negative impact of aging may not be completely eliminated, responding to it timely and effectively can maximally limit its negative impact. Recently, Xi Jinping, General Secretary, gave important instructions on strengthening old-age employment, he stressed that effectively cope with the population aging in China, is a matter of national development of the Country and of well-being of the Chinese citizens. It should be based on the short and long-term perspective, strengthening the top-level design, improving fertility, employment, pension and other major policies and systems, in order to make timely, scientific and comprehensive response. There are problems of aging, which interweave each other, and there is still a lack of clear train of thought dealing with ageing at present.

Orientations proposed for reform are the following:

1. The strategy of economic development dealing with population aging.
  - 1.1 Developing elderly human resources to replenish the labour supply
  - 1.2 Enhancing the investment on research and development (R&D) to improve labour productivity
  - 1.3 Developing the aging industry vigorously to promote the transformation of economy structure
  - 1.4 Perfecting the income distribution pattern to increase the effective consumption demand of the elderly
2. The strategy of social policy reform dealing with population aging.
  - 2.1 Postponing the retirement age timely to alleviate the pressure of the pension fund

- 2.2 Reforming the pension system to enhance the risk resistance ability of the elderly
- 2.3 Perfecting the health care service system to realize the goal of healthy aging
- 2.4 Exploring long-term care insurance system and paying attention to the care needs of the elderly
- 3. The strategy of aging service development dealing with population aging.
  - 3.1 Innovating the way of supporting to meet the demand of aging service
  - 3.2 Encouraging social forces to participate in aging services in order to improve the service supply effectively
  - 3.3 Attaching great importance to the construction of the human resources for aging services to raise the professionalization
  - 3.4 Constructing better living environment suitable for the elderly to improve the comfort level of the elderly

Output: Assessment report, bilingual.

#### **A.4.3 Training in Spain for 22 High-level Headquarters and Provincial NDRC officials from 20<sup>th</sup> June to 2<sup>nd</sup> July 2016**

Government officials, experts and scholars from the European Commission, OECD, Spain as well as other international organizations and countries presented elaborations on issues relate to efforts in Spain and other countries to reform and develop the social security systems and improve sustainable social protection in the context of an ageing population, among others. A total of 35 presentations were made over 32 training sessions held in Madrid and in Valladolid. Personnel from the Department of Employment and Income Distribution and the Department of International Cooperation, NDRC, as well as colleagues from some provincial or municipal development and reform commissions participated in the training and studied the experiences and practices of the European countries in tackling ageing carefully. The two parties under the training program have discussed major tasks as well as the ideas for addressing ageing through improved social security, etc.

The delegation learned from the study that ageing is a common problem in all countries in the world and that effective social protection policies are a critical move against it. A large number of proactive and effective measures have been taken in Spain and other EU nations to address ageing and improve social security systems, which have played an important role in relieving the pressure from an ageing population and achieving a sustainable social protection system. To address and tackle the problem of an ageing population and accomplish a fairer, more sustainable social security system, China may adequately take in the active experiences and practices of these countries with consideration of its practical situation in the top-down design for formulating policies to address its ageing population and carrying out the reform of elderly care and other social protection systems.

More specifically, orientations for future action in China were identified as follows:

- (i) To take the opportunity in the top-down design and improve the “strategy” in addressing the ageing population (forecasts must be made appropriately on the speed of economic development and the extent of the growth in financial strength; it is important to further enhance accurate study and judgment on the development of population in the future; importance should be attached at the strategic level to the impact of the binary structure of social security on ageing; attention should be paid to the elderly-care industry and nursing service as industries with strategic importance);

- (ii) To take the healthy development of the economy and society as a goal with a focus on “coordinated” policies;
- (iii) To keep a foothold on basic financial strength and achieve “sustained” operation of the social security system (the principle that social elderly-care protection secures basic life must be adhered to; the responsibility of multiple parties must be identified in a proper manner for elderly-care security; a multi-level elderly-care security system must be established);
- (iv) To orient to the demand in addressing ageing and ensure social security as a “backstop”.

Outputs: Report on the training; 35 power point presentations (bilingual).

#### **A.4.4 Panel discussion on 2016 Topics, held on 6 September 2016 in Beijing for 20 participants**

The meeting, chaired by Mr. Ha Zengyou, Deputy Director General of NDRC Employment and Income distribution department, upheld the conclusions and policy recommendations presented in the report on China’s ageing population and its economic impact presented by Mr. Dong Keyong.

Outputs: Meeting report; Compendium of reform proposals, 2016.

#### **A.4.5 Study on Countermeasures against Aging Problem in Shanghai**

A study on the countermeasures adopted in Shanghai municipality against the Ageing problem, conducted by the Shanghai Academy of Development and Reform, was presented during the 2016 High Level Event in Beijing (see A.2.8 above). Basing itself on the population that possesses Shanghai residency permit, the study analyses the change in the aggregate number and structure of aged population, which demonstrates that the population ageing is more serious than that of the whole China. Shanghai is yet facing a problem of so-called deep ageing. Therefore, heavy pressure is exerted upon pension, medicine and old-age care. To react to the ageing, Shanghai government has adopted a series of measures to reform the social protection schemes and employment policies, including covering migrant worker with the Urban Employee Old Age Insurance System, experimenting flexible retirement, promoting joint reform on health care and medical insurance, and accelerating the development of old-age care dependency system.

Output: PPT presentation (bilingual).

***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. → ***Achieved***. As mentioned in the previous Interim report, works on the fine-tuning and dissemination of the model elaborated in 2015 under project auspices continued in 2016 at the Provincial level in Guangdong and Sichuan Provinces.

***Topic 1.4.3 Strategy of integrating social security system in urban and rural context also through the portability of social insurance***

#### **A.5.1 Workshop with stakeholders on 2015 Topics held in Beijing on 20<sup>th</sup> January 2016 for 39 participants**

The Workshop upheld the reform proposals identified during the analysis phase of the same topic, as reported in the previous Interim report. As a result, those proposals were made public and disseminated in an electronic format both in English and Chinese.

Outputs: Workshop report; Compendium of reform proposals, 2016.

#### **A.5.2 Provincial Training on Social insurance administrative systems reform in relation with migrant workers social security rights held in Foshan (Guangdong Province) on 27<sup>th</sup> and 28<sup>th</sup> April 2016 for 25 participants**

Participants in this Training and Exchange seminar came from Development Reform Commission and Social security administration from different government levels in Guangdong and Sichuan Provinces.

Key note speeches were delivered by Chinese and European experts on topics such as the integration of rural and urban pension schemes, the portability of migrant workers social security entitlements, use of information technology in social security management, governance and financing of institutions. Representatives from local Governments also presented their experiences in these areas, ensuring a productive dialogue and exchange among experts and participants.

Outputs: Seminar report; Eight PPT presentations.

#### **A.5.3 Study on the transfer and continuation of social security rights of migrant workers in Guangdong province**

This study was presented to the High Level Event (see above, activity A.2.8) by Prof. Yue Jinglun from Sun Yat Sen University. Chinese social protection system is facing prominent problems with the split of residency, labour market and regions, which result from the fragmentation of the system. And this is the origin of the problem of transfer and continuation of social security across schemes and regions. The current policies have fixed the regulation of transfer and continuation, including the principle of determining the location where contributor gets benefit and of calculating the amount of benefit. But in respect to European regulation, the Chinese policies are still rough. As the biggest province that receives migrant worker, Guangdong has some experience about the issue. Huizhou and Guangzhou provide us with concrete cases of the articulation between different schemes. But due to the low level of social pooling, problems in administration and computerization, migrant workers are still facing difficulties such as insufficient pension rights, conflict between regional interests and unequal calculation of benefit, etc.

Output: PPT presentation (bilingual).

#### **A.5.4 Study on Sichuan's experience on the coordination of urban and rural social protection**

This study was presented to the High Level Event (see above, activity A.2.8) by Prof. Lin Yi from South-western University of Finance and Economics. In Chengdu, the major measures include making every citizen enjoy social protection, keeping urban and rural social protection coordinated, and articulating benefits of urban and rural schemes, unifying urban and rural institutions and administrations. The first issue for this is setting up a social security system that coordinates urban and rural schemes in order to gradually realize full coverage of social protection. In 2003, the local government initiated the comprehensive

insurance scheme for migrant workers. The scheme continues to be improved and has been extended to cover old-age benefit, work-related injury benefit, benefit for hospital care and maternity, and unemployment benefit. Besides, Chengdu has also an insurance scheme for peasants whose land is exploited by the government (as part of the progress in urbanization). In 2007, Chengdu, as the first city in China, initiated the New Rural Old Age Insurance Scheme and set up Basic Medical Insurance for Urban and Rural Residents within its territory. Another measure is to integrate social protection schemes, in which process the contribution bases, contribution rates and benefit standards are unified. Then the Chengdu government has also optimized complementary mechanism for social insurance, forming integrative force of various authorities. In constructing social protection management and service platform, encouraging people to participate in commercial insurance programs and administering social security schemes, Sichuan has also many valuable experiences.

Output: PPT presentation (bilingual).

- *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. → Partially achieved. A first analysis of the interrelation between social and economic development focusing on the income redistribution process through social security was conducted. Work on this topic is to be continued in 2017, also in relation with the parametric reform of social security pension schemes.

*Topic 1.4.2 Relationship between social-economic development and the redistribution function of social security*

#### **A.5.5 Seminar on Social security reform trends after economic crisis held in Beijing on 21<sup>st</sup> January 2016 for 15 participants.**

The EU-China Social Protection Reform Project Component 1 held a Seminar on Social security reform trends after Economic crisis at the Institute of American Studies, CASS on 21<sup>st</sup> January 2016. EU Experts and scholars from SPRP, from NDRC and from CISS, CASS shared and exchanged their research findings and perspectives. Mr. Koen Vleminckx made the keynote address (The reform of the pension systems in the European Union after crisis). Presentations followed from CASS researchers Ms Zhang Yinghua (The Unemployment insurance scheme in China), Mr. Gao Qingbo (Overview of the pension reforms in Latin America over the last decade), Mr. Qi Chuangjun (Short term measures to combat the crisis), Mr Fang Lianquan (Description of pension reforms across OECD countries). A conclusion drawn is that the welfare state may have led to the economic crisis. Having learnt the lesson from the crisis, Europe is now emulating the social model of the US. Hence it is important to initiate the shift from the welfare state to the welfare society, that is, to energise and rely more on the private sector so as to diversify the provision of welfare benefits. On the other hand, the US model, which relies heavily on private expenditure, entails poverty rates that are very high, which is absurd to see in the wealthiest country in the world. The problem does not probably lie in the welfare state model *per se* but in its inefficiency. What is needed is smart social policy that produces efficient social investment in human capital and in the future.

Outputs: Seminar report; power point presentations.

#### **A.5.6 Analysis on Redistributive effects of Social security system in China**

The assessment of the situation led to the following conclusions:

(1) In the past forty years of reform and opening up, China made great achievements in terms of economic growth, but social security and welfare system did not play an effective role in narrowing income inequality.

(2) China has initially established a social security and welfare system covering the whole population, especially the pension and health care system covering the whole population. However, since the current social security system is fragmented, the system implements different systems for people with different employment status within a city, lack of cohesion and coordination between different groups.

(3) The results of this study show that the social security and welfare system, especially the old-age insurance system, has a positive impact on narrowing the income gap, but the impact is not very significant.

(4) The EU countries have greatly reduced income inequality through social security and welfare systems. In addition, the EU's public service equalization level is high, but also to reduce the inequality of income distribution. In this regard, China has a lot to learn from the experiences of the EU countries.

The related policy recommendations are as follows:

- the social security contributions need to increase the progressivity of payment and the payment must be linked to actual income level. In the pension system, the reform of civil servant pension insurance system should be accelerated, merged as soon as possible into the enterprise workers and public institutions staff pension insurance system.

- to reform the existing fragmentation of the social security system, to establish a unified national social security system as soon as possible. Reducing the differences in social security benefits for different groups of people. The current Dibao program needs to improve targeting, also needs to improve its low premium level.

- increase the number of welfare programs for poor people and low-income groups, such as subsidies for children from low-income families.

- the simulation analysis of social security and welfare system should be encouraged, especially the effect of income redistribution is simulated and analysed, which provides scientific basis for policy making.

Output: Bilingual assessment report.

#### **A.5.7 Panel discussion on 2016 Topics, held on 6<sup>th</sup> September 2016 in Beijing for 20 participants**

The meeting, chaired by Mr. Ha Zengyou, Deputy Director General of NDRC Employment and Income distribution department, upheld the conclusions and policy recommendations presented in the report on the Relationship between social-economic development and the redistribution function of social security presented by Mr. Li Shi.

Outputs: Meeting report; Compendium of reform proposals, 2016.

#### **A.5.8 Dialogue and Study visit on the Influence of Employment and Social Security Policies on Income Distribution in Post-Crisis Era held in France and Belgium between 29<sup>th</sup> August and 4<sup>th</sup> September 2016 for 6 high level officials from NDRC**

The delegation was led by Mr. Pu Yufei, Director General of NDRC Employment and Income distribution department. When in Paris, the delegation held discussions with representatives from Ministry of Labour, Employment, Vocational training and Social

dialogue, with the General Commission for Strategy and Policy Planning, as well as with the National Agency in charge of Unemployment compensation and Employment promotion. They also held discussions with Expertise France, which acts both as the Technical Coordinator and the Secretariat for Component 1 of the project, on forthcoming activities, including the organisation of the 2016 High Level Event and the tentative programme of activities for 2017. In Brussels, the delegation had in-depth discussions with eminent specialists from Belgium, Germany, the UK and European institutions gathered for the occasion by the Federal Public Services Social security of Belgium. The delegation also held a meeting at the European Commission with the Director General of the Directorate for Employment, Social Affairs and Inclusion to notably discuss the perspective and implementation of next-step cooperation with EU in terms of optimizing income distribution and increasing the number of middle class.

Output: Mission report.

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

During the period under review, Component 2 carried out activities that contributed to the achievement of the three results assigned to the Component. In particular, the Component conducted policy dialogue activities oriented to support the MoF in thematic areas of reform, such as workshops in China, overseas capacity building, and panel discussions, as detailed below. It did also work together with MoF in the direction of better focusing the topics on policy design issues.

Topic 2.1.4 under result 6 was started in late 2016, and will be implemented in 2017, since MoF wanted to better define the goals and the structure of the research activities to be conducted.

Topic 2.3.2 under the result 8 was originally planned to be addressed in 2016, yet at a later stage, the MOF requested to postpone its implementation to the end of 2017, due to its 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. → Partially Achieved. - This indicator has been only partially met since the conclusion on the reform proposals will be formalized and disseminated in early 2017. Moreover, further contribution to the satisfaction of this indicator will be pursued by the activities related to other topics to be performed in 2017.

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

#### **A.6.1 European Best Practices - International experience on the division of power and expenditure responsibility in the social protection field**

The best practice analysis concludes that at national level, in EU Member States the division of power and responsibility between different levels of government is limited, especially for pensions. Primarily the national level is responsible for decision and expenditure and, at most, the local level has some responsibility for implementation. At EU level, power and responsibility is mainly at Member State level. However, there have been two important recent innovations which show the importance of social protection and pension and the need for coordination of policies at EU level, even if this was not recognized in the original Treaties. The first is sharing of information and practices by way of the Open Method of Coordination (OMC). The second is that pension policies have become very important under the Stability and Growth Pact leading to specific recommendations to Member States on pension reform. This should be considered an additional power, namely that of financial supervision.

Finally, the paper suggests that the EU example of the monitoring of pension policy and debts at a national level would appear to be very relevant to the Chinese Ministry of Finance. In a Chinese context, this might involve MoF monitoring social insurance (including pension) expenditures and (explicit and implicit) debts at provincial/municipal level. This topic could be linked to that relating to Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System in China (2.2.2); in fact, this topic covers the tools necessary for MoF to be able to monitor social insurance expenditures at provincial level. The development of such tools would allow MoF to monitor the performance of provincial/municipal level funds and to develop indicators and benchmarks

for best practice (e.g. for the level of contribution collections, of administrative expenditures, etc.). This would help to reduce the possibility of 'gaming' by lower level administrations and, as requested by MoF, would help to provide an empirical basis for deciding where and when central government subsidies might be necessary to sustain social insurance funds.

Output: Best practices report (bilingual)

#### **A.6.2 Workshop with stakeholders on 2015 Topics held in Beijing on December 15<sup>th</sup>, 2015; 30 participants**

During the Workshop, chaired by Mr. Fu Jinling, Director General of the Social Security Department of MoF, EU best practices were introduced and disseminated by Mel Cousins, while the EU and Chinese experts together with the other participants debated reform proposals as identified in the assessment report by Mr. Zhao Fuchang, of the MoF Research Institute. The Workshop discussed also the best EU practices to better manage the pension scheme based on a NDC system, presented by Angelo Marano, Stefano Patriarca and Roberto Notaris, Italian Institute of Social Protection, and upheld the reform proposals for the development of a multi-pillar pension system introduced by Prof. Li Zhen, Renmin University.

Outputs: Workshop report

- *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. → Partially Achieved - This indicator has been partially met with the dissemination of practices and the capacity building activities related to the extension of social insurance coverage and management of financial resources.*

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

#### **A.6.3 Situational Analysis Report**

With the diversification and development of the Chinese market economy, also the labour market has experienced unprecedented changes. The number of people employed by state-owned and collectively-owned enterprises has declined dramatically, falling from 142 million in 1996 to 69.3 million in 2013, when they represented only 21.3% of the 382 million urban employed. At the same time, the percentage of people employed in private enterprises and individual companies has increased to 34.4% and 44.3%, respectively. The first part of the report, after describing the background situation, the research method utilized, and the definitions adopted, analyses the various groups of atypical workers, their employment status, and the sectors where they mostly work. The report presents and discusses the characteristics of the Chinese social security system for atypical workers and the coverage it provides, while highlighting the main challenges.

Output: Assessment report (bilingual)

#### **A.6.4 European Best Practices - Social Security Coverage on Atypical Employment: methodologies and tools of analysis and management**

The report provides details on EU best practices in extending social security coverage to informal and 'atypical' employment. It focuses on the approaches to atypical employment in EU countries; affordability issues; subsidies for atypical workers; 'New economy' workers; the coverage of atypical workers; and the administrative issues. Some of the practices

highlighted by the report could assist the Chinese authorities in extending social insurance to atypical workers in an effective and efficient manner, while cautioning them of the many challenges present in this area.

Output: Best practices report (bilingual)

#### **A.6.5 Panel Discussion with stakeholders on the 2015 Topics, held in Beijing on 16<sup>th</sup> December, 2015; 30 participants**

The meeting, chaired by Mr. Di Donghui, Division Director, MoF, gathered the project team, MoF representatives, Chinese and EU experts to discuss the results of the situational analysis presented by Ms. Zhou Xiao, Institute of International Labour and Social Security, MoHRSS, and the EU Best practices on the same topic, introduced by Mr. Mel Cousins, International Social Protection Expert. During the meeting, the EU Best practices introduced by Ms. Angela Legini, Italian Institute of Social Protection, have been discussed and the results of the situational analysis have been presented by Prof. Wang Xiaojun, Renmin University.

Outputs: Panel discussion report

#### **A.6.6 European Best Practices - Social Protection of atypical employment in the EU; the case of Italy**

Labor market flexibility is largely based on mainstream theories identifying labor market “rigidities” - namely, strong trade unions, generous social benefits, high minimum wages, powerful insiders, or firing restrictions - as the main causes behind persistent unemployment, inefficient factors allocation, mismatching between labor demand and supply and, in more general terms, weak competitiveness performance. Empirical evidence seems to contradict and confute these theories underlying the null relationship between labor market protection and unemployment as well as the negative link between flexibility and productivity. At the policy level, many countries followed a liberalization process. For example, Italy has chosen labor market liberalization as one of the key policies to foster employment, productivity and competitiveness. The reform process started in mid-Nineties followed two main approaches: liberalize fixed term contracts and create contractual arrangements without full subordination. Moreover, the process that led to the flexibility of the labor market has not been accompanied by an integrated system of social protection, which could guarantee atypical worker an adequate welfare protection during no employment periods. Atypical contract also created a downgrade of workers’ bargaining power followed by the rise of the number of poor workers. In structural terms, the use of atypical contracts as a cost competitiveness strategy reduced firms’ incentives towards capital investments, especially in high technological sectors. This major drawback due to labor market flexibility contributed to the worsening of Italian industrial structure, a phenomenon that has accelerated after the 2008 crisis.

Output: Best practices report (bilingual)

#### **A.6.7 Workshop with stakeholders on the 2015 Topics held in Beijing on July 16<sup>th</sup>, 2016; 30 participants**

Mr. Fu Jinling, Director General of the Social Security Department of MoF chaired the Workshop, which debated the EU Best practices introduced by Ms. Marta Fana, Science Po University, Paris, and upheld the reform proposals identified during the analysis phase. During the workshop, the reform proposals suggested in the assessment report by Prof Wang Xiaojun and the microeconomic and macroeconomic models to monitor and assess

the sustainability and the adequacy of the welfare system introduced by Prof. Carlo Mazzaferro, Bologna University, have been discussed.

Outputs: Workshop Report

#### **A.6.8 Training held in Italy from 16th to 30th October, 2016, for 15 officials of MoF**

On 16<sup>th</sup> – 30<sup>th</sup> October C2 held in Italy (Rome and Florence) a two week training for 15 MoF officials (central and local governments) - under the leadership of Mrs. Zu Guoying, Deputy Director-General of the Social Security department. The training was structured in different thematic sessions, mainly focused on the EU social protection systems, addressing issues of governance; financial sustainability; social security contribution collection and the special challenges created by the increasing presence of atypical employment; strategies for the investment of pension funds and financial management; EU long term care insurance schemes and means testing.

Outputs: Training report; several PPTs

- 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. → To be addressed in 2017.
- 6.4 "Indicator 4": A set of social security performance indicators is developed, tested and discussed with interested stakeholders. → To be addressed in 2018.
- 6.5 "Indicator 5": An analysis of the development of old age services and of the suitability and sustainability of a Long Term Care Insurance scheme is developed, and used to support reform proposals. → To be addressed in 2017.

#### ***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. → Partially Achieved. - This indicator has been partially met with the elaboration and analysis of a reform model for the development of a multi-pillar pension system and capacity building activities.

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

#### **A.7.1 European Best Practices - Tools and measures to manage a basic pension system based on individual account**

In view of the main concerns identified by the Chinese expert in the situational analysis report related to this topic, the paper by Notaris, presents the following Italian procedures and practices: the Italian Unified Account Statement to manage nominal personal accounts; the electronic flow of information about workers' contributions ("UNIEMENS" system); the proactive and consulting INPS' service "my Pension". The Italian Unified Account Statement (UAS) is an instrument that allows obtaining an organic, immediate and progressive representation of a personal situation in the social protection system by connecting his essential information, present in a series of archives, The UAS contains both the descriptive elements related to the different segments of person's working life and the accounting elements that record the progression of his contributions. The paper also describes the tele-transmission mode of the monthly data of employees (UNIEMENS) that allows

companies to submit a single data stream inclusive of wages paid, contributions paid and any credit amounts for each worker, that is actually the most effective routine for the implementation of individual personal account; the online service "My Pension", which uses the account statement as a tool of social protection culture and as a solicitation to citizen to think about their future economic situation; the creation of an unified database of all the active workers, thanks to a technological synergy among different administrative bodies.

Output: Best practices report (bilingual)

- 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. → Partially Achieved - This indicator has been partially met with the analysis, discussion and capacity building on the actuarial models and forecasting methodologies for the long-term sustainability of the social protection system.

*Topic 2.2.2 Models and Methodologies for the social and economic sustainability analysis in social protection system*

#### **A.7.2 Situational Analysis Report**

The report by Wang Xiaojun is structured in five sections. The first one describes some basic concepts on social protection, and provides a review of international experiences on assessment and supervision of the financial sustainability of social protection systems. Section two recalls some previous experiences of social security budgeting and actuarial assessment in China; elaborates the reasons to conduct actuarial valuation and budgeting; presents the current situation of social security actuarial assessment and social insurance budgeting in China; lists governmental actuarial offices and budgeting offices. Section three describes the models and methods for social insurance budgeting, and the Chinese basic social insurance budgeting process and methods. Section four presents the models and methods for social insurance actuarial assessment adopted in China, including dataset availability, actuarial models for old age insurance, and actuarial model for medical insurance. Finally, the report analyses the problems on social budgeting and social insurance assessment that the Chinese government will have to face.

Output: Assessment report (bilingual)

#### **A.7.3 European Best Practices - Models and methodologies for the Social and Economic Sustainability Analysis of the Social Protection System in Italy**

Italy, like most countries, redistributes an important part (23 per cent) of its gross domestic product (GDP) through social transfer systems, fuelled by general revenues, payroll taxes and social security contributions. Redistributive mechanisms of this order are influenced by the demographic structure and by the economy and public budgets upon which they, in turn, have a significant impact. The complexity of the social protection system requires elaborate analyses and methodologies to deal with complex demographic, economic, financial, institutional and legal aspects that all interact with each other. The report by Legini provides a brief description of the work of the specialists involved in actuarial practice on pension policy development. More specifically, the report is divided in three main sections. The first sets out the costs relating to the Social Protection System in Italy. The second describes the organization and methodologies used by public bodies involved in the valuation of social security schemes. The third section describes the models used to estimate the long-term financial balance.

Output: Best practices report (bilingual)

**A.7.4 European Best Practices - Micro and macro models to monitor and assess the sustainability of the welfare system**

The paper by Mazzaferro analyses and discusses best practices in measuring and estimating the sustainability and the adequacy of a social security system. It proposes a classification of models used by governments, international institutions, and private research companies. According to this classification, the author distinguishes models based on representative individuals, on microdata and on macro data. It discusses pros and cons of each of these models, looking on: i) indicators that can be estimated to measure sustainability, adequacy and neutrality of the system; ii) data requirement, with particular attention to the construction of the base year; iii) ability to take into account behavioural responses of individuals to policy changes.

Output: Best practices report (bilingual)

- 7.3 "Indicator 3": Actuarial models are analyzed and disseminated under project auspices.  
→ To be addressed in 2018.

***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.  
→ To be addressed in 2017.
- 8.2 "Indicator 2": A comprehensive policy to promote the management of pension funds is developed and discussed. → To be addressed in 2018.

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

Under the review period November 17<sup>th</sup>, 2015 – November 16<sup>th</sup>, 2016 several activities have been undertaken. The key are workshop, panel discussions, seminar, ministerial visit and high level study visit to three EU Countries. The research undertaken in this period focus on 6 topics and involved several Chinese and EU senior experts. All this assure that Component 3 contribute 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 (topic 3.1.1). Among 4 topics for this result 3 are still under progress of the Project.

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

#### **A.9.1 1<sup>st</sup> C3 Workshop on 2015 research topics (March 2016)**

1<sup>st</sup> C3 Workshop hosted by MoCA on March 1<sup>st</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 EU experts. The meeting was led by Director General of Social Assistance Department of MoCA.

In February and March C3 was hosting 3 EU expert missions in Beijing. Based on the discussion and exchanges during the 1<sup>st</sup> C3 Workshop, the Chinese experts provided policy recommendations for the three topics 3.1.1; 3.2.1 and 3.3.1. 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 for 10 working days in China for each expert.

The Workshop itself gathered more than 30 participants including high level MoCA representatives (central/local level), Chinese experts and practitioners as well European experts.

Contribution to the result 9 were the EU best practices and preliminary reform policy recommendations delivered by an EU expert Davor Dominkus and a Chinese expert Guo Yu.

Outputs: 2015 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 topic 3.1.1 have been proposed separately by the Chinese and EU experts and are available from the Project webpage. 1<sup>st</sup> C3 Workshop meeting report.

The main conclusions of the reports provided for each of the three topics are the following:

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

Contributions from the EU and Chinese experts called for taking further steps to set up a comprehensive social assistance law, which was argued as to be a precondition for further development long-term social assistance scheme in China. The social assistance law should make a clear responsibility division between different levels of the government and

non-public agencies dealing with social assistance delivery. Information system and transparency of the reforms need to be improved. EU expert's report stresses the importance of the monitoring and evaluation of the social assistance that should be also a part of the social assistance law.

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

Contributions from the EU and Chinese experts underlined the importance of formulating one unified methodology for calculating social benefit standards across the Country. One of the key aspects stressed in the reports was the issue related to the coordination of the financing scheme and division between central and provincial contribution to the budget of social assistance. EU expert gave a great importance to targeting issue of Dibao people that could measure the real impact of social assistance benefits on poor people. All issues related to setting standards and targets will require some significant development in terms of social assistance data base.

### *3.3.1 Social Assistance specific vulnerable groups - services for children, elderly, people with disabilities, with a special focus on poor rural people*

Contributions from the EU and Chinese experts were focusing on indication that, beside cash benefits, social assistance system in China should invest in social services. This specifically is important for ageing population, rural residents and disabled people. For these, cooperation between different partners at local levels is a key element of the system. In terms of services (alike to cash benefits) it was stressed that standards setting is necessary to ensure quality of services which could be provided by public and non-public service providers.

The main goal of all activities specified above is to provide a synthesis report on policy reform proposals<sup>2</sup> to MoCA. This was achieved through the research activities performed by Chinese and EU experts as well as several practical (technical)<sup>3</sup> exchanges within the three topics executed in China and EU Countries visited by MoCA staff (central and provincial level).

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

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

## **A.9.2 Ministerial visit to Poland and Spain (April 2016)**

In April 2016, Component 3 organized, in collaboration with MoCA, a ministerial visit of 6 days (under the leadership of MoCA Minister and 5 high level MoCA officials) in Poland and Spain (both EU-China SPRP Consortium member countries). The ministerial visit created a dialog at the policymaking level (between Polish, Spanish and Chinese ministers for social policy) as well as among practitioners and focused on legal framework, minimum standards of living, specific vulnerable groups of social assistance beneficiaries.

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<sup>2</sup>[http://www.euchinasprp.eu/images/documents/Component3/DRAFT%20REFORM%20PROPOSALS%20on%202015%20research%20topics/rev04.11.2016.C3\\_draft%20reform%20%20proposals\\_2015\\_research\\_topics\\_EN.pdf](http://www.euchinasprp.eu/images/documents/Component3/DRAFT%20REFORM%20PROPOSALS%20on%202015%20research%20topics/rev04.11.2016.C3_draft%20reform%20%20proposals_2015_research_topics_EN.pdf)

<sup>3</sup> <http://www.euchinasprp.eu/en/components-en/component-3-en/2015-report>

Outputs: outputs are available in the 2/2016 Newsletter; Mission report (polish part of the visit).

### **A.9.3 C3 study visit to Romania, Czech Republic and Poland (June 2016)**

On June 13<sup>th</sup> - 21<sup>st</sup>, 2016 a 10 day study visit of 6 high level MoCA officials (central and local level - under the leadership of Director General of Social Assistance Department of MoCA) to Romania, Czech Republic 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: Mission report; summary of the event presented in the 3/2016 C3 Newsletter.

### **A.9.4 3<sup>rd</sup> Component 3 panel discussion (September 2016)**

For the 3<sup>rd</sup> Component 3 panel discussion on the topics 3.1.2, 3.1.3 and 3.1.4, Component 3 was able to select and ensure missions for three European experts Ms. Laramioara Corches, Mr. Davor Dominkus and Mr. Mel Cousins. Among more than 30 participants of the event, there 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.

All experts contributed actively to the panel discussion hosted by MoCA on September 2<sup>nd</sup>, 2016 and provided a solid base of the knowledge on the best practices report for each of the topic during the mission to China, which lasted for 10 working days for each expert). The EU experts submitted 3 reports in a form of EU best practice reforms on the following topics: Governance framework for Social Assistance administration and management process; Processes and activities of policy transmission and implementation carried out at central and local level of Social Assistance; Monitoring and evaluation of Social Assistance schemes.

Outputs: EU mission report; panel discussion report.

The main conclusions of the reports provided for each of the three topics are the following:

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

Reports submitted by EU and Chinese experts stressed the issue of coordination between different social assistance institutions (public and non-public) and their cooperation for the improvement of the social assistance system. The key aspect of the governance was given to the very local level staff (front office) as its crucial strengthening efficiency for the existing social assistance scheme. Social assistance staff and its professionalization was defined as another key element of social assistance management.

#### *3.1.3 Processes and Activities of Policy Transmission and Implementation Carried Out at Central and Local Levels of Social Assistance*

Simplifying the transmission process in the implementation of the new policy or reforms has a great importance. In time of issuing frequently new law smooth transmission from central to local level has fundamental meaning for efficiency of the whole system. Reports stressed the role of professional skills of human recourses working for social assistance (like very common in the EU countries social workers) and the risk of their shortages experienced especially at the grass-root level.

### *3.1.4 The Monitoring and Evaluation of Social Assistance in China*

Reports drafted by Chinese and EU experts indicated the importance of regular monitoring of the policy implementation and external evaluation. As specified, in China currently evaluation process is not standardized and institutional structure is also missing. EU Countries use monitoring and evaluation process for managing the social assistance scheme. The key issue is the social assistance data base that supports the monitoring process of the social assistance outcomes in a regular form.

#### **A.9.5 Ad-hoc seminar meeting on the social assistance arrangements in the view of the IT support used (September 2016) – legal basis of setting national data base was a part of the discussion held (part of the result 9 activities)**

Besides the 3<sup>rd</sup> Panel discussion meeting, MoCA has asked EU experts additional contributions. An ad-hoc seminar meeting on the social assistance arrangements, in the view of the IT support used at the Center of Monitoring and Verification for Low Income Families, Ministry of Civil Affairs, P.R. China, was organised within the capabilities of Component 3. Among participants of the meeting, there were two Director General of MoCA Center and members of the staff responsible for developing IT system for the social assistance data base in China at national level. All three European experts (Ms. Laramioara Corches, Mr. Davor Dominkus and Mr. Mel Cousins) have shared their Countries' experiences in terms of social assistance database for the purpose of means testing and avoiding fraud of public funds.

Outputs: power point presentations.

- *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 2016 study visit activities. These were 8 day activities on social assistance: legal framework, minimum standards of living and services for specific vulnerable groups. 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 2017-2018.
- *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 2017-2018.

#### ***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 2<sup>nd</sup> C3 Panel Discussion (activity A.10.1), 1<sup>st</sup> C3 Workshop on 2015 research topics (activity A.9.1), Ministerial visit to Poland and Spain (activity A.9.2) and Study visit to Romania, Czech Republic and Poland (activity A.9.3).

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

##### **A.10.1 2<sup>nd</sup> C3 Panel Discussion (December 2015)**

The 2<sup>nd</sup> panel discussion was hosted by MoCA on December 4<sup>th</sup>, 2015 for the second batch of research on the topics 3.2.1 and 3.3.1. Component 3 was able to select and ensure two missions for two EU experts (Larcamioara Corches and Monika Gabanyi), who contributed actively to the panel discussion hosted by MoCA. The goal of the mission, which lasted 10 working days for each of the EU expert involved was to give an opportunity to MoCA staff and Chinese experts for bilateral in-depth knowledge exchange.

For the result 10 topic 3.2.1., Ms. Corches contributed with a report on Experiences on unified standards for calculation of Social Assistance benefits - EU best practices report.

Additionally, experts' advice has been asked by MoCA on complementary contributions (on the assessment process for the cash benefits based on the Romania experience (Ms. Corches) and on the NGO sector delivering social services based on German experience (Ms. Gabanyi).

Outputs: 2015 research topic Component 3 Volume (both English and Chinese versions); 2<sup>nd</sup> C3 Panel Discussion meeting report.

- *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 performed within C3 pilots activities 2017-2018. This indicator was supported by an activity undertaken also within the Topic *3.1.1 Legal Framework of Social Assistance*. A Technical discussion took place within an Ad-hoc seminar meeting on the social assistance arrangements in the view of the IT support used (September 2016). For details, please see point A.9.5.
- *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 2017-2018.
- *10.4 "Indicator 4":* Increase of Beneficiaries satisfaction on the social assistance assessment process. → Not achievable at this stage of the Project. To be performed within C3 pilots activities 2017-2018.

***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 2<sup>nd</sup> C3 Panel Discussion (activity A.10.1), 1<sup>st</sup> C3 Workshop on 2015 research topics (activity A.9.1), Ministerial visit to Poland and Spain (activity A.9.2), Study visit to Romania, Czech Republic and Poland (activity A.9.3) and Ad-hoc seminar meeting on the social assistance arrangements in the view of the IT support used - technical discussion on targeting vulnerable groups base on social assistance data (activity A.9.5). This indicator is being pursued under topic *3.3.1 Social Assistance specific vulnerable groups - services for children, elderly, people with disabilities, with a special focus on poor rural people*.
- *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 2017-2018.

- *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 2017-2018.*

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

During the year 2016, the Logical Framework has not been modified since the last version, which has been approved during the PAC of April 2015 and included in the related Aide-Mémoire. For this reason, the current Interim Report refers to indicators included in the Logical Framework approved in 2015. An exception has been done for the Component 2, which, following the new needs expressed by the main Chinese Beneficiary, namely the MoF, has observed that Logical Framework indicators of the version of 2015 appeared no more aligned with the planning of the activities to be carried out in the second project year. Therefore, in order to describe the activities realized in 2016 and to share the progress reached by the Component 2 for each result, the Logical Framework used to draft this Report is the one modified following amendments occurred in 2016 and 2017.

Furthermore, it's useful to report in this document that at the beginning of 2017, the Logical Framework has been revised not only for Component 2 but also for the other two Components, 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 for drafting the Interim Report of the third project year.

	<b>INTERVENTION LOGIC</b>	<b>OBJECTIVELY VERIFIABLE INDICATORS</b>	<b>SITUATION BY DECEMBER 2016</b>	<b>SOURCES AND MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
<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	- Comprehensive reform proposals have been developed in conjunction with the preparation of XIII Five-year plan in the realm of pensions. They were submitted to debate in meetings at different levels, and their contents shared with pilot provinces' authorities	- 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



	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.	- PAC meeting minutes - Evidence of public debate (e.g. media excerpts) - Statistical reports from MoCA	ensure their availability for operational meeting, interviews etc, according to the plan shared in order to contribute actively to the project; - The EU and Chinese institutions remain interests in long-term cooperation/partnership
	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.	- PAC meeting minutes - Evidence of public debate (e.g. media excerpts) - Statistical reports from MoCA	

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	C1:SITUATION BY DECEMBER 2016 C3: AS FOR JANUARY 2017*	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	<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</li> </ul>	<ul style="list-style-type: none"> <li>- C1: First Dialogue mechanisms with EC started in 2016. Dialogue with individual countries started in 2015</li> <li>- C1: repository for component 1 created in 2015, regularly updated (<a href="http://www.sprp-cn.eu">http://www.sprp-cn.eu</a>)</li> <li>- C1: newsletters published quarterly, En and CN.</li> <li>- Mailing list of over 150 addresses maintained</li> <li>- C1: Newsletters and project website keep records of</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,</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</li> </ul>



	<p>(NDRC), the Ministry of Finance (MoF) and the Ministry of Civil Affairs (MoCA) on social protection are developed</p>	<p>Website updated every month;</p> <ul style="list-style-type: none"> <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>	<p>cooperative work</p> <ul style="list-style-type: none"> <li>- C3: High Level Forum on Social Assistance (Beijing 2015) gathered ministers from China and EU countries; a. 30 EU participants for a comprehensive exchange on the social assistance in EU and China.</li> <li>- C3: High Level Policy Dialog meeting was held in Warsaw;</li> <li>- C3: Signing the Memorandum (second one) between MRPiPS and MoCA</li> <li>- C3: Other individual policy dialog countries started in 2016</li> <li>- C3: newsletters published quarterly, EN and CN.</li> <li>- Mailing list of over 130 addresses maintained</li> <li>- C3: Newsletters and project website keep records of cooperative work</li> </ul>	<p>Press Conference, High Level International Conferences and Closing Conference minutes.</p>	<p>shared in order to contribute actively to the project;</p> <ul style="list-style-type: none"> <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>
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INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SITUATION BY DECEMBER 2016	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
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	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SITUATION BY DECEMBER 2016	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
<b>Results</b>	<b>R2.</b> 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 XIII 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> </ul>	<ul style="list-style-type: none"> <li>- The project contributed to the elaboration of NDRC proposals for inclusion in XIII Five-year plan. Those were discussed in a broadly opened meeting in January 2016</li> <li>- A report containing comprehensive proposal for social insurance administration systems reform was produced in July 2015</li> </ul>	<ul style="list-style-type: none"> <li>- See NDRC website and report on 2015 activities</li> <li>- See component repository <a href="http://sprp-cn.eu">http://sprp-cn.eu</a></li> </ul>	<ul style="list-style-type: none"> <li>- NDRC and other Component 1 Stakeholders remain fully committed to share the experience, the Best Practices and the proposals suggested by the Consortium ;</li> <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>R3.</b> 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</li> </ul>	<ul style="list-style-type: none"> <li>- Evaluation techniques to be addressed in 2017</li> <li>- High rates of satisfaction for participants in training activities</li> </ul>	<ul style="list-style-type: none"> <li>- See evaluation reports from respective activities</li> </ul>	

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SITUATION BY DECEMBER 2016	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
	<p>level of approval of the training activities;</p> <ul style="list-style-type: none"> <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>- Remains to be thoroughly addressed</li> <li>- To be addressed under 2017 and 2018 programmes of activities</li> </ul>		
<p><b>R4.</b> 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</p>	<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> </ul>	<ul style="list-style-type: none"> <li>- A model was developed and transmitted to NDRC in July 2015</li> <li>- Universal social pension model not yet addressed</li> </ul>	<ul style="list-style-type: none"> <li>- See component repository <a href="http://sprp-cn.eu">http://sprp-cn.eu</a></li> <li>- See component repository <a href="http://sprp-cn.eu/HLE2016/">http://sprp-cn.eu/HLE2016/</a></li> </ul>	

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SITUATION BY DECEMBER 2016	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
	pension system	<ul style="list-style-type: none"> <li>- An analysis of the consequences of demographic ageing on the pension system is conducted and discussed under project auspices.</li> </ul>	<ul style="list-style-type: none"> <li>- In June 2016 a training in Spain upgraded NDRC's understanding on the subject, a report with policy recommendation was produced in September 2016</li> </ul>		
	<p><b>R5.</b> 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</p>	<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> <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> </ul>	<ul style="list-style-type: none"> <li>- A model was elaborated and shared with NDRC in November 2015. Works continued in 2016. Model was popularized at pilot provinces' level (Apr.16)</li> <li>- Interrelation between economic development and suitability/sustainability reviewed in 2016 – extended to relations between social protection and employment promotion (2 assessment reports, European research report, 7 European country profiles all EN-CN)</li> </ul>	<ul style="list-style-type: none"> <li>- See component repository <a href="http://sprp-cn.eu">http://sprp-cn.eu</a></li> <li>- See component repository <a href="http://sprp-cn.eu/HLE2016/">http://sprp-cn.eu/HLE2016/</a></li> </ul>	

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<b>INTERVENTION LOGIC</b>	<b>OBJECTIVELY VERIFIABLE INDICATORS</b>	<b>SITUATION BY JANUARY 2017</b>	<b>SOURCES AND MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
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<p><b>Results</b></p>	<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> </ul>	<ul style="list-style-type: none"> <li>- The project contributed to identification of practices introduced and debated with MoF officials</li> <li>- A report with policy recommendations has been drafted and will be submitted to MoF in March 2017.</li> <li>- Practices in the field of the extension of social insurance coverage have been debated and analyzed.</li> <li>- A training in Italy upgraded MoF's officials' knowledge on the field.</li> <li>-To be addressed in 2017</li> <li>-To be addressed in 2018</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> </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>
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		<ul style="list-style-type: none"> <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>- To be addressed in 2017</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 of the Chinese pension system are</li> </ul>	<ul style="list-style-type: none"> <li>- A reform model for the development of a multi-pillar pension system was transmitted to MoF and tabled for future implementation.</li> <li>- Pro and Cons of EU pension models based on a NDC system were comprehensively debated in a Training program</li> <li>- Actuarial models for the long-term sustainability of the social protection system were analysed and debated in the workshop. The Training activity in Italy raised MoF officials knowledge on</li> </ul>		

		<p>proposed to MoF under the project auspices and debated for future policy development</p> <ul style="list-style-type: none"> <li>- Actuarial models are analyzed and disseminated under project auspices.</li> </ul>	<p>actuarial forecasting methodologies.</p> <ul style="list-style-type: none"> <li>- Policy proposals to establish a regular national social security valuation system have been drafted and debated.</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>	<ul style="list-style-type: none"> <li>- To be addressed in 2017</li> <li>- To be addressed in 2018</li> </ul>		

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	AS FOR JANUARY 2017*	SOURCES AND MEANS OF VERIFICATION	ASSUMPTIONS
<b>Results</b>	<p><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.</p>	<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</li> </ul>	<ul style="list-style-type: none"> <li>- Review of the government documents have been included in the 2015 Volume on research topics of 2015 and deeply discussed with MoCA during several events organised with active participation of the EU experts.</li> <li>- Preliminary policy proposals report shared with MoCA.</li> <li>- Several research outputs within the Volume 2016 for publishing in February 2017</li> <li>- Local visits to several provinces across China performed</li> <li>- High rate of satisfaction of the events organised based on the evaluation reports</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>

		to social assistance mechanisms (at urban and rural levels) is documented through project activities;	- Not applicable yet.		
	<p><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.</p>	<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</li> </ul>	<ul style="list-style-type: none"> <li>- Review of the government documents have been included in the 2015 Volume on research topics of 2015 and deeply discussed with MoCA during several events organised with active participation of the EU experts.</li> <li>- Preliminary policy proposals report shared with MoCA.</li> <li>- Local visits to several provinces across China performed</li> <li>- Special EU-China exchanges (including one thematic report) on the data collection and monitoring of social assistance performed in 2016</li> <li>- Not yet addressed by C3</li> </ul>		



		<p>developed and discussed under project auspices.</p> <ul style="list-style-type: none"> <li>- A methodology for and requirement for social assistance services is developed;</li> </ul>	<ul style="list-style-type: none"> <li>- Special EU-China exchanges (including one thematic report) on the social services and the role of NGOs within social assistance performed in 2016</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.a. via campaigns and awareness on social assistance, are</li> </ul>	<ul style="list-style-type: none"> <li>- Review of the government documents have been included in the 2015 Volume on research topics of 2015 and deeply discussed with MoCA during several events organised with active participation of the EU experts.</li> <li>- Preliminary policy proposals report shared with MoCA.</li> <li>- Local visits to several provinces across China performed</li> <li>- To be addressed in 2018 and partly during the pilots which starts in 2017</li> </ul>		

		developed and tested under project auspices.			
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\*all outputs bilingual

**2.4. Please provide an updated action plan<sup>4</sup>**

Revised action plan - Component 1 - November 2016 - October 2017														
ID	DESCRIPTION	Y 2		Y 3										
		S 2		S 1						S 2				
		M	M	M	M	M	M	M	M	M	M	M	M	M
		24	25	26	27	28	29	30	31	32	33	34	35	
		XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	
		16	16	17	17	17	17	17	17	17	17	17	17	
<b>1</b>	<b>Component 1 - Strengthening institutional capacity 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				T									
1.1.2	Coordination of policy making among government agencies in areas related to social protection reform											PD		
1.1.3	Monitoring interaction between employment promotion and social protection policies						S							
<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											PD	IW	
1.2.2	National policy evaluation technique in the area of social protection (indicators, methods and programs)								OT					

<sup>4</sup> This plan will cover the financial period between the interim report and the next report.

1.2.3	Affordability of Pension schemes (contributions and Government subsidies)													
1.2.4	Gender considerations in pension schemes (provisional title)													S
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													
1.3.6	Vesting, indexation and adjustment mechanisms of pension benefit												PD	IW
1.3.7	Ageing population and possible strategy of dealing with this situation													
1.3.8	Issue related to the informal sector integration in social security schemes													
1.3.9	NDC (notional defined contribution) pension reform												PD	IW
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 beneficiary, 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												PD	IW



Revised action plan - Component 2 - November 2016 - October 2017													
ID	DESCRIPTION	2016		2017									
		S 2		S 1						S 2			
		M 24	M 25	M 26	M 27	M 28	M 29	M 30	M 31	M 32	M 33	M 34	M 35
		XI 16	XII 16	I 17	II 17	III 17	IV 17	V 17	VI 17	VII 17	VIII 17	IX 17	X 17
2	<b>Component 2 - Enhance institutional capacity for financial management and supervision concerning social security funds</b>												
2.1	<b>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.</b>												
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												
2.1.3	Fiscal policies in support to social security, leverage among different financial sources and efficiency of fund use												
2.1.4	An integrated system for the coordinated management of the social assistance system									PD			
2.1.5	Models for evaluating effects of social security policy implementation												
2.1.6	Development of Old-age Services and Long Term Care System									PD		OT	

ID	DESCRIPTION	2016		2017									
		S 2		S 1						S 2			
		M 24	M 25	M 26	M 27	M 28	M 29	M 30	M 31	M 32	M 33	M 34	M 35
		XI 16	XII 16	I 17	II 17	III 17	IV 17	V 17	VI 17	VII 17	VIII 17	IX 17	X 17
2	<b>Component 2 - Enhance institutional capacity for financial management and supervision concerning social security funds</b>												
2.1	<b>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.</b>												
2.2	<b>Result 7: Enhance the top-level design ability in the basic pension insurance; establish actuarial analysis models for basic pension insurance reform.</b>												
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												
2.2.3	Methodologies and Actuarial Models for pension insurance												
2.3	<b>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.</b>												
2.3.1	Investment strategies of social funds and risk control methodologies											PD	
2.3.2	Management of basic Pension Fund												

LEGENDA	
	Identification Phase: Situation analysis, Identification and review of possible relevant EU experience, Workshop with Stake
	Analysis Phase: Specific analysis of relevant EU experience, Training/visits to EU countries, Workshop with Stakeholders
	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.
PD	Panel discussion
WS	Workshop Analysis phase
OT	Overseas Training

Revised action plan - Component 3 - November 2016 - October 2017															
ID	DESCRIPTION	Y 2		Y 3											
		S 2		S 1						S 2					
		M 24	M 25	M 26	M 27	M 28	M 29	M 30	M 31	M 32	M 33	M 34	M 35	M 36	M 37
		XI 16	XII 16	I 17	II 17	III 17	IV 17	V 17	VI 17	VII 17	VIII 17	IX 17	X17	XI 17	XII 17
3	<b>Component 3 - Improving of legal framework and policy for social assistance</b>	C	C					MSV	T			SV		SV	
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		WS												
3.1.3	Processes and activities of policy transmission and implementation carried out at central and local level of Social Assistance		WS												
3.1.4	Monitoring and evaluation of Social Assistance schemes		WS												
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								PD					WS	

ID	DESCRIPTION	Y 2		Y 3												
		S 2		S 1						S 2						
		M 24	M 25	M 26	M 27	M 28	M 29	M 30	M 31	M 32	M 33	M 34	M 35	M 36	M 37	
		XI 16	XII 16	I 17	II 17	III 17	IV 17	V 17	VI 17	VII 17	VIII 17	IX 17	X 17	XI 17	XII 17	
3.2.3	Coordination of overall social assistance resources									PD					WS	
3.2.4	Fraud in social assistance: identification, coping strategy and prevention									PD					WS	
3.3	<b>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</b>															
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	Social Assistance services for poor people and families – service delivery approach															
3.3.3	Communication techniques and channels of public information on Social Assistance policy															

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, 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>MSV</b>	Ministerial study visit
<b>SV</b>	Study visit abroad
<b>PD</b>	Panel Discussion
<b>WS</b>	Workshop
<b>HLPD</b>	High Level Policy Dialog
<b>C</b>	Technical consultancy by European expert
<b>HLE</b>	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.

As done in the first project year, during the 2016 the Consortium has respected and actualized the procedures set up for managing the internal (Consortium) and external (EUD-China) relationships.

The new project Secretariats have started working from the beginning of 2016 and their operations have been appreciated by local staff and experts involved in project activities and events.

In this context, the support of Component Coordinators and Consortium Partners has been also fundamental in order to carry out the planned activities and achieve the important objectives for the Project.

After the PAC held in Beijing on 6<sup>th</sup> April 2016 the guidelines provided from the European Delegation in China and the Ministry of Commerce, which both chaired the committee, are mainly focused on an enhanced cooperation among the 3 Project Components as well as among the European and Chinese project stakeholders. Furthermore, EUD and MOFCOM underlined the needs and benefits of the involvement of more and diverse range EU expertise from the EU Countries within and outside the Consortium; contributions from the latest could be promoted through the involvement of Embassies of the EU countries in Beijing. The EU experiences and practices should be structured for specific scenarios and settings of China.

Concerning the monitoring system, they reasserted its requirement of quarterly dashboard indicating intermediary outputs and milestones per topic or as appropriate be provided to all parties in order to keep all parties informed about the project progress, outcomes and performance.

Considering that at the time of the meeting the consortium was in process of improving the management system and procedures for the flexibility in terms of the project organization and administration, EUD and MOFCOM reaffirmed the relevance of having a communication/coordination platform in China among core stakeholders, providing for a periodic joint meeting mechanism during the year, in order to enhance the inter-parties and inter-components communication. They suggested a quarterly joint meeting to be held in Beijing, which should include the review of all points above mentioned.

- 3.2. 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.

- 3.3. 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.)

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

Not Applicable.

3.5. 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 second year of the Project SISPI, the new Horizontal Secretariat, has carried out several visibility activities, filling the existing communication gap between Project and stakeholders.

First of all, the English version of the official project website <http://www.euchinasprp.eu/> has been created. 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 to the Visibility guidelines and it is updated following the Resident Experts and Component Coordinators requests (upload of Term of References and Events section).

Following the suggestions of the local office staff and Resident Experts, a restyling of the official project website has been carried out from May to July. The Home page and the webpages of the three Components have been renovated inserting a new section "Main news and Events", while the webpages and functionalities have been improved. Following the requests of the local office staff and the discussion occurred during the IMC held on September 30th, in order to avoid delay in uploading main news and events realized in China, SISPI IT Department provided Administrator credentials and tutoring to Beijing local staff allowing a direct and immediate upload of web pages and documents. Meanwhile, the Chinese version of the Project website has been realized and concluded in November.

A private area has been created within the project website and all authorized users of the Consortium can access and share/download project documents.

The updated version of the Directory of Contacts was sent to the Consortium members asking any necessary adjustment, so that it can be finally shared within the website private area among all registered users.

In relation to the visibility activities to be carried out during 2017, the new Horizontal Secretariat, with the support of the Project Leader, has proposed and shared with all the Project stakeholders a communication strategy. This document aims to better highlight methods and tools for the best visibility and dissemination of Project progresses and results.

After evaluation of different proposals and quotations, 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.

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

- Posters for Component 1 Training Activity in Spain

- Chinese Project Brochures
- 1<sup>st</sup> semester 2016 Newsletter
- Publication for C1 Training Activity in Spain
- Posters for Component 2 Training Activity in Italy

During 2016, the Partners agreed to draw up a joint Project newsletter to be shared and disseminated on a biannual basis. This newsletter includes the main Project events and activities, as well as studies, researches and main Project outcomes.

Due to organizational changes in the Project Structure, the drawing up process of the first-year Project newsletter was delayed and therefore, the document has been produced by the Project Leader in order to recover the delay. This first-year Project newsletter includes the main events and activities carried out during 2015. The Horizontal Secretariat commissioned to a supplier of graphic services the semiannual newsletter for the first half 2016, that has been printed in Beijing.

Considering changes occurred in 2016 to the structure of the Project, an updated Project brochure reflecting the new organization of the activities has been commissioned.

All visibility products have been shared within the Consortium and disseminated during the High-Level Event held in Beijing on 28th – 29th September 2016.

The Beijing local staff have commissioned several visibility materials with project logo to be disseminated during Project events, in particular during the High-Level Event held on September (USB devices, bags, notebooks, pens). During 2016, the following visibility items have been realized in Beijing:

- 200 USB Key for HLE
- 40 Aide Memoire 2016 English Version
- 200 Cotton Bag with Project Logo
- 200 Project Leaflet
- 150 Project Brochure in English
- 150 Project Brochure in Chinese
- 150 First Newsletter 2016
- 150 Introduction of Chinese Partners
- 2 Backdrops for HLE
- 1 Pull-up (list of all consortium members) for HLE
- 200 Nameplate of Participants for HLE
- 150 Badge for HLE
- 200 Agenda Book for HLE

Furthermore, considering that Resident Experts and Component Coordinators have requested that project outputs to be published should be edited (in case this is requested) by an English native speaker, different quotations have been collected by various editors. Such services will be performed only after the European Delegation approval and confirmation that such costs may be financed by project funds.

**List of acronyms used in the report**

<b>Acronym</b>	<b>Description</b>
ACFTU	All-China Federation of Trade Unions
ACWF	All-China Women's Federation
ADECRI	Agence pour le Développement et la Coordination des Relations Internationals
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
MOFCO	Ministry of Commerce
NHFPC	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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Date report due: .....

Date report sent: .....