

ANNEX A

PROJECT DESCRIPTION as laid out in the FINANCING AGREEMENT OF THE EU - CHINA SOCIAL PROTECTION REFORM PROJECT SIGNED BY THE EU AND CHINA

OBJECTIVES

The **overall objective** of the project as laid out in the Financing Agreement signed by the EU and the GoC is to support China in further developing social equity throughout its society.

The **project's purpose** is to contribute to the improvement and inclusiveness of China's social protection system through strengthening the institutional capability for developing policies, for implementing legal & regulatory frameworks and for supervising systems of social insurances, social assistance and financial management in the area of social security.

The project's purpose will be pursued through the following three components:

Component 1 will support National Development and Reform Commission (NDRC) in **strengthening institutional capacity for social protection policy development and reforms.**

Component 2 will support Ministry of Finance (MoF) to **enhance institutional capacity for financial management and supervision concerning social security funds.**

Component 3 will assist Ministry of Civil Affairs (MoCA) in **improvement of legal framework and policy enforcement for social assistance.**

EXPECTED RESULTS

The social protection reform in China covers interrelated aspects and cuts across a number of departments within different ministries, the three key ministries (NDRC, MoF and MoCA) will be intensively involved in the proposed project. The project will be implemented in close cooperation with the beneficiaries of the three components and in consultation with the relevant services of the Commission and the members of the Consortium. This will help to ensure relevance and ownership of project results by the Chinese partners and their sustainability, as well as longer-term EU-China social protection policy partnerships.

To fulfil the project objectives, the project will have to achieve the following results:

1. Mechanism of EU-China high level policy dialogue on social protection reform is established and partnerships between Specialized Bodies of EU Member States and NDRC, MoF and MoCA on social protection are developed.

Component 1

2. Under the leadership of NDRC, coordination of policy making among government agencies in areas related to social protection reform is strengthened.
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.

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.
5. Reform efforts of NDRC to the development of urbanization, in particular the harmonization/integration of the various basic social protection systems for different groups of beneficiary, the portability of social insurances and assistance schemes are supported.

Component 2

6. Capacity of MoF in management and supervision of fiscal support to social security is consolidated by the establishment of a unified statistic index system and the development of an appropriate performance assessment model.
7. National actuarial analysis model of old-age insurance is developed by MoF and the skills and knowledge of provincial administrators in risk control of fiscal support to basic pension fund are upgraded.
8. Reform efforts of the MoF in the management of social insurance funds, focusing on fiscal support budgeting, accounting system, investment techniques and adjustment mechanisms for pension benefits are strengthened.

Component 3

9. Capacity of MoCA for promulgating and enforcing the Social Assistance Law and the regulations on rural and urban minimum standards of living are strengthened as well as the skills of local officials in policy transmission and implementation are upgraded.
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 and c) identification of low-income families are consolidated.
11. Efforts of MoCA in elderly care for poor rural people and disabled people are stimulated and public information and transparency of social assistance policies are raised at provincial level.

It is expected that the Consortium Leader will, when writing the proposal in close consultation with of Specialized Bodies from EU Member States as well as with NDRC, MoF and MoCA, prioritize, narrow down and clearly specify the results and activities in the proposal, in accordance with the overall objective and the purpose of the project.

The proportion of activities distribution among three components is estimated:

Component 1: 55% of total activities

Component 2: 20% of total activities and

Component 3: 25% of total activities

TYPES OF ACTIVITY

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1. Exchange of best practices and experience in the social protection field of the EU MS.
2. Base-line study/situation analysis of existing progress, practices, status quo of the corresponding aspects to identify the issues to be addressed by the project and to set up targets as well as the monitoring and evaluation indicators.
3. Technical studies and researches, conducted by the EU and Chinese experts on introducing relevant EU experience/best practices, analyzing key challenges of the social protection reform in China and assessing the on-going pilot reforms related to the project, aiming at providing proposals/solutions for improving Chinese policies accordingly.
4. Limited number of intensely prepared and subsequently followed-up study assignments to Europe for high level policy makers at both central and provincial levels to exchange and discuss with European policy makers on topics and themes related to the scope of the project.
5. A small but relevant number of tailored specialized trainings in Europe for government officials, who are responsible for initiating policy design, including work with European institutions and the possibility to engage in person with European counterparts.
6. Seminars, workshops and conferences to present the outputs/suggestions of studies/researches and to discuss how this can be reflected in policy-making. To follow-up on those discussions.
7. Annual high level EU-China Round Tables on social protection, jointly held by the EU and NDRC, MoF or MoCA in China and selected EU Member States.
8. Piloting of project activities related to policy/strategy development at provincial level. Monitoring and stimulating replication of such pilots.
9. Policy trainings on relevant subjects in China to enhance the capacity building of policy makers both at central and local levels.

STAKEHOLDERS AND BENEFICIARIES

The **National Development and Reform Commission (NDRC)** is China's super ministry and comprehensive policy making agency, responsible for strategic overview of the national social and (macro) economic development of China. It supervises the implementation of the FYEDPs on behalf of the central government. The Department of Employment and Income Distribution of NDRC will be responsible for the Component 1 activity design, implementation and monitoring. The Department is responsible for comprehensively analyzing the situation of social protection; putting forward strategies, national policies and suggestions to encourage and improve the coordinated development of social protection; pushing forward related systematic reforms; and coordinating the solutions related to key issues. It also coordinates the social protection policies developed by relevant operational ministries, which are responsible for social insurance, social assistance and public services respectively as outlined in the following

The Ministry of Finance (MoF) is responsible for China's economic and public finance policy, the central government's annual budget and for public finance legislations. MoF will be the key beneficiary of Component 2 under the proposed project. The Department of Social

Security is the main project counterpart. This department is responsible for the central social security budgets and sectional budgets of MoHRSS, MoCA and the Ministry of Health (MoH); budget auditing of national social insurance funds; allocation of social assistance fund; and the relevant financial policies and the fiscal expenditures of social security, employment and medical care.

The Ministry of Civil Affairs (MoCA) is responsible for policy development on social assistance and the operation of the social assistance/welfare system. MoCA has engaged in drafting the Social Assistance Law. MoCA will be the key beneficiary of the Component 3 and its Department of Social Assistance will be responsible for project implementation. The department takes responsibility of studying social assistance policies; operating rural-urban social assistance schemes; supervising the fiscal social insurance funds and managing MIS for social assistance countrywide.

The above-mentioned government agencies play essential roles in the design of policies/system concerning social protection reform for more than 1.3 billion population, but have deficits with regards to:

- necessary experience, capability and long-term views in terms of policy making, enforcement and administration related to Social Protection.
- adequate coordinating mechanism between the relevant government departments.

The involvement of other government stakeholders and provincial/local governments could be important for the success of the proposed project:

- 1) **Ministry of Human Resources and Social Security (MoHRSS)**, the main beneficiary of the EUCSSP, is responsible for the operation of the social insurance schemes and the development of social insurance policies/regulations.
- 2) **Ministry of Agriculture (MoA)** will be involved in the project activities in related to rural pension scheme and social protection for migrants.
- 3) **Chinese Insurance Regulatory Commission (CIRC)** is a sector supervision body on insurance companies.
- 4) **All-China Women's Federation (ACWF)** is a semi-government institution which is fully devoted to gender protection.

Beneficiaries: The direct project beneficiaries will be officials of NDRC, MoF, MoCA and other relevant public agencies at both central and local levels as well as other administrations holding responsibilities in the proposed project objectives.

Ultimate beneficiaries will be the Chinese people, particular the vulnerable social groups including migrant workers, rural landless householders, women and informal employees and non-employed urban residents.

LOCATION AND DURATION

The project will be implemented in the People's Republic of China at central level and in selected provinces (pilot provinces will be selected after the start of the project on the basis of criteria to be jointly established by the Grantee, NDRC, MoF and MoCA). Some project activities will be carried out in EU Member States.

The project team and experts will be based in Beijing but local travels are envisaged to pilot provinces, where activities will also be implemented.

The foreseen implementation period of the grant contract will be 48 months.