

**ANTI-POVERTY IN CHINA: MINIMUM
LIVELIHOOD GUARANTEE SCHEME**

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Executive Summary

1. Between 1981 and 2004, the number of absolute poor in China was estimated to have reduced from 652 million to 135 million. However, the size of the urban poor has increased dramatically since the 1990s, from one million in 1990 to over 70 million in 2003.
2. The increasing urban poverty is due to first, the laying off of workers in many state-owned enterprises in the 1990s. Second, the abolishment of the urban social welfare system and the impact of financial shock which caused many urban households to suffer from poverty.
3. To address urban poverty, the most important government program is Minimum Livelihood Guarantee Scheme or “Di Bao” initiated in 1999. “Di Bao” is a national means-tested program to provide cash transfers to the urban poor based on a locally set minimum income level.
4. “Di Bao” is part of a comprehensive anti-poverty framework in China. This framework includes traditional development oriented programs, social insurance programs, social assistance schemes as well as other social policies.
5. Compared to social insurance programs funded by enrollees as well as their employers, “Di Bao” is a social assistance program overseen by the Ministry of Civil Affairs and funded mostly by central government budget.
6. Government expenditure for the “Di Bao” program in urban China increased from RMB2.2 billion in 2000 to RMB71.1 billion in 2011 (i.e. over 37% of average annual growth). Since 2007, “Di Bao” programs have expanded to rural areas, registering total recipients of 53 million in 2011.
7. Total government expenditure on “Di Bao” in both urban and rural areas had reached RMB134 billion in 2011.

8. In the 17th Party Congress report in 2007, the “Minimum Livelihood Guarantee Scheme” together with health insurance and social security system was highlighted as one of the core components of the social safety net. Other social assistance schemes for education assistance, health assistance and housing assistance, etc, are set to complement the “Di Bao” program.
9. Poverty alleviation is likely to continue to top the policy agenda of the new leadership. It will have to address “Di Bao” issues such as the low financial coverage; the fragmented management; the regional inequality issue; the mistargeting; and the disincentive to work as a result of an increasingly attractive “Di Bao”.