China, People's Republic of: Determining the Direction of Social Assistance Reforms

Project Name	Determining the Direction of Social Assistance Reforms
Project Number	54038-001
Country	China, People's Republic of
Project Status	Proposed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA: Determining the Direction of Social Assistance Reforms
	Technical Assistance Special Fund US$ 300,000.00
Strategic Agendas	Inclusive economic growth
Drivers of Change	Knowledge solutions
Sector / Subsector	Public sector management - Social protection initiatives
Gender Equity and Mainstreaming	Some gender elements
Description	The knowledge and support technical assistance (TA) will undertake research to evaluate the economic and social welfare impacts of social assistance policies in the People's Republic of China (PRC) and propose reform directions and policy options. Through empirical and theoretical studies and international comparison, the TA will recommend optimal social assistance expenditure and benefit levels and develop policy tools to improve the social assistance system. The TA will produce knowledge products and build capacity among social protection policymakers.
Project Rationale and Linkage to Country/Regional Strategy	Rapid economic growth and sustained anti-poverty efforts, including targeted social assistance, have significantly reduced extreme poverty in the PRC. However, even before the impact of the coronavirus disease (COVID-19) pandemic of 2020, economic growth in the PRC had moderated. After four decades of rapid economic development and a dramatic increase in people's living standards, gross domestic product (GDP) growth slowed from 6.7% in 2018 to 6.1% in 2019. Typically social assistance policies should build on a country's economic and social conditions and overall development goals. In the context of higher living standards and the expected eradication of extreme poverty by the end of 2020, inequality remains an issue and the concept of relative poverty becomes more relevant. Social assistance policies in the PRC require new strategic choices, and the future direction of the reforms depends on a comprehensive understanding of the economic and social impacts of various social assistance policies.
	Functions and features of the social assistance system. Key functions of the social assistance system include guaranteeing citizens' basic livelihoods, promoting social equity, and maintaining social harmony and stability. The social assistance system includes a variety of policy tools for the poor, including cash transfers such as the dibao (minimum basic living guarantee), the tekun program for destitute people (formerly wubao), and special assistance for eligible poor families for education, health care, housing, and employment. Temporary assistance is granted for disaster relief in emergencies. In the wake of the COVID-19 pandemic, the State Council issued new guidelines in August 2020 to refine the social assistance system, improve targeting and adjustment of benefit levels, and expand the coverage of welfare programs. A draft social assistance law is in the State Council's legislative work plan for 2020.
	Dibao is the foundation of the social assistance system, providing unconditional cash transfers to urban and rural households with a per capita income below the locally defined minimum standard. As of April 2019, there were 9.6 million urban beneficiaries (1.1% of the urban population) and 34.8 million rural beneficiaries (6.2% of the rural population), comprising 3.2% of the total population of the PRC. In recent years the standards have increased, while the number of beneficiaries has declined. Nevertheless, dibao remains one of the largest social transfer programs in the world. The tekun program complements the family-based dibao system, and is targeted at the specific vulnerable groups (the elderly, disabled people, and children under 16) who have no work, no other source of income, and no other support also known as _the three no's._ As of April 2019, tekun covered about 4.50 million rural and 0.28 million urban beneficiaries. Special assistance for low-income families covers education, medical care, housing, and employment.
	Competing views of social assistance expenditure. The PRC''s comprehensive social assistance system covers various hardships and risks faced by the poor, but social expenditure remains relatively low as a share of GDP when compared to the average for emerging markets in Asia, all emerging markets, and Organisation for Economic Co-operation and Development countries. Competing schools of thought regard social assistance on the one hand as a required fiscal expenditure or a financial burden to meet the basic needs of low-income people, and on the other hand as a positive social and economic investment that plays a crucial role in reducing inequality, increasing consumption, stabilizing economic fluctuations, and promoting long-term sustainable economic development. These contrasting perspectives correspond to different social assistance and social protection policy development options and reform directions.
	Determining expenditure levels. Social assistance programs require large fiscal expenditures. Lowering expenditure by lowering benefit levels could allow more investment in other areas with potentially higher returns. Lower welfare benefits could also encourage low-income groups to provide more labor. On the other hand, social transfers (especially special assistance for medical care, education, and employment) can directly enable the poor to invest more in human capital, thereby increasing the country's human capital accumulation and improving economic competitiveness. At the same time, since low-income people have a higher marginal propensity to consume, transfer payments increase consumption and can stabilize domestic demand. These different aspects should be considered in determining the optimal level of social assistance. Research using the Organisation for Economic Co-operation and Development's datasets suggests different social expenditure schemes have different effects on poverty, inequality, and growth. This provides policymakers with the possibility to target more accurately when deciding on social assistance schemes with the goal of reducing poverty and inequality without negative effects on GDP growth.
	Few researchers have studied the impact of social assistance on both beneficiary welfare and on inequality and economic development in the PRC. The impact channels of special assistance programs (medical care, education, housing, and employment) on individuals and the economy may be different than the direct cash transfers like dibao. Comparing the PRC's social assistance programs with similar ones in developed countries, for example in France or the United States, can provide useful lessons and recommendations to help clarify the direction of reforms and improve their design.
	Strengthening social protection systems and service delivery is fundamental to ADB Strategy 2030's operational priority of addressing remaining poverty and reducing inequalities. Social protection is also explicitly mentioned in five of the Sustainable Development Goals. ADB and the PRC have a long history of cooperation on social protection. The TA program of the past decade has supported analytical work to inform the development of cash transfer programs and the establishment of the urban poverty line; assessment of the impacts of the hukou (household registration) system on migrant workers and their families; assessment of social protection financing, benefits, and targeting; development of social work services both in general and for vulnerable groups (older persons, children); and contracting of social organizations for service delivery, among others. A 2020 TA completion report recommends further ADB support for social assistance reforms.

Impact	Social assistance strengthened, basic living standards guaranteed, social justice promoted, and social harmony and stability maintained
Outcome	Evidence-based social assistance policy toolbox improved
Outputs	Analytical knowledge products developed Social assistance policymakers' capacity built
Geographical Location	Nation-wide

Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	

Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	Seminars and workshops will involve stakeholders across government agencies working on social assistance.

Business Opportunities

Consulting Services	Individual consultants will be recruited to provide 2 person-months of international and 26 person-months of national consulting inputs. ADB will engage the consultants and carry out procurement following the ADB Procurement Policy (2017, as amended from time to time) and its associated procurement staff instructions. ADB will also engage national and international experts for resource person assignments as needed and agreed with the executing agency.

Responsible ADB Officer	Schelzig, Karin Mara
Responsible ADB Department	East Asia Department
Responsible ADB Division	Urban and Social Sectors Division, EARD
Executing Agencies	Ministry of Civil Affairs 147 Beiheyan Dajie Dongcheng District, Beijing 100721

Timetable

Concept Clearance	28 Oct 2020
Fact Finding	19 Oct 2020 to 19 Oct 2020
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	29 Oct 2020

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