

Universal Social Protection

The Universal Child Money Programme in Mongolia



Mongolia’s universal Child Money Programme (CMP) is one of the country’s flagship programmes and an essential part of its social protection system, which is among the most progressive and comprehensive of Asia. In May 2015, the Government of Mongolia

together with the UN agencies agreed on recommendations to complete a social protection floor which would therefore address the remaining social protection deficits.

Figure 1. Definition of a social protection floor for Mongolia, agreed by the National Dialogue conducted in 2013-2014



Source: UN, Government of Mongolia, 2015: Social protection assessment based national dialogue: Definition and cost of a social protection floor for Mongolia (ILO, Ulaanbaatar)

Among the recommendations, stakeholders emphasized on the importance of maintaining the universality of the Child Money Programme and

reinforcing both its legal framework and adequacy of benefits, as being the most effective response to tackle poverty, in particular rural poverty.

Recommendations for improving the Child Money Programme¹

- The programme needs to be embedded in a legislative framework to safeguard its sustainability, coverage and adequacy.
- The programme should introduce an automatic indexation on the cost of living to guarantee its efficiency in terms of poverty reduction impact.
- Mongolia being a middle income country needs to maintain universality of its social protection and promote decent employment for increased social insurance coverage, as to fully activate the redistribution function of social protection systems, beyond solely poverty reduction.

What does Mongolia's Child Money Programme look like?

Programme characteristics and reach

The programme, which went through different phases of development (see below) offers an allowance of MNT20,000 (around USD10 in June 2016) per month to all children aged 0 to 17 years old including children under correctional service and living abroad. However, children of migrant workers are not covered by the programme, a gap that was brought to the attention of the Government².

The CMP is financed through the Human Development Fund (HDF), which is accumulated from mineral resource taxes. The CMP is perceived as a mechanism for redistribution of the wealth of the mining sector across the population in an equitable and efficient manner.

Two parameters of the programme can explain its success: first, **its focus on children**: The main beneficiaries of the programme are children, which

are automatically eligible at the time of civil registration with the State Registration General Office (SRGO) (no additional procedure is required); second, **its effective payment mechanism**: The monthly benefit is paid directly through an automatic bank transfer to eligible families. As a result, by the end of 2015 a total of 1029,4 thousand³ or nearly 100 per cent of children aged 0 to 17 years old received this benefit.

The place of the CMP in the overall social protection system of Mongolia

The CMP is part of a comprehensive social protection system, reflecting the strong attachment of Mongolia's society to solidarity and social justice. This system has five main components: (a) universal social health insurance scheme, partially or fully subsidized by the State for certain groups of the population; (b) compulsory and voluntary social insurance securing compensation and benefits in case of maternity, sickness, unemployment (only compulsory scheme), employment injury, old-age, disability and survivorship; (c) social assistance/welfare programmes financed from general tax revenues⁴; (d) the Child Money Programme and other right-based social protection allowances financed from mineral revenues through the Human Development Fund; and (e) active labour market policies, employment and local development programmes (financed from the State's budget).

¹ These recommendations represent a consensus among stakeholders obtained during the national dialogue on defining a social protection floor for Mongolia conducted in 2013-2014.

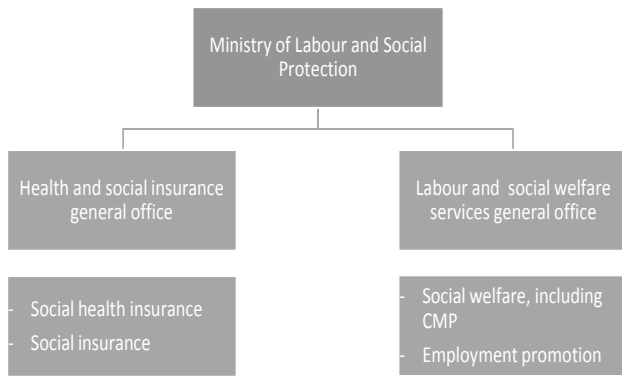
² See ILO, 2016: Report to the Government: Assessment of the social security legislation in view of a possible future ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102) (ILO, Geneva)

³ National Registration and Statistics Office: Mongolian Statistical Yearbook 2015

⁴ Mongolia provides an interesting example of universal maternity benefit, as it offers universal maternity protection coverage through a combination of different mechanisms. Formal employees are covered by social insurance on a mandatory basis

and receive a replacement rate of 100% of their covered wage for four months. Herders, self-employed and workers of the informal economy can join the scheme on a voluntary basis, and receive maternity cash benefits for four months at a replacement rate of 70 percent of their selected reference wage after 12 months of contributions. In addition, maternity cash benefits under the Social Welfare Scheme are provided to all pregnant women and mothers of infants regardless their contribution to the social insurance scheme, status in employment and nationality. The benefit, equivalent to approximately US\$ 20 per month (2015) is paid from the fifth month of pregnancy for 12 months. Maternity care is provided through the universal (tax funded) health care system (ILO, 2016).

Figure 2. Overall structure of the social protection system in Mongolia



Source: Ministry of Labour and Social Protection, 2016.

As of the end of 2013, coverage under the mandatory social health insurance scheme was nearly universal, extending to more than 90 per cent of the population. The same year, a 71.6 per cent of the economically active population was insured under the social insurance system (table 1), either under the compulsory or voluntary scheme. However, those contributing to the voluntary scheme represented, in 2013, only 23.3 per cent of those who are eligible to participate, i.e. herders, self-employed, informal economy workers and unemployed. The total coverage expanded to 85 per cent in 2015, a rise mainly attributable to increased registration among self-employed and herders under the voluntary scheme.

In addition, the tax-funded social welfare system plays an important role in providing public support to members of vulnerable groups such as older people and people with disabilities, orphans, infants, women during maternity or single mothers with many children who are unable to live independently. There are 71 programmes stated by law targeting specific groups of the population accounting for 1.1 per cent of the Gross Domestic Product (GDP) in 2014.⁵ Social welfare expenditure more than doubled, increasing from MNT99.3 billion to

MNT256.8 billion between 2010 and 2015, resulting in 49.4 per cent of the population receiving some social welfare benefit, including the CMP allowance⁶, impacting positively on poverty levels. During the period 2010 to 2014, the national poverty headcount index decreased from 38.7 per cent to 21.6 per cent, and in rural areas from 49.0 per cent to 26.4 per cent.⁷

Without the CMP, only 19 percent of the population would receive some social welfare benefit.⁸ The CMP is therefore one of the flagship programme of the Government, together with the universal Maternity Allowance paid during 12 months to all pregnant women, irrespectively of their activity and employment status.

As noted above an important financing source of non-contributory social protection schemes is a Human Development Fund (HDF), established in accordance with the Law on Human Development Fund approved by the Parliament in November 2009. The HDF builds on revenues from the mineral and mining sectors and has an objective of redistributing wealth equally among all citizens of Mongolia. The Child Money Programme is one of the main programmes funded by the HDF.

In 2014, the aggregated expenditures for social welfare, State subsidies to the social insurance pension fund, and social protection expenditures of the Human Development Fund amounted to 3.4 per cent of the GDP.

Evolution of the Child Money Programme since 2005

Rising copper prices and swelling tax revenues resulted in a budget surplus in 2005, offering an enabling environment for strengthening social protection. In January 2005, the CMP was introduced as Mongolia’s first programme targeting the poor.

⁵ Source: Ministry of Finance, 1 June 2016. Programmes implemented by the Social Welfare Services General Office under the Law on Social Welfare, 2012; the Law on Social Security for People with Disabilities, 2005; Law on Social Security of Senior Citizens, 2005; and Law on Supplementary Allowance for Honored Senior Citizens, 2008.

⁶ Onishi, J. & Chuluun, T. (2015). Review of program design and beneficiary profiles of social welfare programs in Mongolia. Washington, D.C.: World Bank

⁷ NSO, 2014.

⁸ Onishi, J. & Chuluun, T. (2015). Review of program design and beneficiary profiles of social welfare programs in Mongolia. Washington, D.C.: World Bank

Households with three or more children, identified as poor using a proxy-means test were entitled to an allowance if children had mandatory immunizations, lived with parents, and were not engaged in worst forms of child labour. In addition, for those with children aged 8 to 17 years old, the transfer was also conditioned on school enrolment. By June 2005, the programme has reached all its targeted population, or 61 per cent of all children aged 0 to 17 years old.

In 2006, copper and gold prices, as well as government revenues continued to climb, and in July 2006, the CMP was transformed into a quasi-universal programme: discontinuing the use of the targeting mechanisms, but retaining a soft form of conditionality on school enrolment. The benefit remained identical until the introduction of quarterly cash transfer of MNT25,000 for all children in January 2007.

In 2007, UNICEF conducted an assessment of the CMP impact on poverty reduction. The analysis showed that the efficiency of income targeting was

poor due to flaws in proxy means testing and implementation issues. The analysis concluded that the 'universal' programme had a slightly larger impact on poverty reduction than a targeted programme had due mainly to exclusion errors associated with proxy means testing.

In January 2010, the Government discontinued the CMP and replaced it by annual cash transfer of MNT120,000 to all citizens.

In September 2012, the newly elected Government issued a resolution to re-introduce the CMP, providing a cash transfer of MNT20,000 per month to all children under 18 years, financed from the HDF. This resolution continues guiding the CMPs' implementation. The resolution kept the CMP unconditional and universal, with a simplified procedure for implementation. Citizens apply at any commercial bank and open up an account to receive their children's money; the banks do not charge any service fees as part of their Corporate Social Responsibility.

Table 2. Summary of Child Money Programme

Timeframe	Level of benefit	Number of children covered	Targeting and conditionality
01/01/2005-01/06/2005	MNT3,000 per month	350,000	<ul style="list-style-type: none"> Households living in poverty identified using means testing Households with 3 or more children Vaccination Not engaged in worst forms of child labour Enrolled in school Living with parents
01/06/2005 – 01/07 2006	MNT3,000 month	650,000	<ul style="list-style-type: none"> Households living in poverty identified using means testing Vaccination Not engaged in worst forms of child labour Enrolled in school Living with parents
01/07/2006 – 01/01/2010	MNT3,000 per month	932,000	<ul style="list-style-type: none"> Universal coverage conditioned to school enrolment Living with parents
01/07/2007 - 01/01/2010	MNT25,000 per quarter	932,000	
Since 01/10/2012	MNT20,000 per month	967,900	<ul style="list-style-type: none"> Universal coverage without any conditionality

Source: Ministry of Population Development and Social Protection, 2015

What are the main impacts of the CMP?

While no comprehensive impact evaluation of the CMP has yet taken place, several research findings confirm the progressive nature of the programme. Not only the benefit incidence is nearly twice as high in the poorest quintile compared to the richest quintile (Gassmann et al., 2015), the allocation of the transfer is pro-poor with 34 per cent received by the poorest group (Onishi and Chuluun, 2015). Based on an analysis of the 2014 Household Socio-economic Survey, the CMP significantly reduces monetary poverty. Estimations indicate that the CMP contribute to a 12 per cent reduction of the poverty incidence and reduced the poverty gap by 21 per cent. If only children are considered, the achieved poverty reduction is slightly higher. The CMP appears particularly powerful in reducing poverty in the countryside and in the Western parts and the highlands of Mongolia (Tserennadmid, forthcoming).

What's next?

The general elections held in June 2016 are a critical opportunity to ensure that social protection remains a priority for the new Government amidst the current serious economic downturn. In August, the newly elected Government has announced a number of measures to reduce public expenditures, including re-introducing the income targeting of the Child Money Programme. This move implies reducing coverage to 60 per cent of children – using an existing household database which was created through proxy means testing of households for a smaller programme (the food stamps programme). This and other measures will yet need to be approved by the new parliament (a similar initiative was rejected just six months before the recent elections); but the fiscal situation appear to leave little leeway for belt-tightening measures – at least on the short term.

The debate therefore is expected to continue in Mongolia on how to find sustainable solutions for financing popular social protection measures such as the CMP and what forms of targeting could sustain best the universal social protection floor. Advocacy for maintaining the universality of the Child Money

Programme, as well as the social protection system in general would require strong national evidence on programme impact and efficiency; and the debate would need to be informed also by empirical evidence from other countries (including on sustainable ways of financing programmes). In this light, the possible ratification of the Social Security (minimum standards) Convention, 1952 (No.102) would provide useful guarantees for sustaining Mongolia's social protection system, including the Child Money Programme.

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