Child Money Programme

International Labour Office

Mongolia

Mongolia's universal Child Money Programme (CMP) is one of the country's flagship programmes and is an essential part of its social protection system, which is among the most progressive and comprehensive in Asia. In May 2015, the Government of Mongolia, together with United Nations (UN) agencies, agreed on recommendations to complete the social protection floor, thereby addressing remaining social protection deficits.

Among the recommendations concerning the social protection floor, stakeholders emphasized the importance of maintaining the universality of the Child Money Programme. Reinforcing the Child Money Programme's legal framework and adequacy of benefits is seen as the most effective response to tackle poverty, in particular rural poverty.

National social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), an approach to achieve universal social protection.

This note presents a successful country experience of expanding social protection.

Recommendations for improving the CMP

Between 2013 and 2014, Mongolia conducted a national dialogue to define its social protection floor. The stakeholders in the dialogue came to a consensus on recommendations to improve the CMP, as outlined below.

- The CMP has 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 the universality of its social protection while concurrently promoting decent employment and increased participation in its social insurance system in order to fully activate the redistribution function of the social protection system that goes beyond solely poverty reduction.

Figure 1: Definition of Mongolia's SPF, formulated by the national dialogue in 2013-14

Source: UN and Government of Mongolia, 2015.

1. What does Mongolia's Child Money Programme look like?

Programme characteristics and reach: The CMP, which went through different phases of development (see below) offers an allowance of 20,000 Mongolian tughriks (MNT) (around US$10 in June 2016) per month to all children aged 0 to 17 years old, including children in correctional facilities and those living abroad. However, children of migrant workers are not covered by the programme, a gap that was brought to the attention of the Government (ILO, 2016a).

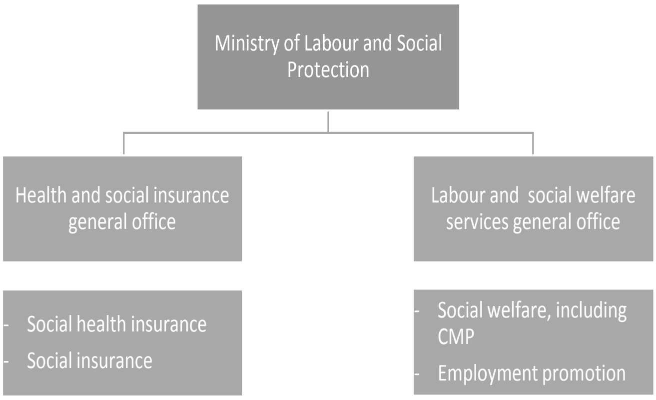
The CMP is financed through the Human Development Fund (HDF), which is accumulated from mineral resource taxes. The CMP is perceived as a mechanism for redistributing wealth from the mining sector across the population in an equitable and efficient manner.

Two parameters of the programme can explain its success. First, the programme is **focused 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, the programme has an **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, almost 1.03 million, or nearly 100 per cent of children aged 0 to 17 years old, received this benefit (NSO, 2015).

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 that is 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 revenues; (d) the Child Money Programme and other rights-based social protection allowances financed from mineral revenues through the Human Development Fund; and (e) active labour market policies, employment programmes and local development programmes (financed from the State budget).[1]

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. In the same year, 71.6 per cent of the economically active population was insured under the social insurance system, 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 the 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.

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



Source: Ministry of Labour and Social Protection, 2016.

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. Expenditures on 71 programmes stated by law targeting specific groups of the population accounted for 1.1 per cent of the gross domestic product (GDP) in 2014.[2] Social welfare expenditures 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 benefits, including the CMP allowance, and having a positive impact on poverty levels (Onishi and Chuluun, 2015). During the period 2010 to 2014, the national poverty headcount

[1] Mongolia provides an interesting example of a 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 per cent of their covered wages for four months. Herders, self-employed and workers in 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 per cent 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 $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, 2016a).

[2] 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.

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 (NSO, 2014).

Without the CMP, only 19 per cent of the population would receive social welfare benefits (Onishi and Chuluun, 2015). The CMP is therefore one of the flagship programmes of the Government, together with the universal Maternity Allowance paid over 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 the Human Development Fund (HDF), established in accordance with the Law on Human Development Fund that was 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 aggregate 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 GDP.

2. 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. Households with three or more children and were 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 the 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 had 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. In July 2006, the CMP was transformed into a quasi-universal programme by discontinuing the use of the targeting mechanisms, but retaining a soft form of the conditionality on school enrolment. The benefit remained the same until the introduction of a quarterly cash transfer of MNT25,000 for all children in January 2007.

Table 1: Summary of Mongolia's CMP

Time	Level of benefit	No. of children covered	Targeting and conditionality
1 Jan 2005 – 1 June 2005	MNT3,000 per month	350,000	• 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
1 June 2005 – 1 July 2006	MNT3,000 per month	650,000	• Households living in poverty identified using means testing • Vaccination • Not engaged in worst forms of child labour • Enrolled in school • Living with parents
1 July 2006 – 1 Jan 2010	MNT3,000 per month	932,000	• Universal coverage conditioned to school enrolment • Living with parents
1 July 2007 – 1 Jan 2010	MNT25,000 per quarter	932,000	
Since 1 Oct 2012	MNT20,000 per month	967,900	• Universal coverage without any conditionality

Source: Ministry of Population Development and Social Protection, 2015.

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 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 CMP's 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.

3. 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 is the benefit incidence 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 reduced monetary poverty. Estimations indicate that the CMP contributed to a 12 per cent reduction in 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).

4. 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 announced a number of measures to reduce public expenditures, including re-introducing the income targeting of the Child Money Programme. The targeting will be done using an existing household database (created through proxy means testing of households for a smaller food stamp programme), which reduced coverage to 60 per cent of children.[3] The fiscal situation appears to leave little leeway for belt-tightening measures – at least for 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 best sustain basic universal social protection. 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. The debate would also need to be informed 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.

[3] As of November 2016, the CMP is paid in cash to 60 per cent of children with payments to the remaining 40 per cent of children deferred until 1 January 2019.

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