

Universal Child Benefit Case Studies: The Experience of **Mongolia**

July 2019

Background and Context

Mongolia—a landlocked country sandwiched between China and Russia—is home to nearly 3.2 million people (of which 1.1 million, or 34.8%, are children)¹, as well as vast, untapped reserves of copper, coal and other minerals. In 2011, it was the world's fastest-growing economy with GDP growth rate of 17.3%, but in 2015 the country's economic growth slowed to its weakest pace since 2009, amid a sharp downturn in commodity prices, exports and foreign direct investment (FDI)². This economic slowdown occurred against a backdrop of political instability, including corruption charges and changes to key personnel at the top levels of Mongolia's multi-party democratic government. Election laws have been reformed several times, but significant concerns remain about the country's institutional capacity. Despite its high growth rate, Mongolia has seen many economic swings in recent years due to an over-dependence on commodity exports and an economic slowdown in China—its largest trading partner.

Over the past two decades, Mongolia has taken significant steps towards reducing poverty, although there are growing concerns about rising inequality and a high unemployment rate. The poverty rate is 29.6% at the national level, but there are significant disparities across regions. The poverty rate is the lowest in Ulaanbaatar city at 24.8% and high in the countryside at 38% and even higher in the Eastern region at 43.9%. The 2017 Labour Force Survey results show that the unemployment rate is 8.8%, again with considerable variations among provinces with the highest unemployment rate of 23.5% in Orkhon province and

with the lowest unemployment of 3.2% in Tuv province. Advances have also been made in education, and the country has experienced improvements in internet and mobile phone penetration. Environmental risks such as climate change, have already adversely affected agricultural production and livestock. Rising air pollution continues to pose a risk to children's health and the overall welfare in the country.

Family benefits in Mongolia, as per many socialist states, have a long history dating back to 1962. The first family benefit was not poverty targeted but targeted at families with 4 and more children. Although, between 1995-2005, the benefit was paid once a year for mothers with 4 or more children. However, this case study focuses on the last 14 years of the current Child Money Programme (CMP), of which the CMP has been universal for 8 years and 9 months of these 14 years.

In 2005, the Government of Mongolia introduced³ the Child Money Programme (CMP), a conditional, poverty-targeted cash transfer to alleviate poverty. This was introduced in the wake of the economic and social transition from a centrally planned economy to a market economy which stemmed from the democratic revolution of 1990. As will be described below and shown in Figure 1, the CMP to date has experienced varying coverage levels. The programme's conditions included ones related to social and health behaviour as well as schooling requirements. The implementation of the programme incurred targeting problems of leakage to the non-poor and exclusion of the poor.⁴

1. Mongolian Statistical Information Service NSO. 2017. <http://1212.mn/default.aspx>

2. Asian Development Bank. (2016). *Mongolia: Economy*.

3. See [Law on Social Welfare of Mongolia approved on 1st of December 2005 and Government Resolution #16 of 2005 on Benefits for Many Children](#).

4. UNICEF. 2007. *Child Benefits and Poverty Reduction: Evidence from Mongolia's Child Money Programme*; World Bank. 2006. *Assessment of the Child Money Program And Properties of Its Targeting Methodology*.

In July 2006, the government converted the programme into a universal scheme providing a benefit to all children younger than age 18 as part of its pro-natalist policy. In addition to this benefit, a new benefit for newborn children and a quarterly benefit for all children was introduced and thus increased the overall amount of child benefit.

In 2010, the government discontinued the CMP following a reform of the social welfare system. This reform was related to the mining boom. The Government introduced a cash transfer for all citizen (21,000 a month), including children from a fund called the Human Development Fund

from mining revenue – the world’s only full universal basic income scheme - which continued until July 2012. The reform was intended to signal that the cash transfer should be regarded as a development transfer from the natural wealth of the country, rather than a welfare benefit.

In October 2012, the country’s new parliament reintroduced the CMP following the adoption of the Government Action Plan (2012–2016)⁵ which highlighted the government’s social welfare commitments. The benefit was made universal again and provided MNT 20,000 (approximately USD\$14.40) for all children younger than age 18.

Figure 1. Timeline Summary of Child Money Programme showing changes in coverage

Timeframe	Size of benefit	Number of children covered	Targeting and conditionality
01 January 2005- 01 June 2005	3000 MNT 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 June 2005 – 01 July 2006	3000 MNT per 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 July 2006 – 01 January 2010	3000 MNT per month	932,000	<ul style="list-style-type: none"> Enrolled in school Living with parents
01 January 2007 - 01 January 2010	25 000 MNT per quarter	932,000	<ul style="list-style-type: none"> Universal
01 October 2012-01 July 2016	20 000 MNT per month	967,900	<ul style="list-style-type: none"> Universal
01 July 2016 –July 2017	20 000 MNT per month	660,000	<ul style="list-style-type: none"> PMT targeted to 60% of total children
2017	20 000 MNT per month	1,034,000	<ul style="list-style-type: none"> Universal with retroactive payment to all excluded children (40% of total children) for the first seven months of the year.
January-March 2018	20 000 MNT per month	684,000	<ul style="list-style-type: none"> Registered in PMT database with a livelihood score below 554.
01 April 2018-till now	20 000 MNT per month	912,000	<ul style="list-style-type: none"> Registered in PMT database with a livelihood score below 670.

5. Government Action Plan. Available at: http://www.wpro.who.int/countries/mng/mongolia_government_action_plan_2012-16.pdf

Although the Government Action Plan 2016-2020⁶ states that the child money programme will be provided to every child (Article 3.3.12), the Government decided to reintroduce targeting to the CMP, as an IMF condition was to target social protection programmes, including the CMP. For a period between July 2016 and June 2017, 60% of children aged 0-18 received the benefit. Subsequently, the IMF approved a three-year loan arrangement under the Extended Fund Facility Programme imposing conditions with regard to fiscal consolidation which included “steps to strengthen and better target the social safety net”⁷. In addition to the conditions established by the IMF, the ADB established a disbursement condition for funding under its policy-based loan (Social Welfare Support Program 2) that further reinforced loan conditions insisting on targeting the programme. However, owing to an improvement in the fiscal indicators in July 2017, the Government re-established the universal feature of the CMP and integrated the programme in the Law on Social Welfare⁸, and coverage of the programme was extended to the remaining 400,000 children who were not covered by the CMP in 2017. This was also done retroactively from the beginning of the year. However, the disbursement of the first tranche of the ADB policy loan was delayed, putting pressure again on the government.

Consequently, on the 1st January 2018, as a result of the loan conditions, the government was compelled to once again retarget the CMP at 60% of children. However, due to positive economic changes and less progress on poverty reduction between 2016-2017 the targeting has been relaxed and coverage extended to 80%, this time with the agreement of IMF and ADB. More recently, due to better information and awareness among the general public, additional households were registered to the PMT system and the coverage as of today has reached 85% of total children. Initially, the government was intending to remove the threshold score of 670 and planning to provide all children registered in the PMT database with CMP, but the number of children exceeded the available budget and therefore the threshold of 670 has been maintained.

The CMP has always been high on the political agenda, and in early 2019 the President of Mongolia and some other prominent politicians were initiating a law which would result in a switch back to universality. Consequently, the Government has changed the programme design again

so that every child included in the PMT database will be eligible for the child benefit, by increasing the threshold score from 554 to 670. The government is now processing requests from those remaining households currently not included in the database to be included. Those who do not wish to be included in the database will self-exclude themselves from the programme. In this case, the coverage is likely to increase up to 90 per cent.

When introduced as a universal child grant in October 2012, the Government introduced a simplified procedure for implementation. Citizens merely needed to apply to any commercial bank of his/her choice and open up an account for his/her children’s money. This was a very simple administrative procedure for entitlement holders to undertake and therefore meant it was easy to access one’s CMP benefit the banks do not charge any service fees as part of their Corporate Social Responsibility policy.

Grant Description

The current Child Money Programme is regulated by the provision No. 13.1.5 of the Law on Social Welfare⁹ and the Government Resolution No. 18 of January 2017¹⁰, which ruled that all children must be registered in the PMT database and have an account at any commercial bank of their choice, and are eligible for CMP grant. Thereafter, the Parliament of Mongolia decided in May 2018 that 80 per cent of all children registered in the PMT database should receive the grant.

Child Money Programme summary

Coverage: All children that are citizens of Mongolia (both resident and non-resident). Children of foreign residents are ineligible.

No of Children covered: 976,000 children (i.e. 85% of all children) as of August 2019.

Financing: Tax-financed by government.

Cost: In 2017, the CMP was 266 billion MNT (1% of GDP) or 108 million USD. In 2018, 209 billion MNT was transferred to 912,000 eligible children. For 2019, 231.2 billion MNT was assigned.

6. [Government Action Plan 2016-2020](#).

7. International Monetary Fund. 2017. [IMF Executive Board Approves Financial Arrangement for Mongolia](#).

8. [Provision #13.1.15, Law on Social Welfare](#).

9. [Law on Social Welfare](#).

10. [Government Resolution No. 18 of January 2017 on Procedure for Child Money Programme](#)

Qualifying conditions: The child must be younger than age 18; be included in the PMT Household Database and live in a household that has a PMT livelihood score of below MNT 670.

Benefit description: 20,000 MNT is paid monthly to the primary caregiver for each child; no limit on the number of children in a household.

Administrative Organisation: [Ministry of Labour and Social Protection](#).

Monitoring implementation

The universal version of the CMP had no administrative issue until it was targeted through the PMT. In a 2017 UNICEF-supported workshop, government social workers outlined the problems that they have encountered when implementing PMT on the ground. They reported that the PMT survey was subjective, low quality and carried out by poorly trained local people within a short time. They also believed that the PMT would not be able to accurately differentiate between households as incomes and wellbeing are very similar across much of the population, especially for those living in the countryside.

Furthermore, they highlighted that it is difficult to appeal against exclusion from the PMT version of the CMP as re-evaluations take a long time after the receipt of the grievance. Typically, a re-evaluation can take up to two months. Therefore, eligible households not surveyed on time or who do not meet the requisite survey score, are unable to receive the Child Money for a considerable time. These delays can be critical to the wellbeing of children. Also, social workers found that it was relatively easy to cheat the system: some people manipulated their answers to achieve either a low or a high score, depending on the programme for which they wanted to qualify. It was also felt that the PMT version of the CMP discourages recipients from searching for employment so that they can remain on the programme. Whereas, the universal version is not withdrawn if household income increases through additional income from work, and the perverse incentive to avoid work seeking/performance is reduced.

The PMT has also created tensions within Mongolia's communities since those not qualifying for the CMP do not understand the reasons, especially when they appear to be in circumstances little or no different from those who have qualified.

The administrative demands required to implement poverty targeted programmes place a significant burden on local officials. Social workers in Mongolia work long hours, with little time to take care of their own families' health and well-being. Their monthly salaries are only US\$280-360 per month. The demands of the PMT means that social workers cannot focus on their other responsibilities, such as public education, employment promotion, child protection and social work. In short, the PMT has a further negative impact

The CMP is a non-contributory benefit is paid to all children that are citizens, regardless of residency status. Beneficiaries can elect which bank they wish to receive their transfer. Every child from households included in the PMT database with a livelihood score of below 670 receives the monthly grant of MNT, 20,000 which is 13.6% of the National Poverty line (146,650 MNT)¹¹. According to a UNICEF commissioned estimation, using 2016 Household Socio-Economic Survey (HSES)¹², at the national level, the share of child money in *per capita* monthly income is 2.6%. But this share is high at 8.5% for rural poor and 11% for households with five children or more. The PMT is conducted every 3-5 years and once included in the PMT database, children will continue receiving the child grant. Children deemed ineligible can have their case considered for inclusion via a grievance mechanism. If the threshold score for eligibility is lowered, children may become ineligible.

The benefit amount has remained the same since October 2012 and is not linked to the national poverty line or indexed to inflation or any other metric. The benefit does not include in-kind transfers and/or additional services. Costing USD\$108 million, the CMP was disbursed to 1,034,000 children in 2017. This equates to 93.6% of total children and 32.5% of the total population. The CMP is tax-financed with direct government resources, (comprising some ODA and IFI resources).

In January-March of 2018, 684,000 children were covered by the CMP as the threshold for the livelihood score was 554. However, as of August 2018, 976,000 children received the child money as the threshold score was increased to 670. For this, a budget of 231.2 billion MNT was assigned for 2019.

11. World Bank. 2017. [2016 Poverty Rate in Mongolia Estimated at 29.6 Percent](#).

12. Tserennadmid, A. 2018. *Analyses on Effects of Changes of CMP on Income Poverty of Children Through Microsimulation of the Household Socio-Economic Survey (2016) Data*. Ulaanbaatar: UNICEF.

on families by reducing the ability of social workers to offer them support in other vital areas. Mongolia's social workers are adamant that the PMT is leading to arbitrary and inaccurate results, excluding many people living in poverty and creating a significant administrative burden.

of the real-time monitoring demonstrate that recent frequent changes in design and related delays in cash transfer created uncertainties and inconveniences among the beneficiaries, many of them end up needing additional loans and experiencing reduced consumption.

Impact evaluations

Poverty (monetary, MDP etc.) and inequality indicators:

- The 2016 HSES shows that income poverty increased from 21.6% in 2014 to 29.6% in 2016. It also showed that children are more likely to be in poverty than adults. While 29.6% of the Mongolian population lives in poverty, this indicator is 38.5% for children. Nearly half (46.6%) of the poor are children. However, a UNICEF commissioned estimation¹³ shows that the CMP contributed to a reduction of the child poverty incidence from 43.5% to 38.5% as of 2016.
- Research from Yeung and Howes¹⁴ illustrates the impact of the universal transfers on inequality, using the Gini coefficient and the Palma ratio (the ratio of the income share of the top 10% to the bottom 40%). In all years, the Human Development Fund transfers reduced inequality; for example, by 7.6% (35.02% to 32.27%) in 2010 when measured by the Gini coefficient, or 12.8% (1.48 to 1.29) when measured by the Palma ratio. The transfers reduced poverty and inequality because of their progressive nature. In 2011, for example, when the benefit was at its highest amount, the transfer amounted to 70% of pre-benefit consumption expenditure for those in the bottom decile, compared to only 5% for individuals in the top decile.
- A World Bank review of social welfare programmes in Mongolia¹⁵ states that although universal, the CMP is a pro-poor programme, with larger shares of programme benefits received by lower PMT score quintile groups.

Human development indicators

- UNICEF's ongoing real-time monitoring of the impact of recent changes in CMP on selected households show that delay of CMP transfer of some months has led to an unexpected shortage of cash, and therefore, the families have needed to borrow from local vendors to meet their daily needs. Thus, the CMP is a form of income security for many poor households, especially for households with many children. Initial findings

Accuracy: exclusion/inclusion errors

- The latest PMT of 2017 was fully funded by the ADB (4.5 billion MNT) and was sufficient to cover 600,000 households (70% of total household) or 2.1 million people (65% of the total population). However, exclusion is clearly evident. The government put a grievance mechanism in place to handle the excluded households. According to Government estimation, out of the 907,000 poor people (HSES 2016), around 800,000 are included in the database. According to a Government presentation at a workshop jointly organised with UNICEF, exclusion error of 2017 PMT is 20%.

Efficiency

- The PMT of 2017 cost MNT 4.5 billion, fully funded by ADB and was sufficient to cover 70% of total households and 65% of the total population. For the grievance, the Government allocated 0.4 billion MNT in 2018.

Current Developments

Issues identified as critical to maintaining or moving forward with the programme

- The main reason behind the targeting of CMP are related to budget issues during the challenging economic situation, with stagnant growth, a weak balance of payments position, a large fiscal deficit and rising debt, falling FDI and increasing vulnerabilities in the banking system. However, saving little (from 100% to 80%) in monetary terms, the social cost is very high. In addition, the lost opportunities of local social welfare workers due to the high administrative burden of PMT, should not be underestimated.
- Using a PMT created database for CMP is problematic, as the coverage of the programme is over 80% of total children. The PMT is recognised as good for effectively identifying the poorest, but not the moderately poor

13. Tserennadmid, A. 2018. Analyses on Effects of Changes of CMP on Income Poverty of Children Through Microsimulation of the Household Socio-Economic Survey (2016) Data. Ulaanbaatar: UNICEF.

14. Ying Yeung & Stephen Howes. (2015). Resources-to-Cash: A Cautionary Tale from Mongolia.

15. Onishi, J. & Chuluun, T. 2015. Review of Program Design and Beneficiary Profiles of Social Welfare Programs in Mongolia. Washington, D.C.: World Bank.

or near poor. UNICEF supports the universality of the programme and suggests the need to explore other categorical targeting options, such as age-based targeting if the Government cannot afford the fully universal CMP. For instance, In the case of Mongolia, age-based targeting, this could be the easiest way to target the CMP in a constrained fiscal situation. At the end of 2017, children aged 0-8 composed 60% of total children, while children aged 0-12 years old are equivalent to nearly 80% of total children. Geographical targeting (rural children and children living in informal *Ger* districts) or targeting based on the number of children in the household could be other options.

- The unreasonable push to use the PMT database for the CMP, and the suggestion that all children are now covered is problematic as there are still many children who are not covered, and the CMP is far off from being fully universal. The figures speak for themselves: As of April 2019, 990,000 children of total 1,150,000 children in Mongolia are included in the database. Of them, 75,000 are not receiving the CMP because they are above the threshold score of 670. In addition to these children, there are around 30,000 children not included in the database, but willing to get the CMP. So, according to the Government, there are around 105,000 children excluded, which is nearly 10% of total children. In addition, there are more than 100,000 children, and the Government wants to claim that they are self-excluded.

Looking ahead

Owing to the popularity of the CMP, it is likely that the politicians will continue pushing the universality of the programme. Currently, the President of Mongolia and several prominent politicians are initiating a law to return to a universal CMP. In short, the CMP is very high on the agenda in Parliament. As a consequence of the IMF's Expanded Fund Facility and the country's economic situation, there are currently no discussions to increase the size of the grant.

Lessons learned

The CMP in Mongolia is popular among both politicians and the public, and their preference is for universalism. Very few politicians are opposed to the CMP from the perspective of affordability. The ruling party agenda and political party platforms have always included promises for universal CMP in the past decade. This may lead to risk of the CMP being undervalued and regarded by some as a political tool. Moreover, in Mongolia, there have been several poorly designed social protection schemes that are ineffective. Thus, the overall reputation of social protection programmes, including the CMP, has deteriorated and has been criticised for being wasteful.

The primary challenge now is the current misconception that the CMP is still universal because all children in the PMT database are entitled to the benefit. However, as outlined many children remain excluded.

One aspect of social policy in Mongolia that perhaps might require reflection, is the use of the PMT and the related database supported by some development partners. These partners have been pursuing the PMT for more than 10 years and have fully funded two of the three PMTs conducted since then. While the use of PMT is still very limited, they continue to push the Government to use it for more programmes in spite of the significant limitations outlined in this case study.

Useful links

- Development Pathways, January 2018. [and Kyrgyzstan lose out in their struggle with the IMF over the targeting of child benefits.](#)
- Ying Yeung & Stephen Howes. (2015). *Resources-to-Cash: A Cautionary Tale from Mongolia.*
- Onishi, J. & Chuluun, T. (2015). *Review of Program Design and Beneficiary Profiles of Social Welfare Programs in Mongolia.* Washington, D.C.: World Bank.

This country profile was written by Enkhnasan Nasan-Ulzii of the UNICEF Mongolia country office and Ian Orton of UNICEF's social protection team in New York. It builds on presentations and discussions at the International Conference on Universal Child Benefits in February 2019 hosted by UNICEF, ILO and ODI and is an output of a larger project on universal child benefits lead by UNICEF and ODI.

The full UNICEF-ODI Report on universal child benefits, this and other country profiles, conference materials and other links can be found on socialprotection.org at <https://www.unicef.org/social-policy/universal-child-benefits>.

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UNICEF
3 United Nations Plaza
New York, NY 10017

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