

DRAFT REPORT ON CHILD FOCUSED SHOCK-
RESPONSIVE SOCIAL PROTECTION PILOT
OPTIONS

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Executive Summary

UNICEF seeks to work together with other development partners to support the Government of Mongolia (GoM) to pilot a shock-responsive social protection (SRSP) program in order to demonstrate the value of mainstreaming SRSP into the national social protection system and to generate lessons on whether and how to scale up the pilot program.

In Mongolia, the increased frequency and severity of climate-related shocks as a result of climate change have been particularly pronounced. Nomadic herder households, who account for approximately a third of the population, are particularly vulnerable to these climate shocks, given their reliance on livestock for their livelihoods. Loss of livestock due to climate shocks is an important driver of massive rural to urban migration which has resulted in high urban unemployment and contributed significantly to dangerous levels of urban air pollution.

While the national system for disaster management, implemented through the National Emergency Management Agency (NEMA), has a number of measures in place to reduce the risk of livestock death as a result of droughts and dzuds, there are currently no explicit provisions within the social protection system to reduce risks to the welfare of vulnerable households or children arising from the growing problem of climate-driven shocks.

Research from the National Statistics Office of Mongolia (NSO) found lasting negative impacts of cyclical climate driven shocks on children's education and health (see section 6.1). Preparedness and early action to buffer children against such effects on children's welfare before they occur through SRSP is preferable to measures aimed at reversing these effects exiting and their economic and social consequences after they have taken their toll.

SRSP presents an opportunity to respond to seasonal and cyclical shocks in a faster and less expensive manner than the traditional humanitarian disaster response model by making use of existing social protection systems (e.g. targeting mechanisms, beneficiary databases, payment systems, human resources, monitoring mechanisms) rather than investing limited resources in new, parallel ones.

Definitions and Terminology

There is *no single definition of social protection*, but the common understanding converges around:

- Buffering households against extreme poverty, particularly those that have diminished income earning capacity like the elderly or disabled, by helping them to *meet their basic needs*; and
- Providing a *safety net to poor and vulnerable households* who lack robust formal insurance or savings to fall back on after a shock, and who resort to negative coping strategies like selling productive assets, thereby limiting future opportunities and falling into a 'poverty trap'.

Child-focused social protection adds to this the concept of helping poor and vulnerable households to invest the *human capital development* of their children (i.e. education, nutrition/health, and well-being) and helping them avoid negative coping strategies like taking children out of school or reducing nutritious food intake, as these strategies create a poverty trap that follows children into adulthood.

Child-focused shock responsive social protection therefore aims to provide households with a safety net designed to help them avoid negative coping strategies harmful to children when they are hit by a shock such as a drought, dzud or flood.

SRSP, Disaster Management and Social Protection

SRSP falls between traditional, development-focused social protection (as managed by the MLSW, in Mongolia) and disaster management (as managed by the National Emergency Management Agency (NEMA)) supported by humanitarian response (via humanitarian partners). This has implications for how SRSP programs are designed compared to 'traditional' or mainstream social protection programs, in terms of the legal framework, mandate of institutions involved and formal coordination mechanisms established between them, financing options, and implementation arrangements at the national and sub-national levels.

While NEMA responds to dzud through the release of state fodder reserves and working with the local authorities to coordinate 'otor' movements¹, there are currently no government-led programs addressing income constraints that result in negative welfare impacts on pregnant women and children.

While humanitarian actors play an essential role in helping buffer households against shocks, they are implemented in an ad hoc rather than systemic manner and are subject to unpredictable financing. Furthermore, the GoM has both the capacity and the will to respond to these needs.

Mongolia presents a strong case for SRSP due to:

- Strong implementation systems for existing national social welfare which can be leveraged to respond to shocks;
- Ongoing revision of law and strategy governing social welfare presents timely opportunity to ensure provisions for shock responsiveness are included in the legal-policy framework;
- Interest and will from both the GoM and development partners to mainstream shock responsiveness into the national social protection system.

An SRSP pilot program that tests the leveraging of national social protection systems (i.e. targeting databases, payment systems, national and local staff, monitoring mechanisms, etc.) can be used to generate lessons and demonstrate the value of SRSP beyond program operations and the effects of cash in protecting the vulnerable from shocks. The pilot should also be used as a forum to generate lessons around what works and does not work with respect to coordination, financing, staffing, risks, etc.

¹ through agreements between Soum authorities to allow herders from neighbouring Soums to access pastureland in order to save livestock

Coordination

Coordination between social protection and disaster management/humanitarian actor has been identified as a key challenge by several development partners examining SRSP in Mongolia. It is also a major challenge in many other countries seeking to implement SRSP.

Order Number 114 (December 2018), however, established the 'Working Group to Strengthen Capacity For Early Warning And Early Action in Dzud Disasters'. **This Working Group presents a significant opportunity for coordination between disaster management and social protection actors, however, there is a risk it will remain focused on traditional and livestock-focused disaster management rather than social welfare unless there is a significant effort to carve out some space for SRSP. The establishment of a SRSP body focused on implementation through MLSW systems under the new Social Welfare Law and Strategy is suggested as a complementary measure to this.**

Post-Pilot Scale Up: Flexible, Predictable Financing

Unlike regular social protection programs, the need for financing of SRSP is contingent upon whether or not a shock occurs. As such, the funding must be flexible. The Ministry of Finance (MoF) has indicated that for post-pilot mainstreaming of the program into the national system, the best option would be the Government Reserve Fund, which is primarily intended for disasters. According to the Special Fund Law governing its use, the fund can be allocated via any Ministry, but there must be a basis in the law. This underscores the need to include shock responsive measures in the ongoing revision of the Law on Social Welfare, as well as the need to consult the MoF in the design of the pilot and its evaluation.

The Case for Child-focused SRSP in Mongolia

In Mongolia, among disaster management actors, dzud is seen as a risk primarily affecting livestock. This makes sense given the high degree of reliance of herder households on livestock as their primary source of food source and income-generation, and to store their savings, however dzuds also have impacts on human welfare. These impacts should be addressed through social welfare systems.

While research on the human capital development impacts of climate change-driven shocks in general is quite thin, in Mongolia relatively strong evidence does exist from the National Statistics Organization (NSO). These studies found that due to income constraints faced by herder households affected by the shock, pre-primary and primary (aged 6 to 10) school aged children were less likely to be enrolled in school 2 to 3 years after the shock (while the same was not true for older children), and were significantly less likely to complete basic education². Negative impacts on herder children's height were also observable 3 years after the shock³.

The lasting consequences of chronic poverty and shocks on children's human capital development is central to social protection thinking, particularly as regards coping strategies that are harmful to children's welfare. Measure to mitigate these risks are more aligned with the mandate of social protection actors,

² The Impact of Extreme Weather Events on Education (Valeria Groppo & Kati Kraehnert, 2015)

³ Extreme Weather Events and Child Height: Evidence from Mongolia (Valeria Groppo & Kati Kraehnert, 2015)

rather than disaster management actors, although a clear overlap exists. The existing national welfare programs provide a robust foundation through which shock responsive welfare measures could be delivered.

A large proportion of herder households resort to formal bank loans, informal credit from local shopkeepers, and advanced payment of social welfare benefits (i.e. pension), in order to meet basic needs. While for some herder households the issue is mainly one of cash flow, for poor and vulnerable herder households it is also one of income constraints which results in a cycle of increasing debt. When hit by a dzud, both poor and near-poor households experience a sudden decline in assets and serious challenges to repaying any formal or informal loans they may have. It is the function of SRSP to reduce the risk of households resorting to negative coping strategies (e.g. pulling children out of school to help at home or to save money on indirect costs of schooling, reducing nutrition meals, etc.) as a result of such a shock.

Piloting Vertical Expansion of Existing Child-Focused Social Welfare Program

Temporary vertical expansion, or topping up payments for 1 or 2 months, of an existing social welfare program is the most straightforward and least costly way to scale-up in a shock compared to horizontal expansion, which requires additional targeting and opening of new bank accounts, or other forms of piggybacking which can utilize only some of the delivery systems. Vertical expansion of one or two programs which have high coverage of beneficiaries is the best option, compared to three or more programs with average or low coverage, for reasons of operational simplicity and coordination.

Two national social welfare programs have sufficient coverage to warrant their use for vertical expansion for child-focused shock response: the Food Stamp Program (FSP) and the Child Money Program (CMP).

However, while the FSP may be better suited to shocks of an economic nature, affecting poor households across the country more or less in the same way, the CMP is better suited to child-focused SRSP responding to shocks like dzud for several reasons:

- It is cash-based, rather than voucher-based like the FSP, which offers greater flexibility to households to use their benefits towards healthcare needs or items not found in specific voucher-eligible shops;
- It has a more complete dataset for children, as it currently covers 80% of children and references the Integrated Household Database which has data for almost 100% of children;
- It has dedicated bank accounts for every child, not just every household, already being used by beneficiaries and which they are therefore familiar with;
- It is favourably seen by the public and by local authorities, even among those who are otherwise not in favour of social welfare programs in general.

Pilot Options

It is recommended to implement the child-focused SRSP pilot as a forecast-based early action measure, triggered by the dzud mapping, building upon the lessons generated by the projects implemented by the Red Cross, World Vision and Save the Children.

Three options for a shock-responsive top-up to the CMP are proposed:

Option 1: Dzud Preparedness Top-up

This option proposes a top-up to the monthly CMP payment in late November or early December, with the objective of helping households living in areas identified as being at highest risk of dzud (according to the October and November dzud risk mapping) to invest in preparedness measures to minimize the negative impact of dzud on their children.

The aim of top-up is to help households prepare children for dzud. The main limitation of this option is that it does not provide income support in spring, when herder's expected income which normally comes in from wool/cashmere sales are less and therefore does not address the risk of negative coping strategies at that time.

It is recommended to set the benefit level at 40 000 MNT (15 USD), or double the CMP amount for Option 1, paid one time during November

Option 2: Early Shock Response Top-up

This option proposes a top-up to the monthly CMP payment around the time of the wool/cashmere sales when household incomes fall short of what was previously expected, and in many cases borrowed against, the previous year. The objective of this option is to provide herder households from areas that have experienced dzud with income support at a time when they are experiencing income constraints due to diminished herds, in order that they may continue to spend on children's well-being and avoid negative coping strategies harmful to children's human capital development (e.g. withdrawing children from school to save money on their living expenses in Soum or Aimag centers, reducing meals, etc.).

it is recommended to set the benefit level at 60 000 MNT (USD 22.50) per child, or 3 times the normal CMP amount, paid monthly across 3 months during March, April and May to smooth consumption, rather than as a lump sum in a single month.

Option 3: Combination of Preparedness and Early Response Top-ups

The third option proposes a combination of the first two options, with a preparedness top-up to help households mitigate risks before dzud and an early response top-up to help households avoid negative coping strategies harmful to children.

The main drawback of this option is that it is less affordable; however, it will likely have more impact on children's well being as it aims to address both pre- and post- dzud risks to child well-being.

Option 1 aims to help households focus some resources on preparing themselves, with greater focus on children than livestock, for dzud (appropriate winter clothes and shoes, additional insulation for ger, additional fuel for warmth⁴).

Option 2 aims to help households continue spending on children's welfare after they have seen a reduction in their income due to loss of livestock by providing income support.

All options will be delivered alongside strong messaging around the purpose of the transfer, as well as alongside measure that address livestock needs/risks to mitigate the risk that households will spend the cash on other things.

Targeting

The targeting system will combine geographical targeting in areas prone to dzud, as identified by the dzud risk mapping, and household-level categorical targeting based on children's ages.

Scientific studies carried out by the NSO with the support of Germany found that children aged 0 to 10 were at the highest risk. While it is recommended that all children of herders in areas affected by dzud be targeted for the SRSP pilot, if there are insufficient funds to cover all of them it is recommended to prioritize this age group.

Categorical rather than PMT targeting is recommended due to the reliance that PMT targeting has on pre-shock household assets which are often decimated as a result of dzud and therefore may not be a strong indicator of need post-shock.

Design Considerations

In Mongolia there are a number of unique factors pertaining to the situation of children that should be taken into consideration during the design of the child-focused SRSP pilot.

Children Living Outside Household

In order to attend primary school at the Soum or Aimag center, children from herder households either live with a parent or relative or in school dormitories. In winter and particularly during dzud, this can result in long separation of children from their parents. In addition to the protection risks this might introduce, it also has implications for a cash transfer that is intended for children. It is recommended to clarify with commercial banks that households should be offered the chance to nominate a 'proxy' or someone who can collect benefits on the child's behalf, as some banks have been actively blocking this option. This will help to facilitate the flow of the cash to children's needs.

Prioritization of Livestock

Herders tend to prioritize spending on livestock in times of dzud. Timing the payments of the pilot during periods and in areas where households are receiving other livestock-focused support (i.e. where state

⁴ Around MNT 36 000 (USD 12).

fodder reserves are being released, where other organizations are supporting in-kind distribution of fodder and animal kits, etc.). The effectiveness of this strategy depends on a functional coordination mechanism that bring together both social protection and disaster management/humanitarian actors.

Formal and Informal Debt

In addition to formal debt from banks, a large proportion of herder household also take on informal debt. Some herder households interviewed indicated that if they received additional money to help prepare their children for a dzud, such as a top-up to the CMP, they would feel social pressure use it to make payments towards these informal debts rather than spending it on other immediately needs. It is suggested to undertake sensitization of communities including shopkeepers around the pilot to reduce this risk.

Strong Implementation Infrastructure

On the positive side, despite the fact that Mongolia's low population density and rugged, vast terrain might normally be assumed to present major challenges to the delivery of regular cash transfers to poor and vulnerable households, the 'implementation infrastructure' for social welfare is robust, making a rapidly deployable shock responsive top-up or parallel payment on an existing welfare program highly feasible from a program operations perspective. This includes high penetration of banks across Soums and Aimags, good access to mobile networks and mobile banking, availability of local social welfare staff, etc. The existence of the CMP, moreover, will allow for straightforward vertical expansion with the proper agreements and documented processes in place.

Data Sharing Agreement and Memorandum of Understanding

If the MLSW agrees to cooperate with UNICEF and any partners around the implementation of a child-focused SRSP Pilot, an MoU-style agreement should be signed between the actors to enable smooth cooperation. In order for the MLSW to be able to share confidential data with the team that will be responsible for implementing the Pilot, a data sharing agreement will also be required. Currently, while access to the CMP database requires an application process with no clear timelines, requesting data from MLSW for the sake of cooperation is simpler and will allow the processes to be mainstreamed into MLSW activities.

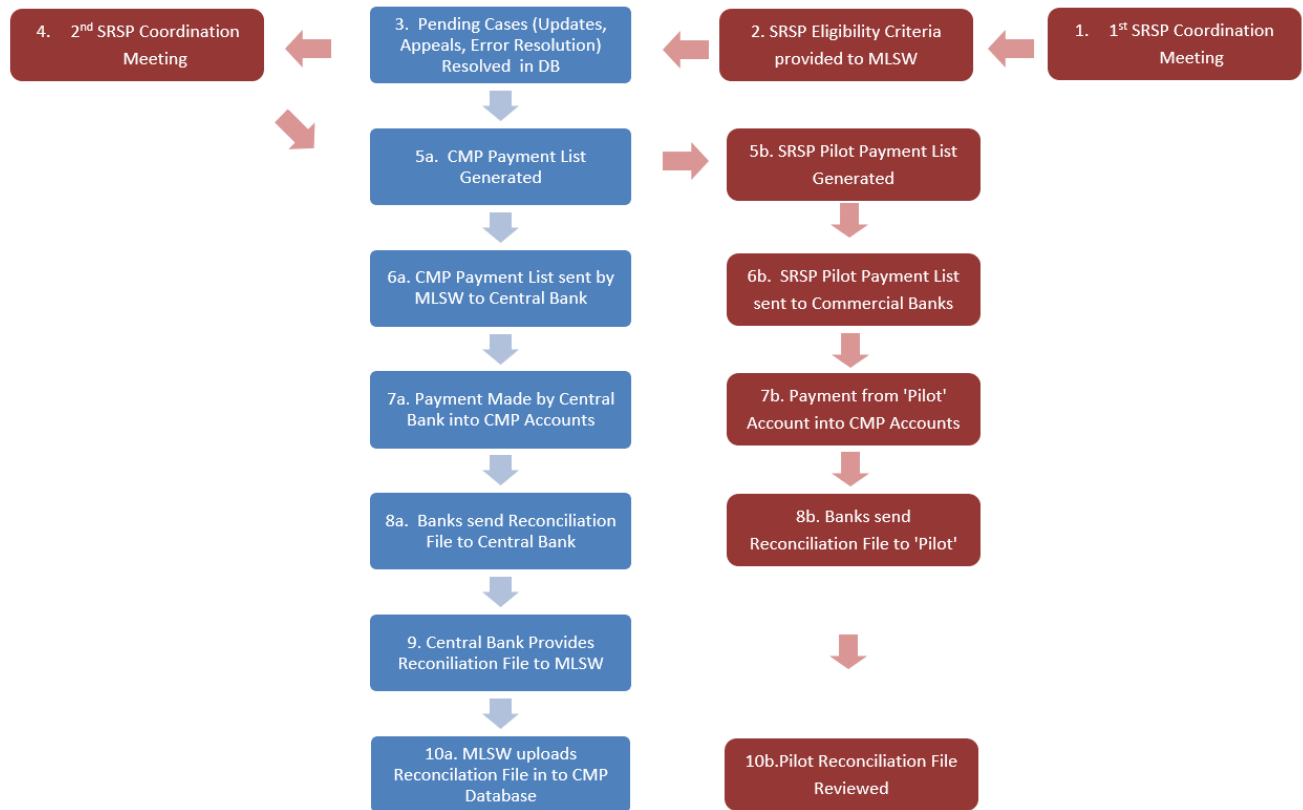
Rigorous Impact Evaluation

The pilot should be evaluated through a rigorous impact evaluation, which has become a standard feature of major social protection pilots, as well as shock responsive ones. The impact evaluation should be carried out by a third party specialist firm. It is strongly recommended to engage the UNICEF Office of Research (Innocenti), which has produced very interesting research and evaluations of similar programs around humanitarian applications of social protection and SRSP.

Operational Cycle

The operational cycle is the standardized, sequenced set of processes and sub-processes that are implemented in order to deliver the program end-to-end. The operational cycle of the pilot will be based upon the existing CMP cycle, with only necessary steps added for the SRSP component (Figure 1).

Figure 1: CMP + SRSP Pilot Operational Cycles



Pilot Team

It is recommended that a small, 3 person team be engaged to manage the pilot and ensure it is implemented in a manner that can be mainstreamed into the CMP with minimal cost: Team Leader, Operations Support Officer and Software Developer.

Next Steps

In order to move forward rapidly to a pilot that can be implemented during 2019/2020, a number of major steps should take place, both with respect to the pilot, and the feasibility of sustainable wider SRSP.

1. Urgent coordination from development and humanitarian partners around support for the government to mainstream SRSP into the revision of the Social Welfare Law and umbrella strategy document (Immediately).

2. Presentation of pilot options to development partners to seek partnerships in either the implementation of the pilot itself or the impact evaluation, as well as to identify other potential complementarities or opportunities for collaboration (July).
3. Presentation of the pilot options, together with any partners, to the MLSW in order to move forward to a formal agreement to implement the pilot together.
4. Design of a rigorous impact evaluation together with UNICEF Office of Research (August).
5. Development of an operations manual and data collection forms together with the MLSW (August).
6. Hiring of Pilot Team (September).
7. Training of MLSW Officers on OM to implement the pilot, along with technical assistance from Pilot team (September).
8. Start of Pilot Planning/Operational Cycle (October).

DRAFT

1 Background

This report covers the findings of a consultancy examining options for UNICEF to support the Government of Mongolia (GoM) to introduce greater shock responsiveness into its existing national social protection system through the piloting of a child-focused program responding to cyclical and seasonal shocks.

The report is based on a desk review of relevant documents, and extensive consultations with stakeholders at the national, aimag, soum and bagh levels during April and May of 2019.

Increased frequency and severity of climate-related shocks as a result of climate change is being experienced globally. However, in Mongolia, these effects have been particularly pronounced, with average temperatures rising 2.1 degrees Celsius since 1940⁵, much higher than the global average, a marked decrease in precipitation and increasing desertification, and increasing scale and decreasing predictability of climate-driven shocks such as droughts, dzuds, floods, as well as wildfires and dust storms.

Nomadic herder households, who account for approximately a third of the population, are particularly vulnerable to these climate shocks, given their reliance on livestock for their livelihoods. Loss of livestock due to climate shocks is an important driver of massive rural to urban migration which has resulted in high urban unemployment and contributed significantly to dangerous levels of urban air pollution. While the national system for disaster management, implemented through the National Emergency Management Agency (NEMA), has a number of measures in place to reduce the risk of livestock death as a result of droughts and dzuds, there are currently no explicit provisions within the social protection system to reduce risks to the welfare of vulnerable households or children arising from the growing problem of climate-driven shocks.

Research from the National Statistics Office of Mongolia (NSO) found lasting negative impacts of cyclical climate driven shocks on children's education and health (see section 6.1). Preparedness and early action to buffer children against such effects on children's welfare before they occur through SRSP is preferable to measures aimed at reversing these effects and their economic and social consequences after they have taken their toll.

Within this context, UNICEF therefore seeks to support the GoM to both improve the legal and policy framework for child-focused shock responsive social protection (SRSP) in the face of climate change, and to provide technical assistance to the Ministry of Labour and Social Protection (MLSP) to introduce shock-responsiveness into an existing social welfare program with national scope, mainly through building systems that allow for their rapid, temporary scale-up as a means of preparedness or early response.

⁵ United Nations Environment Program (UNEP).

Supporting governments to leverage national social protection systems to respond more rapidly and cost effectively to cyclical and seasonal shocks is a priority for UNICEF globally⁶. In Mongolia, UNICEF is also committed to strengthening climate resilience among communities and national authorities, given Mongolia's particular vulnerability to climate change.

SRSP looks at how to leverage national systems at intersection of social protection and disaster management (see Section 2.1), which have traditionally operated largely in isolation of each other, and seeks to generate cost savings and boost efficiency through maximizing opportunities for collaboration and reducing duplication of efforts between them.

Through the pilot, UNICEF intends to help the MLSP generate lessons and establish coordination mechanisms which will help the GoM to decide whether and how to scale-up the pilot, and to subsequently expand shock-responsiveness within the social welfare system to additional vulnerable groups, in addition to children (e.g. elderly, disabled, etc.).

SRSP presents an opportunity to respond to seasonal and cyclical shocks in a faster and less expensive manner than the traditional humanitarian disaster response model by making use of existing social protection systems (e.g. targeting mechanisms, beneficiary databases, payment systems, human resources, monitoring mechanisms) rather than investing limited resources in new, parallel ones. This allows a greater share of resources to be channelled directly into benefits for the affected population, rather than into administration costs.

Cyclical and seasonal shocks like droughts, floods and dzud are better suited to response through scaling-up of national social protection programs than less predictable and more catastrophic massive disasters like earthquakes or pandemics.

Box 1: Definition of Dzud

Generally, dzud is understood to be a slow-onset disaster which is characterized by a summer drought, resulting in anticipated shortfalls of fodder for the upcoming winter season, followed by an extreme winter.

There are 5 different types of dzud:

- Tsagaan (white dzud): high snowfall that prevents livestock from reaching the grass;
- Khar (black dzud): lack of precipitation in grazing areas leading to lack of drinking water for humans and animals.
- Tömör (iron dzud): short thaw followed by a rapid return to freezing temperature, resulting in the formation of ice that prevents animals from grazing;

⁶ A 2015 joint UNICEF-WFP Return on Investment for Emergency Preparedness Study found through a review of 84 UNICEF, WFP and UNHCR interventions that USD 2.60 savings was generated on average for every USD 1 spend on preparedness, as well as generating time savings of 14 days on average and significant carbon savings.

- Khüiten (storm dzud): extreme blizzard conditions (cold temperatures and high winds) that prevent animals from grazing and exposes them to the risk of freezing to death;
- Khavsarsan (combination dzud) is a combination of at least two of the above.

1.1 Objectives of Child-focused SRSP Pilot

Establishing effective SRSP is a process of system-building rather than something that can be established through a single pilot.

UNICEF is well-positioned to support the GoM to pilot SRSP through a child-focused lens, given the child focus of its own work. However, such a pilot is envisioned as taking **place alongside parallel initiatives** from other development partners (including the World Bank, the Asian Development Bank, WFP, FAO and other social protection and disaster management actors) who have taken steps to being supporting the GoM to mainstream wider shock-responsiveness into the national social protection system, both at the program level and within the relevant legal and policy framework. Just as the national social protection system is comprised of multiple programs addressing different challenges and needs, shock-responsive social protection is not envisioned by UNICEF as being limited to a single, child-focused shock responsive program.

The pilot will take a **program, rather than a project approach**. While UNICEF will assume the financial risks of testing a child-focused shock responsive component within the social welfare system, in order that the GoM can make an informed decision on whether and how to scale-up the program based on the evidence and lessons generated from the pilot, it will be implemented through existing government systems used in the delivery of national social welfare programs, including databases and decentralized government structures.

There is currently great interest from key development partners to support the GoM to develop shock responsiveness within the national social protection system, and to create linkage with Disaster Risk Reduction (DRR) and disaster management authorities (i.e. NEMA).

The opportunity for mainstreaming SRSP currently at a critical stage given that both the Law on Social Welfare and the relevant national strategy are currently being drafted (see Section 3). Clear provisions for SRSP in these key documents is the cornerstone of establishing shock responsiveness within the existing national social protection system, and ensuring regular funding for SRSP within the national budget.

The pilot is envisioned as a **vehicle through which a government-led coordination mechanism** can be established and eventually formalized, to ensure that efforts to support the robust drafting of the Law and Strategy, as well as technical assistance around management information system (MIS) or database development and pilots can occur in a complementary rather than fragmented fashion (see Section 4).

2 Shock Responsive Social Protection

While the concept of helping poor and vulnerable households to cope with shocks and risks is central to the concept of social protection, the term 'shock responsive' social protection has only recently begun to gain greater attention globally, particularly as seasonal and cyclical shocks occur with greater scale and frequency due to climate change. SRSP is focused on leveraging the existing national social protection system to respond to crises and disasters.

While there is **no single definition of social protection** across all countries or development partners, basic definitions of social protection programs tend to converge around two major pillars:

- Buffering households against extreme poverty, particularly those that have diminished income earning capacity like the elderly or disabled, by helping them to **meet their basic needs**; and
- Providing a **safety net to poor and vulnerable households** who lack robust formal insurance or savings to fall back on when hit by a shock or risk, and who therefore must resort to negative coping strategies such as selling productive assets and going deeply into debt, thereby limiting future opportunities and falling into a 'poverty trap'.

Child-focused social protection adds to this the concept of helping poor and vulnerable households to invest the **human capital development** of their children (i.e. education, nutrition/health, and well-being), and to help households **avoid negative coping strategies** harmful to children when they are hit with a shock (e.g. spending less on children's nutrition, education or well being, pulling children out of school to work or help at home, or early marriage). These negative coping strategies increase the likelihood that children will grow into adults without the capacity to escape the 'poverty trap' through the attainment of more gainful employment or escaping lifelong health effects of poor childhood health and nutrition.

Child-focused shock responsive social protection therefore aims to provide households with a safety net designed to help them avoid negative coping strategies harmful to children when they are hit by a shock such as a drought, dzud or flood, and to maintain investment in children's human capital development.

Box 2: Child Protection vs. Child-focused Social Protection

Child Protection (CP) and Child-focused Social Protection are closely related and operate in a highly complementary manner. While child-focused social protection looks at supporting households or caregivers to better invest in children's well-being and human capital development by addressing income-related constraints, child protection addresses the broader enabling environment for child rights and well-being, for example through the strengthening of legal-policy frameworks and implementation capacity of national systems for child protection.

At the activity and outcome levels, whereas child protection might focus on reducing child labour through improved community awareness and strengthened regulatory frameworks, child-focused

social protection would complement this work by reducing reliance of households on child labour by providing a cash transfer to supplement children's earnings.

The Law on Child Protection of Mongolia (2016) specifies that child protection relates to the "prevention and protection from any form of child neglect, abuse, exploitation, violence, and the provision of response services". The Law on Social Welfare of Mongolia (2012) specifies that social welfare means "social and economic provisions of the state in the form of pension, allowance, assistance and discounts to households and citizens...to ensure that they meet the basic/minimum needs of living".

2.1 Shock Responsive Social Protection: Between Social Protection & Disaster Management

SRSP falls between traditional, development-focused social protection (as managed by the MLSP, in Mongolia) and disaster management (as managed by the National Emergency Management Agency (NEMA)) supported by humanitarian response (via humanitarian partner agencies and NGOs). It looks at how existing household or individual level welfare programs can be scaled up or otherwise leveraged to take early action or offer early response to cyclical and seasonal shocks like droughts, floods and dzuds (see Figure 1).

Box 3: SRSP: Examples of 'Leveraging' National Social Protection Systems

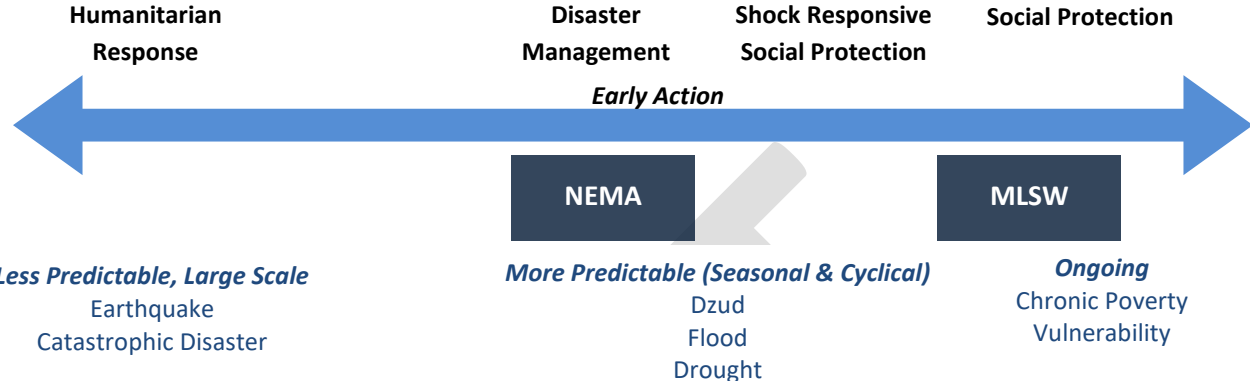
Examples of how national social protection systems might be 'leveraged' for shock-responsiveness include:

- topping-up (i.e. payment an additional amount on top of) the benefits of an existing social welfare program like the Child Money Program (CMP) or the Food Stamp Program. This is referred to as 'vertical expansion';
- extending an existing social welfare program to additional households/individuals not normally included as beneficiaries (e.g. those just above the poverty line) because they have been made vulnerable due to a shock. This is referred to a 'horizontal expansion';
- piggybacking on existing national social protection systems (e.g. by using the same targeting lists/beneficiary databases as another existing program, making use of the payment system of an existing program to deliver a new benefit, making use of trained program staff/human resources, etc.);
- utilizing social protection beneficiary databases, like the PMT database held at the MLSW, that hold data required to rapidly target and pay those affected by a shock.

This has implications for how SRSP programs are designed compared to 'traditional' or mainstream social protection programs, in terms of the legal framework, mandate of institutions involved and formal

coordination mechanisms established between them, financing options, and implementation arrangements at the national and sub-national levels.

Figure 1: Types of Disasters and Response



2.1.1 Forecast-Based Early Action

Recently, there has been increased discussion globally around how early warning systems can be used to reduce the impacts of a disaster or shock through mitigating measures and how social protection systems which have ready systems to deliver cash transfers can be leveraged for the distribution of cash. Examples of such systems in managing climate-related shocks specifically with respect to herder communities exist in Northern Kenya, Northern Uganda and Ethiopia.

Compared to rapid-onset disasters like earthquakes, slow-onset disasters like dzud and drought allow more time for key actors to engage in planning around forecast-based early action, awareness raising among communities anticipated to be affected, and engagement of local authorities responsible for implementation of early action and coordinating response at the Aimag and Soum levels.

While this area is somewhat new in relation to social protection, major steps have been taken towards establishing regular forecast-based early action in Mongolia, including a dzud early warning system, which is operational and serves to trigger key early actions focused on livestock survival. The system consists of an annual dzud risk mapping carried out by the National Agency for Meteorology and Environmental Monitoring (NAMEM), followed by early action planning with NEMA and the Ministry of Food, Agriculture and Light Industry during which the targeted release of subsidized state fodder reserves and coordination of 'otor' (movements of herds by herder households to available pasturelands) by local government take place. The dzud risk mapping is based on 14 indicators (such as rainfall, temperature, pasture capacity) that are collected throughout the year, and is produced in late October, late November and at the end of December. It is disseminated via multiple channels including NEMA, other relevant Ministries, and mass media, and is intended to reach herders in order that they may make necessary preparations.

In addition, an order was issued by the Deputy Prime Minister in December 2018 to establish the 'Working Group To Strengthening Capacity For Early Warning And Early Action in Dzud Disasters' (see Section 4).

The Mongolian Red Cross has implemented a forecast-based early action program providing unconditional cash and animal care kits including vitamins to help them survive the winter, while World Vision and Save the Children have also implemented forecast-based distribution of fodder and cash to herders at risk of dzud. This is discussed below.

2.2 Current Situation of Shock Responsive Social Protection in Mongolia

SRSP is a quite a new 'space'. While there is growing interest in SRSP, particularly in Mongolia, there are few examples of countries that have already successfully mainstreamed shock responsiveness into their national systems⁷.

While Mongolia is among those countries that currently has only very limited shock responsiveness within its national systems, the scope for expanding shock responsiveness is extremely promising given:

- Strong implementation systems for the regular and timely delivery of social welfare benefits through commercial banks, despite sparsely distributed population and vast, difficult terrain⁸, which can be leveraged to rapidly scale-up social welfare benefits in response to or in anticipation of a shock;
- Ongoing revision of law and strategy governing social welfare presents timely opportunity to ensure provisions for shock responsiveness are included in the legal-policy framework;
- Interest and will from both the GoM and development partners to mainstream shock responsiveness into the national social protection system;
- Strong evidence base supporting mitigation of lasting negative education and health impacts of dzud through social welfare, generated through research carried out by the Mongolian National Statistics Organization (NSO) with the support of Germany.

While the system of social protection in Mongolia offers both social welfare benefits to help the poor meet basic needs, social health insurance and livestock insurance to help mitigate the effects of shocks, and a child grant for investment in human capital development, cyclical and seasonal climate related

⁷ Examples include the Hunger Safety Net Programme (HSNP) in Northern Kenya, which also deals with the risk of droughts to nomadic herder households, and Chile and the Dominican Republic which have introduced rapid targeting forms that can be deployed in coordination with existing social protection data in response to crisis. While other examples of SRSP exist, these are largely ad hoc in nature rather than institutionalized within government. Therefore the lessons they can offer for SRSP through national systems is somewhat limited.

⁸ While communities and other stakeholders interviewed mentioned that delays in the payment of welfare benefits were frequently experienced prior to December 2018, this was due to delays in transfers of funds by the Aimag level Social Welfare Implementation Agency, which was in turn due to lack of available funds rather than to difficulties with the actual payment system. Payments have since been centralized, with the central level Social Welfare Implementation Agency generating the payment list and requesting payment via the commercial banks, and stakeholders indicated that such delays have since ceased.

shocks present a serious risk to the effectiveness of the system for herder households whose livelihood and lifestyle are particularly vulnerable to these shocks.

None of the social welfare programs transferring cash to households or individuals currently include a 'shock-responsive' component. Existing provisions aimed at helping households cope with shocks are limited:

- A program for households that have suffered the loss of their breadwinner does exist, providing support for 3 years to the remaining household members.
- In terms of inclusion in the poverty-targeted Food Stamp Program, while households can appeal for inclusion in the Proxy Means Test (PMT) database⁹ of the program, they cannot do so within the first year of inclusion, and appeals normally take 3 to 4 months to process due to bottlenecks at the national level where final decisions on eligibility are made.

While NEMA responds to dzud through the release of state fodder reserves and working with the local authorities to coordinate 'otor' movements¹⁰, there are currently no government-led programs addressing income constraints that result in negative welfare impacts on pregnant women and children. The few such programs that have been implemented have come from humanitarian actors and have been implemented through parallel targeting and payment mechanisms, rather than through government systems.

While humanitarian actors play an essential role in helping buffer households against shocks, they are implemented in an ad hoc rather than systemic manner and are subject to unpredictable financing. Furthermore, the GoM has both the capacity and the will to respond to these needs.

2.3 Gap in Existing Response: Addressing Immediate Income Constraints on Child Well-being

Measures focused on the household as part of dzud response take place around two main sets of activities, managed at the national level by NEMA and the relevant sectoral ministries, respectively, and implemented in coordination with local government at the Aimag and Soum levels:

1. Dzud risk monitoring and mapping by NEMA, resulting in the release of state fodder reserves and 'otor' coordination between Soum authorities, where the risk is deemed sufficiently high to warrant it;
2. Provision of basic services for households displaced by disasters, such as medical treatment, continuity of education, and psycho-social support.

⁹ The PMT database holds beneficiary poverty 'score' data, based on a PMT (an econometric model that predicts poverty based on a survey of household characteristics and assets, that is in turn based on a national income and expenditure survey).

¹⁰ through agreements between Soum authorities to allow herders from neighbouring Soums to access pastureland in order to save livestock

However, while there is also the need for income support during dzud, as herder households are forced to shift resources towards ensuring the survival of animals, including through negative coping strategies like reducing expenditure on nutritious food, health needs and education of children, there are currently no regular measures in place to address this.

Aimag-level Labour and Social Welfare Service Department and Department for Family, Child and Youth Development officers indicated that they have resorted to charity-style fundraising to provide such income support to households affected by disasters. These officers agree that responding to shock-affected household's material needs that cannot be met by existing social welfare provisions falls under their remit, however, there is no existing allocation of resources through which to respond.

2.3.1 Shock-Responsive Humanitarian Cash Programs

In 2017/2018, the Mongolian Red Cross carried out the Forecast-based Financing for Vulnerable Herders in Mongolia Project, which aimed to help 2 000 herder households in 40 Soums identified through the NAMEM risk mapping to cope with the effects of the dzud through the provision of animal care kits and unconditional cash.

Save the Children and World Vision also implemented a forecast-based project in response to the dzud in 2019, providing herder households with a combination of fodder and cash in Soums identified as high risk by the NAMEM risk mapping.

While FAO has also implemented a project which purchased meat from herders then distributed it to vulnerable households in Ulaanbaatar, this represents a different type of intervention that does not fall into the category of 'cash transfers'.

While a 'Cluster' for humanitarian cash does exist, it is largely ad hoc and does not include strong government participation. As such, the opportunities for both learning and coordination with government are limited.

3 Legal and Policy Framework

The legal and policy framework for social protection in Mongolia is currently undergoing a comprehensive revision, with the Law on Social Welfare and the umbrella strategy document covering 2019 to 2023 in the drafting stages (as of May 2019)¹¹. Once the law is finalized and approved by Cabinet, which may be a lengthy process, regulations providing details on how the law should be specifically implemented will be developed.

This represents a significant and immediate opportunity to ensure provisions for SRSP are included in the relevant law and strategy. Government officials across Ministries, agencies and local government offices

¹¹ The Law on Social Welfare details numerous highly specific circumstances in which households are entitled to social welfare benefits, as well as the frequency of payment. The descriptions are complex and there appears to be a risk of overlapping benefits.

consulted at the national, aimag, soum and bagh levels, unanimously identified the lack of clear provisions in the Law for the extension of social welfare to respond to shocks or anticipated shocks is the main reason no such measures exist, despite recognition among the same stakeholders of the need for income support in addition to services currently provided in response to a shock. Given that the revision is comprehensive, rather than limited to small adjustments around existing provisions, there is scope to include new provisions for SRSP, including a definition.

The MLSP has indicated their interest in including such provisions in the new Law, as well as for receiving suggestions from development partners. Core social protection development partners including the World Bank and ADB have also identified this as a priority area for Mongolia, and are likely to mainstream it into any technical assistance for social welfare.

Recommendations

It is not recommended that UNICEF limit its inputs to the new law as comments on the existing draft without government having been supported by development partners to articulate its long-term vision and strategic priorities for SRSP; instead a workshop with MLSP and development partners should be held in order to help arrive at a common understanding of what SRSP means within the ongoing reform of the social protection system, and to articulate a common vision of the types of concrete provisions that can be included in the strategy and regulations.

It is recommended to include in UNICEFs comments on the revision:

- the legal entry point required for the MLSP to be able to access the Government Reserve Fund (see section 5), which the Ministry of Finance (MoF) mentioned during consultations as the best option to overcome the challenges of 1) flexibility of funding required for a program type that may not necessarily be required annually and which may require different amounts in the years it is implemented, and 2) the fact that SRSP falls between traditional SP and traditional disaster management;
- provisions for the horizontal and vertical expansion of existing programs targeting vulnerable groups other than children, for rapid response to shocks affecting them.
- provisions to establish a formal coordination mechanism that brings together government and non-government actors from both the social protection and disaster management/humanitarian sides (see section 4).

4 Coordination

There is currently no formal, government-led mechanism for coordination between disaster management/humanitarian and social protection actors through which the discussion on SRSP can move forward in a concrete manner. Development partners and humanitarian partners are undertaking a number of interesting activities in the SRSP and Forecast-based Financing spaces, from which important

lessons might be generated, and which efforts would benefit from greater coordination to avoid overlap and duplication, and improve complementarities.

Overall, disaster management under NEMA and Social Welfare under MLSP operate in isolation; this, unfortunately, tends to be the norm rather than the exception when compared to other countries.

The same is reflected at the Aimag level, where winter preparedness plans led by NEMA also fail to include the MLSP GDLSW as part of planning or planned response, even around welfare-related issues (although not necessarily welfare benefits related issues).

In December 2018, the Deputy Prime Minister issued an order (Number 114) calling for the establishment of the 'Working Group To Strengthening Capacity For Early Warning And Early Action in Dzud Disasters', and the implementation of an action plan for early warning and early actions for dzuds. The working group composition laid out in the order included a range of Ministries, including the Director of the Population Policy Implementation and Coordination Department, MLSP, but not those MSLP Officers involved in the provision of Social Welfare. These measures are established under the Law on Disaster Protection, which does not include provisions for social welfare. As such, while any coordination around SRSP should have strong coordination with this group, SRSP is unlikely to gain significant traction as an activity to be implemented within it.

On the 'humanitarian cash' side (i.e. cash transfers delivered by humanitarian organizations in response to crises), an area that is rapidly evolving and for which funds are more readily available due in part to the commitment of humanitarian partners to 'gear up' the use of cash in humanitarian settings in the Grand Bargain¹², an ad hoc 'Cash Working Group' does exist but participation from government actors is limited.

Recommendations

It is recommended use the pilot to test and demonstrate the value of a coordination mechanism bringing together disaster management and social protection actors to government authorities at the national and sub-national levels in order that such a system might be formalized in the future.

While the pilot will be child-focused, the opportunity to jointly discuss revisions to the Social Welfare Law that include shock-responsiveness should be maximized.

¹² "The Grand Bargain is an agreement between more than 30 of the biggest donors and aid providers, which aims to get more means into the hands of people in need. The Grand Bargain was first proposed by the former UN Secretary General's High-Level Panel on Humanitarian Financing in its report "Too Important to Fail: addressing the humanitarian financing gap" as one of the solutions to address the humanitarian financing gap. The Grand Bargain includes a series of changes in the working practices of donors and aid organisations that would deliver an extra billion dollars over five years for people in need of humanitarian aid. These changes include gearing up cash programming, greater funding for national and local responders and cutting bureaucracy through harmonised reporting requirements". <https://www.agendaforhumanity.org/initiatives/3861>.

5 Post-Pilot Scale Up: Flexible, Predictable Financing

While the child-focused SRSP pilot will be funded by UNICEF and its partners in order to generate lessons and present a demonstration case to enable the GoM to make an informed decision of whether and how to scale-up, the costs of scale-up and ongoing operations of the SRSP Program should come from the governments own resources (i.e. from the national budget). In order for SRSP to receive a funding allocation from the national budget, it must be included in the Social Welfare Law.

Unlike regular social protection programs, the need for financing of SRSP is contingent upon whether or not a shock occurs. As such, the funding must be flexible. Moreover, because SRSP straddles the line between regular social protection and disaster management/humanitarian response, SRSP programs should be able to access funds from both 'sectors'. A situation in which the primary allocation from government can be topped up by humanitarian funding from actors seeking to distribute cash transfers should be explored.

While funds supporting innovation in disaster risk and forecast-based financing (e.g. Global Risk Financing Facility) should be explored to support the pilot, the Ministry of Finance (MoF) has indicated that for post-pilot mainstreaming of the program into the national system, the best option would be the Government Reserve Fund, which is primarily intended for disasters. According to the Special Fund Law governing its use, the fund can be allocated via any Ministry, but there must be a basis in the law. This underscores the need to include shock responsive measures in the ongoing revision of the Law on Social Welfare, as well as the need to consult the MoF in the design of the pilot and its evaluation.

The pilot can also contribute towards lessons around appropriate types of financing for predictable, smaller-scale climate-driven shocks which are likely to happen annually (i.e. regular annual winter/drought/flood preparedness), those that are likely to happen with more severity on a cyclical basis (e.g. dzud or repeated dzud, massive floods or droughts) and those that are likely to happen much less frequently but with high severity in terms of impact and will require humanitarian resources in addition to government financing (e.g. earthquakes).

Recommendations

It is recommended to continue to keep the MoF informed of the progress of the pilot and of the ongoing work supporting the revision of the Social Welfare Law and Strategy. The MoF should be invited to provide input into the coordination and pilot implementation aspects of the work as well, particularly where there is an opportunity for them to provide advice on accessing the Special Fund.

6 Child-focused Shock-Responsive Social Protection Pilot Options

In Mongolia, among disaster management actors, dzud is seen as a risk primarily affecting livestock. This makes sense given the high degree of reliance of herder households on livestock as their primary source of food source and income-generation, and to store their savings, however dzuds also have impacts on human welfare. Dzud preparedness and response efforts from the GoM and its development and

humanitarian partners are therefore focused on ensuring the survival of livestock and supporting households to sell livestock-derived products during key periods throughout the year. Similarly, households tend to shift more resources and attention to ensuring the survival of livestock in anticipation of and when experiencing dzud.

While this view is highly appropriate from the livelihoods and disaster management perspectives, recent research from Mongolia highlights a gap in dzud preparedness and response from a social welfare perspective, in terms of mitigating the risk of lasting negative impacts on the human capital development of children of herder households.

6.1 Evidence on Welfare Impacts of Dzud

While research on the human capital development impacts of climate change-driven shocks in general is quite thin, in Mongolia relatively strong evidence does exist. A research project examining the coping strategies engaged in by households in Mongolia in response to climate-related shocks (Economics of Climate Change: Coping with Shocks in Mongolia – Vulnerability, Assets and Migration) was carried out by the National Statistics Organization (NSO) and the DIW Berlin (the German Institute for Economic Research) between 2012 and 2015¹³. The project produced a number of interesting findings around asset growth and indexed livestock insurance, as well as around impacts on herder children's education, nutrition and health.

Two of the nine papers published under the research project specifically examined the lasting impacts of dzud on the human capital development of children from herder households. These studies found that due to income constraints faced by herder households affected by the shock, pre-primary and primary (aged 6 to 10) school aged children were less likely to be enrolled in school 2 to 3 years after the shock (while the same was not true for older children), and were significantly less likely to complete basic education¹⁴. Negative impacts on herder children's height were also observable 3 years after the shock¹⁵.

These studies also provide insights of use for targeting of programs aimed at reducing the impacts of dzud on human capital development, finding that unborn children and children of pre-school age, as well as households in remote areas (compared to those in Soum and Aimag centers) were more strongly affected than other children.

In addition, the studies found that for education outcomes, there was "no evidence for a differential impact of the shock by the child's gender or by pre-shock household wealth", while for height outcomes the opposite was true, with girls and children from households with larger herds pre-dzud, or those led by a more experienced herder, less affected by dzud.

As discussed, above, the lasting consequences of chronic poverty and shocks on children's human capital development is central to social protection thinking, particularly as regards coping strategies that are

¹³https://www.diw.de/en/diw_02.c.219223.en/research_advice/macroec_developments_and_the_world_economy/development_and_security/research_projects/research_projects.html?id=diw_01.c.395251.en

¹⁴ The Impact of Extreme Weather Events on Education (Valeria Groppo & Kati Kraehnert, 2015)

¹⁵ Extreme Weather Events and Child Height: Evidence from Mongolia (Valeria Groppo & Kati Kraehnert, 2015)

harmful to children's welfare. Measures to mitigate these risks are more aligned with the mandate of social protection actors, rather than disaster management actors, although a clear overlap exists. The existing national welfare programs provide a robust foundation through which shock responsive welfare measures could be delivered.

Recommendations

The proposed pilot should both take into account and will build upon this evidence base. First, by using the research findings to inform targeting (see Section 8.2). Second, through the inclusion of a rigorous impact evaluation which takes the studies referenced above into the technical and questionnaire design.

6.2 Income, Expenditure, Debt and Risk Cycle

According to stakeholders interviewed, the annual timing of major expenditures for herder households does not coincide with the seasons when the majority of their income is earned (autumn meat sales and spring cashmere/wool sales). In the event of a dzud resulting in the loss of animals due to starvation, extreme temperatures, or illness, herders are less able to generate sufficient income to meet basic needs, or to pay formal and informal debts. In the case of formal loans, the bank seizes the livestock put up as collateral, leaving households with fewer remaining livestock from which to generate income.

According to Social Welfare officials at the national and sub-national levels, given this centrality of livestock to the economic well being of herder household, these households also tend to prioritize their spending towards ensuring that livestock survive dzud (e.g. fodder, medicine, materials to improve animal shelters) over other types of spending, including on children's well-being, in order to cope with the shock (see Figure 3). Some households also reported that they might no longer be able to handle the costs of keeping a second ger in the Soum or Aimag center for children attending primary school (see 0

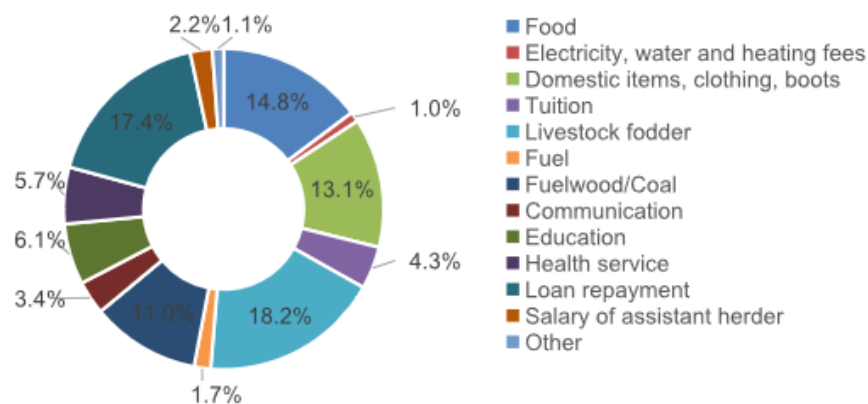
Children Living Outside Household).

The prevalence of debt, both formal and informal, among herders further complicates this situation. Herder households interviewed mainly took on debt to prepare for winter (animal fodder, fuel for heating, renovations to winter shelters, ger insulation, food items, and warmer clothing for children) during September and October, and in many cases to meet the indirect costs of school (school uniforms, books, shoes, etc.) or pay higher education tuition fees in August to September.

A large proportion of herder households resort to formal bank loans, informal credit from local shopkeepers, and advanced payment of social welfare benefits (i.e. pension), in order to meet basic needs. While for some herder households the issue is mainly one of cash flow, for poor and vulnerable herder households it is also one of income constraints which results in a cycle of increasing debt. When hit by a dzud, both poor and near-poor households experience a sudden decline in assets and serious challenges to repaying any formal or informal loans they may have. It is the function of SRSP to reduce the risk of households resorting to negative coping strategies (e.g. pulling children out of school to help at home or to save money on indirect costs of schooling, reducing nutrition meals, etc.) as a result of such a shock. This is discussed further in section 7.4.

While herder households, local government authorities, and commercial banks interviewed indicated that 'most' herder households living in the countryside (i.e. outside of Ulaanbaatar) had formal loans from banks, data from the National Statistics Office indicates that this figure is 55 per cent¹⁶. The Herder Livelihoods Survey carried out in 2017 by the Research Institute of Labour and Social Protection under the MLSP found that 49.2 per cent of households took loans to cover 'domestic consumables' while 8 per cent were even using them to pay back other debts (see **Error! Reference source not found.**). The same study found that on average 17.4 per cent of monthly household expenditure for herders was spent paying back loans.

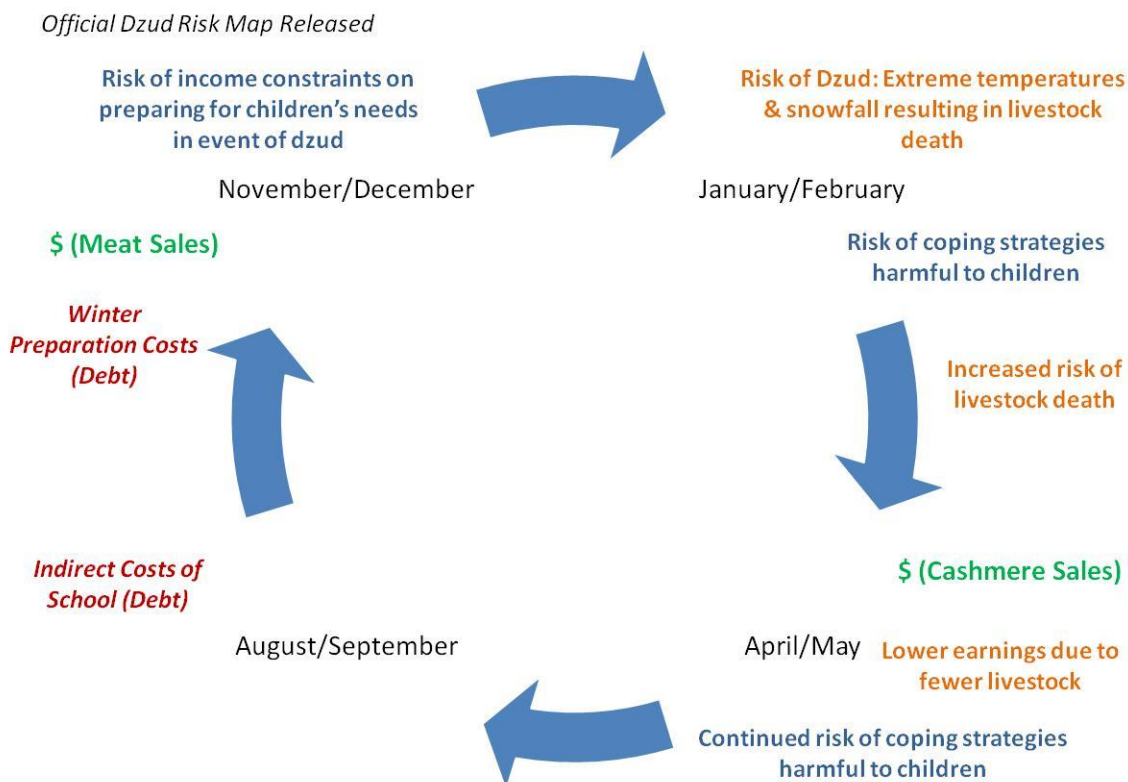
Figure 2: Monthly Expenditures of Herder Households



In addition to formal debt taken from banks, the majority of herder households interviewed had also borrowed from shopkeepers in their local Soum to cover the costs of basic food (oil, flour, sugar), and in some cases for winter clothing for children. Shopkeepers do not collect interest on these loans, but tend to markup prices of good that are bought on credit compared to those bought in cash, as they themselves often take on formal loans from banks annually in order to keep shelves stocked.

¹⁶ Herder Livelihoods Study, Social Development Policy Research Sector, Research Institute of Labor and Social Protection, MLSP (2017).

Figure 3: Cycle of Income, Debt & Dzud Livestock / Child Welfare Risks



As mentioned above, while disaster management initiatives around dzud, both from government and from humanitarian partners, focuses on helping herder households to cope with the risks to livestock, there are currently no social welfare measures in place that help households deal with income constraints on child-well being that occur as a result of a dzud.

6.3 Piloting Vertical Expansion of Existing Child-Focused Social Welfare Program

Temporary vertical expansion, or topping up payments for 1 or 2 months, of an existing social welfare program is the most straightforward and least costly way to scale-up in a shock compared to horizontal expansion, which requires additional targeting and opening of new bank accounts, or other forms of piggybacking which can utilize only some of the delivery systems.

The main challenge normally encountered in vertical expansion of social welfare is low coverage of programs. Unless the social welfare program to be vertically expanded already covers a large proportion of those affected by a shock, simple vertical expansion is not possible. Where vertical expansion cannot be accomplished, program implementers must carry out targeting and open bank accounts or issue payment tokens for those outside the existing program. This takes time and can be costly where there is a need to move quickly.

In Mongolia, herder households and those living in Aimag and Soum centers tend to be receiving at least one social welfare benefit. However, these programs tend not to have high coverage and vertical expansion works best through the scale-up of a single or at most two programs. Attempting to scale-up 3 or more programs simultaneously through vertical expansion would present several challenges, particularly around coordination and avoiding duplication of benefits among households who are beneficiaries of all programs to be scaled-up.

Recommendations

In times of shock it is crucial to deliver benefits rapidly in order to meet affected households' immediate needs and before they resort to negative coping strategies like pulling children out of school. This makes vertical expansion of one or two existing programs with high coverage, which is the most rapid and most operationally simple option, the recommended approach.

6.3.1 Existing Social Welfare Programs: Suitability for Vertical Expansion and Child-focus

The 2012 Law on Social Welfare outlines many eligibility criteria for social welfare programs, identifying a number of vulnerable groups who should benefit (e.g. single parents with many children, households that have lost their breadwinner, poor households in need of food aid, etc.). As a result, there are a large number of programs serving specific vulnerable groups rather than a few large programs aimed at addressing a more encompassing definition of poverty or vulnerability.

This fragmentation of social welfare coverage complicates the task of scaling-up benefits via the existing programs in the event of a shock. As discussed above, the most straightforward manner of scaling-up a program is by topping-up existing benefits with an additional amount (i.e. vertical expansion). This requires using beneficiary data, including targeting indicators, existing payment accounts or payment tokens to ensure beneficiaries can rapidly and reliably access their benefits, and program staff/human resources.

Two national social welfare programs were assessed in terms of their suitability for vertical expansion for child-focused shock response: the Food Stamp Program (FSP) and the Child Money Program (CMP).

6.3.2 Food Stamp Program (FSP)

The FSP is targeted to the poorest 50,000 households in the country using the PMT database of the MLSW. It provides a monthly allowance of 13,500 MNT per adult and from 5,000 MNT to 6,500 MNT per child beneficiary.

The FSP is not currently paid in cash, however. In rural areas, the program is delivered via paper-based Food Stamps and in urban areas in the form of an electronic voucher that can only be used in certain shops.

While the FSP has been identified by a review undertaken by WFP as well-positioned to scale-up in response to economic shocks, for climate-related shocks affecting herder households primarily through a massive loss of livestock assets the FSP is not the best option compared to the CMP. First, the FSP has

lower coverage of households with children than the CMP which has previously covered 100% of children and currently covers 80%. Secondly because the FSP is actually a voucher program which limits the flexibility of households to spend their benefits on things like health care. Shock may also affect the ability of voucher-eligible local shops to restock their supplies, rendering the voucher less useful in such circumstances.

6.3.3 Child Money Program

The CMP was introduced by the GoM in 2005 with the "aim of alleviating poverty in the wake of the economic and social transition from centrally planned economy to market economy in 1990"¹⁷. The program has undergone many and frequent changes, including moving back and forth from being targeted to universal. Currently, the program is an unconditional cash transfer serving the poorest 80% of children. The program provides a monthly cash grant of MNT 20 000 (approximately USD 7.50) per child under age 18.

The CMP is implemented by the MLSP, via its Implementing Agency – the General Department for Labour and Social Welfare (GDLSW), and is paid from an account in the Central Bank directly into beneficiary accounts, unlike the other social welfare programs which are paid from the Social Welfare Fund.

Recommendations

It is recommended to base the child-focused SRSP pilot in the CMP as a measure to help households cope with the child welfare risks of dzud.

Compared to the FSP as a basis from which a child-focused unconditional cash transfer could be scaled-up, the CMP is the better option in terms of:

- Completeness of dataset. The CMP uses the PMT database of the MLSP, which also serves the Food Stamp Program, to identify eligible beneficiaries. While the CMP is currently PMT targeted to only 80% of children, since the database recertification in 2017 all households with children are included in the database (according to the MLSP Social Protection Policy Implementation and Coordination Department, whereas the MLSP GDLSW puts this figure at 93%), including their ages, gender, geographical location, and other characteristics of their households used to estimate poverty using the PMT (e.g. household assets).

Whether the CMP should be targeted or universal has been a topic of much debate between the GoM and development partners. While it is not recommended to target the Child-focused SRSP Pilot based on PMT (see Section 8.2) these variables are nonetheless highly useful in implementing a shock responsive top-up or parallel component, which can be targeted differently given that all children in the database have bank accounts.

¹⁷ UNCT Child Money Program Briefing Document.

- Dedicated bank account for every child. The program, originally universal, required households to open a separate, dedicated bank account into which the CMP must be paid. Bank accounts are opened in the name of one or both legal guardians, and can be opened at their preferred bank. Currently the MLSP GDLSW pays CMP benefits to beneficiary accounts via 13 banks.
- More favourably seen by public and local authorities. The system of social welfare benefits in Mongolia is extensive; a number of stakeholders interviewed expressed concern that the provision of too many social welfare benefits was harmful and creating dependence on the state. However, the CMP was not considered to be part of this perceived problem and was generally regarded as boosting children's well-being.

These features of the CMP provide a strong base from upon which a child-focused SRSP pilot can be built, either as a top-up or as a parallel component.

6.4 Addressing Income Constraints on Child-being Before and During Dzud

It is recommended to implement the child-focused SRSP pilot as a forecast-based early action measure, triggered by the dzud mapping, building upon the lessons generated by the projects implemented by the Red Cross, World Vision and Save the Children.

The CMP is the focus of a debate around targeting for the sake of greater affordability that has seen the program change many times from universal to targeted. A shock responsive component need not necessarily implemented using the same database and bank accounts without using the same targeting system, as children affected by dzud are not necessarily those identified as poorest by a PMT (see Section 8.2).

The next section examines considerations that should be taken into account during the detailed design (i.e. operations manual and data collection forms) of all three options.

Three options for a shock-responsive top-up to the CMP are proposed:

- **Option 1: Dzud Preparedness Top-up for Vulnerable Households with Children (in Late November)**
- **Option 2: Early Shock Response Top-up for Affected Households with Children (April/May)**
- **Option 3: Combination of both Preparedness and Early Response Top-up**

Benefit levels are discussed in Section 8.3.

6.4.1 Option 1: Dzud Preparedness Top-up

This option proposes a top-up to the monthly CMP payment in late November or early December, with the objective of helping households living in areas identified as being at highest risk of dzud (according to the October and November dzud risk mapping) to invest in preparedness measures to minimize the negative impact of dzud on their children.

Recommendations

In order to minimize the risk that households will prioritize spending of even the CMP top-up on livestock needs, it is recommended to:

- deliver the top-up in late November when state fodder reserves have been released, when households have already completed their usual winter preparations and have therefore already prioritized livestock for money already spent, and when households have some income from meat sales to cover other expenses (see Figure 3);
- accompany the transfer with messaging regarding the purpose of the transfer, the risks to children's welfare during dzud, and the importance of children's nutrition, education and health to encourage spending on suitable winter clothing and shoes, supplementary non-perishable food, etc.

The aim of top-up is to help households prepare children for dzud. The main limitation of this option is that it does not provide income support in spring, when herder's expected income which normally comes in from wool/cashmere sales are less and therefore does not address the risk of negative coping strategies at that time.

6.4.2 Option 2: Early Shock Response Top-up

This option proposes a top-up to the monthly CMP payment around the time of the wool/cashmere sales when household incomes fall short of what was previously expected, and in many cases borrowed against, the previous year. The objective of this option is to provide herder households from areas that have experienced dzud with income support at a time when they are experiencing income constraints due to diminished herds, in order that they may continue to spend on children's well-being and avoid negative coping strategies harmful to children's human capital development (e.g. withdrawing children from school to save money on their living expenses in Soum or Aimag centers, reducing meals, etc.).

Recommendations

In order to minimize the risk that households will prioritize spending of even the CMP top-up on livestock needs, it is recommended to:

- deliver the top-up in spring, after the point in time when households would rationally decide to prioritize spending on trying to save sick or starving livestock (see Figure 3);
- accompany the transfer with messaging regarding the purpose of the transfer and to reiterate the importance of children's nutrition, health and education, and to encourage households not to reduce spending in these categories.

The aim of top-up is to help households continue to invest in children's human capital development, instead of reducing this spending in order to cope with income constraints. The main limitation of this option is that it does not help households to engage in preparedness for dzud.

6.4.3 Option 3: Combination of Preparedness and Early Response Top-ups

The third option proposes a combination of the first two options, with a preparedness top-up to help households mitigate risks before dzud and an early response top-up to help households avoid negative coping strategies harmful to children.

The main drawback of this option is that it is less affordable; however, it will likely have more impact on children's well being as it aims to address both pre- and post- dzud risks to child well-being.

7 Design Considerations

There is a substantial body of international evidence around the implementation of child-focused safety net and humanitarian cash programs, from which it is useful to draw lessons for the design of a new pilot. However, while every country has its own unique context, in Mongolia there are a number of particularly unique factors pertaining to the situation of children that should be taken into consideration during the design of the child-focused SRSP pilot, particularly around the opportunity to leverage strong implementation systems but also around context-specific risks for which international lessons might be thin.

7.1 Children Living Outside Household

If primary school aged children are selected, based on the design options presented here, as a group that should benefit from a shock-responsive child-focused top-up of the CMP, their unique living situation should be taken into account during the design of the pilot.

In recent years, Mongolia has demonstrated remarkable achievement in primary school enrolment and improvement in literacy rates. Although roughly a third of the population are nomadic herders who continually move in search of pastureland, compulsory education at schools located at the Soum and Aimag centers begins at 6 years old and continues for 8 years. This arrangement, however, precludes the possibility of primary school-aged children from nomadic herder households continuing to live with their families for the period of compulsory education, except during school breaks.

Primary school aged children from herder households generally fall into the following categories:

- Living in dorms operated by education authorities;
- Living with mother;
- Living with other relatives or family friends;
- Living with siblings in a child-headed household.

The proportion of children falling into each category varies across Soums and Aimags, however, among the Soums and Aimags consulted children in dorms accounted for only approximately 10% to 15% of children enrolled in school, while child headed households accounted for a much smaller proportion.

Children living in dorms and child headed households are not necessarily from the most economically vulnerable households, according to social workers or education authorities familiar with their circumstances. There are, however, a number of protection-related risks that this raises.

In addition, the existence of large numbers of children living long distances from their families in the remote countryside of Mongolia has implications for whether a shock-responsive top up on an existing social welfare grant paid to parents would be able to reach those children in a timely manner.

7.2 Proxy Payment System

Safety net programs that serve beneficiaries who might have difficulty physically accessing banks or payment points, such as pensions for the elderly or disabled, often have a system of 'proxy payment' which allows beneficiaries to nominate a trusted representative or 'proxy' to collect payment of benefits on their behalf.

For the CMP, which requires that parents open a specific account per child in the name of one legal guardian of the child, while the proxy option is technically possible, banks do not proactively inform beneficiaries of its existence. Bank officials from both Khan Bank and State Bank interviewed at the Soum and Aimag level expressed concerns that allowing households to nominate proxies would somehow result in misuse of the benefits, and felt that the General Department for Labour and Social welfare should be consulted before households were allowed to nominate proxies, despite the lack of a legal basis or policy from the MLSP for such additional steps.

For a shock responsive pilot, informing households with children living separately from both their parents/their legal guardian(s) of the availability of an option to nominate a trusted relative or friend in the Soum or Amiga center to collect benefits would help to mitigate the challenges of parents being able reach their children with necessary supplies, food, or money for hygiene items or warm clothing for the winter. This would also require clarification from the MLSP GDLSW to banks that they should not act as gatekeepers of the proxy option.

Outside of the shock responsive pilot, greater facilitation of the proxy payment system might also seek to reduce the psychosocial stress felt by children who are unable to afford phone credit to call their parents during long periods of separation during winter, and to be able to purchase goods without credit, reducing any risks of exploitation that might be inherent in the power dynamics of that arrangement.

7.3 Prioritization of Livestock

As mentioned above, given the high degree of reliance herder households have on their livestock for food, income, fuel and collateral for loans, they tend to prioritize spending on keeping livestock healthy and alive during dzud, at the expense of other types of spending, such as children's well-being. While changing this attitude through behavioural change messaging is an option on a longer-term horizon, timing the payments of a child-focused shock-responsive top-up to the CMP to be paid during periods and in areas where households are receiving other livestock-focused support (i.e. where state fodder reserves are being released, where other organizations are supporting in-kind distribution of fodder and animal kits,

etc.). The effectiveness of this strategy depends on a functional coordination mechanism that bring together both social protection and disaster management/humanitarian actors. This is discussed in section 4.

7.4 Informal Shopkeeper Lending

In addition to formal debt from banks, a large proportion of herder household also take on informal debt. As discussed above, because herder households mainly earn income during the December meat sale and April cashmere sale periods they must resort to both formal and informal debt in order to meet their needs on a regular basis. Some herder households interviewed indicated that if they received additional money to help prepare their children for a dzud, such as a top-up to the CMP, they would feel social pressure use it to make payments towards these informal debts rather than spending it on other immediately needs.

Box 4: Child Protection Risks for Primary School Aged Children¹⁸

Although they do not necessarily come from more economically vulnerable households, children living in dorms or with relatives are more vulnerable to protection risks given their separation from their parents/guardians, which may last for 3 to 4 months during the winter. Several children interviewed noted they were often unable even to reach their parents or guardians by phone during this time, due to not having money for phone credit or parents have moved to a place with no phone reception, and that this affected their psychological well being.

Herder children interviewed also shed light on other strategies for dealing with separation, including that in order to visit their parents they would generally try to find a ride with adults they knew or even pay strangers to take them to areas where their parents could meet them. In addition, parents and children interviewed stated that most households had arrangements with local shopkeepers whereby children were provided goods (supplementary food, hygiene items, etc.) on credit. Although these strategies for coping with separation are in not necessarily harmful, they put children in situations where they are at a higher risk of exploitation.

Measures to support the government to mitigate these risks fall more under the scope of Child Protection than Social Protection (see Box 2: Child Protection vs. Child-focused Social Protection), and might include:

- Strengthening of local reporting mechanisms beyond existing national level hotline ('108') which could be improved around confidentiality and data protection, particularly where cases

¹⁸ Lack of adequate nutrition for children living in dorms, who receive all their meals via education authorities during the school year, was also flagged as a significant concern by multiple government officers consulted during field visits. One school director noted that education authorities receives only enough budget to allocate 270g of meat and 20g of flour per child, and that he was concerned for teenage boys in particular in terms of adequacy of nutritional intake.

of sexual abuse and exploitation are involved, as currently there are no clear, standard protocols in place;

- Direct provision of safer and more reliable transportation for children to visit their families. In one Soum (Altai) local authorities have used their local development fund to purchase a vehicle in order to transport children safely to and from their parents/guardians to reduce protection risks and enable children to see their families more frequently;
- Provision of free-of-charge child friendly spaces for sports, music, leisure and socializing were also identified as a useful way to improve children's psychological well-being during periods of long separation from parents by both children and social workers;
- Children living in some dorms also have no access to washing machines, and must wash their clothes by hand which they said was very difficult during the colder months. The children interviewed identified that improving dorms with these types of basic facilities would also help to improve their feeling of well-being.

7.5 Strong Implementation Infrastructure

Despite the fact that Mongolia's low population density and rugged, vast terrain might normally be assumed to present major challenges to the delivery of regular cash transfers to poor and vulnerable households, the 'implementation infrastructure' for social welfare is robust, making a rapidly deployable shock responsive top-up or parallel payment on an existing welfare program highly feasible from a program operations perspective.

Such features of the national systems used in implementation of social welfare cash transfers include:

- Bank branches (either State Bank or Khan Bank) in all Soums and Aimags;
- Availability and use by herders of mobile banking and telephone banking across most, if not all, Soums and Aimags;
- 3G/4G internet and phone network coverage around Soums and Aimags;
- Accessible application and appeals processes, as well as complaints resolution (carried out at Soum level);
- Extension of Social Welfare MIS (management information system) to the Soum level for data entry, and to the Aimag level for verification.

This is not to say that there is not significant scope for improvement of the current systems, including the Welfare Administration and Information System (WAIS) (the MIS used to manage the Food Stamp Program and CMP), as well as at the process level (e.g. proxy payment policy). However, the existing systems provide a robust base for the implementation of a shock-responsive top up to the CMP.

7.5.1 Availability of Social Workers at Local Level

In addition to the availability of data systems and payment infrastructure, Mongolia also has a robust network of social welfare officers that are present in every Soum. Both a Social Welfare Officer (under the MLSP GDLSW) and an Education Officer with social welfare-related responsibilities (School Social worker) exist at the Soum level. Social Welfare Officers are able to collect appeals for inclusion in social welfare programs, identify and register newborns¹⁹ for inclusion in social welfare programs like the CMP (if they are selected via the PMT), and to collect and resolve complaints. This feature is quite rare compared to other countries both in the Region and globally, and can be leveraged in manifold ways to improve the overall quality of implementation.

7.6 Data Sharing Agreement and MoU

If the MLSP agrees to cooperate with UNICEF and any partners around the implementation of a child-focused SRSP Pilot, an MoU-style agreement should be signed between the actors to enable smooth cooperation. In order for the MLSP to be able to share confidential data with the team that will be responsible for implementing the Pilot, under UNICEF but ideally sitting in MLSP offices in order to ensure joint learning around how to implement SRSP, a data sharing agreement will also be required. Currently, while access to the CMP database requires an application process with no clear timelines, requesting data from MLSP for the sake of cooperation is simpler and will allow the processes to be mainstreamed into MLSP activities.

7.7 Rigorous Impact Evaluation

The pilot should be evaluated through a rigorous impact evaluation, which has become a standard feature of major social protection pilots, as well as shock responsive ones. The impact evaluation should be carried out by a third party specialist firm. It is strongly recommended to engage the UNICEF Office of Research (Innocenti), which has produced very interesting research and evaluations of similar programs around humanitarian applications of social protection and SRSP. A key researcher involved in the NSO and DIW studies referenced throughout this document is also currently a member of Innocenti, and should be approached to oversee the impact evaluation, given that background.

Recommendations

Given that a significant proportion of children from herder households live outside of parental care during the school year, supporting beneficiaries to obtain improved access to the ‘proxy’ system through which caregivers or older children can access CMP and shock-responsive top-up pilot benefits is strongly recommended. Without such an option households may struggle to ensure that cash provided for children in time of shocks actually reaches children. This would involve an agreement with the bank to ensure that local bank staff do not act as informal gatekeepers to discourage or block beneficiary households from

¹⁹ Newborn children are registered in civil registration at the time of birth, rather than afterwards.

setting up proxy payment arrangements, as well as utilizing local social workers and education staff to spread awareness among beneficiaries of this option.

To reduce the risk that households will spend cash intended to help children after a shock, it is recommended to time the transfer in alignment with the provision of other, livestock-focused measures such as a subsidized fodder release and humanitarian programs.

It is recommended to establish an MoU with the MLSW for data sharing that includes agreed timelines for the turnaround of data after the receipt of a request as delays in the provision of such data might result in significant challenges to implementing the pilot.

It is strongly recommended that a rigorous impact evaluation be carried out by a third party in order to maximize lessons for scale-up of the pilot.

8 Design Parameters and Delivery System

This section provides technical details on the main parameters defining the pilot design, as well as the major steps that will be taken to implement it (i.e. the operational cycle).

8.1 Eligibility Criteria

Given that the pilot will be targeted to areas identified as highly prone to dzud based on the NAMEM risk mapping, the eligibility criteria will include geographical targeting at the Soum level.

For Option 2, areas that have begun to suffer massive livestock mortality should be prioritized for geographical targeting.

While ideally all children of herder households would be included as beneficiaries of a shock-responsive pilot given the diversity of their needs, if the number of children living in areas that will be severely affected by dzud, according to the risk mapping, is too high for available resources to cover then some targeting beyond geographical targeting will be necessary.

The 'narrowness' of the eligibility criteria applied will depend on the amount of available funds for transfers. If there are insufficient funds to cover all children of herder households in an affected area, it is recommended to prioritize those children most severely affected by dzud, according to the research carried out by the NSO and DIW Berlin. This would mean prioritization of children of preschool and primary school age (children aged 0 to 10).

Table 1: Social Welfare Risks by Age Group

| Risks | Age Groups | Targeting Recommendations |
|--|---|---|
| Less likely to be enrolled in school after shock | Pre-primary school (aged 0 to 5) Primary school (aged 6 to 10) | Prioritize children aged 0 to 10 for shock-responsive scale-up of CMP |

| | | |
|--|--|---|
| Lasting impacts on height-for-age after shock | Unborn children Pre-primary school (aged 0 to 5) | Prioritize children aged 0 to 5 for shock responsive scale-up of CMP |
| More likely to be living outside of parental care during school year | Primary school (aged 6 to 10) Middle & Secondary school (aged 11 to 17) | Protection risks affecting primary, middle and secondary school aged children are not addressed through cash transfers. |

Figure 4: Geographical & Categorical Eligibility Criteria for Targeting



8.2 Targeting System

Importantly, the research carried out by NSO and DIW Berlin found that pre-dzud wealth was correlated to some child welfare outcomes, but not others. The studies found "no evidence for a differential impact of the shock by the child’s gender or by pre-shock household wealth" for education outcomes, while for impacts on children's height boys and children from households with smaller herds pre-dzud were more affected. It is therefore not recommended to use the PMT currently used to target the CMP to target a shock-responsive component of the CMP, but instead to focus on developing categorical eligibility criteria based on the research findings.

Given that herder households that are 'better off' also stand to become impoverished and indebted due to loss of herds during dzud, it is recommended to **leverage** the PMT data and other data (geographical, demographic) in the CMP database by using individual indicators to identify and verify categorical eligibility criteria listed above.

Indicators from the PMT formula that are found in the CMP database might also be leveraged only to exclude the very well-off, rather than to identify the affected (e.g. households with more than 1 000 head of large livestock).

Box 5: Integrated Household Database & PMT vs. Categorical Targeting

Mongolia has a national social protection database which supports PMT targeting. The Integrated Household Database holds a national dataset containing geographical, demographic, asset and well-being data for households with children and households under the poverty line. This is a targeting database, while the management information system (MIS) used to manage the operational processes of social welfare programs is called the Welfare Agency Information System (WAIS).

The database was recertified (i.e. survey was recollected from all eligible households in order to update their data) in 2017 and is currently used to target both the Food Stamp Program (FSP) and the Child Money Program (CMP). These programs are targeted through PMT. PMT is an econometric formula that predicts the likelihood that a household is poor, based on key indicators highly correlated with poverty such as dependency ratio and household assets. They are developed based on datasets of nationally representative income and expenditure surveys rather than through qualitative methods.

While there is currently strong support for PMT-based targeting of regular social welfare programs, as opposed to the categorical approach currently favoured by the GoM, among key development partners, the use of PMT to target during disasters is hotly debated. While programs like the Hunger Safety Net Program (HSNP) in Kenya make use of PMT targeting combined with community-based verification to target the horizontal expansion of the program (i.e. including those just above the poverty cut-off line, while those below receive the regular, monthly social welfare transfer), this has been highly controversial with communities and met with resistance from humanitarian actors who disagree that the near-poor are necessarily those most affected by droughts.

8.3 Benefit Amount & Payment Frequency

It is recommended to set the benefit per child, rather than per household, in order to 'piggyback' on the CMP which is also a per child benefit paid into child-specific accounts. While some programs implement a cap on the number of children that can benefit in a given household (e.g. all households can receive a maximum of benefits for three children even though a household has four children), it is not recommended to do that here as the administrative burden it would place on CMP staff (in the event of a scale-up) is not worthwhile given that it would not generate much savings. This arrangement also might create confusion among beneficiaries.

While humanitarian cash programs often aim to cover 100% of beneficiaries' emergency needs, social protection programs aim to support poor households with income support, or a contribution to the overall household income and may be set as a percentage of the minimum expenditure basket. The exceptionally

high proportion of herder household income that arrives from the sale of wool/cashmere or animals in the spring, alongside the reliance on this income as well to repay loans, both formal and informal, suggest that to be impactful, the benefit level should be high. However, the social protection system is currently going through major reforms based around the affordability of its welfare benefits, and the benefit level must be set at a level that can be sustainably financed, ideally from the government reserve fund, for which there is competition with disaster management initiatives.

The Red Cross set the benefit level for its forecast-based financing project based on the minimum wage, and Save the Children aligned with this for their project. This kind of alignment of humanitarian cash benefits is being explored in a number of countries implementing such interventions, in order to avoid competition between programs and confusion among beneficiaries. However, it is not recommended to align with humanitarian benefit levels, as these projects are ad hoc, based on available funding and serve much smaller number of beneficiaries than the national social protection system must.

Option 1 aims to help households focus some resources on preparing themselves, with greater focus on children than livestock, for dzud, including:

- Appropriate winter clothes and shoes, however, these are not needed every year, and many children receive these as hand-me-downs from older siblings²⁰;
- Additional insulation for ger, in order that it is not necessary to burn as much fuel during winter (based on interviews, households can save as much as 50% on fuel, thereby creating much less air pollution, if they invest in felt insulation for the ger);
- Additional fuel for warmth²¹.

Option 2 aims to help households continue spending on children's welfare after they have seen a reduction in their income due to loss of livestock by providing income support.

Both options will be delivered alongside strong messaging around the purpose of the transfer.

For Option 1, it is recommended to set the benefit level at 40 000 MNT (15 USD), or double the CMP amount for Option 1, paid one time during November.

For Option 2, it is recommended to set the benefit level at 60 000 MNT (USD 22.50) per child, or 3 times the normal CMP amount, paid monthly across 3 months during March, April and May to smooth consumption, rather than as a lump sum in a single month. This assumes that transaction costs (i.e. the cost of transferring money to beneficiary bank accounts) is zero, as banks currently do not charge the MLSP for this service. For the pilot, transaction costs might exist (see Section 8.4).

For Option 3, the benefit amount would therefore be 100 000 (USD 37) per child in total.

²⁰ based on field interviews, this can cost between MNT 100 000 (USD 38) and MNT 200 000 (USD 76 per child) depending on how isolated the soum is.

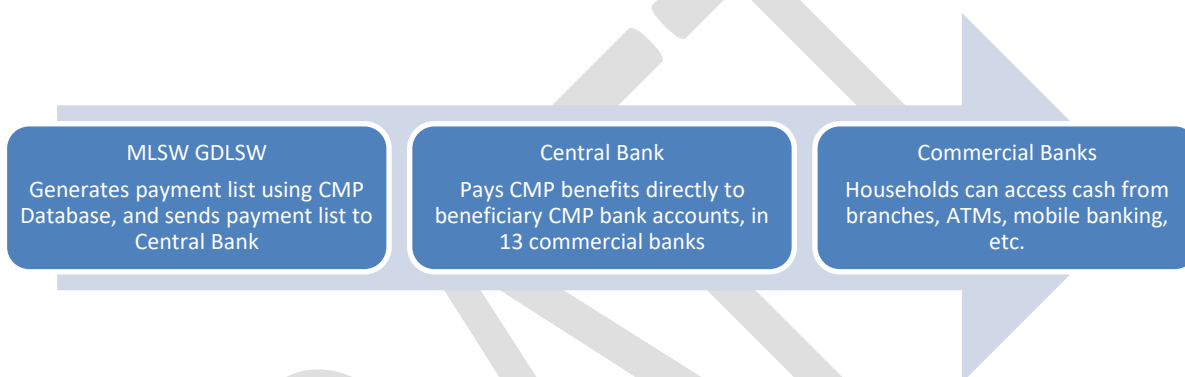
²¹ Around MNT 36 000 (USD 12).

8.4 Payment System

As discussed above, the CMP is paid into beneficiary bank accounts directly by the Central Bank from the Human Development Fund, unlike other MSLW Social Welfare programs which are paid by the MLSP from the Social Welfare Fund. The payment list is generated by the MSLW from the CMP Database, which is linked to the PMT Database, and is cross-referenced with the civil registry database to verify children's eligibility before the payment list is generated.

The payment system makes use of regular bank accounts, at 13 commercial banks in Mongolia. In the rural areas, the majority of beneficiaries use either Khan Bank or State Bank, however.

Figure 5: CMP Payment Process



After payments are made, commercial banks send a reconciliation report back to the Central Bank, which provides it to the MLSP Database Unit, responsible for the CMP Database, where it is uploaded. This enables the MLSP to review any individual household case or complaint related to underpayment, in order to resolve them, as well as identify and follow up on reasons for households for which payment was not successful.

8.4.1 Payment System & Funds Flow during Pilot

While in a national system, in which a child-focused SRSP is funded from government resources, the payment process could follow a similar fund flow, for the pilot this is not likely to be possible, as UNICEF or donor internal procedures may preclude the option of transferring pilot funds earmarked for payment of transfer benefits to beneficiaries into a government bank account held at the central bank.

However, the alternative would require UNICEF to open a bank account in a commercial bank, from which to pay transfers, and make payments directly into bank accounts of beneficiaries selected for the SRSP pilot (who might be different than beneficiaries of the CMP, as that program currently targets only 80% of children. This would entail transaction costs which UNICEF would pay to commercial banks.

Recommendations

Scientific studies carried out by the NSO with the support of Germany found that children aged 0 to 10 were at the highest risk of negative consequences for their human capital development as a result of dzud.

While it is recommended that all children of herders in areas affected by dzud be targeted for the SRSP pilot, if there are insufficient funds to cover all of them it is recommended to prioritize this age group. Categorical rather than PMT targeting is recommended due to the reliance that PMT targeting has on pre-shock household assets which are often decimated as a result of dzud and therefore may not be a strong indicator of need post-shock.

It is recommended to set the benefit per child, rather than per household, in order to 'piggyback' on the CMP which is also a per child benefit paid into child-specific accounts. A cap on the number of children that can be included is not recommended, as this may contribute to intra-household dynamics harmful to children.

For a pre-shock transfer (Option 1) it is recommended to provide a one-time top-up of 40 000 MNT per child in addition to the regular CMP payment paid in November. For an early response, immediate post-shock transfer (Option 2) it is recommended to provide a total top-up of 60 000 MNT per child but to pay this amount in equal amounts over 3 months (on top of the regular monthly CMP payment) in order to smooth consumption. Option 3 is a combination of Options 1 and 2.

9 Operational Cycle

The operational cycle is the standardized, sequenced set of processes and sub-processes that are implemented in order to deliver the program end-to-end. The operational cycle of the child-focused SRSP pilot will build upon/add steps and tweak the existing CMP operational cycle; a key output of the pilot is an operational manual that incorporates the lessons learned, as well as data collection and data output forms to be used in the implementation of the full operational cycle.

It is recommended to design the operational cycle of the child-focused SRSP around the following stages (see Figure 6):

1. First SRSP Program Planning Meeting (late October)

As discussed above, in order for shock-responsiveness to be mainstreamed into the national social protection system beyond just the child-focused SRSP pilot, there is an urgent and critical need for a coordination mechanism including both social protection and disaster management actors from the government and partner side.

This SRSP Coordination Team should meet regularly, to discuss matters around SRSP wider than the pilot (and, in the case of scale-up, the program), but a dedicated meeting should take place after the release of the October 20th dzud risk mapping to:

- Identify areas with high dzud risk that should be targeted for the intervention, based on the dzud risk mapping, and the amount of available resources;
- Identify gaps that can be filled by humanitarian 'cash' interventions;

- Develop a joint work plan.
2. Eligibility criteria (geographical and categorical) agreed during the meeting are provided to the MLSP CMP Database Unit, in order that they may generate the list of beneficiaries (for confirmation of numbers/costs), and later the payment list.

This data is necessary to ensure that available funds are sufficient to cover benefits. If there are not sufficient funds, either the eligibility criteria or the benefit level will have to be adjusted, or the MLSP can appeal to humanitarian donors to fill the gap.

3. *As part of the regular CMP process, cases of updates (e.g. newborn children who should be added to the CMP, changes of address, etc.), targeting appeals (i.e. recollected PMT surveys), and errors (e.g. misspelling of names between PMT form and Civil Registry database) are resolved on a monthly basis, in order that these cases can be included on the next payment list.*
4. Second SRSP Program Planning Meeting (early November)

MLSP GDLSW and UNICEF, as well as other partners, provide an update on the status of activities (i.e. has beneficiary data been shared, are funds ready for disbursement, etc.), and identify key actions to solve any bottlenecks.

5. The CMP Payment List and SRSP Payment List should be generated separately (as two lists) for the pilot; for the scaled-up program, the requirements of the Central Bank will likely be the same, as the SRSP component or program will likely not be funded from the State Budget, but rather from the Government Reserve Fund, if the MLSP is able to include provisions for this in the new law.

Due to the different targeting systems of the two program components, the payment lists will cover different children. The SRSP will cover far fewer children, given its more limited scope than the CMP.

For the purposes of the pilot, it is not recommended to make any changes to the existing CMP Database or MIS, as scale-up is not guaranteed; instead the payment list should be generated based on the list of eligible children provided by the MLSP. UNICEF, by engaging a short-term IT developer, should develop basic software to add payment amounts to the list received from MLSP; while this can be done manually (e.g. in Excel), in a cash transfer program all changes to the payment list should take place through an auditable database (i.e. a database that logs changes, with user and timestamps). Currently, the CMP Database does not provide this 'auditability'. This software to be developed by UNICEF should also be programmed to split the Payment List according to which commercial bank the child's account is held at, as the payment list will need to be sent separately to each bank. As mentioned above, for the beneficiary group for the pilot, this will likely be mainly Khan Bank and State Bank.

Currently, the MLSP does not carry out any standard checks (e.g. duplicate beneficiaries, irregular or odd payment amounts) of the payment list before sending it to the Central Bank. However, the Central Bank does carry out some standard checks. The Pilot Team should also carry out standard checks for irregularities before sending the list to the bank.

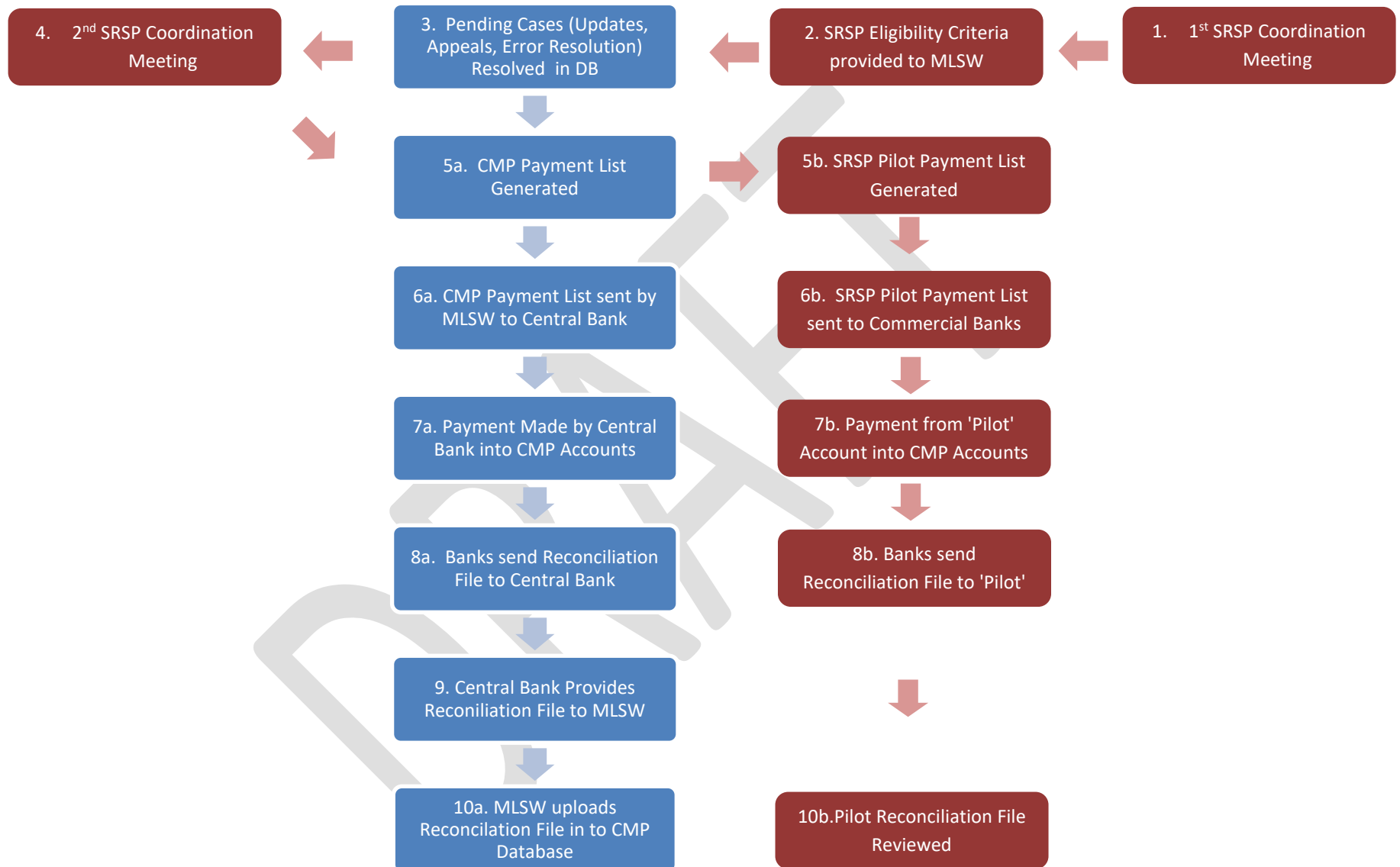
Payment lists are reviewed and signed off by management, CMP by MSLW and SRSP by UNICEF for the duration of the pilot, before being sent.

6. Payment lists are sent to the Banks where funds to make payments into beneficiary accounts are held, as instructions to the Bank on how much to pay to each household. While the CMP Payment List is sent by the MLSP to the Central Bank, the team responsible for running the pilot (UNICEF and any relevant partners, ideally sitting in the MLSP offices) sends the SRSP Pilot Payment List to the commercial banks; only the relevant payment information is sent to each bank, rather than the entire payment list.
7. Commercial banks make payments into beneficiary accounts, according to the instructions provided on the payment lists. Households are notified of their payments by SMS, if they have a phone. Payments are also announced in the Soum and Aimag centers.
8. Commercial banks send a reconciliation file for each payment list received; for CMP to the Central Bank, and for the Pilot to the Pilot Team. The reconciliation file is a confirmation that the amount specified on the payment list was paid into the right account; any discrepancies should be accounted for.
9. The Central Bank sends the CMP reconciliation file to the MLSP.
10. The MLSP uploads the reconciliation file into the CMP Database; UNICEF should develop similar functionality in the interim system used to manage data for the pilot. This will form the basis for the requirements of changes to the CMP Database, in the event that the pilot is scaled up by government.

If the pilot moves forward, this basic structure should be developed into a full operations manual that includes all the data collection and data sharing forms to be used.

DRAFT

Figure 6: Regular CMP and SRSP Pilot Operational Cycles



10 Pilot Team

In order to support the MLSP to implement the pilot, a minimum team of experts is required. It is recommended that this team include:

1. Team Leader & Operations Support Coordinator

While these two roles are normally full time jobs, because the SRSP pilot will so extensively leverage existing CMP systems, they can probably be carried out by a single person. The Team Leader role entails engaging on a daily basis with the MLSP to ensure that the pilot is developing and being implemented in a manner that aligns strongly not only with other ongoing and planned activities in the Ministry, but also that coordination with other relevant actors is proactive and robust. The Operations Support Coordinator, which in programs not based on the scale-up of an existing program would be an 'Operations Manager', will act as a project manager supporting the MLSP to implement the operational cycle, as described above, and to identify and solve bottlenecks in a timely manner. This role should be performed by someone with experience in both project management and management of field operations of large-scale programs, not necessarily social protection, delivering benefits to households or individuals.

2. Operations Support Officer

This team member will spend time in the field coordinating with local authorities, monitoring the status of activities and providing operations analysis on the ground. She or he will be responsible for documenting and updating processes and data collection forms in the operations manual.

3. Software Developer

The software developer will have the dual role of:

- Developing, deploying, maintaining and supporting the use for operations of a light, temporary system designed to manage pilot data in a way that can be audited, so as to mitigate fraud and boost transparency;
- Documenting the lessons and specifications of the changes needed to the CMP Database to be able to eventually implement the SRSP, if it is scaled-up by government.

This team will work closely with the MLSP, as well as seek guidance from the UNICEF team, to ensure that the pilot is genuinely testing systems that can be rapidly replicated by government and mainstreamed into government systems, in the event of a scale-up.

11 Next Steps

In order to move forward rapidly to a pilot that can be implemented during 2019/2020, a number of major steps should take place, both with respect to the pilot, and the feasibility of sustainable wider SRSP.

9. Urgent coordination from development and humanitarian partners around support for the government to mainstream SRSP into the revision of the Social Welfare Law and umbrella strategy document (Immediately).
10. Presentation of pilot options to development partners to seek partnerships in either the implementation of the pilot itself or the impact evaluation, as well as to identify other potential complementarities or opportunities for collaboration (July).
11. Presentation of the pilot options, together with any partners, to the MLSP in order to move forward to a formal agreement to implement the pilot together. While UNICEF and any partners agree to provide financial resources and technical assistance required to implement the pilot, if the MLSP is not willing or interested to participate in the implementation using its systems and with a view to make an informed decision based on lessons generated on whether to scale up, the pilot should be revised or put on hold until a more appropriate time (late July /early August).
12. Design of a rigorous impact evaluation together with UNICEF Office of Research (August).
13. Development of an operations manual and data collection forms together with the MLSP (August).
14. Hiring of Pilot Team (September).
15. Training of MLSP Officers on OM to implement the pilot, along with technical assistance from Pilot team (September).
16. Start of Pilot Planning/Operational Cycle (October).