Gender-Sensitive Fiscal Policy: A Framework for Public Investment in Childcare in Low Income Countries

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IMF Gender and Macro Conference

March 23-24, 2017

Outline of Presentation

- Motivation
- Research objective and contribution
- Methodology
- Analytical framework and analysis
- Financing models: case studies
- Main take-aways

Motivation

- Persistent gender disparities in economic opportunities.
- Lack of adequate care services identified as major constraint to women's LFP.
- Childcare services may include "care in centers, schools, and caregivers' homes; care by relatives, neighbors or friends; and care by au pairs, nannies, or sitters in the children's own homes" (Gomby et al 1996:5).
- Specifically interested in **formal institutional care**, such as that provided in daycare centers and preschools, for children aged 0-5 years old.
- Access to reliable, affordable, good quality childcare facilities has been argued as the most effective way to increase female employment and allow women to participate more fully in formal labor markets (Mateo Diaz et al 2013; UNECE 2014).

Why public provision and public investment in childcare?

- **Public provision because of market failures.** Private markets for childcare usually fail because of information asymmetry and high fixed costs (Grun 2008).
- **Childcare as a public good.** Good quality professional care has been shown to bring about positive early childhood development outcomes which extend into the future through improvements to human capital, labor productivity and economic growth, thus benefiting society as a whole (Heckman and Masterov 2007).
- Public investment in care facilities and services has the potential to serve as an **economic stimulus and employment generator** (Ilkaracan et al 2015; ITUC 2016). It is postulated that the creation of new care facilities would generate jobs directly for those hired as caregivers, plus have multiplier effects.
- Increase female labor force participation and employment in the formal sector and narrow gaps between men and women in time devoted to unpaid work (Khera 2016).

Research Objective and Contribution

The objective of this research project is to develop a policy framework for the provision of childcare services in LICs. This paper provides background for the formulation of such a framework.

- Specifically, we examine the regulatory, institutional and financing arrangements for childcare services in LMICs that have been successful in developing broad based systems for the delivery of center-based childcare services.
- We give particular attention to options for financing public investment in childcare, in the particular context of LICs.

Contribution

- Focus on LICs fills gaps in the existing literature, which largely covers experiences in developed or emerging market economies.
- Recognize that countries are not all the same, having different normative perspectives about state responsibility in care.

Methodology

- The paper draws on the experiences of LICs, and MICs that have recently made the transition from agricultural to semi-industrialized economies.
- Undertake a survey LMICs that have developed national policies and programs to promote access to childcare services.
- Design an analytical framework to critically examine policies and classify childcare systems by organization and funding.
- Develop detailed case studies of financing arrangements under different models of organizing and funding childcare services.
    - Mozambique, Nicaragua, Kenya.

Analytical Framework for Public Investment in Childcare

Role of Public Sector

- Regulation
- Service provision
- Funding

Institutional Arrangements

- Scope and objectives
- Organizational and administrative structures
- Service delivery and quality assurance
- Program coverage

Public Financing Arrangements

- Costing estimates
- Direct revenue sources
- Donor funding
- Innovative financing

Provision and subsidization

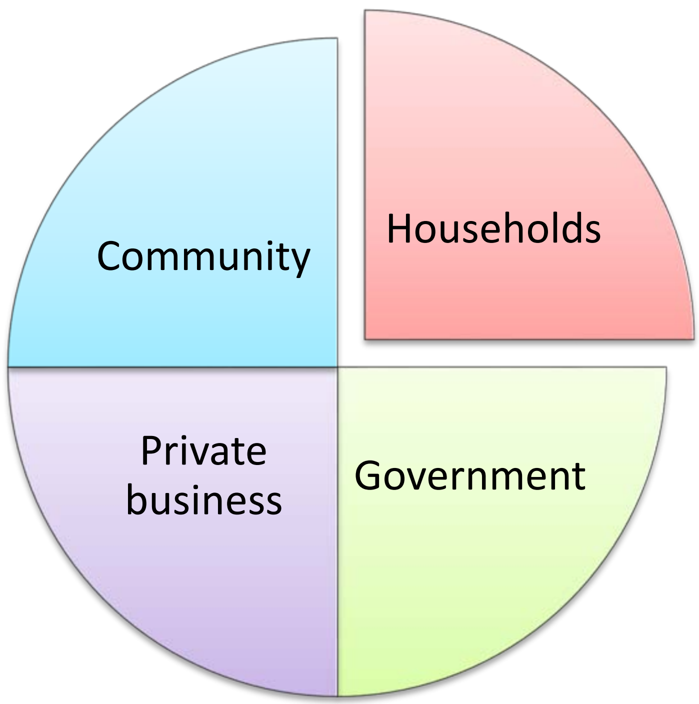
- Government involvement in providing child care services may range along a continuum from full government provision – with the government directly delivering and operating the service – to minimum or no government involvement in service delivery.
- Figure 2 illustrates four stages along this continuum.

Fig. 2 Levels of public involvement in childcare provision

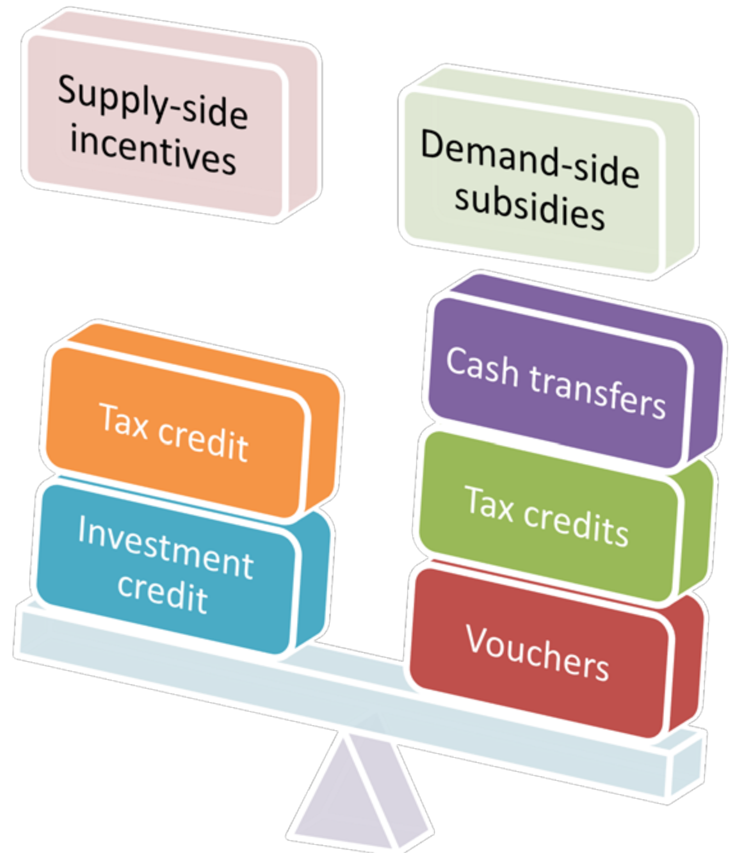
Direct public provision	Indirect public provision		No public involvement
Government owned or contracted centers. Fully or partially public funded daycare centers or preschools provided and operated by the public sector or subcontracted to third party.	*Private centers with public subsidy.* Privately provided and operated centers receiving public funding (to families or operators). May be fully or partially funded by the government.	*Community-based with public subsidy.* Community operated centers with supplementary public funds. Costs offset by volunteered time and small contributions of money by families.	*Community-based centers with NGO funding. Privately owned and operated centers with no public subsidy.*

Funding

Childcare costs may be shared among…



Traditional funding methods



Back to the Analytical Framework…

Role of Public Sector

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Direct revenue sources

- Governments have a number of options to finance investment in childcare services.
- The most traditional way is to source revenue directly through **general taxes**. This has been the public financing option of most of the countries reviewed in this study.
- There are a few examples of countries that have earmarked **special taxes** for expenditure on early childhood care and education or have implemented other nontraditional methods of raising revenues domestically such as the use of **national lotteries**.

Colombia

- Childcare services under the Colombian Family Welfare Institute are funded by revenue generated from a special payroll tax of 3% on all public and private employers.

Mexico

- The Estancias Infantiles program to support working mothers is funded by earmarked federal resources.

Philippines

- Revenues generated from the Philippine Amusement and Gaming Corporation provide resources for public child development centers.

Peru

- The Social Development Cooperation Fund and private sector partners provide funds to support childcare and home-visiting services under the Cuna Mas program.

Donor funding

- Governments may resort to borrowing to fill financing gaps.
- Several of the countries examined in this study have sought to close financing gaps in ECD by borrowing from external donors in the multilateral financial community.

Mozambique

- In 2014 the World Bank extended a $40 million education policy loan to Mozambique to scale up the community-based preschool program initially piloted by the Save the Children NGO.

Swaziland

- UNICEF has provided funding and technical support to the Government of Swaziland for its community-based childcare program.

Nicaragua, Peru

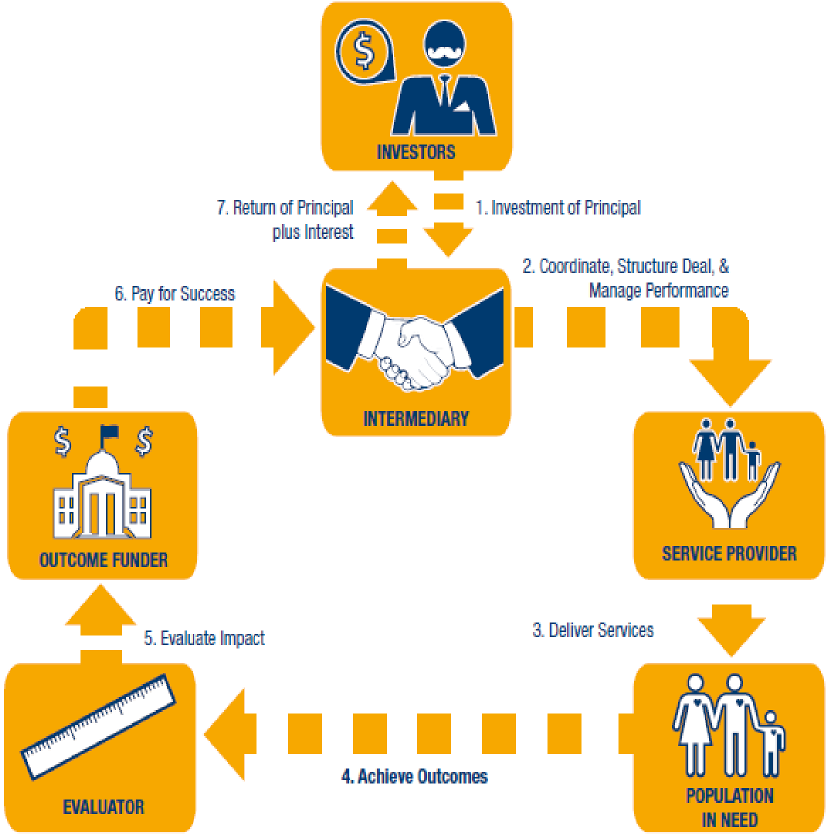
- In Latin America, IDB has supported public childcare provision by the governments of Nicaragua and Peru.

Innovative financing

Innovative financing is the application of novel financial approaches to generate additional and sustainable funding (Innovative Finance Foundation 2013).

- We focus on **social impact bonds (SIBs)** and **development impact bonds (DIBs)**, which are regarded as viable possibilities for LICs.
- Impact bonds are a form of 'payment by results' mechanism where non-state investors provide upfront capital to service providers and are repaid contingent on outcomes.
  - SIB - a government actor pays investors if outcomes are achieved;
  - DIB - a third party pays for outcomes or supplements government payments for outcomes.

Impact Bond Mechanics



Source: Gustafsson-Wright & Gardiner (2016)

Public Investment in Childcare
Experiences of LMICs

	Direct Public provision	Private provision with public subsidy	Community-based with public subsidy
No fee	Brazil: Municipal Public Daycare (Rio de Janeiro, Fortaleza, Sobral) Chile: Public daycare provision by JUNJI, a public institution Argentina: National Preschool Program	Ecuador: FODI-Centro de Desarrollo Infantil Chile: Public daycare provision by INTEGRA, a non-profit organization	
No fee, but small contribution of money or time	Bolivia: PAN Manitos, El Alto Costa Rica: CEN-CINAI El Savador: Centros de Bienestar Infantil (CBI) and Centros de Desarollo Integral (CDI) Honduran Institute for Children and Families (IHNFA) **Nicaragua:CDIs**		Guatemala: Hogares Comunitarios Colombia: Hogares Comunitarios de Bienestar Familiar Swaziland Neighborhood Care Points Malawi: CBCCs **Mozambique: CBCCs**
Fee		Mexico: Estancias Infantiles **Kenya County Preschools**	

Financing Models: Case Studies

Mozambique Community-Based Childcare Centers with Public Subsidies

- Example of country that transitioned from NGO sponsored CBCC pilot to government supported program.
- *Save the Children* implemented CBCCs in rural areas of Gaza Province (2008-2010). As a prerequisite, communities committed to ensuring a construction area for the childcare centers, all the labor for construction, available construction materials, and to form a committee to supervise and manage the childcare centers.
- At an estimated cost of USD $2.47 per student per month,*Save the Children* provided funding and technical assistance.
- The program served 1,018 children ages 3-5 in 30 rural communities.
- Impact evaluations indicated that the low-cost pilots fostered positive results: increased enrollment, improved school performance and overall development of 3-5 y.o.
- Results helped inform policy dialogue with the government on various options for ECD and the scaling up of CBCCs.

Mozambique CBCCs

Role of the public sector

- *Regulation:* MOE led the way in drafting a multi-sectoral strategy for ECD, coordinating with other ministries and civil society organizations.
- *Service provision:* Community-based, demand driven model. Service delivery by third party providers (CSO/NGOs)selected on a competitive basis. Provider would be responsible for coordinating community interventions with district and provincial representatives.
- *Coverage:* rural children, 0-5 y.o.
- *Funding:* Community support, Government, external donors, NGOs.
    - World Bank: Grant-US$90mn; IDA credit-US$71mn

Nicaragua public child development centers (CDIs) and CBCCs

- Main service provider for public early childhood services in Nicaragua used to be the PAININ program.
- Program began as an IDB project in 1996, with a service delivery system operated by NGOs that were subcontracted by the government. In 2008, service delivery became the government's responsibility.
- In 2011, the Program served 72,607 children under the age of 6 at 1,194 centers in 66 municipalities, mainly rural. The target population was families in poverty and children suffering from chronic malnutrition.
- PAININ had a budget of US$5.6 million per year. The annual cost per child was very low at just US$76.70.
- Services were completely free of charge for parents.
- PAININ mainly operated out of modified family homes, but also at community centers or facilities attached to a school or church.

Nicaragua: Amor Para los mas Chiquitos y Chiquitas

- *Regulation*: Led by the Ministry of Family, Adolescent, and Child Services and the MOE; governed by the National Policy on Early Childhood (2011).
- *Service provision*: Various modalities of care implemented under the policy.
  - 1,824 Community Children's Circles (CICO) and Community Based Homes (CBC): Family-oriented community-based service serving 75,963 girls and boys (40,226 children under 3 and 35,737, 3 to 6 y.o.)
  - 56 Child development centers (CDIs) in urban areas serving 6,916 children
  - Expanded coverage of formal and community-based preschools.
- *Coverage:* urban and rural children, 0-6 y.o.
- *Funding:* Government, external donors, NGOs, community support.
  - IDB, UNICEF, Global Partnership forEducation
- “High impact social investments”

Kenya: Public-Private Partnerships in Nairobi County Preschools

- Early childhood education (ECE) in Kenya has historically been located outside of the realm of government and placed under the purview of the community, religious institutions, and the private sector.
- This has led to a proliferation of unregistered informal schools particularly in underprivileged communities.
- The Kenyan constitution places the responsibility and mandate of providing free, compulsory, and quality ECE on the county governments.
  - County Early Childhood Education Bill 2014 declared free and compulsory early childhood education a right for all children in Kenya.
- In Nairobi City County, out of over 250,000 ECE eligible children, only about 12,000 attend public preschools.
- Nairobi City County now faces the challenge of designing and implementing a scalable model that will ensure access to quality early childhood education for all eligible children in the city by 2030.

Nairobi's Modified Development Impact Bond

- Nairobi City County has designed a modified DIB. In this model, a pool of donor funds for education will be leveraged through the new Nairobi City County Education Trust (NCCET).
- The model seeks to apply the basic principles of results-based financing, but in a structure adjusted to address Nairobi's specific constraints.

How is the m-DIB different?

- In the classical SIB and DIB mechanisms, investors provide upfront capital and government and donors respectively repay the investment with a return for attained outcomes.
- The m-DIB incorporates <u>only grant funding with no possibility for return of principal</u>.
- Private service providers will be engaged to operate ECE centers, financed by the donor-funded NCCET. The operators will receive pre-set funding from the NCCET, but <u>the county government will progressively absorb their costs as they achieve targeted outcomes</u>.
- The system is designed to progressively provide greater income for effective school operators, while enabling an ordered handover of funding responsibilities to government, thus providing for program sustainability.

Main Take-aways

- In terms of organizing and financing childcare services in LICs, the community-based model with public support provides a cost-effective option, with the potential to be scaled to national levels.
  - Relies on community mobilization, which shows evidence of community demand for the service and can serve as impetus for governments to make childcare service a priority.
  - However, variable quality and heavily reliant on voluntary contributions.
- Provision of public childcare service is dependent on donor support.
  - NGOs and development agencies can initiate pilots to demonstrate effectiveness to governments. Will also need to offer funding support in early years.
  - Ensuring sustainability beyond donor funding needs to built into program design.
- Fiscal issues are important but do not have to be a binding constraint. Willingness of government to prioritize care policies more important.
- Innovative financing mechanisms offer potential for public-private partnerships (PPPs), which provide funding resources as well as private sector rigor and performance management.