Center for Social Development
BROWN SCHOOL AT WASHINGTON UNIVERSITY

| JUNE 2023 | POLICY BRIEF 23-18 |

Child Well-Being Policies in Post-Soviet Countries: The Potential of Child Development Accounts

Aytakin Huseynli and Michael Sherraden

Following the collapse of the Soviet Union, all post-Soviet countries initiated reforms in child well-being systems. Some have undertaken meaningful changes, and others continue to struggle. Although economic growth has brought improvements in some countries, it has also increased inequality. Overall, after more than 30 years, child-welfare policy improvements in most post-Soviet countries remain limited.

Research in Six Post-Soviet Countries

This policy brief summarizes one portion of an in-depth study on child well-being policies. The study was conducted during 2019 and 2020 in six post-Soviet countries: Ukraine, Moldova, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan. Overall, the study identified weak child well-being systems, small and ineffective public benefits, and limited services (Huseynli, 2022).

Absence of resources is not the only barrier to child well-being in these nations. Some of them have substantial wealth from oil, gas, coal, and/or other natural resources. In this context, it is important to ask whether the resource-rich countries manage to overcome the very common “resource curse” (Auty, 2001; Collier, 2017; Humphreys, Sachs, & Stiglitz, 2007; Sachs & Warner, 2001) and use resources to improve social welfare, including child well-being.[1] To address this question, six counties were selected for study: three with abundant natural resources and three without (Huseynli, 2022). Insights from the study have the potential to inform child well-being policies and also add to the important body of research on the resource curse.

The Potential of Asset Building for Children in Post-Soviet Countries

Proposed by Sherraden (1991), the concept of inclusive asset building in social policy continues to inform research and policy. A key strategy is to start asset building with all children, automatically beginning at birth—often called Child Development Accounts (CDAs). Rigorous research evidence has informed CDA policies in the United States and other countries (Clancy, Sherraden, & Beverly, 2019; Zou & Sherraden, 2022). A key goal of the six-nation study was to inform the devlopment of CDA policy in post-Soviet countries (Huseynli, 2022). Huseynli designed and executed the study under the supervision of a faculty committee headed by Sherraden, with extensive field research supported by the Center for Social Development at Washington University in St. Louis.

One part of the study was an exploration of the potential of asset-building policies, and the findings suggest a policy design for CDAs in post-Soviet countries (Huseynli, 2023). Elements of that design fit countries with (a) weak private financial and asset-management institutions, (b) relative stability in governance, (c) wealth coming from natural resources, (d) experience with universal social policies, and (e) centralized administration of social policies and services.

Huseynli’s research (2022) identified nine key variables indicative of an environment that is conducive to the development of CDA policy: (a) a declared will to reform the child well-being system, (b) a stated vision of leaders for citizen children, (c) stability in governance within a natural resource–rich context, (d) public acceptance of universal policies due to Soviet history, (e) current financial resources in the child well-being system (e.g., old-style residential child-care institutions), (f) the potential to link asset-building policies to natural resource revenues, (g) the institutional base for administering and managing asset-building policies, (h) a lack of trust in private institutions among citizens, and (i) weak private financial institutions. These results informed the design of the CDA policy Huseynli suggested for post-Soviet countries.

An Opportunity for Children in Kazakhstan

Kazakhstan, one of the countries in Huseynli's (2022) sample, was the site of in-depth interviews conducted in 2019 and 2020 with 12 government officials, senior policy makers, academicians, and key players in the child well-being system in Kazakhstan. Data from the interviews revealed participants' insights on the potential viability of CDA policy in the nation and on the effective use of natural resource wealth to improve the well-being of citizens, including children. In declaring 2022 "The Year of Children," President Kassym-Jomart Tokayev of Kazakhstan announced the planned launch of a new policy that shares several design elements with CDA policies implemented elsewhere in the world (Ministry of Finance of the Republic of Kazakhstan, 2023a).

The National Fund of the Republic of Kazakhstan is a repository for the nation's natural-resource revenue and associated investment returns. Under the new policy announced by the president, 50% of the National Fund's annual income from natural resources will be allocated to a new National Fund for Children, which will support universal child accounts.

Starting in January 2024, the government of Kazakhstan will automatically open an account for every child who is a citizen of Kazakhstan.[2] Opened shortly after the beneficiary's birth, each account will receive an annual deposit from the Fund for Children until the beneficiary turns 18.[3] Kazakh citizens who leave the country before age 18 will retain rights to the funds. The accounts will be opened and delivered by government financial institutions, such as Otbasi Bank and Finance Center, as well as by second-level (private) banks. The institutions will collaborate with the government's Unified Pension Fund.

Deposits and earnings in the accounts will not be taxed, and the assets will remain inaccessible until the beneficiary reaches age 18 (Ministry of Finance of the Republic of Kazakhstan, 2023b). After that point, the assets may be spent on education and education-related fees in Kazakhstan or overseas, or on improving a housing situation. If an account beneficiary does not use the funds within 10 years after turning 18, the assets will be automatically transferred to the individual's pension account. Parents and legal caregivers may use the funds in their child's account if the child is unable to do so (Ministry of Finance of the Republic of Kazakhstan, 2023b).

In addition to building assets, the accounts may help children learn about saving and basic finance from a younger age. In various ways, the policy will deliver resources that support the children of Kazakhstan in starting adult life more confidently and effectively at 18, with some assets to invest in their future. CDA research conducted elsewhere suggests that the policy could lead to positive impacts on the development of children, as well as to reductions in extreme economic inequality.

CDA Policy Diffusion in Post-Soviet Countries and Beyond

The design and implementation of the National Fund for Children policy in Kazakhstan may facilitate the diffusion of CDA and CDA-like policies in other oil-gas-rich post-Soviet countries. Discussions on a national CDA policy for Azerbaijan began in 2017, generating an international conference that drew participants from 12 countries, including Kazakhstan (Azerbaijan Social Work Public Union, 2018; AzerTaj, 2018; Center for Social Development, 2018; International Federation of Social Workers, 2018; Next Age Institute, 2018). Another international conference on CDAs will take place in Baku, Azerbaijan, in November 2023. The Center for Social Development and Azerbaijan University will cosponsor this event. Kazakhstan's National Fund for Children policy and Azerbaijan's CDA proposal will be key subjects, with discussions on both design and implementation.

If both Kazakhstan and Azerbaijan implemented CDA policies, the initiatives would become examples for up to 80 other resource-rich developing countries. Moreover, the nations would be among the few that effectively use natural resource wealth to support and develop the population. This could be quite meaningful. We know from Huseynli's (2022) study that leaders of resource-rich post-Soviet countries envision improvements to human capital—to "turn black gold into human gold"—especially among youth. CDA policy is an evidence-based strategy for achieving this goal. We know from experience that such policy diffusion does not happen by itself—it requires evidence, strategy, and engagement. But policy change can be accomplished, and longer term, other resource-rich developing countries might be informed and influenced as well.

Although children's account policies in resource-rich developing nations are promising, these examples do little to inform CDA policy in developing nations without natural resources. Funding for CDAs in those contexts will likely require cross-national funding flows. This also may be possible; CDAs could become a target for international aid and philanthropy. Eventually, the international community may realize that developing all of the world's children—so that they grow up to become as educated, engaged, and productive as possible—is in everyone's best interest.

Notes

1. The term *resource curse*, sometimes called the paradox of plenty, refers to regressive development in low- to middle-income countries with wealth coming from oil, gas, and/or mineral revenues.
2. The policy will provide an account and annual contributions for every child aged 5 years or under when the policy launches.
3. The government plans to deposit USD 150 annually until the age of 18. Deposits will be in U.S. dollars.

References

Auty, R. M. (Ed.). (2001). *Resource abundance and economic development*. Oxford University Press.

Azerbaijan Social Work Public Union. (2018, January 30). Prof. Maykl Şerraden və AZSİİB-din Sədri Aytəkin Hüseynli ADA Universitetinin Rektoru Prof. Hafiz Paşayevlə Görüşüb [Prof. Michael Sherraden and Hafiz Pashayev, director of the ADA University, AZSIB]. AZSIB News Bulletin. https://azswunewsletter.wordpress.com/2018/01/30/prof-maykl-serraden-v%C9%99-azsiib-in-s%C9%99dri-ada-universitetinin-rektoru-hafiz-pasayev-il%C9%99-gorusub/

AzerTaj. (2018, November 6). Bakıda Uşaq İnkişafına Həsr Olunmuş Konfrans Keçirilib [An international conference on child development was held in Baku]. https://azertag.az/xeber/Bakida_usaq_inkisafina_hesr_olunmus_beynelxalq_konfrans_kechirilir-1211831

Center for Social Development. (2018, November 15). CSD Advises Azerbaijan officials on Child Development Account policy. https://csd.wustl.edu/csd-advises-azerbaijan-officials-on-child-development-account-policy/

Clancy, M. M., Sherraden, M., & Beverly, S. G. (2019). *SEED for Oklahoma Kids Wave 3: Extending rigorous research and a successful policy model* (CSD Research Brief No. 19-06). Washington University, Center for Social Development. https://doi.org/10.7936/zx2j-0543

Collier, P. (2017). The institutional and psychological foundations of natural resource policies. *Journal of Development Studies, 53*(2), 217–228. https://doi.org/10.1080/00220388.2016.1160067

Humphreys, M., Sachs, J. D., & Stiglitz, J. E. (Eds.). (2007). *Escaping the resource curse.* Columbia University Press.

Huseynli, A. (2022). *Effect of resource curse on child well-being in resource-rich states, specifically in post-Soviet states* [Doctoral dissertation, Washington University in St. Louis]. https://doi.org/10.7936/2n0f-tj87

Huseynli, A. (2023). Asset building policies to lift the resource curse: Child Development Accounts in oil-and-gas-rich countries. *Children and Youth Services Review, 145*, Article 106717. https://doi.org/10.1016/j.childyouth.2022.106717

International Federation of Social Workers. (2018). International conference on Child Development Accounts: New Approaches to Child Well-being. https://www.ifsw.org/event/international-conference-on-child-development-accounts-new-approaches-to-child-well-being/

Ministry of Finance of Republic of Kazakhstan (2023a, February 14). Сегодня состоялась встреча с депутатами Сената Парламента Республики Казахстан на тему «О новых подходах и эффективному использованию средств Национального фонда», в том числе по проекту «Национальный фонд – детям». [Today, a meeting was held with deputies of the Senate of the Parliament of the Republic of Kazakhstan on the topic “On new approaches and effective use of the National Fund”, including on the project “National Fund for Children”.] https://www.gov.kz/memleket/entities/minfin/press/news/details/505805

Ministry of Finance of the Republic of Kazakhstan (2023b, March 24). По проекту «Национальный фонд –детям» [About the project National Fund for Children]. https://www.gov.kz/memleket/entities/minfin/press/news/details/525547

Next Age Institute. (2018). *International Conference on Child Development Accounts*. Washington University, Next Age Institute. https://nai.wustl.edu/international-conference-on-child-development-accounts/

Sachs, J. D., & Warner, A. M. (2001). The curse of natural resources. *European Economic Review, 45*(4–6), 827–838. https://doi.org/10.1016/S0014-2921(01)00125-8

Sherrraden, M. (1991). *Assets and the poor: A new American welfare policy.* M. E. Sharpe, Inc.

Zou, L., & Sherraden, M. (2022). *Child Development Accounts reach over 15 million children globally* (CSD Policy Brief No. 22-22). Washington University, Center for Social Development. https://doi.org/10.7936/yfyb-r646

Acknowledgment

We thank the Ford Foundation for support that has made this research and policy innovation possible.

Authors

Aytakin Huseynli is a Postdoctoral Fellow with the Center for Social Development in the Brown School at Washington University in St. Louis.

Michael Sherraden is Founding Director of the Center for Social Development and the George Warren Brown

Distinguished University Professor at Washington University in St. Louis.

Suggested Citation

Huseynli, A., & Sherraden, M. (2023, June). *Child well-being policies in post-Soviet countries: The potential of Child Development Accounts* (CSD Policy Brief No. 23-18). Washington University, Center for Social Development. https://doi.org/10.7936/8f0m-qs76

Center for Social Development

BROWN SCHOOL AT WASHINGTON UNIVERSITY

Center for Social Development
Washington University in st. Louis
MSC 1196-251-46
One Brookings Drive
St. Louis, MO 63130

CSD.WUSTL.EDU

Follow us on social media!
facebook.com/csdwustl
twitter.com/csdwustl
YouTube.com/@centerforsocialdevelopment698