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Child Development Accounts aim to set up children for life by equipping them with assets that generate long-term returns, whether human capital or financial assets. This can underpin a more equitable distribution of wealth across society. PHOTO: BERITA HARIAN

Invest in our kids. Put Child Development Accounts to better use

Oil-rich countries like Kazakhstan are turning their hydrocarbon assets into deposits for child development accounts – holding a lesson for us.

Terence Ho

I was in Astana, Kazakhstan, in October to speak at an international conference on child development accounts (CDAs) co-organised by Kazakhstan's Maqsut Narikbayev University and Washington University in St Louis.

The conference shone a spotlight on the potential for CDAs to spur human capital investment and sustainable economic development across the world, particularly in countries like Kazakhstan that are trying to diversify away from oil and gas dependence.

Singapore may not have their vast natural resources, but as a "social investment state", it is already a globally recognised leader in human capital development.

So I came away from the conference with thoughts on how Singapore, too, can further leverage programmes such as Edusave and the Opportunity Fund to provide more opportunities for students from less well-off households to pursue their interests and develop their talents.

The approach need not solely draw on Singapore's fiscal resources, but could also include galvanising more private funding for this purpose. This could address concerns around meritocracy and equitability, while fostering a "we-first" society.

Extending Edusave in carefully targeted ways could complement school-based schemes, creating a fuller ecosystem of support. While it is to no one's advantage to fuel the education arms race, there are meaningful programmes that allow children to explore their interests and develop their talents in various creative, sporting and intellectual domains.

TURNING THE RESOURCE 'CURSE' INTO A BLESSING

For oil-rich Kazakhstan, this means turning its hydrocarbon assets into human capital for long-term gain. Its National Fund for Children, set up in 2024, gives every child born in Kazakhstan a CDA with a deposit funded by the nation's natural resource revenues. Half the annual earnings of the country's sovereign wealth fund in 2024 – US$700 million (S$900 million) – were channelled to the fund, and the government plans to continue doing so.

Since the early 1990s, this form of asset-based social policy has been championed by Professor Michael Sherraden, founding director of the Center for Social Development at Washington University's George Warren Brown School of Social Work.

Singapore has long been a pioneer of such policies. Dr Sherraden recalls discussing the idea of extending asset-based social policies to children with then-Prime Minister Lee Kuan Yew and then-Deputy Prime Minister Goh Keng Swee in 1992-93 when he was in Singapore on a Fulbright scholarship.

The Education Endowment Fund (Edusave) was launched in 1993, while the CDA was introduced in 2001 as part of the Baby Bonus package.

CDAs have gained traction globally, with programmes in the United States, the UK, Canada, South Korea, Israel, Singapore and Kazakhstan benefiting 30 million children.

A common challenge faced by resource-rich economies is how to diversify their economies and turn their resources into sustainable competitive advantage. The aim is to avoid the "resource curse" – countries with abundant natural resources paradoxically tend to fall behind in economic development.

The curse can be turned into a blessing if the proceeds from resource extraction are reinvested in people. CDAs offer an excellent vehicle to do so. They aim to set up children for life by equipping them with assets that generate long-term returns, whether human capital or financial assets. This can underpin a more equitable distribution of wealth across society.

PRINCIPLES UNDERPINNING CDAS

CDA programmes around the world vary significantly in design and implementation. However, Dr Sherraden and his Brown school colleagues have identified several features important for a CDA.

Singapore has some but not all of these features.

It should be universal, meaning every child receives an account. As far as possible it should be automatically opened, so that no child is inadvertently left out.

Such accounts should be long term, ideally lifelong. The Kazakh CDA allows the beneficiary's assets to grow until the age of 18, at which point the savings can be used to pursue education or purchase housing.

Singapore's CDA can be used for childcare, education and health expenses, with unused balances flowing into the post-secondary education account (PSEA) when the child turns 13. Unused balances from PSEA in turn flow into a person's CPF Ordinary Account (OA) – providing continuity across life stages.

The state should put in a meaningful initial deposit, supplemented by other sources of funds. In Singapore, the CDA was designed as a co-savings account where the Government matches every dollar put in by a child's parents, up to a cap. This aims to reinforce the ethos of parental effort and responsibility.

Equity is an important consideration, too. In some countries, children from lower-income households receive greater state support. For instance, children from less well-off families received double the regular opening deposit under the UK's Child Trust Fund launched in 2005.

While matched savings may disadvantage children from families with less means to save, Singapore introduced an automatic "first-step grant" in 2016, where the Government

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Room to pioneer more ways to expand access to opportunities for kids

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would deposit an initial sum into a child's CDA regardless of parental contribution.

The impact of CDAs has been investigated by Brown School's Professor Jin Huang and his colleagues via a randomised controlled trial in the US state of Oklahoma for infants born in 2007. Families that received a CDA had higher parental educational expectations, better socio-emotional development of children – particularly for disadvantaged groups – and increased use of education savings and other mainstream financial products compared to families in the trial's control group.

According to the researchers, owning an account – and seeing a tangible balance – shifts parents' expectations and behaviour towards greater planning, saving and educational engagement, which in turn supports children's social-emotional and educational development.

FOSTERING A 'WE-FIRST SOCIETY'

There is potential to further enhance opportunities, particularly for less-privileged children, through the design of Singapore's CDA and Edusave accounts.

Progressive features could be added to the CDA, such as higher government matching rates for lower-income families. Contributions from donors and benefactors could be encouraged, similar to South Korea's Didim Seed Savings Account, where the government matches contributions to less well-off children from private and corporate donors.

Singapore's education system ensures high standards of teaching across schools, achieving "high averages" in educational attainment among students across the income spectrum. However, concerns remain that the playing field is not level, as affluent parents can afford to spend more on tuition and enrichment programmes for their children.

Extending Edusave in carefully targeted ways could complement school-based schemes, creating a fuller ecosystem of support. While it is to no one's advantage to fuel the education arms race, there are meaningful programmes that allow children to explore their interests and develop their talents in various creative, sporting and intellectual domains.

For example, the use of Edusave could be extended to reputable educational or enrichment programmes offered outside school. The Government could provide matching funding for individual savings or donations, with higher matching rates for the less-well-off.

While schools are already given Opportunity Fund grants to subsidise co-curricular development opportunities for less well-off students, an expanded Edusave would empower individuals to take charge of their learning and development with access to a broader range of programmes.

To ensure "skin in the game" and prudence in the use of public funds, spending on non-school programmes could be subject to funding caps and/or co-payment requirements.

For families unable to afford larger sums for their children to pursue their interests, private philanthropy could be mobilised to sponsor participation in specialised programmes on an application basis.

Some donors may find it more meaningful to support specific programmes or students than donate to a national fund; a go-between to match funders to needs could be effective in attracting more contributions.

The recently announced initiative by local charity ImpactSG and the Ministry of Education to place company chief executives and high-net-worth individuals on neighbourhood school committees would give students from these schools access to professional networks and mentoring.

These individuals may also be motivated to contribute financially towards creating opportunities for the students they mentor. A platform to channel their contributions in a systematic, meaningful and scalable way could generate greater impact in aggregate.

A potential downside of an expanded Edusave is that it could inadvertently encourage the proliferation of sub-par enrichment programmes designed to suck in public funding. This could be addressed through a quality assurance framework that qualifies reputable learning centres or programmes based on learner satisfaction or demonstrable improvement in school performance or skills attained.

Alternatively, screening could be decentralised to schools, with advisory committees that could include donors playing a role.

Singapore can leverage our systems and policies to pioneer further ways to expand access to opportunities. This would not only mitigate concerns over inequality that may erode the legitimacy of our brand of meritocracy, but could also mobilise private giving to this cause by companies and fellow citizens in the spirit of a "we-first" society.

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