Guidance on Developing County Investment Cases for Care Reform

Kenya

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Acronyms

CCI	charitable children’s institution
CTWWC	Changing the Way We Care
CPV	child protection volunteer
IC	investment case
KES	Kenyan shillings
KNBS	Kenya National Bureau of Statistics
GoK	Government of Kenya
NCRS	National Care Reform Strategy
NGO	non-governmental organization
PV	prevalence value
SCI	statutory children’s institution
VAC	violence against children
VSLY	statistical life year

1 Introduction

Evidence from around the world demonstrates the negative effects of residential care on children's development and lifespan outcomes.[1] "Residential care" in Kenya includes statutory children's institutions (SCI) and charitable children's institutions (CCI). When compared to their peers, children raised in residential care can have increased risk of violence and abuse, higher rates of homelessness, mental health challenges and other hardships. In addition to the poor outcomes, evidence strongly suggests that residential models of care are costly and inefficient as compared to strengthening families and family-based alternative care.[2] The Government of Kenya (GoK) launched the National Care Reform Strategy for Children in Kenya 2022 – 2032 (NCRS), which stresses the need for adequate financing and resourcing of care reform activities, both at the national and county level.[3] At the same time, there are challenges to ensuring that adequate financing, particularly from public budgets.[4]

The **purpose of an investment case** is to present compelling evidence on how the allocation of financial resources will contribute to defined public policy goals – such as healthy childhoods, human capital returns and production. As it specifically relates to care reform, the aim of investment cases is to provide evidence of the resources, income and expenditures needed for the transformation of the child care system to one that is family-based, prevents separation of children from families, and supports reintegration of children currently in residential care into families. In particular, the investment cases will:

- Identify the existing level of investment in institutional and alternative family and community-based care, and assess the investment composition by the source of financing, i.e., from national and county government, as well as non-state actors such as development partners and non-governmental organizations (NGO);
- Provide an overview of the additional investments required for adequate service provision for children separated from their families or who are at risk of family separation;
- Estimate the long-term economic costs and benefits of family and community-based care; and
- Create evidence to compete with other sectors, as well as provide sufficient evidence for decision-makers about the need for increased resource allocation for care reform.

The objective of this guidance is to provide a '*how-to*' guide on developing a **county-level investment** case for care reform in Kenya. Accompanying this guidance is a costing tool. The following sections describe the components of the investment case, how to use costing tools, and the analysis required to develop the county investment case. The resulting investment case includes:

1. A brief overview of the county situation for children living in vulnerability;
2. A budget and expenditure analysis;
3. A costing of the required services, along with an estimation of the funding gap; and
4. An estimation of the long-term economic costs and benefits of an investment.

[1] van IJzendoorn, M. H., Bakermans-Kranenburg, M. J., Duschinsky, R., Fox, N. A., Goldman, P. S., Gunnar, M. R., ... & Sonuga-Barke, E. J. (2020). Institutionalisation and deinstitutionalisation of children 1: a systematic and integrative review of evidence regarding effects on development. *The Lancet Psychiatry*, *7*(8), 703-720. Accessed at: https://www.thelancet.com/commissions/deinstitutionalisation
[2] *Ibid.*
[3] Available here: https://bettercarenetwork.org/national-care-reform-strategy-for-children-in-kenya-2022-2032
[4] Available here: https://bettercarenetwork.org/sites/default/files/2022-06/kenya_national_care_reform_strategy_web_version.pdf

2 Brief overview of the situation for vulnerable children in demonstration counties

This section should present an overview of some of the key facts about the county. These include county size, number of administrative units, socio-economic characteristics, and population (both total population and child population). There should also be a brief discussion of the situation in the county in terms of residential care and the progress that is being made towards family and community-based care. It is also important to mention the other major child protection concerns in the county where data are available, for example, the prevalence of violence against children (VAC), and so on. Given that poverty is one of the main driving factors for institutionalization of children, it would be worthwhile to describe the poverty profile in the county, including the prevalence of child poverty, utilizing the latest available household surveys and related information. Lastly, a description of the legal framework and institutional arrangements governing child protection and the care of children should be included in this section.

Some of the sources of data for this section would include, but are not limited to:

- County Statistical Abstracts from the Kenya National Bureau of Statistics (KNBS)
- The Kenya Population and Housing Census, 2019
- Situation analyses on the status of residential, family and community-based care[5]
- Violence Against Children Survey, 2020
- Multiple Indicator Cluster Survey
- Child Poverty Report, 2017 (UNICEF and KNBS)
- Children Act, 2022 and County Child Policies

3 Budget and expenditure analysis

Determining child protection investments, including investments in care, can be a complicated task because the investments are spread across a variety of different sectors such as social welfare, justice, health, and education. Additionally, many of the sectors involved may not have earmarked specific budgets for child protection. It is therefore important to clearly define the scope of the investment case.

This section of the investment case (IC) analyses approved budgets and expenditures, by both state and non-state actors, to measure the size and composition of spending at the county level. Please refer to the *Existing Financing* tab of the investment case tool. In this and following sections, “investment case tool”, “IC tool” , “costing tool” and “the tool” are used interchangeably to refer to the costing tools that accompany this guidance note.

3.1 The size of spending

In the tool, the size of spending is measured in millions of Kenyan Shillings (KES) and changes from one year to the next are measured both in nominal and real terms (after accounting for inflation). The importance of computing both nominal and real changes is that, for example, there may be a nominal increase in spending, but if the rate of inflation exceeds the nominal rate of increase in spending, then spending will have decreased in real terms i.e., on average, the increased amount of spending will actually be able to purchase fewer goods and services than the spending in the previous year.

Once the user has made the required inputs in the appropriate cells (see *Readme* tab in the IC tool for further guidance on which cells the user can input data into and which cells should not be altered by

[5] ‘Situational Analysis Report for Children’s Institutions in Five Counties: Kiambu, Kilifi, Kisumu, Murang’a and Nyamira Summary Report’. Accessed here: https://bettercarenetwork.org/library/the-continuum-of-care/residential-care/situational-analysis-report-for-childrens-institutions-in-five-counties-kiambu-kilif-i-kisumu-murang

the user), the tool automatically computes the total care-related expenditure for the county in absolute terms and as a share of the total county budget and the total national budget. The tool also outputs the total spending on care in per capita terms, expressed as expenditure per child.

Figure 1 Sample section of expenditure analysis template showing cells requiring user input

EXISTING FUNDING FOR CARE BY STATE AND NON-STATE ACTORS IN KILIFI COUNTY

Description	Approved budget (KES millions)	2020/2021 Expenditure (KES millions)	% share of total care exp.*
National Government**	0	0	0%
Institutional care			
Prevention of separation & family stren.			
Alternative care			
Tracing, reintegration and transitioning			
County Government	0	0	0%
Institutional care			
Prevention of separation & family stren.			
Alternative care			
Tracing, reintegration and transitioning			
CTWWC	0	0	0%
Institutional care			
Prevention of separation & family stren.			
Alternative care			
Tracing, reintegration and transitioning			
UNICEF	0	0	0%
Institutional care			

3.2 The composition of spending

The IC tool assesses the composition of spending in terms of source of funding (e.g. ministry budget, block grant, private foundation, donor fund, etc.)and the purpose/nature of expenditure (institutional care vs. family and community-based care). The composition of spending is expressed as a percentage of the total expenditures on care in a particular year, as can be seen in Figure 1 above. Below the expenditure analysis template are two graphs that automatically update once the user has populated the template with the necessary inputs. These can be used to provide a summary of the composition of funding when writing up the investment case.

4 Costing the required services and estimating the funding gap

Box 1 Steps in the costing process

1. Identify interventions, services or activities to be costed
2. Define the resource inputs and prices
3. Estimate the demand for services
4. Calculate the total cost
5. Estimate the funding gap
6. Present the costing results

Box 1 outlines the steps to be followed in the costing process and applies both for the scale-up of an existing programme or the implementation of a new policy or plan. In the sections that follow, we discuss some of the important considerations in each step.[6]

4.1 Identify the interventions, services or activities to be costed

The National Care Reform Strategy identifies three pillars of care reform and outlines some of the programmes and services that need to be provided in each pillar as follows:

- **Prevention of separation and family strengthening**: this involves support measures and services which strengthen families and prevent children being separated from their families. It includes a broad range of services such as education, health care, social protection, food security, livelihood support, positive parenting, psychosocial support, day-care facilities, community-based rehabilitation services for children with disabilities, employment support, support for child-headed households, and so on. However, for the purposes of this analysis the focus will be on social welfare services of the type outlined here.[7]
- **Alternative care:** This involves strengthening and expanding family and community-based alternative care options for children who are unable to live in parental care. Alternative care includes kinship care, kafaalah, foster care, guardianship, adoption, traditional approaches to care, places of safety and temporary shelter and institutional care, as well as strong gatekeeping mechanisms.
- **Tracing, reintegration and transitioning to family and community-based care:** This relates to the safe and sustainable transition of institutionalized children and unaccompanied and separated children to family and community-based care. This includes tracing, reintegration and case management, as well as support for leaving care, aftercare and supported independent living. Furthermore, it involves the redirection of resources from institutional care to family and community-based care, as well as the retraining and redeployment of institutional personnel.

Box 2 **Example of county priorities**

Pillar	Potential interventions
Prevention of separation and family strengthening	• Family economic strengthening, particularly on food security • Parenting training • Psychosocial support • Educational support, particularly in terms of paying school fees • Awareness creation among communities on the effects of family separation • Collection of data on truly vulnerable households for targeted service provision

[6] The discussion on how to define the resource inputs, estimate the demand for services and present the costing results is adapted from: Barberton, Conrad. 'Sessions 12-14: Costing Models - Using and Developing Excel-Based Models to Cost Government Policies and Programmes'. Government Technical Advisory Centre, Republic of South Africa, 14 March 2019. *Unpublished.*

[7] Changing the Way We Care. (2021). Public Expenditure and Children's Care: Guidance Note. Accessed here: https://bettercarenetwork.org/library/social-welfare-systems/cost-of-care-and-redirection-of-resources/public-expenditure-and-children's-care-guidance-note

	• Child welfare programs, potentially financed through the fund established by Section 12 of the Children's Act
Alternative care	• Kinship care e.g., provision of stipend/grants to families who take in children • Foster care e.g., development of a foster care register • Adoption e.g., mapping of children in CCIs who qualify for adoption
Tracing, reintegration and transitioning to family and community-based care	• Capacity building of staff in institutions for the shift to providing social services to communities • Case management improvements e.g., enhanced coordination and harmonization of service provision among duty bearers, and improvements to tracking of progress (monitoring and evaluation) • Enhanced training for social workers on case management, including training for child protection volunteers (CPV) • Additional staffing at sub-county children offices

4.2 Define the resource inputs and prices

Every input has a cost. However, it is necessary to decide which inputs to count. Once the key activities and inputs have been identified (as described in section 3.1), it will be important to understand the nature of the different inputs involved because this determines how to cost them. Inputs and their related costs can be classified as follows:

i. **Capital versus Operating inputs/costs**

Capital inputs/cost (development costs) are items that get capitalised in accrual accounting. For example:

- Buildings and facilities – their cost can be determined either based on detailed plans or standard building costs, and are usually part of the set-up costs of a program.
- Other major equipment – such as vehicles, computers and so on.

Operating inputs/costs (recurrent costs) are items that get expensed in accrual accounting. For example:

- Personnel - the largest input in most programmes
- Transport
- Programme specific inputs – such as medicines and textbooks.

The Public Finance Management Act of 2012 defines recurrent expenditure as expenditure that is incurred in operating the services provided by the national or county governments, whereas development expenditure is defined as expenditure for the creation or renewal of assets.

This categorization of inputs is what is mainly used within the investment case tool. However, it is important to have an understanding of the other categorizations listed below.

ii. **Set-up versus Ongoing inputs/costs**

Set-up inputs/costs refer to what is required to get a programme up and running. These inputs are relevant to the costing of new services and the significant expansion of current services. They need to be shown separately because of their non-recurrent nature.

Ongoing inputs/costs refer to what is required to keep a programme running. It is estimated annual budget required to run the programme. These costs need to be shown for each year of the MTEF.

iii. Fixed versus Variable inputs/costs

Fixed inputs/costs do not change in the short term despite changes in volume of output. They only change when significant increases or decreases in volume occur.

Variable inputs/costs change with changes in output. They may be lumpy, that is, they may increase in a step-wise fashion as the volume of service increases or they may vary according to seasonality, cycles or specific time periods for delivery.

iv. Direct versus indirect inputs/costs

Direct inputs/costs are required for the delivery of the programme and that are paid for by the organisation delivering the programme, i.e., it is a direct cost to the organisation.

Indirect inputs/costs contribute to the delivery of the programme, but that are not paid for by government. For example, the opportunity cost of volunteers' time, the imputed cost of in-kind contributions or existing infrastructure, and so on. These types of costs are not included unless there is a particular policy question that needs to be answered.

v. Inputs where time is a variable

These are used to determine the required capacity of facilities and the required number of personnel. They are also important for determining the quality of service. For example, if there is a waiting period, what happens in the interim? Say, adoptions take 3 months for approval what happens to the child in the interim and what other costs are incurred during that period? Lastly, certain actions are needed at a specific time, any delay detracts from the quality or usefulness of the service e.g. emergency medical services.

4.3 Estimate the demand for services

The following are questions to consider when estimating the demand for services:

i. Who are the intended clients or beneficiaries?
   - How are they identified?
   - Is the program designed to reach a specific sub-group?

ii. Where is demand for each service located?
   - What impact does the location of demand have on costing?

iii. What is the current level of output?

iv. What is the required/desired level of output?

v. What is the relationship between demand, process variables and the different kinds of inputs?

vi. How does the timing of demand impact on cost?
   - Some services are needed immediately e.g. emergency removal of children from dangerous places, emergency medical care
   - Some services can have a lead time e.g. fostering and adoptions
   - Some services can be delayed e.g. counseling, assessments or court processes

- How do these differences affect the cost of services?

Demand for services is influenced by a number of factors, such as:

i. Demographic factors such as population profile, birth/mortality rates, poverty, and migration.
ii. Social factors such as crime rates, gang-related activity, and family structures.
iii. Health factors such as HIV/Aids, tuberculosis, etc.
iv. Success or failure of policy. For example, if prevention is unsuccessful demand is higher, if adoption policy is successful then demand for care decreases.

These considerations make it clear that the demand for care services may be hard to quantify, but determining it, even if in a descriptive fashion, is an important part of targeting support to those in need.

4.4 Calculate the total cost

The total cost of service provision is computed in the main costing sheets within the costing tool. The main costing sheets are:

- *Institutional care:* This sheet computes the total cost of providing residential care.
- *Prevention of separation:* This sheet computes the total cost of programs and services for prevention of separation and family strengthening.
- *Alternative care:* This sheet computes the total cost of alternative care programs and services.
- *Tracing, reintegration & transitioning:* This sheet computes the total cost of tracing, reintegration and transitioning to family and community-based care.

4.5 Estimate the funding gap and present the costing results

Once the total cost of service provision has been calculated, it is possible to estimate the funding gap, or the additional resources required to provide adequate services to children. It is calculated as the difference between the total cost of service provision and the existing financing. The *Summary* tab provides an overview of the funding gap, comparing it to the existing financing and the total cost of service provision. The data in the *Summary* tab is presented both in tabular format as well as a graphical summary that shows the overall funding gap, as well as a breakdown of what constitutes the funding gap across the four broad categories that we identified in section 4.1.

5 Long-term economic costs and benefits

A recent meta-analysis of over 300 studies across the globe shows that bringing up children in suboptimal institutional care environments is harmful to their well-being.[8] There is also robust evidence that nurturing family-based care promotes better development outcomes for children and overall public health.[9] Moreover, there is growing evidence that residential care is cost-ineffective, with estimates that it costs anywhere from six to ten times as much as family and community-based care, while resulting in worse cognitive, emotional and social outcomes for children.[10]

As mentioned in the introduction to this guidance note, the purpose of an investment case is to present compelling evidence on how a set of investments will improve a given issue (prevention of unnecessary family separation in this case). In section 4, we discussed how to cost the priority investments that are required for adequate service provision for children who have been separated

[8] IJzendoorn et al., op.cit.
[9] Centers for Disease Control and Prevention. (2021). Essentials for Childhood - Creating Safe, Stable, Nurturing Relationships and Environments for All Children. Accessed here: https://www.cdc.gov/violenceprevention/pdf/essentials-for-childhood-framework508.pdf.
[10] IJzendoorn et al., op.cit.

from their families or who are at risk of family separation. The last component of an investment case is to present evidence on the economic returns that can be expected if the priority investments that have been costed are implemented. To estimate these economic returns, we would need to conduct a cost-benefit analysis, which we discuss below.

5.1 Conducting a cost-benefit analysis

Box 2 Steps in Cost-Benefit Analysis (CBA)[11]

1. Identify the impact categories, catalogue them, and select metrics
2. Predict the impacts quantitatively
3. Monetize (attach monetary values to) all impacts
4. Discount benefits and costs to obtain present values
5. Compute the net present value of each alternative
6. Perform sensitivity analysis

5.1.1 Identify the impact categories, catalogue them, and select metrics

Identify the impacts of the proposed investments, catalogue them as benefits or costs, and specify the metric for each impact category. The cost impact categories are relatively easy to identify after the costing exercise in section 3 has been conducted. In this case, it is all the recurrent and development costs that were identified, and the impact metrics are the monetary value of those costs.

The benefits, on the other hand, are not as straightforward to identify. Moreover, as we will see, it is also not a straightforward task to attach a monetary value to the benefits associated with investing in family and community-based care of children. Conceptually, family and community-based care manifests as economic benefits via two channels: improved health outcomes and improved education outcomes – both of which affect lifelong earnings potential.

5.1.2 Predict the impacts quantitatively and monetize all impacts

1. **Improved health outcomes (reduced mortality and morbidity)**

To quantify this impact, one needs to develop an econometric model. Excel is not well-suited tool for econometric analysis and so the model would need to be developed in specialized statistical analysis software such as Stata, or alternatively in a programming language for statistical computing, such as R or Python. Development of the model would entail the following steps:

- Collecting data on the incidence and prevalence of children being separated from their families
- Conducting a regression analysis to estimate the associations between institutionalization and the related health consequences and health risk behaviours
- Using the regression estimates to establish the health burden of institutionalization, using mortality and morbidity data for Kenya and, similarly, estimate the health benefits from family and community-based care
- Monetize the impacts by applying the value of a statistical life year (VSLY) in Kenya

2. **Improved education outcomes**

The steps involved in developing a model to quantify this impact are as follows:

[11] Boardman et al. (1996). *Cost-Benefit Analysis*. Cambridge University Press.

- Collecting data on the incidence and prevalence of children being separated from their families
- Conducting a regression analysis to estimate the associations between institutionalization and the relevant measures of educational attainment
- Using data from the Kenya Integrated Household Budget Survey (KIHBS) to estimate the impact of educational attainment on subsequent labour force participation and earnings
- Applying the above estimates to relevant labour market data for Kenya in order to monetize the burden of institutionalization and, similarly, estimate benefits that would accrue under family and community-based care

5.1.3 Discount benefits and costs and compute the net present value

The programmes and services that we are considering have impacts that occur over years. We therefore need to aggregate the costs and benefits that arise in different years. The future benefits and costs are then discounted relative to present benefits and costs (using an appropriate social discount rate) in order to obtain their present values (PVs). The net present value (the net social benefit of the programme) is then computed as the difference between the PV of its social benefits and the PV of its social costs.

5.1.4 Perform sensitivity analysis

The benefits and costs discussed above are based on various assumptions which have a certain degree of uncertainty to them. Sensitivity analysis refers to altering these assumptions in order to examine different scenarios. This could be a relatively simple process or might involve sophisticated methods such as Monte Carlo analysis or constructing decision trees.

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