



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
INCLUSIVE EARLY CHILDHOOD EDUCATION AND CARE
APPROVED ON FEBRUARY 21, 2017
TO
REPUBLIC OF SERBIA

EDUCATION

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

ECEC	Early Childhood Education and Care
ICECE	Inclusive Childhood Education and Care Project
IEQE	Institute for the Education Quality and Evaluation
MoESTD	Ministry of Education, Science and Technological Development
MoLEVSA	Ministry of Labor, Employment, Veterans and Social Affairs
PDO	Project Development Objective



BASIC DATA

Product Information

Project ID P157117	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 21-Feb-2017	Current Closing Date 30-Dec-2022

Organizations

Borrower Ministry of Finance	Responsible Agency Minister of Education, Science and Technological Development
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Project Development Objective (PDO)

Original PDO

The PDO is to improve access to quality Early Childhood Education and Care (ECEC) services, in particular for children from socially disadvantaged backgrounds.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86930	21-Feb-2017	12-May-2017	13-Feb-2018	30-Dec-2022	50.00	6.18	44.18

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring comprises: 1) reallocation of the EUR 4 million of loan proceeds; 2) change of the third component and its cost; and 3) revision of the Result Framework. Specifically, the restructuring will allow the Client to ensure quality implementation of the project by reallocating EUR 4 million towards activities critical to achieving the PDO but currently under-funded, i.e. implementation of quality improvements of the learning environment, infrastructure works, and the grants program. Reallocation of these funds would allow for quality implementation of several important quality/inclusion related activities to be achieved. This would be the first restructuring of the project.
2. **The Inclusive Childhood Education and Care Project** focuses on improving access, quality, and equity in ECEC. The project contributes to outcomes of the current Country Partnership Framework related to building human capital to increase labor productivity and enhance social inclusion through closing education enrollment gaps for low-income and Roma students starting in pre-primary. Progress towards the PDO and overall implementation progress are rated moderately satisfactory. Since its effectiveness in February 2018, project implementation has proceeded unevenly, with quality and inclusion Components progressing fairly well, whereas the activities within Component 1 (infrastructure work) have encountered delays. However, the recent employment of several technical staff has led to considerable progress in establishing an appropriate structure for stable implementation of the infrastructure works. Thus far, 11 construction sites have been identified, whereas infrastructure works on the three pilot sites are expected to start in September 2019. The Preschool Curriculum Framework (Years of Ascent) was adopted by the Ministry of Education, Science and Technological Development (MoESTD) recently along with the several important strategic documents. The rollout of the curriculum beyond the pilot kindergartens will start as of September 2019. A communication consultant firm was hired to work along with the government on a communication strategy with the aim to improve early stimulation, parenting skills/care at home, and registration for and enrollment in preschools and other services. Moreover, the grant program was launched, and 35 selected municipalities received technical assistance to develop proposals aimed at improving coordination and cooperation among relevant actors in providing holistic and high-quality ECEC services to parents and children. Implementation of the grant projects is expected to start in September 2019.
3. Implementation status per component:
 - (a) **Component 1: Expanding the supply of preschool spaces.** There is considerable progress in implementing activities under Component 1 lately. Site visits were conducted in all envisaged locations. The infrastructure works on the three pilot sites are expected to start in September 2019. The PMU is currently working on finalizing the next tender for the second batch of sites and the bidding documents are expected to be ready for publishing by September 2019. In addition, the PMU has identified suitable sites in the several other municipalities and has started the groundwork to make sure that the bidding documents would be announced by January 2020.
 - (b) **Component 2: Strengthening the quality of preschool services.** After the adoption of the new curriculum "Years of Ascent," the MoESTD has organized several public events to familiarize the preschool teachers and all interested parties about the content and the learning approaches



promoted through the new curriculum. The implementation of the curriculum in selected municipalities will start as of September 1, 2019. In addition, the MoESTD started to work on quality assurance improvements and in cooperation with the Institute for the Education Quality and Evaluation (IEQE) developed a plan of future activities. Regarding the improvement of the institutional self-evaluation, the consultant has been working with the MoESTD on the evaluation of the current methodology and practices. The decision for future development will be made based on the evaluation findings. The self-evaluation process is expected to start in January 2020.

(c) **Component 3: Supporting young children and families.** A communication consultant firm was recently hired to prepare a full-fledged communications strategy to include different outreach activities focused on empowering parents and families to support children’s holistic development through increased knowledge about the importance of the early years and to stimulate demand for relevant services for families with young children. In addition, the MoESTD has launched the grant program and organized training for the representatives of local stakeholders. The public request for proposal submission was recently closed. The implementation of the grants is expected to start in September 2019.

(d) **Component 4: Project management, technical assistance, and monitoring and evaluation.** The Project Implementation Unit (PIU) and Central Fiduciary Unit (CFU) are fully staffed. In addition, the MOESTD has also appointed high government officials as Focal Points for each project component to strengthen the internal management structure, resulting in considerable progress in project implementation.

4. The current disbursement ratio is 12 percent. In terms of financial management and procurement arrangements, the project is rated satisfactory. There are no outstanding audits under the project. The financial project audit for 2018 had an unmodified (clean) opinion, and no internal controls issues have been mentioned in the related management letter. All legal covenants have been complied with.

5. **Environmental Safeguards.** The project rates satisfactorily under the category “B.”

6. **The rationale for Restructuring.** The project envisaged support in development and financing of a new subsidy to ensure that the most deprived families are given priority to enroll their children ages 3 to 5.5 years in preschool services free of charge. The Ministry of Labor, Veterans and Social Affairs (MoLEVSA) adopted recently a new Law on Financial Support to Families with Children that introduces a subsidy for preschool attendance of children whose parents are Financial Social Assistance beneficiaries. EUR 4 million from the loan proceeds were allocated to co-finance a portion of the annual expense for this subsidy. However, the World Bank was recently informed that the Budget System Law does not allow transferring funds between two direct budget beneficiaries. The government allocated sufficient funds for financing the preschool subsidy entitlement in its national budget and thus sought reallocation of the EUR 4 million towards other activities. The intended output and sustainability of this activity are achieved with financing of the subsidy guaranteed by the government. Therefore, the proposed reallocation of the EUR 4 million allocated in the disbursement category (3) within disbursement categories (1) and (2) would not have negative consequences to the achievement of the PDO. It would, however, contribute significantly to achieving the PDO. The national rollout of the new curriculum will exhaust the allocated funds for implementation of the quality assurance activities, so additional funds would be critical for achieving the quality related PDO’s outcome. Additional funds are also needed for furnishing new facilities with age appropriate furniture and didactics, as well as for infrastructure works since there is bigger demand for new facilities and less for extension and reconstruction of the existing facilities, as originally planned. The



project committed to provide 17,000 additional preschool spaces, thus additional funds would be instrumental for achieving this outcome.

II. DESCRIPTION OF PROPOSED CHANGES

1. **The proposed restructuring seeks authorization for: (i) reallocation of the funds from disbursement category three within the first and second disbursement categories; (ii) revision of VAT exception of the second disbursement category, (iii) dropping out subcomponent 3.3 “subsidies to ensure free preschool participation among the most vulnerable children ages 3 to 5.5 years”; (iv) change in the first disbursement category’s specification of Eligible Expenditures that may be financed out of the loan proceeds; and (v) revision of the Results Framework.** Specifically, this restructuring seeks approval for the following revisions to the project:
 - (a) The government proposed reallocation of the EUR 4 million from the third disbursement category to the first and the second categories. Namely, the loan proceeds originally allocated for subsidies under Part 3.C of the Project will be provided through the state budget. Thus, the government suggest Category (3) Subsidies under Part 3.C of the Project to be removed, and the total sum amounting to EUR 4 million to be reallocated to categories (1) and (2) in the following manner: EUR 3,700,000 to Category (1) and EUR 300,000 to Category (2). The proposed reallocation within disbursement categories will also have impact on the current cost per components. The proposed change in reallocation between disbursement categories and allocations per component are provided below.
 - (b) The Legal Agreement stipulates that the expenditures to be financed under the Category (2) -Grants under Part 3.B of the Project are exclusive of taxes. However, this provision cannot be implemented due to the articles 33 and 34 of the "Rulebook on the Method and Procedure for VAT Exemption" that do not allow local partners to be financed from the Grant Program proceeds to be excluded from VAT payments. Therefore, the percentage of expenditures to be financed for Eligible Expenditures in the Category (2) Grants under Part 3.B of the Project, needs to be changed from "exclusive of Taxes" to 100 % inclusive of Taxes".
 - (c) Category 1(a) needs to be changed to specify that operating costs are eligible expenditures that may be financed out of the loan proceeds. This was omitted to be specified in the current table of categories of eligible expenditure.
 - (d) The PDO remains unchanged, though change to the Results Framework is needed to reflect the proposed change to the scope of subcomponent 3.3. The revision includes dropping the intermediate indicator related to this subcomponent: “FSA beneficiary children ages 3 to 5.5 years enrolled in preschool free of charge.”



III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Expanding the supply of preschool spaces	34.00	Revised	Expanding the supply of preschool spaces	36.75
Strengthening the quality of preschool services	5.00	Revised	Strengthening the quality of preschool services	5.95
Supporting young children and families	9.00	Revised	Supporting young children and families	5.30
Project management, technical assistance, and monitoring and evaluation	2.00	No Change	Project management, technical assistance, and monitoring and evaluation	2.00
TOTAL	50.00			50.00

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IBRD-86930-001 Currency: EUR				
iLap Category Sequence No: 1(A)	Current Expenditure Category: G,W,non-CS-except Parts 3.B ,3.C			
36,000,000.00	34,493.50	38,750,000.00	100.00	100.00
iLap Category Sequence No: 1(B)	Current Expenditure Category: CS- except Parts 3.B ,3.C			
5,382,500.00	256,667.28	6,332,500.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: Grants under Part 3.B			
1,500,000.00	0.00	1,800,000.00	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: Subsidies under Part 3.C			
4,000,000.00	0.00	0.00	100.00	100.00



Total	46,882,500.00	291,160.78	46,882,500.00
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DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2017	0.00	0.00
2018	6,000,000.00	1,000,000.00
2019	8,000,000.04	6,000,000.00
2020	9,999,999.96	9,000,000.00
2021	9,999,999.96	9,000,000.00
2022	8,000,000.04	12,000,000.00
2023	8,000,000.04	9,882,500.00



Results framework

COUNTRY: Serbia

Inclusive Early Childhood Education and Care

Project Development Objectives(s)

The PDO is to improve access to quality Early Childhood Education and Care (ECEC) services, in particular for children from socially disadvantaged backgrounds.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Expanding the supply of preschools spaces								
National preschool enrollment rates for children ages 3 and 5.5 years (Percentage)		52.00	52.00	52.00	58.00	60.00	62.00	62.00
National preschool enrollment rates for children ages 3 and 5.5 years within the eligible municipalities (Percentage)		19.00	19.00	19.00	21.00	23.00	25.00	25.00
Strengthening the quality of preschool services								
Preschools that undergo external evaluation and rank 4 (on a scale of 1 to 4) (Percentage)		44.00	44.00	44.00	50.00	50.00	55.00	55.00
Supporting young children and families								



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Children ages 12 to 59 months in the lowest quintile with whom an adult has engaged in early stimulation activities at home (Percentage)		85.00	85.00	85.00	90.00	92.00	92.00	92.00
Children ages 12 to 59 months from Roma families with whom an adult has engaged in early stimulation activities at home (Percentage)		68.00	68.00	68.00	70.00	72.00	75.00	75.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Expanding the supply of preschool spaces								
Preschool construction and rehabilitation projects preceded by a community stakeholder consultation (Percentage)		0.00	0.00	100.00	100.00	100.00	100.00	100.00
Number of sub-projects with civil works for which consultation		0.00						20.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
summaries are produced and disseminated (Number)								
Additional classrooms built or rehabilitated at the preschool level resulting from project interventions (Number)	0.00	0.00	100.00	340.00	630.00	779.00	779.00	
Additional classrooms built at the preschool level resulting from project interventions (Number)	0.00	0.00	0.00	60.00	150.00	193.00	193.00	
Additional classrooms rehabilitated or re-purposed at the preschool level resulting from project interventions (Number)	0.00	0.00	100.00	280.00	480.00	586.00	586.00	
Strengthening the quality of preschool services								
Additional qualified preschool teachers resulting from project interventions (Number)	0.00	0.00	1,500.00	4,500.00	8,500.00	12,000.00	12,000.00	
Pre-service training institutions that reformed their study programs based on the new preschool curriculum, and core	0.00	0.00	2.00	4.00	8.00	10.00	10.00	



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
competences required for preschool teachers (Number)								
Primary school pedagogical staff trained in new preschool curriculum (Number)	0.00	0.00	0.00	350.00	700.00	1,000.00	1,300.00	1,300.00
Preschools with self-evaluations completed using updated instrument. (Percentage)	0.00	0.00	0.00	0.00	30.00	30.00	50.00	50.00
Supporting young children and families								
Communication campaign developed and rolled out (Text)		No campaign		Firm recruited	Materials developed	Campaign rolled out	Campaign rolled out	Campaign rolled out nationally
Grants awarded to eligible municipalities (Number)	0.00	0.00	0.00	15.00	15.00	30.00	30.00	30.00
Male participants (among benefiting families) in grant activities (Percentage)	0.00	0.00	0.00	5.00	10.00	15.00	20.00	20.00
FSA beneficiary children ages 3 to 5.5 years enrolled in preschool free of charge (Number)	0.00	0.00	0.00	2,000.00	4,000.00	6,000.00	8,000.00	8,000.00
Action: This indicator has been Marked for Deletion								
Project management, technical assistance, and monitoring and evaluation								



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Evaluation of first phase of grant program completed and lessons incorporated into the second phase of the program (Text)		No report			Evaluation of 15 grants	Incorporation of lessons into program		2nd round of grant program incorporates lessons from evaluation



The World Bank

Inclusive Early Childhood Education and Care (P157117)
