



1. Project Data

Project ID P162246	Project Name Social Services Improvement Project	
Country North Macedonia	Practice Area(Lead) Social Protection & Jobs	
L/C/TF Number(s) IBRD-89020	Closing Date (Original) 30-Jun-2024	Total Project Cost (USD) 27,849,999.48
Bank Approval Date 13-Sep-2018	Closing Date (Actual) 30-Jun-2025	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	33,400,000.00	0.00
Revised Commitment	33,400,000.00	0.00
Actual	27,849,999.48	0.00

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2. Project Objectives and Components

a. Objectives

As stated in the October 2, 2018 Loan Agreement (Schedule 1, p. 4), the project's development objective (PDO) was "...to expand access to and improve the quality of social services, including preschool services, for vulnerable groups." This statement is consistent with the one provided in the Project Appraisal Document (PAD, p. 1). As defined in the PAD (p. 12), the "vulnerable groups" expected to benefit from the project included social welfare beneficiaries (cash transfer recipients) and other vulnerable adults and children



eligible for social services, as well as children aged 3 to 6, particularly those from disadvantaged backgrounds, including poor households and Roma communities.

The PDO remained unchanged throughout the project period. Under the project's second restructuring in November 2024 - around eight months before the project was closed - the target for one PDO-level sub-indicator (the preschool enrollment rate for children aged 3–6 from Guaranteed Minimum Assistance [GMA] families) was reduced from 20 percent to 5.6 percent. The original sub-indicator target proved unrealistic given the very low baseline (0.4 percent) and persistent external constraints affecting access to preschool for children from GMA families, which justified the downward revision of this sub-indicator. As the PDO-level target for national preschool enrollment was retained, the PDO's overall ambition was not reduced. Importantly, lowering the target for one PDO-level sub-indicator shortly before project closing was inconsequential to the overall outcome assessment since all the PDO targets of the larger set of outcome indicators were achieved or exceeded. A split rating is therefore not warranted.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Promoting social inclusion through improved access to social benefits and services (original estimate: EUR 10.8 million / US\$12.7 million equivalent; actual cost: EUR 7.38 million / US\$8.66 million equivalent). This component was to support existing social assistance recipients and other vulnerable groups by strengthening the policy, institutional, and service delivery framework for social protection. This was to include providing technical assistance for social services policy development and implementation, such as conducting needs assessments, developing standards and accreditation and licensing processes for social service providers, and supporting the preparation of social and child protection laws, regulations, and guidelines. Under this component, the project was also to finance grants for social services subprojects to expand non-institutional social services - such as home care, day care, temporary care, foster care, small group homes, assisted living, and emergency assistance - along with advisory support to municipalities for preparing social services subproject proposals and assessing local needs and demand. In addition, the project was to support the development of an integrated social welfare information system linking the Cash Benefit Management Information System (CBMIS) and the platform for social services (LIRIKUS), as well as capacity-building activities for social assistance policy reforms, evaluation and data analysis, carrying out rehabilitation works, including provision of relevant equipment, of selected offices within MLSP and other government agencies involved in the provision of social services.

Component 2: Expanding the access to and improving the quality of preschool services (original estimate: EUR 16 million / US\$18.6 million equivalent; actual cost: EUR 14.9 million / US\$17.5 million equivalent). This component aimed to increase preschool capacity and improve the quality of early childhood education and care (ECEC) service delivery through provision of grants for infrastructure subprojects, technical assistance to selected municipalities for designing infrastructure subproject



proposals, and financing for the construction of preschools and the rehabilitation of selected existing facilities to be used as preschools, including the provision of equipment and teaching and learning materials. The component also was to support the development of a Grants Operational Manual and the construction or rehabilitation of innovative preschool centers in Skopje, Tetovo, Stip, and Bitola. In addition, it was to finance outreach activities to encourage preschool enrollment, particularly among vulnerable groups, and strengthened service quality through capacity-building programs for preschool teachers and administrators, the development of new teacher competency frameworks and age-appropriate learning materials, enhancements to ECEC quality assurance mechanisms, and support for developing a per-student funding formula aimed at improving teaching quality.

Component 3: Project management, monitoring and evaluation (original estimate: EUR 1.9 million / US\$2.1 million equivalent; actual cost: EUR 2.7 million / US\$3.2 million equivalent). This component was to support effective project implementation through financing project management and monitoring and evaluation activities, including the establishment and operation of the Project Management Unit (PMU), covering operating costs; the development and implementation of a project monitoring and evaluation system to track progress and results; and the design and implementation of a public awareness campaign to inform vulnerable groups about available social assistance benefits and services, including eligibility criteria and application procedures.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Cost. The original project cost was estimated at EUR 28.7 million (US\$33.4 million equivalent). The total actual cost was EUR 24.99 million (US\$29.33 million equivalent, based on the EUR–US\$ exchange rate on December 17, 2025), representing an 87 percent disbursement rate. Actual component costs (itemized in section 2d) were 68.3 percent of the estimate for Component 1, 93 percent for Component 2, and 143 percent for Component 3. As reported by the Bank team in a written interview on January 23, 2026, the higher-than-estimated cost of Component 3 reflects (i) the engagement of a larger number of consultants than originally planned—following the identification of additional technical, fiduciary, safeguards, and communication needs during implementation—and (ii) higher actual expenditures for surveys, public campaigns, and citizen engagement activities.

Financing and Borrower Contribution. The project was 100 percent financed by a World Bank loan in the amount of EUR 28.7 million (US\$33.4 million equivalent). No government contribution was foreseen or provided.

Key Dates. The project was approved on September 13, 2018 and became effective on October 17, 2018. The project's mid-term review took place on March 15, 2022. The original closing date of June 30, 2024, was extended by 12 months, and the project ultimately closed on June 30, 2025. Over the course of implementation, two restructurings were undertaken, in January 2024, and November 2024.

Restructuring.

The first project restructuring (January 2024) involved a 12-month extension of the closing date from June 30, 2024, to June 30, 2025, to mitigate emerging implementation risks and ensure achievement of the PDO. Although the project was on track, the forthcoming parliamentary and presidential elections in May 2024, the establishment of a Technical Government with a double-signature approval requirement (involving the approval of both the Technical Minister and the Deputy Technical Minister), and an under allocation for



the project in the 2024 National Budget threatened timely decision-making and financing for planned activities. In particular, the 2024 National Budget allocated only EUR 2.9 million to the project, compared to the EUR 4.7 million required to complete the remaining activities by the original closing date, increasing the risk of implementation delays. The extension aligned available budget resources with the project's activity plan and provided additional time to complete critical activities. Under Component 1, it enabled the rollout of the Integrated Social Welfare Information System (ISWIS), including data migration, staff training, and support for improvements in social service delivery, including potential modifications in the rulebooks and the licenses to meet the growing demand for social services, as well as reaching additional beneficiaries. Under Component 2, the extension was particularly important to address delays in expanding early childhood education capacity by increasing the number of rehabilitated or repurposed preschool classrooms, an intermediate indicator that was lagging behind its end-target. The additional time allowed the Ministry of Labor and Social Protection to pilot the repurposing of unused primary school spaces and other public buildings in pre-identified municipalities, support the establishment of model kindergartens, strengthen teacher capacity, refine the preschool financing formula, and advance the measurement of preschool quality. The lessons learned from these activities were expected to directly inform the design and implementation of the follow-on Second Social Services Improvement Project (SSIP 2, P180350).

The second restructuring (November 2024) was undertaken to adjust the Results Framework in line with the project's revised closing date of June 30, 2025, and to revise targets that were no longer achievable due to contextual constraints. The PDO-level sub-indicator for preschool enrollment of children aged 3-6 from GMA families was reduced from 20 percent to 5.6 percent, as the original target proved unrealistic given a very low baseline (0.4 percent) and persistent access barriers. In response to the COVID-19 pandemic, the government prioritized enrollment for children with two working parents and reduced the maximum number of children per kindergarten group. Although the group-size restriction was formally lifted in late 2021, limited preschool capacity persisted, and kindergartens continued to apply the two-working-parents requirement informally to manage high demand, further restricting preschool access for children from GMA households. Structural barriers - including limited kindergarten availability, lack of public transportation, and financial constraints - also impeded enrollment. Many GMA families live far from kindergartens, cannot rely on public transport, and are prohibited from owning cars, making even short distances a significant obstacle to accessing preschool. These challenges made the original 20 percent target unrealistic within the project's timeframe and means. In addition, the intermediate results indicator (IRI) for "Additional classrooms rehabilitated or repurposed at the preschool level" was revised from 240 to 68 due to rising construction materials, and the government's decision to build more new preschool classrooms, reducing the need for rehabilitated or repurposed preschool classrooms under the project. The IRI for beneficiaries of social safety net programs was replaced by a new Corporate Results Indicator to align with updated methodology.

3. Relevance of Objectives

Rationale

The PDO was highly relevant to country conditions. At appraisal, social assistance programs in North Macedonia covered only about 10 percent of the population and one-third of the poorest quintile, while non-institutional social services, such as home-based care and assistance or day care services for persons with disabilities, reached just 0.04 percent of the total population, reflecting severe supply and access constraints, particularly outside urban areas. Access to ECEC was especially limited among vulnerable groups: only 0.3 percent of children from the poorest quintile were enrolled in preprimary education,



compared with 36 percent nationally, with enrollment rates of just 2.6 percent among Roma and 7.5 percent among Albanian children. Geographic disparities were pronounced, with 28 mainly rural municipalities lacking public kindergartens, while enrollment exceeded 60 percent in some urban municipalities. These access gaps were compounded by fragmented service delivery, regressive financing mechanisms reliant on user fees, and low quality of social and child protection services. Against this backdrop, the PDO's focus on expanding access to and improving the quality of social and preschool services directly addressed key structural constraints affecting social inclusion and human capital development, challenges that continue to be relevant in North Macedonia.

The PDO was and remains well aligned with North Macedonia's development priorities. Expanding access to and improving the quality of social services - particularly non-institutional and preventive services for vulnerable groups - has been a stated government priority under successive policy frameworks, including the Employment and Social Reform Program (2017) and the Government Programs for 2017-2020, 2020-2024, and 2024-2028, which emphasize deinstitutionalization, decentralization, and community-based service delivery. Similarly, expanding access to quality ECEC has been a consistent priority in recent government programs and is embedded in the Strategy for Education 2018-2025 and reiterated in the Government's Human Capital Strategy 2024-2030, which positions ECEC as a cornerstone of long-term social and economic growth. Against this policy backdrop, the PDO's focus on expanding access to social and preschool services for vulnerable populations and improving service quality was well aligned with national objectives to reduce social exclusion, close early education enrollment gaps, and meet EU standards and benchmarks in ECEC.

The PDO was and remains highly relevant to the Bank's country priorities for North Macedonia. At approval, the project was aligned with the Country Partnership Strategy (CPS) for FY15-18, which identified poverty reduction and the creation of more and better jobs as overarching country goals and emphasized skills development and social inclusion under the Skills and Inclusion pillar of the CPS. By expanding access to and improving the quality of social protection and ECEC services for vulnerable groups, the PDO directly supported these priorities by strengthening foundational skills and reducing inequities in access to opportunities. The PDO's relevance was reinforced under the Country Partnership Framework (CPF) for FY19-23, particularly Focus Area II (Inclusive Growth: Expanding Skills and Opportunities for the Most Vulnerable), and remained fully aligned with the current CPF for FY24-28, supporting Objective 1.3 (Improving social services, in particular for vulnerable populations) under High-Level Outcome 1 (Improved Quality of Public Service Delivery) and Objective 2.2 (Strengthening foundational skills) under High-Level Outcome 2 (More Productive Private Sector Jobs).

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1 Objective



To expand access to social and preschool services.

Rationale

The project aimed to expand access to social and preschool services through a combination of policy, systems, demand-side, and supply-side interventions. **Key activities** included: (i) strengthening the legislative and policy framework for social service delivery; (ii) developing and operationalizing an integrated Social Welfare Information System (SWIS) to enable automated, system-driven recertification, continuous eligibility verification through inter-institutional data exchange, and household-level case management in Centers for Social Work; (iii) implementing a nationwide beneficiary communication and awareness campaign to improve knowledge of eligibility criteria and application procedures; (iv) expanding the supply and geographic coverage of non-institutional social services through competitive grants to public and private providers; and (v) increasing preschool infrastructure capacity in municipalities with the highest unmet demand. These activities were expected to generate **outputs** including a unified, digitalized, and interoperable beneficiary registry covering cash benefits and social services; automated eligibility verification and case management tools; improved beneficiary awareness of entitlements and available services; an expanded and more diverse network of licensed non-institutional social service providers; and increased preschool capacity through the construction and rehabilitation of facilities. The outputs were expected to lead to **intermediate results** such as reduced administrative burdens and transaction costs for beneficiaries, fewer inclusion and exclusion errors, improved targeting and coordination of benefits and services, and greater availability and geographic reach of social and preschool services. Collectively, these intermediate results were expected to contribute to the intended **outcome** of expanded access to social and preschool services for vulnerable populations. This causal chain rested on key assumptions, including continued policy commitment to social services and early childhood education, adequate and sustained budgetary allocations, and the absence of major national or global shocks that could disrupt implementation.

Outputs and intermediate results

- The project supported implementation of the 2019 Law on Social Protection by developing and operationalizing national quality standards for social services, establishing standardized norms for service provision, licensing, and pricing applicable to all providers, regardless of funding source. The standards are now applied by all service providers, **exceeding the target of 50 percent**, and have contributed to more consistent service delivery and improved access to quality social services.
- The SWIS consolidated and migrated all active files of cash benefit and social service recipients from the former CBMIS and LIRIKUS systems, digitalized records for social benefits, services, and public authorizations, and introduced new modules for licensing, professional oversight, inspection, and interoperability. All Centers for Social Work received training on the use of SWIS. By project closing, SWIS was operational in 20 out of 30 Centers for Social Work (CSWs), following a phased rollout designed to mitigate operational risks in high-workload settings. As reported by the Bank team in a written interview dated January 23, 2026, all remaining CSWs are on track for full operationalization by April 2026.
- The SWIS enabled the automation of recertification, which now occurs monthly through automatic verification of eligibility criteria. Prior to the project, recertification was conducted manually and initiated either by beneficiaries or social workers. The automation of this process substantially reduced administrative burdens, ensured continuous verification of eligibility, and supported more efficient management of benefits and services.
- The SWIS established inter-institutional data exchange with key government entities, including the Public Revenue Office, Ministry of Interior, Employment Agency, and Civil Registry Office, enabling



coordinated case management, improved targeting, and more efficient administration of social services programs.

- A household-level case management system was developed and implemented in Centers for Social Work (CSWs), supported by standardized assessment tools and protocols introduced under the project to enable systematic assessment of individual and family needs. Training programs strengthened the capacity of social workers and service providers to apply these tools consistently across regions and institutions. The interoperability features of the SWIS system streamlined workflows for social workers and case managers by enabling more efficient monitoring of beneficiaries' needs and service utilization. As a result, the average number of CSW visits required for beneficiaries to identify, prepare, and apply for appropriate benefits declined from approximately four to two, reducing administrative burdens and transaction costs for vulnerable households. The system also facilitated easier updates to care plans and strengthened monitoring of service delivery outcomes, with further efficiency gains expected as the system use matures.
- A nationwide communication campaign was developed and implemented to raise awareness among prospective beneficiaries about their eligibility for social benefits and services, including community-based social services, and to provide guidance on the application process. As reported by the Bank team in a written interview on January 23, 2026, the campaign utilized mass media (TV and radio), social media posts, press releases, leaflets, and workshops, with a particular focus on in-home care and child development topics.
- A total of 272,337 beneficiaries received cash-based support, **exceeding the target of 240,000**. Of these, 140,741 were female beneficiaries, **exceeding the target of 120,000**, and 35,528 were youth beneficiaries.
- Through a pilot competitive grant program, private providers (NGOs and commercial entities) developed and delivered new non-institutional social services tailored to local needs. Thirty-three new services were introduced in 43 municipalities, with most focused on home care, alongside services for children with disabilities, active aging, personal assistance, and rehabilitation. Thirty of these services were sustained through state budget financing, and 467 jobs were created, primarily for trained caregivers who were previously long-term unemployed women.
- A total of 2,499 new preschool spaces were created under the project through construction of 68 additional energy-efficient preschool classrooms, **exceeding the target of 60**; and rehabilitation or repurposing at the preschool level of 68 existing classrooms, **not meeting the original target of 240 and meeting the revised target of 68**. In one-quarter of the 21 municipalities where construction took place, no preschool services had existed prior to the project. Government standards and norms for preschool facilities were updated to reflect best practices in construction, energy efficiency, and climate resilience, and all supported subprojects complied with environmental and social safeguards.

Outcomes

- By project completion, 100 percent of cash benefit and social services recipients were recertified and recorded in SWIS, **exceeding the original overall and female targets of 60 percent**. While the indicator is formally expressed in terms of recertification (i.e., the process of verifying that recipients continue to meet eligibility criteria for cash benefits and social services), its achievement reflects the full establishment and operationalization of SWIS. Through automated recertification, integrated case management, and inter-institutional data exchange, SWIS streamlined administrative processes, reduced errors in eligibility determination, and strengthened targeting, ensuring that benefits and services reach those most in need. Early evidence suggests that improved case verification led to a



- reduction in non-eligible beneficiaries in the largest social assistance programs, thereby contributing to improved transparency and more effective access to benefits and services for vulnerable populations.
- A total of 5,400 beneficiaries received non-institutional services from licensed providers, **exceeding the target of 3,000**, including 1,651 beneficiaries directly supported through project financing. Women accounted for 61.1 percent of beneficiaries, **surpassing the target of 50 percent**. These interventions significantly increased access to alternative social services across both rural and urban areas.
 - The national preschool enrollment rate for children aged 3-6 increased from a baseline of 35.7 percent to 46.65 percent by project completion, **achieving the target**.
 - Access-expanding investments were strategically targeted to municipalities with the highest unmet demand, identified using an Eligible Municipality Index based on socioeconomic indicators and estimated preschool needs, including the proportion of GMA beneficiaries, child population density, and shortages of preschool places. In these municipalities, preschool enrollment among children aged 3-6 increased from 31.4 percent to 39.3 percent, demonstrating the project's effectiveness in directing resources to areas with the greatest access gaps.
 - Enrollment among children aged 3-6 from families receiving social financial assistance increased from a very low baseline of 0.4 percent to 5.83 percent. While **the original target of 20 percent was not achieved, the revised target of 5.65 percent was exceeded**, indicating meaningful progress in expanding access for some of the most vulnerable children.

PDO 1, which aimed to expand access to social and preschool services, was substantially achieved. The project addressed key administrative, informational, and service availability constraints that had previously limited beneficiaries' access to cash social assistance benefits, non-institutional social services, and preschool programs, particularly among vulnerable groups. The full operationalization of the integrated SWIS - including automated recertification, integrated case management, and inter-institutional data exchange - reduced transaction costs, minimized errors in eligibility determination, and improved the targeting of benefits and services to eligible households, including children from social assistance families. Access to non-institutional social services expanded significantly, with 5,400 beneficiaries served nationwide, exceeding the target and increasing women's participation. Preschool access also improved, with national enrollment among children aged 3-6 rising from 35.7 percent to 46.65 percent, including notable gains in municipalities with the highest unmet demand and among children from social assistance households. Although the original PDO-level sub-target for preschool enrollment among the poorest children was not met and was revised downward shortly before project closing, the combined improvements in system strengthening, service delivery, and equitable coverage demonstrate a meaningful, system-wide expansion of access to social and preschool services.

Rating
Substantial

OBJECTIVE 2

Objective

To improve the quality of social and preschool services.

Rationale



The project aimed to improve the quality of social and preschool services by strengthening standards, teacher capacity, financing, service delivery, and quality assurance. **Key interventions** included: developing and implementing national social service standards and licensing frameworks; piloting non-institutional social services through competitive grants to licensed private providers; enhancing the institutional capacity of Centers for Social Work; reforming pre-service curricula and delivering large-scale, competency-based in-service training for preschool teachers; introducing the MELQO instrument to assess preschool process quality - including classroom environments and teaching practices - and to measure children's developmental outcomes; developing a needs-based ECEC financing formula to ensure predictable, adequate, and equitable resources for preschools; and establishing five innovative model preschools to serve as high-standard examples of preschool service delivery and as centers to support practice-based teacher training. These activities were expected to generate **outputs** including standardized and licensed social services, provision of new non-institutional social services, a better-trained preschool workforce, institutionalized quality monitoring tools for social services and preschools, and a sustained and equitable financing for social services. These outputs were anticipated to lead to **intermediate results**, including more consistent application of quality standards, enhanced teaching practices and caregiver professionalism, stronger monitoring and accountability in social services, greater responsiveness to beneficiaries' needs, and more stable investment in quality inputs. Collectively, these intermediate results were expected to contribute to the **outcome** of improved social and preschool service quality, assuming that the general policy direction for social services and preschool education is maintained, consistent budgeting supports the necessary expenditures, and that no major national or global crises hinder or delay implementation.

Outputs and intermediate results

- New social service standards, accreditation, and licensing frameworks were developed, *meeting the target*. Six new rule books and amendments to four existing rule books were issued covering norms and standards, licensing procedures, and pricing methodology for social services.
- All social service providers applied the new service standards, *exceeding the target of 50 percent*. Surveys and structured user feedback showed improvements in service quality, targeting, and caregiver professionalization, with high beneficiary satisfaction (87-99 percent across survey rounds). Beyond surveys, a systematic quality assurance mechanism requires social workers at CSWs to monitor the delivery and quality of social services.
- A total of 33 new services were implemented in 43 municipalities through competitive grants to private providers (NGOs and commercial providers), including home care, individualized treatments for children with disabilities, day care for active aging, personal assistance, and rehabilitation for adults with disabilities. Of the beneficiaries of home care services supported under the project, 68 percent were women.
- The initiative also created 467 jobs, primarily for trained long-term unemployed women.
- The project introduced the Measuring Early Learning Quality and Outcomes (MELQO) instrument to assess both process and structural quality in preschools, establishing a standardized tool for monitoring children's cognitive, socio-emotional, and school readiness outcomes, as well as classroom quality and teaching practices, *meeting the target*.
- The project contributed to institutional strengthening across the social protection system:
 - The project strengthened the MSPDY's capacity to implement nationwide preschool quality measurement. Before the project, the ministry lacked experience with large-scale assessments such as MELQO. All enumerators involved in MELQO data collection were drawn from the preschool system and relevant government institutions, and trained and certified through a rigorous program, strengthening durable in-country expertise in early learning assessment,



reinforcing national ownership, and reducing reliance on external technical assistance for future rounds of quality measurement.

- The project strengthened policy and legal frameworks in both social services and ECEC, building capacity among service providers and municipal authorities, and operationalizing new models for non-institutional service delivery. These efforts enhanced the government's ability to plan, regulate, and monitor social services for vulnerable populations. The rollout of SWIS was a central institutional achievement, integrating the operations of the CSWs, the MSPDY, and the Institute for Social Activities into a single platform, enabling more efficient, accurate, and timely decision-making across all levels of the social protection system. By modernizing IT systems and introducing system operators for data entry, SWIS reduced administrative burdens and allowed social workers to focus on their core social work duties, enhancing job satisfaction and reducing burnout. The SWIS system also strengthened data exchange with other national institutions, thereby increasing transparency and reducing risks of fraud.
- All of the five pre-service training institutions reformed their study programs in line with the core competencies required for ECEC teachers, **meeting the target**.
- A total of 2,741 preschool teachers - including all teachers in public preschools - were trained in modern, child-centered teaching methodologies, **exceeding the target of 2,200**. The training covered constructivist, play-based, inclusive, and learning-environment-focused modules, with over 90 percent of participants reporting high satisfaction.
- A new ECEC financing formula was developed to ensure preschools receive more predictable, adequate, and equitable resources, supporting quality inputs, sustainability, and both enrollment and regular attendance. The formula consists of three components: (a) an equalization element allocating funds based on enrolled children, adjusted for service type, vulnerability, and economies of scale; (b) a development element providing financial incentives to increase enrollment and consistent attendance; and (c) a five-year transition mechanism capping annual grant changes at ± 10 percent to protect municipal fiscal stability. Developed through a participatory process with all local governments, the formula is now incorporated into the ministry's 2026 budget planning.
- At project closing, the establishment of five model preschool - intended to serve as model kindergartens in cities with university preschool teacher training programs - was still in preparation. Selection criteria for the model kindergartens had been developed, but additional time was needed to refine the criteria to ensure they allowed for the selection of a diverse set of kindergartens. Consequently, the final site selection, equipment procurement, and development of a practice-based mentoring model were carried forward for financing and implementation under the follow-up second SSIP.

Additionally:

- 88 percent of supported subprojects reported beneficiary engagement in decision-making, **exceeding the target of 30 percent**.
- 100 percent of beneficiaries reported satisfaction with the responsiveness of the grievance redress mechanism, **exceeding the target of 50 percent**.

Outcomes

- **Operational and effective social services accreditation and licensing system:** A national system for social service accreditation and licensing became fully operational, supported by standardized norms, pricing methodologies, and quality assurance mechanisms. All licensed providers - public and



private - apply the same standards, and service delivery is monitored systematically by Centers for Social Work. A total of 5,400 beneficiaries received non-institutional social services (alternative/non-residential forms of care) from licensed providers, exceeding the target of 3,000. Survey evidence and structured user feedback indicate high satisfaction levels, with between 87 percent and 99 percent of beneficiaries reporting complete satisfaction across survey rounds. The system has contributed to improved targeting, greater consistency in service quality, and increased professionalization of caregivers.

- **Improved quality of social services:** Prior to the project, social services for disadvantaged groups in North Macedonia were limited, with no non-institutional options and no unified quality standards. The project introduced a replicable model that shifted from a centrally organized, state-delivered approach to one that outsourced social services to licensed private providers, selected through competitive grants and in partnership with municipalities. This approach strengthened the implementation of reforms under the 2019 Law on Social Protection by establishing national standards, pricing methodologies, quality assurance mechanisms, and capacity-building support for both public and private providers. As a result, all licensed providers now apply consistent standards, **exceeding the target of 50 percent**; service delivery is systematically monitored by Centers for Social Work; and 5,400 beneficiaries received non-institutional social services from licensed providers, **surpassing the target of 3,000**. Beneficiary feedback shows high satisfaction, with 87-99 percent reporting full satisfaction across survey rounds, reflecting improved consistency, professionalism, and overall quality of service delivery. The project's success demonstrates the effectiveness of leveraging both public and private capacities while emphasizing local needs, competitive selection, and ongoing technical support for providers.
- **Sustained financing and institutionalization of social services:** Social services introduced and piloted under the project were successfully integrated into the state financing framework, ensuring continuity beyond project closure. Thirty of the thirty-three newly introduced services continue to receive funding from the state budget, demonstrating strong government ownership and sustainability. By June 2025, a total of 101 licensed providers were delivering non-institutional social services nationwide, and a total of 5,400 vulnerable individuals had benefited from these services.
- **Improved process quality in preschool services:** The project used MELQO, an internationally benchmarked assessment tool, which comprises two sets of instruments: MODEL (Measure of Development and Early Learning), assessing children's learning outcomes, and MELE (Measure of Early Learning Environment), assessing the quality of learning environments.
 - **Preschool process quality improvements:** Process quality improved in 54 percent of preschools, **exceeding the target of 40 percent**, as measured through baseline and follow-up MELQO assessments conducted on a representative national sample. Among preschools that demonstrated improvement, the average process quality score rose from 2.56 to 3.05 on a 4-point scale - an increase of 19 percent. Improvements were observed in emotionally supportive classroom environments, more responsive teacher-child interactions, and stronger pedagogical practices. The share of teachers applying positive classroom management practices increased from about 50 percent at baseline to nearly 70 percent at follow-up, while individualized instructional support rose from 24 percent to 58 percent. Although play-based learning remains an area for further improvement, the proportion of classrooms offering quality free-play opportunities doubled to 20 percent, signaling progress toward child-centered practice.
 - **Gains in children's development and school readiness:** These changes were accompanied by measurable gains in children's school readiness, particularly in socio-emotional development, motor skills, and approaches to learning, with readiness among older children (ages five to six) increasing from around one-third to nearly one-half.



- **Closing early learning gaps through parental engagement:** MELQO results in North Macedonia highlight that parental education and involvement strongly influence children’s development, with children from low-income families and Roma settlements continuing to lag. For example, children whose mothers had higher education scored 72 percent on developmental domains, compared with 42 percent for children whose mothers had no formal education. Likewise, children with books at home scored 22 percent higher in school readiness than those without. These findings supported the Read@Home initiative under Component 2, which delivered high-quality, age-appropriate books and accompanying activities in children’s home languages to 40,000 children (ages 3-12) living in poverty, particularly those in families receiving the GMA. Building on this evidence, the follow-on project will provide more direct support to parents, including the provision of books and a tailored parenting program for Roma families.
- **More predictable and adequate financing for preschool services:** Preschools are positioned to receive more predictable and equitable funding following the development of the new ECEC financing formula. The formula addresses historical inequities by linking allocations to enrollment, vulnerability, and service type, while incentivizing regular attendance and expansion in underserved areas. Its incorporation into the ministry’s 2026 budget planning provides a pathway for improved quality inputs, including staffing, materials, and learning environments.
- **Improved teaching practices and workforce quality:** Investments in pre-service and in-service teacher training resulted in improved teaching practices aligned with national ECEC competencies. Over 90 percent of preschool teachers benefited from structured professional development, and all five higher education institutions that prepare preschool teachers reformed their curricula to strengthen practical training and competency-based preparation. Evidence from MELQO shows a positive correlation between improved teaching practices and children’s developmental outcomes, underscoring the central role of workforce quality in driving sustained improvements in service quality.

Note: As indicated in the ICR (p. 8), while the PDO distinguishes between expanding access and improving quality of social services, several interventions contributed to both objectives. For example, the ECEC financing formula supports quality improvement (PDO 2) by enabling funding of key quality inputs, while also expanding access (PDO 1) by incentivizing enrollment and regular attendance. Similarly, strengthening the legislative and policy framework and introducing grant mechanisms for private social service providers both increases the availability of services and raises service standards. Overall, the project experience indicates that the distinction between access and quality is not always clear-cut, as several project interventions advanced both objectives simultaneously.

PDO 2, which aimed to improve the quality of social and preschool services, was substantially achieved. Although all PDO-level targets were exceeded, the rating for PDO 2 is Substantial rather than High because the PDO indicators—the number of beneficiaries receiving non-institutional social services, the share of female beneficiaries, and the share of preschools with improved process quality—did not fully capture improvements, particularly in the quality of social services, and specifically non-institutional services. As reported by the Bank team in a written interview dated January 23, 2026, beyond beneficiary satisfaction surveys independent, systematic mechanisms complemented these indicators, including continuous feedback from beneficiaries through focus groups and interviews conducted by an independent company, as well as annual Operational and Performance Audits of both grant programs, which involved field visits and interviews with a sample of grantees to verify implementation. The main limitation remains that the Results Framework did not include formal indicators for measuring the quality of the delivered social services, which would cover aspects such as appropriateness, responsiveness, and effectiveness. Nevertheless, these complementary



measures provide credible evidence of meaningful improvements, supporting the Substantial rating for PDO 2.

Rating
Substantial

OVERALL EFFICACY

Rationale

Overall efficacy under the PDOs was Substantial, based on substantial achievement of the first objective (*improved quality of social and preschool services*) and substantial achievement of the second objective (*expanded access to social and preschool services*). While the project substantially achieved its intended outcomes, the path toward achieving adequate access and quality of social services is a long-term undertaking that requires sustained and incremental efforts to address related challenges in the country.

In a written interview dated January 23, 2026, the Bank team shared its views of the project's attribution/contribution and counterfactual as follows.

Attribution. Several development partners contributed to the social protection and social services agenda in North Macedonia; however, the project made a substantial contribution to the reported outcomes. No other partner supported reforms of comparable scope, depth, or systemic impact. While UNDP provided assistance to potential social service providers, this support focused mainly on business plan preparation with the expectation that services would subsequently be offered commercially on the open market, and there is no evidence that this commercial model resulted in sustained service provision or meaningful expansion of coverage. In contrast, the project-supported interventions were directly linked to the observed improvements. Consequently, while outcomes cannot be attributed exclusively to the project, the evidence suggests that the project was the primary contributor to the achieved results.

Counterfactual. In the absence of the project, the Government would likely not have been able to operationalize the 2019 Social Protection Law within the same timeframe, particularly the provisions related to social services, due to limited technical capacity and human resources. The project filled this gap by providing the expertise needed to develop and adopt the full package of bylaws, including the country's first quality-assurance mechanism for social services. These regulatory foundations enabled non-public service providers to enter the market for the first time. Without the project, this regulatory transformation—and the resulting emergence of a pluralistic social service market—would likely not have occurred or would have been delayed. Expansion of service provision would likely have been far more limited, as by 2023 nearly 45 percent of all new in-home care services in the country had been developed through the project, and the project created 2,499 new preschool places—41 percent of all new capacity added in North Macedonia between 2019 and June 2025. Key investments in preschool infrastructure, quality monitoring systems, workforce training, and evidence-based policymaking in early childhood education would likely not have occurred at scale, and disparities in access and financing across municipalities would likely have persisted. Overall, without the project, vulnerable groups—including children, older persons, and persons with disabilities—would likely have



continued to face reduced access to services, weaker quality assurance, and fewer opportunities for social inclusion.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic efficiency. At appraisal, the project's economic efficiency was assessed as favorable, despite higher administrative and fixed costs in the short term, on the grounds that substantial long-term economic returns were expected. In the absence of well-developed and functioning social services and related cost-benefit analyses for social service investments in North Macedonia, the appraisal relied on international evidence demonstrating that similar investments in non-institutional social services and early childhood education yield benefits that significantly exceed their costs. Empirical studies cited in the appraisal document showed benefit-cost ratios of approximately US\$7.14 per dollar invested for daycare programs for low-income children and between US\$6.4 and US\$17.6 per dollar invested for expanded preschool enrollment, driven by higher future earnings, increased tax revenues, and reduced public spending on remedial education, social assistance, and criminal justice. The estimated benefit-to-cost ratio for the project's ECEC interventions at appraisal was 2.24, based on assumptions of lower fixed and variable costs than actual, a 15-year working and earning span for preschool attendees (half the 30-year span assumed in the ICR's economic analysis), and the creation of 7,500 preschool spaces (three times the number actually created). Despite these conservative assumptions, the analysis at appraisal indicated positive economic returns. Furthermore, the project's focus on improved targeting, integration of cash benefit and social services information systems, and coordinated service delivery was expected to expand social assistance coverage, enhance poverty-reduction outcomes, and generate administrative efficiencies, creating scope to reallocate savings toward higher-impact social investments.

The economic analysis at project closing confirmed the project's strong economic efficiency:

- For Component 1 (*Promoting social inclusion through improved access to social benefits and services*), the completion-stage analysis expanded on the appraisal methodology by quantifying realized savings and efficiency gains from system-building investments, whose benefits are inherently long term, non-linear, and distributed across multiple stakeholders. The operationalization of SWIS, together with automated recertification, interoperability, and household-level case management, generated substantial and recurring fiscal and welfare gains. These include annual government savings of approximately EUR 2.4 million from reduced staff time required for recertification, at least EUR 0.4 million per year from reduced inclusion errors, and more than EUR 0.9 million annually in time and transport cost savings for beneficiaries associated with fewer visits to welfare offices. As a result, the EUR 7.4 million investment in Component 1 is expected to be fully recouped within three years from staff-time savings alone. By comparison, achieving monthly recertification through manual processes would cost an estimated EUR 29 million annually in staff time. These quantified benefits represent only a portion of the total returns from SWIS, as additional, non-monetized gains - such as improved targeting, transparency, institutional capacity, and service delivery effectiveness - are also expected.
- For Component 2 (*Expanding access to and improving the quality of preschool services*), the cost-benefit analysis - based on actual project costs and the 2,499 preschool spaces created - confirms a highly



positive net present value (NPV) across a wide range of conservative and optimistic assumptions. The analysis applies two scenarios for wage returns to early childhood education: a conservative scenario assuming a 7 percent wage return, consistent with evidence from education programs in Brazil, and an optimistic scenario assuming a 9 percent wage return, reflecting the assumption that three years of preschool yield returns comparable to one year of regular schooling. Consistent with recent literature, the analysis assumes that individuals attending preschool begin earning at age 22 and remain in the labor force for 30 years, which is considered conservative given earlier labor market entry in many middle-income countries. Two discount rates - 3 percent and 5 percent - are applied based on the most recent literature on cost-benefits analysis of preschool education (a 3 percent rate is the standard discount rate for high-income countries, while a 5 percent rate is used for lower-income countries with higher growth rates). Under these assumptions, the estimated NPV ranges from US\$67.9 million to US\$393.9 million, with benefit-to-cost ratios between 3.7 and 21.2, consistent with - and in some cases exceeding - appraisal estimates.

Taken together, the results of the ICR's economic analysis demonstrate that the project's investments generated benefits that substantially exceed costs, with strong evidence of both short-term efficiency gains and large long-term economic returns, confirming the project's economic viability.

Implementation efficiency. The project benefited from a capable and experienced Project Management Unit (PMU) and strong technical leadership from the Ministry of Social Policy, Demographics, and Youth (MSPDY), supported by the Ministry of Finance (MoF) and coordinated donor engagement. Administrative efficiency was sound, with project management costs amounting to 8.9 percent of total project costs - well within regional benchmarks - and actual administrative expenditures remaining below appraisal estimates, helping offset the costs associated with a one-year project extension. The PMU demonstrated adaptive capacity in responding to unforeseen challenges, notably under Component 2, by rapidly implementing the Read@Home initiative during the COVID-19 pandemic. This initiative provided age-appropriate learning and play materials directly to the homes of 40,000 children from social assistance-recipient families, a group that was unlikely to benefit from mainstream remote learning approaches. By ensuring continuity of early learning and stimulating engagement in home settings, Read@Home exemplified how the project could adjust its operations to emerging needs, maintain inclusion of vulnerable children, and support parental involvement in early childhood development, all while operating within existing project structures and resources.

However, implementation efficiency was constrained by delays in key activities and incomplete disbursement. Implementation delays were largely driven by insufficient government budget allocations in 2023 and 2024, reflecting budget deficit pressures. In 2024, only 78 percent of the requested EUR 4.7 million was approved, while in 2023 the ratio was slightly higher, with 82 percent of the requested EUR 4.6 million approved. These constraints were compounded by disruptions related to the May 2024 parliamentary and presidential elections, as well as lengthy ministry-level approvals and legal alignment for the SWIS system, including complex data exchange agreements. Under Component 1, actual expenditures (EUR 7.4 million) fell short of planned allocations (EUR 10.8 million), primarily due to delays in launching the third call for social services grants, which resulted in part of the planned activities being shifted to the follow-on operation. Under Component 2, approximately EUR 1.1 million remained unspent at closing, reflecting lower-than-expected municipal demand for rehabilitation and repurposing of preschool facilities compared to new construction. Despite these shortcomings, the project achieved 87.2 percent loan disbursement, and most delayed activities were incorporated into the subsequent operation, limiting the loss of development impact. Overall, implementation efficiency was affected by fiscal constraints, political disruptions, and procedural delays. However, these challenges were mitigated through adaptive project management, including the Read@Home initiative, prudent control of administrative costs, and the transfer of delayed activities to a follow-on operation, which helped



preserve planned outputs and limit the loss of development impact. Accordingly, implementation efficiency is rated Substantial.

The economic analysis results point to a sound investment. However, implementation shortcomings and challenges reduced efficiency, resulting in a Substantial efficiency rating.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the PDO is rated high. Efficacy is rated substantial for each of the project’s two objectives. Efficiency is rated substantial in light of a high economic return but with inefficiencies in implementation. These findings are indicative of a Satisfactory overall outcome rating.

a. **Outcome Rating**
Satisfactory

7. Risk to Development Outcome

According to the ICR (p. 21), the risk to sustaining the project’s development outcome is Low. This assessment is supported by the government’s continued commitment to the PDO, with key reforms embedded in national legislation and backed by regular public financing. Sustainability is reinforced by the follow-on Social Services Improvement Project (P180350; approved in 2024; expected to close in 2029; US\$30 million), which is designed to sustain and deepen the reforms initiated under this project, including expanded access to social services and further improvements in preschool quality through MELQO-based monitoring, institutionalized teacher professional development, and inclusive practices to ensure early learning opportunities for all children, especially those from low-income and Roma families.



8. Assessment of Bank Performance

a. Quality-at-Entry

The project's Quality at Entry is rated Satisfactory. The project was strategically relevant and well aligned with North Macedonia's social protection and human capital development priorities, as well as with the World Bank's country and sector strategies at both appraisal and closing. The design appropriately built on lessons learned from the earlier Bank-financed Conditional Cash Transfer Project (P103974, implemented between 2009 and 2018) and reflected relevant international experience in social assistance reform, community-based social services, and early childhood education. The technical design was evidence-based and coherent, emphasizing integrated information systems, piloted and sequenced grant mechanisms, and targeted investments to expand access to and improve the quality of preschool and social services. The development of non-institutional social services was underpinned by a participatory approach that engaged service providers, beneficiaries, and stakeholders, such as local NGOs and community organizations, in the design and implementation of the grant scheme. This collaborative process, supported by the Bank, helped ensure that services were responsive to the needs of vulnerable populations, fostered innovation, and promoted the adoption of good practices. Risks related to institutional capacity, coordination across implementing entities, and the ambitious scope of reforms were correctly identified as Substantial at appraisal, with appropriate mitigation measures including technical assistance, hiring additional staff, strengthening coordination mechanisms, and phased implementation, allowing for learning and adjustments during implementation. Fiduciary, social, and environmental arrangements were sound and in line with Bank requirements. The M&E arrangements were generally adequate, with clearly defined PDO and intermediate results indicators supported by baseline and follow-up surveys, and a performance evaluation, which together were expected to provide sufficient evidence to assess progress toward the PDO. The project design did not sufficiently account for municipal political economy incentives affecting investment choices under the preschool infrastructure component, resulting in lower-than-expected uptake of rehabilitation and repurposing options compared to new construction, although the related impact was assessed as being of minor significance.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The Bank's supervision performance is rated Satisfactory, reflecting strong, continuous, and responsive implementation support throughout the project. The Bank team maintained close engagement with the client, providing timely technical and operational guidance and ensuring consistent availability of key staff, including a co-Task Team Leader based in the country office. Regular implementation support missions were conducted in line with Bank guidelines and were successfully adapted to virtual formats during the COVID-19 lockdown to avoid disruptions. Supervision was well documented through thirteen candid and detailed Implementation Status and Results Reports, which informed appropriate adjustments during implementation. Despite significant leadership turnover at the MSPDY, proactive supervision and close



collaboration with the PMU - including field visits to disadvantaged areas - helped ensure project continuity, resolve emerging challenges, and strengthen implementation. This collaborative approach also enhanced the project's credibility and fostered demand for a follow-on operation to deepen reforms. More proactive action in the final year - such as reallocating funds or canceling undisbursed amounts - could have further improved full utilization of the loan. While the Bank did recommend partial cancellation, the MSPDY chose not to proceed with this option. As a result, the undisbursed 12.8 percent of the total allocation largely reflected fiscal constraints, election-related delays, and client decisions rather than shortcomings in supervision.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project's M&E design provided a robust framework to track progress, inform decision-making, and assess results. The Theory of Change was clearly articulated, logically coherent, and closely aligned with the PDOs, with plausible causal pathways and explicit recognition of critical assumptions, including sustained political and financial support and the absence of major national or global disruptions. The results framework combined administrative data, baseline and follow-up surveys, evaluation reports, and a performance evaluation of competitively awarded municipal grants for preschool infrastructure and non-institutional social services, together providing a credible and robust basis for measuring project performance. While the PDO indicators for social services quality primarily captured coverage of licensed non-institutional social services rather than direct measures of quality, this limitation was mitigated by surveys and performance evaluations, which were to provide complementary evidence on the effectiveness of project interventions aimed at improving the quality of social services. A key design strength was the development of the integrated Social Welfare Information System, which was expected to improve data timeliness, coverage, and coordination across social assistance benefits and services, enabling more effective monitoring of both project implementation and sector performance.

The original target for PDO Indicator 3 sub-indicator on preschool enrollment of children aged 3-6 from GMA households was unrealistic given the very low baseline (0.4 percent) and the prevailing external challenges limiting access to preschool for children from GMA families (the target was subsequently revised during implementation). Additionally, as noted in the ICR (p. 18), PDO Indicator 4 (Share of preschools with improved process quality), measured the proportion of preschools showing any improvement without specifying a minimum threshold for meaningful progress. As a result, the indicator could have been met even if all preschools achieved only marginal gains, limiting its ability to reflect the magnitude or significance of improvements. Another limitation was the absence of an explicit indicator for newly created preschool spaces. Although data on classrooms exist and could be used to estimate spaces created, the results framework relied on the national preschool enrollment rate (PDO Indicator 3) to assess access. This makes it difficult to isolate the project's direct contribution, as broader national-level factors



influence enrollment. Consequently, even if the project successfully delivered classrooms, PDO achievement could appear unmet due to broader national trends, potentially obscuring the project's actual impact.

Overall, the M&E system effectively enabled evidence-based monitoring and reporting, with minor indicator and target-adjustment issues having limited effect, while its integrated design provided a credible basis for assessing the project's contributions to PDO achievement.

b. M&E Implementation

M&E implementation was effective and well-executed throughout the project. The PMU consistently delivered timely progress reports and updates on indicator values, ensuring that decision-makers had access to current and reliable information. The M&E team was composed of experienced professionals, many of whom brought valuable technical expertise from the prior project, which ensured continuity. All major planned evaluation studies were successfully procured and completed, and the M&E data generated were of good quality, supporting credible tracking of both outputs and outcomes. The Bank team regularly incorporated these data into periodic ISRs. Overall, the implementation of M&E functions met the design expectations and effectively supported evidence-based monitoring and reporting throughout the project lifecycle.

c. M&E Utilization

M&E utilization was strong and effectively supported project management and adaptive decision-making. The integrated IT system and routinely collected data enabled the PMU to monitor performance, identify implementation challenges, and make course corrections. Findings from the M&E system were regularly communicated to stakeholders, enhancing transparency and accountability. The collected M&E data and lessons learned from this project were also used to inform the design of the follow-on project. Given that the same PMU is responsible for implementing the follow-on operation, there is a high likelihood that the M&E capacity and systems developed under this project will be sustained.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as Category B, as it triggered Environmental Assessment OP/BP 4.01 because the implementation of the project, in particular civil works, may cause environmental impacts (which are time-bound, reversible and manageable if proper mitigation measures are applied). Those impacts may include generation of construction and domestic wastes, damages to air, soil and water, generation of noise and vibration during the implementation of civil works. Environmental and social safeguards performance was rated Satisfactory throughout implementation, with no significant issues reported. The PMU was adequately staffed with a dedicated environmental and social safeguards specialist, supported by an



environmental consultant. Project activities were implemented in accordance with the Grant Operational Manuals and the Environmental and Social Management Framework (ESMF), which provided for environmental and social screening of grant proposals, preparation of subproject-specific due diligence instruments, and environmental monitoring of subprojects' implementation by the PMU. The PMU conducted monthly physical inspections of preschool subproject sites using standardized checklists covering occupational health and safety, and waste management. The project did not trigger social safeguards under World Bank policies. Nonetheless, it placed strong emphasis on beneficiary engagement and inclusion, particularly for vulnerable groups receiving social services. Regular feedback was collected from social service beneficiaries, preschool parents and teachers, and other stakeholders through focus groups, questionnaires, and beneficiary scorecards. This feedback informed adjustments to grant calls and contributed to recommendations for improving service rulebooks and related legislation. A Grievance Redress Mechanism (GRM) was established at project outset by the MSPDY and functioned effectively throughout implementation. The GRM registered, investigated, and resolved complaints, provided feedback to complainants, and tracked cases using reference numbers. In total, the mechanism addressed five formal complaints and responded to 53 inquiries or suggestions, primarily related to social and preschool services.

b. Fiduciary Compliance

Financial Management. According to the ICR (p. 20), the project's financial management performance - covering planning and budgeting, accounting, internal controls, flow of funds, financial reporting, and external audit - was assessed as Satisfactory throughout implementation, indicating compliance with Bank requirements. The project remained in full compliance with financial management legal covenants, and quarterly interim financial reports were submitted to the Bank on time throughout the project period. As reported by the Bank team in a written interview dated January 23, 2026, the final external financial audit is scheduled for March 2026.

Procurement. According to the ICR (p. 20), procurement was rated Satisfactory throughout implementation, indicating compliance with Bank requirements. The project's procurement arrangements were appropriate and built on the PMU's strong experience in managing similar operations. Two experienced procurement specialists ensured full compliance with Bank procedures and the Loan Agreement, guided by a Project Procurement Strategy for Development prepared at appraisal. Procurement documentation and evaluation reports were of high quality and transparent, supported by regular internal and external oversight, with the Procurement Plan frequently updated in STEP. Most procurement activities were completed within expected timelines, and contract management was generally strong, with only one civil works contract terminated due to non-performance. In the final year, national elections delayed 12 contracts, resulting in several activities being implemented under the follow-on project.

c. Unintended impacts (Positive or Negative)

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d. Other

As an adaptive response to the COVID-19 pandemic, the project supported the Read@Home initiative, which went beyond an emergency measure to become a critical effort to maintain early learning, stimulation, and play opportunities for the most vulnerable children. Through this initiative, age-appropriate learning and play materials were delivered directly to the homes of 40,000 children from social assistance-recipient families, a group that was particularly unlikely to benefit from the remote learning approaches rolled out by the Ministry of Education and Science during school and preschool closures. By reaching children in their home environments, Read@Home helped mitigate learning disruptions, supported parental engagement in early childhood development, and strengthened inclusion by ensuring that children from vulnerable households were not left behind during the pandemic.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons are drawn from the lessons and recommendations presented in the ICR:

The provision of comprehensive and timely support alongside ongoing capacity building can facilitate the implementation of complex systems reforms. The project demonstrated that introducing complex reforms such as the SWIS and early learning measurement tools - requires comprehensive technical support and capacity building. The PMU provided ongoing support to Centers for Social Work and other stakeholders, including defining technical specifications, overseeing IT procurement and installation, training staff, and establishing dedicated system operator roles. This approach reduced administrative burdens on social workers, improved data management and workflow, and enabled professionals to focus on core social work responsibilities. Similarly, the successful adoption of the MELQO tool - initially unfamiliar to the ministry and the PMU - was made possible through strong World Bank support, including monthly technical meetings and international expert support, resulting in lasting institutional capacity with reduced reliance on external assistance.

Strong but adaptable legal and regulatory frameworks enable scalable and sustainable social service reform. A key achievement of the project was the establishment of a comprehensive legal and regulatory framework aligned with the 2019 Law on Social Protection, including rulebooks and licensing procedures aimed at standardizing service provision and ensuring quality across providers. However, early implementation revealed that the initial licensing procedures were overly complex for providers, prompting revisions to the bylaws to reduce licensing burdens. This experience



demonstrates that while strong regulatory foundations are critical for quality and accountability, early feedback and a willingness to adapt regulations are equally important for scaling and sustaining reforms.

Decentralized, needs-based service delivery increases access and relevance, but its effectiveness depends on sustained financing, capacity building, and effective national coordination to ensure equitable and high-quality outcomes. Through a competitive grant mechanism, the project enabled municipalities to design and deliver social services based on local needs, significantly expanding access to such services. Additionally, engaging NGOs and private social service providers through open calls enhanced innovation and outreach. At the same time, regional disparities in access persist, and financing challenges remain. Overall, the project experience underscores that decentralization requires sustained financing, capacity-building support, and strong national coordination to achieve equitable access to social services across regions.

Regulated engagement of private providers can rapidly scale non-institutional social services. The project successfully piloted a shift from a centrally organized, state-delivered model to outsourcing social services to licensed private providers, selected through competitive processes and operating under nationally defined standards. This model rapidly expanded non-institutional services while maintaining quality through licensing, monitoring, and quality assurance mechanisms. Continued government financing helped institutionalize the approach. The experience demonstrates that well-regulated public-private collaboration can effectively expand service coverage and offers a scalable model for countries seeking to modernize and expand their social protection systems.

Balancing supply- and demand-side interventions enhances preschool enrollment and improves developmental outcomes among vulnerable children. Behavioral, financial, and informational barriers often intersect, and addressing them in parallel is essential to ensure that new preschool spaces translate into higher enrollment. MELQO results confirmed that parental education and involvement strongly influence children's development, with children from the poorest households and Roma settlements continuing to lag behind. The project made significant progress in expanding preschool supply, while also addressing demand-side barriers through a nationwide communication campaign that encouraged parental engagement and raised awareness of the importance of early learning. Despite structural barriers limiting preschool access for children from GMA families - including low baseline enrollment, COVID-19-related enrollment restrictions, financial constraints, and limited geographic access - which prevented reaching the target of increasing enrollment from 0.4 to 20 percent, the project achieved meaningful gains in preschool participation among vulnerable children. This demonstrates that coordinated supply- and demand-side interventions can effectively improve enrollment and early developmental outcomes. Building on this evidence, the follow-on project strengthens the integrated approach with initiatives such as book distribution and tailored parenting programs for Roma families.

13. Assessment Recommended?

No



14. Comments on Quality of ICR

Quality of Evidence. The ICR's evidence base relies primarily on administrative and monitoring data, complemented by baseline and follow-up surveys, performance evaluations, and the MELQO study. The MELQO study provides robust evidence on both preschool process and structural quality through direct classroom observations and surveys of teachers, caregivers, and kindergarten directors across a representative sample of preschools. The ICR effectively uses these multiple sources to track progress against the Results Framework, presents key results in Annex 1, and integrates them into the efficacy analysis. Overall, the ICR demonstrates sound use of available monitoring data and triangulated sources to substantiate its findings, although the evidence base for assessing the quality of non-institutional social services under PDO 2 could be further strengthened by independent quality assessments in addition to the beneficiary surveys.

Quality of Analysis. The ICR provides a generally robust analysis, effectively integrating project data, indicator achievements, and findings from beneficiary surveys and the MELQO study to assess outcomes. It is candid about implementation delays and offers a thorough, critical assessment of the project's achievements and shortcomings, including detailed explanations of changes introduced under the two restructurings. The analysis engages with the theory of change, examining the extent to which project activities and outputs contributed to intended outcomes. However, it does not directly assess the project's attribution or consider a counterfactual scenario of no project. In a written interview on January 23, 2026, the Bank team provided useful input to strengthen these analyses.

Quality of Lessons. The lessons in the ICR are derived from project-specific evidence and analysis and appropriately reflect the experiences and findings discussed in earlier sections of the report. They are relevant for other countries seeking to strengthen their social protection systems.

Results Orientation. Overall, the ICR demonstrates a solid results orientation. The efficacy discussion is organized around the project's two development objectives and systematically presents evidence of how project activities contributed to outcomes.

Internal Consistency/Adherence to Guidelines. The ICR is generally well structured, coherent, and aligned with Bank guidelines, clearly presenting the project's objectives, implementation experience, results, and lessons. However, two minor inconsistencies were noted. First, there is a discrepancy regarding the planned allocation for Component 3 (Project Management, Monitoring and Evaluation). While the PAD and ICR Annex 3 report a planned amount of EUR 1.9 million, paragraph 53 of the ICR cites EUR 3.26 million. The Bank team confirmed that EUR 3.26 million is an error, and that the correct planned allocation was EUR 1.9 million. Second, the safeguards section inaccurately describes the rationale for the project's Category B classification, stating that the classification was applied "given that the anticipated environmental impacts were time-bound, limited in scope, and manageable," which could suggest that a Category C classification might have been considered. However, the project was classified as Category B because it triggered Environmental Assessment OP/BP 4.01 due to the project's potential environmental impacts, particularly from civil works—such as waste generation; air, soil, and water disturbances; and noise and vibration—which were expected to be time-bound, reversible, and manageable if proper mitigation measures were applied. Although these issues do not materially affect the evaluation, greater precision would have strengthened the report's internal consistency.

a. Quality of ICR Rating



Substantial