



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

EDUCATION GLOBAL PRACTICE

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

ECEC	Early Childhood Education and Care
LSG	Local Self Government
MoESTD	Ministry of Education, Science and Technological Development
NDF	Novak Djokovic Foundation
PCF	Preschool Curriculum Framework
PI	Preschool Institution
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 Republic of Serbia	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 (US\$, Millions)

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	26.00	26.17

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. **The Inclusive Early Childhood Education and Care Project** focuses on improving access, quality, and equity in early childhood education and care (ECEC). The project contributes to outcomes of the current Country Partnership Framework (FY16-FY20)¹ for Serbia 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.
2. The Project Development Objective (PDO) is to improve access to quality ECEC services, in particular for children from socially disadvantaged backgrounds. Progress towards achievement of the PDO and overall implementation progress are rated moderately satisfactory since December 2018. Since its effectiveness in February 2018, project implementation has proceeded unevenly, with quality and inclusion components (i.e. Component 2 and Component 3) progressing well, whereas the activities within Component 1 (infrastructure works) have encountered delays. In addition to pandemic-caused delays, the pace of the infrastructure component activities was affected by the time-consuming and administratively challenging processes for the selection of the appropriate construction sites within the eligible municipalities. However, positive progress has been recorded in the implementation of all key activities in the last several months, particularly under Component 1, resulting in three new kindergartens, initiation of several new infrastructure sub-projects, and completion of the selection process of all construction sites. The project plays a flagship role in improving the quality of preschool education in Serbia and has been successful in creating synergies between different donors and actors in the field of ECEC, such as UNICEF, EU Delegation, the Novak Djokovic Foundation (NDF), and others. In addition, it sets in place new standards, mechanisms, and best practices that are likely to have an impact on the ECEC landscape in the country even after the project closure.
3. Implementation status per component:
 - (a) **Component 1: Expanding the supply of preschool spaces.** Recently, there has been considerable progress in implementing activities under Component 1 resulting in the completion of works on the three pilot infrastructure projects and the start of six new construction projects (a total of nine either completed or underway). Additionally, there are 12 more infrastructure projects in the pipeline with three project proposals currently being evaluated, and nine more to start the tender process in the next several months. Projects that are yet to be implemented are anticipated to move forward at a much faster pace having in mind that all documentation and compliance difficulties from the past now appear to have been overcome. In addition, under a contract signed with the Ministry of Education, Science and Technological Development (MoESTD) in early 2021, the NDF has repurposed and equipped 50 preschool classrooms in nine municipalities (adding a total of 1,316 new enrollment spaces). The additional 50-70 classrooms are to follow by the end of the project allowing to reach 100-120 repurposed classrooms and 3,000 new enrollment spaces.
 - (b) **Component 2: Strengthening the quality of preschool services.** The new PCF has been smoothly rolled out, and strong emphasis has been put on ensuring broad-based support for this

¹ Report No. 94687-YF, discussed at the World Bank Board on May 22, 2015



reform, high-quality teacher training, and developing relevant resources for its implementation. A total of 10,900 preschool practitioners, out of the planned 12,000 practitioners, have been fully trained for the implementation of the PCF. For the implementation of the new PCF, pre-school teachers have been closely supported through mentorships and peer learning. In addition, preschool institutions in five municipalities have been selected as innovative regional centers which will serve to provide support to the teachers in the implementation of the PCF beyond the duration of the project. Concerning the sub-component on improving the preschool quality assurance system, the new methodologies along with the instruments for institutional external evaluation and self-evaluation of the Preschool Institutions (PIs) have been developed and adopted. The first institutional external evaluation of the PIs has been conducted while the self-evaluation process of the first round of PIs will start in May 2022 after the finalization of the instruments, currently in the piloting stage. The activities to improve in-service teacher training are also progressing well. Guidelines for the use of digital technologies have been completed, as well as the Draft Preschool Teacher Digital Competencies Framework. The Guidebook for planning internal professional development organized by preschool institutions is currently being prepared.

(c) **Component 3: Supporting young children and families.** As part of the Grant Scheme program, 34 Local Self Governments (LSGs) have been awarded grants in two cycles. The following outcomes of the grants have been achieved so far:

- 48 playrooms for educational activities have been adapted and furnished;
- 2,900 children have entered the preschool system through either half-day daily programs or flexible programs; and
- over 3,200 parents have been involved in project activities such as workshops on parenting and early childhood development.

The public outreach and citizen engagement campaign under Component 3 is underway and implemented following the proposed timeline of the project. The focus of the former campaign was on the inclusion of children with special needs and positive inclusive practices in preschool education. In December 2021, a new media campaign called “Little stories for big people” was released and is currently being broadcast. The campaign includes a series of 13 educative video stories showing in a creative, educational, and inspiring way the everyday challenges that the parents are facing when dealing with small children. The series covers different topics and aims to be a support for parents and to emphasize the importance of early learning for the development of children and the creation of an inclusive society. Moreover, the MoESTD has now started with the Parenting Fairs that had been postponed due to the COVID-19 restrictions of public gatherings. The first one was held in October 2021 in Cacak and the remaining five will be held by September 2022. Parenting Fairs are organized to improve the communication between municipalities and parents (especially those from vulnerable social groups and those with children not included in the system of preschool education), where parents can receive information about their rights and services provided at the local level and learn why kindergartens are a good environment for their children.

4. **The current disbursement rate** is 49.84 percent. Financial management of the project is rated satisfactory while procurement is rated moderately unsatisfactory due to the delay in the launch of procurement packages under Component 1. However, since there are no other procurement issues reported in the Procurement Risk Assessment and Management System (PRAMS), it is expected to be upgraded after the recent increase of procurement packages under Component 1. There are no outstanding audits



under the project. The financial project audit for 2020 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. **Safeguards.** The Environmental Assessment category is “B” under the Safeguards framework and has been consistently rated Satisfactory.

B. Rationale for Restructuring

6. This would be the second restructuring of the project, and the first extension of the project closing date. The first restructuring, approved on August 22, 2019, included: (i) reallocation of the funds from the disbursement category three within the first and second disbursement categories; (ii) revision of VAT exception of the second disbursement category, (iii) change in the first disbursement category’s specification of Eligible Expenditures that may be financed out of the loan proceeds; (iv) dropping out subcomponent 3.3 “subsidies to ensure free preschool participation among the most vulnerable children ages 3 to 5.5 years”; and (v) revision of the Results Framework to exclude the intermediate indicator related to dropped subcomponent 3.3.
7. The newly proposed restructuring seeks to: 1) reallocate EUR 6 million of loan proceeds from 1(A) to 1(B) disbursement category; 2) extend the current closing date by 15 months, from December 30, 2022, to March 31, 2024; and 3) adjust the Results Framework. Specifically, the restructuring will allow the Client to ensure quality implementation of the project by reallocating EUR 6 million towards activities critical to achieving the Project Development Objective (PDO) but currently under-funded, i.e., quality improvements of the learning environment in the preschool institutions, completing the national rollout of the Preschool Curriculum Framework (PCF), and establishment of the quality assurance mechanisms. The proposed 15-month extension of the project closing date would allow adequate time for successfully completing all Project activities.
8. The bulk of the allocated amount of EUR 6.3 million for category 1(B) (approximately EUR 4 million) are committed for the implementation of the PCF, and the residual amount is not enough to cover other contracts under this category related to the establishment of the quality assurance mechanisms and quality improvement of the learning environment in PIs. A reallocation of EUR 6 million from 1(A) to 1 (B) disbursement category will be used to correct this gap in funding and enable full implementation of quality improvements of the learning environment in the selected PIs, completion of the national rollout of the PCF and establishment of a national system for quality assurance. Project implementation as originally envisaged encountered delays due to three reasons: (i) one year delay in ratification of the loan agreement by the Parliament and subsequently of the effectiveness of the project, (ii) the impact of the COVID-19 pandemic on civil works and public gatherings (training, parenting workshops, horizontal exchange of experience among the kindergartens’ staff, external evaluation of the PIs, etc.), and (iii) very lengthy administrative procedures for approval of the infrastructure sites by LSGs and the central government. The project extension and reallocation would allow for the finalization of all initiated activities and ensure the likelihood of achieving the PDOs. The MoESTD has developed a detailed action plan with defined milestones and deadlines for their completion by the extended closing date. In particular, the 15-month extension would allow the project to finalize the activities described below.



- a) **Finalization of all planned kindergartens (a total of 24).** The infrastructure works that have already started in seven locations will be finalized within the current timeframe for project implementation; however, the remaining phases such as equipping them with furniture and didactic materials will not be possible with the present end date of the project. The extended period for project implementation will thus allow for their equipment as well as for the completion of the additional 17 kindergartens to be initiated this year. The MoESTD has recently approved the additional 17 suitable construction sites for building the new kindergartens in the eligible municipalities that would provide access for the additional 3,100 children.
 - b) **Completion of implementation of the new PCF.** While most activities under this component are on track, a 15-month extension of the project will be very beneficial for 84 preschool institutions that will start with PCF implementation as of this calendar year. An extension would allow quality support for the implementation of the PCF via horizontal exchanges with more experienced colleagues and support from mentors. With an extension, the project would be offering support for the implementation of the new PCF to the entire network of preschool institutions in Serbia.
 - c) **Establishment of the quality assurance system.** The extension will allow for providing support to all preschool institutions to finalize the self-evaluation process and for carrying out the follow-up institutional external evaluation of the PIs. The support provided to the MoESTD and institution in the utilization of the instruments for quality assurance developed by the project will sustain the newly established culture for continual monitoring and improvement of the structural quality and process quality in preschool education in the country.
9. The changes to the Result Framework are necessary to reflect: (i) the changes arising from the new methodology for institutional evaluation scoring of the PI's process quality, and (ii) the decrease in the number of classrooms to be constructed due to the increase of the construction raw material costs under the COVID-19 disruptions of the supply chains.

DESCRIPTION OF PROPOSED CHANGES

10. **Reallocation between Disbursement Categories.** The proposed restructuring will reallocate the funds from the disbursement category 1(A) "Goods, works, non-consulting services, and Operating Costs for the Project, except for Parts 3. B to 1(B) disbursement category "Consultants' services for the Project, except for Parts 3.B. Given that the amount of the current signed contracts for consultants' services (EUR 10.30 million) under the 1(B)-disbursement category exceeds the available loan proceeds under this category, the government decided to prioritize the activities that will ensure the sustainability of the quality intervention in all PIs and reduce the number of infrastructure works carried out using project funds. The proposed change in reallocation between disbursement categories and allocations per component are provided under Section IV. Detailed Changes.
11. **Components and Cost.** The proposed restructuring seeks authorization for a reduction of the allocated funds in Component 1 ("Expanding the supply of preschool spaces") and an increase of funds allocated for Component 2 ("Strengthening the quality of preschool services") of the project. The current budget for Component 1 is EUR 33.8 million (US 36.75 million), and with the restructuring of the project, this amount will decrease to EUR 27.4 million (US 29.89 million). The current budget for Component 2 is



EUR 5.47 million (US 5.95 million), and with the restructuring of the project, this amount will increase to EUR 11.78 million (US 12.81 million). There are no changes in funding under the remaining components.

- 12. **Loan Closing Date.** The closing date will be extended by 15 months, from December 30, 2022, to March 31, 2024 to allow adequate time for successfully completing all Project activities.
- 13. **Results Framework.** The Results Framework will be modified as follows: the PDO indicator “Preschools that undergo external evaluation and rank 4 (on a scale of 1 to 4)” under the component “Strengthening the quality of preschool services” will be changed to “Preschools that undergo external evaluation and rank 3 (on a scale of 1 to 4 based on the revised Quality Framework)” due to the adoption of new quality standards for evaluation of the PIs in line with the new PCF. This will also require corresponding changes in the current baseline and end target values. The baseline study for assessment of the quality of work of the preschool institutions was conducted between January and March 2020. This results from the baseline study showed that most of the preschool institutions (PIs) that were ranked 4 with the old methodology, were ranked 3 with the new one. Therefore, it is necessary to adjust and expand the definition of the indicator that measures the quality of preschool services so that it includes the representation of PIs ranked 3. Although the baseline and end target values will be changed, the expected improvement of quality remains almost the same as originally envisaged. Under the new evaluation methodology, the proportion of PIs achieving rank 3 is targeted to increase 24.4 percent (from 41 to 51 percent) while originally the proportion of PIs achieving rank 4 was targeted to increase 25 percent. In addition, intermediate and target values of the following intermediate indicators “Additional classrooms built or rehabilitated at the preschool level resulting from project interventions” and “Additional classrooms rehabilitated or re-purposed at the preschool level resulting from the project” under the component “Expanding the supply of preschool spaces” are decreased based on the costs per meter square from the pilot infrastructure projects. For the intermediate indicator “Additional classrooms built or rehabilitated at the preschool level resulting from project interventions” the end target value will change from 779 to 593 classrooms, while for the intermediate indicator “Additional classrooms rehabilitated or re-purposed at the preschool level resulting from the project” the end target value will change from 586 to 400. The proposed changes are shown in Table 1 below and are described in detail in the Results Framework.

Table 1. Proposed changes to Results Framework

Indicator name current	Indicator name proposed	Baseline current	Baseline proposed	End target current	End target proposed
Preschools that undergo external evaluation and rank 3 or 4 (on a scale of	Preschools that undergo external evaluation and rank 3 (on a scale of 1 to	44	41	55	51



1 to 4)	4 based on the revised Quality Framework)				
Additional classrooms built or rehabilitated at the preschool level resulting from project interventions	no change	0	0	779	593
Additional classrooms rehabilitated or re-purposed at the preschool level resulting from the project	no change	0	0	586	400

II. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
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	36.75	Revised	Expanding the supply of preschool spaces	29.89
Strengthening the quality of preschool services	5.95	Revised	Strengthening the quality of preschool services	12.81
Supporting young children and families	5.30	No Change	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



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-86930	Effective	30-Dec-2022		31-Mar-2024	31-Jul-2024

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,OC-except Part 3b			
	38,750,000.00	1,006,778.14	32,750,000.00	100.00	100.00
iLap Category Sequence No: 1(B)		Current Expenditure Category: CS- except Part 3.B			
	6,332,500.00	3,121,181.50	12,332,500.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: Grants under Part 3.B			
	1,800,000.00	861,771.32	1,800,000.00	100.00	100.00
Total	46,882,500.00	4,989,730.96	46,882,500.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2017	0.00	0.00
2018	1,000,000.00	1,000,000.00
2019	6,000,000.00	300,000.00
2020	9,000,000.00	7,000,000.00



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Inclusive Early Childhood Education and Care (P157117)

2021	9,000,000.00	8,000,000.00
2022	12,000,000.00	12,000,000.00
2023	9,882,500.00	10,900,000.00
2024	0.00	5,800,000.00
2025	0.00	5,000,000.00



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	PBC	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 3 (on a scale of 1 to 4 based on the revised Quality Framework) (Percentage)		41.00						51.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<p>Action: This indicator has been Revised</p>	<p>Rationale: The preceding baseline and end target values were based on the former quality standards for external evaluation of the preschool institutions. The Ministry developed new quality standards in accordance with the new curriculum and established new baseline and end targets accordingly. The baseline study for assessment of the quality of work in different preschool facilities within the preschool institutions by using the new quality framework was conducted between January-March 2020. The indicator will measure the percentage of all preschools that undergo the external evaluation and are ranked 3. The baseline external evaluation showed that most of the preschool institutions (PIs) that were ranked 4 with the old methodology, with the new one were ranked 3. Therefore, it is very important to monitor the representation of ranked 3 PIs. However, the end value for the PIs rated 4 will be made available in the " comments" section for this indicator in the portal.</p>							
	<p>Supporting young children and families</p>							
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	PBC	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 summaries are produced and disseminated (Number)		0.00						20.00
Additional classrooms built or rehabilitated at the preschool level resulting from project interventions (Number)		0.00	0.00	38.00	56.00	98.00	543.00	593.00
Action: This indicator has been Revised	Rationale: <i>The end target is changed based on the cost per meter square from the pilot infrastructure projects.</i>							
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-		0.00	0.00	30.00	48.00	88.00	350.00	400.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
purposed at the preschool level resulting from project interventions (Number)								
Action: This indicator has been Revised	Rationale: <i>The end target is changed based on the cost per meter square from the pilot infrastructure projects.</i>							
Students benefiting from direct interventions to enhance learning (CRI, Number)		0.00						100,000.00
Students benefiting from direct interventions to enhance learning - Female (CRI, Number)		0.00						50,000.00
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 competences required for preschool teachers (Number)		0.00	0.00	2.00	4.00	8.00	10.00	10.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Primary school pedagogical staff trained in new preschool curriculum (Number)		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	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	15.00	15.00	30.00	30.00	30.00
Male participants (among benefiting families) in grant activities (Percentage)		0.00	0.00	5.00	10.00	15.00	20.00	20.00
Project management, technical assistance, and monitoring and evaluation								
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



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