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Report No: PAD2828

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$33.4 MILLION

(28.7 MILLION EUR EQUIVALENT)

TO

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

FOR A

MACEDONIA SOCIAL SERVICES IMPROVEMENT PROJECT

August 9, 2018

Social Protection and Jobs Global Practice
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2018)

Currency Unit = Macedonian Dinar (MKD)

US\$1 = MKD 50.0614

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BDE	Bureau for Development of Education
CBMIS	Cash Benefit Management Information System
CCTP	Conditional Cash Transfer Project
CG	Consultative Group
CPS	Country Partnership Strategy
ECEC	Early Childhood Education and Care
ECD	Early Childhood Development
EMI	Eligible Municipality Index
ESMF	Environmental and Social Management Framework
EU	European Union
EUD	European Union Delegation
GAC	Grant Approval Committee
GDP	Gross Domestic Product
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH</i> (German Agency for International Cooperation)
GOM	Grant Operations Manual
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
ICT	Information and Communication Technology
IFR	Interim Financial Report
INDC	Intended Nationally Determined Contribution
ISA	Institute for Social Activities
ISSA	International Step by Step Association
IT	Information Technology
M&E	Monitoring and Evaluation
MLSP	Ministry of Labor and Social Protection
MOES	Ministry of Education and Science
NBRM	National Bank of the Republic of Macedonia
NPV	Net Present Value
OECD	Organisation for Economic Co-operation and Development
PDO	Project Development Objective
PFR	Public Finance Review
PMU	Project Management Unit
PISA	Programme for International Student Assessment
POM	Project Operational Manual
PPSD	Project Procurement Strategy for Development
RPF	Resettlement Policy Framework

SAO	State Audit Office
SCD	Systematic Country Diagnostic
SFA	Social Financial Assistance
STEP	Systematic Tracking of Exchanges in Procurement
SWC	Social Welfare Center
TOR	Terms of Reference
TSA	Treasury Single Account
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WG	Working Group

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BASIC INFORMATION

Country(ies)	Project Name	
Macedonia, former Yugoslav Republic of	Macedonia Social Services Improvement Project	
Project ID	Financing Instrument	Environmental Assessment Category
P162246	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
27-Sep-2018	30-Jun-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To expand access to and improve the quality of social services, including preschool services, for vulnerable groups.

Components

Component Name	Cost (US\$, millions)
1. Promoting social inclusion through improved access to social benefits and services	12.70



2.	Expanding the access to and improving of the quality of preschool services	18.60
3.	Project Management, Monitoring and Evaluation	2.10

Organizations

Borrower: Ministry of Finance
 Implementing Agency: Ministry of Labor and Social Policy

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	33.40
Total Financing	33.40
of which IBRD/IDA	33.40
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	33.40
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024
Annual	1.53	5.47	8.24	8.01	5.81	4.35
Cumulative	1.53	6.99	15.23	23.23	29.05	33.40

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Education



Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No



Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Conditions

Type	Description
Effectiveness	Project Operational Manual adopted by the Borrower in a manner acceptable to the Bank
Effectiveness	Project Management Unit established in a manner acceptable to the Bank
Disbursement	No withdrawal shall be made under Category (Grants) unless the Grants Operational Manual has been adopted by the Borrower,through MLSP, in a manner acceptable to the Bank



FYR MACEDONIA
MACEDONIA SOCIAL SERVICES IMPROVEMENT PROJECT

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I. STRATEGIC CONTEXT

A. Country Context

1. **The former Yugoslav Republic of Macedonia (FYR Macedonia) has experienced robust economic growth since 2001,¹ with two minor contractions in 2009 and 2012, and a significant decrease in absolute poverty since 2009 (to 24.8 percent in 2014 and further to 21 percent in 2017).²** Poverty reduction in the post-crisis period was matched by an overall positive record in shared prosperity. Income growth of the bottom 40 percent was three times faster than the income growth for the total population between 2009 and 2014 (6.2 percent versus 1.9 percent). Employment growth and increases in salaries, especially in the labor-intensive sectors, are expected to have driven most of the poverty reduction in 2017. Certain population groups, however, such as the elderly, disabled, and other vulnerable groups are not necessarily equally benefiting from the economic growth and development. To ensure that the benefits of growth are shared among the population, FYR Macedonia will have to strengthen and tailor services, particularly in the social sectors that target the excluded groups.

2. **Despite a decline in poverty in the post-crisis (2008) period and improvements in living conditions of the less well-off, poverty and inequality are still high when compared with other countries in the region and most of the European Union (EU) countries.** According to the official statistics, the relative poverty rate was 21.9 percent in 2016 (Survey on Income and Living Conditions).³ This indicates that more than a fifth of the Macedonian population does not have sufficient resources to support the lifestyle and living conditions which are perceived as ‘normal’ and which results in people’s exclusion from the society. While social exclusion can be measured across different dimensions, the literature often cites that too many women, social welfare recipients, and minorities (such as the Roma population) in FYR Macedonia are still economically marginalized or excluded from the labor market. At the same time, the coverage of the poor and vulnerable population by the main social assistance programs has been shrinking since 2010, which resulted in the exclusion of certain vulnerable groups over time (2018 Public Finance Review [PFR], forthcoming).⁴

3. **Shared prosperity in FYR Macedonia will continue to depend on ensuring access to basic benefits and services provided by the state and on enhancing access to economic opportunities, especially for the most excluded groups.** FYR Macedonia’s labor market is relatively flexible by global standards, yet the employment rate stood at 44.1 percent in 2017 (lower than in any of the 28 EU countries where on average, two-thirds of the working-age population are employed) and the unemployment rate was 22.4 percent. Labor force participation is low, especially among women, youth, older workers, the poor, and ethnic minorities. These are the groups that face multiple barriers to

¹ Economic growth in FYR Macedonia has been moderate, with an average annual gross domestic product (GDP) growth of 2.9 percent from 2000 to 2016, which is above the average for the Europe and Central Asia Region of 1.9 percent. In 2016, FYR Macedonia’s GDP per capita was close to US\$13,000, about one-third of the average for EU member states.

² 2017 projections based on GDP per capita growth (World Bank. 2018. *Macro-poverty Outlook for the Spring Meetings*). Poverty is measured as absolute poverty using the poverty line for upper-middle-income countries. This is estimated at US\$5.5 per day in 2011 purchasing power parity terms (*Source*: Draft Systematic Country Diagnostic Concept Note, Report Number 121840-MK, World Bank, December 4, 2017).

³ This is the at-risk-of-poverty rate, which shows the share of the population living below 60 percent of the median household equivalized income.

⁴ Draft Public Finance Review, World Bank, April 2018.



employment⁵ and experience other forms of exclusion, generating additional social costs. Also, strong social norms, especially regarding women's role in the household and in relation to care responsibilities, pose a significant challenge for women to be able to take on employment.⁶ Low and uneven human capital is an obstacle to access better income opportunities for many population groups. Moreover, there is mounting evidence that FYR Macedonia is suffering from a rapid deterioration of its human capital stock, which is worrisome beyond the productivity implications, because it reflects an overall deterioration in well-being among Macedonians.⁷ In response, FYR Macedonia's workforce development policies would need to focus more on closing gaps in human capital accumulation along the income distribution, among ethnic groups, and spatially.⁸ Within this context, early stimulation programs may have long-lasting effects on human capital development, while improved access to child and elderly care services would remove significant barriers to labor force participation for women.

4. **Different forms of exclusion coupled with the aging and shrinking population in FYR Macedonia pose a serious challenge to building an equitable society.** FYR Macedonia's population is about 2 million but the population is aging and shrinking.⁹ By 2040, more than 20 percent will be over the age of 65. The fertility rate has declined to only 1.5, lower than the regional average. Investments in tailored services and early childhood education will contribute to the objectives of increasing social inclusion of the poor and vulnerable and building human capital to increase labor productivity and reduce education enrollment gaps for low-income and disadvantaged children. As stated in the Government Program (2017–2020), social and child protection remains at the forefront of meeting the strategic goal of poverty reduction and ensuring decent life for the citizens.

B. Sectoral and Institutional Context

5. **While FYR Macedonia has a developed and well-functioning system of social and child protection to tackle the challenges of poverty, second-generation reforms are needed to improve the coverage, effectiveness, efficiency, and overall delivery of social benefits and services in a more inclusive manner.** The World Bank, through the Conditional Cash Transfers Project (CCTP, P103974), contributed to the strengthening of the country's social safety net and improving the administration of the cash transfers system. The Government of FYR Macedonia has recently continued the work on a comprehensive social safety net reform involving both cash transfers and social services.¹⁰ Stakeholders are discussing possible reform proposals that involve setting up a new guaranteed minimum assistance scheme and consolidation of other social assistance cash transfers. The reform proposals will also address a wide range of low-income and vulnerable families' needs, including the need for an enhanced social service provision.

6. **Analytical work has identified some challenges affecting the coverage of social and early childhood education and care (ECEC) programs that are considered crucial in the protection of poor and**

⁵ Lack of affordable care options for children or the elderly, lack of adequate transport facilities, and limited flexible work arrangements.

⁶ Mojsoska-Blazevski, N., M. Petreski, and A. Öztas. 2017. *National Research on Low Female Labour Market Participation (Quantitative-based evidence from a new survey)*. Skopje: UN Women.

⁷ Source: Draft Systematic Country Diagnostic, World Bank, April 2018.

⁸ Source: Draft Systematic Country Diagnostic, World Bank, April 2018.

⁹ Source: Draft Systematic Country Diagnostic, World Bank, April 2018.

¹⁰ Supported under the World Bank-financed CCTP and policy-based guarantee projects.



excluded segments of the population and in building resilient human capital. In FYR Macedonia, social assistance programs cover 10 percent of the population and only one-third of the poorest quintile (World Bank, 2018 PFR, forthcoming). Noninstitutional social service provision targeting the poor and vulnerable, which currently benefits only 0.04 percent of the total population and mostly in urban areas, is clearly underdeveloped and does not meet the demand for services (such as home-based care and assistance or day care services for persons with disabilities). In the ECEC sector (that is part of the social and child protection system in FYR Macedonia), poorer children attend preprimary school at far lower rates than wealthier children—a mere 0.3 percent of children from the poorest quintile are enrolled in a preprimary program (compared to 36 percent in the total population). According to the Ministry of Labor and Social Protection (MLSP) administrative data, enrollment rates are 2.6 percent for Roma and 7.5 percent for Albanian children. Moreover, even before reaching preprimary school age, many children in FYR Macedonia show signs of skills deficit; although nearly all children ages 36–59 months were on track in the physical, learning, and socioemotional domains, only 43 percent were on track in the literacy and numeracy domain.¹¹

7. **There are significant geographical disparities in the access to ECEC and social services, primarily due to insufficient and unevenly distributed infrastructure/network of service providers.** The main categories of social services that are provided through the social welfare system, and as defined by the Law on Social Protection, are social prevention services (mainly counseling services in the Social Welfare Centers [SWCs]), institutional care (in 11 residential institutions), and noninstitutional/nonresidential care.¹² Alternative (noninstitutional) social services (such as immediate social service, assistance to a person or family, home care, day care, temporary care, placement in foster families, placement in a small group home, and assisted living), which will be the focus of reforms, are much more prevalent in the capital of Skopje than in the rest of the country. In a typical municipality with an intermunicipal SWC, there are one or two foster families; a small day care center for a dozen beneficiaries; a soup kitchen; and rudimentary forms of needs assessment, referral, and counseling. The ECEC coverage by municipalities varies noticeably. While in 28 mainly rural municipalities public kindergartens do not exist, the rate is over 60 percent in six urban municipalities. There are fewer kindergartens in the western part of the country and in rural municipalities, and the urban enrollment rate in preschools is over six times higher than that in rural areas. Geographical disparities in access to ECEC services also exist because of highly regressive financing, depending on user fees that the poor cannot afford.¹³

8. **The Government of FYR Macedonia is fully committed to expanding the access and improving the quality of social services to the underprivileged population.** Plans for deinstitutionalization, decentralization, and development of alternative and preventive social services were announced in the Government's Employment and Social Reform Program (2017) and the new Program of the Government 2017–2020.¹⁴ The social protection benefits and services are typically provided by the state and continue

¹¹ Macedonia, FYR - Multiple Indicator Cluster Survey, UNICEF 2013.

¹² In 2017, there were the following forms of noninstitutional services: day care centers (69), soup kitchens (27), foster families (177), and several shelter and assisted living services.

¹³ Although the public kindergartens are financed by the central budget through per capita block grants, only municipalities that have preschool institutions are eligible for the grants. Furthermore, up to 20 percent of the costs of ECEC services are recovered by user fees, with the poorest households unable to afford them.

¹⁴ <http://vlada.mk/node/87>, accessed November 23, 2017. The process of deinstitutionalization of residential welfare institutions has been supported by the European Union Delegation (EUD).



to be financed from public resources.¹⁵ The country's ECEC is part of the publicly financed child protection system. In line with the Law on Child Protection, primary responsibility for the provision of ECEC rests with the MLSP, whereas the Ministry of Education and Science (MOES) ensures the competencies of the workforce and the relevance of the curriculum. FYR Macedonia will have to invest much more in early childhood development (ECD) to address the evident geographical disparities and disparities in access by income levels to achieve the EU standards and benchmarks.¹⁶

9. **Improving the overall system will require efforts to address various challenges, such as the limited supply, fragmentation, and low quality of social and child protection services.** Additional investments are needed to (a) develop regulations and promote creation of noninstitutional forms of social services at the local level; (b) merge cash benefits and social services platforms into integrated social welfare information systems; (c) repurpose existing and build new preschool facilities; (d) increase outreach through SWCs, institutions/organizations at local level, and information systems to increase the number of the poor and vulnerable applying for social benefits and services (including ECEC); (e) expand and update training modules for teachers and social welfare professionals; and (f) strengthen the client-centered case management (referrals, tracking, and monitoring) using the information system.

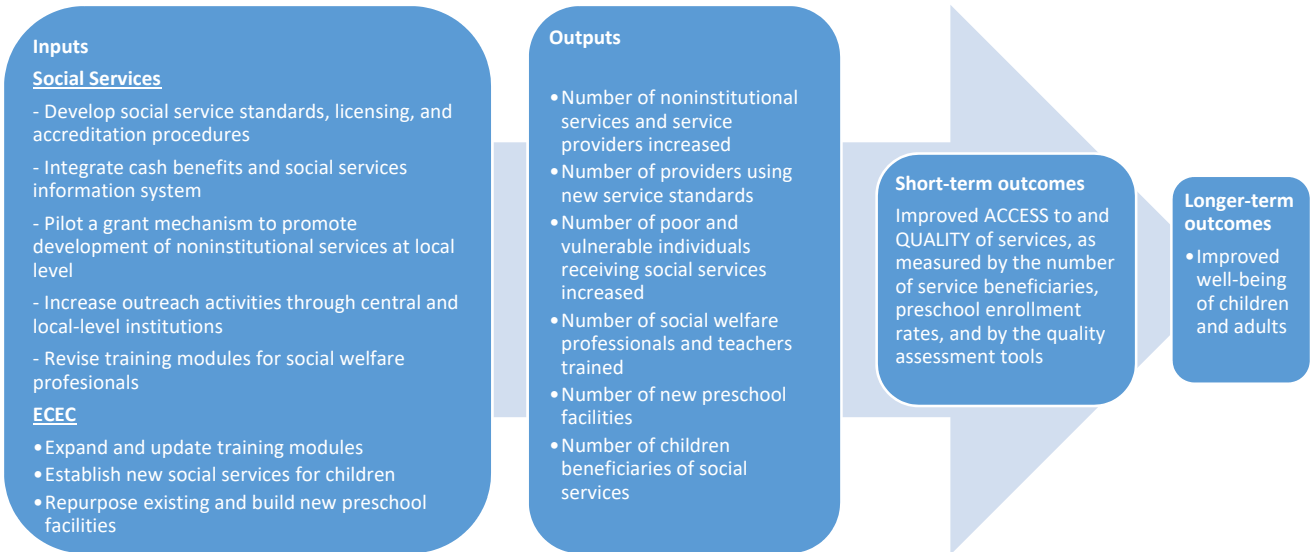
10. **The proposed operation would bring the social and child protection system to the next level by addressing the challenges associated with social exclusion of vulnerable groups and low quality and fragmentation of social services along the life cycle,** by (a) expanding the supply of social services (vulnerable population) and of preschool services (to vulnerable children 3–6 years old, poor, Roma); (b) improving the access to a menu of benefits and services with the merger of two information systems/databases; (c) enhancing the administration of social protection delivery (integrated information system, coordination among institutions, case management, improved targeting, prioritization, referral, and tracking of beneficiaries); and (d) increasing the performance standards in terms of quality, timeliness, and quantity of services provided. This combined approach will enhance integration and inclusion of the vulnerable population. Ultimately, it will pave a pathway for development of a more competitive and adaptive human capital and will contribute towards closing opportunity gaps for social inclusion. Figure 1 shows the results chain of this lending operation, summarizing main activities (inputs), outputs, and short and long-term outcomes. These are discussed in detail in subsequent sections and in the project's Results Framework.

¹⁵ For-profit providers are active in the elderly protection/homes, which are being financed solely by the service users. The MLSP does not 'purchase' privately provided services.

¹⁶ An updated strategic framework for European cooperation in education and training 2020 sets a benchmark that at least 95 percent of children between the age of four and the age for starting primary education should participate in early childhood education. The current rate in FYR Macedonia is 35 percent.



Figure 1. Results Chain



C. Higher Level Objectives to which the Project Contributes

11. **The operation is fully aligned with the Government’s strategic documents and it is expected to contribute to several long-term objectives.** The proposed project will support the Government initiatives geared to (a) increase social inclusion of the poor and vulnerable through the expanded system of social service delivery and promotion of noninstitutional forms of care (home-based and community-based) and (b) build human capital to increase labor productivity and enhance social inclusion through closing education enrollment gaps for low-income and disadvantaged students starting at preprimary level.

12. **The Government and the World Bank have agreed that reducing poverty and creating more and better jobs will be overarching country goals of the Country Partnership Strategy (CPS) for FY15–FY18 (Report No. 89556-MK, August 25, 2014).** The relevance of the original CPS goals was confirmed in the Performance and Learning Review which also extended the CPS until December 2018. The second CPS pillar ‘Skills and Inclusion’ highlights the importance of ensuring the quality and relevance of the future workforce and improving the access and quality of social protection services, particularly for the most vulnerable. Quality ECEC programs play a critical role in laying the necessary foundation for skills development early on and for narrowing the equity gap in education access and performance. In addition, the CPS pillar on ‘Growth and Competitiveness’ highlights improvements in energy efficiency, which this project will contribute to.

13. **This project also directly contributes to the goals outlined in the Government’s Employment and Social Reform Program (2017), Program of the Government 2017–2020, and the new Strategy for Development of Education in FYR Macedonia until 2025, and to the related Action Plan.** The latter, which was adopted in 2018, defines mechanisms for assuring accessibility, quality, and equity in ECEC and sets clear priorities for (a) improving the learning environment, the quality of service delivery, and the educational outcomes in preprimary education; (b) increasing the enrollment of children and improving inclusiveness of preschool education; (c) enhancing the human resource capacity in the preschool



institutions; and (d) improving the organization and management of the preschool education and strengthening cooperation among themselves.

14. **FYR Macedonia is committed to international efforts to address climate change.** As part of the Government's international commitment to climate change, the Intended Nationally Determined Contribution (INDC) of FYR Macedonia aims to reduce CO₂ emissions from fossil fuel combustion by 30 percent (and 36 percent at a higher level of ambition), compared to the business-as-usual scenario by 2030. Targeted sectors include energy supply, buildings, and transport. Mitigation scenarios for the building sector include public awareness campaigns/energy efficiency information centers, labeling of appliances, refurbishment of buildings and construction of new buildings (both in line with the Rulebook on Energy Performance of Buildings and Directive 2010/31/EU), phasing out of incandescent light bulbs and resistive heaters, and construction of passive buildings. By implementing energy efficiency measures in buildings and by introducing low-carbon energy supply technologies (renewables and gas), the Government expects social benefits in the form of about 6,000 green jobs to be created by 2030. The INDC recognizes the importance of adaptation to climate change but does not yet include any concrete actions.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. **The Project Development Objective (PDO)** is to expand access to and improve the quality of social services, including preschool services, for vulnerable groups.

B. Project Beneficiaries

16. **Direct beneficiaries (vulnerable groups) of the project will include**¹⁷ (a) social welfare beneficiaries (cash transfer recipients) and other vulnerable adults and children entitled to social services, as well as the MLSP, SWC, municipality staff, and other entities involved in service provision (Component 1); (b) children aged 3 to 6 years, particularly from disadvantaged backgrounds (including the poor and Roma population; both genders are expected to benefit equally from project interventions)¹⁸, all children aged 0 to 6 years across FYR Macedonia are expected to benefit from improved parenting and care at home as result of the national media campaigns, and the MOES, preschools teachers, primary school pedagogical staff, and parents of children aged 0 to 6 years¹⁹ (Component 2); and (c) MLSP and SWC staff (Component 3). Staff in social services and preschool institutions will also benefit from simplified and more efficient administrative procedures and new or newly refurbished work spaces (Components 1 and 2).

¹⁷ These are also the climate vulnerable groups since they are more exposed to different types of natural hazards.

¹⁸ Preschool enrollment rates by gender are 51 percent for boys and 49 percent for girls.

¹⁹ Preschool teachers and primary school pedagogical staff will benefit through training and capacity-building activities. Parents and families of all children receiving the abovementioned services will also benefit, including through (a) guidance and support to engage in early stimulation at home, (b) increased opportunities to access preschool services as well as other social services for their children, and (c) increased opportunities to participate more actively in the labor force (especially for parents of children enrolled in full-time preschools).



C. PDO-Level Results Indicators

17. PDO Results Indicators are as follows:

- (a) Share of cash benefit recipients and social services recipients recertified and recorded in the new information system - disaggregated by gender;
- (b) Number of beneficiaries receiving noninstitutional social services (alternative/nonresidential forms of care) from licensed providers - disaggregated by gender;
- (c) National preschool enrollment rates for 3–6-year-old children - Sub-indicator: National preschool enrollment rates for 3–6-year-old children who belong to the families - recipients of the SFA;
- (d) Share of preschools with improved process quality as measured by the quality assessment tool.

III. PROJECT DESCRIPTION

A. Project Components

18. The project will include three main components, as described in the following paragraphs.

Component 1: Promoting social inclusion through improved access to social benefits and services (US\$12.7 million / 10.8 million EURO equivalent)

19. The objective of this component will be to strengthen the overall social protection delivery system for improved services by existing social assistance recipients and by vulnerable groups. On the supply side, the project will support creation and expansion of preventive and nonresidential social services. The increased outreach activities by the system (SWCs and other institutions at the local level) will result in the rise of the poor and vulnerable applying for social benefits and services. Better access to a menu of social benefits and services will also be ensured with the merger of the two existing information systems (databases), which would enable improved identification of actual individual/family needs, more poor or vulnerable individuals and families receiving support, and better case management (that is, referrals, tracking, and monitoring) using the integrated social welfare information system. A new human-centered approach²⁰ and integrated information system will enhance targeting and prioritization of beneficiaries for services (including the ECEC). This will also include developing referrals between social services, preschools, and other relevant institutions. The focus will be on the beneficiaries (including the preschool children), their needs, and facilitation of their inclusion in the system of benefits and services.

²⁰ FYR Macedonia has been listed among the potential countries for support and learning on innovative Human Centered Design approaches from the World Bank's Social Protection and Jobs Delivery Systems Global Solution Group.



20. This component will focus on strengthening the overall social protection delivery system for improved access to services by existing social assistance recipients and by vulnerable groups, through provision of:

- (a) Technical assistance for social services policy development and implementation, including through the (i) implementation of a needs assessment; (ii) development of standards and accreditation and licensing processes for social service providers; and (iii) development of social and child protection laws, regulations, and guidelines. These activities are intended to create a regulatory framework for the creation and provision of noninstitutional social services, with the new service standards that are also expected to increase the quality of service provision.²¹ The activities would be taking place in the initial stage of implementation.
- (b) Support for the development of a social welfare information system that integrates Cash Benefit Management Information System (CBMIS) and LIRIKUS. Technical specifications for the merger of two information systems will be developed by the client before project effectiveness, which will enable early implementation of information system-related activities. These activities would also take place in the initial stage.
- (c) (i) Grants for Social Services Subprojects designed to develop noninstitutional social services, including immediate social service, assistance to a person or family, home care, day care, temporary care, placement in foster families, placement in a small group home, and assisted living and (ii) advice for the preparation of Social Services Subproject proposals and the carrying out of an assessment on municipal social services needs and demand. Piloting of this grant mechanism is expected to promote centrally financed development of nonresidential social services at the local level (with municipalities submitting grant applications for financing), the experience of which will feed into the development of updated service delivery standards (under (a) above). The activities would take place in the second stage.
- (d) Support for carrying out (i) capacity-building activities on social assistance policy revisions and development; (ii) capacity-building activities, including for the design, implementation, and analysis of evaluations and survey data; and (iii) rehabilitation works, including provision of relevant equipment of selected offices within the MLSP, CSW, and other borrower's agencies involved in the provision of social services. The activities would take place throughout project life cycle.

Component 2: Expanding the access to and improving of the quality of preschool services (US\$18.6 million/16.0 million EURO equivalent)

21. This component will focus on improving access to quality ECEC services, in particular for children from socially disadvantaged backgrounds (that is, poor children, children with disabilities, and Roma children). Activities for children aged 3 to 6 years will focus on increasing access to quality and energy efficient preschools (that is, child-centered and with age-appropriate learning opportunities) while also

²¹ Currently, there are no licensed providers of noninstitutional care in FYR Macedonia.



supporting their transition to the early grades of primary education. Activities for younger children — from birth onwards — will focus on empowering parents and families to support children’s holistic development through increased knowledge about the importance of the early years (including adequate health and nutrition, early stimulation and learning opportunities, and nurturing and protection from stress) and about the relevant services available in the community. The activities related to the infrastructure will be sequenced while the process quality activities will be happening in parallel. This component will support increasing the number of classrooms in preschools and improving the quality of preschool service delivery through provision of:

- (a) (i) Grants for Infrastructure Subprojects;²² (ii) advice to selected municipalities for the design of Infrastructure Subproject proposals; (iii) support for the construction of a selected number of preschools and rehabilitation of selected existing infrastructure to be used as preschools, including relevant equipment, and teaching, and learning materials; and (iv) advice for the development of a Grants Operational Manual. This component will finance approximately 7,500 new preschool spaces in both urban and rural areas through a combination of new construction, extension of existing preschools, and repurposing or upgrading other public buildings such as primary schools (or other buildings available in the municipality). Renovations and repurposing/upgrading will be prioritized in the first steps of project implementation to ensure fast increases in access, while new constructions will require more time. The refurbished and newly constructed environments will be conducive to child-centered education practices and will employ solutions that increase efficiency and flexibility.
- (b) Support for the construction or rehabilitation, including provision of relevant equipment for about five innovative preschool centers in the cities of Skopje, Tetovo, Stip, and Bitola.
- (c) Support for developing a per student funding formula that improves teaching quality. The development and implementation of a per student funding formula would allow for a transparent and more equitable way of distributing resources and would overcome issues of efficiency, but also of equity and quality. This activity will be prioritized to allow for sustainable expansion of ECEC enrollment in preschool education, as well as to increase ECEC opportunities for poor families, once the new spaces are available.
- (d) Support for (i) strengthening pre-service and in-service teacher capacity-building programs, development of new preschool teachers’ required competencies, and implementation of preschool teachers’ capacity-building program; (ii) carrying out capacity-building activities for ECEC preschool administrators and other decision makers; (iii) developing materials for age-appropriate teaching and learning; and (iv) enhancing ECEC quality assurance mechanisms.
- (e) Support for the carrying out of outreach activities for families, including those belonging to vulnerable groups, with a focus on demand-side interventions to promote early stimulation at home and to encourage parents to take advantage of existing services for young children.

²² Subprojects involving (a) acquisition of land, or (b) involuntary resettlement, or (c) acquisition of used or second-hand equipment and furniture shall not be eligible for financing under the project, either by loan or borrower counterpart proceeds.



A nationwide campaign would be used to raise awareness about the importance of the early years and seek to empower parents to play a key role in promoting their young children’s development. Multiple communication channels would be used, including mass media, social media, and printed publications in places that families with young children frequent. The campaign would target not only mothers but also fathers, grandparents, and other caretakers.

Component 3: Project management, monitoring and evaluation (US\$2.1 million/1.9 million EURO equivalent)

22. This component will support the day-to-day management of project implementation and the monitoring and evaluation (M&E) of its objectives and outcomes. This component will finance the activities that would ensure effective administration and implementation of the project by supporting (a) the establishment and operation of the Project Management Unit (PMU), including the provision of operating costs, (b) development and implementation of a M&E system for the project, and (c) development and carrying out of a public awareness campaign to inform vulnerable groups of available social assistance services, including the application process requirements.

B. Project Cost and Financing

Project Components	Project Cost (Euro, millions)	IBRD Financing (%)
Promoting social inclusion through improved access to social benefits and services	10.8	100
Expanding the access to and improving the quality of preschool services	16.0	100
Project management, monitoring and evaluation	1.9	100
Total Costs (including Front-end Fee)	28.7	
Total Project Costs	28.7	
Total Financing Required	28.7	

C. Lessons Learned and Reflected in the Project Design

23. **Appropriate coordination mechanisms need to be considered when multiple ministries are involved in the project implementation.** This is one of the most important lessons learned from the CCTP, which helped establish and strengthen FYR Macedonia’s social protection delivery system and improve administration of the cash benefits. This project embodied this lesson in its institutional and implementation arrangements by including the MOES and the Bureau for Development of Education (BDE) staff in the project working and advisory groups as well as in the Grant Approval Committee (GAC) for preschool infrastructure. Another lesson learned is that the key personnel deployed for project implementation should be persistent and empowered throughout project implementation. Therefore, it was agreed that most of the MLSP, MOES, and PMU staff who worked on the project preparation will remain members of the Working Group (WG) and will actively contribute to project implementation.



24. **The project design, especially the dimension related to the integrated social welfare information system, significantly benefited from the work of the World Bank’s Global Solution Group on Social Protection Delivery Systems.** The main takeaway from this work is that simplifying business processes and offering e-services window—to improve the ‘human-centered’ aspects of the system—could be key to reducing barriers to inclusion.

25. **Moreover, important lessons that have been drawn from the Second Municipal Services Improvement Project are considered in the design of the grant program for preschool infrastructure.** The lessons learned include the need to ensure mechanisms for quality construction supervision and for quality of technical documentation prepared by the municipalities. The project will provide technical assistance to the municipalities to ensure quality of technical documentation and will finance hiring of a solid supervision company for supervision of the construction sights.

26. **In addition, important lessons have been generated through projects implemented globally and in Europe and Central Asia (for example, through the Bulgaria Social Inclusion Project).** A recent impact evaluation²³ of the Bulgaria Social Inclusion Project shows that removing kindergarten fees was the most cost-effective strategy to increase preschool participation among vulnerable groups but that child development outcomes did not improve among Roma children, due to poor quality of service delivery. Therefore, this project will simultaneously address the shortcomings in the quality of ECEC delivery and current funding mechanisms. Another important lesson from this project is that inclusive quality education for children from vulnerable families and children with special needs yields improved school readiness.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

27. **The project will be implemented over a period of five years, with the MLSP as the key implementing agency.** The MLSP will be accountable for execution of project activities and implementation would rely on its existing structures, with the additional support of a PMU that would need to be established. Decisions will be made by the MLSP in coordination with the MOES and BDE. The project implementation structure will consist of (a) the PMU, (b) the WG consisting of the MLSP and MOES staff and their agencies, (c) the Consultative Group (CG) led by the MLSP, (d) GAC for preschool infrastructure chaired by the MLSP and MOES, (e) GAC for Social Services chaired by the MLSP, and (f) municipalities.

28. **PMU.** The PMU will report to the MLSP and will be responsible for day-to-day project implementation, overall project coordination, monitoring activities, safeguards and fiduciary functions, and reporting. The PMU will be housed in the MLSP and headed by a project director. Additional key PMU functions include a project manager, two coordinators—one each for Component 1 and Component 2 of the project, a grant coordinator, a grant assistant, safeguards experts (environmental and social safeguards issues), fiduciary staff (procurement specialist, financial management specialist, and financial

²³ Huillery, E., and Joost de Laat. *Information, Free Access, or Conditionality: Three Ways to Improve Kindergarten Participation of Roma in Bulgaria?* Draft Manuscript.



management assistant), an information technology (IT) manager, an IT officer, an M&E specialist, a civil engineer, and an architect. Some of the existing CCTP PMU staff will assume the listed jobs.

B. Results Monitoring and Evaluation

29. **The project will include a robust M&E framework to enable decision makers to track performance, adjust implementation as needed, and demonstrate the impact of policy interventions financed by the project.** M&E under the project will be integrated into regular monitoring functions of the MLSP and PMU. The PDO level and intermediate results indicators would be monitored using the following sources and methodologies: (a) regular data collection process, including existing administrative data systems; (b) baseline and follow-up surveys; and (c) evaluation reports. In addition, a performance evaluation will be carried out before the project completion to assess and review the implementation of the competitively awarded grants in municipalities for preschool infrastructure and grants for provision of noninstitutional social services at local level. Finally, the project will develop an integrated social welfare information system covering both social assistance benefits and services, as further described under Component 1, which will provide more timely data to monitor project implementation.

C. Sustainability

30. **Several factors support the sustainability of the proposed interventions and their outcomes, including the fact that the project is built on the success of the previous operations which helped establish a modern social protection system in FYR Macedonia.** Specifically, the CCTP, which started in 2009, has made significant impact in terms of social protection system administration advancements and secondary school enrollment rates among the social assistance benefits recipients. The delivery features of the system have been assessed as impressive—the country has moved from managing numerous cash benefits all through ‘paper-based’ systems at the local level (within SWCs) to an interoperable CBMIS. The social and child protection delivery has become institutionally mature and central to poverty reduction approaches. In addition, a new Education Allowance will involve integration of the CCT Secondary Education Program within the country’s social protection system. Entitlement to this right is envisaged for all children included in the compulsory education (primary and secondary) who live in households with a total income amounting to below 50 percent of the minimum wage.

31. **Reforms to be supported by the proposed project enjoy solid backing from the Government of FYR Macedonia.** The project’s sustainability builds on the strong legislative and policy framework including laws, policies, and strategies in the areas of social assistance, ECD, and employment, supporting the reforms in the country’s social protection system. The Government prioritized the strengthening of the social protection system in the new Government Program (2017), which envisages introduction of modern alternative (noninstitutional) forms of care, aimed at expanding the coverage and improving quality of service delivery. This includes investing in human resources. The Government has approved employment of 135 new professional workers (mostly social workers) in SWCs in 2018. Additional 50 staff will be employed next year to meet the required minimum of 730 professional workers in SWCs. Funding of the newly established social services beyond the project span will be financed partially through the central budget and partially through the municipalities. For preschool activities, the Government is committed to allocate sufficient funds in the budget for operating cost of the preschool institutions that will be established under the project. In addition, the project will assist in designing and implementing a



new funding model for preschool education that will allow for sustainable and equitable expansion of coverage.

D. Role of Partners

32. **The proposed project is leveraging and benefiting from the experience of other partners who play key roles in the social services and ECEC areas, including United Nations Children’s Fund (UNICEF), EUD, United Nations Development Programme (UNDP), German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ*), and International Step by Step Association (ISSA).** For example, UNICEF has provided financial and technical assistance for the creation of the ECEC stakeholders platform comprising different relevant actors and its work significantly contributed to the preparation of the ECEC component. UNICEF has supported the MLSP and BDE in assessing the implementation of the new ECEC curriculum and quality standards in selected preschool institutions; it has also been providing technical support to the revision of the policies and the law on child protection. In addition, UNICEF has been very active in raising awareness about the importance of ECD through the campaign “the first five are the most important.” The ISSA has supported early literacy and numeracy activities; the EUD has been providing assistance for deinstitutionalization of several residential institutions, predominantly related to child and disability long-term care; while GIZ has piloted tailored community-based social services in several municipalities. Throughout the project preparation, the team has consulted all these partners and participated in workshops financed by UNICEF and consulted with a range of other key stakeholders involved in the abovementioned Consultative Group. The team will continue to work collaboratively with these partners throughout project implementation.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

33. **The overall risk is Substantial.** The project design envisions a large number and complex scope of activities supporting the reforms in social and child protection, which would be demanding to implement successfully. However, FYR Macedonia’s commitment to the project objectives, substantive support of international partners, and past performance of similar projects with the World Bank are expected to contribute to meeting the PDO. To mitigate the overall implementation risk, the project will employ a significant scope of technical assistance to support different actors responsible for the implementation of the project. Additionally, different approaches such as prioritization, piloting of new activities, and sequencing of infrastructure work will also contribute to risk mitigation.

34. **The risk rating for institutional capacity for implementation and sustainability is Substantial.** Despite the capacity acquired in the MLSP under the ongoing CCTP, the overall capacity to support implementation of most activities is low. In addition, due to involvement of two ministries in the implementation arrangements, any change in the Government may result in implementation delays. To mitigate the low capacity risk, the PMU capacity will be strengthened by hiring additional staff (for example, safeguards specialists and civil engineer/architects). To address coordination challenges, the project will rely on the capacities of the already established working and consultative groups consisting of the MLSP and MOES staff and their agencies. Also, a project manager and two coordinators, each for Component 1 and Component 2 of the project, will be hired to manage day-to-day activities and support



the implementation of project components. The need for strengthening the coordination mechanisms will be reassessed in the early implementation stage and, if necessary, additional investments will be made to enhance the overall coordination.

35. **Risk rating for sector strategies and policies is also Substantial** as the Government envisages pursuing several important reforms in the social sector at the same time (social assistance, social services, ECD, and so on) and capacity for such an ambitious reform agenda may be stretched leading to delays in implementation and jeopardizing progress against the PDO. To mitigate risks to the PDO, the project will deploy technical assistance to fill identified gaps in the MLSP's capacity to deliver on the reform agenda. Capacity-building activities that will be financed under Component 1 will focus on strengthening a central policy unit engaged in analytical and M&E activities for the MLSP. To strengthen the Government's capacity for service delivery, the project will support further operationalization and upgrade of the existing CBMIS for use across the social and child protection system.

36. **The technical design of the project represents Substantial risk given the complexity of the proposed operation.** Similar projects have already been implemented or are being implemented in other countries of the Western Balkan region (for example, Serbia inclusive ECEC, Social Innovation Fund, and the like) and the project will learn from their experiences. Moreover, the project will benefit from the in-country experience with the implementation of the grant scheme under the Second Municipal Service Improvement Project. The project will first pilot grant activities in social services component and introduce sequencing in the implementation of preschool infrastructure grants, which will enable internal learning and adjustments, as needed.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

37. **In the short run, administrative and fixed costs of the proposed reforms and activities will exceed the benefits but there will be significant economic returns in the long run.** In the absence of well-developed and functioning social services and related cost-benefit analyses for social service investment for FYR Macedonia, international evidence has been sought on the impacts of similar investments. The evidence suggests that the benefits of noninstitutional care interventions far outweigh the costs. For example, for a day care program for low-income children in Chicago, benefits included increased economic well-being and tax revenues and reduced public expenditures for remedial education, criminal justice treatment, and crime victims. The benefits are estimated to be approximately US\$7.14 per dollar invested.²⁴ Similarly, a simulation on increasing preschool enrollment in 73 countries found benefits in terms of higher future wages of US\$6.4–US\$17.6 per dollar invested. The simulation indicated potential long-term benefits which range from US\$11 to US\$34 billion.²⁵

²⁴ Reynolds, A. J., J. A. Temple, D. L. Robertson, and E. A. Mann. 2002. "Age 21 Cost-benefit Analysis of the Title I Chicago Child-Parent Centers." *Educational Evaluation and Policy Analysis* 4 (24): 267–303.

²⁵ Engle, P.L., L. C. H. Fernald, H. Alderman, J. Behrman, C. O'Gara, A. Yousafzai, C. de Mello Meena, M. Hidrobo, N. Ulkuer, I. Ertem, S. Iltus, and the Global Child Development Steering Group. 2011. "Strategies for Reducing Inequalities and Improving Developmental Outcomes for Young Children in Low-Income and Middle-Income Countries." *The Lancet* 378 (9799): 1339–53.



38. **The cost-benefit ratios for different social assistance programs show a variation in the poverty-reducing potential of different social assistance programs (figure 4.1, annex 4) and the estimated benefit-to-cost ratio of the proposed ECEC interventions is 2.24.**²⁶ Coordinated efforts between the project's components (that is, outreach, identification of potential beneficiaries, prioritization, referral, monitoring, and tracking of beneficiaries) and improved targeting (supported through integration of existing cash benefit and services information systems under the project) will increase the overall social assistance coverage and poverty reducing impact of overall social assistance, thus enabling more efficient spending. The possibility of future savings in the administration of benefits and services gives the Government some discretion to reallocate the freed resources. In principle, these resources should be reallocated to maximize the development impact of the project.

39. **The proposed project will finance activities in the public sector for which private provisions do not exist in FYR Macedonia.** Government intervention is mandated to ensure access to social and child protection services for the poor and vulnerable. Given the fiscal situation in FYR Macedonia, World Bank support seems appropriate to enable the Government to fulfill its responsibilities. The World Bank can add value through its large experience in funding and supporting similar projects elsewhere and extensive knowledge as to how social services and ECEC programs could further enhance the inclusion and effectiveness of the social and child protection.

B. Technical

40. **The project's technical foundation rests on solid analytical work, drawing from the experience with the CCTP, as well as from the literature, lessons, and analysis on gender, child, and social protection interventions.** The existing in-country evidence reveals that previous investments in social and child protection benefits and service delivery play a powerful role in protecting the poor and vulnerable; they also contribute to improved human capital outcomes. In terms of social safety net interventions, the MLSP has improved administration of the cash benefits and reduced inclusion errors (under the CCTP), which accordingly improved overall targeting of the social safety net system. The CCTP also contributed to the increased secondary school enrollment and attendance rates among the children from social assistance beneficiary households. These achievements justify continued investments in the systems upgrade and development.

41. **The relevant analytical underpinnings are presented in the draft 2018 PFR for FYR Macedonia, which includes both social assistance and education chapters.**²⁷ The following recommendations from the PFR will be implemented under the project: (a) expanding the coverage of the poor by the main social assistance programs (benefits and services); (b) improving access to preschool education; (c) exploring the feasibility of school optimization, that is, retrofitting unutilized primary education space; and (d)

²⁶ Based on World Bank staff calculations detailed in annex 4.

²⁷ Social assistance is well targeted, as more than 70 percent of all transfers go to the poorest quintile, which places FYR Macedonia among the best performers in the region (PFR). Furthermore, the benefit incidence for the poorest quintile improved from 57.8 percent in 2012 to 70.3 percent in 2016. This is largely due to the targeting accuracy of the means-tested SFA program. The leakage of social assistance transfers to the richest quintile (1.4 percent of all benefits) is among the lowest in the region. For the most part, these developments could be attributed to the introduction of the CBMIS that reduced inclusion errors and benefit leakage and increased the administrative efficiency in the system of social assistance delivery.



revisiting the funding formula, introducing per student formula, and changing the regressive financing mechanism for preschool financing.

42. **The technical rationale for the selection of project activities is based on both FYR Macedonia's experience and an increasing body of international evidence on the multiple benefits of improved social services and broader inclusion agenda.** On the delivery systems' side, the CBMIS has come a long way since it was first designed under the CCTP. The CBMIS currently has many modules: eligibility determination for benefits, payments and financial module, controls module, analytics/stats, security, and so forth. The platform would need to be upgraded to integrate the information system for social services and introduce changes as per the provisions of the new social and child protection laws. The proposed project draws from the experiences of several countries (Chile, Turkey) that implemented similar integrated information systems as platforms for successful inclusion and improved service delivery.²⁸ While there are substantial implementation challenges and risks, there are no unusual technical aspects and all proposed activities are based on well-documented practices in social and child protection service delivery.

43. **International evidence shows that poor learning outcomes in primary and secondary education are often rooted in the lack of early learning and overall development opportunities in the first few years of life.** Globally, many young children from the most vulnerable households (that is, the poorest and/or most marginalized) are not ready for primary school by the time they enter first grade and do not reach their full development potential in life, in part because they are not exposed to sufficient opportunities for early learning and development. The Programme for International Student Assessment (PISA) 2015 shows that there are significant differences in achievements between students who attended preschool and those who did not. The evidence further shows that holistic and high-quality services in the early years of a child's life yield significant benefits in the short and longer terms. As discussed earlier, international evidence shows high returns to investing in ECD, however, FYR Macedonia invests only 0.2 percent of GDP on ECD compared to an Organisation for Economic Co-operation and Development (OECD) average of 2.36 percent. While funding alone cannot guarantee a strong ECD system, a minimum level of additional investment is required to ensure quality, coverage, and access.

C. Financial Management

44. **The financial management arrangements for the project are acceptable to the World Bank and they will be further strengthened through the finalization of the financial part of the Project Operational Manual (POM).** A full set of unaudited interim financial reports (IFRs) will be submitted to the World Bank quarterly throughout the life of the project. The reports will incorporate detailed information on amounts transferred to the MLSP from the Designated Account, amounts transferred to the beneficiaries or intermediaries between the project and final beneficiaries, and any unused funds which were transferred from the Designated Account. Locally developed software used for project accounting and reporting of the ongoing CCTP will also be used for the project following an upgrade and customization to fit new

²⁸ Some countries, such as Chile and Turkey, have created Integrated Social Protection Information Systems, which can serve as powerful tools for assessing the 'demand' for social programs by profiling specific needs and conditions of various groups of the population, monitoring and coordinating the 'supply' of social programs, assessing gaps and duplications in coverage of key bundles of benefits and services that could be tailored to the typical needs of profiled groups. (Source: World Bank. 2017. "Social Registries for Social Assistance and Beyond: A Guidance Note and Assessment Tool." World Bank Discussion Paper No. 1704)



requirements. The software demonstrated solid historic performance regarding financial transparency and reliability of the project data. The annual audited project financial statements will be provided to the World Bank within six months of the end of each fiscal year and at the closing of the project. The audit will also include performance and operational audits in line with the terms of reference (TORs) which will be agreed with the World Bank.

45. **Appropriate internal controls and flow of funds arrangements designed and instituted for the ongoing CTP will be used for the project.** These are essential in ensuring appropriate controls and monitoring of the flow of funds and will ensure that the funds will flow only to the entitled beneficiaries or intermediaries between the project and final beneficiaries and for intended purposes. Appropriate checks and evidence are instituted as requirements to provide reasonable assurance in this respect. The respective controls and procedures are described in annex 'Implementation Arrangements' of the document and detailed in financial part of the POM for the project. These include ex ante and ex post controls, physical inspection, and so on. The Designated Account will be opened in the National Bank of the Republic of Macedonia (NBRM). The Treasury Department within the Ministry of Finance will be responsible for maintaining the transit Treasury Account opened for the purposes of the project. The funds will flow from the Designated Account through the transit MKD Treasury account opened for the project within the Treasury Single Account (TSA) (which will provide sufficient level of transparency and ability to track the project funds only as separate line item). Overall financial management risk is assessed to be moderate based on the mitigating measures, which address inherent complexity and specifics of the project.

D. Procurement

46. **Procurement will be managed by the PMU within the MLSP.** The procurement function will draw from the experience of the past World Bank-financed projects. The PMU has a very good track record of implementing World Bank-financed projects. The procurement specialist is highly experienced and knowledgeable, with sound understanding of the principles of the World Bank's procurement policies and procedures. A POM will define the overall project implementation arrangements and specific roles and responsibilities of the PMU and the relevant beneficiaries involved in the project.

47. **The project shall use the World Bank's new Procurement Framework, dated July 2016 and revised 2017, and the World Bank's online procurement planning and tracking tool Systematic Tracking of Exchanges in Procurement (STEP).** Procurement under the project will follow the Procurement Regulations for IPF (Investment Project Financing) Borrowers on Procurement in Investment Project Financing Goods, Works, Non-Consulting and Consulting Services, July 2016, revised November 2017. The World Bank's most recent standard procurement documents will be used for procurement of the relevant contracts, included in the Procurement Plan.

48. **The draft Project Procurement Strategy for Development (PPSD) was prepared** and it will be the basis for the procurement arrangements under the project, including defining the procurement and review thresholds, the relevant market approach for each major category such as goods, including information and communication technology (ICT), works, and consulting services, and the applicable procurement methods. These will be reflected in the project Procurement Plan. The PPSD defines how procurement activities will support the development objectives of the project and deliver the best value for money under a risk-based approach. It also provides adequate justification for the market approach



and selection methods in the Procurement Plan. The level of details and analysis in the PPSD is proportional to the risk, value, and complexity of the project procurement. The PPSD and the Procurement Plan are reviewed and agreed with the World Bank. The PPSD provides information on the procurement specific risks and the proposed mitigation measures. The overall risk for procurement is defined as Moderate.

49. **A draft Procurement Plan was also prepared and uploaded in STEP. It will be automatically published on the World Bank's external website after the World Bank issues a no-objection to it.** The World Bank's procurement specialist assigned to the project created a profile of the implementing agency in STEP and will provide hands-on training to the PMU and the relevant staff in the MLSP who will be involved in project implementation during the early stage of project implementation.

E. Social (including Safeguards)

50. **Social safeguards.** Social safeguards were initially triggered by Component 2. Improvement of the access to services will be financed either by the adaptation of the primary school facilities in the local governments (whereby primary school network has available space to be transferred from the primary school to kindergarten facilities) or through investment into new kindergarten facilities. In this situation, there will be no need for acquisition of extra land. The impacts of adaptation of the primary school to kindergarten facilities will be limited and, therefore, the social risks related to the safeguards are limited. A Resettlement Policy Framework (RPF) has been prepared to address the potential social impact of civil works and disclosed on the MLSP website (www.mtsp.gov.mk) on May 16, 2018. However, during the preparation of the project it was agreed that subprojects involving (a) acquisition of land, (b) involuntary resettlement, or (c) acquisition of used or second-hand equipment and furniture shall not be eligible for financing under the project, either by loan or borrower counterpart proceeds. The PMU informed the public through the National Daily Newspaper for the consultation event for the draft RPF and the Environmental and Social Management Framework (ESMF). The event was organized in the premises of the MLSP on May 16, 2018.

51. **Citizen engagement.** As part of the project preparation, approximately 2,600 parents²⁹ (mothers and fathers), all kindergartens,³⁰ and 40 individuals³¹ from relevant constituencies across the country were consulted on a number of children enrollment policies and barriers. In addition, the MLSP has conducted various consultation meetings with representatives from the civil sector to discuss the need for introduction of services for the disabled, children, elderly, and so on. These extensive consultations were used to inform the project design and additional consultations are also envisioned during implementation. To proactively engage beneficiaries and ensure their contribution in decision making, several participatory approaches are envisioned during implementation. Under Component 2, the project will engage ECEC teachers and parents in two stages: (a) initial outreach and sensitization efforts on project goals, activities, and the role of ECEC teachers and parents and (b) identification of their needs regarding ECEC services and prioritization of planned investments during interviews and focus group discussions. The collected

²⁹ Survey conducted by the MLSP—summarized in the report, Assessment of the Capacities and Needs for Preschool Facilities in Municipalities in Macedonia, 2018.

³⁰ Visits organized by the MLSP—summarized in the report, Assessment of the Capacities and Needs for Preschool Facilities in Municipalities in Macedonia, 2018.

³¹ Workshop organized by the World Bank, UNICEF, MLSP, and BDE for piloting the UNICEF tool for assessment of the ECEC policies.



inputs will inform and prioritize current planning and allocation of ECEC funding to municipalities and kindergartens. An annual beneficiary feedback mechanism (such as a beneficiary scorecard) will measure teachers' and parents' perception of quality of ECEC services and collect their feedback on the improvement to ECEC services. This information will support the design of future reforms. The project will include a number of results that measure beneficiary feedback and the citizen engagement process in the Results Framework. Budgets are allocated for all citizen engagement activities.

52. Social audit meetings will be organized for all direct beneficiaries (that is, ECEC teachers, parents, social workers, and so on) to achieve transparency, disclosure and beneficiary oversight for supported subprojects. These meetings will ensure that (a) beneficiaries are aware of the activities strengthening the institutions of the social services system (including the grant scheme or social contracting), (b) information is disseminated, and (c) beneficiary feedback is generated on subprojects which will be supported. The PMU will be responsible for invitations for the social audit meetings, producing information, and posting on social services notice boards.

53. In addition, the project will establish and institutionalize a comprehensive Grievance Redress Mechanism (GRM), which will be developed to allow all ECEC stakeholders to submit questions, comments, suggestions, and/or complaints or provide any form of feedback on all project-funded activities (not just safeguards). The systems and requirements (including staffing) for the grievance redress chain of action—from uptake, sorting and processing, and acknowledgement and follow-up to verification and action, M&E, and finally feedback—will be specified in the POM. To encourage proactive beneficiary engagement, the GRM will be communicated at project kick-off meetings and in all relevant ECEC service facilities. The use of the GRM for safeguards purposes will be elaborated in the RPF.

54. **Gender.** Appropriate analyses of gender disparities in the labor market were done. It is expected that expanding the access to ECEC services will help reduce the gender disparities in the labor market by freeing up women's time for productive employment. There is no evidence of gender being a major issue in service delivery in FYR Macedonia, but citizen engagement activities described will be designed in a way to include also consultation on gender issues related to the access to social and ECEC services. Finally, the project will establish data collection mechanisms to facilitate the monitoring of gender impacts (key project indicators will be disaggregated by gender). The team will also ensure that project preparation and implementation will be closely coordinated with the potential engagement through the Regional Gender Equality Development Policy Financing operation.

F. Environment (including Safeguards)

55. **For the environmental assessment, the project has been assigned an Environmental Category 'B' because the anticipated environmental impacts are time-bound, limited in scope, and manageable if appropriate mitigation measures are applied.** Those impacts are mainly associated with the implementation of grant funding and implementation of civil works, such as repair, retrofitting and reconstruction of social service infrastructure (preschool institutions and primary schools), building new facilities, envisioned under project Components 1 and 2, respectively. The anticipated impacts may include, but not be limited to, generation of construction and domestic wastes (both solid and liquid); damages to air, soil, and water; and generation of noise and vibration during the implementation of civil works. Because the activities which may trigger environmental concerns are now only generally indicated, without detailed identification of locations, specific types of activities, and stakeholders, an ESMF has



been found the most appropriate environmental due-diligence instrument for the proposed project. The ESMF has been prepared by the borrower, which considered country context, legislative framework, and procedures for screening specific project activities (subprojects), assigning an environmental assessment category and defining suitable instrument for activity-specific environmental and social assessment, identification of environmental impacts, and determination of adequate mitigation measures. The ESMF also identified institutional responsibilities and implementation arrangements for carrying out the assessment, implementing mitigation measures, and conducting due environmental monitoring of the project activities. To disclose the ESMF and seek public feedback, the MLSP and its PMU have conducted several public consultation meetings during May 14–15, 2018, in Skopje, Stip, and Tetovo. The detailed minutes of the consultation meetings have been enclosed with the final ESMF and published on the MLSP's official website. The final ESMF has been posted on the World Bank's Operations Portal on May 16, 2018.

56. Climate co-benefits are expected to be achieved through introduction of respective measures and considerations into the design of preschool/primary school facilities to be renovated, adapted, retrofitted, and built under the project. Those measures and considerations will include improved energy efficiency (proper structural orientation and size and number of windows to maximize natural lighting, insulation of walls, doors, and windows to minimize heat/energy losses, shading to prevent overheating, and so on). Climate resilience will be enhanced by detailed site assessment to avoid earthquake-, landslide-, or flood-prone areas by providing additional insulation to mitigate drastic temperature changes.

G. World Bank Grievance Redress

57. Communities and individuals who believe that they are adversely affected by a World Bank (WB) -supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

Project Development Objective(s)

To expand access to and improve the quality of social services, including preschool services, for vulnerable groups.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
To strengthen overall social protection delivery system for improved service provision and access										
Share of cash benefit recipients and social services recipients recertified and recorded in the new information system			Percentage	0.00	0.00	10.00	40.00	50.00	60.00	60.00
Share of cash benefit recipients and social services recipients recertified and recorded in the new information system - Female			Percentage	0.00						60.00
Number of beneficiaries receiving noninstitutional social services (alternative/non-residential forms of care) from licensed providers			Number	0.00	0.00	900.00	1,000.00	1,500.00	3,000.00	3,000.00
Share of female beneficiaries out of all beneficiaries receiving noninstitutional social services (alternative/non-residential forms of care) from licensed providers			Percentage	45.00						50.00
To improve access to quality ECEC services, in particular for socially disadvantaged children										
National preschool enrollment rates for children 3 to 6			Percentage	35.70	35.70	35.70	40.00	43.00	46.50	46.50



PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
year old										
preschool enrollment rates for children 3 to 6 year old who belong to the families recipients of the SFA			Percentage	0.40	0.40	5.00	10.00	15.00	17.00	20.00
Share of preschools with improved process quality as measured by the quality assessment tool			Text	to be determined by baseline assessment of a representative sample of preschools						40 % of pre-schools improved as measured by the follow up assessment of a representative sample of preschools

Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
Promoting social inclusion through improved access to social benefits and services										
Full integration of CBMIS and social services IS within the upgraded social welfare information system as a platform for social and child protection service delivery			Text	no integration	no integration	partial integration	partial integration	full integration	full integration	full integration
Development of social service standards, accreditation, licensing			Text	not developed	not developed	partially developed	fully developed	fully developed	fully developed	new service standards, accreditation, and licensing developed
Share of social service providers using new service			Percentage	0.00	0.00	0.00	10.00	30.00	50.00	50.00



standards										
Beneficiaries of social safety net programs	Yes	Number	130,000.00							140,000.00
Beneficiaries of social safety net programs - Female	Yes	Number	65,000.00							70,000.00
Expanding the access to and improving of the quality of preschool services										
Additional energy- efficient classrooms built at the preschool level resulting from project interventions		Number	0.00	0.00	0.00	20.00	40.00	60.00		60.00
Additional classrooms rehabilitated or re-purposed at the preschool level resulting from project interventions		Number	0.00	0.00	40.00	100.00	180.00	240.00		240.00
Additional qualified preschool teachers resulting from project interventions		Number	0.00	0.00	500.00	1,000.00	1,500.00	2,500.00		2,200.00
Number of pre-service training institutions that reformed their study programs based on the core competencies required for ECEC teachers		Number	0.00							5.00
Assessment of the students cognitive and socio-emotional development conducted		Text	no	no	pre-test conducted	main assessment conducted	Report available			yes
Project management, monitoring and evaluation										
Communication campaign developed and implemented		Text	no	no	yes	yes	yes	yes		yes
Share of supported sub-projects in which direct beneficiaries report their engagement in decision making.		Percentage	0.00	10.00	15.00	20.00	25.00	30.00		30.00
Share of beneficiaries satisfied with responsiveness of the grievance redress mechanism		Percentage	0.00	20.00	25.00	30.00	40.00	50.00		50.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Share of cash benefit recipients and social services recipients recertified and recorded in the new information system
Definition/Description	This indicator will measure the share of cash benefit recipients and social services recipients recertified and recorded in the new social welfare information system; the new social welfare information system is to be developed through integration of the CBMIS and LIRIKUS.
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of MLSP administrative data
Responsibility for Data Collection	MLSP/PMU



Indicator Name	Share of cash benefit recipients and social services recipients recertified and recorded in the new information system - Female
Definition/Description	This indicator will measure the share of recipients (female) who have been recertified and recorded in the new social welfare information system.
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of administrative data
Responsibility for Data Collection	MLSP/PMU
Indicator Name	Number of beneficiaries receiving noninstitutional social services (alternative/non-residential forms of care) from licensed providers
Definition/Description	This indicator will measure the number of beneficiaries receiving noninstitutional social services (alternative/non-residential forms of care) from licensed providers. This is also a corporate results indicator ("Beneficiaries of social safety net programs - other social assistance programs").
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of MLSP administrative data
Responsibility for Data Collection	MLSP, municipalities



Indicator Name	Share of female beneficiaries out of all beneficiaries receiving noninstitutional social services (alternative/non-residential forms of care) from licensed providers
Definition/Description	This indicator will measure the share of female beneficiaries out of all beneficiaries who have received noninstitutional social services (alternative/non-residential forms of care) from licensed providers
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of administrative data
Responsibility for Data Collection	MLSP, municipalities
Indicator Name	National preschool enrollment rates for children 3 to 6 year old
Definition/Description	This indicator will be measured by the percentage of children ages 3 and 6 years who attend preschool institutions.
Frequency	Annual
Data Source	ECEC data base/ Progress reports
Methodology for Data Collection	administrative data
Responsibility for Data Collection	MLSP



Indicator Name	preschool enrollment rates for children 3 to 6 year old who belong to the families recipients of the SFA
Definition/Description	This indicator will be measured by the percentage of children ages 3 and 6 years who attend preschool institutions among the Social Financial Assistance (SFA) families
Frequency	Annual
Data Source	CBMIS- Progress reports
Methodology for Data Collection	MLSP administrative data
Responsibility for Data Collection	MLSP
Indicator Name	Share of preschools with improved process quality as measured by the quality assessment tool
Definition/Description	This indicator measures the percentage of preschools that undergo the evaluation by quality assessment tool and improved quality. Improved quality would be defined in accordance with the measurement scales of the quality assessment instrument. .
Frequency	one baseline and one follow up assessment
Data Source	Assessment report
Methodology for Data Collection	survey
Responsibility for Data Collection	MLSP/BDE



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Full integration of CBMIS and social services IS within the upgraded social welfare information system as a platform for social and child protection service delivery
Definition/Description	This indicator will measure the level of integration of CBMIS and social services IS within the upgraded social welfare information system.
Frequency	Annual
Data Source	Progress reports
Methodology for Data Collection	Observation, analysis of MLSP administrative data, and review of progress reports
Responsibility for Data Collection	MLSP/PMU
Indicator Name	Development of social service standards, accreditation, licensing
Definition/Description	This indicator will measure the development of social service standards, accreditation processes, and licensing procedures.
Frequency	Annual
Data Source	Progress reports
Methodology for Data Collection	Observation and review of progress reports
Responsibility for Data Collection	MLSP



Indicator Name	Share of social service providers using new service standards
Definition/Description	This indicator will measure the share of social service providers that are using new service standards (developed under the project).
Frequency	Annual
Data Source	Administrative data/Progress Reports
Methodology for Data Collection	Review of progress reports
Responsibility for Data Collection	MLSP
Indicator Name	Beneficiaries of social safety net programs
Definition/Description	
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of MLSP administrative data
Responsibility for Data Collection	MLSP/PMU



Indicator Name	Beneficiaries of social safety net programs - Female
Definition/Description	
Frequency	Annual
Data Source	MLSP administrative data
Methodology for Data Collection	Analysis of MLSP administrative data
Responsibility for Data Collection	MLSP/PMU
Indicator Name	Additional energy- efficient classrooms built at the preschool level resulting from project interventions
Definition/Description	This indicator will be measured by the number of classrooms that are built as the result of the project financing . All new buildings have to be energy efficient. The information will be collected as part of the project implementation.
Frequency	Annual
Data Source	Progress reports
Methodology for Data Collection	administrative data
Responsibility for Data Collection	MLSP and Municipalities



Indicator Name	Additional classrooms rehabilitated or re-purposed at the preschool level resulting from project interventions
Definition/Description	This indicator will be measured by the number of classrooms that are renovated as a result of repurposed/renovated available spaces in the primary schools and/or municipality buildings, financing by the project. The information will be collected as part of the project implementation.
Frequency	Annual
Data Source	Progress reports
Methodology for Data Collection	Analysis of administrative data and review of progress reports.
Responsibility for Data Collection	MLSP/ Municipalities
Indicator Name	Additional qualified preschool teachers resulting from project interventions
Definition/Description	This indicator is defined as the number of preschool teachers who receive training in the modern (child-centered) teaching methodology as part of the project interventions. Teachers will be considered qualified if they have participated in the BDE approved in-service training. This will be monitored as part of the corporate results indicator ("Number of teachers trained") monitoring.
Frequency	bi-annual
Data Source	Project progress reports based on data collected by teacher training providers
Methodology for Data Collection	data will be collected by teacher training providers
Responsibility for Data Collection	BDE/ PMU



Indicator Name	Number of pre-service training institutions that reformed their study programs based on the core competencies required for ECEC teachers
Definition/Description	This is defined as the number of pre-service training institutions (universities) that have revised their program. Programs will be considered revised if they incorporate the new core competencies required for ECEC teachers, as defined by the MLSP and increase time for effective practice in the classrooms.
Frequency	annual
Data Source	Progress report
Methodology for Data Collection	Review of the programs
Responsibility for Data Collection	MLSP/PMU
Indicator Name	Assessment of the students cognitive and socio-emotional development conducted
Definition/Description	This indicator will be measured with yes or no. The report of the sample -based assessment, utilizing one of the world-recognized instruments(IDELA, MELQO) conducted and results summarized in the report.
Frequency	once during the life-span of the project
Data Source	Assessment report
Methodology for Data Collection	Assessment
Responsibility for Data Collection	MLSP/PMU



Indicator Name	Communication campaign developed and implemented
Definition/Description	Campaign will be considered developed when there is a completed program ready for broadcast. It will be considered broadcast when a national broadcaster has aired it.
Frequency	bi-annual
Data Source	Media reports
Methodology for Data Collection	Review of media coverage
Responsibility for Data Collection	MLSP
Indicator Name	Share of supported sub-projects in which direct beneficiaries report their engagement in decision making.
Definition/Description	
Frequency	Annual
Data Source	Progress reports based on the information from social audit meetings and similar
Methodology for Data Collection	Review of the reports from social audit meetings
Responsibility for Data Collection	MLSP/PMU



Indicator Name	Share of beneficiaries satisfied with responsiveness of the grievance redress mechanism
Definition/Description	This indicator will measure the percentage of beneficiaries who received feedback or proposed solution within the timeframe that is publicized in the grievance mechanism tool.
Frequency	Annual
Data Source	specialized survey
Methodology for Data Collection	survey
Responsibility for Data Collection	MLSP



ANNEX 1: DETAILED PROJECT DESCRIPTION

Component 1: Promoting social inclusion through improved access to social benefits and services (US\$12.7 million /10.8 million EURO equivalent)

1. The objective of this component will be to strengthen the overall social protection delivery system for improved service provision and access to services by existing social assistance recipients and by vulnerable groups not currently covered. In the initial phase, the project will support social services policy development and implementation. In parallel and to strengthen the Government's capacity for service delivery, the project will support the development of a social welfare information system that integrates the CBMIS and LIRIKUS (the platform for social services). The second-stage activities will involve piloting and testing interventions that aim to develop noninstitutional services at the local level. Throughout project implementation, a set of activities will support capacity building of the MLSP and its agencies involved in social service delivery, such as the SWCs. The overall focus will be on promoting human-centered design approaches, which can facilitate inclusion of the vulnerable categories of the population. Social audit meetings will be organized for direct beneficiaries to achieve transparency, disclosure, and beneficiary oversight for supported subprojects. Subcomponents and activities to be supported by this component are detailed in the following paragraphs.

2. **Subcomponent 1.1. Developing legislative and policy framework.** This subcomponent will finance technical assistance for social services policy development and implementation, including through the (a) implementation of a needs assessment; (b) development of standards and accreditation and licensing processes for social service providers; and (c) development of social and child protection laws, regulations, and guidelines. These activities will support setting up a comprehensive system of social services, based on the solutions that will be adopted in the new Law on Social Protection in 2018.

3. Social services are currently provided in 11 residential institutions of social care and as the following types of noninstitutional care: immediate social service, assistance to a person or family, home care, day care and temporary care, placement in foster families, placement in a small group home, and assisted living. Supervision of professional work, setting of the service standards, and monitoring of social service providers are the responsibility of the Institute for Social Activities (ISA), which is expected to assume additional roles in the coordinating bodies under the project. Both noninstitutional and residential services are mainly provided by the public institutions, although the system allows involvement of nongovernmental organizations, private persons, and associations as service providers. Most of the social services are centrally organized, established, and financed (by the MLSP). The process of decentralization is still in the initial stage, and municipalities currently do not assume the social protection responsibilities.

4. The proposed project activities will contribute to the complete overhaul of the system of social service provision and implementation of new service models, using the mechanisms laid out in the following paragraphs.

5. **Subcomponent 1.2. Piloting a grant mechanism for development of noninstitutional social services.** The subcomponent will support piloting a grant mechanism that will test interventions and



promote development of (noninstitutional) social services at the local level. The subcomponent will finance (a) Grants for Social Services Subprojects designed to develop noninstitutional social services, including immediate social service, assistance to a person or family, home care, day care, temporary care, placement in foster families, placement in a small group home, and assisted living and (b) advice for the preparation of Social Services Subproject proposals and the carrying out of an assessment on municipal social services needs and demand. The grants will be financed by the MLSP and will target innovative services provided by municipalities and nonstate providers. The municipalities, based on their local and regional plans, will determine their needs for particular services and will apply to a public call announced by the MLSP. Technical assistance on local need and demand assessments, as well as grant proposal/application preparation, will be provided under the project. Particularly, the project will support initial assessments of the municipal capacities and provide technical assistance tailored to the needs of each municipality. A grant application will be submitted by one or more municipalities, together with potential providers (preferably licensed or in the licensing process), for a type of service for which the need has been identified. The GAC will be responsible for evaluating and selecting grant proposals for project financing. The GAC will be guided by criteria described in the Grant Operations Manual (GOM) (previously approved by the World Bank). To ensure both sustainability and scalability of the proposed services, the municipalities may be obliged to provide services even after the completion of the grant program or when applying for grant financing in the subsequent public calls.³² Given the novel approach, all the lessons learned in the process of grant implementation and subsequent evaluations of services provided should feed into development of updated social service standards.

6. **Subcomponent 1.3. Developing integrated social welfare information system.** This subcomponent will support development of a social welfare information system that integrates CBMIS and LIRIKUS. The integrated social welfare information system covering both social assistance benefits and services would also include simplified and more efficient administrative procedures.

7. The CBMIS currently provides a platform for the delivery of all cash transfers and includes the following modules: eligibility determination for benefits, payments and financial module, controls module, analytics/stats, security, and so forth. It has interfaces for different levels of work (views)—social worker, supervisor, head of SWC, accountant, head of payments department, payments officer, state secretary in MSLP, and so on. Each user has different access levels and personal identification numbers. The eligibility module operates as an ‘integrated social registry’ that allows people to apply for various types of benefits ‘rights’ through a single process, with annual recertification. Self-reported information is complemented by data exchange with other administrative systems under an interconnectivity (interoperability) project that seeks to link administrative systems for 14 institutions (they already have real-time connectivity between the MLSP, the Pension and Disability Fund, and the State Employment Agency). The institutions have memorandums of understanding for data exchange but do not yet have ‘rectification protocols’ to reconcile differences or errors in information across agencies. For payments, the system issues a certificate to enrolled beneficiaries, who bring the certificate to the payment service provider of their choice (partnerships with 10 banks), and the bank then sends back the record to the

³² The evidence from a similar project in Serbia (implemented through the Social Innovation Fund) shows that one quarter of all home assistance/care services established throughout the country was initially project financed. (Source: Vukovic and Calosevic. 2009. *Socijalna zastita, regionalne nejednakosti i moguca nova uloga Fonda za socijalne inovacije*. Beograd: UNDP)



MLSP to link the account of the beneficiary to the bank for benefits payments. Payments are made monthly.

8. The remaining challenges in the information system development would be to (a) update information systems with the upcoming sweeping social assistance and child protection reforms, (b) integrate the information systems for cash and services (which are currently separate); (c) upgrade or strengthen LIRIKUS functionalities to go beyond profiling and referrals for social services and allow for monitoring of services provided, case management and tracking, grievances and complaints (still paper based), norms and standards, protocols for referral and counter referral, and improving analytics and reporting; (d) continue expanding and strengthening interoperability across the agencies (with better interagency coordination, stronger interconnectivity framework, memorandums of understanding, protocols for rectification, information update, and information security); (e) strengthen data quality and cross-checks; (f) enhance adaptability of the social safety net and strengthen it for disaster response;³³ and (g) undertake journey mapping for citizen interface with the systems, simplifying business processes, and offering e-services window—to improve the ‘human-centered’ aspects of the system and reduce barriers to inclusion.

9. The LIRIKUS system for social services was developed separately from benefits. It serves two key functions: (a) supporting information for the profiling of applicants according to 22 risks and (b) supporting social workers in making referrals to service providers according to those profiles. The key risks include disabled, mental health patients, orphans, children of divorced parents, divorcing couples, pregnancy, minors under 16 years entering marriage, elderly, single parents, victims or perpetrators of domestic violence, victims of sex abuse, homeless, former prisoners, those in conflict with law, asylum seekers, alcohol/substance abusers, human trafficking victims, prostitutes, and so on. Services are categorized into 7–8 broad categories (and many subcategories) and there is a registry of over 2,000 services and service providers.

10. The proposed project will support integrating the CBMIS and LIRIKUS and adapting the system in line with the provisions of the new social protection law (to be adopted in 2018). This would enable early and improved identification of actual individual/family needs, more poor or vulnerable individuals and families receiving support, and better case management (that is, referrals, tracking, and monitoring) using the integrated social welfare information system. The new system will allow the cash transfers recipients to automatically access a range of social and child protection services, as needed. Conversely, all individuals and families who are entitled to social services would be able to benefit from streamlined access to cash benefits (if the need has been determined). A new human-centered approach and integrated information system will enhance targeting and prioritization of beneficiaries for services (including the ECEC). This will also include developed referrals between social services, preschools, and other relevant institutions. The focus will be on the beneficiaries (including the preschool children), their needs, and facilitation of their inclusion in the system of benefits and services.

11. **Subcomponent 1.4. Capacity building.** This subcomponent will provide support for carrying out (a) capacity-building activities on social assistance policy revisions and development; (b) capacity-building

³³ FYR Macedonia’s population, environment, and economy are highly exposed to natural disasters, such as earthquakes, floods and wildfires. The effects of climate change may have a negative impact on the citizens and the country’s overall development objectives. The project will strengthen the capacities of institutions and programs to better deal with disaster and climate risk reduction.



activities, including for the design, implementation, and analysis of evaluations and survey data; and (iii) rehabilitation works, including provision of relevant equipment, of selected offices within the MLSP, CSW, and other borrower's agencies involved in the provision of social services. Capacity-building activities would focus on strengthening a central policy unit engaged in analytical and M&E activities for the MLSP. The unit would oversee various analytical activities, including the design, implementation, and analysis of evaluations and survey data, which would feed into policy development. Training activities for the MLSP staff and its agencies would be financed under this component to support the implementation of project-related activities. The project would need to finance increased outreach activities by the system (SWCs and other institutions at the local level) to include more poor and vulnerable people in the system of social benefits and services. Additionally, this subcomponent will finance technical assistance and training activities to support strengthening the capacity of local governments/municipalities for future service provision. The subcomponent may also finance goods and small works (renovation) of office spaces in the MLSP, SWC, and other government institutions involved in social service delivery. The renovation of office spaces will include considerations of climate risks and will address climate mitigation by including energy efficiency measures. The interventions will enable reduction of energy consumption, such as through use of energy efficient lighting, windows, or improved heating system.

Component 2: Expanding the access to and improving of the quality of preschool services (US\$18.6 million /16.0 million EURO equivalent)

12. The project would support quality early learning for preschool children (3–6 years old) and their families and strengthen the transition into primary education, with a focus on inclusive education and learning. Other aspects of the project include expansion of access to ECEC institutions, especially for children from lower socioeconomic and vulnerable backgrounds, revision of ECEC financing, and more efficient use of the ECEC and the primary school network. The focus is given to the ECEC rather than to ECD due to the cost-effectiveness of the ECEC investment and its impact on improvement of the lives of individuals and the conditions in the country. High-quality preschool programs lead to reduced school dropouts, better educational performance, and an array of socioeconomic returns, such as reduced crime and unemployment rates. Given the benefits that quality preprimary education yields for both the individuals and the society as a whole, the Government wants to extend the access to and quality of ECEC services. The additional argument to invest in quality and expansion of ECEC is the continuous and comprehensive support that UNICEF has been providing to the Government in ECD.

13. **Subcomponent 2.1. Improving access to and demand for ECEC.** This subcomponent aims at increasing access to ECEC for 3–6-year-old children across the country, with a focus on children from vulnerable groups and children with disability by increasing the availability of ECEC services and stimulating demand for ECEC services. This subcomponent will support (a) Grants for Infrastructure Subprojects; (b) advice to selected municipalities for the design of Infrastructure Subproject proposals; (c) support for the construction of a selected number of preschools and rehabilitation of selected existing infrastructure to be used as preschools, including relevant equipment and teaching and learning materials; and (d) advice for the development of a Grants Operational Manual. The subcomponent will also support the construction or rehabilitation, including provision of relevant equipment for about five innovative preschool centers in the cities of Skopje, Tetovo, Stip, and Bitola; as well as the implementation of outreach activities for families.



14. Expanding preschool capacity entails a combination of building new centers and repurposing (or upgrading) of existing infrastructure for preschool programs. For all new and rehabilitated preschool institutions, the project will finance furniture, teaching-learning materials, equipment, and playgrounds. In addition, the project will finance capacity building of local architects and engineers for such innovative and highly energy-efficient infrastructure. Training and knowledge-sharing activities will be focused on development of innovative designs for new preschool institutions and mapping, analyzing, and proposing readjustment of the existing physical infrastructure and regulatory environment.

15. This activity will include considerations of climate risks to enhance the design and construction of the buildings in the context of natural disasters (for example, ensuring that new preschool institutions are located outside of areas at high risk of flooding) aimed at improving climate resilience of the sector (and hence contributing to the country’s climate adaptation efforts). The interventions will also address climate mitigation by including energy efficiency measures as part of the retrofitting of buildings (for example, architectural or building changes that enable reduction of energy consumption, such as new windows or improved heating system) and construction of new buildings (for example, use of highly efficient architectural designs and energy efficient appliances and equipment). These efforts will support the Government’s own commitments to reduce emissions from the building sector. This subcomponent would also explore options to construct passive buildings, aimed at demonstrating a higher ambition in terms of generating climate mitigation co-benefits.

16. FYR Macedonia is a high seismic risk country and has experienced several destructive earthquakes in the past. The project will ensure the seismic safety of the childcare facilities that will be renovated or built under the project.

17. Approximately 7,500 new preschool spaces will be created in both urban and rural areas, equivalent to covering 54 percent of children aged 3 to 6 years, assuming that the available resources for infrastructure will be evenly split between repurposing and building of the new classrooms. The estimates show that the infrastructure funds would significantly increase the supply of spaces for preschool education under all scenarios (table 1.1). The project should aim at maximizing the share of repurposed spaces as these are significantly cheaper than newly built spaces. A 70 percent share of repurposed spaces would allow additional enrollment of a quarter of Macedonian children, who are currently not enrolled. However, the decision regarding the share of new and repurposed spaces will be determined based on the needs and available capacities in the municipalities, on a case-by-case basis.

Table 1.1. Different Scenarios Regarding Possible Number of Spaces Created by The Project

Scenario	Number of Additional Spaces		Increase in Enrollment Ratio for Children 3–6 Years Old by 2019 ^a
50/50 split between repurposing and new spaces	New: 1,500	Total:	Increase by 10.7 percentage points, up to 46.44% enrollment ratio
	Repurpose: 6,000	7,500	
70/30 split between repurposing and new spaces	New: 900	Total:	Increase by 13.2 percentage points, up to 49.0% enrollment ratio
	Repurpose: 8,400	9,300	
30/70 split between repurposing and new spaces	New: 2,100	Total:	Increase by 8.1 percentage points, up to 43.88% enrollment ratio
	Repurpose: 3,600	5,700	

Source: MLSP.

Note: The number of 3–6-year-old children was calculated using the following data given by the MLSP Child Protection



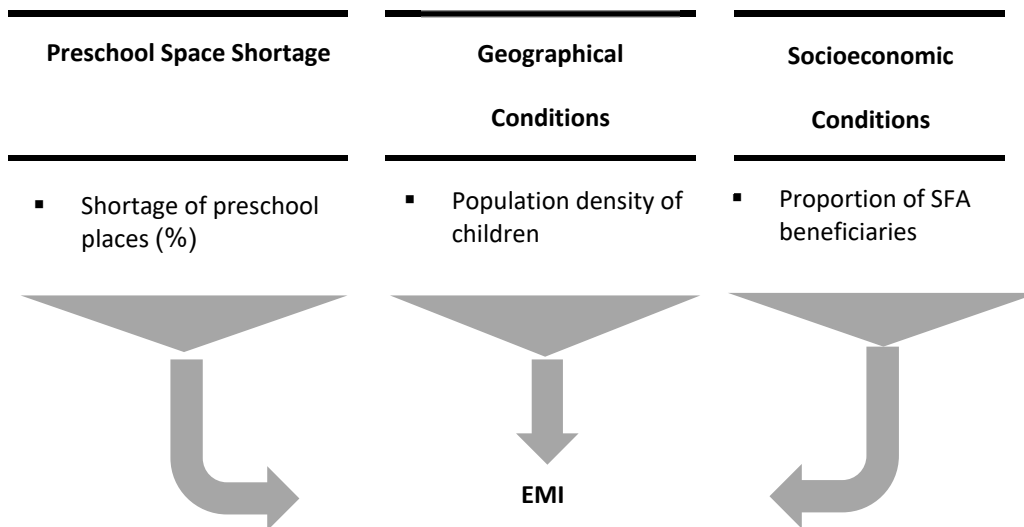
Department: the number of children 3–6 years in 2017 was 70,302 and the number of enrolled children in kindergartens aged 3–6 years in 2017 was 25,146. It assumes a net migration of zero.

18. **The implementing arrangement for the infrastructure works will be through grant programs to the municipalities.** This grant program will benefit from the implementation mechanisms established by the well-functioning ‘grant program’ developed under the World Bank-funded ‘Municipal Services Improvement Project.’ The grant program will finance technical assistance to the municipalities aimed at designing grant proposals and fund the grants. The MLSP would also receive technical assistance for the development of a GOM for awarding grants. The completion of the GOM satisfactory to the World Bank would be a condition for disbursing against this activity. The key instrument for implementing this subcomponent would be the grant agreement between the MLSP and the selected municipalities.

19. Implementation includes three phases, as detailed in the following paragraphs.

20. **Phase 1: Preliminary identification of municipalities.** Municipalities will be identified and prioritized based on a proposed Eligible Municipality Index (EMI). The EMI is a proposed measure to help identify and prioritize municipalities for expanding ECEC services. The EMI is constructed based on social and economic characteristics of the municipality and estimated preschool needs. The EMI rates all municipalities from lowest to highest needs (figure 1.1).

Figure 1.1. EMI



21. **Phase 2: Needs and feasibility assessment.** Municipalities will be invited to submit proposals that will include analysis of infrastructure needs and plans for reconstruction, repurposing, or new construction. Interested municipalities will receive technical assistance to prepare quality proposals. Preselection of the municipalities will be done based on the quality of the proposals, including their prioritization based on the EMI (see table 1.2). Preselected municipalities will be consulted to confirm their commitment to participate in the preschool service expansion project (including their commitment to maintain the infrastructure, connect the relevant utilities, pay for the recurrent utility bills, and ensure



adequate staffing of all new preschool classrooms). Once the list of the selected municipalities is confirmed, an assessment will be carried out to validate municipalities’ proposals for new versus renovated preschool facilities (and retrofitted primary schools) and a final list of the specific construction and renovation sites will be produced accordingly.

Table 1.2. Prioritization of Municipalities

Name of Municipality	Number of Available Kindergarten Spaces	Score for Preschool Shortage of Spaces, Children 3–5.5	Score for Preschool Shortage of Spaces, Children 0–5.5	Score for Population Density, Children 0–5.5	Score for Incidence of Poverty	Ranking
Suto Orizari	220	0.124	0.131	0.247	1.000	1
Cair	1,150	0.053	0.058	1.000	0.424	2
Aracinovo	0	1.000	1.000	0.034	0.556	3
Lipkovo	20	1.000	1.000	0.005	0.818	4
Studenicani	0	1.000	1.000	0.007	0.400	5
Bogovinje	25	0.935	0.998	0.008	0.316	6
Tearce	0	1.000	1.000	0.007	0.324	7
Zelino	0	1.000	1.000	0.007	0.220	8
Vrapciste	0	1.000	1.000	0.005	0.276	9
Saraj	90	0.527	0.567	0.010	0.235	10
Cucer I Sandevo	0	1.000	1.000	0.002	0.275	11
Plasnica	0	1.000	1.000	0.001	0.850	12
Centar	1,678	0.038	0.049	0.291	0.033	13
Brvenica	0	1.000	1.000	0.004	0.084	14
Zrnovci	0	1.000	1.000	0.002	0.160	15
Caska	0	1.000	1.000	0.001	0.497	16
Sopiste	0	1.000	1.000	0.002	0.158	17
Dolneni	20	0.363	0.340	0.002	0.286	18
Butel	920	0.028	0.032	0.032	0.168	19
Staro Nagoricane	0	1.000	1.000	0.000	0.280	20
Kumanovo	1,204	0.045	0.047	0.009	0.303	21
Tetovo	770	0.090	0.097	0.004	0.351	22
Debar	180	0.049	0.049	0.006	0.396	23
Gostivar	504	0.079	0.084	0.005	0.269	24
Mavrovo I Rostuse	0	1.000	1.000	0.000	0.464	25
Vasilevo	50	0.184	0.193	0.003	0.214	26
Krusevo	90	0.058	0.062	0.003	0.499	27
Gazi baba	1,610	0.023	0.025	0.035	0.092	28
Strumica	590	0.051	0.052	0.008	0.148	29
Kichevo	240	0.215	0.290	0.002	0.162	30
Struga	310	0.133	0.140	0.005	0.060	31
Bosilevo	40	0.173	0.175	0.004	0.062	32
Jegunovce	40	0.124	0.125	0.003	0.115	33
Aerodrom	1,965	0.023	0.028	0.150	0.010	34



Name of Municipality	Number of Available Kindergarten Spaces	Score for Preschool Shortage of Spaces, Children 3–5.5	Score for Preschool Shortage of Spaces, Children 0–5.5	Score for Population Density, Children 0–5.5	Score for Incidence of Poverty	Ranking
Zelenikovo	50	0.174	0.211	0.002	0.104	35
Krivogastani	40	0.086	0.095	0.002	0.146	36
Gorce Petrov	730	0.035	0.040	0.026	0.027	37
Kisela voda	1,505	0.015	0.018	0.049	0.029	38
Debarca	0	1.000	1.000	0.000	0.081	39
Ohrid	731	0.048	0.054	0.005	0.085	40
Prilep	920	0.034	0.036	0.002	0.268	41
Veles	917	0.020	0.020	0.004	0.215	42
Petrovec	110	0.064	0.067	0.002	0.128	43
Centar Zupa	70	0.025	0.024	0.002	0.331	44
Bitola	1,480	0.029	0.032	0.004	0.137	45
Kocani	650	0.021	0.023	0.003	0.233	46
Rankovce	25	0.107	0.116	0.001	0.254	47
Negotino	360	0.024	0.026	0.005	0.121	48
Rosoman	80	0.057	0.080	0.001	0.139	49
Ilinden	370	0.026	0.030	0.007	0.029	50
Radovis	578	0.019	0.019	0.002	0.143	51
Stip	1,200	0.014	0.016	0.003	0.105	52
Dojran	50	0.040	0.044	0.001	0.083	53
Kavadarci	560	0.036	0.039	0.001	0.088	54
Valandovo	240	0.025	0.029	0.001	0.119	55
Kriva Palanka	355	0.015	0.016	0.001	0.178	56
Karbinci	50	0.043	0.043	0.001	0.080	57
Gradsko	25	0.041	0.039	0.000	0.153	58
Resen	112	0.051	0.052	0.001	0.098	59
Cesinovo I Oblesevo	100	0.043	0.052	0.002	0.035	60
Sveti Nikole	330	0.014	0.015	0.001	0.127	61
Delcevo	315	0.013	0.014	0.001	0.142	62
Makedonska Kamenica	160	0.015	0.018	0.001	0.115	63
Vinica	380	0.010	0.009	0.001	0.134	64
Lozovo	60	0.023	0.026	0.001	0.112	65
Pehcevo	93	0.019	0.027	0.001	0.166	66
Mogila	20	0.177	0.184	0.001	0.010	67
Berovo	160	0.015	0.015	0.001	0.133	68
Demir Kapija	80	0.042	0.053	0.000	0.096	69
Gevgelija	680	0.016	0.020	0.002	0.036	70
Konce	20	0.048	0.043	0.001	0.026	71
Bogdanci	220	0.008	0.009	0.003	0.036	72
Novo Selo	100	0.013	0.011	0.001	0.035	73
Makedonski Brod	124	0.023	0.028	0.000	0.437	74
Demir Hisar	155	0.007	0.008	0.000	0.156	75
Probistip	422	0.001	0.001	0.001	0.070	76



Name of Municipality	Number of Available Kindergarten Spaces	Score for Preschool Shortage of Spaces, Children 3–5.5	Score for Preschool Shortage of Spaces, Children 0–5.5	Score for Population Density, Children 0–5.5	Score for Incidence of Poverty	Ranking
Kratovo	160	0.001	0.000	0.001	0.060	77
Novaci	0	1.000	1.000	0.000	0.006	78
Karpos	1,680	0.012	0.014	0.065	0.000	79
Vevcani	75	0.000	0.000	0.005	0.011	80

22. **Phase 3: Renovation and new construction.** The renovation (or repurposing or expansion) of existing buildings is expected to be the largest part of project activities under this component due to lower costs and the availability of unused or underused infrastructure, especially in small cities and rural areas. Reconstruction will be prioritized in municipalities and facilities where technical documentation and plans for construction are complete and available.

23. New construction will be delivered through development of locally adaptable model for preschool designs, including climate risk screening and opportunities for energy efficiency measures. Preschools constructed under this model would share similar design characteristics but would differ by their capacity. The core architectural design that would be used for these new preschool facilities would be developed ex ante as part of the project preparation and later customized by local architects.

24. In addition to all the new and upgraded preschools described above, the project would also finance five innovative preschool centers in cities that host preschool pedagogical university departments, to serve as model preschools for training purposes. These preschool centers could be either constructed new (in cities where such centers do not exist) or renovated in cases where the innovative institutions exist. They would be equipped as needed for the optimal delivery of preschool services and for teacher training. The new innovative preschool centers intended to serve as model preschools for training purposes would also serve as models in terms of highest building standard.

25. **Finally, this subcomponent will finance a nationwide communication campaign.** The campaign would be used to raise awareness about the importance of the early years and seek to empower parents (with children aged 0–6 years) to play a key role in promoting their young children’s development through (a) early stimulation, play, positive interactions, good health, and nutrition practices at home and (b) information about the range of services that are available in the community and that they may be eligible for, to support the overall development of their children (including in the health, nutrition, early screening of disabilities, social protection, and early learning areas) and the importance of preschool attendance.

26. **Subcomponent 2.2. Ensuring quality of ECEC services.** A growing body of research recognizes that ECEC brings a wide range of benefits, but all these benefits are conditioned by ‘quality’. Expanding access to services without attention to quality will not deliver good outcomes for children or long-term productivity benefits for the society. This subcomponent would finance (a) strengthening pre-service and in-service teacher capacity-building programs, development of new preschool teachers’ required competencies, and implementation of preschool teachers’ capacity-building program; (b) carrying out capacity-building activities for ECEC preschool administrators and other decision makers; (c) developing materials for age-appropriate teaching and learning; and (d) enhancing ECEC quality assurance



mechanisms. The subcomponent will also provide support for developing a per student funding formula that improves teaching quality.

27. **Strengthening preservice and in-service teacher training.** Recent research³⁴ provides evidence that better-trained staff are more likely to provide high-quality pedagogy and learning environment, which in turn, fosters children’s development and better learning outcomes. This subcomponent would finance activities that contribute to strengthening preservice and in-service preschool teacher training. Preservice training for preschool teachers is currently fragmented and of varying quality. There are high inconsistencies among the study programs with respect to their content as well as quality. This issue was recognized in the new Strategy for Development of Education (2018–2025) as one of the weaknesses of preschool. Therefore, this subcomponent will support measures to align these preservice programs and define competencies that the students need to acquire to become professional preschool teachers. Initial training of teachers will be modernized by introducing modern teaching techniques and more practical experience in its curriculum, so that future teachers could employ theoretical knowledge and acquire core professional teacher competences. Similarly, the system of in-service training is not well developed and is mainly donor driven. To address this, the subcomponent will provide technical assistance to evaluate, reform, and harmonize in-service preschool teacher training. Specifically, this will review the existing in-service training system and will support the improvement in the substance and relevance of the training, as well as assure the quality of teacher training providers. In addition, the subcomponent will finance the identification of training needs, development of training courses, and provision of this training to increase competences of teachers as well as leadership and competencies of managerial staff.

28. **Next, this subcomponent will finance activities to improve evaluation of quality in the preschool education system.** The prevailing role of the system would be ‘quality building,’ to cultivate the importance of continuous support and actions to improve preschool quality. Information gathered through different M&E instruments—capturing both structural and process quality³⁵—would inform the changes in the curriculum, improvement in teacher training, and utilization of innovative approaches with children, parents, and communities. To this end, this subcomponent would support development of both dimensions for quality assurance, self-evaluation, and external evaluation as well as establishing of the mechanisms for utilization of collected information for evidence-based decision making. Technical assistance will be provided for quality evaluation tools. The tools could include classroom observation tools as well as surveys of teachers, parents, and children, among others. Once the instruments are developed, piloted, and adopted, the subcomponent would support training for external evaluators, preschool staff and administrators, and other decision makers on the use of the instruments for external and self-evaluation of quality.

29. **In addition, this subcomponent will finance development and procurement of age-appropriate learning materials and toys.** Young children learn best by experimenting with their environment through hands-on activities and play, which is why appropriate learning materials and toys are such a vital part of

³⁴ Litjens, I., and M. Taguma. 2010. *Literature Overview for the 7th Meeting of the OECD Network on Early Childhood Education and Care*. OECD: Paris.

³⁵ Process quality refers to the child’s day-to-day experiences in ECEC settings and encompasses dynamic elements such as interactions with teachers, peers, and materials, the quality of daily routines, and the implementation of the curriculum. Structural elements, in contrast, include things such as center infrastructure and materials, health and safety aspects, and characteristics of the group of children and teachers (group size, student/teacher ratio), and caregiver characteristics (teachers’ level of education, experience, salary, and so on).



the preschool classroom. This subcomponent will finance (a) development of learning materials (books) for children and manuals for teachers and (b) procurement of the toys and learning materials from well-known producers.

30. **Finally, this subcomponent would also provide technical assistance in developing a new funding formula as an important condition for the fiscally sustainable expansion of ECEC coverage.** This activity will be prioritized due to the need to ensure sustainable and efficient expansion of the preschool enrollment. The ultimate goal will be development of per student funding formula that would allow for transparent and more equitable way of distributing resources and would overcome issues of efficiency, but also of equity and quality. It would finance the (a) analysis of the current ECEC funding formula, (b) the analysis of the current planning and allocation of ECEC funding to municipalities and kindergartens, and (c) the development of a revised formula based on the analysis of the above. It is expected that the Government would adopt the new formula in the second year of project implementation.

Component 3: Project management, monitoring and evaluation (US\$2.1 million/1.9 million EURO equivalent)

31. This component will support the day-to-day management of the project implementation and the M&E of its objectives and outcomes. This component will finance the activities that would ensure effective administration and implementation of the project by supporting (a) the establishment and operation of the PMU, including the provision of operating costs, (b) development and implementation of a M&E system for the project, and (c) development and carrying out of a public awareness campaign to inform vulnerable groups of available social assistance services, including the application process requirements. It will also fund incremental operating cost.

32. **Subcomponent 3.1. Project management.** This subcomponent will support the operation of a PMU which will report to the Project Director from the MLSP and which will be responsible for all day-to-day project implementation activities, as well as procurement, disbursement, accounting, and safeguards functions. World Bank financing will be provided for consultants hired in the PMU, as well as for assistance and training to all project staff, project audits, office equipment, and incremental operating costs.

33. **Subcomponent 3.2. Monitoring and evaluation.** Strengthened analytical capacity and M&E activities will provide important feedback mechanisms for policy, effectiveness, and credibility of the activities supported under the project. The project will support the design and implementation of (a) tools to monitor the Results Framework for the project and (b) evaluations to review and assess implementation of the programs/activities supported under the project.

34. **Subcomponent 3.3. Dissemination, communications, and awareness activities.** This subcomponent will support technical assistance, goods, services, and training to design and implement an information and dissemination campaign to make sure that all prospective beneficiaries are informed of their eligibility for the social assistance benefits and services, including also the requirements of the application process. The project will also support preparation and dissemination to the public of information on the program, including dissemination of key policies, operational aspects, audits, and evaluations.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: FYR Macedonia Macedonia Social Services Improvement Project

Project Institutional and Implementation Arrangements

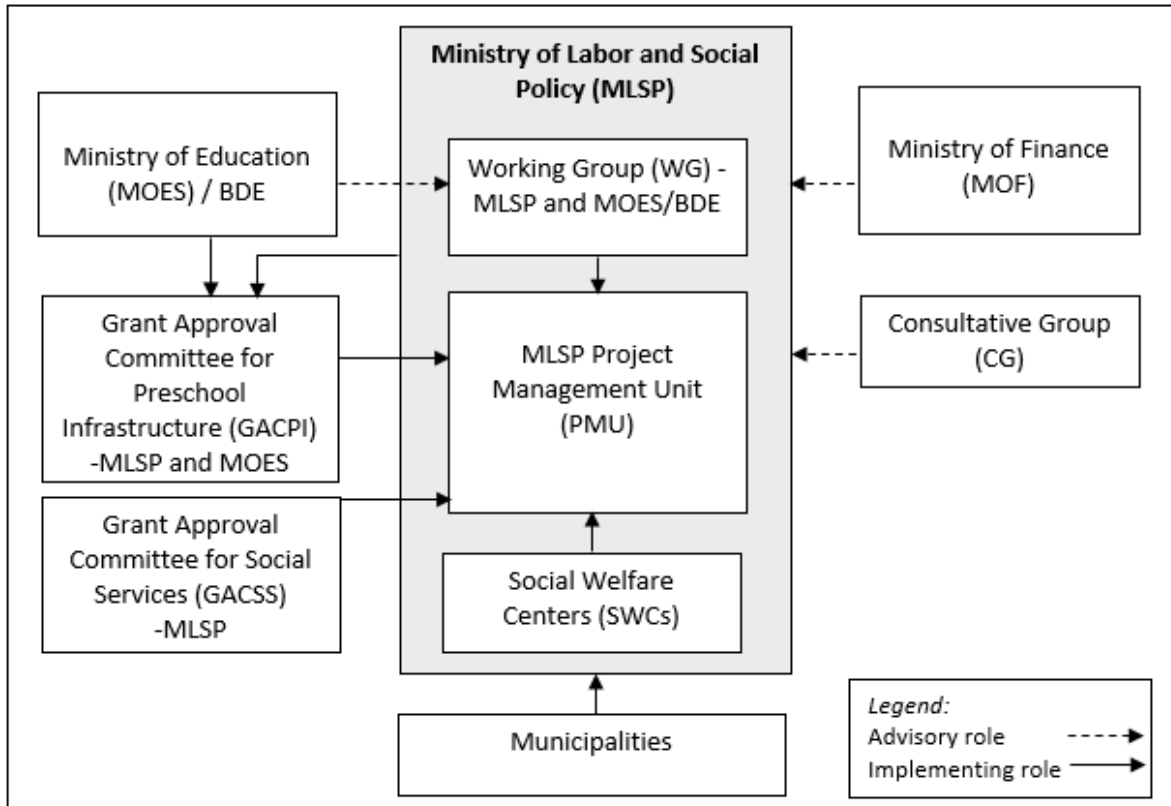
- 1. The project will be implemented over a period of five years.** The key implementing agency of the project will be the MLSP but it would closely collaborate with the MOES as the lead for the quality dimension of the ECEC component, as well as with the Ministry of Finance. The MLSP would be accountable for execution of project activities and the project implementation would rely on its existing structures, with the additional support of the PMU that already exists. Decisions will be made by the MLSP in coordination with the MOES and Ministry of Finance. Implementation arrangements place an emphasis on continually strengthening the MLSP and SWC's capacities to promote long-term sustainability of the system. The project implementation structure would consist of (a) the PMU, (b) the WG consisting of the MLSP and MOES staff and their agencies, (c) the CG led by the MLSP, (d) the GAC for preschool infrastructure led by the MLSP in coordination with the PMU and MOES, (e) the GAC for Social Services led by the MLSP in coordination with PMU, and (f) municipalities.
- 2. PMU.** Day-to-day activities under the project would be managed by a PMU housed in the MLSP and headed by a project director. Additional key PMU functions include a project manager, coordinators for the first two components, a grant coordinator, a grant assistant, safeguards experts (environmental and social safeguards issues), fiduciary staff (procurement specialist, financial management specialist, and financial management assistant), an IT manager, an IT officer, an M&E specialist, a civil engineer, and an architect. Some of the existing CCTP PMU staff will assume the listed jobs. The PMU would report to the MLSP and would be responsible for day-to-day project implementation, overall project coordination, monitoring activities, safeguard and fiduciary functions, and reporting.
- 3. SWCs.** The SWCs will play a significant role in implementation of the social services at the local level. The SWCs will be responsible for screening, orientation about the services, and referral of the beneficiaries to the providers of the services. They will work closely with the municipalities on M&E of the quality of services provided by the service providers.
- 4. WG.** The WG was established at the beginning of project preparation and comprises technical experts from the MLSP, BDE, and ISA. The WG has been meeting regularly with the World Bank team to discuss ongoing policy development and preparation issues. The WG would be maintained throughout project implementation to provide technical expertise and support.
- 5. CG.** This already existing group is headed by the MLSP and includes representatives from other relevant ministries, institutions, and partners (for example, members of academia, representatives of professional and civil society organizations, among others). The specific roles of the CG are the following: (a) to advise on inclusive ECEC policy issues more broadly and ensure close coordination and exchange of information across key sectors and stakeholders; (b) to be a source of advice, information, knowledge, insight, and experience on implementation of ECEC programs, and other actions at the local and national levels; and (c) to contribute to events and information dissemination.



6. **GACs consisting of representatives from the MLSP and MOES.** The GACs that will be established and headed by the MLSP and PMU will be responsible for evaluating and selecting grant proposals for the two grant schemes. The GAC for preschool infrastructure will be led by the MLSP in coordination with the PMU and MOES, and the GAC for Social Services will be led by the MLSP in coordination with the PMU. The GACs will be guided by criteria described in the GOMs, as approved by the World Bank.

7. **Participating municipalities.** Municipalities will be responsible for preparing applications for preschool infrastructure and social services as well as for supervision of the implementation of the activities with PMU and SWCs’ support. Administrative contracts will be signed by authorized municipal representatives and the MLSP. Details of procurement procedures and related responsibilities will be elaborated in the POM. The PMU will ensure process quality control and will conduct periodic and random checks on participating municipalities. Training and support will be provided to participating local governments during application preparation and implementation.

Figure 2.1. Summary of Implementation Arrangements/Organogram



Financial Management

8. **Risk analysis.** The overall financial management risk for the project is Substantial before mitigation measures, and with adequate mitigation measures agreed, the financial management residual risk is rated Moderate.



9. **Financial management performance of the active project.** The financial management arrangements of the ongoing CCTP (P103974) implemented by the MLSP is Satisfactory. There are no outstanding IFRs or audit reports under the current project. The appointed auditor (Ernst and Young, Macedonia), acceptable to the World Bank, has carried out the audit in accordance with acceptable auditing standards, that is, International Standards on Auditing and has issued an unmodified (clean) opinion on the project financial statements as of December 31, 2017. The project Management Letter mentioned no accounting or internal controls deficiencies identified during the audit.

10. **Staffing.** The PMU has all core functions appropriately staffed and the capacity of the unit can be assessed as sufficient. The financial officer within the unit who will be assigned with financial management responsibilities for the project is a qualified specialist with prior experience in implementation of World Bank projects. The TOR for the financial management staff with detailed descriptions of duties are included in the financial part of the POM. The implementing entity is responsible for the project's financial management arrangements and its accountant will provide supplementary expertise and time as will be required for the specificity of World Bank procedures for accounting, reporting, and disbursement procedures. The PMU staff within the MLSP needs to have sufficient qualifications and experience to perform tasks in its scope. The MLSP is assessed to have sufficient capacity to ensure the appropriate staffing.

11. **Planning and budgeting.** The PMU has adequate capacity for planning and budgeting in terms of human resources, availability of quality information, and IT systems. Staff has experience in budget preparation. However, it should be observed whether variances of actual versus budgeted figures are monitored regularly and appropriately analyzed and followed up. The PMU will prepare a single budget for all project activities including grants. The MLSP is assessed to have sufficient capacity to perform the above tasks and prior experience.

12. **Information systems.** The MLSP uses the treasury system for its accounting and reporting. The treasury system was assessed by the World Bank's diagnostic work and found to be sound with reliable reporting and ex ante controls. However, locally developed software used for project accounting and reporting of the ongoing project will be upgraded, tailored, and used for the new project also because it is assessed to be beneficial for financial transparency and reliability of the project data given the complexity of the project and a need to consolidate all project information in one place.

13. **Accounting policies and procedures.** The accounting books and records will be maintained on cash basis with additional information on signed contracts. Project financial statements will be presented in euros. The entity implementing the project should apply in practice a set of acceptable accounting procedures and internal controls including authorization and segregation of duties for the project. To improve safeguard of assets, additional internal control procedures are instituted (for example, reconciliation between accounts and records and reconciliation of cash and bank balances) and described in the Financial Manual. The financial part of the POM will set out the financial management and internal control policies and procedures and is intended to guide staff and minimize the risk of errors and omissions, as well as delays in recording and reporting. These written standards also clarify responsibilities, including the level of authority, clear control over cash, and bank accounts, and it ensures timely and accurate financial reporting.



14. **Financial reporting and monitoring.** Project management-oriented unaudited IFRs will be used for project monitoring and supervision. The reports will include consolidated financial information on all project funds. The reports will also incorporate detailed information on amounts and grants transferred to the transit Treasury Account, amounts paid to beneficiaries through this account and any unused funds which were transferred from the Designated Account. The PMU will produce a full set of IFRs for each calendar quarter throughout the life of the project. They will be due 45 days after each quarter ends. The IFRs will comprise the following reports presented in the agreed format: (a) Statement of Sources and Uses of Funds, (b) Uses of Funds by Activity, (c) Designated Account Statement, (d) Unit of Output by Activity, (e) Detailed Breakdown of Transfers, and (f) narratives to the reports. The accounting for the project is cash basis with additional information provided for commitments on signed contracts.

15. **Internal controls.** An adequate system of internal controls and procedures was instituted as part of the ongoing project. Such a system is assessed as reliable and will continue to be applied to the new project as well. The current management control framework is described in the financial management section of the existing POM for the CCTP. The current financial management section will serve as the basis for the development of the respective chapter of the POM of the new project that will be prepared by loan effectiveness. Key internal controls to be applied for the project include (a) appropriate authorizations and approvals; (b) segregation of duties (with no single person having the responsibility for all phases of transaction); (c) regular reconciliations between records and actual balances, as well as with third parties; and (d) complete original documentation to support project transactions.

16. Additional controls are required to ensure that the funds flow to selected beneficiaries and that the funds are used for intended purposes and are detailed in the Operations Manual and in the Financial Manual as part of the Operations Manual. The controls include

- **Appropriate eligibility criteria.** (a) ex ante - clear description of eligibility criteria for beneficiaries, projects, and activities to be financed by the project, documentation needed to support eligibility and (b) ex post - control checks performed to verify eligibility of selected beneficiaries;
- **Appropriate procedures for selection of beneficiaries** (staff who perform evaluation, the procedure and criteria, and summary reports);
- **Procedures on determining funds needed.** Methods of calculating quarterly need for funds;
- **Transparency of flow of funds.** The need for information about the transferred funds, together with supporting documentation, including statements of accounts (MLSP account/project transit within the TSA, Designated Account) to be submitted to the PMU from the Treasury. The PMU will include detailed information in the quarterly IFRs; and
- **Reporting back to the PMU.** On the executed transfers from the MLSP/project transit account, Designated Account, and to beneficiaries (supporting documentation and accounts statements), as well as on the unused funds.

17. **External audit.** The implementing entity follows audit requirements of the existing World Bank-financed projects. The MLSP is audited by the Macedonian State Audit Office (SAO) as any other government entity. However, as the capacity of the SAO for conducting efficient financial audit is still quite limited, the project's financial statements will be audited in accordance with TORs acceptable to the World Bank by a private sector audit company acceptable to the World Bank, and the audit report will be



submitted to the World Bank at least six months after the end of the period audited. The audit will be required to extend the scope from financial audit to include performance and operational audit in line with the agreed. The annual cost of the audits of the project will be covered by the project funds. It is important that the scope of audit includes review, at least, on sample basis of regularity of payments to the final beneficiaries and eligibility of the beneficiaries. Operational/performance audit, which will be conducted for the project in addition to the financial audit, will represent a separate task, and will be subject to separate TORs and procurement process.

18. **Financial management conditions and action plans.** To further strengthen the project financial management arrangements, there is one condition for effectiveness which should be implemented as indicated in table 2.1

Table 2.1. Condition for Effectiveness

Condition	Due Date
Complete the financial management section of the POM, describing the specific financial and disbursement procedures instituted for the new project	Effectiveness

Disbursements

19. The transaction-based disbursement method will be used for the project. Once the project becomes effective, a Designated Account will be opened in the NBRM, to which the funds will be transferred. A transit treasury denar account will be opened within the TSA to serve as an operating account for withdrawals from the foreign currency account. The Designated Account will be managed and operated by the PMU with the authorized signatories, which include a ministerial (MLSP) representative. All transfers will take place through it, with a corresponding transfer of the denar-equivalent amount from the foreign exchange account.

20. The procedures relating to the flow of funds, including paths for authorization and approval of payments will be described in detail in the updated Financial Management section of the POM. The procedures should clearly describe all steps of the process, as well as authorized signatories for administering the account funds. Bank statements indicating turnover and balance on the transit treasury denar subaccount and the bank statements indicating balance on the Designated Account will be submitted daily. The PMU will include balances on all project-related accounts in the quarterly IFRs.

21. The ceiling for the Designated Account is indicated in the Disbursement and Financial Information Letter that was agreed on at negotiations. Applications for replenishment of the Designated Account will be submitted at least quarterly or when one-third of the amount has been withdrawn, whichever occurs earlier. Documentation requirements for replenishment would follow standard World Bank procedures as described in the Disbursement Handbook. Bank statements of the Designated Account, which have been reconciled, would accompany all replenishment requests.

22. **Supervision plan.** During project implementation, the World Bank will supervise the project’s financial management arrangements in two main ways: (a) review the project’s unaudited IFRs for each calendar quarter, as well as the project’s annual audited financial statements and auditor’s Management Letter, and (b) perform on-site supervisions and review the project’s financial management and disbursement arrangements to ensure compliance with the World Bank’s minimum requirements. The



supervision may include the Project Implementation Unit within the MLSP and a random sample of final beneficiaries as deemed necessary. Supervisions will be performed by the World Bank's accredited financial management specialist.

Procurement

23. Procurement under the project will be carried out in accordance with the World Bank Procurement Regulations for Investment Project Financing (IPF) Borrowers – Procurement in IPF of Goods, Works, Non-Consulting and Consulting Services, (Regulations) issued in July 2016, revised November 2017.

24. **PPSD.** During the preparation of the project, the MLSP through the PMU, developed a PPSD which describes how the procurement approach will support the development objective of the project and deliver the best value for money. The market analysis revealed that the construction market in Macedonia is well-developed having strong local companies which actively participate in tenders. It is also established that ICT sector in Macedonia is a promising area for future development. It benefits from a skilled and cost-effective workforce with excellent English language skills, solid telecommunication infrastructure, and low corporate tax. The proposed project will also finance significant number of consulting services contracts of relatively small value with a few small exceptions. The market analysis shows that there are many companies on the Macedonian market, delivering consulting services in various areas. Based on the nature, size, and complexity of procurement to be financed under the project, the strategy suggests the most appropriate methods to be applied to achieve value for money. Most of the civil works contracts planned under the project will be of a non-complex nature. Overall, Open National competition will be adopted for these contracts with no application of the Best and Final Offer and Negotiations options. No packages of large value and complex nature that would require pre-qualification are foreseen. The ICT contracts provide for the procurement of non-complex IT equipment and software development. These will be either purchased by applying Request for Bids or Request for Quotations methods. Given the strong supply market, the suggested approach for these type of contracts is Open International and Open National with single envelope without applying the Best and Final Offer and Negotiations options. Consulting services are of various size and nature. These will also follow the Open National and International market approach and selection methods which will be decided, taking into account fit-for-purpose and value-for-money considerations. The World Bank's Standard Procurement Documents will be used, including for contracts for which national approach is foreseen. Overall the PPSD provides an adequate justification for the selection methods in the Procurement Plan. The strategy was reviewed and agreed with the World Bank.

25. **Capacity assessment.** As part of the assessment, the organization structure and staffing within the MLSP PMU were reviewed. The currently established PMU within the MLSP for implementation of the ongoing CCTP will be responsible for the day-to-day implementation of the activities under the new project. The implementation arrangements will rely on the existing MLSP's World Bank PMU because it has extensive experience with World Bank-financed projects. This unit has adequate capacity to carry out the fiduciary project management activities, including procurement and financial management.

26. The procurement arrangements for the project would draw from the experience of the previous similar projects implemented by PMU, that is, CCTP, Social Protection Implementation Project (SPIL, P074358), and the Policy Human Resource Development (PHRD) Grant no. TF 57807. The PMU has a



history of implementing World-Bank-supported projects with a good track record. The PMU managed the

- (a) Reconstruction works under the ongoing CCTP, including design and site supervision;
- (b) Development of a complex IT system-CBMIS for administration of social and child allowance. The new delivery system that shall be developed under the new project shall incorporate all the advantages and lessons learned of the CBMIS and shall be further upgraded and enhanced by including the social services as well; and
- (c) Preparation of TORs and implementation of many consultancy contracts, and so on.

27. The implementation of the project is based on the POM, developed by the PMU, agreed by the World Bank and approved by the MLSP. The roles and responsibilities of each PMU member within the PMU, are well-established based on the tasks and responsibilities given in the POM and detailed individually in each contract. All the PMU staff have extensive experience in their respective area of expertise and possess good understanding of the World Bank procedures and processes.

28. The procurement specialist received a short introductory presentation on the new Procurement Framework STEP, which is an online procurement planning and tracking tool to prepare, clear, and update the project Procurement Plan. More in-depth training on the regulations will be delivered to the borrower in early stages of project implementation. The PMU will also receive a hands-on training on the use of STEP.

29. Given the risks identified, the existing capacity within the MLSP/PMU and the previous experience with World Bank-funded projects, the overall risk for procurement is Moderate.

30. **Procurement Plan.** The MLSP/PMU developed a Procurement Plan for the entire the project. The Procurement Plan provides information on procurement packages, selection methods, procurement approach, and evaluation methods to be adopted for each contract to be financed under the project. Any updates to the Procurement Plan will be submitted to the World Bank for review and approval. The detailed Procurement Plan will be prepared in STEP and will be also published on the World Bank's website.

31. **Record keeping.** All documentation with respect to each procurement will be retained by the MLSP/PMU according to the requirements of the Legal Agreement. The MLSP/PMU will furnish such documentation to the World Bank upon request for examination by the World Bank or by its consultants/auditors. Documents with respect to procurement subject to post review will be furnished to the World Bank upon request.

32. **Procurement prior review thresholds.** The procurement prior review thresholds were set by the World Bank based on the project procurement risk level. All contracts at or above the set thresholds are subject to international advertising and the use of the World Bank's Standard Procurement Documents. The thresholds will be specified in the Procurement Plan. While currently Best and Final Offer (BAFO), procurement processes involving contract negotiations, competitive dialogue, and sustainable procurement are not foreseen under the project, these will be subject to the World Bank's procurement prior review irrespective of the contract value, if the decision is taken to apply them during project



implementation.

33. **World Bank's procurement oversight.** The World Bank will exercise its procurement oversight through a risk-based approach comprising prior and post review and independent procurement reviews, as appropriate. The post reviews will be conducted on the procurement processes undertaken by the MLSP/PMU to determine whether they comply with the requirements of the Legal Agreement. Procurement supervision visits will be carried out at least once in 12 months. These will include special procurement supervision for post-review. At least 1 in 10 contracts will be subject to the World Bank's post review.

Environmental and Social (including safeguards)

34. The anticipated environmental impacts are time-bound, limited in scope, and manageable if appropriate mitigation measures are applied; thus, the project has been assigned an Environmental Category 'B'. Those impacts are mainly associated with the implementation of grant funding to alternative social service providers and the implementation of civil works, such as repair and reconstruction of social service infrastructure and building new facilities, envisioned under project Components 1 and 2, respectively. The potential adverse impacts may include, but not be limited to, generation of construction and domestic wastes (both solid and liquid); damages to air, soil, and water; and generation of noise and vibration during the implementation of civil works. Because the activities which may trigger environmental concerns are now only generally indicated, without detailed identification of locations, specific types of activities, and stakeholders, the borrower prepared an ESMF which considered country context, legislative framework, and procedures for screening specific project activities (subprojects), assigning an environmental assessment category and defining suitable instrument for activity-specific environmental and social assessment, identification of environmental impacts, and determination of adequate mitigation measures. The ESMF clearly states that activities (subprojects) assigned Category A as a result of the screening will be considered ineligible for project support. In fact, subprojects involving (a) acquisition of land, or (b) involuntary resettlement, or (c) acquisition of used or second-hand equipment and furniture shall not be eligible for financing under the project, either by loan or borrower counterpart proceeds. The ESMF also identified institutional responsibilities and implementation arrangements for carrying out the assessment, implementing mitigation measures, and conducting due environmental monitoring of the project activities.

35. Social safeguards were initially triggered by Component 2. Improvement of the access to services will be financed either by the adaptation of the primary school facilities in the local governments (whereby primary school network has available space to be transferred from the primary school to kindergarten facilities) or through investment into new kindergarten facilities. In this situation, there will be no need for acquisition of extra land. The impacts of adaptation of the primary school to kindergarten facilities will be limited and, therefore, the social risks related to the safeguards are limited. A Resettlement Policy Framework (RPF) has been prepared to address the potential social impact of civil works and disclosed on the MLSP website (www.mtsp.gov.mk) on May 16, 2018. However, during the preparation of the project it was agreed that subprojects involving (a) acquisition of land, (b) involuntary resettlement, or (c) acquisition of used or second-hand equipment and furniture shall not be eligible for financing under the project, either by loan or borrower counterpart proceeds. The PMU informed the public through the National Daily Newspaper for the consultation event for the draft RPF and the Environmental and Social Management Framework (ESMF). The event was organized in the premises of the MLSP on May 16, 2018.



36. **Citizen engagement.** As part of the project preparation, approximately 2,600 parents³⁶ (mothers and fathers), all kindergartens,³⁷ and 40 individuals³⁸ from relevant constituencies across the country were consulted on a number of children enrollment policies and barriers. In addition, the MLSP has conducted various consultation meetings with representatives from the civil sector to discuss the need for introduction of services for the disabled, children, elderly, and so on. These extensive consultations were used to inform the project design and additional consultations are also envisioned during implementation. To proactively engage beneficiaries and ensure their contribution in decision making, several participatory approaches are envisioned during implementation. Under Component 2, the project will engage ECEC teachers and parents in two stages: (a) initial outreach and sensitization efforts on project goals, activities, and the role of ECEC teachers and parents and (b) identification of their needs regarding ECEC services and prioritization of planned investments during interviews and focus group discussions. The collected inputs will inform and prioritize current planning and allocation of ECEC funding to municipalities and kindergartens. An annual beneficiary feedback mechanism (such as a beneficiary scorecard) will measure teachers' and parents' perception of quality of ECEC services and collect their feedback on the improvement to ECEC services. This information will support the design of future reforms. The project will include a number of results that measure beneficiary feedback and the citizen engagement process in the Results Framework. Budgets are allocated for all citizen engagement activities.

37. Social audit meetings will be organized for all direct beneficiaries (that is, ECEC teachers, parents, social workers, and so on) to achieve transparency, disclosure and beneficiary oversight for supported subprojects. These meetings will ensure that (a) beneficiaries are aware of the activities strengthening the institutions of the social services system (including the grant scheme or social contracting), (b) information is disseminated, and (c) beneficiary feedback is generated on subprojects which will be supported. The PMU will be responsible for invitations for the social audit meetings, producing information, and posting on social services notice boards.

38. In addition, the project will establish and institutionalize a comprehensive Grievance Redress Mechanism (GRM), which will be developed to allow all ECEC stakeholders to submit questions, comments, suggestions, and/or complaints or provide any form of feedback on all project-funded activities (not just safeguards). The systems and requirements (including staffing) for the grievance redress chain of action—from uptake, sorting and processing, and acknowledgement and follow-up to verification and action, M&E, and finally feedback—will be specified in the POM. To encourage proactive beneficiary engagement, the GRM will be communicated at project kick-off meetings and in all relevant ECEC service facilities. The use of the GRM for safeguards purposes will be elaborated in the RPF.

39. The PMU under the MLSP is experienced with the implementation of World Bank-funded projects not having any environmental implications and not triggering respective safeguard policies. Therefore, the PMU does not have adequate capacity to handle safeguard policies and issues on the proposed project. To overcome this gap, the PMU will hire an environmental and social specialist(s) who would be responsible for day-to-day environmental management of the project, including advice and guidance to

³⁶ Survey conducted by the MLSP—summarized in the report, Assessment of the Capacities and Needs for Preschool Facilities in Municipalities in Macedonia, 2018.

³⁷ Visits organized by the MLSP—summarized in the report, Assessment of the Capacities and Needs for Preschool Facilities in Municipalities in Macedonia, 2018.

³⁸ Workshop organized by the World Bank, UNICEF, MLSP, and BDE for piloting the UNICEF tool for assessment of the ECEC policies.



be provided to sub-project applicants, review of subproject application documentation (both overall and environmental/social), supervision of subproject implementation regularly, and proper reporting on environmental compliance both to the management of the implementing agency and to the World Bank. Additionally, the project will support customized training of MLSP staff, to build sustainable in-house capacity within the MLSP in the long run.

Monitoring and Evaluation

40. The project would include a robust M&E framework to enable decision makers to track performance, adjust implementation as needed, and demonstrate the impact of policy interventions financed by the project. M&E under the project would be integrated into regular monitoring functions of the MLSP and PMU. The PDO-level and intermediate results indicators would be monitored using the following sources and methodologies: (a) regular data collection process, including existing administrative data systems; (b) baseline and follow-up surveys; and (c) evaluation reports. In addition, an impact evaluation will be carefully designed and carried out to measure the effects of the interventions to overall development of the children aged 3–6. Likewise, a performance evaluation would be carried out before project completion to assess and review the implementation of the competitively awarded grants in municipalities for preschool infrastructure and grants for provision of noninstitutional social services at local level. Finally, the project would develop an integrated social welfare information system covering both social assistance benefits and services, as further described under Component 1, which would provide more timely data to monitor project implementation.

Role of Partners

41. The proposed project is leveraging and benefiting from the experience of other partners who play key roles in the social services and ECEC area in the country, including UNICEF, EUD, UNDP, GIZ, and ISSA. For example, UNICEF has provided financial and technical assistance for the creation of the ECEC stakeholders platform comprising different relevant actors and its work significantly underpinned the preparation of the ECEC component. UNICEF has supported the MLSP and BDE in assessing the implementation of the new ECEC curriculum and quality standards in selected preschool institutions; it has also been providing technical support to the revision of the policies and the law on child protection. The ISSA has supported early literacy and numeracy activities, the EUD has been providing assistance for deinstitutionalization of several social services, predominantly related to child and disability long-term care, while GIZ has piloted tailored community-based social services in several municipalities. Throughout project preparation, the team consulted all these partners and participated in workshops financed by UNICEF and consulted with a range of other key stakeholders involved in the abovementioned CG. The team will continue to work collaboratively with these partners throughout project implementation.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: FYR Macedonia
Macedonia Social Services Improvement

Strategy and Approach for Implementation Support

1. The Implementation Support Plan articulates the World Bank’s approach to help the country achieve the expected results and objectives under the project based on its nature and risk profile. It identifies the inputs and actions required to facilitate better risk management, better results, and increased institutional development while ensuring compliance with the Legal Agreements to meet the World Bank’s fiduciary obligations. The required resources have been identified considering the needs to (a) monitor and evaluate results on the ground, (b) facilitate timely implementation of the risk management measures, and (c) provide necessary technical advice to the borrower’s implementing agencies for capacity strengthening.

2. The World Bank task team will comprise local and international technical experts assigned to the particular aspects of the project activities. The project is expected to have a task team leader based in headquarters and the core team members mostly based in the region. In particular, a senior education specialist, who will also be the team’s focal point and co-TTL in FYR Macedonia, will be based in Skopje. An economist and senior social safeguard specialist are also based in Skopje. The environmental specialist and a financial management specialist are based in Baku, and a procurement specialist is based in Zagreb. This blend of staffing will ensure an appropriate balance between local knowledge and responsiveness and global expertise. Regular dialogue will facilitate early identification of problems and obstacles and enable the World Bank to provide closer and timely support to counterparts to address those problems. Formal implementation support visits will take place at least twice per year, aimed at reviewing implementation progress, identifying and agreeing on necessary adjustments, and updating the World Bank’s supervision documentation.

Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed	Resource Estimate (US\$)	Partner Role
First 12 months	<ul style="list-style-type: none"> • Identification of the municipalities and start of repurposing work in at least 5 municipalities; launch of the pilot grant mechanism for development of social services at local level • Fiduciary oversight • Safeguards oversight 	<ul style="list-style-type: none"> • Senior social protection specialist • Senior education specialist • Procurement specialist • Financial management specialist • Safeguards specialists 	180,000	
12-48 months	<ul style="list-style-type: none"> • Supervision of infrastructure works, evaluation of the pilot grant program at local level, 	<ul style="list-style-type: none"> • Senior social protection specialist • Senior education specialist • Procurement specialist 	180,000	



	initiating work on development of the social delivery system, and supervising the quality of the teacher training	<ul style="list-style-type: none"> • Financial management specialist • Safeguards specialists • IT specialist 		
Other	<ul style="list-style-type: none"> • Regular supervision of all activities planned in the PAD; early identification of problems and obstacles and provision of technical support for resolving of the problems 	<ul style="list-style-type: none"> • Senior social protection specialist • Senior education specialist • Procurement specialist • Financial management specialist • Safeguards specialists • IT specialist 	200,000 (annually)	

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Senior social protection specialist	6	2	
Senior education specialist	6	0	
Procurement specialist	2	2	
Operations officer	4	1	
Financial management specialist	2	2	
Economist	1	/	
Social safeguards specialist	2	/	
Environment safeguards specialist	2	2	
Architect	4	3	
Program assistant	2	/	

Partners		
Name	Institution/Country	Role
Vera Kondic	UNICEF	
Nafi Sarakjini	EUD	



ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

COUNTRY: FYR Macedonia Macedonia Social Services Improvement Project

Rationale for Investing in Social Services and ECEC in FYR Macedonia

1. Investing in social and ECEC services can help promote equitable, inclusive societies, allowing more people to effectively participate in the labor market and overall economic development. Early interventions generate positive benefits that extend beyond childhood. Households from the bottom quintiles and vulnerable groups particularly benefit from public investments in social services. They enable older people to live better, longer, and healthier lives and help persons with disabilities to have full and active lives in society. Investments also ensure that children can have decent lives and education, providing them with opportunities for active participation in society.
2. There is a substantial scope for expanding public investment in social and ECEC services. Public financing of social services and ECEC is justified on equity grounds and to address existing market failures. Social services in FYR Macedonia are underdeveloped and investing in them will strengthen resilience, equity, and opportunity of the population. Only 925 people benefited from noninstitutional social services in 2016, which is less than 0.04 percent of the total population. The Government's expenditures on noninstitutional services amounted to MKD 113.6 million (0.02 percent GDP) in 2016. Public expenditure on preschool education totaled 0.3 percent of GDP (in 2016), compared to the OECD average of 0.8 percent of GDP (in 2011).
3. International evidence points to significant economic returns of investments in social services in the long run. The benefits of interventions like the ones financed under this project far outweigh the costs. For a half-day program for low-income children in the Chicago Child-Parent Center, benefits included increasing economic well-being and tax revenues and reducing public expenditures for remedial education, criminal justice treatment, and crime victims. The benefits are estimated to be approximately US\$7.14 per dollar invested.³⁹ Similarly, a simulation on increasing preschool enrollment in 73 countries found benefits in terms of higher future wages of US\$6.4–US\$17.6 per dollar invested. The simulation indicated potential long-term benefits which range from US\$11 to US\$34 billion.⁴⁰ Furthermore, there is rich evidence showing that increased availability of formal childcare options results in improved labor

³⁹ Reynolds, A. J., J. A. Temple, D. L. Robertson, and E. A. Mann. 2002. "Age 21 Cost-benefit Analysis of the Title I Chicago Child-Parent Centers." *Educational Evaluation and Policy Analysis* 4 (24): 267–303.

⁴⁰ Engle, P.L., L. C. H. Fernald, H. Alderman, J. Behrman, C. O'Gara, A. Yousafzai, C. de Mello Meena, M. Hidrobo, N. Ulkuer, I. Ertem, S. Iltus, and the Global Child Development Steering Group. 2011. "Strategies for Reducing Inequalities and Improving Developmental Outcomes for Young Children in Low-Income and Middle-Income Countries." *The Lancet* 378 (9799): 1339–53.



force participation of women in many different contexts—in Brazil,⁴¹ in rural Colombia,⁴² in urban Argentina,⁴³ in Japan,⁴⁴ and in Canada.⁴⁵ Closer to the region, Del Boca and Locatelli⁴⁶ used data from the European Community Household Panel to show that female labor force participation is affected by the availability and, even more importantly, affordability of childcare.

Cost-Effectiveness Analysis

4. This section presents a cost-effectiveness analysis for interventions financed under the project.

Cost-effectiveness of Social Assistance Benefits and Services

5. For social services, the costs of institutional and noninstitutional care are compared. According to the available MLSP data, the costs of institutional care are high. A monthly expenditure per beneficiary in *Demir Kapija*⁴⁷ is three times higher than in assisted living facilities (MKD 54,508 and MKD 18,000 respectively). The Government's plans for deinstitutionalization, decentralization, and development of alternative and preventive services are expected to yield savings in the long run. For overall social assistance spending, the impact of existing social assistance programs on poverty reduction based on household survey data (figure 4.1) is calculated. The results show that there is a big variation in the poverty-reducing impact of different social assistance programs, indicating room for improvement in the effectiveness of social assistance.

⁴¹ Deutsch, Ruthanne. 1998. "Does Child Care Pay? Labor Force Participation and Earnings Effects of Access to Child Care in the Favelas of Rio de Janeiro." Working Paper 384. Inter-American Development Bank; Paes de Barros, Ricardo, Pedro Olinto, Trine Lunde, and Mirela Carvalho. 2011. "The Impact of Access to Free Childcare on Women's Labor Market Outcomes: Evidence from a Randomized Trial in Low-Income Neighborhoods in Rio de Janeiro." Paper Prepared for the 2011 World Bank Economists.

⁴² Attanasio, Orazio and Marcos Vera-Hernandez. 2004. "Medium and Long Run Effects of Nutrition and Child Care: Evaluation of a Community Nursery Programme in Rural Colombia." *Centre for the Evaluation of Development Policies*, Working Paper 04/06, The Institute for Fiscal Studies, London, UK.

⁴³ Berlinski Samuel, and Sebastian Galiani. 2007. "The Effect of a Large Expansion of Pre-Primary School Facilities on Preschool Attendance and Maternal Employment." *Labour Economics* 14:665–80.

⁴⁴ Asai, Yukiko, Ryo Kambayashi and Shintaro Yamaguchi. 2015. "Childcare Availability, Household Structure and Maternal Employment", SSRN Paper available at <http://ssrn.com/abstract=2462366>.

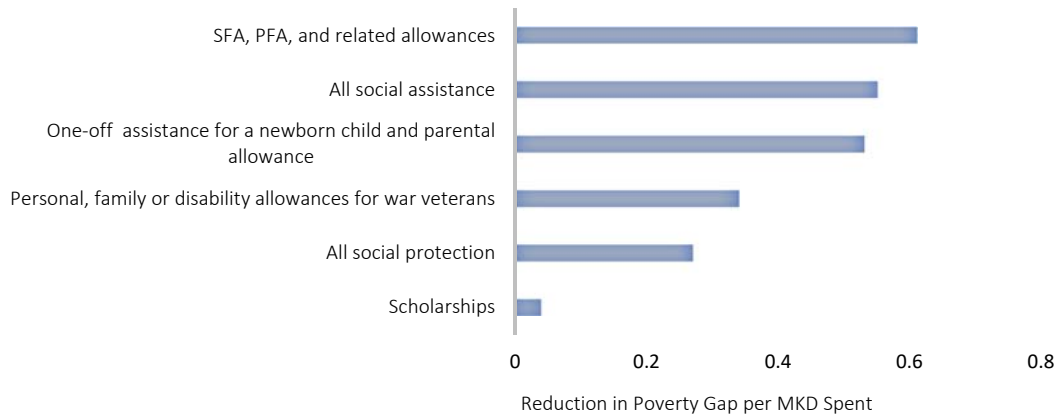
⁴⁵ Lefebvre, Pierre and Philip Merrigan. 2005. "Low-fee (\$5/day/child) Regulated Childcare Policy and the Labor Supply of Mothers with Young Children: A Natural Experiment from Canada". CIRANO.

⁴⁶ Del Boca, Daniela and Marilena Locatelli. 2006. "The Determinants of Motherhood and Work Status: A Survey", *IZA Discussion Papers* 2414, Institute for the Study of Labor (IZA).

⁴⁷ A long-term care institution with over 200 children and adults with different types of disabilities.



Figure 4.1. Cost-benefit Ratios for Different Social Assistance Programs



Source: World Bank staff estimates based on Household Budget Survey data (2018 PFR, forthcoming).

6. Among the social transfers analyzed, the targeted Social Financial Assistance (SFA) program appears to be the most cost-efficient. For each Macedonian dinar spent on SFA and related benefits and services, the poverty gap decreases by MKD 0.6. The child and family protection allowances (excluding disability allowances) follow, in cost-efficiency. MKD 1 spent on these programs reduces the poverty gap by MKD 0.5.

7. Coordinated efforts between the project’s components (that is, outreach, identification of potential beneficiaries, prioritization, referral, monitoring, and tracking of beneficiaries) and improved targeting (supported through integration of existing cash benefit and services information systems under the project) will increase the overall social assistance coverage and poverty-reducing impact of overall social assistance, thus enabling more efficient spending. The possibility of future savings in the administration of benefits and services gives the Government some discretion as to how to reallocate the freed resources. In principle, these resources should be reallocated to maximize the development impact of the project (for example, the actual face time with the clients could be increased).

Cost-effectiveness of ECEC Services

8. To measure the effectiveness of ECEC services, the scores in PISA 2015 mathematics serve as the measures of effectiveness. The effectiveness measures for the different alternatives were obtained by running regressions on student achievement, controlling for age, gender, index of socioeconomic conditions, (to control for peer-effects), class size, student-teacher ratio, teacher practices, school autonomy (both in curriculum and resources), and whether the student attended preschool education or not. Table 4.1 presents the cost-effectiveness ratios. These are calculated by dividing the effectiveness—which is measured by PISA points in math and reading sections, respectively—by the cost per student measured in euros. From these results, preschool attendance is the most efficient intervention (and statistically significant).



Table 4.1. Cost-effectiveness Ratios using PISA Math Scores

Variable	Effectiveness (PISA points)	Cost per Student (Euro)	Cost/Effectiveness Ratio
Class size	Not significant	Not applicable	Not applicable
Preschool attendance	4.9	135	27.7
Autonomy (curriculum or resources)	Not significant		Not applicable

9. The estimated benefit-to-cost ratio of the proposed ECEC activities is 2.24.⁴⁸ The project is expected to improve academic achievement and student retention for those students who benefit from attending the new preschools. Improved academic achievement leads to higher expected labor income for those students receiving additional access to preschool education. Also, all children will benefit from enhanced quality programs and improved parenting practices. The analysis only considers the private benefits of education and thus presents a lower boundary estimate as there are likely positive externalities from education. It relies on assumptions (table 4.2) that are basis for measuring improved academic achievement and an increase in student retention in the later stages of the education life cycle.

Table 4.2. Assumptions for FYR Macedonia ECEC Component Cost-benefit Analysis

Benefits	
1. Earnings	
Net average salaries and wages/month (2018)	MKD 24,025
Net average salaries and wages/month (2018)	US\$480.5
2. Labor market	
Number of years to labor market entry (cohort starts preschool at 3 years of age)	17
Years of labor market participation	25
Return of one additional year of schooling	6.35 percent
Costs	
Cost of project development	
Cost of new spaces per student (2018)	US\$4,638
Cost of retrofitted spaces per student (2018)	US\$1,228
Operational cost	
Cost of new spaces per student per month (2018)	US\$83
Exchange rate - MKD to US\$	US\$0.02

10. Table 4.3 summarizes the net present value (NPV) of total quantifiable benefits and costs associated with the project.⁴⁹ The costs in table 4.3 include maintenance and miscellaneous expenses in the operational cost estimate. The proposed project aims to provide 7,500 combined spaces for children aged 3–6-years. It is estimated that the beneficiaries would experience an increase in earnings later in life

⁴⁸ The total project financing amounts to US\$18.60 million. Discounting the cost stream at a rate of 5.0 percent yields a discounted present value of US\$100.5 million. This cost stream includes the cost of project development (new spaces for students and retrofitted spaces for students) and recurrent costs (teacher salaries and nonsalary recurrent cost) of ECEC programs.

⁴⁹ The analysis is conducted using economic prices and does not include taxes.



because of the benefits associated with preschool interventions. The analysis calculates the cost stream over a time span of 15 years. The benefit stream begins when students from ECEC participate in the labor market, beginning in 2035. The resulting analysis discounts the cash flow generated by these costs and benefits in the time frames considered. The baseline scenario shows an NPV of US\$78.0 million and results in a benefit-to-cost ratio of 2.24.

Table 4.3. Macedonia ECEC Component: Summary of Costs and Benefits (US\$)

Benefits	
Increase in annual earnings from improved academic achievement and higher retention ^a	1,021,525,748
Total benefits	1,021,525,748
<i>Present value of total benefits</i>	143,916,890
Costs	
Project development	18,600,000
Operational costs	85,699,361
Total costs	104,299,361
<i>Present value of total costs</i>	64,279,582
<i>NPV of net benefits</i>	77,993,521
Benefit to cost ratio	2.24

Note: a. Higher retention in primary, secondary, and tertiary education.