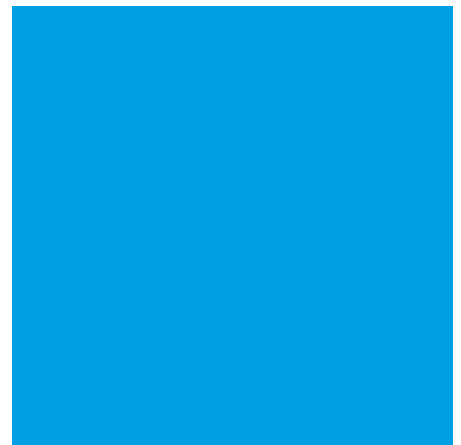


Scaling Up Early Childhood Education And Care Services in Ljubuški



**A FEASIBILITY
STUDY**
May 2023.



CONTENTS

EXECUTIVE SUMMARY	6
INTRODUCTION.....	13
Context.....	13
The Study	14
Case Study: City of Ljubuški.....	15
FINANCIAL FEASIBILITY	20
Current Expenditure	20
Projected Costs of Scale-Up	23
Finding Funding	25
Investment Plan	34
OPERATIONAL FEASIBILITY.....	36
Leadership and Governance	36
Law and Policy	38
Human resources.....	39
Service Delivery	40
Information	42
POLITICAL FEASIBILITY	43
Citizens, Parents, And Caregivers	43
Providers	45
The State	46
CONCLUSIONS AND RECOMMENDATIONS	47

LIST OF FIGURES

Figure 1: The Nurturing Care Framework	13
Figure 2: Feasibility Study Framework	14
Figure 3: Map of Ljubuški within cities/municipalities of West Herzegovina Canton.	15
Figure 4: Population structure of Bosnia and Herzegovina, 2020 and 2050, with child populations highlighted.	16
Figure 5: Number of preschool institutions in the FBiH, West Herzegovina, and Ljubuški, by type of provider.	17
Figure 6: Proportion of children of ECEC age enrolled in preschool, across different administrative units (most recent data available).	19
Figure 7: Financial Feasibility Framework	20
Figure 8: Breakdown of Ljubuški City Expenditure on Preschools, public/private	21
Figure 9: Proportional Contribution of Public and Private Expenditure to Total Expenditure in BAM (and as % of expenditure on that institution type), by institution type (total, public and private), Ljubuški, estimated 2021	22
Figure 10: Fiscal Space Diamond	25
Figure 11: Tax Revenue as a Percentage of GDP, 2010-2020: BiH, EU, and World.	26
Figure 12: Taxes on Income, Profits and Capital Gains as a Percentage of Government Revenues, 2020: BiH, EU and World.	26
Figure 13: Leadership and Governance of Preschool Sector in Ljubuški	37
Figure 14: Political Economy Framework for Early Childhood Education – adapted from Henstridge, Lee, and Salam (2019) 'Thicker Policy Diagnostics'.	44

LIST OF TABLES

Table 1: Population.....	15
Table 3: Estimated size of child population in Ljubuški City, by age	18
Table 2: Population projections for children (0-6 years).....	16
Table 4: Projected Capital Costs in Public and Private Sector, 2022-2030. Expressed in BAM, adjusted for inflation.	23
Table 5: Projected Recurrent Costs in Public and Private Sector, 2022-2030. Expressed in BAM, adjusted for inflation....	24
Table 6: Projected annual costs and revenue requirements of public and private preschools, 2022-2030. Expressed in BAM, adjusted for inflation.	25
Table 7: Modelling Financial Implications of Scaling Up Preschool Services for the City of Ljubuški. All costs expressed in BAM, adjusted for inflation.....	28
Table 8: Modelling Financial Implications of Scaling Up Preschool Services for West Herzegovina canton. All costs expressed in BAM, adjusted for inflation.....	29
Table 9: Business Contributions to the Capital Costs of Scale-Up in Private Preschool Facilities, 2022-2030. Expressed in BAM, adjusted for inflation.	32
Table 10: Household Contributions to Recurrent Costs in Public and Private Preschools, 2022-2030. Expressed in BAM, adjusted for inflation.	33
Table 11: Investment Plan: Revenue Requirements, Contributions by Stakeholder Type, and Projected Funding Gap, 2022-2030. Expressed in BAM, adjusted for inflation.	35
Table 12: Legislation related to ECEC	38
Table 13: Projected ECEC Human Resource Needs, 2022-2032	40
Table 14: Additional Classroom Requirements, Public and Private Sector, 2022-2030.	41
Table 15: Recommendations.....	49

ABBREVIATIONS

BiH	Bosnia and Herzegovina
CwD	Children with Disabilities
ECD	Early Childhood Development
ECEC	Early Childhood Education and Care
EMIS	Education Management Information System
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
IMF	International Monetary Fund
LAY	Learning-Adjusted Year
MDAs	Ministries, Departments, and Agencies
MOESCS	Ministry of Education, Science, Culture and Sports
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SEN	Special Educational Needs
TIMSS	Trends in International Mathematics and Science Study
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
VAT	Value-Added Tax

EXECUTIVE SUMMARY

CONTEXT

Early childhood education and care [ECEC] services are a vital part of investments in human capital. Longitudinal studies from a wide range of case studies show that children who participate in high-quality ECEC programmes experience multiple benefits, including improved test scores, better graduation rates, decreased crime and delinquency rates, and improved lifetime income.¹ When these benefits are monetized, the returns on investments can be enormous. Research from Bosnia and Herzegovina [BiH] bears out the importance of ECEC services. Attendance in high-quality pre-primary programmes has been linked with improvements in child development, with reports of children being better socialized and able to focus upon entry to primary school, as well as learning basic skills which promote life-long learning. These opportunities to invest in early childhood should not be missed. Estimates suggest that the inaction in facilitating a scale-up in ECEC coverage could cost the economy of the Federation of Bosnia and Herzegovina [FBiH] up to 18 billion BAM by 2052.²

Within this context, UNICEF has commissioned this study into the feasibility of scaling up ECEC in the Federation of Bosnia and Herzegovina [also referred to as FBiH], using the case study of the City of Ljubuški. This report is intended to provide practical guidance for decision-makers on how to provide such an intervention. The focus of the framework underpinning the provision of this guidance is placed on developing insights into the financial, operational and political feasibility of scaling up ECEC. It should be noted that this study focuses solely on ECEC services for children aged 3-6 years.

STATUS AND TRENDS

Across the FBiH, and within the City of Ljubuški, access to ECEC has been improving in recent years and service provision is split between public and private institutions. At the Entity level, latest data suggest that 19% of 79,160 children aged 3-6 years in the FBiH are enrolled in ECEC. Meanwhile, in the City of Ljubuški, enrolment is far better than the Entity's average of 52% in 2022. Enrolment is higher for children over the age of three, and the highest coverage rate is in the 4–5-year age category. It is notable that nearly half of the children (including 31% aged 5-6 years) still do not have access to vital ECEC services in the city. The private sector has fuelled this high coverage rate. Whilst 42% of children enrolled in ECE across the FBiH are in private preschools, this rises to 59% in the City of Ljubuški.

Enrolment patterns mirror those seen in other parts of the country and are linked to the socio-economic status and location of the household. Children from households where one or both parents/caregivers are unemployed, or those from peripheral areas outside the city, are more likely to struggle to gain access to ECEC. In Ljubuški, 66.27% of all children enrolled came from families in which both parents were employed, and 29.8% from families in which one parent was employed.³ In contrast, only one enrolled child comes from a family in which both parents are unemployed and just 3.6% come from families involved in agricultural production.⁴

1 J. Tanner, T. Candland and W. Odden (2015). 'Later Impacts of Early Childhood Interventions: A Systematic Review', IEG Working Paper 2015/3, (World Bank Group: Washington D.C., USA).

2 UNICEF (2023). Investment Case for Early Childhood Development in the Federation of Bosnia and Herzegovina (UNICEF Bosnia and Herzegovina: Sarajevo, Bosnia and Herzegovina).

3 Federal Institute for Statistics (2022). Preschool Education 2021. Statistical Bulletin 342. Available at: <https://docs.google.com/viewerng/viewer?url=http://fzs.ba/wp-content/uploads/2022/04/Predskolsko-obrazovanje-u-2021-1.pdf>

4 Ibid.

FINANCIAL FEASIBILITY

Financing for ECEC comes from both public and private sources. The current financing landscape for ECEC can be summarised as follows:

Funding Source	Description	Proportional Contribution
City of Ljubuški (Public)	<ul style="list-style-type: none"> The most significant source of public financing for ECEC is the City of Ljubuški. Allocations from the City budget to preschools have been significant (equivalent to 2.5% of the total City budget). Expenditure predominantly benefits public preschools (79% targeted at the public institution). Recently provided subsidies to private preschools, equivalent to 20,000 BAM for each of the four private preschools registered in the city. Spending on these subsidies equate to 21% of total City expenditure on preschools. 	28%
West Herzegovina Canton (Public)	<ul style="list-style-type: none"> ECEC financing is predominantly the responsibility of the City of Ljubuški; however, the West Herzegovina Ministry of Education, Science, Culture and Sports [MoESCS] is also an important financial contributor. The West Herzegovina MoESCS provides financial support for the provision of ECEC services for children with disabilities. This accounted for 10.6% of total MoESCS spending in 2021. 	17%
Households (Private)	<ul style="list-style-type: none"> Households and the private sector are the most significant source of financing for ECEC services in the City of Ljubuški. Proportional contribution of households to total expenditure is higher in private institutions than in public institutions, 73% compared to 31%, respectively. Households contribute less per child for enrolment in public facilities compared to private ones, owing to higher public subsidies in the public sector. Caregivers of CwD are exempt from paying preschool contributions. 	55%

The projected costs to achieve a scale-up to 100% coverage of ECEC services for children aged 3-6 were produced. Total capital costs are projected to amount to 660,146 BAM for the period 2022-2030. According to these estimates, capital costs will significantly increase from the base year (2022). In 2022, capital costs across the sector are expected to amount to 19,250 BAM. Capital investment is set to significantly increase throughout 2023-2030 to meet the restructuring costs required to provide additional new classrooms. These are one-off costs to accommodate the increasing number of children, which will drop once enrolment has hit target levels, especially given the demographics of the City of Ljubuški. Total recurrent costs are projected to amount to 19,202,392 BAM for the period 2022-2030. Over the time horizon, annual recurrent costs are expected to increase by around 2-3 times in both the public and private sector. This increase is a result of the growing number of children enrolled in preschools, as well as an increase in the unit cost of these inputs. In particular, this model projects an increase, over the time horizon, of teachers' wages so that they align with the average salary of a primary school teacher by 2030 (2022 average, adjusted for inflation). Total annual costs are projected to grow by 2.7-times across the preschool sector between the base year, 2022, and 2030.

A proposed Investment Plan has been developed, providing an indication of the proportional and absolute contributions which would be required by different actors over time. It places the revenue requirements of facilities in the public and private sector against financial contributions from different stakeholders in the ECEC ecosystem. At a high-level, the key messages from this analysis suggest that:

- **A significant funding gap will emerge from 2024 and continue to grow.** If current expenditure on ECEC is held constant (only adjusted for inflation and economic growth), when compared to the estimated costs of scale up to universal levels by 2030, this funding gap will amount to over 1.7 million BAM.

- **Public expenditure will be a dominant source of the additional funds needed to finance this scale-up of ECEC services.** Fiscal space to meet these funding demands is limited. There are growing constraints on budgetary room as a result of the COVID-19 pandemic, the Ukraine crisis, and subsequent inflation. However, under this model:
 - The City Administration would spend over 9 million BAM on ECEC over the next eight years.
 - The MOESCS would spend 3 million BAM over the same period
- **In order to accommodate the increased demands on government budgets, a number of avenues for expanding fiscal space and budgetary room were considered.** These include reforming the tax system, tackling inefficiencies in spending, reprioritizing public budgets towards preschools, and looking at external forms of financing (official development assistance or borrowing).
- **Private financing, in the form of household expenditure, will remain an important mechanism to plug the funding gap in both the short- and long-term.** Private contributions to ECEC services, however, should not be levied on poor or vulnerable households.

Careful planning and policy-making will be needed to ensure that the financing of this scale-up is both achievable and equitable. Investment must put the provision of inclusive ECEC services at its core, targeting public financing at the communities and households that most need it.

OPERATIONAL FEASIBILITY

Supplementing the analysis on the financial feasibility of scaling up ECEC services, an assessment of the operational feasibility was also conducted. This looked at the five remaining blocks of ECEC systems, the findings of which are briefly summarised below.

Leadership & Governance	<ul style="list-style-type: none"> • ECEC is a part of the education sector. It is governed by the West Herzegovina Canton Ministry of Education, Science, Culture, and Sports (MoESCS). • However, unlike other education levels (e.g., primary or secondary), ECEC is the (organisational and financial) responsibility of the municipalities/cities, rather than of the MoESCS. This gives the City of Ljubuški the mandate to organise, finance, and ensure adequate provision of ECEC. • This decentralisation structure has given rise to some opacity around responsibility and accountability. This lack of clarity is a concern for equity (coverage rates range significantly among municipalities/cities) and the quality of regulation and oversight of the ECEC sector.
Law and Policy	<ul style="list-style-type: none"> • Legislation affecting ECEC has been developed at State, Entity, Canton and City level. • West Herzegovina Canton is currently in the process of enacting a new draft Law on Preschool Education and Upbringing which would update the current 1998 Law. This new draft Law would harmonise the Law in West Herzegovina Canton with the BiH Framework Law on Preschool Education and Upbringing of 2007. • This draft Law has not yet been passed but will require all children in the year before entry to primary school to attend an ECEC programme. The format and length of this programme have not been determined but it will be financed at cantonal level.
Workforce	<ul style="list-style-type: none"> • Additional 37 ECEC teachers would be required in preschools by 2030. • The number of additional children compared to the current number of teaching staff is concerning and a labour market gap may emerge. • Putting together concrete strategies to incentivise and manage an expansion in the workforce of ECEC teachers will be required to achieve this scale-up. • The success of these strategies, however, is dependent on recalibrating public perception on the value of ECEC teachers, as well as setting up compensation structure which incentivises entrants to join, and be retained, in an ECEC teaching career.

<p>Service Delivery</p>	<ul style="list-style-type: none"> • Ljubuški's preschool institutions do not have the physical infrastructure to support the scale-up modelled. The public preschool has recently increased its capacity; however, more will need to be done to accommodate the scale-up envisioned. Most institutions already have a waiting list as a result of this limited capacity. • 9 additional rooms will need to be built by 2030 (just over one per year). • Solutions are available to expand infrastructural capacity, including acquiring additional premises or repurposing other public spaces. • Additional support will be needed to facilitate a scale-up in the private sector, such as through public-private partnership arrangements. • Clear legal standards guide the provision of ECEC; however, improvements are needed to ensure that pedagogical standards are upheld and there is a need for further development of the curriculum and standardisation. Parental and caregiver demand for ECEC has been increasing in Ljubuški, a promising sign for service provision scale-up. Demand-raising activities should still be implemented amongst those less likely to enrol their children in ECEC. These activities should be designed on inclusive education principles and target vulnerable or excluded children
<p>Information</p>	<ul style="list-style-type: none"> • Information systems should be improved to facilitate a scale-up in the coverage of ECEC services. Data which are essential for planning and policy-making are difficult to find and often inconsistent between sources. • Data must be routinely and reliably collected between West Herzegovina MoESCS and the City of Ljubuški. This information is important to support strategic planning and costing process, monitoring and evaluation, equity analysis, as well as supporting advocacy for increasing support.

POLITICAL FEASIBILITY

Service delivery reform is never an entirely technical process, making it essential to embed considerations of political feasibility. A short section of this report looks at the political feasibility of this scale-up, providing a snapshot of the situation as of July 2022. It found that:

Public support for expanding preschool services can be politically popular, if properly framed and implemented.

The City of Ljubuški has shown continued commitment to ECEC provision, and this has been met with increasing demand for services, with providers in both public and private settings reporting waiting lists and demand outstripping current supply.

Parental and caregiver buy-in will need to be carefully managed and negotiated. Informants noted that demand for ECEC services is mixed amongst different groups of parents and caregivers, with some not recognising the educational impact and long-term benefits for their children. Instead, factors such as the financial cost (both direct and indirect), time lost to transporting their children, as well as socio-cultural beliefs that young children should be cared for by their parents and not be subjected to formal education are expected to hinder scale-ups.

Resistance is more likely to emerge against efforts to finance this intervention. Whilst we expect that the scale-up of ECEC services has the potential to be politically popular with some of Ljubuški's residents, finding sources of public finances to fund it are likely to be more unpopular. The intervention must be framed as an investment into future growth and a greater public fiscus in the future.

Providers would be in support of a scale-up of ECEC coverage, if adequate financial and operational inputs are well-planned and made available. Provider support is contingent on careful planning and implementation support across the sector. Across both private

and public providers, under-resourcing (including under-payment of staff) is already an important concern. Increasing pressure on these facilities is likely to be met with resistance without additional financial and operational inputs (such as increased staffing, improvements to infrastructure, or pedagogical standards/curriculums) being made available.

However, huge political opportunities to promote ECEC are on the horizon. Exogenous processes have the potential to support the enabling environment for scale-up. The European Union's Delegation funding, which has begun to come through, is of prime importance.⁵

CONCLUSIONS AND RECOMMENDATIONS

The early years of a child's life are foundational, making ECEC a critical area for investment in Ljubuški. Despite global and Entity-specific evidence on the moral, social, and economic value of ECEC services, nearly half of the City's children aged 3-6 years remain out-of-school. This feasibility study has provided an in-depth analysis of the extent to which a scale-up in coverage to universal levels by 2030 would be possible across three dimensions – financial, operational, and political. It has found that whilst there will be substantial challenges, it would be possible with political will and prioritisation of the ECEC agenda. The following recommendations have been developed to take forward, and capitalize, on the efforts undertaken so far:

⁵ B. Popic and Z. Dzumahur (2019). TIMSS 2019 Encyclopaedia: Education Policy and Curriculum in Mathematics and Science, (TIMSS & PIRLS International Study Center - Lynch School of Education Boston College: Boston, U.K.).



FINANCIAL

- Adopt a **financing strategy**
- **Increase** productive **public spending** on ECEC by exploring:
 - Reforms to the tax system;
 - Redesigning fiscal transfer arrangements;
 - Reprioritisation of budgets;
 - Increasing efficiency of spending, and;
 - Mobilising external finance.
- **Lower the household contribution** for ECEC, particularly for vulnerable groups
- **Target** additional public financing at **vulnerable groups**
- **Improve** public **budgeting** processes and **systems**.



OPERATIONAL

- Develop an **implementation plan**
- Set up a **working group**
- **Support the roll-out of** the the **Preparatory Programme** (under the new Draft Law)
- **Incentivise** and manage expansion of **ECEC workforce**
- **Repurpose** existing public **spaces** for ECEC
- Develop close **public-private partnerships**
- Engage in **demand-generation** activities
- Strengthen **evaluation** and **assessment** systems
- Embed routine **data collection, monitoring, and evaluation**



POLITICAL

- **Advocate strongly** for the need to scale up ECEC
- Continuously **monitor political situation** and stakeholder alignment around ECEC scale-up
- **Capitalise** on emergent political **opportunities** associated with BiH's bid to join the **European Union**.

INTRODUCTION

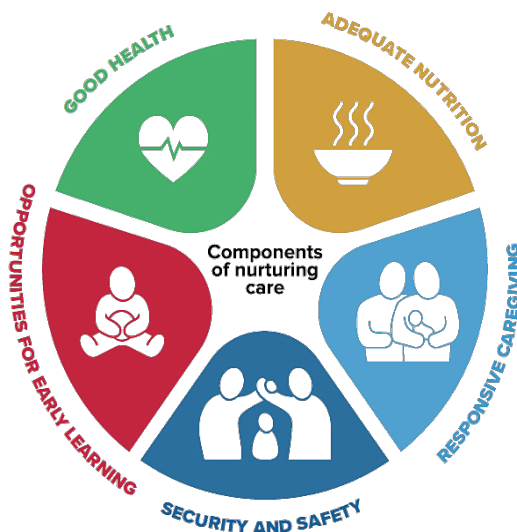
CONTEXT

Early childhood provides an important window of opportunity to define the course of a child's development and form a foundation for their future. Spanning from conception to the age of 6, early childhood is a phase where young children undergo rapid development, acquiring physical, cognitive, motor, psycho-emotional, and social skills. Every second of early childhood, millions of neural connections are made and by the age of five, children's brains are 90% of their adult size.¹ Evidence shows us that by the time a child enters primary school, we can predict how likely they are to succeed in life.²

A child's access to factors outlined in the internationally recognised *Nurturing Care Framework* (Figure 1) can determine their ability to develop to their full potential. Beyond the moral and rights-based imperative of providing services to promote nurturing care, there is a strong economic case for this investment. A vast body of evidence has emerged in recent years arguing that investments in early childhood have the greatest return of any human capital interventions.³

Early childhood education and care [ECEC] services are a vital part of investments in human capital. ECEC refers to intervention(s) intended to promote development in children prior to their entry to primary school. Formal

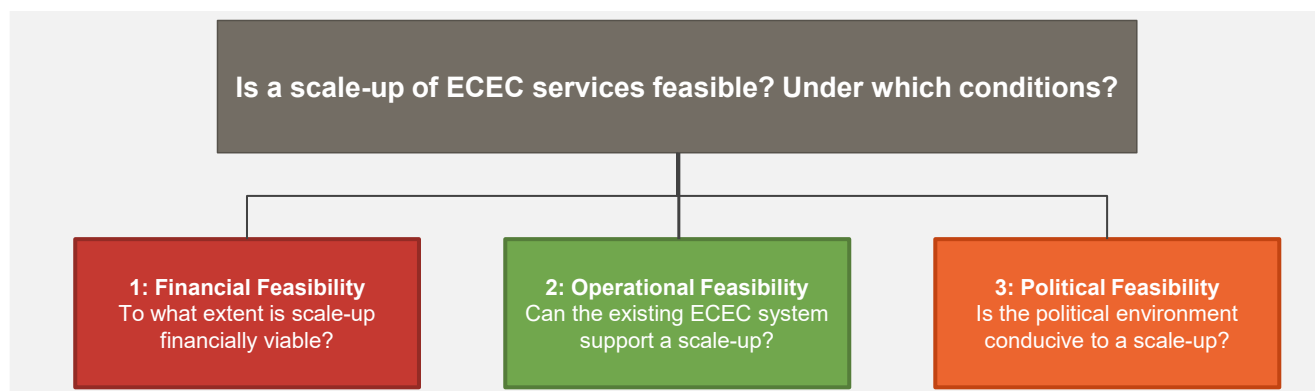
FIGURE 1: THE NURTURING CARE FRAMEWORK



ECEC programmes are most often provided in preschool institutions. Whilst these institutions may offer care to children from the age of six months, for the purposes of this study, ECEC only refers to programmes targeting children aged 3-6 years. ECEC services are an important input to the provision of nurturing care. They not only offer children opportunities for early learning and responsive caregiving, but can also promote good health, adequate nutrition, and safety and security. Longitudinal studies

- 1 J. Gilmore, R. Knickmeyer and W. Gao (2018). 'Imaging structural and functional brain development in early childhood', *Nature Reviews Neuroscience*, 19, 123-137.
- 2 L. Richter, B. Daelmans, J. Lombardi et al. (2017). 'Investing in the foundation of sustainable development: pathways to scale up for early childhood development', *The Lancet*, 389:10064, 103-118.
- 3 R. Sayre, A. Devercelli, M. Neuman, Q. Wodon (2015). *Investing in Early Childhood Development: Review of the World Bank's Recent Experience*, (World Bank Group: Washington D.C., USA).

FIGURE 2: FEASIBILITY STUDY FRAMEWORK



from a wide range of case studies show that children who participate in quality ECEC programmes experience multiple benefits, including improved test scores, better graduation rates, decreased crime and delinquency rates, and improved lifetime income.⁴ When these benefits are monetized, the returns on investments can be enormous. These opportunities to invest in early childhood should not be missed. Estimates suggest that the inaction in facilitating a scale-up in ECEC coverage could cost the economy of the Federation of Bosnia and Herzegovina up to 18 billion BAM by 2052.⁵

Research from Bosnia and Herzegovina [BiH] bears out the importance of ECEC services. Attendance in high-quality pre-primary programmes has been linked with improvements in child development, with reports of children being better socialised and able to focus upon entry to primary school, as well as learning basic skills which promote life-long learning. Conversely, poor educational outcomes in later years have been associated with low enrolment in ECEC across the country. In the Programme for International Student Assessment [PISA], which examines 15-year-old students' proficiencies in reading, mathematics and science, in 2018, fewer than half of students in BiH attained the minimum level of proficiency in reading, 42% were at least minimally proficient in mathematics, and only 43% were minimally proficient in science.⁶ Further, the Trends in International Mathematics and Science Study [TIMSS], carried out in 2019, found that primary school students were below average in their achievements on the TIMSS scale, as well as in comparison to neighbouring countries (including Serbia and

Croatia).⁷ Importantly, children in BiH who had attended two years or more of pre-primary education programmes were found to have notably improved performance in the TIMSS.⁸ As data show that children from more affluent socio-economic backgrounds are more likely to have been included in an ECEC programme, this highlights a pressing equity concern (i.e., widening the gap between different socio-economic groups).

THE STUDY

Within this context, UNICEF has commissioned this study into the feasibility of scaling up ECEC in the Federation of Bosnia and Herzegovina [FBiH], using the case study of the City of Ljubuški. The objectives of this research are three-fold:

1. To consider whether this intervention (a scale-up in the provision of ECEC services) could be implemented, and its likelihood of being successful;
2. To assess the most important challenges and bottlenecks to its successful implementation;
3. To consider the factors and conditions that need to be in place to enable a successful scale-up.

This report is intended to provide practical guidance for decision-makers on how to provide such an intervention. The framework underpinning the provision of this guidance is outlined in Figure 2, with a focus being placed on

4 J. Tanner, T. Candland and W. Odden (2015). 'Later Impacts of Early Childhood Interventions: A Systematic Review', IEG Working Paper 2015/3, (World Bank Group: Washington D.C., USA).

5 UNICEF (forthcoming). Investment Case for Early Childhood Development in the Federation of Bosnia and Herzegovina (UNICEF Bosnia and Herzegovina: Sarajevo, Bosnia and Herzegovina).

6 OECD (2018). Programme for International Student Assessment [PISA] Results from PISA 2018 – Bosnia and Herzegovina, (OECD: Paris, France).

7 B. Popic and Z. Dzumhur (2019). TIMSS 2019 Encyclopaedia: Education Policy and Curriculum in Mathematics and Science, (TIMSS & PIRLS International Study Center - Lynch School of Education Boston College: Boston, U.K.).

8 Agency for Preschool, Primary and Secondary Education (2022). Preschool Education and Care as a Determinant of Student Achievement in Bosnia and Herzegovina in TIMSS 2019. Available at: <https://aposo.gov.ba/sadrzaj/uploads/%D0%90analiza-zadataka-po-sadrzajmim-i-kognitivnim-domenama-TIMSS.pdf>

TABLE 1: POPULATION⁹

	2013	2016	2017	2018	2019
Federation of Bosnia and Herzegovina			2,720,074	2,219,220	
City of Ljubuški	28,269	27,603	28,340	28,184	27,613
Ljubuški as proportion of the FBiH	-	-	1.04%	1.27%	

developing insights into the financial, operational and political feasibility of scaling up ECEC. A special emphasis has been placed on analysing the financial feasibility component as, during preliminary research, financial bottlenecks seem to appear as the most important threat to this intervention.

The study has taken a mixed-methods approach. It is based on both qualitative and quantitative data and analysis, which was collected from both primary and secondary sources. The rest of this report will be structured around the main pillars of enquiry:

- **Section 1.3** looks at the City of Ljubuški, providing contextual background with a focus on the size of the child population and the current status and trends in ECEC enrolment;
- **Section 2** approaches the financial feasibility of scaling up ECEC services, which form the bulk of this analysis. It uses a framework of 'spend enough' and 'spend well' to consider how much it would cost to provide this intervention, the estimated size of the funding gap, as well as financing options;
- **Section 3** analyses the operational feasibility of a scale-up, considering the extent to which system inputs, including law and policy, workforce, service delivery, and data and information, are equipped to manage.
- **Section 4** briefly assesses the political outlook for reform in the ECEC sector in Ljubuški, using a political economy framework to identify opportunities and bottlenecks to the scale-up.
- **Section 5** concludes the report, providing recommendations and a summary of the main challenges and bottlenecks, as well as the conditions which need to be in place to facilitate this intervention.

CASE STUDY: CITY OF LJUBUŠKI

Background

West Herzegovina is one of the 10 cantons within the Federation of Bosnia and Herzegovina [FBiH]. It ranks 7th in terms of both geographic size and total population and is located in the far south-west of the country, sharing a long border with Croatia (Figure 3). It is home to around 100,000 people, of which nearly 97% are Croat (in comparison to a 22% average in FBiH).¹⁰ In relative terms, West Herzegovina is now one of the richest regions in the country, with a strong agricultural sector. Two cities and two municipalities sit within the Canton of West Herzegovina (Figure 4), including Ljubuški which will be the city of focus for this feasibility study.

FIGURE 3: MAP OF BOSNIA AND HERZEGOVINA WITH ENTITIES, DISTRICTS AND CANTONS HIGHLIGHTED.

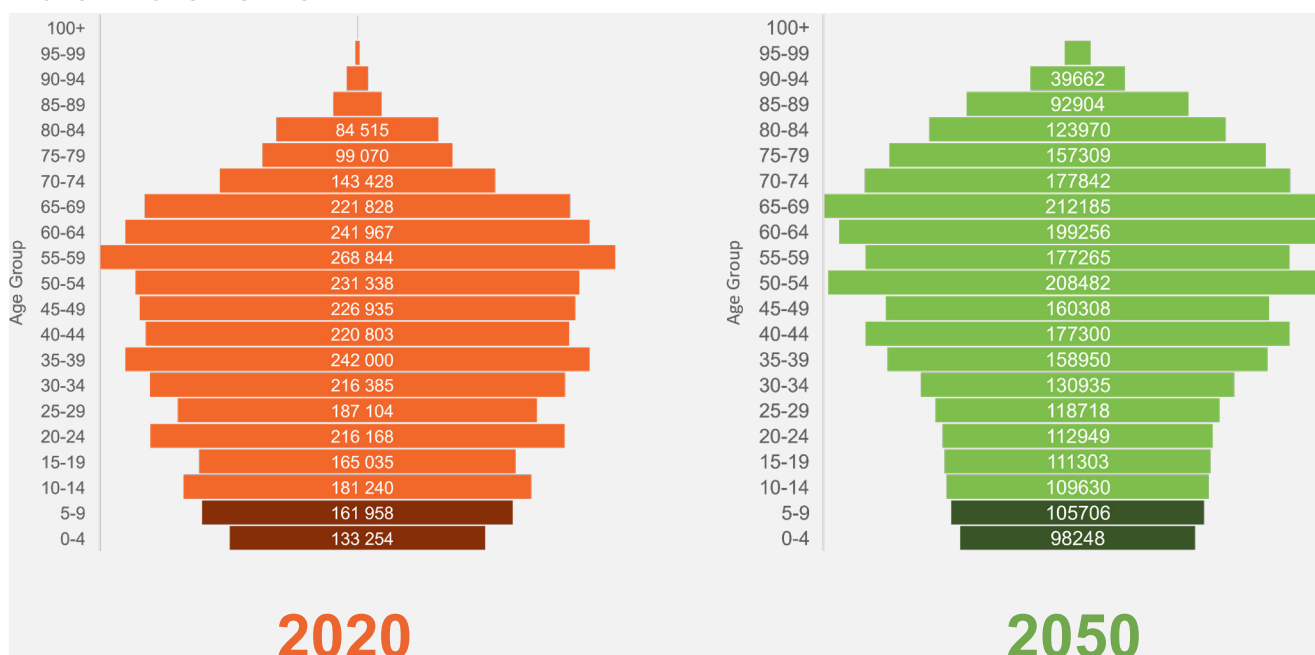


FIGURE 3: MAP OF LJUBUŠKI WITHIN CITIES/MUNICIPALITIES OF WEST HERZEGOVINA CANTON.



⁹ Data from relevant census information, held within the Agency for Statistics of Bosnia and Herzegovina, unless otherwise stated.

¹⁰ Agency for Statistics of Bosnia and Herzegovina (2013). Preliminary Results of the 2013 Census of Population, Households and Dwellings in Bosnia and Herzegovina, (Sarajevo, Bosnia and Herzegovina).

FIGURE 4: POPULATION STRUCTURE OF BOSNIA AND HERZEGOVINA, 2020 AND 2050, WITH CHILD POPULATIONS HIGHLIGHTED.¹¹

TABLE 2: POPULATION PROJECTIONS FOR CHILDREN (0-6 YEARS)

	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
Federation of Bosnia and Herzegovina ¹²	116,118	103,013	96,704	94,305	78,588	89,588	83,692	76,930	72,482	70,428	69,618
Ljubuški (City) ¹³	1,475	1,308	1,228	1,198	998	1,138	1,063	977	921	894	884

Ljubuški is the second largest city/municipality in West Herzegovina Canton. In 2013, it was home to around 28,000 people, equivalent to 1.27% of the total population of FBiH.¹⁴ Before the pandemic, the average gross salary sat at 1,196 BAM in 2018 (equivalent to 649 USD), in comparison with an average of 1,389 BAM (754 USD) across BiH.¹⁵ The main industries relate to wholesale, retail and services, construction, and agriculture and food produc-

tion. However, the unemployment rate is at high 35%¹⁶, which is significantly above the BiH average of 14.9%.¹⁷ The City government has been active in trying to attract investment to the city by creating a positive business environment and cultivating human capital development.

Across the FBiH and BiH, however, population decline is a significant challenge. BiH has become one of the fastest declining and ageing countries in the world, mostly due

¹¹ Based on World Population Prospects estimates for 2020 and 2050.

¹² World Population Prospects estimates at state of Bosnia and Herzegovina level. FBiH data extracted using MICS 2011/12 weighted averages which suggested that 70.1% of children under the age of five in Bosnia and Herzegovina were in FBiH.

¹³ Assumes that population structure is constant within the FBiH and that the proportion of the total population of the FBiH living in Ljubuški remains constant across the time period.

¹⁴ Ibid.

¹⁵ City of Ljubuški (2018). City of Ljubuški Investment Brochure, (City of Ljubuški: Ljubuški, Bosnia and Herzegovina). | Data converted into BAM and USD from EUR using latest rates (EUR/BAM 1/1.96; EUR/USD 1/1.06).

¹⁶ International Labour Organisation (2022). 'Unemployment, total (% of labour force) (national estimate) – Bosnia and Herzegovina', ILOSTAT Database, data as of June 2022.

¹⁷ Ibid.

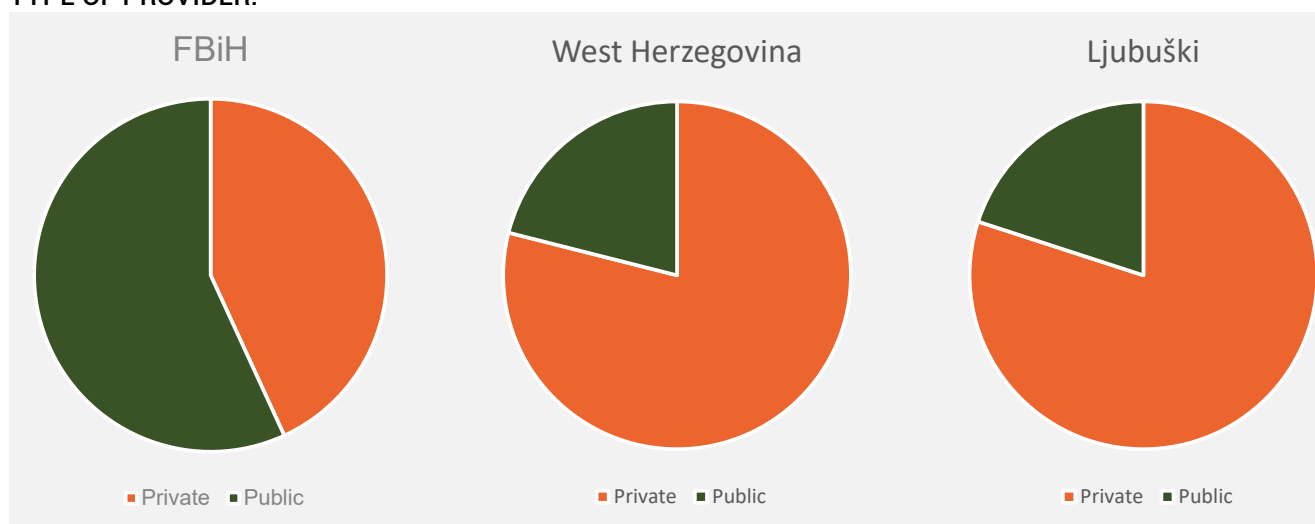
Status and Trends in Early Childhood Education

to low fertility rates, low death rates, and high levels of out-migration (especially amongst the young).¹⁸ This has produced a constrictive population pyramid, which is only set to be exacerbated in the years to come (Figure 5). Whilst the rate of population decline in Ljubuški appears to be slower than the FBiH average, it remains threatened by demographics.

Population decline is particularly profound amongst children and young people. According to estimates, in BiH, the number of children aged 0–6 years is expected to almost halve in the next fifty years.¹⁹ In Ljubuški, this would mean a decline in this population's size from 1475 in 2020 to just 884 in 2070. Investing in children remaining in the country is critical in the attempt to reverse these pervasive trends of stagnation and decline, and key to promoting socio-economic development. In particular, its youngest children must be given the best possible start in life through quality ECEC services.

Preschool facilities in the FBiH provide preschool upbringing and education programmes to children between the ages of six months and six years. The *Framework Law on Preschool Upbringing and Education in Bosnia and Herzegovina of 2007 [Framework Law]* states that preschool should be a part of the education system. In Article 16, it stipulates that there should be one year of compulsory preschool attendance for all preschool aged children before enrolment in primary school. However, owing to the decentralised nature of the FBiH, education systems (and the implementation of this Law) vary across cantons. In terms of financing, in the West Herzegovina Canton, pre-primary education is not managed at cantonal level, instead it is managed at the municipal/City level. The Cantonal MoESCS defines the ECEC curricula, standards and norms, and is also tasked to supervise the compliance of the preschool institution with the legislative framework. Further, the MoESCS provides financial support for preschool education for CwD. West Herzegovina is one of only two cantons in the FBiH where this is the case. The Cantonal Ministry of Health, Labour, and Social Protection defines the programmes for healthcare, hygiene, nutrition, and social protection in ECEC. However, a new Law on Preschool Upbringing and Education in West Herzegovina Canton is currently under discussion. This would bring the Canton into alignment with the 2007 *Framework Law*, making ECEC mandatory for one year before primary

FIGURE 5: NUMBER OF PRESCHOOL INSTITUTIONS IN THE FBiH, WEST HERZEGOVINA, AND LJUBUŠKI, BY TYPE OF PROVIDER.



18 UNICEF (2020). *Situational Analysis of Children in Bosnia and Herzegovina*, (UNICEF BiH: Sarajevo, Bosnia and Herzegovina).

19 *World Population Prospects (2022). 2022 Revision of World Population Prospects*, (United Nations Department of Economic and Social Affairs: Population Division).

TABLE 3: ESTIMATED SIZE OF CHILD POPULATION IN LJUBUŠKI CITY, BY AGE²⁰

	0-1	1-2	2-3	3-4	4-5	5-6	Total (0-6)	Total (3-6)
Total number of children	183	231	206	220	230	253	1323	703
Total number of children enrolled in preschool	0	34	63	103	86	175	461	364
Preschool coverage rate	0%	15%	31%	47%	37%	69%	35%	52%

school. This mandatory preparatory programme would be financed at cantonal level, whilst the financing of the full-day preschool programmes would remain under the authority of the four cities/municipalities in the Canton.

Across the FBiH, provision of ECEC services is split between the public and private sector. Of the 229 preschool institutions, 121 are public and 108 private (Figure 6).²¹ These institutions employ 1466 educators.²² Of these 121 institutions in the FBiH, 20 are located in West Herzegovina. Zooming in further, within the City of Ljubuški there are just five preschool institutions (2.5% of the total in the FBiH), one of which is public and four of which are private. Interestingly, the private sector is a more dominant in West Herzegovina, including Ljubuški, than in the FBiH more generally. Whilst the public sector accounts for 52% of preschool institutions in the FBiH, this figure reduces to 20-21% in our region of focus.

Enrolment in ECEC has been improving. Enrolment in facilities varies, with half- and full-day programmes on offer. Preschool programmes are divided between nursery services (six months to three years) and kindergarten services (three to six years). This study focuses solely on ECEC services for children from the age of three to entry into primary school. In 2005, when the BiH Strategic Directions for the Development of Early Childhood Education and Care were adopted, just 8% of the total preschool-aged children in BiH were enrolled.²³ Today, the average is 25%, therefore reflecting a more than three-fold increase.²⁴ At the FBiH level, a total population of 15,093 children aged 3-6 years are enrolled in ECEC.²⁵ Given that the total population of children aged 3-6 years is 79,160 in the FBiH, this equates to an ECEC coverage rate of just 19.07%. This is below the BiH average, which is of particular concern given that the majority of the child population in BiH is located in the FBiH. In the year prior to primary school (5-6 years of age) this figure does rise significantly to 43.8% (8,192 of 18,698)²⁶.

²⁰ Estimates based on the average number of children enrolling in Grade 1 of primary school in Ljubuški city based on data for the period 2015-2021. These data can be found in Annex B.

²¹ Federal Institute for Statistics (2022). Preschool Education 2021. Statistical Bulletin 342. Available at: <https://docs.google.com/viewer/viewer?url=http://fzs.ba/wp-content/uploads/2022/04/Predskolsko-obrazovanje-u-2021-1.pdf>

²² Ibid.

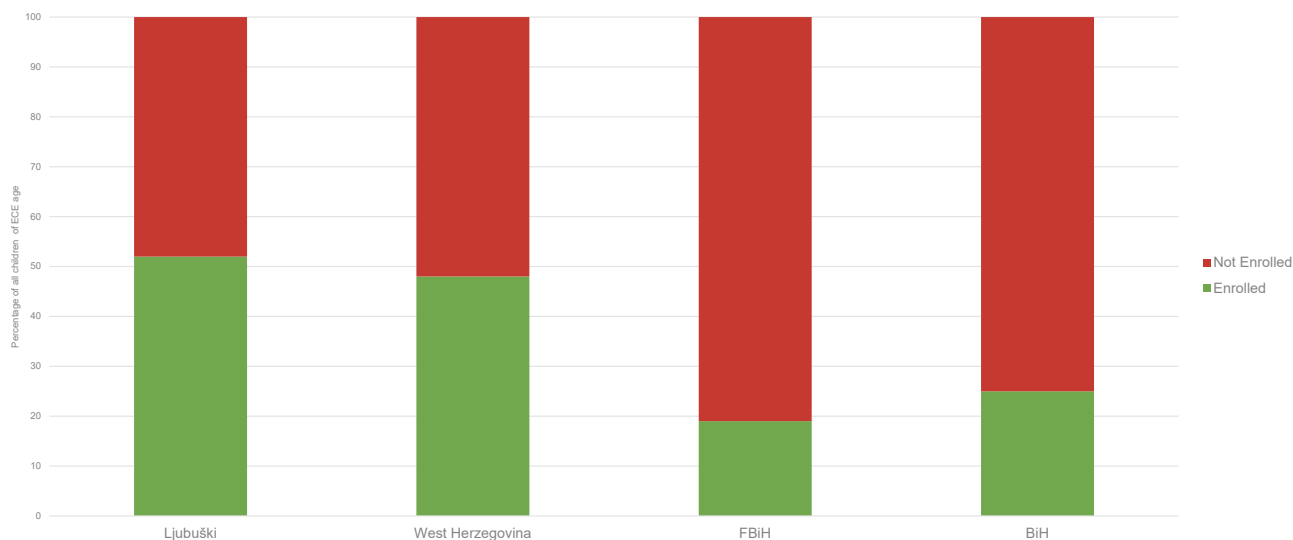
²³ USAID (2018). Brief Assessment of Basic Education in Bosnia and Herzegovina – The Follow-On: Final Report, (USAID Measure BiH: Sarajevo, Bosnia and Herzegovina).

²⁴ UNICEF (2020) Situational Analysis.

²⁵ Data provided by the FBiH MoE.

²⁶ Federal Institute for Statistics in BiH. (2023, February 20). Data on population statistics [Email message to UNICEF]

FIGURE 6: PROPORTION OF CHILDREN OF ECEC AGE ENROLLED IN PRESCHOOL, ACROSS DIFFERENT ADMINISTRATIVE UNITS (MOST RECENT DATA AVAILABLE).



Ljubuški, however, performs far better than these State and Entity level averages, with an enrolment rate of 52% of children aged 3-6 years. Table 3 breaks this down, showing the estimated size of the child population, enrolment in pre-primary education, and coverage rates by year of age in Ljubuški. Enrolment is higher for children over the age of three, and the highest coverage rate is in the 5–6-year age category. Within West Herzegovina Canton, it is the best performing municipality/City in terms of ECEC coverage; however, the cantonal average is also above the FBiH average at 48% of children in the 3–6-year age group.²⁷ Almost half of the children in the city, however, still do not have access to vital ECEC services. Enrolment patterns tend to mirror those seen in other parts of the country and is linked to the socio-economic status and location of the household. Children from households where one or both parents/caregivers are unemployed, or those from peripheral areas outside the city, are more likely to struggle to gain access to ECEC.

Figure 6: Proportion of children of ECEC age enrolled in preschool, across different administrative units (most recent data available).

In Ljubuški, the majority of children in preschool are enrolled in private facilities. Here, the public facility provides for 41% of all children in preschool institutions and 43% of children aged 3-6 years. Given that there is only one public facility in Ljubuški (of the five in total), it clearly has a much larger capacity than the private facilities in the city. The proportion of children enrolled in public facilities is actually higher in Ljubuški than the West Herzegovina Canton average (39%) but far lower than the average for the FBiH of 58%.

Data suggest that enrolment in ECEC is strongly correlated with the socio-economic status of households. Recent studies found that children are much more likely to be enrolled in pre-school if they came from families where both parents were employed. In Ljubuški, 66.27% of all children enrolled came from families in which both parents were employed, and 29.8% from families in which one parent was employed. In contrast, only one enrolled child comes from a family in which both parents are unemployed and just 3.6% come from families involved in agricultural production.

²⁷ Data provided by the West Herzegovina Canton MoESCS.

FINANCIAL FEASIBILITY

Financing is a foundational input to education systems. Without it, infrastructure cannot be built, staff will not be trained, hired or retained, and services will not be provided. Financing is a crucial determinant of access, coverage, equity, and quality, and was repeatedly raised as an issue of concern during the undertaking of this research study. In the context of the COVID-19 pandemic and the Ukraine crisis, pressures on public finance for children are more acute than ever, disrupting supply channels, creating job insecurity, and generating inflation. For this reason, financing will be the central pillar of this study into the feasibility of scaling up ECEC services in Ljubuški. A simple framework will be used to guide this assessment of financial viability which divides analysis into two questions: (i) *is enough being spent*, and; (ii) *are funds being spent well?* (Figure 8).

CURRENT EXPENDITURE

Public Expenditure

Public financing of ECEC is, almost exclusively, the responsibility of the city government in Ljubuški. Being managed at the city/municipal level, direct cantonal financial support to ECEC is limited to providing financial support for CWD (payment of preschool enrolment fee). Expenditure on pre-primary education is not ring-fenced in legislation or policy. Instead, public expenditure on ECEC is highly dependent on local political will and budgetary room, and varies greatly across the Canton.

In Ljubuški, allocations from the city budget to preschools has been increasing, driven by the election of a 'pro-family' mayor. In 2021, 2.55% of the total budget of the City of Ljubuški was allocated to preschools, which equated

FIGURE 7: FINANCIAL FEASIBILITY FRAMEWORK

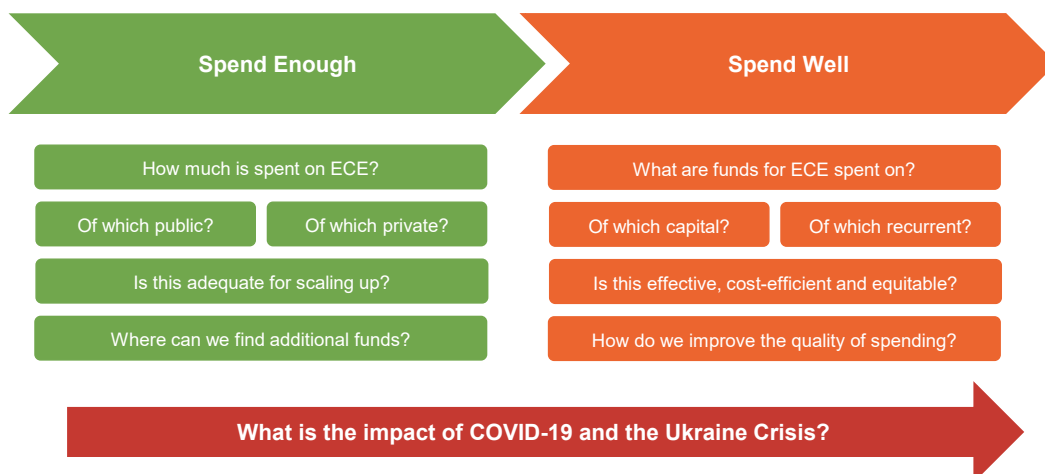
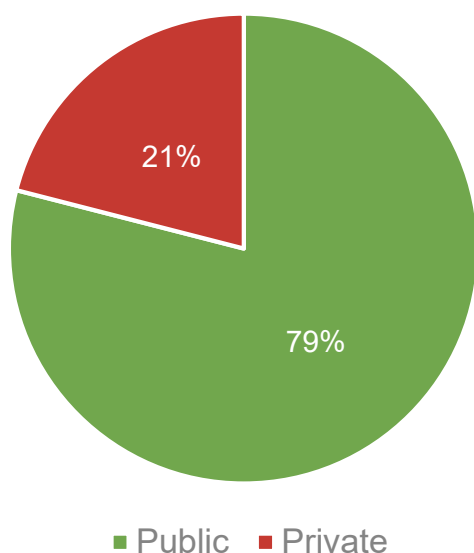


FIGURE 8: BREAKDOWN OF LJUBUŠKI CITY EXPENDITURE ON PRESCHOOLS, PUBLIC/PRIVATE

Of 375 000 BAM spent by the city on preschools...



to 375,000 BAM (192,173 USD). To give context to the significance of this funding, it is the equivalent of 283 BAM (145 USD) per child of preschool age (6 months to 6 years) in the city, or 813 BAM (417 USD) per child enrolled in preschool.

City support to preschools is primarily targeted towards public institution. The majority of funds (79%) are used to subsidise the cost of the public preschool institution, which provides for 41% of all children enrolled in preschools (6 months to six years) in the city. Last year, the city government spent 295,000 BAM (171,675 USD) on the public preschool institution. This drastically reduced the fees at public preschool. The price per child fell from around 180-200 BAM per month in the public sector, to 80-120 BAM per month (depending on the age of the child and whether they are on a half- or full-day programme). This is a reduction of around 50% in the private household contribution to preschool enrolment. Fees in the public preschool in Ljubuški are now amongst the lowest in the country.

Private providers have also benefitted from city financing for preschool education. In 2021, 80,000 BAM (41,000 USD) of the city budget was spent on private preschool provision (19% of total city expenditure on preschools). These funds represented an innovative move on the part

of the City Administration to provide financial support to private preschool institutions last year. Recognising that the fee reduction for parents/caregivers in the public institution was likely to significantly disrupt the market, a 20,000 BAM grant was offered to each private preschool in the city. This grant had to be used to support a reduction in fees for parents/caregivers in the private preschools, thus preventing private preschools being priced out of the market, either through a drop in demand for services or through attempts to internalise the costs of reducing fees through unsustainable cuts to their own expenses. With this subsidy, private preschools have reduced their fees; however, they remain around 50-60 BAM a month more expensive than in the public institution. As the grant was standardised, at 20,000 BAM per institution, larger facilities with more children enrolled benefitted proportionately less than smaller institutions. Further, it is unclear whether this grant will be sustained and provided to private preschools on an annual basis.

Public financing from cantonal level of government is limited to support for children with disabilities [CwD].

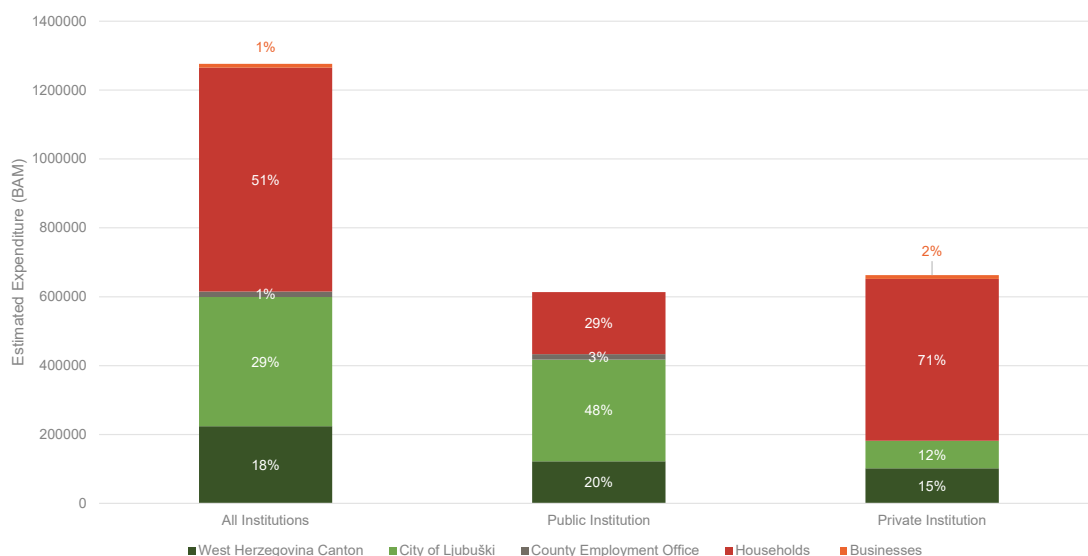
The Ministry of Education, Science, Culture and Sports [MoESCS] at cantonal level covers the fees for enrolment of CwD. Parents/caregivers must apply directly to the MoESCS (with medical documentation enclosed) and, if the application is approved, the MoESCS pays the preschools (public or private) for the child's attendance. The MoESCS pays the basic rate for preschool fees; however, this does not account for the additional resources needed to provide adequate standard support for CwD. The public institution in Ljubuški also reports receiving additional 32,000 BAM this year to support inclusion of CwD. These funds are used to employ staff (teaching assistants) to work in groups with CwD; however, this allocation was only one-third of that needed to cover additional costs associated with inclusion of CwD. No such grant from the MoESCS was reported by private institutions to support their inclusive practice.

Public expenditure on preschools is skewed in favour of children enrolled in public preschools.

Whilst the city government has provided grants to private preschools to lower parental/caregiver contributions, they equate to a far lower government subsidy per child than that received in the public sector. When accounting for both city government and cantonal expenditure on public preschools, an amount of 1,914 BAM (981 USD) per child is spent on an annual basis. In the private sector, the 80,000 BAM grant from the city budget is split between 270 children²⁸. This is the equivalent of 296 BAM (152 USD) per child annually, a figure nearly 6.5 times lower than in the public sector.

²⁸ This assumes that no children beyond the age of six are enrolled in private preschool facilities.

FIGURE 9: PROPORTIONAL CONTRIBUTION OF PUBLIC AND PRIVATE EXPENDITURE TO TOTAL EXPENDITURE IN BAM (AND AS % OF EXPENDITURE ON THAT INSTITUTION TYPE), BY INSTITUTION TYPE (TOTAL, PUBLIC AND PRIVATE), LJUBUŠKI, ESTIMATED 2021.²⁹



Private Expenditure

Households remain a significant funder for ECEC services in Ljubuški. Parental/caregiver contributions to enrol their children in pre-primary education are required in both public and private facilities (except in cases of disability). There are currently no fee exemption or reduction policies in place to support parents/caregivers from vulnerable or low-income backgrounds. In the past year, however, the proportion of expenditure on ECEC which is coming from households has reduced, being replaced by public spending from the city government. Further, the new Law will provide for the exemption of payment for children whose caregivers use social supports.

In the public institutions, private expenditure accounted for 29% of total income, equivalent to 180,095 BAM (92,243 USD) in 2021. This income was raised through fees, which range between 80-120 BAM monthly. With a current total of 181 children (all ages, excluding CwD), this equates to an average household contribution of 995 BAM (510 USD) per child per year.³⁰ Given an annual average gross salary of 14,340 BAM (7,349 USD), and net salary of 10,331 BAM (5,294 USD), this contribution is significant.³¹

It is the equivalent of 7% of the annual average gross and 10% of the net salary in the city. Clear equity concerns emerge here as, even with the heavy subsidisation from the city government, this level of contribution may exclude children who come from families with lower incomes.

Private expenditure on preschools is concentrated in the private sector. Data on the total household expenditure on private preschool are not available; however, credible estimates can be calculated. The fee rate for children in private preschools differs across the city. Broadly, after the 20,000 BAM government subsidy is accounted for, private preschools charge around 135 BAM per month for half-time programmes and 160 BAM for full-time programmes. If an average monthly fee rate of 145 BAM per child is assumed, this equates to an annual household expenditure of 1,740 BAM (890 USD) per child. This is roughly 75% higher than in the public institution, and is the equivalent of 12% of gross and 17% of net average salaries. With 270 children enrolled, the total household expenditure on private preschools is 469,800 BAM annually. Therefore, 72% of household expenditure on preschools is spent in the private sector.

²⁹ Authors. Based on data from key informant interviews and the City of Ljubuški.

³⁰ It should be noted that this is just an average and fee rates depend on the age of the child, as well as the type of programme they are enrolled in (half/full time, nursery/education/after-school). The preschool provides nursery services for 34 children (6 months to 3 years) and after-school services for 34 children (over the age of 6). Owing to a lack of disaggregated data on household payments for each age group, calculating a more specific average household contribution to ECE (children 3-6 years of age) is not possible.

³¹ City of Ljubuški (2018). Investment Brochure.

TABLE 4: PROJECTED CAPITAL COSTS IN PUBLIC AND PRIVATE SECTOR, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Public	8,000	47,435	9,826	51,099	11,404	54,532	13,064	57,842	14,821	267,922
Private	11,250	50,715	53,024	15,077	57,068	59,166	61,243	63,354	21,328	392,224
Total	19,250	98,150	62,850	66,175	68,471	113,598	74,307	121,196	36,148	660,146

Capital Costs

Private expenditure is a more significant contributor to preschools than public expenditure. An estimated total of 1,276,308 BAM³² was spent on preschool services in 2021. Of this, 615,120 comes from public sources and the subsequent 661,188 came from private sources – 48% and 52% respectively. Focusing on public institutions specifically, this trend is inverted. Here, owing to subsidies from the city budget, private expenditure accounts for just 29% of the total income. In comparison, however, in private institutions this rises to a 73% contribution.

PROJECTED COSTS OF SCALE-UP

Projected costs to achieve a scale-up to 100% coverage of ECEC services for children aged 3-6 years have been produced. A model was designed which would account for the capital and recurrent costs that would be incurred in both the public and private sector to achieve this scale-up by the year 2030. It is important to note that these projections are based on the assumption that the proportion of children under the age of 3 years enrolled in ECEC (15.6%) remains constant throughout the period, as will the proportion of children being cared for in public facilities (41%). Baseline cost inputs (from the year 2021/2022) were collected from both public and private providers. These costs have been adjusted across the time horizon of the study to account for inflation and, in some cases, further enlarged to account for improvements in the quality of inputs.³³ A succinct summary of the costing estimates is provided below.

Capital costs are projected to amount to 660,146 BAM in total for the period 2022-2030. Capital costs relate to fixed, one-time expenses which are used to acquire a new asset (such as a classroom) or add value to an existing asset (such as maintenance of existing classrooms). In order to improve enrolment in ECEC for children aged 3-6 years from 52% to 100% by 2030, significant additional capacity will be needed in both the public and private sectors. Based on primary data collection, stakeholders estimate that the cost of repurposing premises and equipping them to become a functioning preschool classroom (with shared kitchen facilities) is around 27,500 BAM³⁴. Adjusted for inflation, this unit cost was multiplied by the projected number of additional classrooms needed in both sectors each year (the number of classrooms will be explored in more detail in Section 3.4). It was also assumed that 25% of classrooms would require maintenance each year and that the cost of this maintenance would amount to 4,000 BAM in 2022 (adjusted for inflation thereafter).

According to these estimates, capital costs will significantly increase from the base year (2022). In 2022, capital costs across the sector are expected to amount to around 19,250 BAM. Capital investment is set to increase by five-times in 2023, reaching almost 100 thousand BAM, to meet the restructuring costs required to provide two additional new classrooms, one for private and one for public facilities, and will reach 121,196 BAM in 2029. These are one-off costs to accommodate the expanding number of children, which is likely to begin to be significantly reduced once enrolment has hit target levels, especially given the demographics of the City of Ljubuški. In 2030, total capital expenditures will already drop to 36,148

³² This was calculated by adding up the total expenditure from the municipal government (375,000 BAM), from the cantonal government (224,280 BAM), the county employment office (15,840 BAM), the estimated household spend (649,895 BAM) and estimated business spend (11,250 BAM).

³³ This includes: (i) increasing the salaries of ECEC teachers to be in line with those received by primary school teachers by 2030; (ii) providing an increased subsidy per CwD enrolled in the ECEC centre to account for quality provision of education and care; and (iii) a slight increase in the proportional expenditure on pedagogical equipment.

³⁴ Estimating capital costs is very difficult as it will depend on what is being built or repurposed. This figure is based on primary research in the City of Ljubuški and is based on: (i) public preschool estimates of the cost of converting a primary school classroom into a preschool facility in Vitina; (ii) additional inflationary costs since this conversion; (iii) the costs of renovating a kitchen to provide for these additional children; and (iv) the number of classrooms these facilities housed.

BAM. This increase in costs is significant and will require rebalancing of budgets, in order to increase the proportion of total expenditure for capital costs and ensure that adequate public support mechanisms are put in place to support providers from across the sector to meet these rising resource requirements.

Recurrent Costs

Recurrent costs are projected to amount to 19,202,392 BAM in total for the period 2022-2030. Recurrent costs relate to expenses which are expected to be consumed within one year and must be regularly replaced. These costs include staff wages, rent and utilities, school feeding expenses, pedagogical materials, expenditures for ensuring inclusive and quality ECEC for CwD and other children in need, as well as administrative costs. Over the time horizon, annual recurrent costs are expected to increase by around three times in both the public and private sector. This increase is a result of the growing number of children enrolled in preschools, as well as an increase in the unit cost of these inputs. In particular, this model advocates and projects an increase, over the time horizon, in teachers' wages so that they align with the average salary of a primary school teacher by 2030 (2022 average, adjusted for inflation), as well as of expenses for children with SEN so that they reach an annual allowance of 9,000 BAM³⁵ per CwD by 2025 (adjusted for inflation). Further, it also sees the proportion of expenses spent on pedagogical equipment and administration increase in relation to the wage bill in order to continue to improve the quality-of-service provision.

Total Costs

Total annual costs are projected to grow by around three times across the preschool sector between the base year, 2022, and 2030. These annual costs are the sum of both the estimated annual capital and recurrent costs across

both the public and private sector. These costs increase in line with increased enrolment, inflation, as well as the increase in unit costs of some inputs (as explained in Section 2.2.1). Costs of providing services per child in the base year were found to be fairly similar across the public and private sector. In the public sector, the cost-per-child was an estimated 2,648 BAM, compared to just 2,526 BAM in the private sector. This slight disparity could be owing to greater efficiency savings, higher salaries for public (compared to private staff) in ECEC settings, and/or difference in the quality of the service provision. Over the time horizon, the costs per child in both the public and private sector are set to expand, so that by 2030 the cost-per-child will be around 4,500 BAM and 4,400 BAM, respectively.

The total annual revenue requirements in the private sector have also been calculated. Whilst the public facility can operate 'at cost', private facilities are profit-making. If the private sector were only to recover the cost-per-child of providing ECEC services in revenues, this is unlikely to satisfy the profit-making motivations driving these businesses. Using the private sector as a vehicle for scale-up, therefore, will require policy-makers to ideologically accept reasonable profit margins, and to embed an appreciation of these profit margins in projections. This will allow decision makers to calculate enrolment fees per child and the relative revenue contribution requirements by different stakeholders (governments, business, households). In this model, the profit margin for private facilities was scaled from a base of 5% of recurrent costs in 2022 to 10% of current costs in 2030. The rationale for this increased profit margin is threefold: firstly, it accounts for the fact that profit margins in private preschools are often unsustainably low at present; secondly, it recognises the need to incentivise the private sector to expand in line with the scale-up; thirdly, it provides budgetary space to allow private providers to reinvest in capital expenses.

TABLE 5: PROJECTED RECURRENT COSTS IN PUBLIC AND PRIVATE SECTOR, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Public	497,832	618,283	725,528	827,007	914,659	1,005,300	1,097,633	1,192,764	1,290,582	8,169,587
Private	670,741	831,925	959,968	1,087,477	1,215,884	1,350,828	1,490,642	1,636,649	1,788,692	11,032,805
Total	1,168,573	1,450,208	1,685,495	1,914,484	2,130,543	2,351,127	2,588,275	2,829,413	3,079,274	19,202,392

³⁵ The amount of 9,000 BAM as annual allowance per CwD represents the goal set by the Ljubuški public nursery.

TABLE 6: PROJECTED ANNUAL COSTS AND REVENUE REQUIREMENTS OF PUBLIC AND PRIVATE PRESCHOOLS, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Public									
Total annual costs	505,832	665,718	735,354	878,106	926,063	1,059,732	1,110,696	1,250,607	1,305,402
Cost per child	2,648	3,300	3,440	3,900	3,885	4,217	4,210	4,531	4,535
Private									
Total annual costs	681,991	882,640	1,012,992	1,102,554	1,272,951	1,409,994	1,551,885	1,700,002	1,810,020
Cost per child	2,526	3,041	3,293	3,403	3,711	3,899	4,088	4,280	4,369
Annual revenue requirement	717,293	932,225	1,076,990	1,182,837	1,371,536	1,529,455	1,694,823	1,869,311	2,008,794
Revenue requirement per child	2,657	3,212	3,501	3,651	3,998	4,230	4,464	4,706	4,849

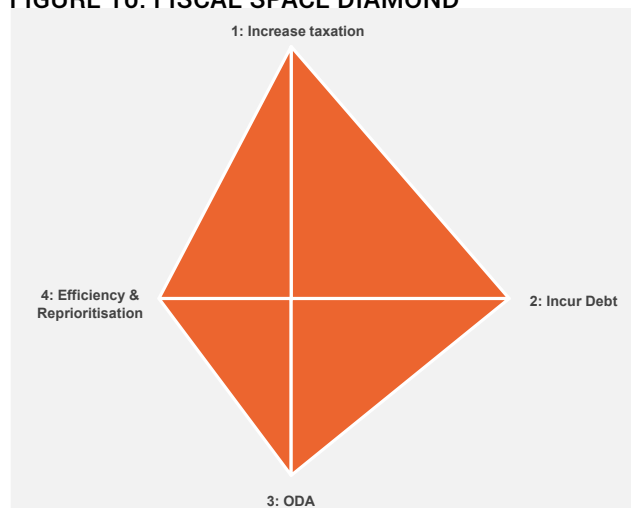
FINDING FUNDING

In this section, the potential options for scaling up ECEC in line with the projections above are explored. These projections see Ljubuški reaching universal enrolment in ECEC programmes (half or full time) from the age of three until starting primary school.

Public

Public expenditure will be a dominant source of the additional funds needed to finance this scale-up of ECEC services. Government has four main potential avenues to find financial resources: increase tax revenues, make

FIGURE 10: FISCAL SPACE DIAMOND



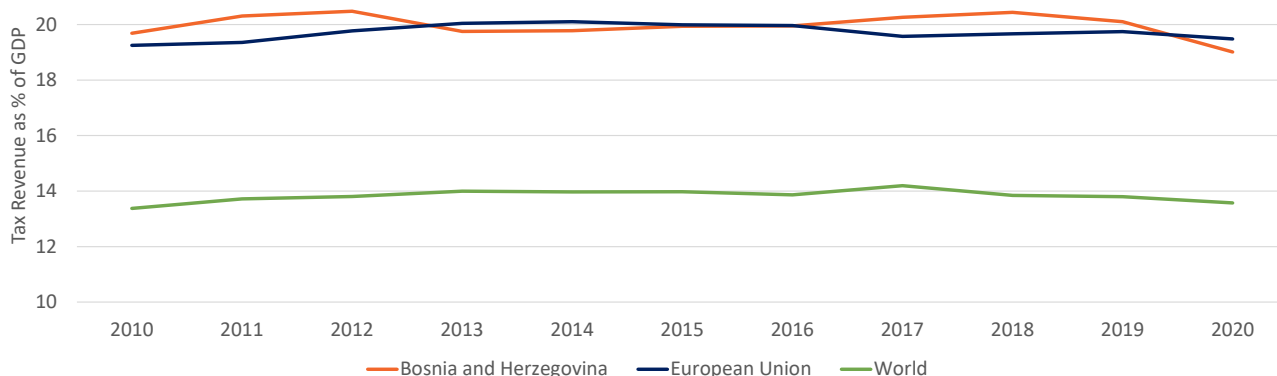
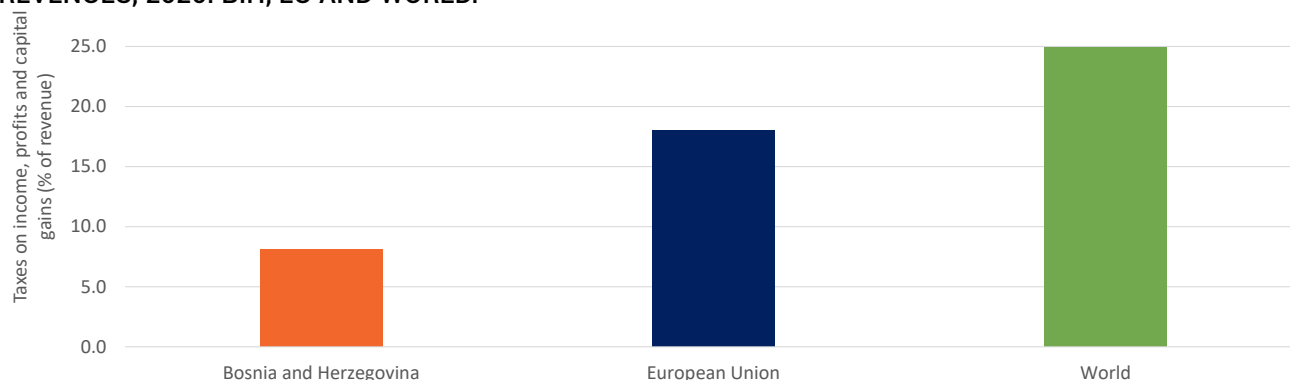
efficiency savings or reprioritise the budget, incur debt, and receive external support (overseas development aid [ODA]). This is outlined in the fiscal space diamond (Figure 10). Each of these avenues will be explored in turn.

Taxation

BiH has a relatively effective tax collection system; however, changes to tax policy and public financing structures could increase domestic resource mobilisation. Taxation is the most powerful way to raise domestic resources, and, according to the International Monetary Fund [IMF] a minimum tax-to-GDP ratio of 15% is needed to provide the conditions for growth and development.³⁶ This threshold is being met in BiH. In 2019, a tax-to-GDP ratio of 20% was achieved, raising BAM 7.09 billion (US\$ 3.68 billion), equivalent to BAM 2,174 per capita.³⁷ However, tax and public financing structures are regressive, inhibiting revenue raising and equity.

36 P. Smith (2018). 'Getting the tax-to-GDP ratio right', ACCA Global, published 1 January. Available at <<https://www.accaglobal.com/us/en/member/member/accounting-business/2018/01/insights/tax-gdp.html>>.

37 IMF, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates (2022). 'Tax revenue (% of GDP) – Bosnia and Herzegovina', World Bank Group, available at <<https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=BA>>.

FIGURE 11: TAX REVENUE AS A PERCENTAGE OF GDP, 2010-2020: BIH, EU, AND WORLD.³⁸

FIGURE 12: TAXES ON INCOME, PROFITS AND CAPITAL GAINS AS A PERCENTAGE OF GOVERNMENT REVENUES, 2020: BIH, EU AND WORLD.³⁹


Tax policies should be reformed towards a personal income tax-based system. Whilst taxes can be levied at different administrative levels, the most important revenue sources of income tax, social security contributes, corporate tax, and value added tax [VAT] are all set at BiH level and collected by the Entities. These policies, however, are not progressive and inhibit effective revenue raising. Income and profit tax rates are low and flat rate in BiH, at 10%.⁴⁰ This has created a situation where the proportion of government revenues coming from income, profits, and capital gains sits far below the European Union and World

averages (at 8%, compared to 18% and 25%, respectively).⁴¹ Wealthier population groups are not only benefitting from low rates of taxation but are also paying (in relative terms) far less than their poorer counterparts owing to taxes being levied at a flat rate. Tax changes at this level can be complex and painful; however, their potential returns are enormous and examples from Central Europe can be drawn for inspiration.⁴² If income and profit tax rates were higher, and set progressively according to income, a significant increase in revenues (and the equity with which they are raised) could be achieved. This is sig-

38 IMF, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates (2022). 'Tax revenue (% of GDP) – World, Bosnia and Herzegovina, European Union', World Bank Group, available at <<https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=1W-BA-EU>>.

39 IMF et al. (2022). 'Taxes on income'.

40 PWC (2022). 'Bosnia and Herzegovina: Individual – Taxes on ', Worldwide Tax Summaries, published 3 February. Available at <<https://taxsummaries.pwc.com/bosnia-and-herzegovina>>.

41 IMF, Government Finance Statistics Yearbook and data files (2022). 'Taxes on income, profits and capital gains (% of revenue) – World, Bosnia and Herzegovina, European Union', World Bank Group, available at <<https://data.worldbank.org/indicator/GC.TAX.YPKG.RV.ZS?locations=1W-BA-EU>>.

42 B. Akitoby (2018). 'Raising Revenue: Five country cases illustrate how best to improve tax collection', IMF Finance and Development, published March 2018. Available at <<https://www.imf.org/Publications/fandd/issues/2018/03/akitoby>>.

nificant for Ljubuški, as 70% of the City Administration's budget comes from fiscal transfers from Entity or cantonal level.⁴³ Improving the size of Entity tax receipts would have an important trickle-down effect on their budget and, therefore, have the potential to drive increased public investments in ECEC.

Efficiency and Reprioritisation

The funding gap for scaling up ECEC services could also be plugged by reprioritising public budgets towards preschools. Currently, the majority of public financing for preschools in Ljubuški comes from the City Administration and the MoESCS. The city's financing of preschools reached BAM 375,000 in 2021, equivalent to 2.6% of total expenditure. Assuming that the budget of the City of Ljubuški increases in line with projected economic growth,⁴⁴ the proportion of the city's budget that would need to be allocated to ECEC to provide for the scale-up is estimated in Table 7. Increasing the prioritisation of ECEC would require budget cuts in other areas. Similarly, the financial implications of supporting the ECEC scale-up in Ljubuški for the MoESCS are also modelled (Table 8). Their contributions would provide for subsidising the costs of providing high-quality services for CwD. Reprioritisation of the cantonal budget would be required to meet these costs – either increasing the proportion of the total budget allocated to MoESCS or reorientating educational spending to ECEC.

Tackling public sector inefficiencies could free up fiscal space for ECEC in Ljubuški. However, currently it is difficult to assess the efficiency of the use of public spending in the preschool (and wider education) sector across the FBiH owing to a lack of data. Additional research would be useful to identify where and how efficiency savings

could be made. It is estimated that over 90% of education spending across BiH goes on staffing, compared to an EU average of 77%, restricting the ability of the sector to invest in learning materials and equipment, as well as infrastructure and training.⁴⁵ Corruption in the use of public budgets is also a notable concern. Last year, BiH ranked third in Europe in Transparency International's corruption ranking. Corruption is one of the top priorities of the European Commission's Opinion on BiH's EU membership application, with irregularities in public procurement and a lack of sanctions against abuses being cited.⁴⁶

Cantonal and Entity level budgets could also be reprioritised to support investment in ECEC in Ljubuški. This could be achieved in a number of ways:

- By increasing the proportion of FBiH's and West Herzegovina Canton's budgets allocated to lower administrative units through fiscal transfers (thus increasing the total budget of the City of Ljubuški);
- By redesigning fiscal transfer arrangements to align them with population size or need, rather than historic trends or tax receipts (this would mean poorer and/or larger cantons and municipalities/cities would receive larger fiscal transfers – this is discussed in more detail in **Section 2.4.1.4**);
- By increasing the proportion of the MoESCS's education budget spent on pre-primary education (also discussed in **Section 2.4.1.4**);
- By reprioritising existing resources, such as primary or secondary school teachers, who are becoming under-employed due to demographic changes towards the provision of ECEC.

⁴³ Data obtained during key-informant interviews.

⁴⁴

⁴⁵ 57 James Gresham and Sharanya Ramesh Vasudevan (2019). 'Realizing education's promise in Bosnia and Herzegovina: The case for investing in children and youth', Eurasian Perspectives, published online 23 December.

⁴⁶ 58 BHRT (2022). 'Corruption in public procurement procedures in Bosnia and Herzegovina', BHRT, published online 5th May 2022. Available at <https://bhrt.ba/korupcija-u-postupcima-javnih-nabavki-u-bosni-i-hercegovini>.

TABLE 7: MODELLING FINANCIAL IMPLICATIONS OF SCALING UP PRESCHOOL SERVICES FOR THE CITY OF LJUBUŠKI. ALL COSTS EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Expenditure of the City of Ljubuški (BAM) ⁴⁷	14,699,627	15,955,563	16,812,217	17,714,865	18,629,484	19,591,324	20,582,645	21,624,127	22,718,308
Projected annual contributions of the City of Ljubuški to ECEC scale-up (BAM)	375,000	495,875	641,585	805,456	969,701	1,184,904	1,385,481	1,648,243	1,876,209
Proportion of total resource requirements from the City of Ljubuški	29%	31%	35%	39%	42%	46%	49%	53%	57%
Expenditure on preschools as a proportion of total expenditure	2.55%	3.11%	3.82%	4.55%	5.21%	6.05%	6.73%	7.62%	8.26%

⁴⁷ Calculated on actuals provided by the Department of Finance for the City of Ljubuški using base year of 2021, with economic growth rates and inflation rates from the IMF (2022-2030) applied.

TABLE 8: MODELLING FINANCIAL IMPLICATIONS OF SCALING UP PRESCHOOL SERVICES FOR WEST HERZEGOVINA CANTON. ALL COSTS EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Expenditure of West Herzegovina Canton (BAM) ⁴⁸	962,852,827	1,014,548,395	1,069,019,499	1,124,212,975	1,182,256,091	1,242,078,249	1,304,927,409	1,370,956,736	1,440,327,147
Expenditure of the MoESCS (BAM)	2,108,715	2,288,884	2,411,774	2,541,262	2,672,467	2,810,447	2,952,655	3,102,060	3,259,024
Projected annual contributions of West Herzegovina canton to ECEC scale-up (BAM)	224,280	186,705	239,306	332,852	344,671	403,628	414,656	474,514	485,087
Proportion of total resource requirements from West Herzegovina canton	17%	12%	13%	16%	15%	16%	15%	15%	15%
Expenditure on preschools as a proportion of MoESCS expenditure	10.64%	8.16%	9.92%	13.10%	12.90%	14.36%	14.04%	15.30%	14.88%
Increasing West Herzegovina Canton's spending on education									
Expenditure of MoESCS if proportion of West Herzegovina canton expenditure to MoESCS scaled up to 2% by 2030	2,108,715	4,480,561	7,101,018	9,970,413	13,117,173	16,546,067	20,288,382	24,367,054	28,806,543
Expenditure on preschools as a proportion of MoESCS expenditure	10.64%	4.17%	3.37%	3.34%	2.63%	2.44%	2.04%	1.95%	1.68%

48 Ibid.

External

Development partners could be approached to provide official development assistance (ODA). Since the conclusion of the 1992-1995 war, ODA has been a substantial contributor to gross national income (GNI) and an important source of government revenues. ODA levels have waned over time and expenditure in 2020 was US\$ 7 per capita below the 10-year average of net ODA received.⁴⁹ Advocating for an increase in ODA, in line with the 10-year average, would equate to additional US\$ 193,291 in ODA receipts in the City of Ljubuški alone. Encouragingly, stakeholders in the ECEC sector in Ljubuški are already optimising on the potential of ODA. The public preschool, for example, has used funding from the European Union, amongst others, to renovate their facility and improve service provision. Stakeholders should also be advocating for an increased proportion of their existing ODA to be prioritised towards investments in human capital, in particular to ECEC. In 2020, net ODA received equated to a substantial US\$ 133 per capita in 2020 (in Ljubuški, this is the equivalent of US\$ 3,672,529). Of this, however, just 21.2% was spent on education.⁵⁰ It is important that stakeholders hold governments and development partners to account for how ODA is spent, and to encourage expenditure on areas most important to the country's social and economic development.

However, ODA should only be seen as a short-term financing option, with a long-term goal of transitioning to domestic sources of revenue. As BiH and Ljubuški grow more economically developed, a transition away from ODA will occur. Reliance on donor support has a number of challenges which makes it an unattractive option for the long-term financing of ECEC. These include:

- **Lack of control:** As ODA is provided by external stakeholders, priorities may not be aligned with that of local communities and governments. Donors may be reluctant to fund an ECEC scale-up or want to influence implementation;
- **Changing priorities:** Donor funding is never assured and year-on-year allocations can differ substantially, making it difficult to plan ahead and ensure the sustainability of implementation;

- **Fungibility:** When external funds are used to support an intervention, it can displace or crowd-out domestic revenue sources (either public or private);
- **Accountability:** The link between donors and local communities is weak, meaning that it is difficult to hold them to account if funds are not made available or plans not implemented.

Incurring external debt to execute this scale-up of ECEC should be a last resort. Deficit financing of human capital interventions, such as ECEC, can be justified on the basis that the long-term benefits of this investment will more than pay off the costs. However, debt as a source of financing has its drawbacks. Over the long-term, interest repayments mean that the costs are inflated. High levels of public debt can also be unsustainable and a threat to an important principle of fiscal policy – aggregate fiscal discipline. It can result in governments being forced to pay back untenably high proportions of their annual revenues in interest repayments and thus restrict long-term fiscal space. The details of the debt agreement, such as the interest rate and the repayment terms, greatly influence whether using deficit financing as a way to finance such interventions is either tenable or advisable.

Debt, used to finance an ECEC scale-up, could be incurred by BiH, Entity, Canton, or City of Ljubuški. According to legislation, decision-makers at all levels have the power to incur external debt making it possible for actors across this decentralised setting to provide the financing needed to implement the scale-up. However, across BiH, structural reforms have been implemented to curb debt and improve macroeconomic stabilisation. Total general government debt as a proportion of GDP fell from 39.2% in 2017 to 32.4% in 2019; however, debt levels have since risen owing to fiscal pressures related to COVID-19 and sat at 38.6% in 2021.⁵¹ The IMF is encouraging a gradual transition in the budget to control current spending and invest in public infrastructure post-COVID. Deficit financing, therefore, whilst possible, should be approached with caution and carefully considered. If debt is the only option, it would be advisable for larger administrative units (Entity or State) to negotiate the best debt repayment terms possible.

49 OECD-DAC (2022). 'Aid at a Glance', OECD DAC Development Finance Data, available at <<https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm>>.

50 Ibid.

51 IMF (2021). 'IMF Executive Board 2020 Article IV Consultation with Bosnia and Herzegovina', Press Release No. 21/5, published February 26. Available at <<https://www.imf.org/en/News/Articles/2021/02/26/pr2151-bosnia-and-herzegovina-imf-executive-board-2020-article-iv-consultation>>.

Optimising and Stabilising Funding

Enhancing coherence and continuity between the cantons and municipalities/cities must be a priority. The dependence on municipal/city budgets for the financing of ECEC services can be a critical challenge to increasing public expenditure on ECEC. Municipalities/cities have limited revenue raising abilities, which constrains their budgetary room and makes it difficult to allocate increased resources towards ECEC. Putting additional pressure on municipal/city budgets to finance improvements in coverage and quality of preschool services may be unsustainable in the long-term. Further, given that the budget is a very political issue, there is no way to ensure consistently adequate allocations to preschool institutions in the future. Whilst the current Mayor has made preschool education a clear priority for the city government in Ljubuški, changes of administration could bring in a sudden cut to the ECEC budget line which is currently providing critical support to both public and private service providers. Moreover, exogenous economic influences, such as the Ukraine crisis, can expose fragilities in municipal/city budgets, as they have limited fiscal power to respond. Establishing regular, earmarked public funds coming from more centralised levels (ideally as part of the formal education budget) would reduce this vulnerability of public ECEC expenditures.

Municipalities/cities have limited room for manoeuvre owing to their small size. They are reliant on fiscal transfers from more centralised levels over which they have little control and do not respond to demographics shifts. However, the public finance system across BiH is non-progressive and complicated, with 13 separate education budgets: two at the Entity level, one in the Brčko District, and 10 cantonal budgets in the FBiH. Therefore, finding budgetary room to support a scale-up of ECEC services in Ljubuški requires a deep understanding of the multiple and parallel financing sources in order to come up with a way to maximise them over the short- to medium term. Given that municipalities/cities are in a weak position buffeted by external factors and allocations, they need to apply pressure to the right places at the right times to either increase available finance in absolute or per pupil terms, as demographics shift.

A revision in the way that intergovernmental fiscal transfers are made should also be undertaken. Currently, fiscal decentralisation arrangements are undermining budgetary room in Ljubuški. A large proportion of city budgets (an estimated 70% in Ljubuški) come from more centralised levels, (such as from the Canton, Entity, and State). Decentralised fiscal arrangements are often static, following historic, politicised patterns. Allocations of fiscal resources are, thus, often regressive in practice, not accounting for factors such as population size, relative need, or local revenue raising capacities. This is reinforcing inequity between municipalities/cities and cantons, and also restricts the ability of more populous municipalities/cities with more children to provide services⁵². Across West Herzegovina, for example, each municipality/city receives an equal share of the canton's disbursements, despite the population being predominantly located in two municipalities/cities (Ljubuški and Široki Brijeg). This translates into limited budgetary room for ECEC. Across the Canton, total annual expenditure on preschools is fairly consistent across municipalities. However, given the vastly greater number of children in Ljubuški and Široki Brijeg, the average spend per child of preschool age is far lower in these municipalities/cities (in 2021, Grude spent almost double that per child in Široki Brijeg). Further, this has knock on implications on the enrolment capacities of preschools, the quality-of-service provision, the equity and inclusivity of coverage, as well as on prices to parents/caregivers and salaries for staff.⁵³

When aggregated to BiH and Entity level, it is clear that ECEC is being under-prioritised. Gathering data on overall expenditure on education is difficult owing to the level of decentralisation; however, at the state level the spending on education appears below international benchmarks, especially for ECEC. Estimates suggest that 4.6% of gross domestic product [GDP] is spent on education across BiH, which is below a 5.4% benchmark set by UNESCO, although it is close to the OECD average.⁵⁴ Significantly, expenditure on ECE is more starkly under-funded. Some stakeholders suggests that currently only 0.1% of GDP is being spent on ECE, which compares poorly against the

52 University of Sarajevo and the Institute of Economics (2018). *Review of the profession on the adopted amendments to the Law on Public Revenues of the FBiH* - press release of the Faculty of Economics, University of Sarajevo and the Institute of Economics Sarajevo.

53 Ivona Celebivic and Zlatan Jovanovic (2021). 'Profile commissioned by NECP for the Global Education Monitoring Report 2021 – central and Eastern Europe, the Caucasus and Central Asia – Inclusion and Education: All means All'.

54 Human Capital Project. (2020). *Bosnia and Herzegovina: Human Capital Index 2020*. Available at: https://databankfiles.worldbank.org/data/download/hci/HCI_2pager_BIH.pdf

TABLE 9: BUSINESS CONTRIBUTIONS TO THE CAPITAL COSTS OF SCALE-UP IN PRIVATE PRESCHOOL FACILITIES, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Capital costs in private facilities	11,250	50,715	53,024	15,077	57,068	59,166	61,243	63,354	21,328	392,224
Business contributions to capital costs	11,250	47,545	46,396	12,250	42,801	40,677	38,277	35,637	10,664	285,496
Proportion of private sector capital costs incurred by businesses	100%	94%	88%	81%	75%	69%	63%	56%	50%	

OECD average of 0.5% and the UNESCO benchmark of 3.4%.⁵⁵ In comparison, a much greater proportion of the government's education expenditure is targeted at primary and secondary levels of education.

Private

Private financing, in the form of household expenditure, will also be an important mechanism to plug the funding gap in both the short- and long-term. Whilst ECEC is a public good, the funding gap for scaling up ECEC is substantial. The outlook for raising revenues entirely through the public sector is not promising, given the time and political commitment required to implement reforms. For this reason, utilising direct household contributions to finance the scale-up could prove vital to rapid progress. In recent years, the percentage of parents/caregivers paying full price for preschool education has been decreasing, but still sits at about 80.3%. Given that the status quo in Ljubuški is for parents/caregivers to pay attendance fees for their children, using household financing for ECEC is well-established. For parents/caregivers able to afford

these fees, the use of public funds to subsidise or exempt their costs should not be a priority.

Private contributions to ECEC services, however, should not be levied on poor or vulnerable households. Inclusive ECEC requires that all children have access to appropriate services, regardless of their household's ability to pay for them. For this reason, significant subsidies and/or fee exemptions should continue to be applied (and expanded) to households who are at risk of being unable to pay for those services for their children.⁵⁶ This will include children from low-income backgrounds, single-parent or unemployed parent backgrounds, rural areas, and those with disabilities. It will be important to ensure targeting mechanisms for exemptions and subsidies are effective and expansive, so as not to exclude vulnerable children. Key informant interviews for this research suggested that for parents/caregivers not enrolling their children in ECEC, the prime concern was financial. Using public resources, therefore, to carefully target children who otherwise would be excluded, will be an important part of any strategy relying, in part, on private contributions.

⁵⁵ Key informant interview.

⁵⁶ These kinds of financial supports are being considered in the new West Herzegovina Canton Law on Preschool Education.

TABLE 10: HOUSEHOLD CONTRIBUTIONS TO RECURRENT COSTS IN PUBLIC AND PRIVATE PRESCHOOLS, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.⁵⁷

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Average annual household contribution per child									
Public Facilities	995	980	1,035	1,065	1,054	1,038	1,015	987	955
Private Facilities	1 978	2,348	2,206	2,125	2,069	1,998	1,908	1,801	1,675
Proportion of total revenue per child from households									
Public Facilities	31%	30%	29%	27%	26%	24%	23%	21%	20%
Private Facilities	74%	76%	65%	57%	52%	47%	43%	38%	33%

Tables 9 and 10 report the projected private contributions to support the scale-up for capital and recurrent costs, respectively. Capital costs incurred by the private sector are expected to be covered by businesses (i.e., the private preschools themselves). Over the time horizon, the contributions of the city government to private capital costs are expected to increase (and reach 50% by 2030) in order to reduce the burden on private providers and create strong public-private partnerships. Other methods of supporting private providers to raise revenues will also be needed to make these contributions to capital costs. These might include low-cost loans or tax exemptions.

Recurrent costs incurred by the private sector are expected to be incurred by households (i.e., parents/caregivers of children enrolled). In this model, the proportion that households contribute to provision of services is expected to decrease in both public and private facilities. However, in absolute terms, whilst the contributions per

child from households will fall in the public sector, they will rise slightly in private facilities owing to an increase in overall costs. In public facilities, a target was set that, by 2030 household contributions would fall to 20% of total revenues. In private facilities, a target was set that, by 2030, the proportion of the revenue requirement (cost + profit) per child covered by the city government would increase to 50% (from an average of around 11% in base year, 2022). It should be noted that these estimates of household contributions are averages. Not all households should be expected to incur costs to enrol their children in ECEC. The model is built to exempt all households with CWD from paying contributions for ECEC (these costs are covered by the MoESCS) – in line with current arrangements. The city government, working with private and public providers, should then work to produce progressive payment plans for households, wherein poorer or more vulnerable households gain large subsidies or fee exemptions.⁵⁸

⁵⁷ Excludes all costs and contributions related to the provision of ECEC for CWD. These costs will be covered by MoESCS.

⁵⁸ These kinds of financing arrangements are being considered in the new West Herzegovina Canton Law on Preschool Education.

INVESTMENT PLAN

Significant additional investment will be required if the City of Ljubuški is to see enrolment in ECEC for children aged 3-6 years become universal by 2030. It will take combined investments, from the public and private sector, to achieve this goal. A comprehensive model has been put together to outline an investment plan in pursuit of these aims (Table 11). It places the revenue requirements of facilities in the public and private sector against financial contributions from different stakeholders in the ECEC ecosystem. Whilst the public sector is expected to be a dominant player in the mobilisation of resources, the private sector will be an important partner – both in financing and service provision. Over time, the proportion of funding from households and businesses is projected to fall, as the public sector is able to take on an increasing proportion of expenditure.

Careful planning and policy-making will be needed⁵⁹ to ensure that the financing of this scale-up is both achievable and equitable. Investment must put the provision of inclusive ECEC services at its core, targeting public financing at the communities and households who most need it. The cost model for this scale-up already accounts for the complete subsidisation of the costs of providing services for CwD. Further, it is highly recommended that facilities in both public and private centres put policies in place (or uphold existing policies) to heavily subsidise or exempt children from poorer or rural backgrounds, in order that household contributions do not become a financial barrier to their access. A practical way of achieving this may be the division of responsibilities and priorities between the public and private facilities. Public centres may pivot towards providing ECEC in communities which are under-served, allowing the higher public investment in these centres to best provide for those most in need of it. Priority on waiting lists would be given to children from poorer or vulnerable backgrounds, meaning that children from more advantaged households would move into the private sector facilities. A final note should be given to quality. This model has placed an emphasis on the need to not only scale up enrolment but also to continually improve quality. For this reason, teacher wages, pedagogical and administrative expenses, as well as spending on CwD are all expected to also increase (at a faster rate than inflation) across the period. It is important that corners are not cut in pursuit of this scale up if the true benefits of ECEC are to be realised.

⁵⁹ It should be noted that careful planning and quality controls would need to be put in place if this option were taken up, to avoid a negative reputation (or a view that public preschools are for poorer children only) developing.

TABLE 11: INVESTMENT PLAN: REVENUE REQUIREMENTS, CONTRIBUTIONS BY STAKEHOLDER TYPE, AND PROJECTED FUNDING GAP, 2022-2030. EXPRESSED IN BAM, ADJUSTED FOR INFLATION.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Total revenue requirements, annual										
Public Facilities	505,832	665,718	735,354	878,106	926,063	1,059,732	1,110,696	1,250,607	1,305,402	8,437,509
Private Facilities	717,293	932,225	1,076,990	1,182,837	1,371,536	1,529,455	1,694,823	1,869,311	2,008,764	12,383,234
All	1,223,125	1,597,943	1,812,344	2,060,943	2,297,599	2,589,186	2,805,519	3,119,917	3,314,166	20,820,743
Total contributions, annual⁶⁰										
MoESCS	224 280	186,705	239,306	332,306	344,671	403,628	414,656	474,514	485,087	3,105,700
City of Ljubuški	343 000	495,875	641,585	805,456	969,701	1,184,904	1,385,481	1,648,243	1,876,209	9,350,455
Cantonal Employment Offices	15 840	16,790	17,294	17,692	18,063	18,443	18,830	19,207	19,591	161,750
Businesses	11 250	47,545	46,396	12,250	42,801	40,677	38,277	35,637	10,664	285,496
Households	704 391	851,027	867,763	892,693	922,363	941,535	948,275	942,317	922,615	7,992,978
Funding gap, annual⁶¹										
MoESCS	0	-51,032	-5,563	82,351	88,910	142,495	148,301	202,832	207,971	816,267
City of Ljubuški	0	132,295	267,097	422,356	578,555	785,544	978,135	1,232,749	1,452,406	5,849,137
Cantonal Employment Offices	0	0	0	0	0	0	0	0	0	0
Businesses	0	47,545	46,396	12,250	42,801	40,677	38,277	35,637	10,664	285,496
Households	0	141,793	137,251	145,380	159,356	162,505	153,664	131,814	95,902	1,162,968

⁶⁰ Baseline data for the year 2022 has been collected during summer 2022 and refers to the 2021 budget reported on.

⁶¹ Calculated using projected costs in comparison to the projected spending if status quo is upheld (adjusted for inflation and economic growth).

OPERATIONAL FEASIBILITY

This section provides a supplementary analysis of the operational feasibility of this scale-up. It will take a high-level approach, looking at the five remaining building blocks of ECEC systems: leadership and governance, law and policy, workforce, service delivery, and information.

LEADERSHIP AND GOVERNANCE

Governance and leadership structures for ECEC in Ljubuški could be improved to facilitate a scale-up. ECEC is managed and financed at city level, rather than by West Herzegovina Canton. These governance arrangements are clearly outlined in the 1998 Law. However, a bottleneck emerges in relation to financing arrangements. In Ljubuški, laws from State and Canton level impact the ECEC sector; however, an entirely different public body (the City Administration) is responsible for financing the sector. Whilst this is the case in many instances in BiH, the ECEC sector stands out in the education sector as the city, rather than the Canton, is intended to be responsible for ECEC financing. This gives the City Administration, under the Mayor's Office, the mandate to govern, finance, and ensure adequate provision of ECEC.

Figure 13 outlines the governance structures for ECEC, including lines of responsibility and accountability. The City Administration is responsible for local policies, service provision, and financing, meaning it takes on a clear leadership role. The City Administration is also monitoring service provision, including tracking facilities, child enrolment, and responding to requests from public and private providers alike. However, the cantonal MoESCS also tracks this information and the data systems are of-

ten not linked between different levels of government and there is a lack of reliability between the data they hold. The MoESCS issues consent for the implemented pre-school programmes, prescribes the programmes for CwD and gifted children, ensures funding for inclusion of CwD, prescribes pedagogical standards and norms, prescribes conditions for teacher career advancements, and generally supervises the implementation of the legislative framework. The Ministry of Health, Labour and Social Welfare (MoHLSW) prescribes the ECEC programmes related to nutrition, healthcare, hygiene and welfare.

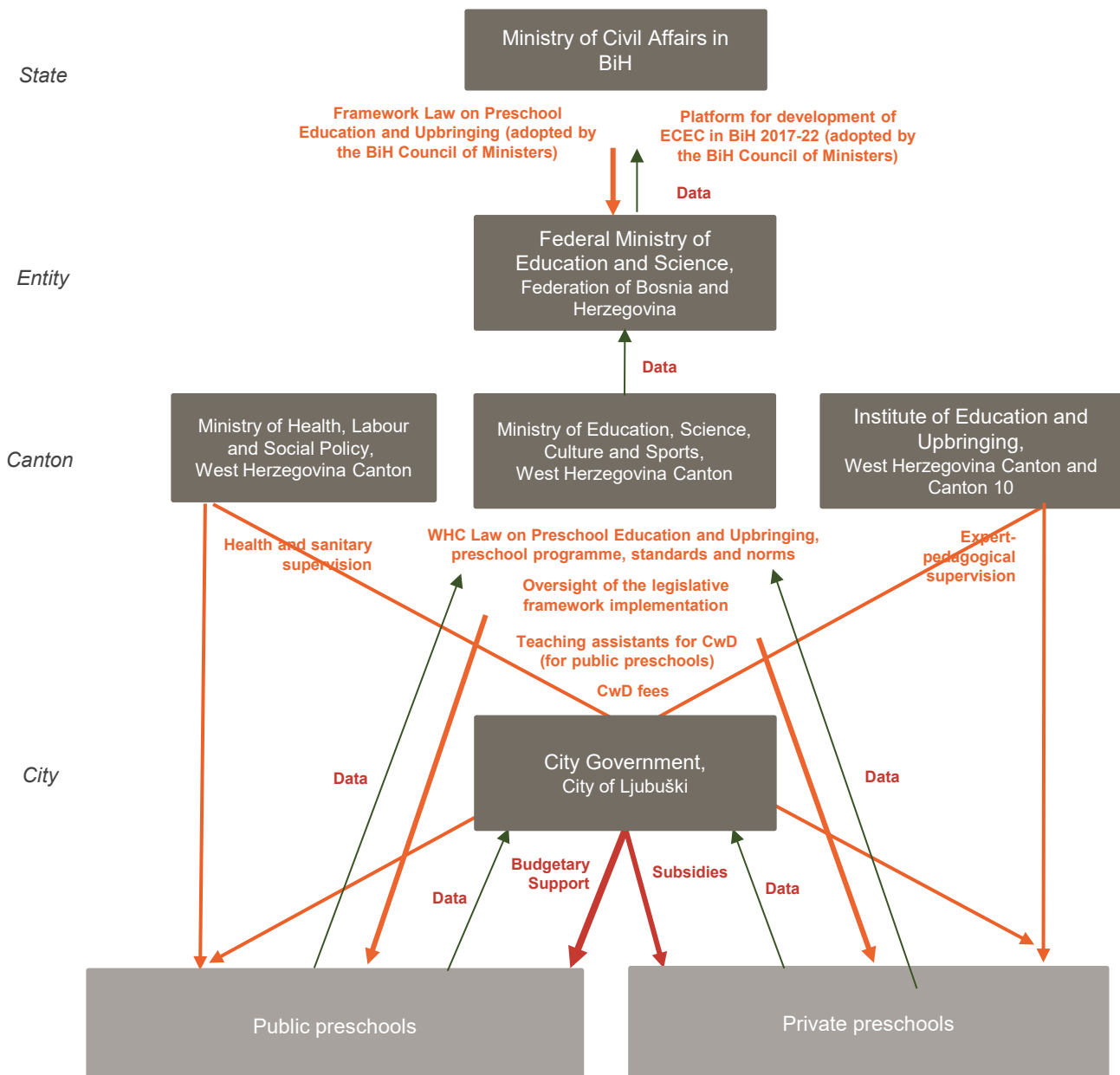
There are concerns over the quality of regulation and oversight of the ECEC sector. At present, private ECEC providers currently submit their documentation to the West Herzegovina Canton MoESCS; however, the responsibility of making a final decision on the approval of the opening of a private facility sits with the City Administration in Ljubuški. There is also a lack of consensus on where the responsibility for inspections and regulation of providers sits. According to the 1998 Law on Preschool Education, the expert-pedagogical supervision should be done by the West Herzegovina Canton Institute of Education, while health and sanitary supervision is under the responsibility of the MoHLSW. However, West Herzegovina Canton Institute of Education is a relatively young body and its competency is low, especially at pre-school levels.

If the new draft of the Law on Preschool Education is passed, significant changes will need to be made to ensure effective leadership and governance. The new legislation being considered within West Herzegovina Canton, the Law on Preschool Education, would see the

cantonal government take on the responsibility to ensure every child receives ECEC in the year prior to primary. This mandatory ECEC programme will be financed at cantonal level; however, any additional preschool services will remain with cities/municipalities. Current plans for how governance and leadership would adapt to this new legislative environment have not yet been determined and it is not clear how responsibility will be split between the Canton and the City government in Ljubuški. Given the small child population (3-6 years) within each munic-

pality/city of West Herzegovina Canton (total of 2178 in 2021), it might make sense from an efficiency perspective for the MoESCS to remap mandates and responsibilities, both as per decree and in reality, in order to ensure greater harmony between municipalities/cities in coverage and quality, as well as allowing for greater capacity for sectoral monitoring and governance. This also relates to the possibility of improving multi-sector financing, which namely refers to involvement of health and social welfare sectors in improving ECEC provision.

FIGURE 13: LEADERSHIP AND GOVERNANCE OF PRESCHOOL SECTOR IN LJUBUŠKI



LAW AND POLICY

Over the past fifteen years, progress has been made towards a conducive policy environment for the ECEC ecosystem. Ljubuški's ECEC sector is influenced by legislation at all four administrative levels: State, Entity, Canton, and city. Legislation of particular importance are laid out in Table 12. Framework laws, such as the *Framework Law on Preschool Education and Upbringing (2007)*, are intended to develop an enabling environment for positive early childhood development, with ministries at all levels obliged to harmonise or replace existing laws in relation to preschools.

TABLE 12: LEGISLATION RELATED TO ECEC

Legislation	Level	Year	Significance
Law on Preschool Education	West Herzegovina Canton	1998	Remains the current legislation for the organisation of preschool education in West Herzegovina including providing criteria for educational group sizes, number of educators and other professions, and criteria for financing preschool programmes.
Framework Law on Preschool Education and Upbringing	BiH	2007	Recognises the integral role of preschool as an agent of upbringing and education and provides principals and norms for the provision of preschool. Article 16 makes it mandatory for children to be enrolled in preschool in the year before enrolment to primary school. Financing, duration, and programme to be determined by competent education authorities.
Common Core of the Integral Developmental Programmes for Preschool Education	BiH	2016	Developed by the Agency for Preschool, Primary and Secondary Education. Aimed at creating conditions to promote personal, emotional, social and educational well-being for each child in BiH.
Platform for the Development of Preschool Education in BiH	BiH	2017	State-level strategy-type document to develop preschool education across BiH. Adopted by the Council of Ministers in 2017 and is harmonised with current EU and UN trends and standards in ECEC.
Strategic Plan for Improving Early Growth and Development of Children in the Federation of Bosnia and Herzegovina, 2019-2023	FBiH	2018	Implemented by the FBiH Ministry of Education and Science (in collaboration with partner ministries) Applied multi-sectoral approach to creating nurturing care environment for young children
Law on Preschool Education and Upbringing	West Herzegovina Canton	2023 (forth.)	Harmonisation of West Herzegovina Canton's legislation with the 2007 Framework Law. Makes it mandatory for children to be enrolled in preschool in the year before enrolment to primary school.

However, implementation of ECEC policy and law has been inconsistent. Harmonisation of legislation and provision of services is made difficult by the layered administrative and decision-making structure. Harmonisation of the existing laws to the *Framework Law on Preschool Education and Upbringing* has been divergent across the cantons in the FBiH. Eight cantons have passed laws making pre-primary education in the year before primary mandatory; however, even then there is disparity in the format and length of these programmes. Two cantons have not passed legislation to harmonise with the 2007 Framework Law. This is the case in West Herzegovina Canton, where pre-primary education is not mandatory in the year prior to school entry. Further, most education administrative areas have not harmonized their strategic approaches with BiH's Platform for the Development of Preschool Education and Care 2017-2022.

A new draft Law on Preschool Education in West Herzegovina Canton is expected to be passed in 2023, which will update the existing 1998 Law. Having been on the table for the past five years, this would see the Canton align with the Framework Law of 2007 and make attendance at education in the year before primary mandatory. At this stage, the details of implementation of this law are ill-defined. Under this law, the MoESCS would take responsibility for this mandatory programme whilst leaving financing of the rest of the preschool sector to municipal/city governments. However, the timing, length, format, location, staffing, and financing of this mandatory programme have not been defined yet. This casts significant doubts over the ability of the MoESCS to implement the policy, if it is passed, in the 2023/2024 pedagogical year. Further, without greater detail on the content of the law, it is difficult to judge the impact it will have on the coverage of quality ECEC services in Ljubuški.

Even with this law in place more could be done to strengthen the legal enabling environment for ECEC. The following improvements to existing laws and frameworks are suggested:

- **Define the parameters of preparatory ECEC programmes:** this includes details such as the requisite length, timing, format, financing, curriculum, and standards for these programmes.
- **Expand the coverage of the preparatory ECEC programme and increase coverage for children aged**

5-6 years: there should also be longer-term aims to improve coverage of programmes and progressively cover all children of ECEC age.

- **Improve multi-sectoral approach to policy making and design:** approach ECEC policy design from a holistic, Nurturing Care Framework perspective which embeds prescriptions to also promote health, nutrition, safety and security, and responsive caregiving for young children.
- **Undertake strategic planning processes to move from policy to implementation:** enhance law and policy by committing to strategic planning in issues including workforce and infrastructural planning, costing and budgeting, curriculum development, and monitoring and evaluation frameworks.

HUMAN RESOURCES

Under the scale-up scenario modelled, additional 37 ECEC teachers will be required by 2030. At present, there are 39 teachers working in preschools in the city, of which 16 work in the public facility.⁶² Based on existing legislation, which prescribes the number of staff and children per educational group (by age), calculations were run to estimate the human resources gap.⁶³ Table 13 shows that, as the number of children enrolled increases each year from 2022 to 2030, the size of the requisite workforce of teachers will commensurately increase.

Challenges in meeting this need for additional ECEC teachers may arise. Stakeholders stated that there was some capacity in the labour market for ECEC teachers, with a number of qualified candidates listed with the local employment bureau. However, when compared against the size of additional needs if services are scaled up (either to meet demand, as many preschools already have substantial waiting lists, or to get in line with this modelled scenarios), a labour market gap may emerge. This may be particularly profound in more rural or peripheral parts of the city, where prospective teachers may be less acquainted or incentivised to take up job opportunities. Further, the qualifications needed to become an ECEC teacher are fairly high (4+1-year model) and take a considerable amount of time to achieve. Increasing the capacity and flexibility of the education workforce is vital.

⁶² It should be noted that the workforce in ECEC institutions consists of both teachers, who work directly with children, and other staff including administrators, cooks, and those who work with the youngest children in the nursery. This section focuses primarily on the human resource requirements amongst ECEC teachers specifically.

⁶³ For ECEC children (3-6 years), 2 teachers are required per group. Each group consists of 25-27 students.

TABLE 13: PROJECTED ECEC HUMAN RESOURCE NEEDS, 2022-2032

		2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Public	Number of ECEC teachers required	16	17	18	19	20	21	22	23	24	
	Recruitment need	0	2	2	2	2	2	2	2	2	15
Private	Number of ECEC teachers required	23	24	26	27	29	30	32	33	35	
	Recruitment need	0	3	3	3	3	3	3	3	3	22

Putting together concrete strategies to incentivise and manage an expansion in the workforce of ECEC teachers will be required to achieve this scale-up. A number of potential activities could be included.

1. Better promotion of employment opportunities in ECEC (especially to young people);
2. Financial and/or technical support to prospective ECEC teachers (such as through subsidised training programmes or financial support for students undergoing qualification);
3. Providing opportunities for teachers at other levels, including at primary school, to refocus towards younger age groups. Given the changing demographic structure, fewer children are expected to enter the formal education system in coming years meaning that there will be excess capacity amongst existing teaching staff. Promoting retraining into ECEC may be a good way to ensure flexibility in the labour market and prevent unemployment.

The success of these strategies, however, is dependent on recalibrating public perception on the value of ECEC teachers, as well as setting up a compensation structure which incentivises entrants to join, and be retained, in an ECEC teaching career. Currently, the working conditions for staff in preschools are a pressing concern. The sector is seen to be poorly organised and the average yearly salary for a preschool teacher is just 13,116 BAM, around 9% lower than the average yearly gross salary in Ljubuški. Stakeholders noted that salaries, benefits and rights for preschool teachers are inferior to those in primary education, despite the roles having similar qualification requirements. This has led to teachers at ECEC level, especially

within the private sector, noting that they feel a lack of respect or security in their position. ECEC teachers play a pivotal role in shaping the quality of services for children, making it vital that they feel appreciated and respected. Further, without an improvement in working conditions, including organisational structures and salaries, it is likely that prospective staff members will be disincentivised from joining the sector. For this reason, the costs of scaling-up ECEC services in this study were drawn from primary school teachers' salaries, rather than the current salaries of ECEC teachers, to advocate for this improvement in working conditions.

SERVICE DELIVERY

Infrastructure

Ljubuški's preschool institutions do not have the physical infrastructure to support the scale-up modelled. Most institutions have a waiting list as a result of this limited capacity. This is a particular concern for the public preschool institution where, since the significant price drop in 2021, a waiting list of 55 children accumulated (although this has fluctuated and been reduced). To meet the demand on the waiting list alone, the public facility would need to continue to increase its capacity by over one-third. Further, facilities are already experiencing over-crowding which has a detrimental impact on the quality and safety of service provision.

Solutions are available to expand infrastructural capacity, including acquiring additional premises or repurposing other public spaces. The public institution has already undergone expansion in recent years with support from the Mayor's Office. To supplement the facility in the city

TABLE 14: ADDITIONAL CLASSROOM REQUIREMENTS, PUBLIC AND PRIVATE SECTOR, 2022-2030.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Public										
No. of classrooms	8	9	9	10	10	11	11	12	12	
New classrooms	0	1	0	1	0	1	0	1	0	4
Private										
No. of classrooms	11	12	13	13	14	15	16	17	17	
New classrooms	0	1	1	0	1	1	1	1	0	6

centre (whose capacity was also increased), which had a capacity of 110 children, additional premises in Vitina were established. Located in a peripheral village, the new premises sit within a school and offer services to 70 children. In the Vitina case, the public institution received 40,000 BAM to reconstruct three existing rooms in a school. This expansion technique is promising. Capacity in schools is likely to increase in coming years, as the number of children decreases with demographic trends. For rural or peripheral areas, where the number of young children requiring services may be insufficient to warrant acquiring specific premises, adapting existing public educational spaces for preschools may be the best option for expansion. In urban areas, such as Ljubuški city itself, the public preschool has identified empty premises that could be used and are hoping to attract financing to equip them. It should be noted that the costs of renovation or acquisition are likely to be higher than in the Vitina case, owing to recent inflation.

Additional solutions are needed to support scale-up in the private sector. The solutions mentioned above pertain mainly to public providers. In the private sector, prospects for investing in additional premises may be substantially lower, given risk, as well as requirements for capital or a

willing investor. Many stakeholders in the private sector noted these concerns, stating that whilst they would be interested in expanding their capacity, they are unable to do so for financial reasons. The government (whether at Entity, Canton, or city level) must, therefore, consider measures to support infrastructural expansion in the private sector. Globally, there are now rich examples of public-private partnership models being used to support the private sector's expansion in education to meet demand. Such examples should be examined and adapted to suit the local context. Actions might include providing grants or low-interest loans to private providers in order to support the purchase or renovation of additional premises, subsidies on their rent, Build-Operate-Transfer models⁶⁴, or even giving tax-exempt status to private preschools.

Curriculum and Learning Materials

Clear legal standards guide the provision of ECEC; however, improvements are needed to ensure that pedagogical standards are upheld. Greater development of the curriculum, and standardisation between providers, was noted by both government stakeholders and providers. Curricula were seen to be outdated and teaching methods not in line with best practice, including in how to use digital

⁶⁴ Build-Operate-Transfer models are sometimes used to finance large projects, typically infrastructural (in this case, preschool classrooms), developed through public-private partnerships. A Build-Operate-Transfer scheme refers to the initial concession by a public entity, such as a local government, to a private firm to both build and operate the project. After a set time frame, typically two or three decades, control of the project is returned to the public entity.

technologies to enhance learning or to prevent teacher-centric techniques. Further, where quality standards are in place, they are often not being applied. Whilst the levels of care and nurture within the ECEC sector are notable, often the environment is not conducive to structured learning through active engagement and collaborative engagement of learners. Even in high-cost private ECEC preschools, there are challenges in moving away from simple drawing activities to directional activities which are targeted towards specific learning and developmental outcomes. Further, many preschools were found to have insufficient resources and materials to provide satisfactory education for CwD. Significant financial resources are, therefore, needed to ensure that all preschools are equipped with the practical learning resources they need, high quality, engaging curricula, as well as staff trained in their use.

Should the mandatory ECEC programme be brought in, the development of the curriculum must be a priority activity.

It will be important to note that the 150-hour programmes, that are being rolled out in other parts of the FBiH, are insufficient to provide adequate, high-quality ECEC services. These 150-hour programmes have been implemented in response to the state-wide imperative to make ECEC mandatory in the year before primary school. However, strong research about the long-term impact of these programmes has not been developed and providers note that these programmes are not long enough to provide a comprehensive ECEC curriculum.

Demand

Parental and caregiver demand for ECEC has been increasing in Ljubuški, a promising sign for service provision scale-up. Demand is already outstripping supply, in both public and private facilities, with waiting lists persisting in spite of recent expansion efforts. Interviews with service providers and some government officials indicated that efforts to increase young children's attendance at preschools were unlikely to be resisted by the population and, in some cases, would be positively received.

Demand-raising activities should still be implemented, especially targeting rural populations amongst those less likely to enrol their children in ECEC. Research sug-

gests that whilst attitudes are slowly changing, there is sometimes a stigma associated with sending children to preschools. ECEC is sometimes represented as a form of child care, rather than education, and seen to be excusing parents or caregivers, especially mothers, from their responsibilities. Further, pressures on certain groups, such as those living in rural areas, are making it harder to improve attendance. Children from households in more remote locations, or living in households with low-incomes, or with unemployed caregivers, are less likely to attend preschool. This is a real concern which must be addressed as it is leading to an entrenchment of inequalities, with richer, urban children more likely to experience the educational perks of attending ECEC. Stakeholders suggested that local surveys on the attitudes of parents and caregivers to ECEC would be needed in order to design demand-raising activities. Such activities might include slowly rolling out mandatory ECEC to allow for an acclimatisation period, subsidising or providing transport for children, especially in rural areas, to attend ECEC, financial subsidies or fee exemptions, as well as socio-behavioural campaigns.

INFORMATION

Information systems should be improved to facilitate a scale-up in the coverage of ECEC services. Data which are essential for planning and policy-making are difficult to find and often inconsistent between sources. West Herzegovina Canton has not harmonised its approach to data collection with the City of Ljubuški, which further compounds these problems.

Data must be routinely and reliably collected. This information is important to support strategic planning and costing process, monitoring and evaluation, equity analysis, as well as supporting advocacy for increasing support. At present, how data are collected, managed, and disseminated makes analysis of the sector a challenge. Further, owing to the complexity of budgeting process, it is exceptionally difficult to get a sense of the proportional expenditure on ECEC across the country and then within each city/municipality. This is a barrier to ensuring governments are held to account for providing adequate resources for the provision of essential services.

POLITICAL FEASIBILITY

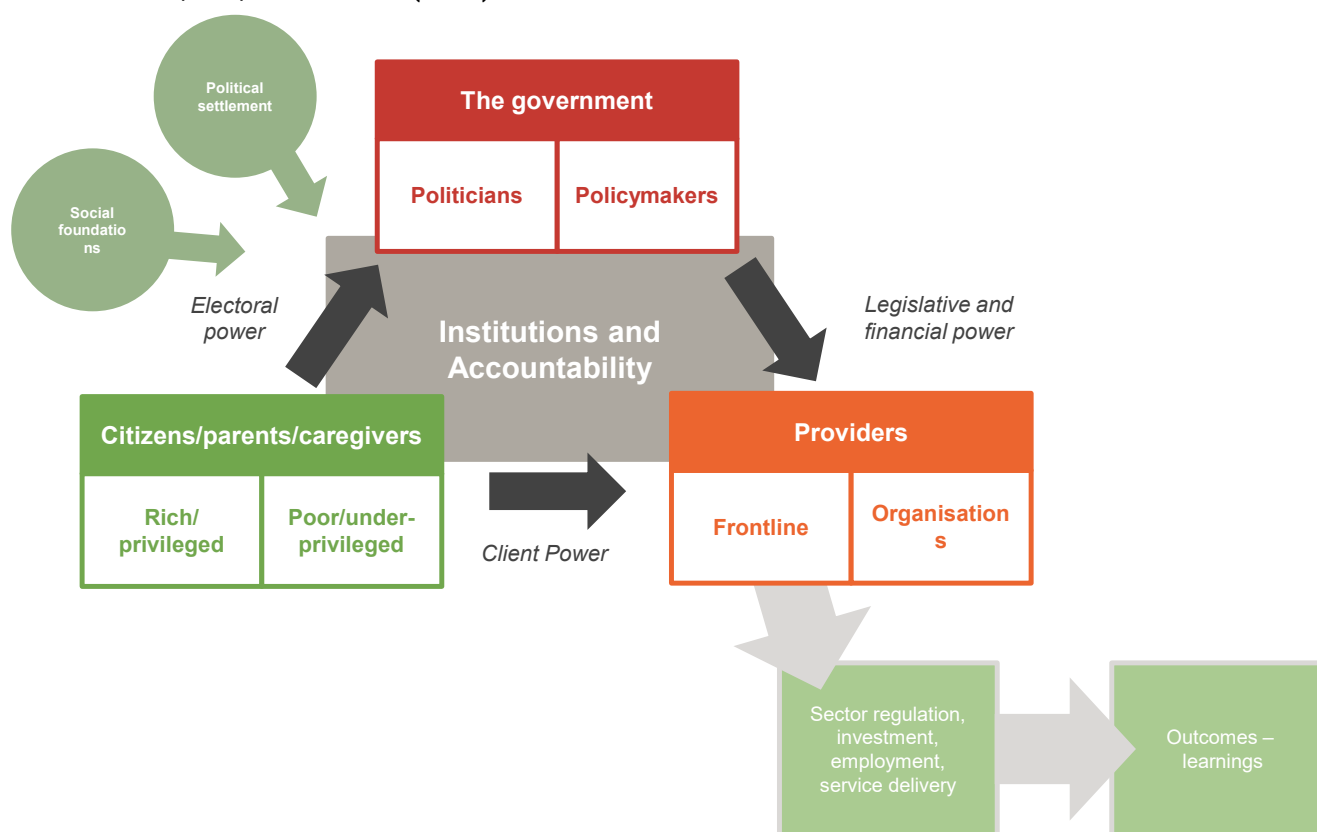
CITIZENS, PARENTS, AND CAREGIVERS

Service delivery reform is never an entirely technical process, making it essential to embed considerations of political feasibility. Given the political and institutional context, this is especially important in the FBiH. This section will briefly look at the political feasibility of this scale-up, providing a snapshot of the situation as of July 2022. However, if a scale-up of ECEC is undertaken, it will be essential to undertake political economy analysis at every point of implementation, considering that micro-politics, which so often provide opportunities or pose emergent threats, are liable to change rapidly. The framework outlined in Figure 14 forms the basis of this analysis. Referenced in a note produced by the RISE Programme, this framework (slightly adapted) conceptualizes the political economy of education systems and identifies three groups of stakeholders: citizens/parents/caregivers, providers, and the government. These actors are all inter-related and exert power over one another, they also operate within a wider political context which is influenced by institutions, as well as the political settlement and social foundations. This framework has been used to think through the political feasibility of ECEC scale-up in Ljubuški, and the following sections will be structured around these three groups of stakeholders.

Public support for expanding preschool services can be politically popular, if properly framed and implemented. Major service delivery reform is rarely high up on the political priority list, owing to a perceived lack of public interest. However, Ljubuški's current Mayor has gained political popularity through his 'pro-family' approach, which has included public investment to both public and private facilities. This support has been met with increasing demand for services, with providers in both public and private settings reporting waiting lists and demand outstripping current supply. This indicates that increasing public investment in preschools is likely to be well received, especially by parents or caregivers who benefit both from the educational impact on their child, as well as the child care support which allows them to return to work or other activities. Such efforts have been popular in other parts of the FBiH, too. In Sarajevo Canton, for example, the government's policy to incentivise families to enrol their child in ECEC has worked very well and been politically popular.

Parental and caregiver buy-in will need to be carefully managed and negotiated. Informants noted that demand for ECEC services is mixed amongst different groups of

FIGURE 14: POLITICAL ECONOMY FRAMEWORK FOR EARLY CHILDHOOD EDUCATION – ADAPTED FROM HENSTRIDGE, LEE, AND SALAM (2019) 'THICKER POLICY DIAGNOSTICS'.⁶⁵



parents and caregivers, with some not recognising the educational impact and long-term benefits for their child. Instead, factors such as the financial cost (both direct and indirect), time lost to transporting their child, as well as socio-cultural beliefs that young children should be cared for by their parents and not be subjected to formal education, are expected to hinder scale-ups. This potential resistance amongst parents and caregivers might be more likely in rural or peripheral regions, as well as amongst lower-income households, within the city. Parents and caregivers are important stakeholders to scale-up efforts and, therefore, interventions must be designed to respond to these challenges. Demand-raising activities, as explored in *Section 4.4.3*, might include socio-behavioural sensitisation and education campaigns targeting parents/caregivers on the importance of ECEC, providing subsidies or fee exemptions (potentially targeted at poorer or rural households), as well as organising transportation for children in peripheral regions. Given the current cost of living crisis, these financial supports are likely to be particularly

important to parent/caregiver buy-in. Further, policies must be framed and communicated to appease concerns, carefully designed to present the opportunities presented by enrolling children in ECEC rather than it being seen to be mandatorily imposed from above.

Resistance is more likely to emerge against efforts to finance this intervention. Whilst we expect that the scale-up of ECEC services has the potential to be politically popular with Ljubuški's residents, finding sources of public finances to fund it is likely to be more unpopular. This is an especial concern given the ageing population in FBiH – with older people more likely to be rooted in traditional values and views of the family, as well as not having pressing ECEC concerns. As suggested in the analysis of budgetary room in *Section 3.4.1*, the most promising options for finding additional public resources for this intervention relate to increasing taxation, reprioritising expenditure from other areas, or from restructuring fiscal transfer arrangements between higher administrative

⁶⁵ A. Gershberg (2021). 'Political Economy Research to Improve Systems of Education: Guiding Principles for the RISE Programmes's Political Economy Team (Adoption) Research Projects', RISE: Insight Note, available online at <<https://riseprogramme.org/publications/political-economy-research-improve-systems-education-guiding-principles-rise>>.

PROVIDERS

units (Canton, Entity) and the city. All of these actions will result in 'winners' and 'losers' which has the potential to stimulate significant political resistance and, depending on the relative power of these groups, may impede reform processes. In particular, if designed in a progressive way, these changes to budgetary room are likely to lead to greater pressure on richer and more privileged groups. Under new policies, they would be liable to pay greater taxes, benefit less from public expenditure on other areas (such as roads or infrastructure), or see funds from their relatively wealthier region be reallocated towards poorer regions (either within the Canton or Entity). Successfully financing these interventions, therefore, will depend on the bargain between the rich and the poor and their receptiveness to cross-subsidisation and reform in Ljubuški, West Herzegovina Canton, as well as at Entity level.

The intervention must be framed as an investment into future growth and a greater public fiscus in the future.

Investments in ECEC should also be advocated for as part of the solution to brain drain – giving parents/caregivers more incentive to build a life in Ljubuški, as well as ensuring their children develop to their full potential. Further, offering universalised policies, where all groups can benefit, often helps to improve take-up and acceptance of social sector financing policy reform. In this way, both richer and poorer groups perceive the benefits they are receiving as individuals and are thus less acutely aware of the ways that financial resources are being redistributed. Current financial support for preschools in Ljubuški is already structured in this way, with public funds being used to provide subsidies to providers with no prescriptions on which children should be targeted with these benefits. At present, this is actually benefitting children from richer and more privileged households, who are more likely to be enrolled in ECEC. Scaling up current policies to achieve universal coverage would redress the current inequity in resource distribution and access, whilst also minimising public resistance. Additionally, the arguments around the resource allocation towards ECEC require additional advocacy with political and agenda-setting influencers and decision makers. If not presented, promoted and communicated strategically, this argument can be downplayed or short-lived within the political discourse and in the public perception.

Providers would be in support of a scale-up of ECEC coverage, if adequate financial and operational inputs are well-planned and made available. Research in Ljubuški, in both public and private facilities, suggests that providers would be keen to scale-up their current operations and provide for more children. Many noted pressures on their facilities owing to waiting lists and overcrowding, and demonstrated their frustration at being unable to provide for more of the city's children, especially the more vulnerable. ECEC staff stressed the importance of pre-primary education on long-term child outcomes and were highly supportive of government measures to improve access, including the recent policies brought in by Ljubuški's mayor.

Provider support is contingent on careful planning and implementation support across the sector. Across both private and public providers, under-resourcing (including under-payment of staff) is already an important concern. Increasing pressure on these facilities, for example by bringing in a mandatory year of pre-primary education, is likely to be met with resistance without additional financial and operational inputs (such as increased staffing, improvements to infrastructure, or pedagogical standards/curricula) being made available. Further, in the private sector, resentment about the uneven support offered by the city government is already being felt. The disproportionate financial resources made available to the public preschools has made the business model of private providers increasingly untenable. Without redressing this situation, private providers may be less likely to buy-in to public-private partnerships in pursuit of the scale-up. For such providers, it may be a less risky and stressful option to not significantly expand their capacities, matching their willingness to expand with the size of public subsidies.

THE STATE

The City Administration is currently strongly supportive of scaling-up preschool provision. The current Mayor is seen to be 'pro-family' and has proven willingness to invest significantly in pre-primary education. Under his tenure, new policies to subsidise preschool fees for parents, in both public and private facilities, have been brought in. Financial support to preschools now equates to 2.55% of the total city budget, indicating its strong prioritization. It should be noted, however, that governments at all levels in BiH are now facing a fiscal crunch associated with the COVID-19 pandemic and the Ukraine crisis. Whilst the City Administration may be interested in improving support to preschools and expanding ECEC coverage, their limited fiscal space may inhibit support or even lead to reprioritization of budgets.

The outlook for ECEC at higher administrative levels is less promising. Whilst the current climate in the city is conducive to this intervention, stakeholder attitudes towards scaling-up ECEC services varies across administrative levels. The political outlook of scaling up ECEC from above, such as from West Herzegovina Canton or the FBiH level, appears weak. The current new draft law on ECEC is a clear demonstration of this. The new draft Law on Preschool Education and Upbringing will harmonise legislation in West Herzegovina Canton with the *Framework Law on Preschool Education and Upbringing*; however, there has been significant delay in achieving this (as the *Framework Law* has been in place since 2007). There are also challenges in channelling reform at the FBiH level. Given the extent of decentralization, the FBiH Ministry of Education and Science has limited decision-making and implementation power. A final political challenge at all levels within BiH is coordination, especially where established lines of communication have not been made or where stakeholders belong to different political parties.

Huge political opportunities to promote ECEC are, however, on the horizon. Exogenous processes have the potential to support the enabling environment for scale-up. The European Union's Delegation funding, which has begun to come through, is of prime importance. With the main recommendation coming out of the PISA 2018 report on education in BiH to increase ECEC enrolment, it is likely that pre-school will be a dominant focus of such efforts (however, this is dependent on sufficient political will to make reforms). Further, in recent years ECEC has become an increasing focus for development partners and governments alike, as research emerges supporting the long-term returns of increasing coverage. Over the mid- to long-term, such trends are likely to influence local political dynamics and positively reinforce momentum towards scaling up ECEC.

CONCLUSIONS AND RECOMMENDATIONS

The early years of a child's life are foundational, making ECEC a critical area for investment in the FBiH. Access to quality early childhood education services affects the cognitive, physical, and socio-economic development of each child, making it amongst the most important human capital development investments available. Expanding access to, and coverage of, high quality ECEC programmes thus stands to provide dualistic benefits. A strong moral and social justice argument exists to support these investments. Providing universal access to early learning services promotes opportunities for disadvantaged children, and prevents inter-generational cycles of poverty and inequity from being perpetuated.⁶⁶ On the other hand, evidence shows that there is great long-term economic value of investing in early learning – ECEC programmes have been associated with the development of larger, more capable workforces, through their impact on educational attainment, productivity, and lifelong earnings.⁶⁷ In FBiH, estimates suggest that the benefits of scaling up ECEC could be almost seven times higher than the costs over the next thirty years.⁶⁸ Capitalising on these opportunities, therefore, should be a key priority of stakeholders across the FBiH, including in the City of Ljubuški.

Realising this potential will rest upon the development of a strong ECEC ecosystem. This study has assessed the feasibility of scaling up ECEC services for children aged 3–6 years in the FBiH, using the City of Ljubuški, in West Herzegovina Canton, as a case study. The ultimate conclusion of this report is that significant changes are required to rapidly make ECEC services universal in the city. These changes are complex and often inter-related, spanning considerations around the financial, operational, and political feasibility. A few headline statistics are illustrative in summarising the broad nature of these challenges:

- A significant **funding gap** will emerge from 2023 and continue to grow. If current expenditure on ECEC is held constant (only adjusted for inflation and economic growth), when compared to the estimated costs of scale up to universal levels by 2030:
 - In **2023**, there will be a funding gap of **270,000 BAM**
 - By **2030**, this funding gap will grow to the amount of over **1.7 million BAM**



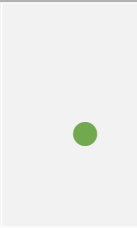


⁶⁶ J. Heckman (2011). 'The Economics of Inequality: The value of early childhood education', *American Educator*, (Spring 2011), pp. 31-47.










⁶⁷ A. Reynolds and J. Temple (2019). 'Economic returns of investments in preschool education', in *A Vision for Universal Preschool Education*, eds. E. Zigler, W. Gilliam and S. Jones, (Cambridge University Press: New York, USA), pp. 37-68.

⁶⁸ UNICEF (2023). *Investment Case for Early Childhood Development in the Federation of Bosnia and Herzegovina* (UNICEF Bosnia and Herzegovina: Sarajevo, Bosnia and Herzegovina).

- **Fiscal space** to meet these funding demands is **limited**. There are growing constraints on budgetary room as a result of the COVID-19 pandemic, the Ukraine crisis, and subsequent inflation. However, under this model:
 - The **City Administration** would spend **over 9 million BAM** on ECEC over the next eight years – by 2030, expenditure will be five-times larger than current expenditure.
 - **West Herzegovina Canton MoESCS** would spend **3 million BAM** over the same period – by 2030, annual expenditure would have doubled.
 - **Strategic planning** processes are **weak**. Policies, including the new draft Law on Preschool Education at West Herzegovina Canton level, are implemented without sufficient **planning** or **costing** processes. Monitoring as well as midline and end-line evaluations are also not being routinely undertaken, meaning that comparisons between the effectiveness or cost-effectiveness of initiatives, including between similar cantons, is not possible.
 - **Political will** is **inconsistent**. Stakeholders at different administrative levels show **differing commitment** to **ECEC reform**, and the value of structured early learning programmes, inhibiting progress towards the passage of legislation and the financing of ECEC interventions. Further, political will does not guarantee sufficient funding for ECEC as budget allocations are regularly based on arcane formula, or incrementally changed from the previous year with little attention to changing needs.
 - **Quality oversight** and **regulation** of ECEC service provision could be strengthened. This includes inspections, evaluations and assessments of standards in preschools). The benefits of ECEC will only be felt if high-quality services are provided; however, there is confusion around the roles and responsibilities of different state actors in regulating service providers. This is a particular concern in private facilities, especially as it is estimated that...
 - By **2030, 414** of Ljubuški's children would be enrolled in private preschools **in which the regulation of quality is weak**.
 - Current levels of **human resources** will be **insufficient** to provide high-quality services for all children. Well-trained and skilled ECEC teachers underpin quality programmes; however, the sector is under-resourced to meet expanding requirements...
 - By **2030**, additional **37 teachers** will be required
 - **Infrastructure** is **not ready** to absorb the number of additional children who need to be enrolled. If current ratios of children to classroom are held constant...
 - **One additional classroom** will need to be **built each year** between now and 2030
 - **Data and information management systems** are **inefficient** and **unreliable**. Multiple actors from different administrative units are involved in data collection, management and dissemination leading to duplication and misalignment between sources. Data are **not routinely collected** relating to the **demographic characteristics** of children enrolled in preschool, limiting planning and decision-making.
- Promisingly, exciting opportunities to push forward the ECEC agenda in Ljubuški have recently emerged.** The political current seems to have turned in support of ECEC across West Herzegovina Canton, heralded by the draft Law on Preschool Education. This piece of legislation will make preschool mandatory in the year before primary school, providing a window of opportunity for advocates of ECEC to maximise the impact of this intervention and ensure full implementation of the law. Within Ljubuški, progress towards universalising access to ECEC has also been promising. A pro-family City Administration has extended support across the ecosystem, providing subsidies benefitting children in public and private preschools alike.
- Taking advantage of these positive developments for ECEC sector reform is vital.** A set of recommendations have been put together to guide stakeholders (Table 15). They are categorised disaggregated to provide an indication of the likely time horizon of successful reform or action, and the most important stakeholders in implementing each recommendation has been highlighted.

TABLE 15: RECOMMENDATIONS

Recommendations	Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society	
Financing								
<p>Adopt a ECEC Financing Strategy</p>	<p>This analysis contains insights into the nature of costs associated with preschool coverage scale-up, and include a variety of assumptions. Work closely with such estimates of costing and financing requirements to understand these assumptions, and, where relevant, to adapt them. Once validated, these cost and financial estimates can feed into the Implementation Plan and turn into a Financing Strategy at city level.</p>							
<p>Increase productive public spending on ECEC exploring:</p>	<p>Reforming the tax system Tax policies should be reformed towards a personal income tax-based system. If income and profit tax rates were higher, and set progressively according to income, a significant increase in revenues (and the equity with which they are raised) could be achieved.</p>							<p>This is an activity beyond the scope of the stakeholders outlined; however, all stakeholders can call on relevant government leaders and ministers to engage in this reform.</p>
	<p>Redesigning fiscal transfer arrangements Modifying the system for allocating public finances from Entity level to municipality/city level to align better with population size and need. This would mean larger municipalities/cities, or those with higher levels of vulnerability or need, would receive larger fiscal transfers</p>							<p>This is an activity beyond the scope of the stakeholders outlined; however, all stakeholders can call on relevant government leaders and ministers to engage in this reform.</p>

Recommendations	Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
<p>Reprioritisation of budgets City, cantonal and federal level budgets could increasingly prioritise and earmark budgets for ECEC. This prioritisation may require budget cuts in other areas; however, the City of Ljubuški currently only spends 2.5% of its total budget on preschools. If the city were to increase this allocation, it would be possible to plug the financing gap for ECEC. Other government stakeholders should also be approached to support financing for ECEC. This includes the FBiH Ministry of Education who could consider increasing grant allocations to ECEC, as well as other sectors (such as health and social welfare) which could be encouraged to co-finance ECEC initiatives (owing to the impact of ECEC on their strategic goals). Ensuring that financing and delivery channels are clear in this decentralised context, and that they are well communicated to all stakeholders, will be important to ensure efficiency and adequacy in spending on ECEC. Across the FBiH, 10% of education budgets should be spent on ECEC – in line with international benchmarks.</p>							
<p>Increase efficiency of spending Undertake research into the current efficiency of public spending on education, including at pre-primary level to identify potential areas for efficiency savings. This might include, for example, reprioritising existing resources, such as primary school teachers, to pre-primary level to make efficient use of trained staff.</p>							
<p>Mobilising external finance Additional sources of public financing could be used to finance this scale-up in the form of debt or ODA. These are less sustainable forms of financing and should only be drawn on as a last resort.</p>							

Recommendations		Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
Lower the household contribution for ECEC, particularly for vulnerable groups	Private contributions should continue to be utilised a mechanism for financing ECEC; however, government stakeholders should look to proportionately increase their spending on ECEC services for children aged 3-6 years by reprioritising their budgets, finding additional budgetary room (such as through tax reform), or making efficiency savings. Household contributions should be eliminated for the poorest and most vulnerable children. Programmes targeting support at these groups (such as full fee exemptions) should be piloted (including in the private institutions). This will include children from low-income backgrounds, single-parent or unemployed parent backgrounds, rural areas, (and continue to include those with disabilities). It will be important to ensure targeting mechanisms for exemptions and subsidies are effective and expansive, so as not to exclude vulnerable children.		●	●	●			
Target additional public financing at vulnerable groups	To achieve equity in ECEC financing, some groups of vulnerable children, such as CwD or children from low-income backgrounds, will require additional public resources. Such children might face additional difficulties in accessing care owing to a lack of education and training for staff, as well as private providers receiving insufficient support from the government to provide adequate quality of inclusion. The new draft Law on Preschool Education will make ECEC mandatory in the year before primary school, making it necessary to redress the imbalance in enrolment between poorer/richer, rural/urban children but more must be done. Public resources should be used to stimulate demand and supply for vulnerable groups. This might include providing full fee subsidies for children from vulnerable households, making transportation arrangements for children in rural or isolated areas, or rolling out targeted information campaigns. Preschools should also be incentivised to improve the quality of inclusion for vulnerable children, including through continuing receiving subsidies for support (in the case of CwD). Current additional financial support for CwD (provided by the MoESCS) should also be made available to private preschools, not just the public institution.		●	●	●			

Recommendations		Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
<p>Improve public budgeting processes and systems</p>	<p>The complexity of budgeting, and lack of disaggregated data, make it difficult to assess if enough or how well public expenditure on ECEC is being spent. Training on public financial management would be beneficial for many actors in the ECEC ecosystem, particularly related to fiscal space, budget cycles, decentralisation, costing, as well as cost-effectiveness. Further, analysis, such as budgetary analysis, would be of value to support governments in making better financing decisions and reforming the way they conduct budgeting.</p>		●	●				
Operational								
<p>Develop an Implementation Plan</p>	<p>Decide on concrete targets and timelines for the expansion of ECEC services. Relevant decision-makers from West Herzegovina Canton Ministry of Finance and MoESCS, as well as from the Mayor's Office from the City of Ljubuški, must collaborate on the plan. In light of the new Draft Law on Preschool Education and Upbringing, it is now more important than ever for a strong implementation plan for the law to be designed. This strategic plan must cover issues including workforce and infrastructural planning, costing and budgeting (alignment with the Financing Strategy), curriculum development, and monitoring and evaluation frameworks. Inclusivity should be put at the heart of the implementation plan (through measures such as prioritisation of public funds for vulnerable groups, priority given on waiting lists to children from vulnerable backgrounds etc.).</p>		●	●				
<p>Set up a Working Group</p>	<p>Coordination and collaboration across the sector will be vital if scale-up is to be achieved. Stakeholders from public and private sector, all levels of government, as well as civil society organisations and community groups should be invited to join a Working Group, chaired by the Mayor. This Working Group would meet regularly, help to draw up the Implementation Plan, and address bottlenecks and challenges as they arise.</p>		●	●	●	●	●	●

Recommendations		Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
Roll-out the Preparatory Programme under the new Draft Law	The new draft Law on Preschool Education and Upbringing in West Herzegovina Canton is expected to be critical for increasing coverage of ECEC in the year prior to entry to primary school. Stakeholders must support the Canton in implementing a preparatory ECEC programme for these children under the Implementation Plan. They must also advocate for this preparatory ECEC programme to be a duration of 600 hours. This will support children in realising the developmental impacts of exposure to ECEC programmes. The coverage of this programme should also be increased to universal levels.		●	●	●	●	●	●
Incentivise and manage expansion of ECEC workforce	Minimum salaries for ECEC teachers should progressively be increased to align with primary and secondary school teachers and clear potential career trajectories should be communication, and working hours and conditions should be standardised. Better promotion of employment opportunities in ECEC is also required, including for young people. Demographic changes should be seen as an opportunity, with the potential teachers at higher levels being retrained to support preschools. Prospective teachers should be supported through subsidised training (or re-training) programmes or the provision of scholarship when undergoing training.		●	●				
Repurpose existing public spaces for ECEC	Existing public spaces (including classrooms for primary and secondary schools) should be repurposed, where possible, as classrooms for preschool education. Examples can be drawn from Ljubuški's public preschool expansion in Vitina, which has already adopted this model. It should be noted that both public and private providers could be offered access to these facilities, depending on the willingness and capacity of different stakeholders.		●	●				

Recommendations		Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
Develop close public-private partnerships	Private facilities must be supported to maintain and scale-up their capacities. This includes through rebalancing targeting of public expenditure on preschools to support children in both public and private institutions, providing additional support to private providers working with CwD, and establishing financial support for capital expenditures. Ideas for this support include providing grants or loans for capital investments in infrastructure, tax exemptions for private providers, or increasing the size of public grants to private preschools.		●	●			●	
Engage in demand-generation activities	Socio-behavioural information campaigns should be continued and expanded, targeted at households that currently do not utilise ECEC services, on their educational and developmental value. Community engagement will also be central to the implementation of ECEC programmes to prevent the scale-up being seen as mandatorily imposed from above. Demand-generation activities should be designed in on inclusive education principles and target vulnerable or excluded children. Activities should include financial support (such as fee exemption, modelled in the financial feasibility model), as well as non-monetary activities, such as the provision of transportation or meals.		●	●	●	●	●	●
Strengthen evaluation and assessment system	Quality oversight and regulation in Ljubuški's ECEC ecosystem could be improved. The West Herzegovina Canton Institute of Education must be strengthened to monitor and ensure the upkeep of standards in preschools. Monitoring services need to also link closely with practical support to improve quality. Below average inspection scores should be routinely linked to Entity bodies who are able to deliver direct and implementable support to ensure a swift return to minimum standards. This additional level means that underperformance is matched with differentiated support.		●	●				

Recommendations		Time Horizon	MoESCS	City administration	Other gov' stakeholders	Public providers	Private providers	Civil society
Embed routine data collection, monitoring and evaluation	Many of the policies and programmes advocated for in this report will be experimental, involving new arrangements of financing, service provision, and implementation. For this reason, it is critical that data and evidence are collected to assess progress towards targets and the effectiveness of different interventions. The roles and responsibilities of both the MoESCS and the City of Ljubuški in this data collection must be determined as part of the Implementation Plan. It is suggested that an annual report on evidence progress be published, in order to keep transparency and accountability.		●	●				
Political								
Advocate strongly for the need to scale up ECEC	Evidence on the power of ECEC must consistently be used to reframe the scale-up as an investment, rather than a form of spending. The evidence generated about the value and feasibility of scaling up ECEC services must be used to lobby stakeholders across the political spectrum to continue to support a scale-up. Those implementing the scale-up should continually revisit the political economy framework outlined in this report, constantly undertaking political analysis to keep abreast of the potential bottlenecks and challenges, as well as opportunities, which might emerge. Further, any opportunities arising from BiH's EU membership application should be capitalised upon.		●	●	●	●	●	●

