

IV. THE WORLD BANK GROUP'S ASSISTANCE STRATEGY

A. PAST IDA SUPPORT – ACTIVITIES AND LESSONS LEARNED

63. *Much has changed in the seven years of the CAS period, and the World Bank Group has had to be flexible.* The World Bank's last CAS was approved in November 2000 and was originally intended to cover the period up to the end of 2004. However, following the tsunami of December 2004, the Bank agreed to extend its agreed assistance program, to include emergency reconstruction activities, and to delay the preparation of a new assistance strategy until 2007. The overarching goal of the CAS was "the reduction of poverty and regional disparities in access to social and infrastructure services." To advance this objective, the strategy, in partnership with other donors, aimed to support: (i) sustainable economic growth; (ii) improvements in public sector management, including institutional capacity; and (iii) human development.

64. *The Bank Group's financial contribution was modest compared to the size of the Maldives' economy, amounting to less than 3 percent of government expenditures.* During the CAS period the Board has approved two IDA credits with total commitments of US\$29.6 million and four IFC transactions totaling US\$47.8 million. These operations included the Third Education and Training project, the Integrated Human Development Project, and the Emergency Tsunami Reconstruction Project as well as IFC investments in the tourism, telecommunications and financial services sectors. In addition, the Bank undertook a range of non-lending activities (a) to help the government manage its public expenditures and develop medium term fiscal forecasts and plans; (b) to strengthen the fiduciary management activities within the government, and (c) to help government develop land and housing policies. Towards the end of the CAS period three additional and significant reports were published, including an ICA and a study of the system of social security.²¹

65. *The country achieved impressive results during this time.* With respect to the primary CAS objective of poverty alleviation, the country's performance has been very positive. Human development outcomes have also been strong, but public sector management and reducing regional disparities have been mixed. The outcomes achieved towards the specific targets of the 2000 CAS are summarized in table 6 below.

Table 6: Country Progress against 2000 CAS Benchmarks (from Annex III)

Country Performance	2000 baseline	Benchmark for 2004/5	Actual Outcome (2006)
Economic Growth Rate	7.6%	7.0 % p.a.	6.3% p.a. (average 2000-2006)
Transition Rate from primary to secondary school	30%	50%	88%
Girl gross enrollment ratio in lower secondary schools	51%	71%	100%
General Malnutrition (weight for age)	45% (1997/98)	30% (by 2006)	25%

²¹ "Maldives: Sustaining Growth & Improving the Investment Climate" World Bank April 2006; "Social Protection in the Maldives: Options for Reforming Pensions and Safety Nets", World Bank April 25, 2006

66. The following discussion attempts to unpack the impact of the Bank Group on these outcomes:

67. *Sustainable economic growth.* The Bank has helped strengthen the government's capacity to develop medium term fiscal forecasts and to manage the economy. Delivery of this work relied more on regular contacts and dialogue than on formal sector work or the provision of consultant based technical assistance. The IFC's direct support for the creation of the now successful Maldives Leasing Company has contributed significantly to the financial sector in the Maldives, as well as ongoing technical assistance to the Bank of the Maldives (BoM) and the Housing Development Finance Company (HDFC), in advance of its possible privatization. AAA activities around the business environment, the fisheries sector and land registration have been welcomed by government and remain influential.

68. *Public sector management.* As noted above, the activities directly supported by the Bank were limited to strengthening the government's ability to manage public expenditures, its public accounts, audit and its procurement functions. Progress in these areas has been slow and more work will need to be done with additional commitment given to these important areas. The overall performance of many government departments is generally not strong compared to countries of a similar income level.

69. *Human development* was an area of major focus and outcomes were generally positive in this sector and the Bank's work can be more closely attributed to results. Access to social services has increased significantly. The three most recent investment projects were all directly focused on the development and refinement of social services, including most of the Bank funded activities within the emergency reconstruction project.

70. **Portfolio performance.** The design and execution of the three projects approved by the Board between 2000 and 2005 was satisfactory. All projects were well received by the government with solid ownership during both preparation and implementation. However, the quality of overall implementation has been only marginally satisfactory. During implementation all projects have been rated as unsatisfactory or marginally unsatisfactory for short periods. These ratings reflect the lack of technical and policy making capacity in almost all ministries. While in most ministries the upper levels are staffed by experienced and competent staff, competent mid-level staff with experience and technical knowledge are lacking, as is the case in many small island economies.

71. **Lessons learned:** Over the course of the CAS period the Bank Group's assistance has become more integrated, programmatic and responsive. Opening an office in Male' has given the Bank Group the ability to respond with flexibility to the government's changing needs and circumstances. Given the limited pool of capacity in the government, there is a premium on selectivity and on close client consultation during project preparation. The objectives of the new strategy should be tightly focused with a monitoring and evaluation framework that is both realistic and cost effective. Finally, donor coordination is now more important for effectiveness in the Maldives, given the larger number of donors that are working in the country since the tsunami. These lessons have been taken into account during the preparation of this strategy.

B. PRINCIPLES OF THE BANK GROUP'S NEW COUNTRY STRATEGY

An integrated World Bank Group program

72. *An integrated Bank Group program will be more effective in supporting the government's needs.* This CAS has been prepared jointly by the World Bank and the IFC and as such it presents a common view of development objectives in the Maldives, together with a commitment to a shared strategy. Going forward, it will be critical to maintain close dialogue between the two institutions both in Male' and in Washington, given the synergies within the economic governance pillar of the joint program between public financial management, transparency and an attractive business environment.

73. *The IFC has been very active in the Maldives since 2000.* A total of US\$47.8 million was committed (US\$46.5 million in debt and the remainder in equity). This consisted of in four projects in the finance, tourism, logistics and telecommunications sectors. In addition, the IFC expanded its South Asia Enterprise Development Facility (IFC-SEDF) with a dedicated advisory services program to cover Sri Lanka and the Maldives and has established a framework to provide support to SMEs within an enhanced investment climate. The IFC is also providing important support to strengthen the operations of the Maldives Leasing Company, and the Housing Development Finance Corporation. The IFC is considering further investments in the Maldives in the areas of infrastructure, access to finance and tourism.

74. *The IMF has been actively engaged in the Maldives, fielding technical assistance missions and staff visits in addition to the regular cycle of Article IV consultations.* The teams of IMF and other IFIs have been working closely with the World Bank's macro and fiscal team. This collaboration will continue to be of critical importance in the short run considering the risks posed by the expansionary fiscal policy and also recognizing the limited leverage that the Bank Group may bring to bear on its own on this matter.

A focus on coordinating activities with other donors

75. *Following the tsunami, the Bank Group developed stronger links with many other donors, including through its office-sharing arrangement with the ADB.* The World Bank representative's participation in the UN Country Team and donor coordination meetings has proved beneficial, particularly in the period following the tsunami. The government has recently established the Maldives Partnership Forum, with a view to developing stronger longer-term relationships between all active donors and the government. These meetings were designed as a vehicle for exchanging information and discussion and not as venues for providing pledges. It has met twice in 2006 and 2007. Partly as a result of these interactions, this CAS is the product of close coordination with the UN system and the ADB.

76. *Over the last two decades a number of donors have made significant contributions to the Maldives.* Prior to the tsunami, the Kuwait Fund was the single largest donor, followed by ADB, IsDB and the World Bank. The Maldives has also been a recipient of grants, including from Japan. In addition, the many parts of the UN system have been active over the years, contributing in total around US\$6 million per annum. The tsunami brought with it a large number of new donors including six Red Cross societies that contributed more than US\$120 million to the overall reconstruction program, and collectively are the largest single contributor to the program. In the post tsunami era, the key donors are likely to revert to those active prior to the tsunami.

77. *The donor assistance matrix included as Annex V, shows patterns of donor specialization.* Macro-economic and fiscal advice is provided mainly by the ADB, the IMF and the World Bank;

ADB and the World Bank support fiduciary management. The political dimensions of democratic reform, social development and disaster management are generally the core focus of the UN system (outside of their reconstruction activities). Infrastructure is largely the focus of the ADB and the IsDB and other donors from Gulf Cooperation Council countries, notably the Kuwait Fund. Looking ahead there are some gaps in the proposed future assistance, such as support for civil service reform and environmental management. The latter is particularly striking given the importance of preserving the country's natural environment.

C. PROPOSED STRATEGY AND ASSISTANCE PROGRAM

78. *The overarching objective of the World Bank Group program is to support the strategy and goals of the 7NDP with a view to contributing towards continued improvements in standard of living for all Maldivians.* The integrated Bank Group will deploy both lending and non-lending instruments, as well as private sector investments, in selective interventions. The interventions seek to contribute to specific development outcomes, including: (a) a well-managed economy attracting increased investment; (b) improved quality of education in support of a better skilled workforce and (c) an enhanced capacity to manage the country's pristine, but fragile, natural environment. Across each of the three pillars, special focus will be given to strengthening institutions such as fiduciary management and supporting the government's plan to incentivize scale economies through population consolidation.

Pillar I: Economic and fiscal governance

79. *This pillar aims to support government's efforts to manage its economy and finances better, while strengthening the investment climate.* Following a request from the government, the Bank Group will continue to work with the government on *the development of a Medium Term Fiscal Framework*. This activity has been a major plank of the Bank's assistance program during the last CAS period. While at the technical level it has been successful at transferring knowledge, it is not yet integrated into government's decision processes.²² The activity seeks to bolster overall fiscal discipline, better align public resources with the country's development objectives, and enhance the effectiveness of public expenditure. In the near term, this activity will also provide support to technical cadres in the ministry who are working to manage the fiscal adjustment.

80. *The management of public finances has become a much more prominent issue following the passage of the Public Finance Act in 2005.* The government now places a high priority on further strengthening of the fiscal governance in light of the pressures the tsunami placed on public finances. To this end it is working to upgrade and modernize the accounting and financial management infrastructure in order to ensure the effective utilization of public resources across service sectors. The Bank Group has in recent years prioritized this area of work and has built good working relationships with key ministries and donor partners.

81. In June 2007, the Bank published a 'Gap Analysis' on public financial management²³ which lays out a comprehensive agenda for bringing accounting and auditing standards in line with international best practice. Following up this analysis with ongoing technical assistance to the Office of Auditor General and to the Bank Group has also contributed towards public finance transparency by **strengthening the capacity in government for procurement, audit, and commercial adjudication**. Along with the EU-funded activity to upgrade the country's Public Accounting System, this activity is

²² A large technical assistance loan has just been agreed between the ADB and the government, part of which will support activities geared towards strengthening the management of government's finances. Tentatively it is anticipated the Bank will provide high-level support to complement the consultant teams provided by ADB.

²³ "Public Sector Accounting & Auditing: A Comparison to International Standards", World Bank, June 2007.

ongoing and will be critical to whole-of-government public finance management capacity. As such, they contribute both to the target development outcomes of the CAS, but also to the cross-cutting agenda of institutional capacity development. Two Institutional Development Fund grants supporting technical assistance cooperation are ongoing in the Ministry of Finance & Treasury and in the office of the Auditor General. In addition, the Bank proposes to undertake in FY09 a Public Expenditure and Financial Accountability (PEFA) assessment to establish a baseline against which progress can be measured.

82. The Bank Group is also proposing to undertake both lending and non-lending activities in support of the government's 7NDP strategy to enhance private sector development. In particular, **access to finance** and the cost of finance emerged as the two main obstacles to business in the 2005 ICA.²⁴ The financial sector of the Maldives is shallow and is dominated by the banking sector. In recent years competition has been encouraged with the establishment of a Male' branch of HSBC, the rapid expansion of the Bank of the Maldives (BoM) branch network, and, with assistance from the IFC, the establishment of a successful leasing company. The IFC will continue to support on-going activities through collaborative investment and advisory services to a variety of financial institutions in the country, with an initial focus on leasing and housing finance. In particular, the Maldives Monetary Authority's recent initiative with IFC to establish a private Credit Information Bureau should reduce lending costs and expand access to credit, and is a step in the right direction.

83. The country's unusual (for the region) lack of a culture of savings and geo-spatial obstacles act as constraints on the access to finance and the depth of the banking sector. The ICA noted that in other countries such as Brazil and the Philippines the innovation of mobile phone banking has helped overcome these constraints. In collaboration with CGAP, the Bank Group is currently preparing with the Maldives Monetary Authority a **mobile phone banking** project. The project will aim to reduce the levels of cash in the economy through the provision of universal access to formal financial services including in the outer atolls. It will involve shaping an appropriate regulatory framework for branchless banking, developing an interoperable retail payment system with sufficient volume to be viable, and strengthening retail banking competition and greater access to banking through mobile phones and a network of banking agents on the islands. The project is also a valuable opportunity to collaborate across the Bank Group with IFC. It is helping the MMA develop a national credit bureau.

84. *Diversification of the economy is a critical component of the government's 7NDP.* The CAS proposes analytical work to support the government's efforts to increase the value added across a broader range of economic activities. This work will likely link closely with any analytical work that is done on generating economies of scale through greater connectivity and population consolidation. It will also link to work of the IFC. The IFC will work with its major tourism clients on building bridges between the tourism sector and small scale local industries. The IFC will consider further investments in line with this strategy (including tourism and infrastructure) which can be demonstrated to help diversify the economy. Finally, the Bank and IMF will discuss with the government the option of undertaking a Report on Standards & Codes assessment (ROSC). The ROSC tool would be an effective means of initiating the corporate governance reforms that the government has outlined in the 7NDP.

Pillar II: Human development and social protection

85. *While access to education has improved markedly, quality remains uneven.* Teacher training is a critical need – the country still relies heavily on expatriate teachers – as well as upgrading of the curriculum and materials. Beyond the improvement in human development indicators, education is

²⁴ The other main constraints were access to land, skilled labor and corruption.

necessary to expand the currently very limited pool of skilled business employees and administrators. The World Bank has had extensive prior involvement in education, secondary and tertiary, and has financed three education and training projects, plus additional activities through the IHDP and Tsunami reconstruction project.

86. *The objective of pillar II is to strengthen the quality of public services for human development and social protection.* During the CAS period, the World Bank Group will support this objective by providing additional finance to the **education sector**. This would extend activities financed by the Third Education and Training project and those being financed under the IHDP. IEG's recently completed Implementation Completion Report for the Third Education and Training project provides a road map for the new activities, in particular emphasizing quality of education rather than quantity as a core objective.

87. *Achieving this objective will require better trained teachers in the secondary schools and the development of capacity for higher education in the country.* Through the proposed additional financing of the IHDP project the Bank will finance overseas scholarships for teachers to improve the quality of higher secondary education on the focus islands. The additional financing will also finance scholarships for higher level training to develop higher education teachers. Previous World Bank projects have done this successfully in the past and the Maldives has a good record of those studying overseas returning to the country. The additional financing needs for this would be about \$4 million to \$7 million depending on the number and level of higher education teachers trained.

88. *Social protection is also a key theme of the Government's reform program, critical for both human development and long-term fiscal sustainability.* In its efforts to engage in a more programmatic way in the human development sector, the World Bank has worked with the Government on a **social protection strategy** since 2003. The report "Social Protection in the Maldives: Options for Reforming Social Assistance and Pensions" was prepared by the World Bank in collaboration with the Government and outlined major strategic directions for reform. One of the main gaps identified by this report was in pensions. Following further reforms to the pensions legal framework the World Bank has discussed the outlines of a pension reform project that would support the implementation of the framework with the objective of providing a fiscally sustainable pension system as well as providing social protection for the old. Pension system reform would also deepen the financial sector and support reforms in public administration.

Pillar III: Environmental Management

89. *The natural resource base of the country is unique and fragile.* Furthermore, its protection and proper management are central to the continued ability of the country to attract valuable tourism revenues. The objective of pillar III is to *improve environmental management practices and build greater climate resilience to protect the pristine environment.* During the CAS period the Bank Group will work to support this objective through a proposed investment and analytical work. Unlike pillars one and two, this pillar is new for the Bank Group and builds on the recommendation of the CAS Completion Report and a stronger prioritization of the Government's own investment towards environmental protection.

90. The Bank Group will support the Government's priorities in this sector in three ways: (i) strengthen environmental management capacity and skills in the government and of other stakeholders, (ii) build a sound knowledge base to better address the environmental risks facing the country; (iii) mitigate the threats to nature based tourism by improving environmental infrastructure; (iv) implement a strategy to build climate resilience and adapt to the impending risks of climate change.

91. These would be achieved through targeted interventions that build upon the Government's priorities and policies. Including support for a project aimed at building environmental management capacity and technical assistance for adaptation to climate change. The latter would be based on a risk assessment at the atoll and island level and would identify cost effective adaptation strategies, including the identification of safe islands. To be effective, the Bank will forge a closer partnership with United Nations Environmental Agency (UNEP) and maintain the close working relationship with the United Nations Development Program (UNDP).

Cross-cutting Issues

92. Two themes cut across the program and underpin the country's future development progress: institutional capacity and population consolidation. **Institutional capacity** in the Maldives remains lower than that of an average upper middle income country. The population now expects public service delivery at a level that the administration is currently not able to provide.

93. Institutional weakness is partly a result of a weak legal framework. For example, the lack of modern legal frameworks governing the public sector, including its independence, the quality of its performance and the competence of civil servants is underlined by the 7NDP as a core challenge for the Maldives. Going forward, the Government is attempting to address many of these issues through the wide-ranging reform effort of the public services. Institutional weakness is also a question of capacity and training. For example, the Ministry of Energy, Environment and Water must assess an average of 60-70 Environmental Impact Assessments a year with only four trained graduates in total in the ministry.

94. The World Bank Group program is addressing institutional weakness across its portfolio because it will impact the degree to which the objectives of the pillars can be achieved. The IDF grants for public financial management and budgeting & planning aim to support strengthening of core functions of the state that will impact across government sectors. Equally, the long-running support to the education sector is aiming to improve the standard of skills available in the education sector. The proposed environmental project also seeks to upgrade the capacity of the relevant agencies.

95. **Population consolidation** is a long-running theme in government discussions but still lacks the direction of a clear policy that is understood commonly across government agencies and by the population. According to the 7NDP, the cost of providing and maintaining socio-economic services in the Maldives is 4-5 times higher than in other small-island developing economies. The Population and Development Consolidation (PDC) program that seeks to address the issue through incentives is currently weakened by the populist tendency of politicians seeking to curry favor through the provision of increasingly expensive services to small communities. The World Bank Group should aim to support the 7NDP's stated policy by ensuring its own program design continues to promote genuine incentives for consolidation. To date, the World Bank has and will continue to support PDC through the IHDP project which supported service delivery on the focus islands.²⁵ In addition, the proposed program includes a future AAA activity to support government's implementation of this policy. Currently, it is envisage that this would examine the linkages between PDC and economic diversification. Meanwhile, IFC have initiated a TA designed to help strengthen the economic links between the islands and the resorts.

²⁵ The term 'focus island' is no longer used in official Government documents.

CAS Program

96. *The proposed CAS program is laid out in Table 7 below.* The program for FY10, FY11 & FY12 will be further elaborated during the CAS period and reviewed as part of the CAS Progress Report. The content and product mix will depend on progress on the reform agenda.

97. *Given the relatively small IDA allocation, making an effective contribution will mean that the Bank Group's work must be selective, catalytic and well-coordinated with other donors.* The CAS spans the last year of IDA14, 3 years of IDA15, and the first year of IDA16. The overall size of the IDA envelope during the 5-year CAS period is assumed to be about SDR 30 million (about US\$45 million), including about SDR13.2 million (US\$20 million) in FY08 of resources remaining from IDA14, and annual resources of about SDR 4 million during each of the subsequent years (US\$6 million per year).^{26 27}

98. *Interventions are proposed that build on progress and relationships established by previous operations.* They also aim to establish a three pillar platform for a more long-term or programmatic approach to Bank Group assistance, as proposed by the previous CAS, that will sustain its relevance over the next five years. Despite the short-term risks posed by an expansionary fiscal policy, World Bank Group management is committed to stay engaged with the authorities through a program that supports the long-term growth path.

99. *The proposed program has built-in flexibility.* Because the CAS period straddles the end of the 7NDP program and the first half of the next five year government strategy the mid-term review of the CAS, scheduled for FY10, will coincide with the start of the Government's next strategy. This will be an opportunity, therefore, to review CAS progress against the indicators of the CAS Results Matrix as well as fine-tune a program in line with the Government's priorities in the next plan. For this reason, this program is more detailed on the first two years of the CAS program.

Table 7: Proposed CAS Program

Pillar	I: Economic governance	II: Human development	III: Environmental management
IDA Credits (TA & Investment) (New projects - Ongoing projects)			
FY08	<ul style="list-style-type: none"> • <u>Mobile phone banking (CGAP/IDA)</u> • Public accounting system (EC Trust Fund) • NLTA: Public Financial Management • NLTA: MTFF & macro-fiscal 	<ul style="list-style-type: none"> • <u>IHDP & Post-tsunami Reconstruction activities</u> 	<ul style="list-style-type: none"> • <u>Environmental management</u>
FY09	<ul style="list-style-type: none"> • <u>Follow-up NLTA on PFM & MTFF</u> 	<ul style="list-style-type: none"> • <u>Additional financing for Human Development</u> • <u>Pension Administration Project</u> 	

²⁶ Under the small island exception, in recognition of exceptional vulnerability of small island states, the Maldives has access to IDA despite having per capita income in excess of the IDA cut-off.

²⁷ Estimates for IDA15 are based on performance in FY08 and assumptions about the size of the IDA15 replenishments. Actual allocations during the CAS period will be determined on an annual basis and will depend on: (i) total IDA resources available in IDA15 and IDA16, (ii) the country's performance rating; (iii) the performance and assistance terms of other IDA borrowers; (iv) the terms of IDA's assistance to the Maldives (credits or grants), and (v) the number of IDA-eligible countries.

Pillar	I: Economic governance	II: Human development	III: Environmental management
FY10	<u>Possible DPL</u>		
FY11		• <u>Possible follow-on financing</u>	• <u>Possible follow-on financing</u>
FY12	<i>tbd</i>	<i>tbd</i>	<i>Tbd</i>
AAA (TA & ESW)			
FY08			
FY09	• Cross-cutting AAA on economic diversification & population consolidation		
FY10	• PEFA		
FY11	• ROSC		
FY12	<i>tbd</i>	<i>tbd</i>	• Fisheries Strategy follow-up
IFC Investment & Advisory Services			
FY08	<ul style="list-style-type: none"> • Investment and advisory services to the leasing sector. • Possible advisory work with the Bank of Maldives to enhance SME financing. • Advisory services to HDFC and possible investment in case of privatization. • SME linkage program with existing investments. • Possible advisory and/or investments in infrastructure and tourism 	<ul style="list-style-type: none"> • Training programs as part of advisory work in: access to finance and SME linkages 	<ul style="list-style-type: none"> • Environmental & Social due diligence on any future investments. • Advisory work as necessary to help clients meet IFC Environmental Performance Standards
FY09	▪ As above	▪ As above	▪ As above
FY10	▪ As above	▪ As above	▪ As above

Product mix

100. *While the IDA allocation is fixed the mix of products is not.* The World Bank Group will ensure that the instruments used are consistent with the country's development context. In particular, a responsive program of analytical work has proved constructive in the Maldives in the past and is consistent with the World Bank Group's strategy for middle income countries. In addition, the proposed sector lending program assumes that authorities manage the current risks and avert a crisis. However, it is also possible that expenditures may continue to rise, further endangering economic conditions. If this occurs the World Bank Group would have to adjust its program accordingly in partnership with other donors and the IMF to support resolution of the structural issues where possible.

101. *Development policy lending is preferable – but will be contingent on demonstrated reforms.* If the authorities are able to re-establish fiscal balance within a sustainable macro-economic framework that is satisfactory to the World Bank, then a development policy lending operation (DPL) would be considered. To this end, a DPL operation is under consideration for FY10, and is reflected in the program table above. The sector focus under the DPL would be consistent with the overall assistance framework set out in this document. If a DPL is not feasible, IDA resources will be channeled towards additional financing for sector operations.

102. *In the future, the Maldives should aim for IBRD creditworthiness.* Maldives eligibility for IBRD lending could also be considered as part of the CAS Progress Report at mid-term. The uncertainties posed by recent expansionary policies and the political transition make it inopportune to consider an IBRD envelope at present. However, with fiscal correction, the conditions might be right to assess the creditworthiness of the country.

V. RESULTS MONITORING AND EVALUATION

103. *In recent years, the government has sought to strengthen its monitoring and evaluation (M&E) systems.* The databases it maintains provide an increasingly satisfactory set of statistics, with some variations in relative quality. The economic and fiscal data sets maintained by government are generally adequate for the government and donors to monitor performance at a national level. There is room for improvement, especially with regard to (a) the preparation and timely availability of budget implementation data, (b) GDP from the expenditure side, and (c) the composition of private capital flows in the balance of payments. Working with government, the Bank's economic team will seek to update the statistical tables at least twice a year. A simple fiscal model has been developed jointly by the Government and the Bank's economic team, using a nested set of spreadsheets. This will be used for this purpose.

104. To monitor improvements in the performance of institutions responsible for managing and monitoring public expenditures, a simple institutional audit will be undertaken in mid-2009 and compared against current performance.

105. To monitor performance of financial institutions and access to finance, a limited survey will be undertaken in mid-2009, and compared against the results of the ICA, completed in 2005.

106. Data collected on poverty trends and on key social sectors, like education and health, is in general adequate. The recently completed ICR for the Third Education and Training project provides a useful set of baseline data for the education sector. When complimented by data collected for the M&E component of the IHDP project, a useful data set is available. These data sets will be updated at regular intervals should an additional lending operation be prepared for the sector.

107. More generally, the household level data from the government's household expenditure surveys and Poverty and Vulnerability Surveys, provides a fairly complete picture of social indicators and trends. A Maldivian version of InfoDev has also recently been launched, with the help of UNICEF.

108. Some environmental data is available but there is much room for improvement. This will be a focus for the proposed environment project that is currently being prepared.

109. Monitoring will take place primarily through intensive project-level supervision, mid-term project reviews, and other specific studies listed above. In addition, government's policy performance will be rated through the regular CPIA exercise and through regular assessments of the IMF. A review of progress and lessons-learned under this CAS will be carried out at the mid-term review at the end of FY10.