Republic of Montenegro
Programme implementation plan for the adoption of the European System of Accounts methodology in Montenegro
under the Programme: "Public Finance for Development - Strengthening Public Finance Capacities in Western Balkans and Commonwealth of Independent States"

Implementation period: 2010 – 2012

A. Description of country specific Programme interventions

The Programme aims to provide assistance to the Ministry of Finance of Montenegro (MF) in improving the public sector reporting system in Montenegro through the implementation of the European System of Accounts methodology into the system of statistical reporting on key public finance and economic indicators.

As stated in Council Regulation (EC) No 2223/1996, European System of Accounts (ESA) is a methodology on common standards, definitions, classifications and accounting rules, intended to be used for compiling accounts and tables on comparable bases for the purposes of the European Community. Except for the international comparability, this concept has other crucial uses such as evaluation of key government finance figures (deficit and debt), structural economic indicators (value added, employment, foreign trade, income, etc.), monitoring/guiding of euro-area economic and monetary policies and last but not least granting monetary support to regions of the EU from the Structural Funds. For countries applying ESA framework, it provides important base for creation of their economic policies.

In the process of globalisation and increasing share of international transactions, ESA concepts called for reflecting developments. Therefore, the effective ESA95 framework has been revised and new ESA 2010 is expected to enter into force in 2014. The ESA 2010 is consistent with the revised System of National Accounts (SNA 2008) that is worldwide used but it is focused more on the circumstances and data needs in the EU.

A need for assistance in this area has been presented by Montenegro Ministry of Finance representatives during presentations of the Financial Policy Institute of the Ministry of Finance of the Slovak Republic (MF SR) and a needs assessment mission in June 2010. Further discussion with the Slovak Ministry of Finance staff took place during the study tour of MF Montenegro on cash and debt management in Slovakia in September 2010. Indicative activities preliminary agreed during this discussion are included in this plan. The Ministry of Finance of Montenegro has assigned two people from the Budget Sector to be responsible for the adoption of ESA 95 methodology. These will be main focal points for the Slovak experts during the project implementation at the MF Montenegro.

B. Objective and expected results

The objective of the Programme interventions is to support the Ministry of Finance of Montenegro in meeting the requirement of the Eurostat for statistical reporting of key public finance and economic indicators.

Output: Statistical reporting on key public finance and economic indicators in compliance with ESA 95 methodology.

Expected results:
- Increased compliance, transparency and credibility of reports provided to Eurostat
- Increased possibility of credible assessment of public finance developments and sustainability by internal and external users

C. Total budget allocation

Total Programme allocation for Montenegro for Components 1 and 2 is 225,000 USD.

The Programme allocates **30 000 USD** for the Ministry of Finance of Montenegro for activities under Component 1 specified in this plan. This is an indicative allocation for the assignments in the plan and is subject to change based on the revised plan agreed with the Ministry of Finance of Montenegro.

Additional **4 000 USD** for lessons learnt is budgeted under Component 3.

D. Programme beneficiary institution (s) and other stakeholders involved

Ministry of Finance of Montenegro will be the Beneficiary of activities under Component 1 of the Programme. Proposed activities target the following key sectors:
- Budget Sector
- Treasury Sector
- Department of Statistics (Monstat)

E. UNDP CO Focal point

Sanja Medjedovic – Project Manager for Capacity Development Programme, UNDP Country Office in Montenegro

F. Description of specific Programme activities – Component 1

ACTIVITY	Beneficiary institution/unit/ focal point	Sub-activities/Actions (incl. description)	Timeline	Expected outputs
1. Assessment of the current public sector reporting system in Montenegro	Ministry of Finance Montenegro(MF ME) - Budget Sector (Nemanja Pavlicic, Vladislav Karadyic), Department of Statistics (Radomir Djurovic, Gordana Radojevic)	1.1 Definition of information and data requirements by MF SR staff on the public sector reporting system in Montenegro - desk work	October 2010 – May 2011	Gap assessment report Road map for adoption of ESA 95 proposed Workshop conducted
		1.2 Mapping the current situation in public sector reporting in Montenegro by MF ME staff – desk work		
		1.3 Conducting a review of the public sector reporting system in Montenegro – gap assessment, recommendations for improvement in general and in relation to ESA 95 methodology – desk work, interviews		
		1.4 Presenting findings and recommendations to MF ME – workshop: - ESA 95 methodology – theory and concepts - Comparative analysis of the public sector reporting system in Montenegro with Slovakia - Roadmap for the adoption of ESA 95 (with reference to Slovakia) - Recommendations for improving reporting system in general		
2. Consulting services for the adoption of ESA 95 methodology in Montenegro	MF Montenegro Budget Sector (Nemanja Pavlicic, Vladislav Karadyic), Department of Statistics (Radomir Djurovic, Gordana Radojevic)	2.1 Definition of ESA 95 concepts and sector delimitation	May 2011 – December 2011	Proposal for transition bridges for existing data sources Proposal for feasible data sources Recommendations for ESA95 principles application
		2.2 Identification and proposal for data sources		
		2.3 Compilation of transition bridges		
		2.4 Other methodological support		

G. Description of specific Programme activities – Component 3

ACTIVITY	Beneficiary institution/unit/ focal point	Sub-activities/Actions (incl. description)	Timeline	Expected outputs
3. Lessons learned – public sector reporting system in Slovakia	MF Montenegro - Budget Sector (Nemanja Pavlicic, Vladislav Karadyic), Department of Statistics (Radomir Djurovic, Gordana Radojevic). All countries in the region	4.1 Preparation of a case study – a paper on lessons learned from the reform of public sector reporting system in Slovakia and adoption of ESA 95 methodology - desk work	January- April 2011	Lessons learned – **Adoption of ESA 95 methodology in Slovakia**

H. Additional activities under Component 2 will be subject to further planning with the aim to improve understanding of public finance concepts and reform initiatives by other stakeholders external to the Ministry of Finance and local government authorities.

Additional information:

Programme Management

The Programme is financed by the Ministry of Finance of the Slovak Republic (MF SR) and is implemented by UNDP Bratislava Regional Centre (UNPD BRC) in close partnership with MF SR. UNDP BRC will be responsible for overall project management and financial management of the Programme resources allocated to Montenegro. Terms of Reference for specific assignments will be prepared by UNDP BRC and reviewed by focal points at the UNDP CO and the Ministry of Finance of Montenegro. The UNDP BRC will cover the costs of the activities agreed in the plan for Montenegro.

UNDP BRC will perform monitoring of Programme activities and consultants' performance during the plan's implementation.
The UNDP BRC will seek feedback on consultants' performance from the Beneficiary after completion of the Activity 1 – Assessment of the current public sector reporting system in Montenegro and then after every other 5 sub-activities during the implementation period.
Programme monitoring missions will be organized for on-site monitoring of Programme results.

All activities agreed to in the plan will be carried out in accordance with UNDP regulations, rules and directives.