

Republic of Montenegro
Programme implementation plan for Macroeconomic and fiscal analysis
and forecasting
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 in strengthening capacities for macroeconomic and fiscal analysis and forecasting, including proposing new institutional structures, systems and processes. The programme activities will be organized around two thematic blocs that were identified during the needs assessment phase of the Programme and were agreed with representatives of the Ministry of Finance of Montenegro (the Beneficiary, MF Montenegro). These include:

- i. Possible institutional reform proposal to improve macroeconomic and fiscal analytical and forecasting capacity**
- ii. Macroeconomic data infrastructure review**

Ad (i)

Two missions to Montenegro conducted by the Slovak experts in June 2010 identified a need to review the structure of MF Montenegro in order to identify overlaps in analytical tasks and propose possible ways forward. The key findings include:

1. Existing overlaps in analytical activities – there are at least three sectors of the MF Montenegro to some extent involved in producing macroeconomic forecasts/analysis, fiscal analysis and tax forecasts and public expenditure analysis; Internal restructuring of the competences and processes is needed to improve the analytical potential of the MF Montenegro and increase the efficiency;
2. Data issues (see (ii));
3. Various institutions are producing forecasts (MF Montenegro, National Bank, others) and there is no consensus on what is the official government forecast;
4. A lack of transparency regarding the forecasting process – according to our information the forecast is not published at the MF Montenegro web page.

Ad (ii)

Macroeconomic data is of particular concern in order to improve forecasts. The quality of data is significantly lacking western standards. Data are collected from different sources that are difficult to verify, and are not available when needed. The assistance will focus on improving a process of data collection and reporting with the aim to eliminate time lags and improve data reliability.

B. Objective and expected results

The objective of the Programme interventions is to support the Ministry of Finance of Montenegro in strengthening its institutional capacity for macroeconomic and fiscal analysis and forecasting with the aim to increase transparency and credibility of analytical and forecasting activities of the Ministry of Finance of Montenegro.

Output: Transparency and credibility of analytical and forecasting activities of the MF ME have been increased.

Expected results:

- Increased transparency of the analytical and forecasting process at the MF Montenegro
- Increased quality and reliability of macroeconomic and fiscal data
- Clarity of roles and responsibilities and improved cooperation among internal units of the MF Montenegro
- Increased credibility of the forecasts produced by the MF Montenegro

C. Total budget allocation

Total indicative budget allocation for Programme (Component 1 and 2) is 150,000 USD

Budget allocation for activities in the area of macroeconomic and fiscal analysis and forecasting specified in the plan is 60 000 USD under Component 1.
Additional 3 000 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:

- Sector for Economic Policy and Development
- Budget Sector
- Monstat

Other stakeholders:

- 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

ACTIVITY	Beneficiary institution	Sub-activities/Actions	Timeline	Expected outputs
Component 1				
1. Presentations by Financial Policy Institute of the MF SR	Ministry of Finance of Montenegro	<p>1.1 The institutional set-up of Financial Policy Institute (FPI), Ministry of Finance of the Slovak Republic (MF SR)</p> <p>1.2 Macroeconomic forecasting at FPI, MF SR</p> <p>-----</p> <p>Presentations served as a starting point for development of the implementation plan. They were delivered to key stakeholders of the MF ME, i.e. deputy ministers of Budget Sector (incl. the staff), Sector for Economic Policy and Development (incl. the staff), Sector for State Treasury, and Sector for Tax and Customs and Sector for International Cooperation.</p> <p>The objectives were:</p> <ol style="list-style-type: none"> i. To present development and current institutional set-up of forecasting activities at the MF SR, as well as applied macroeconomic and forecasting process and techniques; ii. To explore potential for increasing analytical capacities and improving forecasting process at the MF ME; iii. To identify follow-up activities to be included in the implementation plan. 	Workshops on 29-30 June 2010	Endorsed implementation plan in macro-economic and fiscal analysis and forecasting. The plan will be endorsed through the exchange of letters between the UNDP/BRC and the Ministry of Finance of Montenegro.
2. Macroeconomic data infrastructure review	Ministry of Finance of Montenegro	<p>2.1 Assessment of existing macroeconomic data infrastructure (desk research and interviews with representatives of MF ME and Monstat – key producers and users of statistical data)</p> <p>2.2 Preparation of the draft report with findings and recommendations</p> <p>2.3 Presentation of the findings and recommendations and a round table with MF ME</p>	<p>October 2010</p> <p>November 2010</p> <p>December 2010</p>	<p>A report agreed by the Beneficiary and containing the following:</p> <ul style="list-style-type: none"> • Description of macroeconomic data infrastructure related to macroeconomic and fiscal analysis and forecasting in Montenegro; • Description of data sources and data flows in the analytical and forecasting work of the respective MF ME sectors; • Identification of major shortcomings in the existing data

ACTIVITY	Beneficiary institution	Sub-activities/ Actions	Timeline	Expected outputs
		<p>2.4 Finalisation of the report – recommendations for improvement and proposed action plan.</p> <p><i>Detailed content of the report is described under "expected outputs".</i></p>	January-February 2011	<p>infrastructure;</p> <ul style="list-style-type: none"> • Assessment of the quality of macroeconomic and fiscal data relevant for modelling/forecasting purposes, and suggestions for its improvement (including vis-à-vis public use); • Description of data infrastructure in Slovakia – example of good practices; • Recommendations for improvement of data infrastructure and the quality of macroeconomic and fiscal data with a proposed action plan.
<p>3. Possible institutional reform proposal to improve macroeconomic and fiscal analytical and forecasting capacities</p>	<p>Ministry of Finance of Montenegro</p>	<p>3.1 Assessment of existing institutional set-up of analytical and forecasting activities at the MF ME (stakeholders, organisational structure, processes, human resource capacity) – desk research and interviews with representatives of MF ME.</p>	October 2010	<p>A report agreed by the Beneficiary and containing the following:</p> <ul style="list-style-type: none"> • Description of the analytical and forecasting processes at the MF ME, incl. identification of all institutions and stakeholders involved; • Description of the organizational structure of the sectors involved in the process at the MF ME; • Assessment of the current capacity of the sectors' staff to undertake their tasks; • Identification of major shortcomings of the current institutional set-up, processes and human resources capacity; • Recommendations for revisions of the institutional set-up of the analytical and forecasting processes at the MF ME with reference to practices used in Slovakia and other countries of relevance to Montenegro; • Possible scenarios for a new institutional set-up, including a description of new organization structure(s), roles and responsibilities of the sector(s), staffing, linkages among sectors of the Ministry, other Ministries and external stakeholders; • Outlined action plan to establish a new institutional set-up; • Proposal for improving analytical and forecasting capacity of the MF ME, including but not limited to:
		<p>3.2 Preparation of the draft report with findings and recommendations.</p>	November 2010	
		<p>3.3 Presentation of the findings and recommendations and a round table with representatives of the MF ME.</p>	December 2010	
		<p>3.4 Finalisation of the report – recommendations for improvement and a proposed action plan.</p> <p><i>Detailed content of the report is described under "expected outputs".</i></p>	January-February 2011	

ACTIVITY	Beneficiary institution	Sub-activities/ Actions	Timeline	Expected outputs
				<ul style="list-style-type: none"> - Recommendations for specialized training for the staff; - Identification of technical tools (e.g., models, forecasting techniques) and methodologies to be developed to improve the quality of analytical and forecasting work; - Potential short-term and long-term capacity development activities to be provided to the respective sector (s).
4. Contribution to costs of participation in conferences and international professional networks	Ministry of Finance of Montenegro	A contribution is planned to support the costs (travel costs, registration fees, etc.) of participation in conferences, professional seminars, trainings and networks.	October 2010 – February 2011	Improved human resources capacity (knowledge, skills) to undertake the required analytical and forecasting tasks (knowledge, skills, peer learning, professional networking) at the MF ME
Component 3				
5. Lessons learned – the Financial Policy Institute MF SR – a case study	Ministry of Finance of Montenegro and all Programme countries in the region.	4.1 Preparation of a case study – a paper on lessons learned from the Financial Policy Institute (desk work)	October 2010 – November 2010	<p>Lessons learned – <u>Financial Policy Institute – a case study</u> containing the following:</p> <ul style="list-style-type: none"> • A brief description of the overall context of the public finance reform in Slovakia (political and economic conditions, reform strategy and objectives) with a particular focus on macroeconomic and fiscal forecasting systems in Slovakia; • A description of the transition period - reform initiatives undertaken in the area of macroeconomic and fiscal analysis and forecasting, phasing of the reform steps, technical assistance provided, successes and obstacles; • A description of the Financial Policy Institute – its mission, goals, structure, activities, outputs, roles within the Ministry of Finance, linkages to external environment; • Key success factors of the reform, recommendations and lessons learned.

G. 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 of Montenegro.

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 the first 2 activities (Activity 2 – macroeconomic data infrastructure review and Activity 3 - possibilities of institutional reform) are completed and after every other 3 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.