

Macroeconomic and fiscal forecasting and economic analysis

The project 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 first phase of the project** focused on the assessment and recommendations for improving the institutional set-up of the forecasting activities and on developing macro-economic data infrastructure to support production of reliable forecasts. The case study on lessons learned from establishment of the Financial Policy Institute at the Ministry of Finance of the Slovak Republic was also elaborated and shared with the MF Montenegro counterparts. Several workshops and discussions were held in Montenegro and in Slovakia to discuss findings and recommendations and to assist MF Montenegro in setting the overall institutional reform strategy in this area. Recommendations for re-structuring the **Sector for Economic Policy and Development** and other proposals for improving efficiency and effectiveness of its activities, were adopted and/or incorporated into the reform strategy by MF Montenegro. In **phase 2, the project** aims to provide assistance to the Ministry of Finance of Montenegro in further strengthening of capacities for macroeconomic and fiscal forecasting and economic analysis with the aim to **help the Sector for Economic Policy and Development to establish itself as a credible and institutionally sound government provider of macro-economic and fiscal forecasts and economic analysis.** Activities will focus on developing capacity building plan for the Sector's staff to strengthen their analytical capacities and on establishing and putting into operation an effective system of macro-economic and fiscal forecasting.

The project is implemented under Programme Component 1 and 3.

Status:

1st phase completed, 2nd phase ongoing

Timeline:

Phase 1: June 2010 – June 2011

Phase 2: March 2012 - December 2013

Beneficiaries:

Ministry of Finance of Montenegro, Sector for Economic Policy and Development (SEPD)

Project progress:

- Presentation of the Financial Policy Institute (FPI) of the Slovak Ministry of Finance took place in June 2010 in Montenegro. FPI institutional set-up and forecasting activities at FPI were presented by the FPI staff. Discussions about possible reform initiatives at MF ME took place with leadership of MF ME.
- Data infrastructure review and the proposal for institutional strengthening of the Sector for Economic Policy and Development of the Ministry of Finance (MF) of Montenegro were prepared by consultants and presented at the workshop to the MF Montenegro in March 2011.
- Study visit of the Sector for Economic Policy and Development (Sector) at the Financial Policy Institute of the Ministry of Finance of Slovakia took place in June 2011.
- Lessons learned from the establishment of the Financial Policy Institute in Slovakia were prepared and shared with the MF Montenegro.
- The project was completed in June 2011. **The Sector for Economic Policy and Development adopted a new organisational structure as at the Financial Policy Institute of MF SR.**
- Lead consultant for strengthening capacities in macro-economic and fiscal forecasting was engaged for phase 2 in March 2012. The Lead Consultant will assist with determining the

overall concept and approach to institutional set-up and strengthening capacities for macro-economic/fiscal forecasting activities and economic analysis within the Sector for Economic Policy and Development at MF Montenegro. The first mission of the Lead Consultant to Montenegro took place on 21 – 23 March 2012.

- Lead consultant and Senior Experts in macro-economic and fiscal forecasting conducted missions to Montenegro in July 2012 and September 2012 with the objective to develop a comprehensive training plan for the Sector and further analyse the data for developing forecasting models.
- Macro-economic projection model was finalised and delivered to the Sector's staff in September 2012. The model is based on the "IMF approach", involving the preparation of simultaneous and consistent projections for the real, monetary, fiscal and external sector of the economy.
- Fiscal forecasting model was finalised and presented to the Sector's staff in September 2012. It is based on a quarterly data and forecast individual revenue categories using macro-economic fundamentals, exploiting correlations that were identified through a detailed analysis of quarterly fiscal and macro-economic data.
- Two staff members of the Sector for Economic Policy and Development were provided contribution to participate in the IMF seminar on Macro-economic diagnostic organised by the Joint Vienna Institute.
- The project provided financial contribution to the 3-day seminar on Written Communication Skills delivered by the Centre of Excellence in Finance. The workshop was held in Montenegro in September 2012.
- A contribution to participation in the IMF seminar Macro-economic management and fiscal policy delivered by JVI was provided to the deputy minister of SEPD in January 2013.
- Two staff members of the Sector for Economic Policy and Development of MF Montenegro received contribution to participate in IMF seminars. The 5-day seminar on Public Governance and structural reforms was delivered by the Vienna Institute for International Economic studies. The 20-day seminar on Government Finance Statistics was delivered by the IMF Institute for Capacity Development in Washington, D.C.