



MONTENEGRO

TECHNICAL ASSISTANCE REPORT—REPORT ON EXTERNAL SECTOR STATISTICS MISSION

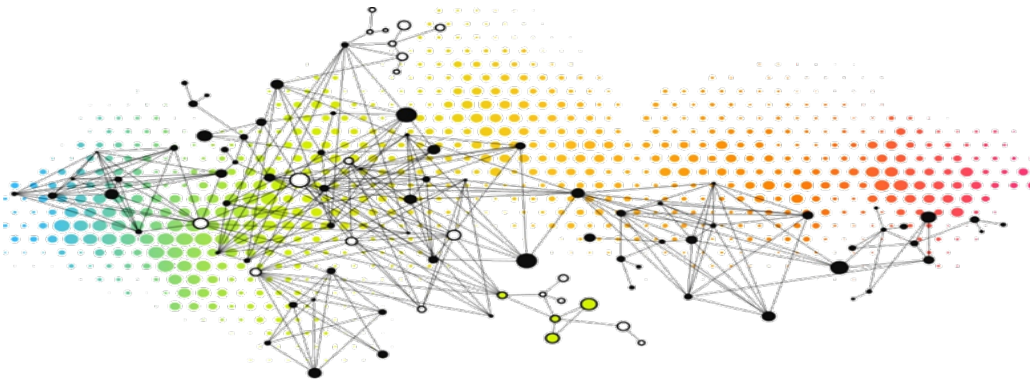
December 2018

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MONTENEGRO

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REPORT ON EXTERNAL SECTOR STATISTICS MISSION (DECEMBER 4–15, 2017)

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Glossary

BIS	Bank for International Settlement
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual</i> , sixth edition
CBM	Central Bank of Montenegro
CDIS	Coordinated Direct Investment Survey
c.i.f.	Cost, insurance, and freight
CPIS	Coordinated Portfolio Investment Survey
DIEs	direct investment enterprises
DTCs	deposit-taking corporations
EDS	external debt statistics
ESS	External Sector Statistics
FDI	(foreign) direct investment
f.o.b.	Free on board
IIP	International Investment Position
IMF	International Monetary Fund
IPA	Instrument Pre-Accession Assistance
ITRS	International Transactions Reporting System
e-GDDS	Enhanced General Data Dissemination System
MFS	monetary and financial statistics
MOF	Ministry of Finance
MONSTAT	Statistical Office of Montenegro
NTA	National Tourist Association
RDT	Reserves Data Template
SDDS	Special Data Dissemination Standard
STA	Statistics Department, IMF
TA	technical assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. To support the compilation of external sector statistics (ESS) in Montenegro, the International Monetary Fund (IMF)'s Statistics Department (STA) conducted a technical assistance (TA) mission during December 4–15, 2017. The mission was requested by the Central Bank of Montenegro (CBM), the main ESS compiling agency, and supported by the IMF's European Department. STA's mission for the Enhanced General Data Dissemination System (e-GDDS) during June 28–July 4, 2017 also suggested TA for Montenegro to start compiling international investment position (IIP) and external debt statistics (EDS).

2. The mission focused on assisting the CBM in preparing IIP, EDS, Reserves Data Template (RDT), and addressing persistent net errors and omissions. Compilation of IIP and EDS is required to be qualified for Threshold 2 of the e-GDDS. Montenegro does not participate in the Eurosystem, but it is fully eurorized. Euro circulating in Montenegro should be included in the assets of the IIP for Montenegro, but difficulty in estimating the amount had been preventing the CBM from compiling IIP for several years.

Table 1. Data Dissemination/Participation Status for Main ESS Datasets in Montenegro

Data Set	Status	Comments
Balance of Payments	Yes	Quarterly data, BPM6 basis
International Investment Position (IIP)	No	
External Debt Statistics (EDS)	No	
Reserves Data Template (RDT)	No	
Coordinated Direct Investment Survey (CDIS)	Yes	Inward investment only
Coordinated Portfolio Investment Survey (CPIS)	No	

3. **The mission proposed and agreed with the CBM a methodology to estimate euro circulating in Montenegro.** The methodology uses a ratio on currency in circulation to deposits. The ratio was calculated based on the information obtained from the monetary and financial statistics (MFS) in neighboring countries that issue their own currencies.

4. **The CBM is now ready to start compiling IIP.** The mission assessed that the data quality and methodological expertise of the CBM are high and sufficient to produce IIP. The CBM plans to start compiling IIP with annual data. Quarterly IIP can be compiled when the quarterly FDI survey is fully implemented. The CBM is also ready to compile EDS in collaboration with the Ministry of Finance (MOF) using the same source data for the IIP. In addition, the mission

provided guidance on reserve assets and reserve-related liabilities in the context of an eurorized economy. The CBM plans to collaborate with the MOF to prepare a draft RDT and submit it for STA's review. Compilation of the RDT is required to subscribe to the Special Data Dissemination Standard (SDDS).

5. **For balance of payments, the mission provided recommendations, focusing on measures to address persistent net errors and omissions.** The mission identified that remittances brought into Montenegro in cash is the main source of the persistent net errors and omissions and proposed the methodology to estimate them. The mission also provided other recommendations to address net errors and omissions. Net errors and omissions in Montenegrin balance of payments have decreased significantly by implementing these recommendations.

Figure 1. Net Errors and Omissions Before/After Improvements

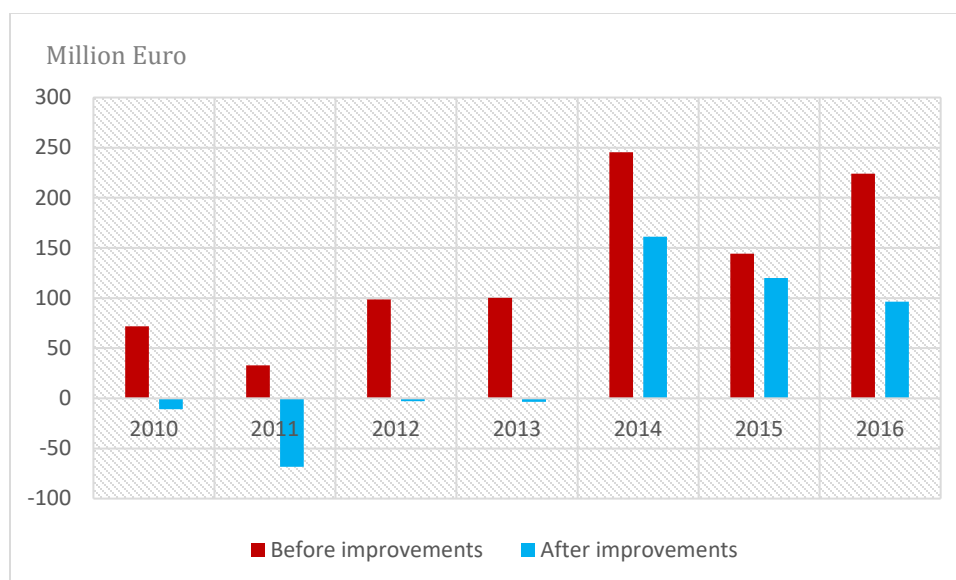


Table 2. Montenegro: Top Priority Recommendations

Target Date	Recommendations	Responsible Institutions
June 2018	Start compiling IIP and EDS	CBM/MOF
June 2018	Estimate euro circulating in Montenegro	CBM
June 2018	Estimate remittances brought in cash	CBM

Further details of the recommendations can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

The mission expresses its gratitude to the staff of the CBM for their cooperation and hospitality.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS¹

Priority	Action/Milestone	Risk Assumptions	Target Date	Completion Date	Implementation Status
Outcome: Start compiling IIP and EDS					
H	<i>Start compiling and reporting to the IMF direct investment position data in IIP</i>	Low	June 2018		
H	<i>Continue to conduct quarterly FDI survey targeting largest DIEs and resident direct investors.</i>	Low	Ongoing basis		
H	<i>Start compiling and reporting to the IMF portfolio investment position data in IIP</i>	Low	June 2018		
M	<i>Adjust the information on euro bond issuance to reflect residents' holdings using the information from the ITRS</i>	Low	June 2018		
M	<i>Incorporate "other changes" in portfolio investment position data for other sectors to reflect changes in exchange rates and stock indices. Cross-check equity security liabilities with derived liabilities from the CPIS</i>	Low	June 2018		
M	<i>Explore the possibility to expand the coverage of the FDI or loan asset/liability survey to collect information on portfolio investment positions</i>	Low	December 2018		
H	<i>Estimate currency in circulation using the currency in circulation/deposits ratio and incorporate it in the IIP</i>	Low	June 2018		
H	<i>Start compiling and reporting to the IMF other investment position data in IIP</i>	Low	June 2018		

¹ Final balance of payments data for 2017 and revised data for previous years will be published in June 2018. The CBM plans to implement most of the recommendations and revisions at this timing.

Priority	Action/Milestone	Risk Assumptions	Target Date	Completion Date	Implementation Status
M	<i>Implement the planned trade credit survey and incorporate the results in balance of payments</i>	Low	December 2018		
H	<i>Start compiling EDS and report to the World Bank</i>	Low	June 2018		
Outcome: Start preparation for the RDT					
M	<i>Obtain data from the MOF, prepare a draft RDT, and submit it for STA's review</i>	Low	June 2018		
Outcome: Address net errors and omissions					
H	<i>Estimate remittances in cash using the cash/bank transfer ratio and incorporate the results in balance of payments</i>	Low	June 2018		
M	<i>In medium-term, explore the possibility to introduce a question on the cash/bank transfer ratio in surveys in collaboration with other agencies</i>	Low	December 2018		
H	<i>Start recording reinvested earnings in the income and financial accounts</i>	Low	June 2018		
H	<i>Start compiling deposits data for other sectors using the LBS data, supplemented by the information from Form RN-1</i>	Low	June 2018		
M	<i>Keep approaching the MIA collaborating with other agencies to get comprehensive information on travelers</i>	Low	Ongoing basis		
Outcome: Allocate enough resources and foster expertise					
H	<i>Allocate three additional staff to the Balance of Payments Division</i>	Medium -- Resource Adequacy	December 2018		
H	<i>Keep attending training courses for ESS</i>	Low	Ongoing basis		

A. International Investment Position (IIP)

6. Montenegro compiles balance of payments on a quarterly basis. Data according to the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* are

available for 2010 and onward. Montenegro participates in the Coordinated Direct Investment Survey (CDIS) reporting inward direct investment data, but it has not yet compiled international investment position (IIP). The top priority of the mission was to assist the Central Bank of Montenegro (CBM) in starting compiling and releasing IIP data.

Direct Investment

7. The CBM conducts an annual direct investment (FDI) survey. The survey covers 1,600 enterprises that receive and/or provide direct investment. The results of the survey are used to compile FDI in the balance of payments and for the CDIS (inward direct investment only). The response rate to the survey is high (more than 90 percent), due to the Law of the Central Bank of Montenegro and the Law on Foreign Current and Capital Operations that empower the CBM to collect data to compile statistics with penalty provisions when enterprises and individuals do not comply with the data request. The CBM cross-checks the data with the balance sheet information of the same enterprises collected from the tax authority² and information from the international transaction reporting system (ITRS). The mission reviewed survey forms that cover opening and closing positions as well as transactions, other changes, and income information including reinvested earnings of the period. The mission assessed the data collection framework is structured well and the data quality is high.

8. In the first quarter of 2017, the CBM started a pilot project to improve the frequency of the survey from annual to quarterly. Enterprises were requested to reply to the survey by the 25th in the following month of the end of the previous quarter, but the response rate dropped to around 50 percent. Considering limited resources at the CBM and reporting burden of the enterprises, the mission advised that the CBM should focus on largest enterprises in the quarterly survey, while maintaining annual frequency for smaller ones. The results of the annual survey indicated that the largest 40 enterprises account for around 90 percent of the total direct investment liabilities. Less than 20 enterprises have direct investment assets.

9. In 2018, the CBM plans to add questions in the survey to capture investment in kind. The CBM can also verify the reported information with the information from the ITRS. In case where equity increased without corresponding payments to be captured by the ITRS, the CBM requests the enterprises to provide reasons for the increase.

10. The FDI survey indicated that the total of reinvested earnings for direct investment enterprises (DIEs) was negative during 2010 to 2016, due to the continued large losses incurred

² The share of foreign direct investor is not available in the information from the tax authority.

by a few large DIEs. Due to the concern on this unusual case, reinvested earnings are not yet recorded in the Montenegrin balance of payments.

11. The mission reviewed the source data and agreed with the CBM that reinvested earnings should be recorded in the income and financial accounts of the balance of payments for Montenegro and revise the data for 2010 and onward. The mission and the CBM also agreed that the above negative reinvested earnings for a few large DIEs should be excluded from the revised balance of payments to reflect real economic activities in Montenegro.³

12. Investment in real estate is recorded using the information from the ITRS. The customs' information is also used when cash is brought into Montenegro for investment in real estate. The CBM accumulates transaction data and adjust them using the national land price index to reflect price changes. Investment in real estate accounts for 16 percent of direct investment liabilities.

Recommendations:

- *Start compiling and reporting to the IMF direct investment position data in IIP (Top priority by June 2018)*
- *Continue to conduct quarterly FDI survey targeting largest DIEs and resident direct investors (high priority on ongoing basis).*
- *Start recording reinvested earnings in the income and financial accounts in the balance of payments (high priority by June 2018).*

Portfolio Investment

13. Portfolio investment data for the general government are obtained from the Ministry of Finance (MOF). The Montenegrin government incurs portfolio investment liabilities from nonresidents by issuing euro bonds. The mission recommended adjustment to the euro bonds' issuance data with the information from the ITRS to reflect residents' purchases of the euro bonds. Data for deposit-taking corporations (DTCs) are sourced from the MFS.

14. Portfolio investment assets for other sectors are sourced from the ITRS. Position data are estimated by accumulating transaction data. Since the ITRS captures counterparty country information, the mission suggested adjusting transaction data with changes in exchange rate for

³ If negative payments of reinvested earnings (i.e., receipts in the income account) are recorded, the current account deficit in 2015 would improve more than 50 percent without any real inflows of resources in Montenegro. The decrease of FDI liabilities due to the losses are recorded in "other changes" in the integrated IIP framework, instead of recording balance of payments transactions (i.e., disinvestment and negative payments of reinvested earnings).

each counterpart country. Further adjustment should be applied to equity securities using changes in the stock index of the country. The mission provided the CBM staff with examples of calculation of position data from transaction data with foreign exchange and price change adjustments.

15. Equity security liabilities are also sourced from the ITRS. When accumulating flow data, the CBM should adjusted the data using changes in the Montenegrin stock index. The mission also suggested cross-checking data with derived liabilities from the IMF's Coordinated Portfolio Investment Survey (CPIS) and provided guidance on the use of the CPIS portal.

16. In the medium term, position data should be collected directly, rather than accumulating transaction data with adjustments. To collect position data efficiently, the coverage of existing report forms (e.g., the FDI survey or loan asset/liability survey) could be expanded by adding questions on portfolio investment positions.

Recommendations:

- *Start compiling and reporting to the IMF portfolio investment position data in IIP (Top priority by June 2018)*
- *Adjust the information on euro bond issuance to reflect residents' holdings using the information from the ITRS (medium priority by June 2018)*
- *Incorporate "other changes" in portfolio investment position data for other sectors to reflect changes in exchange rates and stock indices. Cross-check equity security liabilities with derived liabilities from the CPIS (medium priority by June 2018).*
- *Explore the possibility to expand the coverage of the FDI or loan asset/liability survey to collect information on portfolio investment positions (medium priority by December 2018)*

Table 3. Data Source for Portfolio Investment Position by Sector

	Assets	Liabilities
Central Bank	Not Applicable	Not Applicable
General Government	Not Applicable	MOF with adjustment from the ITRS information
Deposit-taking Corporations	MFS	MFS
Other Sectors (other financial corporations, non-financial corporations, households, and non-profit institutions serving households)	Accumulation of transaction data from the ITRS, reflecting changes in foreign exchange rates (for debt and equity securities) and stock indices (for equity securities)	Accumulation of transaction data from the ITRS, reflecting changes in Montenegrin stock index (for equity securities)

Currency in Circulation

17. Montenegro does not participate in the Eurosystem, but it is fully eurorized. Euro circulating in Montenegro is part of external assets and should be included in the IIP. Difficulty in estimating the amount had been preventing the CBM from compiling IIP for several years.

18. The mission proposed and agreed with the CBM a methodology to estimate euro circulating in Montenegro. The agreed methodology is to use ratios on currency in circulation to deposits obtained from neighboring countries that issue their own currencies. A similar ratio from neighboring countries can be applied to Montenegro, given economic structure is similar across the region (e.g., high cash inflows by remittances). The ratios are consistent among neighboring countries and they are in a declining trend, most likely reflecting wide spread use of credit cards and improved confidence in the banking system. The average of the ratios for neighboring countries is applied to resident deposits in Montenegro to derive euro circulating in Montenegro.

Table 4. Ratios on Currency in Circulation to Deposits⁴

		<i>Millions of national currency</i>						
		2010	2011	2012	2013	2014	2015	2016
SERBIA	Currency in Circulation	91.750,0	114.190,0	110.547,0	122.439,0	130.468,0	139.818,0	159.264,9
	Deposits in National Currency	330.375,0	386.513,0	393.190,0	453.990,0	540.175,0	624.053,0	697.193,8
	RATIOS	0,28	0,30	0,28	0,27	0,24	0,22	0,23
CROATIA]	Currency in Circulation	15.262,7	16.689,1	16.947,0	17.420,6	18.520,2	20.148,6	22.466,5
	Deposits in National Currency	61.772,2	68.388,5	66.582,1	73.798,1	79.332,3	85.674,0	96.611,9
	RATIOS	0,25	0,24	0,25	0,24	0,23	0,24	0,23
	AVERAGE RATIO	0,26	0,27	0,27	0,25	0,24	0,23	0,23
MONTENEGRO	Estimated euro in circulation	398,6	410,6	440,2	421,1	431,4	464,0	508,5

Recommendation:

- Estimate euro circulating in Montenegro using the agreed currency in circulation/deposits ratio and incorporate it in the IIP for Montenegro (Top priority by June 2018)

Deposits, Loans, and Trade Credit/Advances

19. Deposits assets and liabilities for DTCs are sourced from the MFS. To cover transactions by other sectors at accounts with nonresident banks, the CBM identified 50 largest enterprises that conduct international transactions from the ITRS. These enterprises are requested to fill out the report form (FormRN-1) quarterly to report transactions and positions at accounts abroad with counterparty country information. The CBM had been exploring other data source to capture deposits for enterprises and individuals that do not submit Form RN-1.

20. The mission suggested the Locational Banking Statistics (LBS) compiled by the Bank for International Settlement (BIS) for the source. The LBS provides position data as well as changes in positions during the quarter adjusted by exchange rates. The latter can be used as a proxy for transactions to be recorded in balance of payments. The LBS separately identifies the banking and non-bank sector. The latter can be used to record deposits for other sectors. The mission provided guidance on how to obtain the information from the BIS website.

⁴ Ratios obtained from other neighboring countries were also considered. However, the CBM assessed that the economic structure in Montenegro is most similar to that of these two countries in the region.

21. The LBS data should be supplemented by data collected by Form RN-1 to cover the deposits with nonresident banks that do not report to the LBS. The CBM found that about half of the deposits reported by Form RN-1 are with nonresident banks that do not report to the LBS (around 8 million euro as of end-2016). The CBM indicated that deposits with nonresident banks that are not covered by the LBS or Form RN-1 (e.g., households' deposits with Serbian banks) are not significant.

22. Data on loan assets and liabilities are collected by Forms KO-1 and KZ-1. As of end-2016, Form KO-1 (loan assets) was submitted by 62 enterprises and the total amounted to 35.5 million euro. Form KZ-1 (loan liabilities) was submitted by more than 1,000 enterprises and the total amounted to 2 billion euro. The CBM identifies enterprises using the information from the ITRS and requests them to submit the forms.

23. The CBM plans to introduce a survey to capture trade credit/advances in 2018. The target enterprises will be selected by comparing the custom declarations with corresponding payment information from the ITRS. The CBM plans to send survey forms to those who have large discrepancies between the customs declarations and ITRS data. If the results of the survey indicate high quality, the CBM plans to start recording trade credit/advances in balance of payments starting in December 2018.

Table 5. Data Source for Main Items in Other Investment

Item in other investment	Data source	Comments
Currency in circulation	Currency in circulation to deposits ratio	Top priority recommendation
Deposits	MFS/LBS/Form RN-1	The LBS will be used to capture data for other sectors together with the information from Form RN
Loans	Forms KO-1 and KZ-1	Coverage could be expanded to cover portfolio investment positions
Trade credit/advances	General government: Report from the MOF Other sectors: New survey	

Recommendations:

- *Start compiling and reporting to the IMF other investment position data in IIP (top priority by June 2018)*

- *Start compiling deposits data for other sectors using the LBS data, supplemented by the information from Form RN-1 (high priority by June 2018)*
- *Implement the planned trade credit survey and incorporate the results in balance of payments (medium priority by December 2018)*

B. External Debt Statistics (EDS)

24. The preparation of IIP also covered items required for EDS. In cooperation with the MOF (the main source data provider for the general government), the CBM is able to compile the core table for e-GDDS participants (Table 1: Public sector debt, Publicly-Guaranteed Private Sector Debt, and Private Sector Debt Not Publicly Guaranteed), as well as the table for SDDS subscribers (Table 6: Gross External Debt Position by Sector). Prior to the mission, the Head of the CBM's Balance of Payments Division participated in the EDS training course held in Washington DC. Taking the opportunity, the Head and mission contacted the World Bank and agreed on procedures to start reporting data.

Recommendation:

- *Start compiling EDS in cooperation with the MOF and reporting to the World Bank (top priority by June 2018).*

C. Reserves Data Template (RDT)

25. The mission provided guidance on defining, measuring, and recording reserve assets and reserve-related liabilities in the context of an euroized economy. The mission provided practical guidance to fill out Sections I through IV of the Template according to assets and liabilities held by the CBM and MOF.

26. The CBM does not have deposits with domestic banks to be recorded in Section I.B. Scheduled outflows and inflows are recorded for euro bonds issued by and loans received by the central government in Section II. Contingent liabilities are recorded for guarantees provided by the central government in Section III. The information on currency of denomination is recorded in Section IV. The mission and CBM met the staff at the MOF and requested further information (e.g., details on maturity of guarantees provided by the government and debt service schedules) to prepare the Template comprehensively. The MOF requested preparation time to establish internal procedures to provide the information to the CBM monthly.

27. Once the data are received from the MOF, the CBM plans to prepare a draft RDT and submit it for STA's review. After the review, the RDT should be reported to STA monthly and posted on the IMF's website.

Recommendation:

- *Obtain data from the MOF, prepare a draft RDT, and submit it for STA's review (medium priority by June 2018)*

D. Balance of Payments

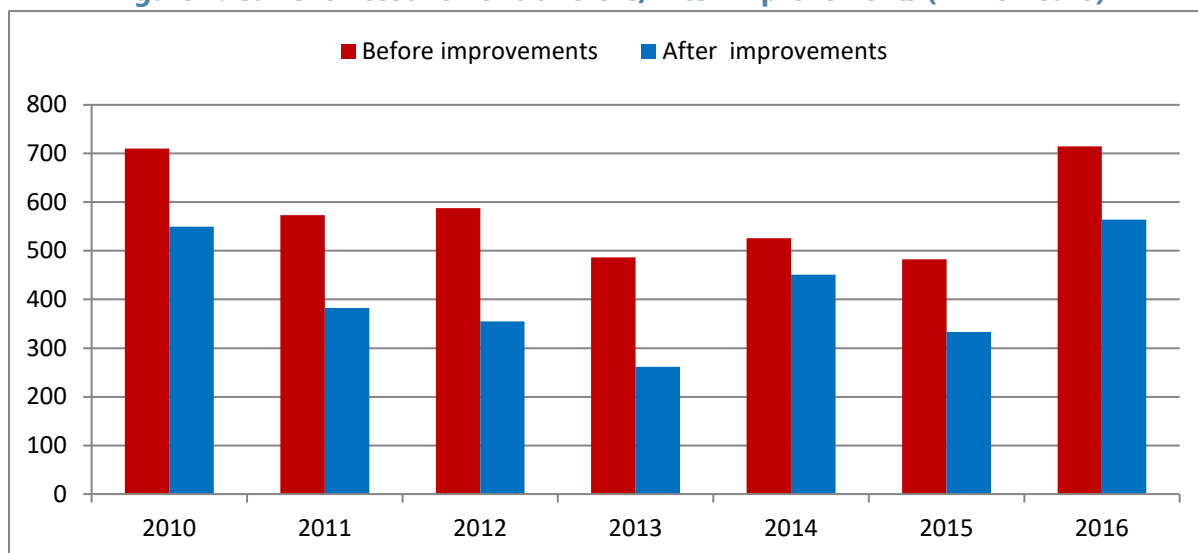
Net Errors and Omissions

28. Remittances are recorded using the information from the ITRS that covers transactions through both banks and money transfer operators, but it does not cover cash brought into Montenegro as remittances.

29. The mission proposed and agreed with the CBM to estimate remittances brought in cash by applying a cash/bank transfer ratio based on information obtained from neighboring countries. The CBM contacted compilers in the neighboring countries and acquired the information on a confidential basis. The average of the ratios is used to estimate remittances brought in cash to Montenegro. In medium term, the CBM should collaborate with other agencies to introduce a question on the cash/bank transfer ratio in surveys (e.g., household survey).

30. The mission assessed the average ratio is reasonable, given Montenegro is a fully eurorized country and many emigrants who live in the Eurozone bring cash when they visit their parents and relatives in Montenegro. Also, emigrants living in other than the Eurozone can bring other foreign currencies and easily exchange them into euro at foreign exchange dealers in Montenegro. Further, the ratio is consistent with experience of the mission when it had conducted another TA mission in the region.

31. The CBM improved the coverage of balance of payments by incorporating remittances brought in cash, reinvested earnings for direct investment (refer to the above FDI section), and deposits for other sectors (refer to the above deposits, loans, and trade credit/advances section). After these improvements, net errors and omissions and current account deficit have decreased significantly. Recording of remittances in cash and reinvested earnings also contributed to decreasing current account deficit. The CBM views that these new figures better reflect economic conditions in Montenegro.

Figure 2. Current Account Deficit Before/After Improvements (million euro)

32. The planned improvement in the FDI survey should further improve net errors and omissions by including inflows from direct investment in kind.

Recommendations:

- Estimate remittances brought in cash using the cash/bank transfer ratio and incorporate the results in balance of payments (top priority by June 2018)
- In medium-term, explore the possibility to introduce a question on the cash/bank transfer ratio in surveys (e.g., household survey) in collaboration with other agencies (medium priority by December 2018)

Other Balance of Payments Issues⁵

Goods and Services

33. The main data source for merchandise trade is the foreign trade statistics compiled by the Statistical Office of Montenegro (MONSTAT). The CBM verifies the data from the MONSTAT with the information from the ITRS. Freight is estimated at 3.03 percent of the c.i.f. price and the

⁵ The CBM receives TA from Eurostat on services under the Instrument for Pre-Accession Assistance (IPA) program until October 2019. The Eurostat TA covers items according to extended balance of payments and information by partner country.

(continued)

insurance is insignificant, given predominant part of import is from the neighboring countries.⁶ The share of the transportation conducted by nonresidents was estimated as 70 percent.

Travel

34. Travel (credit) is calculated based on estimation and information from the ITRS.⁷

- Personal travel--the number of overnight stays (from MONSTAT's monthly survey on arrivals and overnights at hotels and other accommodations), multiplied by the average expenditure per day by region. The number of overnight stays at unregistered accommodations are estimated (30 percent of stays at hotels and registered accommodations)⁸ and added to the total.
- The CBM estimates average expenditures of travelers from websites and phone contacts for major hotels and restaurants every three years. The National Tourist Association (NTA), the Ministry of Tourism, and the Hotel Association also provide price information.
- Data for health-related expenditures, education-related expenditures, and business travel are from the ITRS.

35. The MONSTAT, NTA and CBM requested the Ministry of Internal Affairs (MIA) to provide information on travelers. However, the computer system of the MIA was outdated, and it was not able to provide information for statistical needs. The mission suggested that the CBM and other agencies should keep approaching the MIA so that more accurate information on travelers can be obtained comprehensively without surveys and estimation. In many countries, the MIA can provide detailed information, including nationality of travelers and their length of stay. The information from the MIA on residents going abroad could also be used to estimate travel (debit) and compensation of employees (credit).

Recommendation:

- *Keep approaching the MIA collaborating with other agencies to get comprehensive information on travelers (medium priority on an ongoing basis).*

⁶ Freight and insurance for imports were estimated based on data collected from largest importers covering around 80 percent of the total imports.

⁷ Travel (debit) is compiled from the ITRS (including use of credit cards).

⁸ The survey results in 2005 indicated that 50 percent of private accommodations were not registered. The CBM adjusted the share to 30 percent, reflecting the impact of recent government's campaign to decrease informal economy.

E. Staff Resources in the Balance of Payments Division

36. The CBM's Balance of Payments Division currently consists of seven staff including the head of the division (one of them is currently studying abroad and will be back in September 2018). Two of them are specialized on handling the ITRS. The Division compiles statistics and conducts analysis of the data.

37. Considering the workload undertaken by the Division and comparing with cases in other countries, the mission recommends that the CBM should allocate at least three additional staff to the Division, in order to start producing IIP, EDS, and RDT and conduct quarterly FDI survey. These position data sets require not only their compilation, but also reconciliation with transaction data (i.e., balance of payments). Compilation of these data sets is required to subscribe to the SDDS and sufficient resources should be allocated.

38. Compilation of ESS in Montenegro is relying on the expertise of the staff of the CBM's Balance of Payments Division, and the expertise can be fostered only through continuous training and experience. The staff of the Division should keep attending training courses conducted by the IMF and other international organizations and stay in the Division for a sufficient period. Frequent staff changes should be avoided.

Recommendation:

- *Allocate three additional staff to the Balance of Payments Division (high priority by December 2018)*
- *Keep attending training courses for ESS (high priority on ongoing basis)*

Appendix I. IMPLEMENTATION STATUS OF RECOMMENDATIONS PROVIDED BY THE 2013 MISSION

Priority	Outcomes Description	Institution in Charge	Completion Date	Comments	Status
H	Disseminate the IIP and external debt statistics (benchmark action).	CBM	Sep 2013	Compilers should study the different possibilities for the estimation of currency in circulation.	Not implemented, mainly due to challenges in establishing a methodology to estimate currency in circulation.
H	Revise the current net flows estimation of Other Investments/ Assets/ Currency and Deposits/Other Sectors (benchmark action).	CBM	Sep 2013	The estimation of this item should be based on BIS Locational banking statistics and a model for the currency in circulation.	Not implemented, mainly due to challenges in establishing a methodology to estimate currency in circulation.
M	Improve the currently applied estimation of item Compensation of Employees/credits, revising the number of sailors (benchmark action).	CBM	Sep 2013	Currently used model needs revision of the number of sailors.	Official data from the Sailors Association is used for the number of sailors. No need to revise the model.
O	Improve the coverage of Personal Transfers/ credits by adding an estimation of the flows not covered by the ITRS.	CBM	Sep 2013	Currently ITRS is the only source of data for this item and all related cash transactions remain uncovered.	Not implemented. Currently ITRS is the only source of data for this item. No official number of migrants is available for estimation.
M	Start reporting quarterly balance of payments to the Statistics Department of the IMF, preferable through the ICS.	CBM	Jun 2013		Implemented.
H	Increase the allocation of human resources to the BPD by two staff.	CBM	June 2014	In order to start the work on long term tasks the CBM should increase the staff resources.	Not implemented.

Priority	Outcomes Description	Institution in Charge	Completion Date	Comments	Status
H	Improve the coverage Travel, Passenger Transport, Compensation of Employees and Personal Transfers based on a border survey in combination with other sources.	CBM, MONSTAT, Ministry of Tourism	Dec 2014	The CBM should act in cooperation with MONSTAT and Ministry of Tourism.	Not implemented. No resources for border survey.
M	Launch quarterly collection of data from financial and nonfinancial private enterprises.	CBM	Jun 2014	Additional human resources are necessary.	Implemented without additional human resources.
O	Compile external debt data, public and private, on an accrual basis.	CBM	June 2014	The CBM is planning to introduce changes in the reporting forms for 2012.	Implemented.
O	The CBM should explore the possibility to compile quarterly IIP and external debt statistics.	CBM	June 2014	The CBM is planning to introduce changes in the reporting.	Partially implemented (for stock data on FDI and loans).
M	Increase the amount and scope of publicly available metadata, in particular the revisions due to changes in methodology should be explained.	CBM	Dec 2013	Currently available documentation is with limited scope.	Implemented. All large revisions are explained in the annual Macroeconomic report.
H	The CBM should continue to work together with the Customs and the MONSTAT to improve the quality of the trade data and especially regarding the coverage of the exports data.	CBM, MONSTAT, Ministry of Tourism	Mar 2014	The amount of exports needs verification.	Implemented.
M	Conduct further investigations to estimate goods and services purchased in Montenegro	CBM	Mar 2014		Partially implemented. Prepared new questionnaire for construction services for direct reporting by

Priority	Outcomes Description	Institution in Charge	Completion Date	Comments	Status
	by nonresident companies undertaking construction in the country and to estimate goods and services purchased in the nonresident economy by Montenegrin resident companies undertaking construction abroad for a period shorter than one year.				companies to be implemented in 2018
M	The accommodation services provided to the nonresident owners should be imputed in Travel-credit, as well as a counterpart entry in direct investment income on equity-debit should be made.	CBM	Sep 2013	Currently only the accommodation services provided to the nonresident owners are imputed in Travel-credit. No counterpart entry is made.	Not implemented.
M	To include regular estimations of reinvested earnings while data from annual surveys are not still available.	CBM	Sep 2013	Currently no such estimations are made.	Not implemented, due to reservation on negative reinvested earnings.

Priority Scale

H - High M – Medium O – ongoing basis