



# MONTENEGRO

April 12, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department

### CONTENTS

FUND RELATIONS	2
RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS	4
STATISTICAL ISSUES	5

## FUND RELATIONS

(As of February 29, 2024)

**Membership Status:** Joined January 18, 2007; Article VIII.

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>% Quota</b>
Quota	60.50	100.00
Fund Holdings of Currency	91.03	150.45
Reserve Tranche Position	14.85	24.55

<b>SDR Department:</b>	<b>SDR Million</b>	<b>% Allocation</b>
Net cumulative allocation	83.81	100.00
Holdings	70.79	84.47

<b>Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>% Quota</b>
Emergency Assistance	45.38	75.00

### Latest Financial Arrangements:

<b>Type</b>	<b>Date of Commitment</b>	<b>Date Drawn/Expired</b>	<b>Amount Approved</b>	<b>Amount Drawn</b>
RFI	June 24, 2020	June 26, 2020	60.5	60.5

### Projected Obligations to Fund (In millions of SDR):

	Forthcoming				
	2024	2025	2026	2027	2028
Principal	30.25	15.13			
Charges/Interest	1.73	0.99	0.53	0.53	0.53
Total	31.98	16.12	0.53	0.53	0.53

**Implementation of HIPC Initiative:** Not Applicable.

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not Applicable.

**Implementation of Post-Catastrophe Debt Relief (PCDR):** Not Applicable.

**Exchange Rate Arrangement:** Montenegro's exchange rate arrangement is an exchange arrangement with no separate legal tender. The euro is a legal tender. Montenegro has accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement. Montenegro maintains an exchange system free of multiple currency practices and of restrictions on payments and transfers for current international transactions, except for restrictions in place for security reasons which have been notified to the Fund pursuant to Executive Board Decision No. 144(52/51).

**Latest Article IV Consultation:** February 18, 2022 (IMF Country Report No. 22/60).

**FSAP Participation:** A Financial Sector Assessment Program was initiated in August 2015, jointly with the World Bank, and concluded during the 2015 Article IV consultation. The Executive Board discussed the Financial System Stability Assessment in January 2016.

**Recent Technical Assistance:**

<b>Department</b>	<b>Timing</b>	<b>Purpose</b>
STA	Multiple missions 2021-23	External sector statistics
MCM	2022	Supervision and regulation: risk-based supervision
MCM	2021	Domestic debt market development and MTDS
LEG	Multiple missions 2021-23	Draft amendments to strengthen the central bank law
FAD	Multiple missions 2022-23	SOE risk analysis and oversight
FAD	2021	Public Investment management assessment
FAD	2021	Tax analysis and microsimulation modelling
FAD	2023	Legal review for establishment of fiscal council

In addition, technical assistance was available through regional advisors covering public financial management and revenue administration.

**Resident Representative:** Mr. Sebastian Sosa is the Regional Resident Representative for the Western Balkans.

## RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

**EBRD:** <https://www.ebrd.com/where-we-are/montenegro/overview.html>

**European Commission:** [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status/montenegro\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status/montenegro_en)

**European Investment Bank:** <https://www.eib.org/en/projects/regions/enlargement/the-western-balkans/montenegro/index.htm>

**World Bank:** <https://www.worldbank.org/en/country/montenegro>

## STATISTICAL ISSUES

<b>I. Assessment of Data Adequacy for Surveillance</b>
<p><b>General:</b> Data provision has some shortcomings but is broadly adequate for surveillance. The most affected areas are labor market indicators and government finance statistics. The Statistical Office of Montenegro (MONSTAT) suffers from resource constraints and limited capacity.</p>
<p><b>Real Sector Statistics:</b> The Statistical Office of Montenegro (MONSTAT) suffers from resource constraints and limited capacity.</p>
<p><b>National Accounts:</b> MONSTAT compiles annual production and expenditure accounts in current and previous year's prices. The production GDP estimates are reconciled with the expenditure GDP estimates through the supply and use framework (i.e. reconciling supply and use). The quality of the annual GDP is good.</p> <p>Montenegro started disseminating quarterly GDP by production using an indirect method in 2012, but the methodology has room for improvement. The estimates are compiled at an aggregated level (mostly NACE section level). Recent national accounts TA missions have focused on developing robust quarterly GDP estimates by expenditure approach. Quarterly GDP estimates have been compiled since 2010.</p>
<p><b>Price Statistics:</b> MONSTAT compiles and disseminates a monthly consumer price index that broadly follows international standards. The coverage of the PPI could be expanded to include services.</p>
<p><b>Labor market statistics:</b> MONSTAT reports labor and wage statistics based on data from the labor force survey (LFS) and administrative sources. The unemployment rate from the LFS is computed according to the ILO definition. The quality of wage indicators is relatively good, but information on foreign employment remains limited. The presence of a large informal sector impedes the accurate assessment of the unemployment rate. Frequent methodological revisions also impair time series analyses.</p>
<p><b>Government Finance Statistics:</b> Fiscal data are compiled, on a cash basis, by the Ministry of Finance (MOF) based on the new GFS institutional classification, and, since 2006, include data on local governments and social security funds. The latter were merged with the treasury account in 2010. The chart of accounts introduced in 2001 has been implemented at the local level from mid-2005. Although progress is being made, there are still some gaps in coverage, and fiscal data do not include all units that should be classified in general government according to the GFSM 2001/2014 guidelines. Own revenues and associated expenditures of extrabudgetary units (including schools and hospitals) are also excluded. Fiscal data reporting suffers from frequent re-classifications, and the classification of some revenues and expenditures is not fully aligned with GFSM 2001/2014. The MOF has established a unit responsible for data collection for state-owned enterprises, but a satisfactory compilation of the public sector fiscal balance requires significant further effort. Data on enterprises owned by municipalities are rarely available. Data on the stock of local government arrears need to be significantly strengthened and disseminated. Data on stocks of financial assets and liabilities are incomplete. Montenegro does not report either annual or high frequency <i>GFSM 2001</i> based data to the IMF.</p>
<p><b>Monetary and Financial Statistics:</b> The Central Bank of Montenegro (CBM) reports monthly monetary statistics covering the CBM balance sheet and the balance sheet of commercial banks only.</p> <p><b>Financial Soundness Indicators (FSIs):</b> Montenegro reports FSIs to the IMF.</p>
<p><b>External sector statistics:</b> Balance of payments (BoP) statistics are compiled by the CBM according to the sixth edition of the <i>Balance of Payments and International Investment Position Manual (BPM6)</i>. The CBM adjusts export and import data from MONSTAT from CIF to FOB basis. One of the challenges to the BoP statistics is the positive and persistent net errors and omissions, suggesting understated inflows, due to the compilation of data based on an international transaction reporting system from banks. Tourism-related and</p>

remittances inflows could especially be underestimated due to the share of cash transactions. International Investment position (IIP) data is being compiled starting 2019. The CBM has received technical assistance from STA to help reduce net errors and omissions.

Montenegro participates in the IMF's Coordinated Direct Investment Survey (CDIS) reporting inward direct investment positions, but not outward direct investment positions. It has not yet participated in the Coordinated Portfolio Investment Survey (CPIS) or prepared the Reserves Data Template.

## II. Data Standards and Quality

Participant in the Fund's Enhanced General Data Dissemination System (e-GDDS) since December 2011. In July 2017 Montenegro received an e-GDDS Implementation mission, and the National Summary Data Page (NSDP) went live in September 2017.

No data ROSC available.

**Montenegro: Table of Common Indicators Required for Surveillance**  
(As of March 18, 2024)

	Date of latest Observation	Date Received	Frequency of Data <sup>7/</sup>	Frequency of Reporting <sup>7/</sup>	Frequency of Publication <sup>7/</sup>
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1/</sup>	Jan-2024	Feb-24	M	M	M
Reserve/Base Money <sup>1/</sup>	Jan-2024	Feb-24	M	M	M
Central Bank Balance Sheet <sup>1/</sup>	Jan-2024	Feb-24	M	M	M
Consolidated Balance Sheet of the Banking System <sup>1/</sup>	Jan-2024	Feb-24	M	M	M
Interest Rates <sup>2/</sup>	Jan-2024	Feb-24	M	M	M
Consumer Price Index	Jan-2024	Feb-2024	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3/</sup> – General Government <sup>4</sup>	2022	Jul-2023	A	A	A
Revenue, Expenditure, Balance and Composition of Financing <sup>3/</sup> – Central Government	Dec-2023	Feb-2024	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5/</sup>	Q3-2023	Dec-2023	Q	Q	Q
External Current Account Balance	Q4-2023	Feb-2024	Q	Q	Q
Exports and Imports of Goods and Services	Q4-2023	Feb-2024	Q	Q	Q
GDP/GNP	Q4-2023	Mar-2024	Q	Q	Q
Gross External Debt	Q3-2023	Mar-2024	Q	Q	Q
International Investment Position <sup>6/</sup>	Q3-2023	Dec-2023	Q	Q	Q

1/ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means. In July 2019, the CBM revised international reserves and its NFA to correct misclassification of CBM's holdings of Montenegrin government bonds and SDR holdings.

2/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

3/ Foreign, domestic bank, and domestic nonbank financing.

4/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

5/ Including currency and maturity composition.

6/ Includes external gross financial asset and liability positions vis-à-vis nonresidents. The annual IIP and external position data were released for the first time in June 2019, starting with the data for 2016 and 2017.

7/ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).