

Adapted Global Assessment of the National Statistical System of Montenegro

Final Report

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PREFACE

This Adapted Global Assessment (AGA) of the National Statistical System of Montenegro has been carried out by ICON-INSTITUT Public Sector GmbH, under contract¹ with Eurostat.

The AGA process was initiated quickly by Eurostat after a request in January 2010 from MONSTAT. The assessment was carried out by Mr Günter Kopsch (the leading expert and former director in DESTATIS, Germany) and Mr Jan Byfuglien (Statistics Norway). The findings are based on an extensive review that was conducted during the mission from 8th to 12th March 2010. Besides the two experts, Ms Janne Utkilen (Eurostat) and the three observers, Ms Blagica Novkovska (State Statistical Office of the former Yugoslav Republic of Macedonia), Mr Gjergij Mano and Ms Ledia Thomo (both from INSTAT, Albania), participated in this mission. Many internal and external partners were met (see Annex 1).

Written material was made available by MONSTAT in advance of and during the assessment mission. Key written inputs for this evaluation came from the Law on Statistics and the Statistical System of Montenegro (see Annex 2) and the Development Strategy of Statistics in Montenegro 2009 – 2012 (see Annex 3). Ahead of the mission, a questionnaire on a number of institutional issues was sent out to MONSTAT.

The assessment team greatly appreciated the preparations that had been made and the open nature of discussions with staff of MONSTAT and the representatives from other partner and stakeholder organisations. It is hoped that the assessment will be of benefit to MONSTAT in its further development.

¹ Within the framework of the project 'Global assessments of statistical systems of candidate and potential candidate countries as well as ENP countries'.

EXECUTIVE SUMMARY

- (1) The main goal of the Adapted Global Assessment (AGA) is to assess the conformity of the National Statistical System (NSS) of Montenegro with European standards, the UN Fundamental Principles of Official Statistics, the European Statistics Code of Practice, as well as the Eurostat Statistical Requirements Compendium. In this way, the AGA supports the improvement of the NSS and its alignment with international recommendations, standards and best practices.
- (2) The National Statistical Office of Montenegro, MONSTAT, is the main producer of official statistics and is responsible for the coordination of the National Statistical System of Montenegro. The functions and responsibilities of MONSTAT changed significantly when the country gained independence in 2006. In this respect, MONSTAT can be considered as a rather young office, which is an additional challenge in the process of aligning with the *acquis communautaire*.
- (3) Montenegro applied for EU membership in December 2008. Overall, much remains to be done before Montenegro complies with the *acquis communautaire* in what concerns statistics. However, clear and well documented progress in the development of statistics for Montenegro, particularly in the past couple of years, has been noted by users of statistics. Nevertheless, MONSTAT as well as other producers of statistics are confronted with an increasing number of new requirements, both from national and international stakeholders. Should Montenegro become a candidate country, then these requirements would increase still further.
- (4) The main conclusions of the assessment of institutional aspects of the National Statistical System of Montenegro are as follows:
 - The present version of the Law on Statistics and the Statistical System (hereafter termed 'the Law') is already broadly in accordance with the UN Fundamental Principles of Official Statistics and the corresponding parts of the European Statistics Code of Practice. The Law covers all producers of official statistics in Montenegro.
 - The planned revision of the Law is supported strongly. The aim of the revision is to further strengthen the role of MONSTAT in the NSS. To this end, the position of the Director General of MONSTAT also needs to be strengthened.
 - The professional independence of the producers of official statistics is not only guaranteed by law but is also respected in practice, at least as far as MONSTAT is concerned. With regard to other producers of official statistics, however, the issue of who decides on the release of new data needs to be solved.
 - The NSS is based on a strong and clear legal mandate for primary data collection and for access to administrative data for statistical purposes. In practice, however, improvements are needed.

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- Statistical confidentiality is laid down clearly by the Law and is respected in practice. However, there is a perception that the public has reservations about whether confidentiality is respected.
 - With the revision of the Law, the list of producers of official statistics needs to be updated and the role of the institutions as producers of official statistics should be clarified.
 - Programme planning is well established in the NSS and is an essential coordination instrument for MONSTAT. However, MONSTAT's role as the coordinator of the NSS would be further strengthened by incorporating all of the development activities of all of the producers of statistics into the Annual Plan, establishing new producer/user committees for important statistical domains chaired by MONSTAT experts, and signing the Memorandum of Understanding with key partners, including the Central Bank and the Ministry of Finance.
- (5) The main conclusions of the institutional aspects of MONSTAT are as follows:
- MONSTAT lacks the necessary budgetary resources to cover the survey programme and the development activities. During the transition period of aligning the statistical system with the *acquis*, greater resources are required to carry out the development work necessary.
 - MONSTAT currently comprises about 130 employees, despite the fact that the organisational plan that was adopted in April 2008 foresaw a workforce of about 200 employees. As a result of the financial crisis, the recruitment of new staff has been put on hold and a number of key positions remain vacant, including three posts for assistant directors.
 - There is an urgent need to recruit a professional Assistant Director for the Sector of Statistical Coordination and ICT to ensure the strategic planning of IT development and to improve organisation and training in this field.
 - All posts are defined by the rulebook on internal organisation and job descriptions. The administrative framework of MONSTAT limits the freedom of manoeuvre for hiring and retaining staff. MONSTAT might benefit from developing some strategic guidelines for staff policies and staff development and training.
 - Several departments currently have either one or two employees. Flexibility in the organisation is important in order to share the workload, improve the transfer of knowledge and increase efficiency.
 - MONSTAT should establish an annual work schedule to accompany the Annual Plan, containing clear objectives, steps and milestones for the implementation of activities. The introduction of an IT-based monitoring system is also recommended.

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- The Annual Plan should include the estimated cost of surveys and development work, and be linked with the budget allocation.
 - MONSTAT should develop a plan for improved quality management, including organisational measures, procedures, training, and specific actions.
 - Overall planning and coordination of the assistance programmes has to take into account the absorption capacities of a very small office, and management needs to set clear priorities. It appears that in a number of areas, too many things are expected to be done at the same time.
 - New IT tools for data entry, control and editing should be introduced. The issue of the standardisation of processes has to be addressed. The external website should be modernized and the development of the metadatabase continued. Insufficient IT resources in the regional offices remain a challenge.
 - MONSTAT has seven regional offices with about 30 employees (almost 1/4 of the workforce) whose tasks are to collect and control data. However, the regional offices do not have IT equipment which means that they are unable to assist with tasks such as data entry. A simplification of the regional structure of MONSTAT or even a full centralization of all tasks in the central office should be considered.
 - In the field of dissemination, MONSTAT requires a new strategy. This should include the modernization of all areas of dissemination and with that the immediate establishment of the planned Department on Dissemination and Communication. Seven of the eight posts foreseen in this department remain vacant.
 - MONSTAT should be more visible to the public, which would further improve its credibility in the eyes of all stakeholders. To do this, it is suggested that the tasks of public communication and of cooperation with the media should be internalized within MONSTAT as soon as possible.
 - MONSTAT publishes simultaneously all of its monthly statistics through the monthly bulletin. There are several disadvantages to bundling the results into one publication, and it is recommended that each set of statistics are published separately, as soon as they are ready.
 - The implementation of a regular user satisfaction survey should start.
- (6) The results of the assessment of the level of compliance with the European requirements in selected statistical areas are as follows:
- A date for the implementation of the revised 'statistical Classification of Economic Activities in the European Community', known as NACE Rev. 2, should be agreed very soon, as well as the date for the submission of the draft law to the line ministry. As a next step, the 'statistical Classification of Products by

Activity in the European Community', known as CPA 2008, should also be implemented.

- The preparation of the Population Census seems to be in line with European regulations and international recommendations. However, much remains to be done before the census, which is planned for April 2011, can be carried out. The census law must be adopted and the census budget secured during the spring session of Parliament. It was suggested that there should be a further evaluation of what benefits could arise from the population register that is already under development.
- With the introduction of the European Survey on Income and Living Conditions (EU-SILC), it will be necessary to look further into the design and content of all social statistical surveys, and especially that of the Household Budget Survey (HBS), in order to avoid duplication and to improve coordination.
- With regard to the Labour Force Survey (LFS), MONSTAT and the Employment Agency should help users better understand the differences between information based on the LFS and information based on administrative sources.
- Concerted efforts are required to enlarge and improve National Accounts (NA) in Montenegro. However, the absorption capacity of the rather small NA Section has to be taken into account. In principle, the improvement and enlargement of annual NA calculations should have first priority in Montenegro. MONSTAT should also start to try to calculate a first estimate of quarterly Gross Domestic Product (GDP).
- The transfer of responsibility for Government Finance statistics from the Ministry of Finance to MONSTAT should be considered.
- It is considered that statistics on the Balance of Payments have already reached a quite high degree of compliance with European and international requirements.
- In contrast, the quality of the Business Register is not satisfactory. MONSTAT has considerable problems to eliminate all of the deficiencies from administrative sources. A light Business Census should be considered in the medium-term (2012 at the earliest), the results of which would be the basis for an improved Business Register.
- After the successful implementation of Structural Business Statistics (SBS) in all sectors of the economy, it is suggested that all of the current annual business surveys in the various economic sectors be stopped in order to save resources.
- MONSTAT's efforts to attain compliance with the Short-Term Statistics (STS) regulation for industry, construction and trade appear promising. Users should be informed of the plans for other service sectors.

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- Much preparation has gone into the forthcoming Agricultural Census. It should improve the coverage and quality of agricultural statistics as a whole. It is crucial, therefore, that the Census is carried out as scheduled in June 2010.

(7) The following improvements are suggested:

- It appears that MONSTAT lacks the necessary budgetary resources for both its survey programme and development activities. Development activities should be included in the Annual Plan and decisions on the Annual Plan should be linked with decisions on the budget allocation. Business planning within MONSTAT should be improved by developing a detailed and monitored work plan.
- MONSTAT might benefit from developing some strategic guidelines for staff policies and staff development and training.
- MONSTAT needs to develop a plan for improved quality management, including organisational measures, procedures, training, and specific actions.
- New IT tools for data entry, control and editing should be introduced. The issue of the standardisation of processes has to be addressed. The external website has to be modernized, and the development of the metadatabase continued. Insufficient IT resources in the regional offices remain challenges.
- MONSTAT needs a new strategy to modernize all areas of dissemination. Moreover, MONSTAT requires greater public visibility, which would further improve its credibility in the eyes of all stakeholders. It is suggested that the tasks of public communication and of cooperation with the media should be internalized within MONSTAT as soon as possible. The implementation of a regular user satisfaction survey should be started soon.
- The Law on Statistics and the Statistical System should be revised, as already planned. The revision should be used to strengthen the position of the Director General of MONSTAT, to give stronger rights to MONSTAT with regard to a better use of administrative data, to further improve the role of MONSTAT as the coordinator of the NSS, and to make completely clear the delimitation of the NSS.
- The detailed Assessment Report includes proposals for improvements in most statistical domains. Key areas are:
 - o Enlargement and improvement of National Accounts calculations
 - o Business Statistics, in particular Business Register and Short-term Statistics
 - o Agriculture Statistics

1 LEGAL BASIS

1.1 General Overview

- (1) The Law on Statistics and Statistical System of Montenegro, promulgated by the President of the Republic of Montenegro in the Official Gazette of 18 November 2005, is the legal basis for the production of official statistics in Montenegro (the English text is enclosed in Annex 2 of the report). It follows in structure and widely also in content the “Guidelines and Recommendations for the Drawing-up of a Basic Statistical Legislation in Transition Countries Changing to a Market Economy” (Pattern for a Statistical Law) developed by Eurostat.
- (2) The Law on Statistics and Statistical System does not only apply to the National Statistical Office of Montenegro (MONSTAT) but also to other producers of official statistics which are explicitly named in the Law itself or in the Programme of Statistical Surveys.

1.2 Discussion of Essentials of a Statistical Law in Detail

- (3) The following aspects are considered as essentials of a statistical law:
 - Guarantee of professional independence for the producers of official statistics;
 - Adoption of a multi-annual statistical programme by the relevant authorities for legislation;
 - Strong power to collect and access data for statistical purposes;
 - Firm guarantee of statistical confidentiality;
 - Impartial dissemination of the statistical information produced.
- (4) Further important aspects which should also be laid down in the statistical law are the organisation and coordination of the statistical system including the mandate of the statistical office, and the role of the National Statistical Council. These aspects will be discussed in later chapters.

1.3 Professional Independence

- (5) According to the Fundamental Principles of Official Statistics as well as to the European Statistics Code of Practice the producers of official statistics shall be professionally independent. The production of statistics shall be policy-remote and decided solely on professional reasons. Influence on statistics in order to manipulate the results could notably be sought in the choice of standards and methods and the dissemination of the statistical results. The statistical law should contain sufficient safeguards against all such possible interventions. Professionalism and independence are the fundamental principles for the credibility of a statistical system, and credibility

is of the highest importance because statistics that is not trusted will not be used and is therefore useless.

- (6) The Law on Statistics and Statistical System lays explicitly down in Articles 5 and 6 the professional independence of the producers of official statistics in Montenegro while performing statistical activities. Statistical activity is defined as any activity for the purpose of production, processing and dissemination of statistical results.
- (7) The Decree on State Administration, Organization and Operations governs the establishment of Ministries and other administration bodies, the manner in which state administrations operate and other issues significant for the operation of state administrations. Article 33 describes the Statistics Institute as the public body conducting activities with regard to statistics. According to Article 47 of the Decree the Statistical Institute is under the supervision of the Ministry of Finance. Supervision includes inter alia providing professional directions, explanations and instructions which might be considered as contradictory to the Law on Statistics.
- (8) The role of the Director of the Statistical Office, the selection procedures for his or her appointment and the qualification required, as well as his or her term of office including rules against an early dismissal are not laid down in the Law on Statistics and Statistical System. The Decree on State Administration, Organization and Operations assigns the task of providing proposals for appointment and dismissal of the heads of the administrative bodies to the respective supervisory Ministry. In MONSTAT's self-assessment it is said that the period of office of the Director can be ended by resignation, suspension or termination of the mandate of the Government.
- (9) The legal status of a statistical system and a statistical office with regard to professional independence is a good prerequisite to be able to fully apply to the Independence Principle of the Code of Practice. It is, however, not already a guarantee. Professional independence of the producers of official statistics has also to be accepted, in particular by the Government, in practice. From discussions with the management and other staff of MONSTAT as well as with various users of statistics it became clear that MONSTAT can work independently without being influenced in the selection of the methodology used and in the content and timing of its releases. One critical aspect with regard to other producers of official statistics is that at least in the Central Bank and in the Ministry of Finance releases of new data have to be adopted not only by the head of the statistics department but by a higher hierarchical level of the institution.

1.4 Programming

- (10) A national law on statistics should lay down that a multi-annual statistical programme will be drawn up. The role of such a programme is to describe the scope of statistical activities during the next 4 or 5 years and with that to set clear priorities what is to be done. The programme should be adopted by the relevant authorities for legislation in the state because judgment of what is statistically relevant in the country is a political decision. The necessary details for the implementation of the programme can be decided at a lower level, e.g. by the head of the statistical office after consulting some advisory body. It should also be taken into consideration to install into the programme a link to the budgetary safeguards.
- (11) The Law on Statistics and Statistical System contains a chapter called “Programme of Statistical Surveys” (Programme hereafter). It is laid down there that a multi-annual programme shall be passed by the Government. For the implementation of the Programme an Annual Plan shall also be passed by the Government. The drafting of both documents, the Programme of Statistical Surveys and the Annual Plan, is coordinated by the Montenegrin statistical office. The Council of the Statistical System contributes to the development of the Five-Year Programme of Statistical Surveys and of the Annual Plan by discussing and possibly amending these documents. After the positive opinion of the Council on the proposals in the Programme and the Annual Plan, MONSTAT submits the documents through the line ministry to the Government of Montenegro for adoption. The thematic structure of EU legislation in the field of European Statistics is the basis for the thematic content of the Programme of Statistical Surveys and also for the Annual Plan, starting from this year. MONSTAT submits to the line ministry its annual and quarterly reports on the execution of the Annual Plan. Nothing is said in the Law and in the programmes to the budgetary safeguards for the implementation of the Programme.
- (12) The Annual Plan does not include any developmental objectives or activities. A clear planning of all developmental activities would be of high importance in particular in the present transition period.

1.5 Mandate for Data Collection

- (13) A statistical law shall provide producers of official statistics with the right to decide the most appropriate way to acquire the necessary basic information for the compilation of their statistics from all data sources. Public organisations should be obliged to give access to administrative data for statistical purposes, and statistical units to provide the information needed.
- (14) According to the Law on Statistics and Statistical System reporting units are obliged to provide the producers of official statistics with all data necessary for the production of the statistics included in the Annual Plan. The producers of official statistics is furthermore given the right to access all administrative data sources and data collected

through the observation method, unless use of those data for statistical purposes is prohibited by law. The possibility to prohibit the use of data for statistical purposes has never been used and is not considered a problematic issue by MONSTAT's management. Holders of administrative data have the duty to make their data available for use, free of charge, and in accordance with the requirements of the producers of statistics. Moreover, the Montenegrin statistical office has the right to access individual data collected through statistical surveys conducted by other producers of official statistics if those data are necessary for statistical purposes. Normally, metadata is not provided with the administrative sources, and MONSTAT must rely on the information provided in meetings with the data providers.

- (15) The Law on Statistics and Statistical System assigns the producers of official statistics the right to impose fines on reporting units and holders of administrative data that do not provide accurate and complete data as requested by the producer of official statistics, both in the case of primary data collection as well as in the case of the provision of administrative data. The penalty provisions apply to legal persons, entrepreneurs, state administration bodies or local self-government bodies and on the responsible persons within these institutions, and on natural persons. However, penalty provisions cannot be used because of an irregularity in the present Law (the Ministry of Labour is mentioned in the Law as the supervisory body instead of the Ministry of Finance).
- (16) The legal situation for the collection of primary data and for the access to administrative data is rather good. In practice, however, response rates in primary collections of data are not satisfactory. With the revision of the Law, it will become possible to make use of penalty provisions. More important, however, are other instruments to make statistics more popular, to convince respondents of the importance of statistics and to make data transmission easier, in particular for respondents in the business sector. It is planned to make data delivery by internet possible; up to now, however, only first trials were started. In the meeting with users of the business sector it was said that respondents from businesses still do not trust in the statistical confidentiality of their data and therefore do not response. Concerning administrative data MONSTAT does not get enough information on changes in the available data and is not given the power to influence the content of administrative data. A change in the Law could help here.

1.6 Statistical Confidentiality

- (17) Statistical confidentiality is one of the most important principles of official statistics. It is especially deemed to safeguard the trust of respondents that their data must not be used in individual form and in contexts where individual decisions are taken. A possible exception is the use of such data for scientific purposes, but under very strict and restrictive conditions. A law on statistics moreover should demand the installation of a technical data protection architecture which ensures the functioning of the confidentiality rules in all stages of the statistical production process.
- (18) Confidentiality of statistical data is regulated in the Law on Statistics and Statistical System, both as one of the fundamental principles on which statistics is based in Montenegro, and in a separate chapter on “Confidentiality” in altogether 8 articles. In particular, it is laid down in the Law that individual data on natural or legal persons collected, processed and stored for statistical purposes shall be considered as confidential if they may provide direct or indirect identification of a natural or a legal person, that individual statistical data without identifiers may be provided to scientific and research institutions, under strict conditions, for the purpose of performing scientific and research activities, that only the persons involved in the production of statistics shall have access to confidential data to the extent necessary for their production, that statistical results must not be disseminated if there is a risk of revealing confidential data, and, last but not least, that producers of statistics shall be obliged to take all administrative, technical and organizational measures required for the protection of confidential data. The provisions on confidentiality in the Law on Statistics and Statistical System are complemented in the chapter “Data Processing and Storage” by a provision that identifiers shall be removed from the files if they are not necessary any more for statistical purposes, and that the filled-in questionnaires shall be destroyed once the data have been captured electronically, validated and edited.
- (19) MONSTAT provides protection of individual data on natural and legal persons which were collected and processed for statistical purposes. The data are stored in a manner which prevents them from destruction, misuse, misappropriation and unauthorised use. MONSTAT takes care that statistical results are not distributed if they contain or reveal confidential data. Internal written instructions and guidelines for staff on how to deal with micro-data in all phases of the production process are, however, not available. Staff do not have to sign a commitment on statistical confidentiality. The assessors nevertheless are convinced that statistical confidentiality is embedded in the culture of MONSTAT, and that holds true also for the other producers of statistics the assessors met.
- (20) According to the Law, upon written request and upon prior approval by the head of the competent body, producers of statistics may provide individual statistical data without identifiers to scientific and research institutions, for the purpose of carrying out

scientific and research activities. Pursuant to this provision of the Law, the Rulebook on the manner of keeping records on individual statistical data users was adopted in 2009. The rules for the use of such data are very strict regulated by a contract. The Rulebook, however, does not include clear criteria which institutions may receive such data. An amendment is necessary.

1.7 Impartial Dissemination

- (21) According to the Fundamental Principles and to the European Statistics Code of Practice dissemination is to be made on an impartial basis to honour citizen's right to public information. Statistical offices have the responsibility to ensure that statistical results are made public. A pre-announcement of important publications is a useful tool to guarantee the technical autonomy in dissemination.
- (22) The Law on Statistics and Statistical System contains the provision that statistical results shall be available to all users at the same time as one of the fundamental principles of statistical work. In a special chapter on "Dissemination" it is laid down that producers of statistics have the duty to disseminate the compiled statistical data, that they shall be obliged to prepare and update a Calendar of Publications of Statistical Data and that they must explain the data in such a manner to make them understandable for users. A detailed description and assessment of the dissemination policy of MONSTAT can be found below in Chapter 3.5.

1.8 Issues that may be considered for a future Revision of the Law

- (23) Though the Law on Statistics and Statistical System is already at present a solid legal basis for the Montenegrin statistical system some amendments and clarifications should be considered in a future revision process.
- (24) A few issues of special importance for the good functioning of a statistical system are described here:
- A new Article should be included in the Law (following Article 8), naming the Statistical Office as the main producer and the coordinator of the Statistical System, reaffirming its autonomy in performing its tasks in conformity with the Law, underlining the role of the Director General as the guardian of the professional independence of the Office (see as an example the Law of Ireland) and dealing with the qualifications, the appointment and a possible dismissal of the Director General. The Article could refer to the Law on State Administration and formulate additional requirements. Examples could be the Statistics Laws of Turkey and Bulgaria.
 - A definition of the term "official statistics" should be added to the long list of definitions given in Article 4 of the Law. A clear definition of official statistics is important for the distinction between producers of official statistics and producers of administrative data which are used for statistical purposes by MONSTAT.

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- The list of principles in Articles 5 and 6 is rather long and should be concentrated on the most important principles (see the new Regulation on European Statistics or the Bulgarian Law). Some are better called quality dimensions (timeliness, consistency, relevance). For these and for further quality dimensions the amendment of a separate article on quality should be considered (see the Regulation on European Statistics) in which the European Statistics Code of Practice could also be mentioned.
 - In Article 9 the role of the Statistical Office as the coordinator of the Statistical System could be stated more precisely. The Statistical Office should be responsible for following up the performance of tasks assigned by the Programme on Statistical Surveys to other producers of statistics in terms of their conformity to international standards, to perform quality control and to provide technical support and ensure coordination in these issues (see Statistical Law of Turkey, see also Laws of Bulgaria, Ireland, Australia).
 - The composition of the Statistical Council in Article 13 seems to be inadequate. There is a majority of producers of statistics and only very few users. It is recommended that the Statistical Council is more of a user body.
 - The list of other producers of statistics in the Law needs a revision. Some of the institutions mentioned in the Law as producers of statistics are in reality only providers of administrative data (e.g. Customs Authority and the Commercial Court), while other institutions which really are statistics producers are not included in the list (Health Insurance Fund, Public Health Institute, possibly others).
 - In relation to Articles 29 and 30: Some other national statistical laws give stronger rights to the Statistical Offices in regard to the use of administrative data. MONSTAT tries to influence the content of administrative registers which are used for statistical purposes, but often they are not informed about changes or new data collections and therefore not involved. The Law on Statistics should therefore be amended by a rule that other institutions are obliged to inform MONSTAT about new data collections or a change of existing data collections and it should give MONSTAT the right to intervene, so that the needs of statistics are taken into account (see examples in the Laws of Ireland and Norway). Furthermore, MONSTAT should be given the duty to advice in methodological questions not only for the collection of data of other statistics producers but also for the collection of administrative data. Moreover, MONSTAT should be provided with the metadata for the administrative data they use.

1.9 The legal Basis for regular Stakeholder Involvement

- (25) A Council of the Statistical System is established by the Law on Statistics and Statistical System as an advisory body responsible for strategic issues of statistics and the statistical system. It is composed of representatives of the producers of statistics and of representatives of some user groups. The way of appointing the members of the Council and their terms of office are laid down in the Law. Moreover, the Law on Statistics and Statistical System lays down the tasks of the Council which include, inter alia, to provide opinions and proposals on the draft Programme of Statistical Surveys, the Annual Plan and the draft report on the implementation of the Annual Plan, and to draft laws and other legal acts related to producers of statistics or to statistical activities. For the development of the Council's opinions and proposals, committees, expert groups and other working bodies may be established. The Council has also to see to the good functioning of the statistical system. The current composition of the Council in Montenegro does not give enough representation for the main user groups (see above).
- (26) The group of stakeholders includes also the producers of official statistics in other countries and the international organizations. The Law on Statistics and Statistical System includes a commitment for the Montenegrin Statistical Office to organize the exchange of results and to cooperate in the development of standards and methodologies. Being a potential candidate country for membership in the European Union the Montenegrin Statistical System has close connections with the European Statistical System, in particular with Eurostat but also with international organisations like the International Monetary Fund (IMF), World Bank and the United Nations Development Programme (UNDP). Montenegro has, however, not subscribed to the General Data Dissemination System (GDSS) or the Special Data Dissemination Standard (SDDS) of the IMF.

1.10 Other relevant Legislation

- (27) The Decree on State Administration, Organization and Operations which governs the establishment of ministries and other administration bodies was already mentioned above. It describes the Statistical Institute, as it is called in the Decree, as the public body conducting activities with regard to statistics. According to the Decree the Statistical Institute is under the supervision of the Ministry of Finance.
- (28) The Statistical Office of Montenegro, MONSTAT, is directly involved in the preparation of legislation and secondary legislation. As already expressed MONSTAT together with the Council of the Statistical System coordinate and organize the drafting of the Programme of Statistical Surveys once every five years and of the Annual Plan, in cooperation with all producers of official statistics. After the positive opinion of the Council MONSTAT submits the draft Programme and the draft Annual Plan to the Ministry of Finance to pass it on to the Government for adoption.

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- (29) MONSTAT may also draft a proposal for a law in a certain area within its competence. Examples are the Law on Agriculture Census 2009, which was postponed and will now probably be conducted in June 2010, or the Law on Census of Population, Households and Dwellings 2011 which is still in the drafting procedure within MONSTAT. After having obtained the opinion of the Council of the Statistical System the draft will be submitted to the Ministry of Finance as the line ministry which forwards it first to other ministries and institutions for opinion and suggestions. Then the modified text is sent to the Secretary for Legislation. Further on the proposal will be adopted by the Government of Montenegro, subsequently adopted by the Parliament and finally promulgated in the Official Gazette of Montenegro. The Agriculture Census has no explicit reference to the Law on Statistics and Statistical System. It names, however, MONSTAT as the institution conducting the census and gives the full responsibility for the choice of methods and the publication of the results to MONSTAT so that the fundamental principles are fully applicable to these activities. A Law on the use of the new activity classification based on NACE Rev. 2 is in preparation by MONSTAT.
- (30) Within its competences, MONSTAT may also propose the adoption of certain secondary legislation. Examples are the “Rulebook on keeping records on individual data users” or the “Rulebook on internal organisation and job description”. Such kind of legislation also goes as a rule through the normal legislative procedures and is passed by the Parliament.
- (31) The Law on the Protection of Personal Data seems to restrict the possibilities for developing the statistical system as laid down in the Law on Statistics and Statistical System, as the present interpretation is that MONSTAT cannot receive personal data from the population registration system with ID numbers included. This makes it difficult for MONSTAT to develop its system for demographic statistics using administrative data, and also limits the possibilities for developing a future solution for integrating administrative data for the production of social statistics in general.
- (32) The Central Bank of Montenegro Law includes some articles on the implementation of an internal information system. It is said there that the Central Bank shall collect data on macroeconomic, monetary, fiscal, financial and balance of payments trends, whereas the Law on Statistics and Statistical System speaks of the responsibility of the Central Bank for monetary and financial statistics, insurance statistics, and statistics of balance of payments and foreign payment transactions. The provisions in the Central Bank Law should be changed as there is a contradiction between the two laws, and the fields of statistical activities mentioned in the Central Bank Law are not in accordance with the real division of work between the institutions.

(33) **Assessment**

The current Law on Statistics and the Statistical System already provides a solid legal basis for the production of official statistics in a modern, democratic, information society and market economy. It corresponds broadly with the Fundamental Principles

of Official Statistics of the United Nations and the relevant parts of the European Statistics Code of Practice. The Law includes provisions for all of the essentials of a statistical law, and – not least – it is applicable for all producers of statistics in Montenegro.

Nevertheless, the planned revision of the Law on Statistics and the Statistical System is strongly supported. As previously noted, strengthening the position of the Director General of MONSTAT is a key issue. Other issues of importance are also given in point 24 of this report. It should also be noted that a revision of the Law could be used to correct the name of the supervisory Ministry so that, for example, the penalty provisions in the Law could be applied.

Following discussions with many interlocutors, the assessors concluded that the principles of the professional independence of MONSTAT and its observation of statistical confidentiality are not only guaranteed by law but are also practised. However, this observation of statistical confidentiality is not a perception necessarily shared by businesses, underlining the urgent improvements to public image that MONSTAT needs to undertake.

Complying fully with the principle of professional independence seems to be a problem for the statistical units of other producers of official statistics; first releases of new statistical data have to be adopted not only by the statisticians but also at a higher hierarchical level.

As described in point 24 above regarding further improvements in the use of administrative data for statistical purposes, it is suggested that the Law provide MONSTAT with the right to be better informed about changes as well as having the right to intervene and influence the contents of administrative data files.

The Annual Plan is the implementation of the Programme of Statistical Surveys, which would be better called the “Programme of Official Statistics” to reflect the fact that it includes both the surveys and all the activities of the producers of statistics. The Programme is adopted by the Government. In such a plan, all of the developmental activities of the producers of statistics would be included as well as an estimation of the budget required to implement these activities. Within MONSTAT, the Annual Plan should be complemented by a work plan containing clear objectives, activities and all of the milestones that would be required to complete the activities.

2 NATIONAL SYSTEM OF OFFICIAL STATISTICS

- (34) The Law on Statistics and Statistical System includes a list of the producers of official statistics and their statistical activities. Additional producers of official statistics can be determined by the Programme of Statistical Surveys. With that the Statistical System of Montenegro is defined by law and the law applies to all producers of official statistics.
- (35) In the meetings with other producers of official statistics and with providers of administrative data the close cooperation with MONSTAT in the field of data sharing was expressed. There are, however, some issues that can be improved within the system of statistics and which lead to an even better cooperation in the system.

2.1 Structure of the Montenegrin Statistical System

- (36) MONSTAT, the National Statistical Office of Montenegro, is in charge of the major part of the production of official statistics in Montenegro. According to MONSTAT 85 % of all statistical surveys are in its responsibility.

Further statistical activities in Montenegro are performed by some other institutions called producers of statistics in the Law on Statistics and Statistical System and/or the Programme of Statistical Surveys 2009-2013 and the Annual Plan for 2009.

Under the Law, other statistics producers are:

- Central Bank of Montenegro;
- Securities Commission of Montenegro;
- Customs Administration;
- Tax Administration;
- Ministry of Finance;
- Central Register of the Commercial Court;
- Other bodies defined by the Programme.

Under the Programme and the Annual Plan, other statistics producers are:

- Health Insurance Fund of Montenegro;
- Pension and Disability Insurance Fund of Montenegro;
- Public Health Institute of Montenegro.

In addition, it is mentioned that some surveys are produced in cooperation with other ministries:

- Ministry of Interior and Public Administration;
- Ministry of Agriculture, Forestry and Water Management.

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- (37) Two of the six statistical producers mentioned in the Law appear to be providers of administrative data rather than actual producers of official statistics. The Customs Administration provides the Statistical Office with the customs documents for the production of trade in goods statistics, and the Commercial Court Central Register provides the Statistical Office with administrative data from their register for the implementation and maintenance of the statistical business register. In the discussions with representatives of the Customs Authority both sides agreed that the Customs Authority is not a producer of statistics. They are providing their administrative data – in an excellent way – to MONSTAT for the production of official statistics in MONSTAT. The customs office uses their data for their own administrative purposes, and they do also give their data to some other institutions for the use of administrative purposes - this would not be possible for a producer of official statistics. Representatives of the Commercial Court Central Register were not interviewed but it seems that their involvement in the production process of official statistics is as such that they are not producers of statistics but providers of administrative data for the use in statistics.
- (38) The Central Bank of Montenegro is responsible for monetary and financial statistics, insurance statistics, balance of payments statistics and statistics of money transfers. These statistics are explicitly listed in Article 10 of the Law on Statistics and Statistical System. Data sources for the production of monetary statistics are monthly data collections from banks and micro-credit financial institutions. These surveys provide also the data for the estimation of the trade in services and of money transfers for balance of payments purposes. Data on tourism are estimated on a model basis. A major source for the balance of payments is moreover the foreign trade in goods statistics produced by MONSTAT.
- (39) Under the Law on Statistics and the Programme of Statistical Surveys the responsibility for fiscal revenues statistics lies with the tax administration and for nonfiscal revenues, public expenditures and public debt statistics with the Ministry of Finance. As Government Finance Statistics is completely produced by the Ministry of Finance, Tax Administration, which was not interviewed in the assessment, seems not to be a producer of statistics but only a provider of administrative data which are then used by the Ministry of Finance for statistical purposes.
- (40) In the field of Social Security three institutions produce to some extent statistics, based on their available administrative files: the Institute for Public Health, the Health Insurance Fund and the Pension and Disability Insurance Fund. The Securities Commission of Montenegro is in charge of the production of data on the capital market.

(41) **Assessment**

Though the Law on Statistics and the Statistical System includes a list of other producers of statistics in Montenegro, it is not particularly clear which institutions belong to the statistical system. On the one hand, there is a category “Other bodies

determined by the Programme” that includes institutions regularly producing statistics and which should therefore be mentioned explicitly in the Law. On the other hand, the list includes bodies that are clearly not producers of statistics but rather provide administrative data to the statistical system. Because the Law on Statistics and the Statistical System is applicable to all producers of statistics but not to providers of administrative data, this distinction has to be made crystal clear when revising the Law.

Together with the planned revision of the Law on Statistics and the Statistical System, it is recommended that a further concentration of official statistics in MONSTAT be discussed. Montenegro is a small country where the concentration of specialised tasks and expertise in one institution is more efficient than decentralisation. The establishment and the maintenance of the statistical infrastructure should, as far as possible, be centralised. It should be considered whether Government Finance Statistics, which are fully integrated into the System of National Accounts in the EU, could be transferred to MONSTAT. A prerequisite for such a transfer would be the provision of necessary resources.

2.2 Programming and Coordination Mechanisms

- (42) Statistical systems with a more or less extensive decentralisation need a close coordination of the statistics production of all the producers of official statistics for the sake of the efficiency of the system. The Statistical Office should be given a leading role as the coordinator of the system, and the other producers should use the same standards, in particular regarding classifications provided by the Statistical Office. In addition, they should harmonise their methods with the methods used by the Statistical Office, and, last but not least, should include their work programme in the overall statistical programme to avoid any duplication. They should also provide their results to the Statistical Office for further dissemination. The Statistical Office, on the other hand, should support the work of the other producers, in particular by providing methodological assistance.
- (43) The Law on Statistics and Statistical System provides for the Statistical Office and for the Council of the Statistical System a strong role as coordinators of the Montenegrin Statistical System. The three principles on which the system is based (Article 7 of the Law) – methodological consistency, legal consistency, information consistency – require a good coordination of the system. In 2006 a general Agreement on Cooperation among the producers of statistics for the submission of macroeconomic indicators to the Secretariat for Development was adopted. The agreement includes the following instruments: Mutual communication, provision of data in electronic form, special agreements etc.
- (44) Article 9 of the Law on Statistics and Statistical System designates clearly the Statistical Office of Montenegro MONSTAT as the leading institution in the field of official statistics. MONSTAT is, inter alia, responsible for the:
- development of the statistical system,

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- coordination, development and implementation of the Programme,
 - monitoring of the implementation of the fundamental principles,
 - definition, updating and maintenance of the methodological basis, their harmonisation in cooperation with other producers of statistics, the monitoring of their implementation and providing of instructions to other producers of statistics on implementation of the methodology, and
 - introduction and keeping of statistical registers and databases.

In contrast, the tasks of the other producers of official statistics are limited to the production of the specific statistics mentioned in the Law.

- (45) Also for the Council of the Statistical System the Law on Statistics and Statistical System designates an important role in the coordination of the statistical system. The Council is involved by law in the development of the Programme, of the Annual Plan and of the reports on the implementation of the Annual Plan and it provides opinions on draft laws and other legal acts related to producers of statistics or to statistical activities. Moreover, it has to take care for the functioning of the statistical system.
- (46) MONSTAT's most important instrument for the coordination of the statistical system is its competence for the development of the multi-annual Programme of Statistical Surveys and of the Annual Plan. With that MONSTAT has in principle the possibility to influence the content of the statistics produced by others, the standards and methods they use, and the way they disseminate the results of their statistics. At least the development of a common programme of all statistics producers helps to avoid duplication of surveys at national level. The implementation of the Annual Plan is monitored by quarterly and yearly reports by MONSTAT to be submitted to the Ministry of Finance. These reports do not include, however, the work of the other producers of statistics. A report on the performance of the multi-annual Programme is only planned for the end of the time period.
- (47) Data-sharing between MONSTAT and other producers of official statistics or owners of administrative data is agreed on in memoranda of cooperation with the following institutions:
 - Customs Administration
 - Ministry of Interior and Public Administration (related to data on migration)
 - Tax Administration
 - Memorandum between Ministry of Finance (on behalf of MONSTAT) and Ministry of Agriculture, Forestry and Water Management.

The memoranda define the inter-institutional exchange of data as to the type of data, the way of submitting the data, timeliness, changes in the methodology, liability for the quality and the confidentiality of the data. Memoranda of understanding with the Central Bank of Montenegro, with the Ministry of Finance and with the Ministry of

Interior and Public Administration (related to vital statistics) are in the process of preparation and will be signed soon.

(48) In spite of the fact that the Law on Statistics and Statistical System gives a strong role to MONSTAT and to the Council of the Statistical System for an efficient coordination of the statistical system the situation seems not to be as good in practice. The Development Strategy of Statistics in Montenegro contains as one of its strategic goals the “*Strengthening of cooperation between statistical system institutions according to European standards*”. The reason for the formulation of such a goal is according to the Development Strategy an “insufficiently developed cooperation between statistical system institutions on an obligatory basis (decree and memoranda on cooperation)”. As individual objectives are mentioned:

- To define responsibility of all statistics producers for data quality,
- To strengthen the role of MONSTAT as coordinator and methodological leader,
- To sign memoranda of cooperation between statistics producers,
- To create an information system in accordance with the statistical system concept,
- To increase the use of administrative sources,
- To realize monitoring of the harmonisation of the statistical system with EU standards.

(49) **Assessment**

MONSTAT's instruments for the coordination of the statistical system are: the multiannual Programme, the Annual Plans and the Memoranda of Cooperation with other producers of statistics. Good progress seems to have been made regarding the Memoranda of Cooperation, although those that have been signed concern agreements with providers of administrative data rather than agreements with other producers of statistics. However, the Memoranda of Cooperation with two of the other main producers of statistics, namely the Central Bank and the Ministry of Finance, have been prepared and are expected to be signed soon. Such Memoranda include, however, only agreements on data sharing. Other important aspects, like the consistency of data produced by different institutions on the same phenomena, which is an important component of data quality, are not treated. One example concerns data on the labour market: three institutions currently produce and publish data, although the reasons for the differences in the data are not made clear to a somewhat confused public. In order to bring the institutions together to resolve these types of problems, it is recommended that new, ad hoc or permanent committees of the Council be established for important statistical domains, in which users and producers are represented. The Law already allows for such committees and it is suggested that they could be chaired by experts from MONSTAT. This would make visible the role of MONSTAT as the coordinator of the statistical system.

With regard to programming, MONSTAT should use its leading role in the process of preparing the Programme and the Annual Plans to get more insight into the other

institutions that produce statistics and to monitor the harmonisation of their methods with European standards. As previously noted, the inclusion of the developmental activities of all producers of statistics in the Annual Plan could be of help in this regard. It is further recommended that the quarterly and yearly reports not only include the activities of MONSTAT but also of the whole of the statistical system of Montenegro. Reporting on the multi-annual Programme should not only be conducted at the end of the Programme but also in the middle.

3 NATIONAL STATISTICAL SERVICE

3.1 Institutional Mission

(50) The Development Strategy 2009 – 2012 of MONSTAT describes its mission as:

The task of official statistics is to provide quantitative and representative information on economic, demographic, social and environmental issues in Montenegro to all users according to internationally defined methodology and highest professional standards. Data for national needs and international dissemination are provided with minimum costs.

Modern approach of management, professional education of staff, regular harmonisation with international standards, orientation towards users, modernisation of process and improvement of working conditions are the most important activities that provides Statistical Office of Montenegro to fulfil its mission.

(51) Assessment

The institutional mission provides a rather precise and comprehensive description of the tasks of MONSTAT.

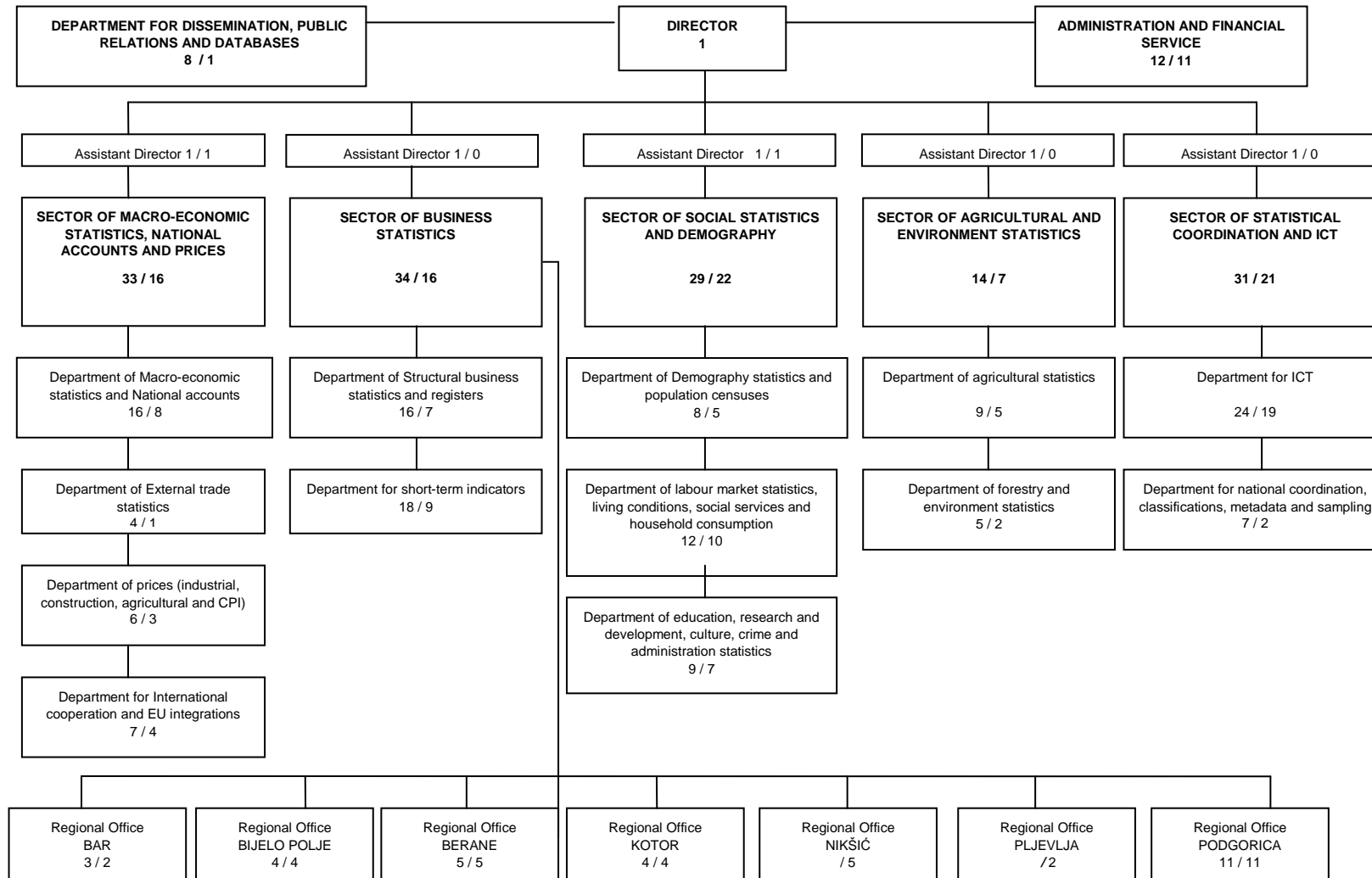
3.2 Organisation of the National Statistical Service

3.2.1 Organisation of MONSTAT

(52) The Rulebook on internal organisation and job descriptions of MONSTAT, adopted by the Government of Montenegro (April 2008) provides for the total of five deputy directors. However, currently there are only two deputies who manage several sectors. They are accountable to the director and the Government of Montenegro, and they are appointed for a five-year term.

(53) MONSTAT has an internal management board. The board comprises the director, deputy directors and senior advisors, i.e. heads of departments, divisions, and services. The new Rulebook on internal organisation and job descriptions of the Statistical Office provides for five sectors run by deputy directors with altogether thirteen departments, one department and one service directly under the director, and regional offices by municipalities.

(54) The new organisation is shown in the following organisation scheme with numbers of employees by organisational units (the first figure is the planned number of employees; the second figure shows the present situation).



(55) There are about 200 civil servants and state employees provided for by the new Rulebook on internal organisation and job descriptions of MONSTAT adopted in 2008. However, at present there are only about 130 civil servants and state employees. In addition, there are 10 temporary trainee positions. Apparently these ‘trainees’ often have one-month contracts, but efforts are made by MONSTAT in order to more often use 12 month contracts. Thirty of the 130 civil servants are located in 7 regional offices. The reason that so many of the posts provided by the rulebook remain vacant is both the lack of financial resources and the lack of sufficient workspace in the present building. Some alternatives for increasing workspace have been discussed, but there is no clear timetable for improving the situation.

(56) **Assessment**

Filling the new posts in the Rulebook has been very slow. Consequently, the present organisational structure is somewhat theoretical as it is based on the assumption of a staff of around 200. At present, 70 posts remain vacant and 30 are located in regional offices. As a result, there are some rather small units and a lack of management support. Although it is said that there is some degree of flexibility within the organization concerning the distribution of tasks, it would be useful to evaluate the present set-up should staff levels not rise. For example, the resources of the regional offices could be better used and a more flexible organisation might improve knowledge transfer, increase efficiency by identifying bottlenecks in the production process and increase adaptability of the organisation to new challenges. In this way, the planning of MONSTAT could be improved as well as the management of development projects. Given the scarce resources of MONSTAT, it is of the utmost importance that the yearly planning of the work be improved and be more transparent. An internal work plan that includes all developmental work should be established with clear objectives, priorities, planned activities, schedules, as well as the sequence of measures and planning for necessary financial and staff resources required by a reporting system. (See the assessment under Chapter 1 Legal basis).

3.2.2 Organisation of Regional Offices

(57) At present there are 7 regional offices having from 2 to 11 employees (Podgorica) and altogether a staff of 30 employees. The offices only play a role in data collection. To some extent they control data, but basically only data in paper form are sent the central office for data entry and final control and editing. Actually, staff of the regional offices

doesn't have the responsibility for all data collection as there are additional interviewers contracted to support sample surveys. Employees at the regional offices only partly have some computer equipment and there is no online connection to the central office.

- (58) Actually, in the rulebook adopted in 2008 it was foreseen to have regional offices in all 21 municipalities, partly because some municipalities are not being covered now by the present regional offices. However, it was discussed whether or not regional offices could be shut down and all activities concentrated to the central office.

(59) **Assessment**

In a small country like Montenegro, it appears excessive to have 7 regional offices, accounting for one quarter of all staff. Offices with few employees are also vulnerable when there is a change in work load or staff. Furthermore, this set up is rather demanding with regard to training, quality control and technical infrastructure. It is suggested, therefore, that it would be most efficient to move most activities to central office and to develop the use of alternative data collection methods (telephone, mail, electronic). If this is not a possibility, then a simplification of the structure should, at the very least, be considered.

3.3 Resource Management

3.3.1 Finance and Budgeting

- (60) Funds for the activities of MONSTAT are planned in the budget of Montenegro. There is no clear link between the Annual Programme that is developed and agreed upon even by the Government and the allocated budget. Thus lack of proper funding, in particular for staff, limits the development activity of MONSTAT.

(61) The budget for the last years is given in the following table:

Total annual budget of statistical office of Montenegro for the period 2008-2009 (plan and implementation) – according to group of expenditure (in Euro):

Position of expenditures	2008			2009		
	Plan	Implementation	% of Implementation	Plan	Implementation	% of Implementation
1	5	6	7 (06/05)	8	9	10 (09/08)
Gross wages and contributions paid by employer	990.791	977.717	98,7	1.062.806	1.031.769	97,1
Other personal incomes	56.086	54.180	96,6	68.492	67.203	98,1
Expenditures for material and other services	921.529	685.201	74,4	828.494	523.785	83,8
Current maintenance	8.000	7.689	96,1	5.000	3.759	88,8
Rent of equipment	5.000	1.439	28,8	12.000	7.114	81,3
Capital expenditures – equipment	90.000	89.976	100,0	172.180	33.442	25,8
TOTAL: Expenditures	2.071.406	1.816 202	87,7	2.148.971	1.667.070	77,6

In 2009 it can be noted that only 78 per cent of the planned budget was used, which was less than it was in the previous year. The reason was a budget cut in the wake of the economic crisis. This meant a substantial reduction in capital expenditures and equipment as well as in expenditures for material and other services. Around 66 per cent of the budget spent was used for wages and other personal incomes, whereas still a relatively large part (more than 30 %) was used as expenditures for material and other services, despite the reduction compared to the previous year. This expenditure category covers partly contracts for some dissemination and training services.

(62) MONSTAT can receive some revenues from providing special services, but for the moment these are rather negligible. There is no tradition of a payment for the services of the Statistical Office, and few ministries might have the money to pay for new surveys or extra services.

(63) **Assessment**

MONSTAT lacks the necessary budgetary resources for both its survey programme and the required development of its infrastructure, including office space and staff. Better coherence between annual and long-term programming and budgeting needs to be established. In this regard, the costs of all surveys and development activities should be estimated as part of this budgetary planning, so that decisions on the actual programme can then be based on the decision regarding the budgetary allocation for MONSTAT.

3.3.2 Staff, Recruitment, and Training

- (64) MONSTAT currently employs about 140 civil servants and state employees. Ten of them are trainees, and 130 are civil servants and state employees employed under an open-ended contract. Of the 140 employees 70 % are women and 30 % men. The average age is 43.8. Altogether 66 % of the employees have tertiary university education, 15 % have tertiary associate degree education and 19 % have secondary or primary education. Not only lack of financial resources but also lack of sufficient office space is setting strict limits for hiring additional staff.
- (65) The Law on Civil Servants and State Employees regulates the entering into employment, titles, rights and duties, responsibility, re-assignment, performance appraisal, advancement, professional development, termination of employment, protection of rights, human resources management and supervision of its implementation.
- (66) Each job position has been laid down by the Rulebook on Internal Organisation and Job Descriptions, and includes the sequence number, function, job requirements, job description and numbers of posts. Passed civil service exam is a requirement for each job position (except for the junior state employee with primary education), as well as the knowledge of English and computer skills. Promotion depends on meeting the terms and conditions as defined for a higher position, performance appraisal and the end of year accomplished results.
- (67) Civil servants and state employees performing tasks must respect instructions and orders by the superior. Rules of conduct, work discipline, and code of ethics for civil servants are public and accessible, and violation of duties arising from employment is subject to disciplinary measures.

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- (68) Education and professional development of employees include their attendance to vocational seminars, symposia, consulting events, workshops, and intensive foreign language courses, and computer courses. As it is considered to be difficult to recruit staff with a proper background, MONSTAT has to invest in internal training to teach practical statistical work in general and to provide some specialised training. Further professional training is performed by the Human Resource Management Authority – HRMA, Institute for Strategic Studies – ISSP (School of Statistics) and under the Instrument for Pre-Accession Assistance (IPA). HRMA moreover provides training for MONSTAT’s staff to improve managerial skills.
- (69) As the employees of MONSTAT are part of the normal civil servant system in Montenegro, the salaries are relatively low and there is little flexibility for salary increases. Thus the loss of young tertiary-educated staff, mainly due to low salaries, is considered to be problem. To improve this situation, MONSTAT has been supporting the education of staff to acquire a master’s degree, on the condition that they stay for a fixed period after their exam, in the institute.

(70) **Assessment**

Having competent staff is critical for producing statistics of good quality, in an efficient way. The present administrative framework of MONSTAT, as part of the public administration in Montenegro, seems to limit the freedom of manoeuvre for hiring staff and for implementing measures to promote staff. In the short term, the only solution appears to be to plan for a relatively high turnover among junior staff and, at the same time, provide jobs that are as stimulating as possible. In the longer term, MONSTAT should work towards a salary system that has greater flexibility to reward those working well. MONSTAT seems to provide some targeted staff training. However, MONSTAT might benefit from developing some strategic guidelines for staff policies and staff development and training, as well as for improving the training programme in general, especially for new employees.

3.3.3 Information Technology

- (71) There is the Sector of Statistical Coordination and ICT in MONSTAT. This Sector consists of two departments:
- Department for ICT;
 - Department for National Coordination, Classifications, Metadata, and Sampling.

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- (72) The position as assistant director for this sector is vacant although already defined by the job descriptions. The Department for ICT consists of 10 programmers, 3 system engineers, and 6 persons for data entry. The Department for National Coordination, Classifications, Metadata and Sampling consists of one expert on sampling and one trainee. MONSTAT's computer network is based on the client/server environment. The network is structured with CAT5E cabling, 10/100Mbyte switches with 1000Mbyte uplinks toward the network core, while the network core uses gigabyte L3 switch. The network is divided by L3 switch to 7WLANs. Regional offices are not connected to the central computer system (except for the Podgorica regional office). Domain controllers and database servers are based on the standard Intel server technology. Web server is based on IIS 6 server, while mail server is based on the EXCHANGE 2003 server. MONSTAT has its own website, www.MONSTAT.org.
- (73) All employees (except for those in regional offices) have their own PC with permanent access to the local network and internet. All employees have their own email addresses. PCs have Microsoft XP Professional and Microsoft Vista operating systems as well as Microsoft OFFICE 2003/2007 software packages. The databases use SQL SERVER 2000, Visual Basic 6.0 is used for the construction of applications for entering data, arithmetic and logical control, while tabulation is done by Crystal Report. Samples are created by SAS software package. Furthermore, statisticians mainly rely on Microsoft Excel, or in some cases SPSS, for processing and data analysis. The Arc View program package is used for updating of territory register units. Data are sent to Eurostat via e-mail. Only in some cases eDAMIS web portal is used.

(74) **Assessment**

MONSTAT's central office is relatively well equipped with IT hardware and software. However, MONSTAT has several challenges regarding both the development of and the use of IT technology. Firstly, there is a need to recruit a professional Assistant Director for the Sector of Statistical Coordination and ICT. This would ensure the strategic planning of IT and improve the organisation and training in this field. Secondly, it is necessary to address the issue of the standardisation of tools and procedures. Thirdly, continuous training, both of staff within the IT department and of statisticians in other parts of the organisation, is necessary to improve overall efficiency and the proper use of the different tools. Fourthly, new tools for data entry, control, and editing should be introduced and the connection of the regional offices to

the central computer network should be facilitated. In this regard, it is necessary to provide staff in the regional offices with IT equipment and training if these offices are to work efficiently in future. Fifthly, the development of the metadatabase should be continued. Sixthly, there is an urgent need to improve the external website. Lastly, the use of the intranet for training and communication should be initiated.

3.4 Internal and External Monitoring of Quality and Performance

(75) One of the listed activities of MONSTAT in the Law is to monitor and control quality. When statistical surveys are being conducted, the data are visually controlled by means of calculation and logical control within the computer program. The quality of results is evaluated by means of control tables, comparison with previous periods (total and by structure), and on the basis of professional knowledge and experience of subject matter experts. Post-enumeration surveys are planned for the censuses in order to evaluate quality.

(76) In the case of sample-based surveys, the basic quality measures, such as variance, i.e. relative standard errors are calculated. Questionnaires for this type of statistical surveys (HBS and LFS) also contain a form for non-response units enabling a detailed non-response analysis. For other surveys response and non-response is also recorded, which also enables non-response analyses. The quality assessment of statistical surveys is based on reports on the performance of the surveys.

(77) The national IPA 2007 programme provides assistance on the development of quality systems, metadata and code of practice. A prototype metadatabase is under implementation and is being populated with data from the Labour Force Survey. Further development of this solution is foreseen, covering all subject areas and also providing better metadata to external users.

(78) **Assessment**

MONSTAT has put in place several measures to assess and improve quality. However, a number of issues still need to be addressed and resolved: MONSTAT has no person or unit responsible for quality management and quality control. Only two people work in the section for National Coordination, Classification, Metadata and Sampling and there are few staff in the organisation that have a strong background in theoretical statistics.

In addition, there are neither systematic indicators on quality and quality development nor any sort of internal and systematic review of the quality of specific statistical surveys and products. MONSTAT needs to develop a plan, therefore, that will improve quality management, including organisational measures, procedures, training and specific actions. One important measure would be to ensure a better update of some of the registers used for sampling. Furthermore, it is important that investments are made in better questionnaire design, pre-testing and integrated solutions for data entry and data control.

3.5 Dissemination Policy

- (79) A key element of official statistics is the way statistical information is disseminated. What do users expect from the producers of statistics is the provision of comprehensive, reliable and up-to-date information and easy access meeting their needs. In a decentralized system, users should be given the possibility to get access to all products of the system through any of the participating institutions, following the “one face to the customer” principle. A common identification mark, for example a logo used for all products of official statistics of the country concerned, could make it easier for users to identify the products of the system of official statistics.
- (80) Producers of official statistics are committed to disseminate the statistical data they have compiled in accordance with conditions and within deadlines determined by the programme. Equal access to statistical information of all users must be guaranteed following the impartiality principle.
- (81) After the adoption of the re-organisation of the office, MONSTAT intended to have for the first time a separate Department for “Dissemination, Public Relations, and Databases” which directly reports to the Director of MONSTAT. However, the new department has not yet been established in practice. Only one person works in the department, who looks after the print publications including the Statistical Yearbook. Developments in the fields of web design and a metadata system are carried out without involvement of the person in charge of print publications.
- (82) Each year, MONSTAT adopts a Publications and Dissemination Programme, which includes also dates for the planned release of new data. There is, however, no official procedure to monitor the observance of the pre-announced release calendar. Procedures for a systematic monitoring of timeliness and punctuality do not exist.

The publication activities of MONSTAT in 2008 were as follows:

- Monthly publications:
 - o 69 monthly releases with a circulation of 150 copies per issue,
 - o 12 Monthly Statistical Reviews, with a circulation of 150 copies each.
- Quarterly publications:
 - o Releases with data of the Labour Force Survey with a circulation of 30 copies each.
- Annual publications:
 - o Statistical Yearbook of Montenegro with a circulation of 400 copies,
 - o Montenegro in Figures with a circulation of 300 copies.
- Extraordinary publications:
 - o Poverty analysis in Montenegro for 2005 and 2006 with a circulation of 100 copies,
 - o Database of RAE population in Montenegro with a circulation of 300 copies,
 - o Demographic trends in Montenegro – projections until 2050, with a circulation of 150 copies.

(83) The Statistical Yearbook of Montenegro, the Monthly Statistical Review, “Montenegro in Figures” and the Labour Force Survey releases are published bilingually in Montenegrin and English.

(84) The most requested publications are the Statistical Yearbook of Montenegro, the Monthly Statistical Review and monthly releases. The number of subscribers is negligible, and publications are submitted free of charge to interested institutions within the country and abroad. A standard layout for all print publications does not exist but all print publications are provided with the logo of MONSTAT.

(85) Approximately 70 % of MONSTAT’s statistical output is available via its website www.MONSTAT.org, but only in PDF format. With that users can get basic access to the main statistical information. The inflexible PDF format, however, is not user friendly. The new website which is under development at present will be accessible for users as from the second half of 2010.

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- (86) Short information on methods and procedures used is only given once a year when the yearbook is published on the website. Within IPA 2007 a project for the development of a metadata system started, containing the following modules: Survey and data collection descriptions, statistical concepts and definitions, classifications and code lists, quality reports, and questionnaires.
- (87) MONSTAT and the Montenegrin statistical system have not yet subscribed neither to the General Data Dissemination System (GDDS) nor to the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF). Guides for the GDDS and for the SDDS can be found on the IMF's website. It is recommended to apply as soon as possible at least to the GDDS. This will help to further develop the statistical system and support the introduction of a metadata system. MONSTAT will have to coordinate this effort.
- (88) MONSTAT did not carry out any user satisfaction survey up to now. It is recommended to do so very soon. In the discussions with users the idea was very much welcomed. Better user-orientation is one of the objectives in the Development Strategy 2009 – 2012. The only way to get reliable information on the needs of the users and of their requirements is to ask them directly and then to timely react with relevant measures.
- (89) MONSTAT has engaged a private Public Relations Agency to perform its public relations activities. This also includes all relations to the media (inter alia writing of press releases, organisation of interviews, organisation of regular press conferences, preparation of press materials for news conferences, partly response to questions etc.).
- (90) The other producers of statistics in Montenegro, mainly the Central Bank, the Ministry of Finance and the Institute for Public Health, publish their statistical data in print publications and on their institutions' websites. MONSTAT includes some of the other producers' statistics for publication in its yearbook and the monthly review.

(91) **Assessment**

MONSTAT puts great emphasis on its yearbook and some of its key monthly, quarterly and annual publications. In the field of dissemination, which is a core business of a statistical office and of the highest importance for its public image, MONSTAT needs a new strategy. It needs to completely modernise its dissemination procedures and with that in mind establish immediately the planned Department on Dissemination. The

redesign of the website and the project on metadata can be seen as very positive but should form part of a new and coherent strategy.

A new strategy is also necessary in order to improve the public image and credibility of MONSTAT, underlining the independent nature of its work and its respect of statistical confidentiality. In discussions with users, it was confirmed that public perception of these values has improved compared with some years ago. However, it was also considered that for some stakeholders these values are not as obvious as they need to be for MONSTAT. This leads to the conclusion that the tasks of public communication and of cooperation with the media should be internalized within MONSTAT as soon as possible.

The way in which monthly data are disseminated by MONSTAT (with the help of a private company) needs to be reviewed urgently. Currently, results of different short term surveys are bundled together in a single publication only when all of the data are available. Statistical data need to be published as soon as they are available. Withholding data from immediate publication, whilst waiting for other data to become available, runs the risk of leaks and suspicion. Furthermore, the current cooperation with a private company diminishes the visibility and credibility of the statistical office. For the above-mentioned reasons, it is recommended that the current contract with the private company be discontinued, which would also free resources for improving the internal competences in this area.

In addition, it is recommended that regular user satisfaction surveys are established quickly, in line with the strategy already developed by MONSTAT.

Finally, MONSTAT, in cooperation with its main partners, should take steps to subscribe to GDDS, at the very least, and preferably to SDDS.

3.6 Relations with main Users of Statistical Information

3.6.1 Relations with the Central Government

(92) Central Government is – as in most or even in all countries – the most important user group of MONSTAT’s statistical results. The Ministries are, however, not represented in the Statistical Council with the only exception of the Ministry of Finance which is a member in its function as a producer of statistics and as the supervisory Ministry. A membership of at least the Ministries with a very high demand for statistics would be

helpful to improve the mutual understanding. Representatives of Ministries met in the course of the assessment were well aware of the publications and the website of MONSTAT. MONSTAT's data are broadly used in the Ministries. They had no doubts in the integrity of MONSTAT; the quality of the data was, however, partly criticized. Critics came in particular in regard to the consistency of the data (monthly data compared with annual data; different figures from different institutions to the same phenomenon) and to the stability (too many revisions).

3.6.2 Liaison with Research Institutions and Universities

(93) It appears that MONSTAT has close and good cooperation with the scientific community interested in statistics. Representatives met during the assessment expressed their view that MONSTAT improved its activities significantly in the course of the last years. Quality and data access has improved. MONSTAT also cooperates with the scientific community to improve methodology. The scientific community is represented in the Council with two members. One member is the chairperson of the Council.

3.6.3 Liaison with the Business Community

(94) Relations with the business community seem to be not very well developed; improvements are needed. At present the business community is represented in the Statistics Council with only one member what clearly is not enough. It would be useful to have not only the Union of Employers represented in the Council but as well the Chamber of Commerce and the Business Alliance. The representatives of the business community also confirmed improvements of the statistical system. They, however, see still a need for further developments as well in scope as in quality. An example is the lack of information on small and medium sized enterprises (SME).

3.6.4 Relations with the Media

(95) As has already been explained contacts to the media, press conferences etc. are organised by a private company. There are nevertheless also some direct contacts of MONSTAT staff with journalists, partly channelled via this company. A full internalization of the cooperation with the media is strongly recommended.

(96) **Assessment**

MONSTAT has rather well-established contacts with some key user groups. However, this contact could be developed in a more systematic way. The establishment of the new Department on Dissemination and Communication would be important for this process. In addition, the creation of user committees for some subject areas should be considered.

3.7 International Cooperation

- (97) The importance of international cooperation in the field of official statistics is underlined in Montenegro by the fact that the producers of statistics are obliged by Article 56 of the Law on Statistics and Statistical System “to establish cooperation with producers of statistics from other countries and international organisations, by means of concluding contracts on international cooperation and exchange of statistical data, with the obligation to respect and introduce international standards.” In general the statistical office shall organise the international cooperation. With such a rule the Statistics Law mirrors principles 9 and 10 of the Fundamental Principles of Official Statistics of the United Nations.
- (98) With the new Rulebook on internal organisation and job descriptions of April 2008 MONSTAT established for the first time a Department for International Cooperation and EU Integration with four staff members who also carry out translation and interpretation services. The Department manages and coordinates all international cooperation programmes, in particular programmes with the EU and EU member states, guides the involvement of the Montenegrin statistical system in the international and European statistical developments, takes responsibility for the data delivery to international organisations and is in charge of the establishment and maintenance of contacts and cooperation with statistical institutions in other countries and international organisations.
- (99) Montenegro applied for EU membership in December 2008. In the process of aligning the Montenegrin statistical system with the *acquis communautaire* on statistics, MONSTAT cooperates closely with Eurostat as well as other partners in the European Statistical System. MONSTAT pays special attention to EU candidate and potential candidate countries. A memorandum of cooperation was signed with the former Yugoslav Republic of Macedonia covering cross-sectional issues as well as various statistical domains. MONSTAT cooperates as well with the statistical offices of

Croatia, Turkey, Serbia, Bosnia and Herzegovina, Albania and Kosovo², without having formalized these co-operations yet.

(100) Montenegro has received technical assistance and support from the European Union, international organisations and national statistical offices since early 2000, but the level of assistance has increased after the independence in 2006. The European Commission provides assistance through regional programmes (multi-beneficiaries) and national programmes. The national programme under the Instrument for Pre-Accession Assistance (IPA) 2007 started in September 2009 and focuses on improving a quality management system, macroeconomic and business statistics. The regional project covers a wider range of smaller pilot projects and finances the participation of MONSTAT staff to a number of Eurostat meetings. New programmes of the IPA assistance are in the planning phase to continue the work. Experts of the IMF assist in the development of short-term indicators and national accounts, the World Bank supported the Poverty Analyses Project 2007. In addition, there are bilateral cooperation projects. In particular SIDA, the Swedish International Development Agency, has been active in Montenegro.

(101) Assessment

It is considered that the new Department for International Cooperation and EU Integration works very well, coordinating the different programmes in order to avoid any overlapping. As regards the content of assistance projects, e.g. the development of Terms of References, this is mainly the responsibility of the Assistant Director. As far as the absorption capacities of MONSTAT are concerned, much depends on the situation in individual departments. However, the overall impression is that in many subject areas too much is expected to be done at the same time. In general, the need for better planning of activities and a clear set of priorities is also required for assistance programmes. Pressure on MONSTAT staff and management to do more, despite limited resources, also comes from national and international users.

² Kosovo under UNSCR 1244/99.

4 STATISTICAL DOMAINS

4.1 Classifications

- (102) In the new organisation of MONSTAT the area of responsibility “Classifications” belongs to the Department for National Coordination, Classifications, Metadata and Sampling within the Sector of Statistical Coordination and ICT. Because the new organisation is still not in force classifications are still with the Business Statistics Department with two staff members working partly for classifications.
- (103) The national Classification of Economic Activities (CA), which is in use in the Statistical System of Montenegro, is coordinated with the Classification of Economic Activities in the European Union NACE Rev. 1.1. NACE Rev. 1 and later NACE Rev. 1.1 have been the basis for the national activity classification in Montenegro (Serbia and Montenegro before the declaration of independence) since 2001. MONSTAT intends to revise the national Classification of Activities – CA 2009 – on the basis of the newly revised European activity classification NACE Rev. 2 which applies in the EU as per January 2008. A clear date for the establishment in Montenegro has still to be agreed. The law for the new classification which is necessary for its establishment is in preparation in MONSTAT, but it is also not clear when it will be sent to the Ministry of Finance.
- (104) The national product classification that is used at present as central classification for goods and services is coordinated with the European Classification of Products by Activity 1996 – CPA 1996. The Nomenclature of Industrial Products is also based on CPA 1996 and used in the survey of monthly industrial production. The problem is that CPA 1996 is matching NACE Rev.1, the predecessor of NACE Rev.1.1; NACE Rev. 1.1 is matching CPA 2002. There is therefore a methodological gap at present. MONSTAT intends to establish now directly a revised product classification in accordance with CPA 2008 in parallel, or – more probably – some time after it is revising its activity classification to harmonize it with NACE Rev. 2.
- (105) The Classification of Types of Construction is harmonized in structure and content with the European Classification of Types of Construction. There are only a few further breakdowns for national purposes.

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- (106) In Foreign Trade Statistics the European Combined Nomenclature for the classification of goods is used within the customs procedure, statistical processing, and the publishing of the data. For analytical purposes also the Standard International Trade Classification – SITC – is used.
- (107) The Statistical System of Montenegro has taken on further important international classifications. The Classification of Individual Consumption by Purpose – COICOP – is used in the calculations of household consumption and the consumer price index. The Classification of the Functions of Government – COFOG – is used for the calculation of general government consumption in the compilation of GDP from the expenditure side. Further classification used is the International Standard Classification of Occupations – ISCO 88 – while the implementation of the International Standard Classification of Education – ISCED 97 – is planned.
- (108) MONSTAT is responsible to prepare and define for Montenegro territorial units (statistical regions) aligned with the Nomenclature of Territorial Units for Statistics – NUTS. The Government of Montenegro in its session of 16 April 2009 adopted the proposal of MONSTAT for statistical regions.

(109) Assessment

It is recommended that a date for the implementation of the new classification of activities according to NACE Rev. 2 be agreed by MONSTAT very soon, as well the submission of the draft law to the line ministry. Following the implementation of this new activity classification, it is recommended, as seems to be MONSTAT's plan, that a new product classification according to CPA 2008 also be implemented.

4.2 Demographic and Social Statistics

4.2.1 Population Census

- (110) The latest Census of Population, Households and Dwellings was carried out in 2003 (on 31 October 2003) based on the Law on Census of Population, Households and Dwellings. The Census included data related to demography, geography, migration, economy, and education characteristics of population, as well as to the structure of households and families. The census results were published in 27 census publications and can be downloaded from the official MONSTAT website.

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- (111) A new census of population, households and dwellings in Montenegro is being planned based on a Law on Census of Population, Households and Dwellings under preparation. The draft (which was not available during the mission) is still under preparation, but the objective is to have it passed before summer 2010 with the planned census period in the beginning of April 2011. The law was drafted based on EC regulation No 763/2008 for the implementation of the census, and with expert assistance through the 2007 IPA MB programme. The cost of the census is foreseen to be covered by the State budget of Montenegro.
- (112) A pilot census was conducted in June 2009 funded by special project support from the European Commission Delegation in Podgorica and supported by two experts. The pilot exercise was considered very useful and forming a good basis for planning the census operation. Responsible staff of MONSTAT was confident that the census operation would be possible at the foreseen time, but it is essential that the census law is adopted and the budget secured by June this year.
- (113) It was mentioned that there is good cooperation with the real estate agency concerning mapping of enumeration areas. However, even if a national population register is under preparation, it was considered too early to try to utilise information from this register, even for provisional list of persons and addresses. It was said that one possible problem in relation to the population register could be the concept of residence, where the census would insist on usual place of residence.
- (114) A meeting with representatives from the authority responsible for the population register within the Ministry of Interior and Public Administration confirmed that the development of a national population register was well under way. A first version would be available in April this year. It was also confirmed that it would be possible to extract a status of the population living in Montenegro on specific dates. MONSTAT had already started to receive some data on births and deaths in electronic form, but not yet any data on the structure of the population. One issue, in addition to the one on place of residence (where it appeared to be two possibilities), was the registration of citizenship, where it was complained about some delay. There are certainly also some quality issues, especially related to data on migration, and thus also concerning persons actually living in Montenegro, but these issues will have to be further evaluated and followed up, when users, including MONSTAT, have started using the register. One problem for MONSTAT's usage was that at present the ID number could not be transferred, which would make it impossible for MONSTAT to develop a

demographic production system, integrating stock and flow data, and combining demographic data with other social data.

(115) Assessment

The implementation of the population census will be an important milestone for the statistical system of Montenegro, as it will provide an updated and comprehensive picture of the demographic and social situation in the country and lay the foundation for future improvements to social statistics in general. The preparation of the census seems to be in line with European regulations and international recommendations. The population census is planned for April 2011 and a great deal of work remains to be done. The census budget must be secured and the census law adopted during the 2010 spring session of parliament so as not to risk a delay. It is recommended that the potential benefits of the population register be evaluated, not in order to replace the traditional census operation, but rather to ensure some efficiency and coordination. It would also be a starting point for the process of using more administrative sources in other censuses. It is especially important for MONSTAT to intensify its cooperation with the Ministry of Interior and Public Administration, in order to benefit from the new population register and to improve the quality of this register for statistical purposes. The current law, however, prohibits MONSTAT from receiving personal ID numbers and this needs to be addressed.

4.2.2 Household Budget Survey

(116) The Household Budget Survey (HBS hereafter) is conducted in accordance with the Law on Statistics and Statistical System of Montenegro, Programme of Statistical Surveys and Annual Plan. Since 2005 HBS has been harmonised with international standards and recommendations from Eurostat, thus enabling international comparability of data.

(117) The annual sample consists of 1560 households and each month 130 households in 26 enumeration areas are selected. The sampling frame is Census of Population, Households and Dwellings 2003, and households are not updated within an enumeration area. Five households are interviewed within an enumeration area with the possibility of replacement of 3 households. The reporting unit is a household.

(118) The response rate had been down to 70 per cent, but was somewhat higher the last year. It was also indicated that there is a problem in a small country like Montenegro

that some households are overburdened by several surveys, also from outside MONSTAT.

- (119) One major challenge is the future implementation of the European Survey on Income and Living Conditions (EU-SILC) which also is an ambition in the present five-year Programme and in the Development Strategy for Statistics 2009-2012. The challenge is both the lack of internal resources, but also the need for coordination with the present Household Budget Survey.

(120) Assessment

Household consumption and expenditure is currently obtained from the Household Budget Survey, and is used in a number of contexts. As in many countries, however, issues of quality can arise due to the heavy response burden and relatively high nonresponse. This should be evaluated further. With the possible introduction of the EUSILC, it is necessary to look again at the design and content of all social statistical sample surveys, and especially the HBS, in order to avoid duplication and to improve coordination of the surveys.

4.2.3 Labour Force Survey

- (121) The Labour Force Survey (hereinafter referred to as "LFS") has been conducted since 1994 in Montenegro. From 2004 to 2007, processing and publishing of data has been on an annual basis. Montenegro has conducted LFS independently since 2004. From 2007, LFS has been conducted on the basis of a questionnaire drafted under the CARDS project "Labour Market Reform and Workforce Development" and it has been harmonized with European requirements. Thus the information from this survey represents the most important data source in the area of labour statistics which is comparable to the same type of data from other countries. The LFS results have been processed quarterly since 2008. The total sample comprises 10 120 individuals. The response rate was reported to be around 85 per cent.

- (122) The survey is based on two-phase stratified sampling. Primary sampling units are enumeration areas taken from the 2003 Census of Population, Households and Dwellings. LFS implements internationally comparable classification standards, such as Classification of Activities (classification of activities based on NACE- Rev1.1) and Classification of Occupations (classification of occupations based on the International Standards Classification of Occupations ISCO-88).

(123) It was mentioned that there had been some discussion among users concerning the differences between for instance unemployment figures from LFS and unemployment as registered by the Employment Office of Montenegro as a part of labour market statistics. The issue was which data represents best 'reality'. This issue was also raised during the discussion with some of the users. In this context it was noted that it is important to be aware of the different definitions and that no data were more 'real' than the other.

(124) Assessment

The LFS represents an important source of information regarding the labour market, and MONSTAT has made a major effort to implement this survey according to international guidelines and recommendations. It is understood that some users were able to get more detailed data from MONSTAT than what was published. It is important that both MONSTAT and the Employment agency improve their documentation and communication in this area in order to help users understand the differences between information based on the LFS and information based on administrative sources. Finally, MONSTAT should improve accessibility to detailed information from the LFS.

4.3 Macroeconomic Statistics

4.3.1 National Accounts

(125) The responsibility for the compilation of National Accounts in MONSTAT lies according to the new organisation plan with the Department for Macroeconomic Statistics and National Accounts which is in the new organisation one of four departments in the Sector of Macroeconomic Statistics, National Accounts and Prices. The department has altogether 10 staff members of which one is in maternity leave and two are on a monthly contract basis. Most of the staff have some years of experience in National Accounts and some have already been working in other areas of statistics. Mainly Excel is used for IT support. Further IT training measures are needed.

(126) In 2003, MONSTAT started with the implementation of the System of National Accounts – SNA 93 – and the European System of Accounts – ESA 95. GDP is calculated for the total economy by the production and the expenditure approach, the production approach is calculated at current and constant prices, expenditure approach

at current prices only. That is only a very small part of the data requirements by Eurostat. The enlargement and improvement of National Accounts calculations is therefore a priority of the Development Strategy of Statistics in Montenegro for the period 2009 – 2012.

- (127) The main approach for calculating annual GDP is the production approach. The basic sources for GDP calculation by production approach are mostly financial reports of enterprises as well as results of regular statistical surveys. Owner occupied housing is calculated by the user-cost-method. The classification used is the National classification of activities – CA - which is harmonized with NACE Rev. 1.1. In 2010 GDP data for 2009 shall be published by the end of September, which will be an important improvement in timeliness.
- (128) GDP at constant prices is calculated by the production approach only. For the agriculture sector GDP calculation at constant prices is carried out using double deflation method because the necessary price indices are available. For all other sectors GDP at constant prices is calculated by applying extrapolation method using volume indices. Applying double deflation method for the other sectors is not possible to date because relevant price indices are missing. GDP at constant prices is estimated in the prices of the previous year.
- (129) On the expenditure side of GDP the following categories are calculated:
- Final consumption expenditure of private households;
 - Final consumption of general government;
 - Gross fixed capital formation;
 - Imports and exports of goods and services.

Changes in inventories are not calculated independently but are obtained as a residue between the result by the production approach and the result by the expenditure approach for the categories mentioned above. That means that decisive for the size of GDP is only the production approach, without having any control from the expenditure side. There is no discrepancy between both approaches. IPA 2008 includes a component on direct calculation of changes in inventories. Data should come from Structural Business Statistics (SBS) which were carried out in 2009 for 2008. Results of the SBS survey are, however, not yet available and therefore too late for GDP calculations.

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- (130) Estimates of the unobserved economy are partly included in the GDP calculation. The methodology used for calculation follows the OECD manual for measuring unobserved economy. Depending on the available data sources different methods are used: Labour input for certain activities; for agriculture and tourism MONSTAT has carried out an ad hoc survey; data comparison methods have been used for some other activities. Further improvements will be assisted by experts within the national IPA 2007 project.
- (131) In the framework of the regional IPA project 2007 a publication “Detailed description on sources and methods used for estimation of non-financial National Accounts” was drafted. The draft has been given to Eurostat for review and adoption. Moreover a “Self-Assessment” including the identification of strengths and weaknesses in National Accounts was elaborated. Technical Assistance is moreover provided by the IMF to improve the quality of the calculation of annual GDP.
- (132) With the assistance of the national IPA 2007 project, the National Accounts department started the methodological preparations for the first estimations of quarterly National Accounts in Montenegro. There is a strong demand for quarterly GDP data from the side of national and international users. An inventory of the available data sources from short-term statistics showed that there are gaps for some sectors to date for which separate surveys for a transitional period will be carried out. The results of new surveys on short-term statistics developed and carried out by the Business Statistics Sector will be used when they are available.

(133) **Assessment**

The National Accounts section is faced with a number of projects concerning the development of new parts of the National Accounts System, albeit with the support of international experts. Concerted efforts are needed to enlarge and improve National Accounts in Montenegro. From module 2.01.02 “National Accounts: aggregates” of Eurostat’s Statistical Requirements Compendium, MONSTAT is broadly able to provide the aggregates of the production account of the total economy. However, nothing is yet available for the other modules of the Compendium: Annual sector accounts; Supply, use and input-output-tables; Regional Accounts; Quarterly National Accounts; Quarterly Sector Accounts; Financial Accounts.

All international assistance programmes are useful and, in principle, to be welcomed. However, the absorption capacity of the rather small National Accounts department

should be taken into account and staff have complained that they cannot undertake all four topics of the IPA 2008. It is recommended that only the most important programmes be selected, in consultation with the National Accounts Department

In this regard, the improvement and enlargement of the annual National Accounts calculations should have a first priority in MONSTAT. Support should also be given to MONSTAT in establishing first estimates of quarterly GDP. There is strong user demand for these quarterly data and the exercise would help better coordinate the development of both short-term statistics and price statistics.

The implementation of surveys only for National Accounts purposes should be avoided. Instead, it would be much more efficient to develop the complete system of economic statistics for National Accounts through regular surveys and administrative data. Surveys that are established in National Accounts only for a transitional period have the tendency to become permanent. The National Accounts department should actively make proposals for the development of economic statistics.

MONSTAT will continue to need the support of both Eurostat and the European Statistical System for a longer period, in order to reach compliance with European legislation in the field of National Accounts

4.3.2 Government Finance Statistics

(134) According to the Programme of Statistical Surveys the Ministry of Finance is responsible for the production of Government Finance Statistics. Data are published quarterly and annually on the website of the Ministry of Finance of Montenegro.

(135) The Ministry of Finance applies the Government Finance Statistics Manual of the IMF of 2001 (GFSM 2001) on a cash basis. Estimations on an accrual basis are planned by the Ministry. The representative of the Ministry of Finance explained that their Government Finance Statistics include revenues and expenditures from extrabudgetary funds, municipalities and Social Security institutions. Figures for public enterprises are also calculated, but can be separated. Data are used for national purposes of budgetary policy and are not delivered to Eurostat up to now.

(136) Assessment

The Ministry of Finance produces Government Finance statistics according to international rules. The data are used mainly by the Ministry itself for policy

purposes. As mentioned previously, the transfer of the responsibility for Government Finance statistics from the Ministry to MONSTAT should be considered. It should be noted that in an EU context, Government Finance statistics form part of the data provision framework of the European System of National Accounts.

4.3.3 External Trade Statistics (Goods)

(137) The Department on External Trade Statistics (1 employee and 1 person on a monthly contract basis), which belongs to the Sector of Macroeconomic Statistics, National Accounts and Prices, produces monthly external trade data based on customs declarations. The customs declaration used in Montenegro is identical in form and content with the Single Administrative Document which is in use in the EU countries for the exchange of goods with non-EU countries.

(138) MONSTAT compiles statistics on international trade broken down by partner countries (Geonomenclature – Nomenclature of countries and territories) and by commodities according to the Combined Nomenclature – CN - and the Standard International Trade Classification – SITC. Monthly data are published on the 25th day of the month following the reporting period as preliminary data. They are final after the dissemination of the final annual data. Annual data are disseminated twice, first as preliminary (25 January) and then as final (31 March). Data are provided to MONSTAT by the Customs Authority. On the basis of information from Customs MONSTAT is building up a register of importers and exporters. At present the website of MONSTAT includes only tables on foreign trade statistics. The foreign trade specialists are involved in the development of the new website.

(139) MONSTAT decided no longer to compile and publish data by the general trade system because of a lack of information on imports into warehouses. Instead only special trade data are compiled.

(140) Assessment

External trade statistics appears to be well developed. Nevertheless, there are still a few problems and a need for further harmonisation with EU regulations. Customs declarations are often incomplete, statistical values and the country of origin often not being filled in. In such cases, customs values and the country of consignment are used instead. The decision by MONSTAT to rely on data only from the special trade system

leads to problems with the compilation of the Balance of Payments. A solution has to be found together with the Central Bank and the Customs Authority.

4.3.4 Balance of Payments Statistics

(141) In line with the Law on the Central Bank of Montenegro (Official Gazette of Republic of Montenegro nos. 52/00 and 47/01), the Law on External Current and Capital Transactions (Official Gazette of Republic of Montenegro 45/05 and Official Gazette of Montenegro 62/08) and the Law on Statistics and Statistical System the Central Bank of Montenegro prepares Montenegro's balance of payments statistics. The balance of payments is compiled in accordance with the IMF methodology (IMF Balance of Payments Manual, 5th edition, 1993). Pursuant to the aforesaid laws and the Decision on Statistical Data to Be Submitted to the Central Bank for the Purpose of Compilation of the Balance of Payments (Official Gazette of Republic of Montenegro 76/05), the Central Bank collects and compiles data required for the Balance of Payments Statistics.

(142) The Central Bank disseminates Balance of Payments data quarterly 90 days after the end of the reference period in Euros. The data are regularly submitted to international organisations, such as the International Monetary Fund, The World Bank etc. The Central Bank also publishes monthly, quarterly and annual data on the flows of foreign direct investment. Data on re-invested earnings have not yet been included.

(143) The main sources for the compilation of Balance of Payments Statistics are the data on the foreign trade of goods from MONSTAT, monthly data collections from banks and micro-credit financial institutions for the estimation of most parts of the trade in services and of money transfers. Tourism is estimated on a model basis.

(144) Assessment

It appears that the Balance of Payments statistics have reached a relatively high level of compliance with European and international requirements. Ongoing cooperation with IMF experts aims to solve remaining problems.

4.3.5 Consumer Price Index

- (145) In January 2009, MONSTAT ceased to publish the retail price index which was used for measuring the inflation in Montenegro up to then. Publication of the Consumer Price Index (CPI) which was developed in a SIDA project started in June 2008 with the publication of data from January 2008. The CPI is now used as the official measure of inflation. Compilation of the index is finished at the 15th of the month following the reporting month. Publication is sometimes a few days later, because the publication of all monthly economic indicators is bundled up and the publication has therefore to wait until all indicators are available. Responsibility for the calculation of the CPI lies with the Department of Prices which belongs to the Sector of Macroeconomic Statistics, National Accounts and Prices. In addition to the CPI the department is responsible for the calculation of the Producer Price Index, the Export Price Index, and the Import Price Index. Altogether there are 2 staff members working for CPI calculations and further 2 persons for other price indices.
- (146) The list of goods and services for the CPI includes 396 goods and 94 services. It is reviewed every year; outdated products are excluded, new ones added if their total consumption share exceeds 0.1 %. 32 new products are added as from 2010, mainly in divisions which were up to now poorly covered, such as Health and Hotels and Restaurants. The weights for the CPI are ascertained on the basis of the results of the Household Budget Survey. The classification used is the Classification of Individual Consumption by Purpose adjusted to the needs of the Harmonised Index of Consumer Prices (COICOP HICP). Improvements of the national CPI are mainly necessary in the field of quality adjustments. Up to now only first initial stages were undertaken.
- (147) The process of introducing the Harmonised Index of Consumer Prices started at the end of 2008 with the start of the multi-beneficiary project IPA 2007. IPA 2008 will also include a HICP component. MONSTAT completed its project plan for the implementation of the HICP. A new weight structure in correspondence with the domestic concept is already developed. The structure of foreign tourist consumption in the country is estimated by using information from other countries. Collection of prices needed for the calculation of the HICP will start in 2010 and first results are expected in February for January 2011. International cooperation with experts and participation in international meetings are crucial factors for the successful implementation.

(148) Assessment

MONSTAT has already achieved significant progress in the development of the HICP. This work can be continued with assistance through the regional IPA programme. Improvements to the national CPI, which are also of importance for the HICP, are mainly necessary in the area of quality adjustments.

4.4 Business Statistics

(149) The new organization of MONSTAT contains a separate Sector for Business Statistics with two departments, one for Business Register and Structural Business Statistics with at present 7 staff members and one for Short-term Business Statistics with at present 9 staff members. The position of the Head of Sector and Assistant Director is vacant.

4.4.1 Business Register

(150) MONSTAT maintains a statistical Business Register which has been in use for statistical purposes since the beginning of 2007. The data for the implementation and maintenance of the register are mainly provided by four administrative sources: the Tax Administration, the Health Insurance Fund, the Administrative Register and the Commercial Court Register while data from statistical surveys are used as an internal source. An ID number used by all institutions makes linking of all available information possible. The NACE Code for enterprises is given by the Commercial Court but the experts of the section make changes, if necessary and possible. The entire register is permanently updated based on the data collected from the administrative sources and from survey data, and by information coming from the regional offices. Moreover questionnaires are sent to enterprises to get additional information.

(151) The Business Register contains the following kinds of units: Legal unit, enterprise and local unit. Introduction of the kind-of-activity unit and the group of enterprises is planned. Though MONSTAT makes great efforts to maintain the Business Register as best as possible the quality of the Business Register needs further improvement, in particular with regard to the completeness of the register and to the information on the economic activity of the units included. Moreover addresses of the enterprises are often not correct.

(152) Assessment

The quality of the statistical data in the Business Register is still unsatisfactory. MONSTAT continues to have major problems eliminating the deficiencies in administrative sources. One particular problem is that the Commercial Court appears to decide on the assignment of enterprises to economic activities. MONSTAT should control these assignments for every single unit before entering them into the Business Register.

It is recommended that MONSTAT carry out a light business census in 2012, the results of which will be the basis of an improved Business Register.

Introducing groups of enterprises into the Business Register should not be seen as a priority, given the capacity of MONSTAT and the priority that should be given to resolving the continuing quality problems with the register.

4.4.2 Structural Business Statistics (SBS)

(153) The SBS has been carried out since 2006 (reference year), but the results were never published. There are problems with the quality of the data in particular because of high non-response rates. MONSTAT carries out a few other annual surveys in business sectors but they are in regard to the characteristics catalogue not comparable to SBS. The collection of data for the reference year 2008 started in June 2009. Results are still not ready so that MONSTAT could not provide any SBS data to Eurostat up to now and results were not available for GDP calculations. In 2010 the questionnaire was already sent out in February so that the data can be processed early enough to become a major source for the improvement of GDP calculations.

(154) The questionnaires used in the survey are according to the explanations of the responsible staff of MONSTAT fully harmonised with European standards. All business sectors with the only exception of financial services are included. The national activity classification which is in accordance with NACE Rev. 1.1 is used. After the revision of the activity classification according to NACE Rev. 2 the new classification will be used. Four size classes are distinguished by the number of employees.

(155) Assessment

A concerted effort should be made by MONSTAT to implement successfully Structural Business Statistics in all sectors of the economy.

If implemented successfully, all present annual surveys for the various economic sectors could be stopped, thereby saving resources. Any survey characteristics which are not in the SBS but, nevertheless, considered indispensable could be added in separate modules. Only when the results of the first SBS are analysed will MONSTAT make decisions in this regard.

4.4.3 PRODCOM

(156) PRODCOM provides data on the value and the volume of the production of nearly 4000 manufactured goods. Classification is the PRODCOM list which is yearly updated.

(157) MONSTAT collects, processes, and disseminates data on industrial production in Montenegro classified by the Nomenclature of Industrial Products which is in accordance with the PRODCOM list 1998. A harmonisation with EU standards, in particular the regular updating of the national Nomenclature with the European PRODCOM list, is planned for 2011, together with the introduction of the new activity classification according to NACE Rev. 2.

(158) Assessment

MONSTAT should regularly update its list of industrial products in accordance with the PRODCOM list.

4.4.4 Short-term Business Statistics (STS)

(159) European Short-term Business Statistics comprise monthly and quarterly economic indicators such as the index of industrial production, output prices, construction production, retail trade turnover etc. Short-term data on all service activities are also to be provided. The classification to be used as from 2009 is NACE Rev. 2.

(160) MONSTAT already carries out a few monthly or quarterly surveys in the sectors of industry, construction, retail trade, and hotels and restaurants. The list of indicators which can be produced with these surveys is, however, rather limited. There are moreover quality problems: Coverage of small sized enterprises; inaccurate and

incomplete data from the Business Register; use of NACE Rev. 1.1 instead of NACE Rev. 2; incomplete data in the Building Permit Survey; poor response; most of the service sectors not covered at all.

(161) MONSTAT started to harmonize all existing short-term surveys in the sectors industry, construction and trade with the European STS regulation and to include all necessary additional characteristics into the surveys. The assistance project IPA 2007 contains a component for assistance in these activities. The experts from the short term statistics department are of the opinion that full compliance in the economic sectors mentioned above can be reached until 2012. MONSTAT has no plans at present to cover already all other services sectors in a first step, with the only exception “Catering” for which already a short-term survey exists.

(162) Assessment

Further improvements and extensions of short-term statistics are needed. Due to the limited resources of MONSTAT, priority is being given to the harmonization of the short-term surveys in the industry, construction and trade sectors. Although the service sectors are not the priority areas, it is recommended that MONSTAT keeps users of STS informed about the future extension of the STS to the services sectors not yet covered.

4.5 Agriculture Census and Agriculture Statistics

(163) A law on conducting Agricultural Census 2009 was adopted in July 2009 with the target to perform the census in October 2009. This law was developed after piloting and testing and with close consideration of national and European requirements as specified in Regulation (EC) No 1166/08 of the European Parliament and of the Council of 19 November 2008 on farm structure surveys and the survey on agricultural production methods. However, the census has been delayed due to unforeseen problems to acquire the final acceptance from the World Bank to allocate the planned budget from the MIDAS project. At present, the census is planned to be performed in June 2010, which is still thought to be possible if a final decision is reached relatively soon.

(164) This census is important to get a more complete picture of the structure of agriculture and the agricultural resources and production in Montenegro, especially as the last agricultural census was held in 1960. The census will also provide an important basis

for improved future agricultural statistics by establishing a complete register of agricultural holdings. At present several data are being estimated, partly based on cadastre data.

(165) MONSTAT and the Ministry of Agriculture cooperate closely, based on a Memorandum of Understanding, in the preparation and performance of the census, and updating of the planned register will also be made based on data from the Ministry of Agriculture. It is also clear that MONSTAT in practice will produce more or less all agricultural statistics, and even in future agricultural accounts.

(166) Assessment

It appears that the Agricultural Census has been prepared and planned well, even if some delays have created challenges. The coverage and quality of agricultural statistics as a whole will improve greatly from the Agricultural Census. It is imperative, therefore, that a solution for the funding problems be found urgently, to ensure that the Agricultural Census is carried out in June 2010 as foreseen. If a decision cannot be reached soon, there is a risk that the census might have to be postponed until after the Population Census has been conducted.

ANNEXES

Annex 1: Agenda and persons met during assessment mission

Annex 2: Law on Statistics and Statistical System of Montenegro

Annex 3: Development Strategy of Statistics in Montenegro 2009 – 2012