

# FISCAL DEVELOPMENTS

05



In the reporting year, public finances and the budget of Montenegro recorded a significant increase in the public sector deficit and the budget deficit compared to the previous year, i.e. there was a significantly higher annual growth of expenditures than revenues.

The increase in income based on value added tax caused the revenues increase. This increase is largely caused by a strong inflation growth during 2022, which was primarily imported, due to the increase in energy and food prices on the international market. The increase in revenues is at the same time the result of improved tax discipline and a good summer tourist season, i.e. the overall growth of personal consumption in the country due to the inflow of population based on the Program for Attracting Digital Nomads, the Economic Citizenship Program, and the population jeopardized by the conflict in Ukraine. On the other hand, the significant increase in expenditures was mostly determined by higher allocations for social protection and pension and disability insurance, but also by additional financing of the health system through transfers to institutions, individuals, NGOs and the public sector.

**Table 5.1**

Public sector and budget of Montenegro surplus/deficit					
Description/Period	2018	2019	2020	2021	2022
Public sector deficit/surplus (million euros)	-182.96	-72.24	-464.60	-93.48	-299.44
% share in GDP	-3.92	-1.46	-11.10	-1.89	-5.17
Deficit/surplus of the Budget of Montenegro with State funds (million euros)	-168.90	-143.28	-426.15	-99.53	-260.22
% share in GDP	-3.62	-2.89	-10.18	-2.01	-4.49
NOTE:					
Montenegro's GDP in million euros (for 2021; estimation)	4,663.13	4,950.70	4,185.55	4,955.12	5,796.76

Source: Ministry of Finance

## 5.1. Montenegro's public finances<sup>59</sup>

According to preliminary data of the Ministry of Finance<sup>60</sup>, *public revenues*<sup>61</sup> amounted to 2,299.23 million euros in 2022, which represents 39.66% of estimated GDP<sup>62</sup> which is 5.81% more than planned,

<sup>59</sup> The structure of Montenegro's public finances comprises of the Budget of Montenegro with the State funds (Pension and Disability Fund, Health Insurance Fund, Restitution Fund, Employment Agency, and Labour Fund) and local government budgets (Old Royal Capital Cetinje, Capital Podgorica and 23 municipalities).

<sup>60</sup> The data are preliminary, while the final data will be integral part of the Law on Annual Financial Statements of the State Budget of Montenegro for 2022.

<sup>61</sup> Total public revenues include revenues from budget, state funds and local governments.

<sup>62</sup> Source: Estimated GDP for 2022 amounts to 5,796.76 million euros.

and by 4.80% compared to 2021. The growth of public revenues during 2022 was mainly affected by the increase in revenues from value added tax by 216.10 million euros or 31.23%, and fees by 32.68 million euros or 29.89% (Annex D, Table 12).

In the structure of public revenues generated during 2022, tax revenues (67.77%) and contributions (20.13%) prevailed, while all other revenues accounted for 12.10% of total revenues.

Consolidated *public spending*, according to preliminary data, amounted to 2.598.67 million euros and accounted for 44.83% of GDP. Compared to the plan, public spending was lower by 129.03 million euros or 4.73%, and compared to the previous year it was 311.21 million euros or 13.61% higher.

*Current public spending*<sup>63</sup> amounted to 2,245.70 million euros or 38.74% of GDP, and on an annual level it recorded a decrease of 11.99%.

The largest increase in expenditures compared to the previous year was recorded in transfers to institutions, individuals, non-government and public sectors (110.06 million euros or 34.67%) due to additional financing of the health system and payment of one-time benefits to pensioners. Also, a significant increase was recorded in social protection transfers (101.01 million euros or 17.79%) due to the payment of benefits to mothers with three or more children from April and the payment of child allowance for all children up to 18 years as of October 2022 as well as the increase in pension expenditures caused by the increase in the minimum pension amount as of September 2022, the regular adjustment of pensions in accordance with the change in the annual inflation rate and the change in the gross average salary and the extraordinary adjustment of pensions by 36% from January to September 2022.<sup>64</sup>

Observed by economic classification, the largest items of consolidated expenditures were gross wages and contributions paid by the employer (599.68 million euros or 23.08%) and expenditures for pension (470.08 million euros or 18.09%).

In 2022, a lower level of public revenues than realized consolidated public spending was recorded. Thus, the *cash deficit of the public sector* amounted to 299.44 million euros or 5.17% of GDP and it was 205.96 million euros higher than the cash deficit of the public sector in the previous year.

During 2022, debt repayment amounted to 303.65 million euros or 5.24% of GDP, which, adding expenditures for the purchase of securities and the estimated deficit, resulted in the need for borrowing in the amount of 630.78 million euros or 10.88% of GDP. Of that amount, 113.98 million euros related to domestic debt, while 113.63 million euros related to external debt. The remaining amount represents revenues from privatization (25.23 million euros) and transfers (7 million euros). As a result of these transactions, deposits were lower by 370.91 million euros in 2022.

<sup>63</sup> Public spending minus total capital expenditures

<sup>64</sup> Pensioners with the lowest pension retroactively received the difference between the minimum pension, which was valid until September, 147 euros, and the nominal amount of the lowest pension from September, 253.61 euros.

Table 5.2

Consolidated public spending of Montenegro, in million euros and in %										
DESCRIPTION	2018	GDP	2019	GDP	2020	GDP	2021	GDP	2022	GDP
	million euros	%	million euros	%	million euros	%	million euros	%	million euros	%
Public revenues	1,969.45	42.24	2,151.54	43.46	1,868.68	44.65	2,193.98	44.28	2,299.23	39.66
CONSOLIDATED EXPENDITURES	2,152.41	46.16	2,223.78	44.92	2,333.29	55.75	2,287.46	46.16	2,598.67	44.83
Current public spending	1,834.37	39.34	1,812.48	36.61	2,018.27	48.22	2,005.21	40.47	2,245.70	38.74
Capital expenditures*	318.04	6.82	411.30	8.31	315.02	7.53	282.25	5.70	352.97	6.09
Surplus/deficit, cash	-182.96	-3.92	-72.24	-1.46	-464.61	-11.10	-93.48	-1.88	-299.44	-5.17
NOTE:										
Montenegro's GDP (for 2022; estimation)		4,663.13		4,950.70		4,185.55		4,955.12		5,796.76

Source: Ministry of Finance

### Box 5.1 – 2022 Budget revision

During 2022, the Parliament of Montenegro adopted two budget revisions.

The first revision, adopted in May, arose out of the need for technical harmonization with changes to the Decree on organization and manner of work of state administration. In relation to the Budget Law for 2022, with this revision, total budget expenditures were increased by 60.43 million euros. Current budget expenditures increased by 161.19 thousand euros, and the budget of state funds by 150 thousand euros, while financing transactions decreased by 250.76 thousand euros.

The second revision of the budget in the last quarter of 2022 occurred, on the one hand, by the failure to achieve the revenues planned by the original Budget Law for 2022, as a result of the failure to adopt the foreseen regulations (Law on games of chance, regulations related to fuel marking, and the like) and on the other hand, by the increase in current spending through changes to the existing legislation and the adoption of new one (payment of benefits to mothers with three or more children, harmonisation and increase of pensions, increase in salaries to employees in health and education sectors, and the like).

On the revenues side, with the second revision, a smaller collection of excise duties (10.05 million euros) was planned, due to the need to mitigate the rise in energy prices, which was specified in the Decision on reducing the amount of excise duty on unleaded gasoline and gas oils<sup>65</sup>. Also, due to the progressive taxation of wages and the increased percentage of personal income tax revenues transferred to local self-governments, revenues to the central budget were reduced by 45.50 million euros, while the failure to adopt the Law on Games of Chance affected the planned lower revenues on the basis of fees for organizing games of chance (reduction of 11.98 million euros). In addition to the decrease, there is an evident planned increase (80.98 million euros) based on the collection of value added tax, which is determined by the continuation of the fight against the shadow economy, the growth of consumption due to the growth of disposable income, that is, net earnings, as well as the growth of inflation.

<sup>65</sup> OGM 50/22, 70/2022, 95/2022, 107/2022, 120/2022 and 151/2022.

Accordingly, the second budget revision (adopted at the end of September 2022) foresees original revenues of 1,931.03 million euros, which is 3.73 million euros less compared to the revenues planned by the original Budget Law for 2022 and the Law Amending the Budget Law for 2022 (adopted in May 2022).

At the same time, the Law Amending the Budget Law for 2022 increased expenditures based on the social protection rights by seven million euros and expenditures based on rights in the pension and disability insurance by 36 million euros compared to the Budget Law for 2022 and to the technical revision, while expenditures based on gross wages and contributions at the expense of the employer increased by 14.35 million euros compared to the Budget Law for 2022, and by 22.56 million euros compared to the technical revision.

Based on the abovementioned, the consolidated expenditures planned for 2022 amounted to 2,384.26 million euros, while the budget deficit was projected at 453.24 million euros.

Taking into account the deficit projection, debt repayment (292.15 million euros) and expenditures for the purchase of securities (10.61 million euros), the budget revision predicts that the missing funds should amount to 756 million euros. In this regard, there was a planned debt of 450 million euros in the form of borrowings and loans and, and 6 million euros in the form of receipts from the sale of property, while the remaining amount (300 million euros) would be provided through the use of deposits.

## 5.2. Budget of Montenegro

*Total revenues of the Budget and State Funds*<sup>66</sup>, as per preliminary data of the Ministry of Finance, amounted to 2,231.08 million euros in 2022 and made up 38.49% of GDP (table 5.3).

*Current revenues* amounted to 2,010.37 million euros or 34.68% of GDP in 2022. Compared to the plan, they were higher by 4.11%, and compared to the previous year by 5.18%.

The structure of current revenues reveals the highest share of tax revenues (68.70%), followed by contributions (23.02%), fees (3.62%), donations (1.71%), other revenues (1.46%), receipts from loan repayment and funds transferred from the previous year (0.75%) and duties (0.74%).

Tax revenues amounted to 1,381.13 million euros, which is 6.44% above the plan, i.e. 16.66% higher than in 2021. Observed individually, the value added tax recorded the largest increase relative to the comparative period, which is the result of a successful summer tourist season, i.e. growth in consumption in general, improved tax discipline, as well as growth in imports and inflation.

Revenues arising from contributions amounted to 462.80 million euros being 3.19% lower than the plan for 2022, and recording a 16.53% year-on-year decrease.

<sup>66</sup> Budget receipts include current revenues (direct and indirect taxes and non-tax revenues), borrowings and loans from domestic and foreign sources, and revenues from the sale of assets.

Table 5.3

Revenues of the Budget of Montenegro and state funds in 2022							
Type of revenue	Recorded in 2021	Plan for 2022	Recorded in 2022	Share in total revenues	Share in GDP	Recorded in relation to the plan	Recorded in relation to 2021
	In million euros	In million euros	In million euros	%	%	Index	Index
Taxes	1,183.87	1,297.60	1,381.13	61.90	23.83	106.44	116.66
Personal income tax	126.86	94.79	83.04	3.72	1.43	87.61	65.46
Corporate profit tax	74.71	84.28	90.17	4.04	1.56	106.98	120.69
Property turnover tax	2.08	1.48	1.48	0.07	0.03	100.00	71.29
Value added tax	691.95	814.82	908.05	40.70	15.66	111.44	131.23
Excise Duties	248.72	260.95	245.87	11.02	4.24	94.22	98.86
Tax on international trade and transactions	28.30	29.67	40.24	1.80	0.69	135.64	142.21
Other republic taxes	11.26	11.61	12.28	0.55	0.21	105.81	109.12
Contributions	554.48	478.07	462.80	20.74	7.98	96.81	83.47
Contributions for pension and disability insurance	343.74	418.82	405.90	18.19	7.00	96.91	118.08
Contributions for health insurance	180.57	22.48	25.06	1.12	0.43	111.48	13.88
Contributions for unemployment insurance	16.36	20.65	18.40	0.82	0.32	89.07	112.45
Other contributions	13.81	16.11	13.45	0.60	0.23	83.49	97.39
Duties	12.64	13.38	14.77	0.66	0.25	110.42	116.84
Fees	51.10	54.72	72.75	3.26	1.25	132.94	142.38
Other revenues	59.32	30.65	29.40	1.32	0.51	95.93	49.56
Proceeds from loan repayments and funds carried forward from the previous year	10.10	9.75	15.13	0.68	0.26	155.25	149.82
Grants and transfers	39.88	46.87	34.39	1.54	0.59	73.38	86.24
CURRENT REVENUES	1,911.38	1,931.03	2,010.37	90.11	34.68	104.11	105.18
Revenues from sale of property	4.45	6.00	4.52	0.20	0.08	75.26	101.39
Borrowings and loans from foreign sources	123.58	100.00	111.19	4.98	1.92	111.19	89.97
Borrowings and loans from domestic sources	0.00	350.00	105.00	4.71	1.81	30.00	
TOTAL REVENUES OF THE BUDGET OF MONTENEGRO AND STATE FUNDS	2,039.1	2,387.3	2,231.08	100.00	38.49	93.47	109.40
NOTE:							
GDP in million euros (for 2022; estimation)					5,796.76		

Source: Ministry of Finance

In 2022, *total budget expenditures*<sup>67</sup> added up to 2,589.86 million euros or 44.68% of GDP, being 3.62% lower than planned and recording the year-over-year increase of 5.75%.

*Consolidated budget expenditures* amounted to 2,270.59 million euros, and made up 39.17% of the estimated GDP. Realized expenditures were lower than planned by 4.77%, and on an annual basis they increased by 12.91% (table 5.4).

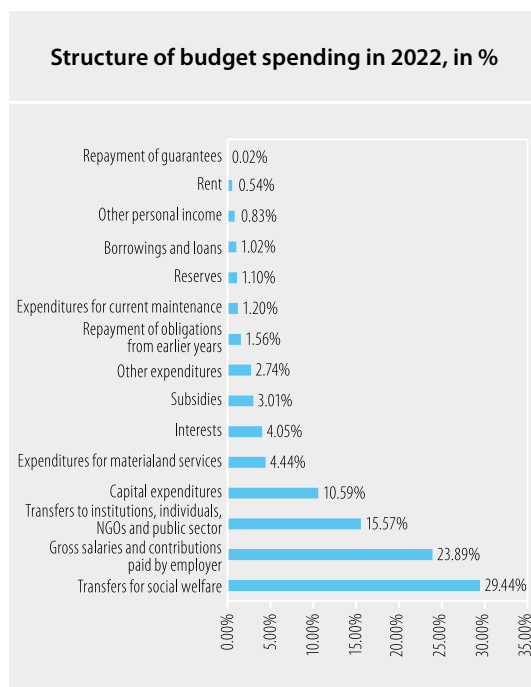
Current expenditures (consolidated expenditures minus capital expenditures) accounted for 2,030.09 million euros or 35.02% of GDP. The biggest deviation from the plan, due to growth, was recorded in transfers to institutions, individuals, non-government organizations and public sectors.

<sup>67</sup> Total budget expenditures comprise consolidated expenditures, repayment of securities and loans to residents and non-residents and expenditures for purchase of securities.

Capital expenditures of Montenegro amounted to 240.50 million euros or 4.15% of GDP, which is 13.39% lower compared to the plan, and 17.80% more compared to the previous year due to investment funds for tourism facilities, construction of local infrastructure, reconstruction of regional and main roads, construction and reconstruction of health facilities - start of construction of the Mental Health Clinic within the Clinical Centre of Montenegro (infrastructure project worth 6 million euros), initial works on the reconstruction of the Special Hospital “Vaso Ćuković” in Risan (a project worth around 2 million euros).

Repayment of the government debt amounted to 291.57 million euros<sup>68</sup> and was reduced compared to the previous year by 146.03 million euros, mostly due to the reduction of matured liabilities based on issued securities and loans to non-residents.

Graph 5.1



Source: Ministry of Finance and CBCG calculations

The budget spending structure (graph 5.1) shows that the biggest share referred to transfers for social welfare (29.44%), followed by gross salaries (23.89%), transfers to institutions, individuals, NGOs and public sector (15.57%) and capital expenditures 10.59%. Other purposes accounted for 20.51% of budget expenditures, of which expenditures for material and services accounted for 4.44% of budget expenditures, interests 4.05%, subsidies 3.01%, other current budget expenditures 2.74%, repayment of liabilities from the previous period 1.56%, expenses for current maintenance 1.20%, reserves 1.10%, borrowings and loans 1.02%, other personal income 0.83%, rent 0.54% and repayment of guarantees 0.02%.

Montenegro's 2022 *budget deficit*<sup>69</sup> is estimated at 260.22 million euros or 4.49% of GDP and is 160.70 million euros higher than cash deficit and 156.66 million euros higher than the revised deficit<sup>70</sup> in the previous year.<sup>71</sup> The primary budget deficit in 2022 amounted to 168.26 million euros and accounted for 2.90% of GDP.

The missing budget funds amounted to 579.48 million euros and made up 10% of GDP. Financing was provided through borrowings and loans from foreign sources in the amount of 111.19 million euros, borrowings and loans from domestic sources in the amount of 105 million euros, receipts from the sale of property in the amount of 4.52 million euros, as well as the use of deposits in the amount of 358.77 million euros, which caused their reduction for the specified amount.

<sup>68</sup> Debt principal to residents and non-residents, without debt repayment from the previous period.

<sup>69</sup> Methodology for *surplus/deficit* calculation, OGM, 53/09. The cash deficit represents the difference between source revenues and consolidated expenditures. The data on the deficit for 2022 refers to the cash deficit (does not include net liabilities), while the revised deficit will be published after the adoption of the Law on Annual Financial Statements of the State Budget of Montenegro for 2022.

<sup>70</sup> Budget cash deficit minus the amount of interest paid.

<sup>71</sup> Revised deficit stated in the Proposal for the Law on Annual Financial Statements of the State Budget of Montenegro for 2021.



Table 5.4

Budget expenditures of Montenegro and State funds in 2022							
DESCRIPTION	Realised in 2021	Plan for 2022	Realised in 2022	Share in total expenditures	Share in GDP	Realised in relation to the plan	Realised in relation to 2021
	In million euros	In million euros	In million euros	%	%	Index	Index
Current expenditures	875.79	957.73	924.19	35.68	15.94	96.50	105.53
Gross salaries and contributions paid by the employer	535.13	560.25	542.48	20.95	9.36	96.83	101.37
Other personal income	11.28	19.31	18.77	0.72	0.32	97.20	166.47
Expenditures for material and services	95.22	114.36	100.71	3.89	1.74	88.06	105.77
Expenditures for current maintenance	21.70	28.00	27.34	1.06	0.47	97.64	126.00
Interests	114.06	92.44	91.96	3.55	1.59	99.48	80.62
Rent	11.19	11.67	12.26	0.47	0.21	105.00	109.53
Subsidies	48.52	66.83	68.43	2.64	1.18	102.39	141.04
Other expenditures	38.70	64.87	62.25	2.40	1.07	95.96	160.84
Transfers for social welfare	567.41	698.04	668.39	25.81	11.53	95.75	117.80
Transfers to individuals, NGOs and public sector	257.07	311.96	353.56	13.65	6.10	113.33	137.54
Capital expenditures	204.17	277.69	240.50	9.29	4.15	86.61	117.80
Borrowings and loans	1.32	2.67	23.12	0.89	0.40	864.69	1,757.62
Reserves	71.23	99.97	24.96	0.96	0.43	24.96	35.04
Repayment of guarantees	7.71	0.00	0.50	0.02	0.01		6.48
Repayment of obligations from earlier years	26.21	36.20	35.38	1.37	0.61	97.72	134.96
CONSOLIDATED EXPENDITURES	2,010.90	2,384.26	2,270.59	87.67	39.17	95.23	112.91
Repayment of securities and loans to residents	85.31	39.93	40.52	1.56	0.70	101.49	47.50
Repayment of securities and loans to residents	352.29	252.22	251.05	9.69	4.33	99.54	71.26
Expenditures for the purchase of securities	0.51	10.61	27.69	1.07	0.48	261.03	5,469.16
TOTAL EXPENDITURES	2,449.00	2,687.03	2,589.86	100.00	44.68	96.38	105.75
NOTE:							
Montenegro's GDP (for 2022; estimation)					5,796.76		

Source: Ministry of Finance

### Box 5.2 – Montenegro's 2023 Budget Law

At end-December 2022, the Parliament of Montenegro adopted the Budget Law for 2023 (projected at 2,852.65 million euros), as well as the Decision on Borrowing for 2023.

The Budget Law for 2023 foresees original revenues in the amount of 2,147.47 million euros, whereby 1,465.46 million euros refers to tax collection, which is 167.86 million more than under the budget revision for 2022 adopted in September, and 84.33 million euros more compared to the recorded tax collection in 2022, according to preliminary data from the Ministry of Finance. The revenues plan for 2023 is based on the continuation of consumption growth and tax discipline, the reduction of the gray economy, as well as the initiation of investments in energy, tourism and transport.

According to the Budget Law for 2023, the planned consolidated expenditures in 2023 amount to 2,513.78 million euros, which is 243.19 million euros or 10.71% more than the realized expenditures in 2022.

In this regard, due to the already started increase in social benefits and pensions, 785.18 million euros are planned for transfers for social protection, which is 116.79 million euros or 17.47% more than the realized budget category in 2022 (according to preliminary data from the Ministry of Finance). Also, planned gross wages and contributions paid by the employer in 2023 amount to 627.31 million euros and show an increase of 84.83 million euros or 15.64% compared to the realized wages in 2022.

In addition to the emphasized social component, the development character of the budget is evident, which is reflected in significant allocations for capital expenditures (246.89 million euros), most of which is intended for road infrastructure and civil engineering projects.

Taking into account the projected deficit (366.32 million euros), debt repayment (338.08 million euros) and expenditures for the purchase of securities (0.78 million euros), the missing funds in 2023 amount to 705.18 million euros. In order to provide the missing funds, it is planned to borrow 599.18 million euros in the form of borrowings and loans, and 6 million euros in the form of receipts from the sale of property, while the remaining amount (100 million euros) would be provided through the use of deposits.

When it comes to the conclusion of credit arrangements for project financing, a debt of 506.08 million euros is foreseen in 2023, of which the largest amount, 200 million euros, refers to the debt for financing the continuation of the construction of the Bar-Boljare highway, section Mateševo-Andrijevića and the bypass around Podgorica, for which the creditor will be determined during the next year.

### 5.3. Local Self-Government

According to preliminary data from the Ministry of Finance, *current revenues of local self-government* amounted to 288.85 million euros or 4.98% of GDP and compared to the previous year they were 2.21% higher (table 5.5).

The structure of recorded revenues shows the main share of revenues from taxes (61.28%) and fees (23.98%), whereas other revenues accounted for 14.74%. The largest nominal increase in revenues compared to the plan (35.16 million euros) was recorded in taxes due to the increased percentage of personal income tax revenues transferred to local self-governments (through a simultaneous reduction in revenues that until then belonged to the central budget<sup>72</sup>), while the comparison with the previous year shows the highest increase in other revenues (11.69 million euros).

*Preliminary consolidated local self-government expenditure* amounted to 328.08 million euros, or 5.66% of GDP. In relation to the plan, a decrease of 15.37 million euros or 4.48% was recorded, and at the annual level an increase of 51.52 million euros or 18.63% was recorded.

The most significant expenditure items within local self-government spending were capital expenditure with a share of 34.28% and current expenditure with a share of 31.53%. Transfers accounted for

<sup>72</sup> Pursuant to the Law Amending the Law on Local Self-Government Financing.

22.68%, repayment of liabilities from the previous period with 9.69%, while the remaining 1.82% of expenditure related to reserves and borrowings loans.

**Table 5.5**

<b>Preliminary current revenues and consolidated expenditures of local self-government in Montenegro in 2022</b>						
Type of revenue	Realised in 2021	Plan for 2022	Realised in 2022		Realised in relation to the plan for 2022	Realised in relation to 2021
	million euros	million euros	million euros	% of GDP	Index	Index
<b>CURRENT REVENUES</b>	<b>282.60</b>	<b>241.91</b>	<b>288.85</b>	<b>4.98</b>	<b>119.40</b>	<b>102.21</b>
Taxes	194.67	141.85	177.01	3.05	124.79	90.93
Duties	3.42	4.29	4.05	0.07	94.41	118.42
Fees	58.23	59.25	69.26	1.19	116.89	118.94
Other revenues	11.55	14.01	23.24	0.40	165.88	201.21
Receipts from loan repayment and funds transferred from the previous year	5.11	0.27	0.27	0.00	100.00	5.28
Donations	9.62	22.24	15.02	0.26	67.54	156.13
<b>EXPENDITURE</b>	<b>276.56</b>	<b>343.45</b>	<b>328.08</b>	<b>5.66</b>	<b>95.52</b>	<b>118.63</b>
<b>Current expenditure</b>	<b>92.3</b>	<b>109.79</b>	<b>103.46</b>	<b>1.78</b>	<b>94.23</b>	<b>112.09</b>
Gross salaries and contributions paid by the employer	52.16	61.26	57.2	0.99	93.37	109.66
Other personal income	4.08	4.63	4.11	0.07	88.77	100.74
Expenditures for material and services	16.1	20.33	19.4	0.33	95.43	120.50
Current maintenance	6.96	7.94	7.07	0.12	89.04	101.58
Interests	2.54	2.54	2.17	0.04	85.43	85.43
Rent	0.65	0.7	0.69	0.01	98.57	106.15
Subsidies	3.24	4.86	4.5	0.08	92.59	138.89
Other expenditures	6.57	7.53	8.32	0.14	110.49	126.64
Transfers for social welfare	0.44	0.71	0.47	0.01	66.20	106.82
Transfers to individuals, NGOs and public sector	60.38	69.56	73.94	1.28	106.30	122.46
Capital expenditures	<b>78.08</b>	<b>136.71</b>	<b>112.47</b>	<b>1.94</b>	<b>82.27</b>	<b>144.04</b>
Borrowings and loans	2.62	1.74	2.66	0.05	152.87	101.53
Reserves	2.42	3.47	3.3	0.06	95.10	136.36
Repayment of guarantees	0	0	0	0.00		
Repayment of liabilities from the previous years	40.32	21.47	31.78	0.55	148.02	78.82
Surplus/Deficit	<b>6.04</b>	<b>-101.54</b>	<b>-39.23</b>	<b>-0.68</b>	<b>38.64</b>	<b>-649.50</b>
Primary deficit	<b>8.58</b>	<b>-99</b>	<b>-37.06</b>	<b>-0.64</b>	<b>37.43</b>	<b>-431.93</b>
Transfers from the Budget of Montenegro	8.86	6.95	7.02	0.12	101.01	79.23
Debt repayment	10.91	12.06	12.06	0.21	100.00	110.54
Borrowings and loans from domestic sources	7.15	8.43	8.98	0.15	106.52	125.59
Borrowings and loans from foreign sources	2.25	3.7	2.45	0.04	66.22	108.89
Revenues from privatisation and sale of property	8.28	19.7	20.71	0.36	105.13	250.12
Increase/decrease in deposits	-21.67	74.82	12.13	0.21	16.21	-55.98
NOTE: Montenegrin GDP in million euros, estimation				5,796.76		

Source: Ministry of Finance

In 2022, local self-governments recorded a deficit in the amount of 39.23 million euros or 0.68% of GDP. Debt repayment amounted to 12.06 million euros or 0.21% of GDP, while transfers from the central budget in 2022 amounted to 7.02 million euros.

## 5.4. State funds

According to preliminary data, the *Pension and Disability Insurance Fund of Montenegro* recorded total revenues of 494.91 million euros or 12.43% more than in 2021. Current revenues of the Fund accounted for 82.44% of the total receipts and recorded an increase of 18.43% compared to the previous year. Pension contributions (the main source of financing of the Pension and Disability Insurance Fund) accounted for 82.09% of total receipts and achieved an annual growth of 18.20%. At the same time, transfers from the budget, which accounted for 17.56% of total receipts, decreased 9.20% compared to the previous year and amounted to 86.89 million euros.

Total expenditure of the Pension and Disability Insurance Fund of Montenegro amounted to 494.91 million euros, which was slightly below the 2022 plan but 12.43% more than last year. Expenditure for pensions, accounting for 94.98% of total expenditures, represented the most significant expenditure item, while 5.02% was administrative expenses and debt repayment. Pension-based expenditures increased by 9.07% in relation to 2021.

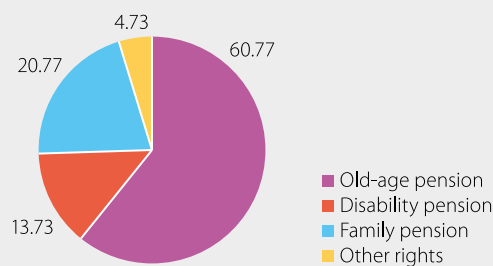
Based on realized revenues and expenditures, this Fund had a balanced budget.

### Box 5.3 – Working age population and pensioners in Montenegro

Expenditure for gross pensions amounted to 470.08 million euros in 2022, and the largest share related to old-age pension, 60.77%, family pension 20.77%, disability pension 13.73%, while other rights from the Fund<sup>73</sup> accounted for 4.73% of expenditures for gross pensions. (graph 1).

Comparing 2022 with the previous year, the Pension and Disability Insurance Fund` data show that there was a decrease in the number of pensioners from Montenegro. In December 2021, the number of pensioners was 113,567 and in December 2022 it was 110,028, which is a 3.12% decline (graph 2). The number of pensioners from Montenegro decreased significantly in April compared to the previous month, especially old-age pensioners, by 3,051, as a result of the implementation of the Law on Compensation of Former Users of Benefits Based on the Birth of Three or More Children<sup>74</sup>, when the beneficiaries waived their right to a pension in order to exercise the right to benefit from the aforementioned Law.

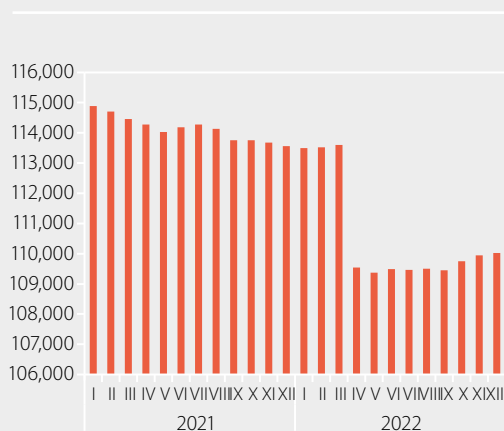
**Graph 1**  
Gross pensions expenditures' structure of the Pension and Disability Insurance Fund in 2022, %



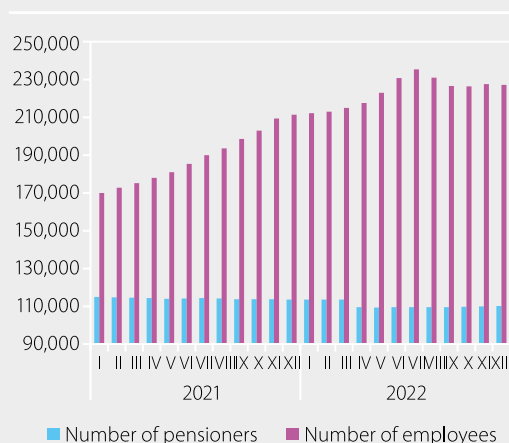
Source: Pension and Disability Insurance Fund

<sup>73</sup> Other rights in the area of pension and disability insurance include: allowances, allowances and other rights.

<sup>74</sup> OGM, 145/2021.

**Graph 2****Number of pensioners from Montenegro**

Source: Pension and Disability Insurance Fund

**Graph 3****Ratio of the number of employees in Montenegro and pensioners from Montenegro**

Source: Pension and Disability Insurance Fund and MONSTAT

The number of pensioners from other countries (mostly from Serbia, then from Bosnia and Herzegovina, Croatia and North Macedonia) at the end of 2022 increased from 9,849 to 10,057 compared to the same period of the previous year.

The number of employees recorded the year-over-year increase of 7.50% in December 2022.

As a result, the ratio of the number of employees to the number of pensioners improved and stood at 2.06, while at the end of the previous year it was 1.86 (graph 3).

According to the *Health Care Fund of Montenegro* data, in 2022, total revenues amounted to 419.45 million euros or 1.41% less relative to the plan, and 29.19% more than in 2021.

Total expenditures of the Fund amounted to 419.45 million euros and the largest share in total expenditures was related to expenditures based on transfers to institutions, individuals, non-government and public sector (195.76 million euros), as well as current expenditures (158.29 million euros). Some 34.18 million euros was spent on social protection transfers and 31.22 million euros on capital expenditures and debt repayment.

Outstanding liabilities of the Fund amounted to 2.68 million euros as at 31 December 2022, with the highest share belonging to transfers for social protection (2.57 million euros) while liabilities for current expenditures amounted to 106,397 euros, and liabilities for transfers to institutions, individuals and loans amounted to 9,400 euros.

Based on realized revenues and expenditures, the Fund had a balanced budget.

According to the *Employment Agency of Montenegro's* (EAM) data, this institution recorded total revenues in the amount of 51.12 million euros in 2022 or 31.71% more compared to 2021.

The EAM expenditure amounted to 51.12 million euros and were 2.31% below the plan but 31.71% more compared to the previous year. Of this amount, 36.79% were current expenditure, while 52.07% was allocated based on social protection transfers, and 11.03% was allocated based on transfers to institutions, individuals, non-government and public sectors, while capital expenditure and other debts accounted for 0.11%.

Outstanding liabilities of the EAM amounted to 723,652.08 euros as at 31 December 2022.

Based on realized revenues and expenditures in 2022, the Employment Agency ran a balanced budget.

The *Labour Fund*, being a typical budget beneficiary financed from municipal and earmarked revenues, in 2022, recorded revenues in the amount of 1.31 million euros and the equal amount of total expenditures, which is by 14.27% below the plan and 10.37% more y-o-y.

The most significant expenditure item was the expenditure related to the social protection transfers, that is, rights from the area of social protection (541,372.56 euros).

Outstanding liabilities of the Fund amounted to 24,662.37 euros as at 31 December 2022.

Based on realized revenues and expenditures in 2022, this Fund had a balanced budget.

The *Compensation Fund* recorded total revenues in the amount of 2.33 million euros, same as total expenditure, which is 7.15% and 4.02% less in relation to the plan and 2021, respectively.

Based on realised revenues and expenditure, this Fund had a balanced budget in 2022.