

# **PUBLIC DEBT**

**06**



According to the data of the Ministry of Finance, *gross public debt*<sup>55</sup> amounted to 4,464.37 million euros or 60.19% of the estimated GDP (table 6.1), which represents an increase of 337.55 million euros or 8.18%. compared to the end of 2023.

Public debt structure reveals that government debt accounted for 4,402.55 million euros (98.62%), while the local self-government debt accounted for 61.82 million euros (1.38%).

When we excluded deposits of the Ministry of Finance along with 38,477 ounces of gold, the *net public debt* of Montenegro would amount to 3,846.43 million euros at end-September 2024 or 51.86% of the estimated GDP. Compared to end-2023, the net public debt decreased by 3.22%.

**Table 6.1**

<b>Structure of the public debt of Montenegro on quarterly level, in million euros</b>					
	December 2023	March 2024	June 2024	September 2024	Change in % (September 2024 December 2023)
Domestic debt	542.62	511.29	386.70	356.48	-34.30%
External debt	3,517.29	4,156.66	4,091.33	4,046.07	15.03%
Government debt (gross)	4,059.91	4,667.95	4,478.03	4,402.55	8.44%
Share of gross government debt in GDP	58.30	62.94	60.38	59.36	
Local self-government debt	66.91	66.34	62.42	61.82	-7.61%
Public debt (gross)	4,126.82	4,734.29	4,540.45	4,464.37	8.18%
Share of gross public debt in GDP	59.26	63.83	61.22	60.19	
Deposits of the Ministry of Finance, including 38,477 ounces of gold	152.41	774.24	633.56	617.94	305.45%
Government debt (net)	3,907.50	3,893.71	3,844.47	3,784.61	-3.14%
Share of net government debt in GDP	56.11	52.50	51.84	51.03	
Public debt (net)	3,974.41	3,960.05	3,906.89	3,846.43	-3.22%
Share of net public debt in GDP	57.07	53.39	52.68	51.86	
NOTE: Montenegro's GDP (assessment for 2024)	6,963.62	7,416.70	7,416.70	7,416.70	

Source: Ministry of Finance

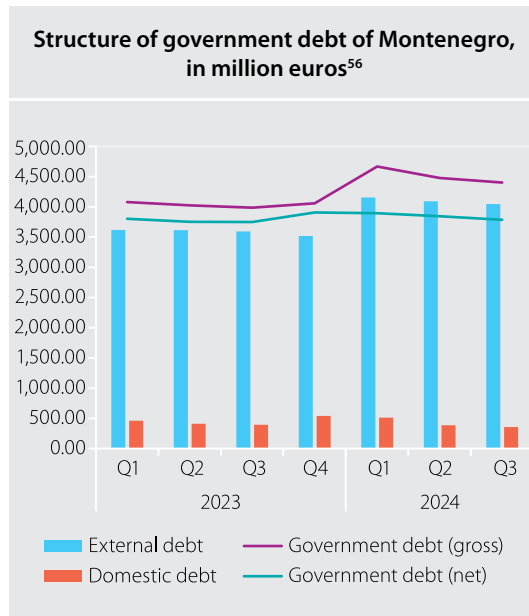
<sup>55</sup> The Ministry of Finance started publishing quarterly data from July of the current year, when the "State and Public Debt Report as of 30 June 2024", which also presented quarterly data related to the end of March of the current year.

## 6.1. Government debt

Gross government debt of Montenegro amounted to 4,402.55 million euros or 59.36% of estimated GDP at end-September 2024, and compared to the end of the previous year it increased by 8.44%, due to the growth of external debt, based on the issue of Eurobonds.

Out of the total amount of gross government debt, 4,046.07 million euros or 91.90% referred to external debt, while the remaining 356.48 million euros or 8.10% referred to domestic debt.

Graph 6.1



Source: Ministry of Finance

If we exclude deposits of the Ministry of Finance along with 38,477 ounces of gold, the *net government debt* of Montenegro will amount to 3,784.61 million euros or 51.03% of the estimated GDP. Compared to the end of the previous year, net government debt recorded a decrease of 3.14%, while borrowing on the international market significantly contributed to the increase in government deposits (465.53 million euros or 305.45%).

The currency structure of the government debt is still relatively favourable. Thus, debt in euros accounted for 99% of the total currency structure of the government debt, while 0.73% of the debt was in special drawing rights, and 0.27% in US dollars.

The interest rate structure is favourable considering that more than three quarters of the government debt (loans and bonds) are serviced at fixed interest rates (84.47% of the debt).

## 6.2. Domestic government debt

At end-September 2024, domestic debt amounted to 356.48 million euros (4.81% of GDP), being 186.14 million euros or 34.30% lower year-over-year. Repayment of issued domestic bonds and issued treasury bills are the main reasons for the reduction in debt to residents in this period (table 6.2).

In the structure of domestic debt as at end-September 2024, the main share was of loans payables to commercial banks (53.67%), followed by liabilities rising from restitution (21.06%) as well as liabilities from issued domestic bonds (14.03%). The remaining 11.24% were liabilities to legal persons and companies (7.88%), liabilities for frozen foreign currency deposits (2.83%), and liabilities for accrued pensions (0.53%).

<sup>56</sup> Quarterly data represents the amount of debt at the end of the quarter.

Table 6.2

Structure and changes of the domestic debt of Montenegro at end-September 2024 compared to the end-September and December 2023								
Domestic debt structure	Debt balance 30.09.2023	Debt balance 31.12.2023	Debt balance 30.09.2024	Change in relation to 30.09.2023	Change in relation to 31.12.2023	Change in relation to 30.09.2023	Change in relation to 31.12.2023	Share in domestic debt 30.09.2024
	1	2	3	4 (3-1)	5 (3-2)	6 (3/1)	7 (3/2)	8
	million euros					%		
Foreign currency deposits	10.09	10.11	10.11	0.02	0.00	0.20	0.00	2.83
Restitution	73.61	74.58	75.06	1.45	0.48	1.97	0.64	21.06
Loans with commercial banks	133.25	229.76	191.34	58.09	-38.42	43.59	-16.72	53.67
Accrued pensions	1.89	1.89	1.89	0.00	0.00	0.00	0.00	0.53
Treasury bills	00.00	50.00	00.00	0.00	-50.00		-100.00	0.00
Domestic bonds	142.44	142.44	50.00	-92.44	-92.44	-64.90	-64.90	14.03
Legal persons and companies	31.86	33.84	28.08	-3.78	-5.76	-11.86	-17.02	7.88
<b>TOTAL</b>	<b>393.14</b>	<b>542.62</b>	<b>356.48</b>	<b>-36.66</b>	<b>-186.14</b>	<b>-9.32</b>	<b>-34.30</b>	<b>100.00</b>

Source: Ministry of Finance

## 6.3. External government debt

According to Ministry of Finance data, external debt of Montenegro amounted to 4,046.07 million euros or 54.55% of GDP at end-September 2024, and compared to the end of the previous year, it recorded an increase of 342.64 million euros or 8.44%, due to borrowing through the issue of government bonds on the London Stock Exchange in the amount of 687.76 million euros.

In Q3 2024, there were the following withdrawals of funds arising from loan arrangements with international institutions, in the total amount of 43.98 million euros:

- Withdrawal of EIB funds in the amount of 15 million euros (for the projects “Main Roads Rehabilitation Programme” and “Montenegro Education Programme”),
- Withdrawals of KfW funds in the amount 9.33 million euros (for the projects “Water supply and waste water treatment - Pg Promo and Phase V, component 2”, and “Energy efficiency program in public buildings - phase III”),
- Withdrawal of IBRD funds in the amount of 9.01 million euros (for the projects “Industrial Waste Management”, “Revenue Administration Reform Project”, “Montenegro Institutional Development and Agriculture Strengthening - MIDAS 2”, “Energy Efficiency in Montenegro - MEEP 2”, “Sava and Drina Rivers Corridors Integrated Development Program” and “Trade and Transport Facilitation”),
- Withdrawal of EBRD funds in the amount of 7.66 million euros (for the projects “Reconstruction of main roads in Montenegro” and “Improvement of local roads”) and
- Withdrawal of funds from Hapoalim Bank in the amount of 2.98 million euros (for equipping armoured vehicles).

The structure of external debt shows that the highest share belongs to liabilities arising from issued Eurobonds of 60.25%, while the Chinese Exim Bank stands as the largest individual creditor with a share in the external debt of 15.66% (table 6.3).

Table 6.3

Structure of Montenegro's external debt as of 30 September 2024				
Creditor	Debt balance	External debt GDP	Share in external debt	Share in government debt (4,402.55 million euros)
	million euros	%		
EUROBONDS	2,437.76	32.87	60.25	55.37
Chinese EXIM Bank <sup>1</sup>	633.58	8.54	15.66	14.39
International Bank for Reconstruction and Development (IBRD)	174.99	2.36	4.32	3.97
Syndicated loan - PBG 2	172.73	2.33	4.27	3.92
Syndicated loan - PBG <sup>2</sup>	128.57	1.73	3.18	2.92
European Investment Bank (EIB) <sup>3</sup>	109.15	1.47	2.70	2.48
Council of Europe Development Bank	68.57	0.92	1.69	1.56
EBRD	66.48	0.90	1.64	1.51
European Commission <sup>4</sup>	60.00	0.81	1.48	1.36
Deutsche Bank	60.00	0.81	1.48	1.36
Kreditanstalt für Wiederaufbau – Germany (KfW) <sup>5</sup>	40.25	0.54	0.99	0.91
Member countries of the Paris Club of creditors	38.92	0.52	0.96	0.88
Rapid Financing Instrument - IMF	27.49	0.37	0.68	0.62
HAPOALIM - armoured vehicles	17.91	0.24	0.44	0.41
International Development Association (IDA)	4.48	0.06	0.11	0.10
IFAD	2.67	0.04	0.07	0.06
Loan from Poland <sup>6</sup>	1.71	0.02	0.04	0.04
Loan from Spain for the construction of landfill	0.45	0.01	0.02	0.01
Export Development Canada (EDC) <sup>7</sup>	0.37	0.01	0.01	0.01
Loan from France - Natixis <sup>8</sup>	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>4,046.08</b>	<b>54.55</b>	<b>100.00</b>	<b>91.90</b>

<sup>1</sup> Loan for construction of a Bar-Bioljare highway section.

<sup>2</sup> Loan arrangement with the Trade Union of banks (OTP, Credit Suisse, CKB and Societe Generale) with the World Bank guarantee with the value of 80 million euros for the needs of state budget financing.

<sup>3</sup> EIB loans amounting to 47 million euros in total serviced by public enterprises ("Monteput", "Airports of Montenegro" and "EPCG") are not calculated in the external debt but treated as guarantees.

<sup>4</sup> Loan for limiting the economic consequences of the COVID-19 pandemic under the Macro-Financial Support Program, totalling 60 million euros.

<sup>5</sup> Loans from KfW for the needs of water supplies are used by municipalities, but they are considered a part of the external debt.

<sup>6</sup> Loan agreement signed with the Government of Poland for the needs of the Railway Infrastructure of Montenegro.

<sup>7</sup> Credit for the purchase of three helicopters.

<sup>8</sup> Merchandise loan - EPCG.

Source: Ministry of Finance

For individual contracted credit lines, there are funds that have not yet been withdrawn (table 6.4). Total amount of available and unwithdrawn funds amounted to 252.95 million euros, whereby the largest share refers to the funds of the German Reconstruction Credit Institute (*Kreditanstalt für Wiederaufbau - KfW*) (82.86 million euros), European Investment Bank (81.70 million euros) and International Bank for Reconstruction and Development - IBRD (51.78 million euros).

Table 6.4

Structure of external debt of Montenegro and non-withdrawn funds, in million euros		
Creditor	Debt balance as at end-September 2024	Amount of non-withdrawn funds <sup>57</sup>
	million euros	
EUROBONDS	2,437.76	
Chinese EXIM Bank	633.58	
International Bank for Reconstruction and Development (IBRD)	174.99	51.78
Syndicated loan - PBG 2	172.73	
Syndicated loan - PBG	128.57	
European Investment Bank (EIB)	109.15	81.70
Council of Europe Development Bank	68.57	8.50
EBRD	66.48	7.86
European Commission	60.00	
Deutsche Bank	60.00	
Kreditanstalt für Wiederaufbau – Germany (KfW)	40.25	82.86
Member countries of the Paris Club of creditors	38.92	
Rapid Financing Instrument - IMF	27.49	
HAPOALIM - armoured vehicles	17.91	20.25
International Development Association (IDA)	4.48	
IFAD	2.67	
Loan from Poland	1.71	
Loan from Spain for the construction of landfill	0.45	
Export Development Canada (EDC)	0.37	
Loan from France - Natixis	0.00	
TOTAL	4,046.08	252.95

Source: Ministry of Finance

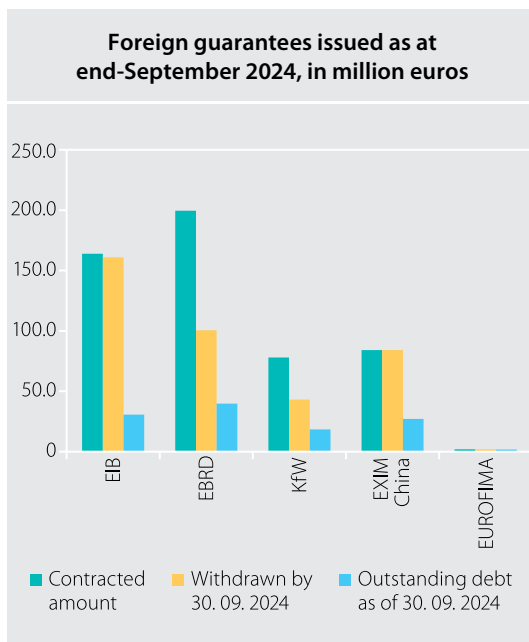
## 6.4. Issued government guarantees

At the end-September 2024, government guarantees amounted to 135.52 million euros and they were 9.78% lower compared to the end of the previous year and accounted for 1.83% in the GDP structure, which represents a decrease of 0.33 pp relative to end-2023. With the inclusion of issued government guarantees, Montenegro's public debt would amount to 4,538.07 million euros or 61.19% of GDP.

Foreign guarantees amounted to 117.57 million euros (graph 6.2) and they were 8.82% lower and they accounted for 1.59% in the GDP structure, which represents a decrease of 0.26 pp relative to the end of the previous year. If foreign guarantees were to be included into the external debt, the external debt of Montenegro would amount to 56.14% of GDP. It is important to point out that the aforementioned amount of issued foreign guarantees refers only to withdrawn credit funds, while the debt balance shown in graph 6.2 refers to the outstanding withdrawn credit funds for which foreign guarantees were issued. Considering the total underwritten loan amount, foreign guarantees reached the amount of 527.61 million euros or 7.11% of GDP.

<sup>57</sup> The debt balance shows the amount of withdrawn and unpaid funds for an individual creditor based on all active credit lines. In contrast, the amount of not-withdrawn funds represents the part of the funds of all credit lines with certain creditors that have not been withdrawn and, therefore, is not part of the debt. The debt balance may be greater than non-withdrawn funds from a given creditor, depending on the credit arrangement phase and the remaining amount of non-withdrawn funds and that there was another credit line with the same creditor in the previous period whose funds had been fully withdrawn. Current liabilities are those presented as debt balance in the table.

Graph 6.2

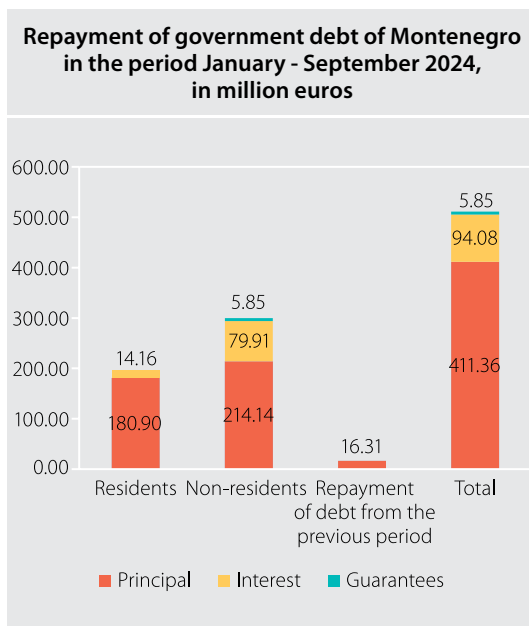


Source: Ministry of Finance

The total amount of domestic guarantees at the end of September 2024 amounted to 17.95 million euros (0.24% of GDP), while the internal debt together with guarantees amounted to 5.05% of GDP. In the total amount of domestic guarantees, 9.76 million euros referred to the guarantees issued to municipalities for loans with domestic commercial banks for the implementation of their recovery plans<sup>58</sup>. The remaining number of domestic guarantees refers to: a loan from Prva Bank for the construction of a residential building for teachers in Budva, a loan from Erste Bank and Prva Bank for the purpose of settling liabilities to the company “Strabag AG”, from Erste Bank for the purpose of refinancing a loan from the Abu Dhabi Fund for Development and loan from the Crnogorska Komercijalna Bank for vehicle repairs.

## 6.5. Government debt repayment

Graph 6.3



Source: Ministry of Finance

According to preliminary data from the Ministry of Finance, the total government debt<sup>59</sup> repayment in Q3 2024 amounted to 511.28 million euros or 6.89% of the estimated GDP. In total amount of debt repayment, the main share referred to the repayment of principal of debt to residents and non-residents in the amount of 395.04 million euros and the repayment of interest arising from loan arrangements to residents and non-residents in the amount of 94.08 million euros (graph 6.3). The repayment of liabilities from the previous period amounted to 16.31 million euros, of which frozen foreign currency deposits accounted for 0.03 million euros. During the first nine months of 2024, government guarantees in the amount of 5.85 million euros were activated and paid, based on the credit arrangement of “Barska and Crnogorska plovdba” with the Chinese Exim Bank.

<sup>58</sup> Total underwritten amount of guarantees for loans used by municipalities for the resolution plan implementation is 34.55 million euros.

<sup>59</sup> Total debt repayment includes the repayment of debt arising from principal, interest and guarantees repayment due in the reporting year, as well as the repayment of debt from previous years.