

MONTENEGRO

UNITARY COUNTRY

EURO-ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME Local currency - Euro (EUR)

POPULATION AND GEOGRAPHY

AREA: **13 812** km²

POPULATION: **622.810** thousands inhabitants (2014), an increase of 0.1 % per year (2010-2014)

DENSITY: **45** inhabitants/km²

URBAN POPULATION: **64%** of national population

CAPITAL CITY: **Podgorica** (26.5% of national population)

Sources: World Bank Development Indicators, UNDP-HDI, ILO

ECONOMIC DATA

GDP: **9.4** billion (current PPP international dollars) i.e. 14 904 dollars per inhabitant (2014)

REAL GDP GROWTH: **1.8%** (2014 vs 2013)

UNEMPLOYMENT RATE: **18%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **497** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.802** (very high), rank **49**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
23 21 LOCAL SELF-GOVERNMENT UNITS AND 2 URBAN MUNICIPALITIES AVERAGE MUNICIPAL SIZE: 26 087 INHABITANTS	-	-	23

MAIN FEATURES OF TERRITORIAL ORGANISATION. Montenegro is a unitary state with a one-tier structure of government. The country is divided into 3 Regions which have only been created for a statistical purpose and thus cannot be considered as a decentralized level of government. The only local self-government level is constituted by 21 local administrative units, and 2 urban municipalities (the Capital City of Podgorica and the Historical Capital of Cetinje). The 2007 Montenegrin Constitution enshrined the autonomy of local governments, stating that municipalities are identified as the basic form of local self-government having autonomy in the performance of their duties. The local governance legislative framework is made of the revised Law on Local Self-governments (2010) and the Law on Local Self-government financing, the Capital City Law, and the Gender Equality Law. They are also able to compose their own budgets and are financed from their own resources and those of the State. More recently, Montenegro adopted a 2011-2016 development strategy for inter-municipal cooperation, as well as a 2011-2013 Action Plan to implement the Law on the Territorial Organisation of Montenegro.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 2010 Law on Local Self Government states for the details on division of competences and functions of municipalities. These last ones are therefore responsible for all issues of a local importance, such as local development, urban and spatial planning, construction permitting and management, water management, transport, social welfare, etc. Besides, some functions are shared between local self-government units and the central level government (e.g. education and primary health). With a reform that is due to 2016, the law is to be reformed as an achievement of the Strategy of Public Administration Reform in Montenegro held by the government since 2011.

SUBNATIONAL GOVERNMENT FINANCE

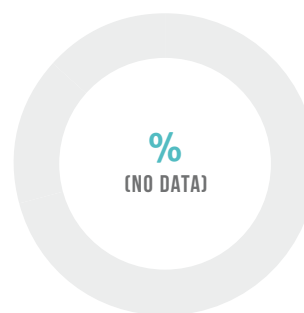
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	6.4%	14.1%	100%
CURRENT EXPENDITURE	3.0%	-	46.5%
STAFF EXPENDITURE	1.1%	-	16.9%
INVESTMENT	1.4%	38.9%	22.1%

Following a classic scheme, expenditures are mostly operating expenditures (46.5%), while investment expenditures represent 22.1% of LGs total expenditures. Yet in 2013, local investment only represents 14.1% of total public expenditures, as most capital expenditures are dedicated to debt service payments, reducing the amounts dedicated to investments.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Local governments in Montenegro are responsible for 22.1% of total capital expenditures. Following the economic downturn in 2008, public investments has sharply contracted, and the share within total local expenditures continues to decline.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	6.8%	15.9%	100%
TAX REVENUE	2.9%	-	43.0%
GRANTS AND SUBSIDIES	0.9%	-	12.6%
OTHER REVENUES	3.0%	-	44.4%

Municipalities revenues are relying for their most part on taxation revenues, either direct or shared, and and fees. As global level of resources plummeted after the 2008-09 economic crisis, municipalities own resources (local and shared taxation) are henceforth stable and draw up local budgets. Yet the constitution of local revenues is very diverse depending on the municipalities, and for some municipalities (Savnik, Andrijevica, Berane, Mojkovac and Plav), transfers from the Equalization fund still represent the main part of the budget.

TAX REVENUE. Municipalities own taxation accounts for 43% of local governments financial resources, which is an important figures compared to other countries of the region. It relies primarily on property (70%) tax and surtax on personal income tax (30%).

GRANTS AND SUBSIDIES. Intergovernmental transfers represent close to 13% of total local revenues, and transfers are in the form of conditional grants for investments projects. The grant is conditioned to the adoption by the municipality of a multi-annual investment plan, and the grant is limited to 50% of the anticipated project cost. Shared taxes rise 15,3% of total revenues, comprising shares of personal income tax (40%), property transfer tax (35%), concessions and other fees for using natural resources awarded by the state (19%) and others.

OTHER REVENUES. Other revenues represent a large share Local governments other recipients consist in donations, recipients from loans and credit. Other revenues also encompass revenues transferred from previous year, and local charges and fees. Local charges (divided between local administrative charges (25%) and communal charges (70%). Besides, local fees include fee for utility equipment up to 90%, fees for the use of municipal roads (7%), environmental protection fines, etc.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	4.0%	7.0%

Municipalities are legally enabled to long-term borrow and to issue guarantee with the prior consent of the central government. Following the economic downturn, local governments have increased borrowing. Therefore, several municipalities have reached their legal debt limits and have difficulties to pay their unpaid obligations to banks and to the State.

A joint- study of:



Sources: Union of municipalities of Montenegro database on Municipal Finance • Ministry of Finance • IMF-GDDS • Committee of the Regions, • Montenegro PEFA assesment report (2013) • Network of Associations of Local Authorities of South-East Europe NALAS (2016), Fiscal Decentralization Indicators for South-East Europe: 2006-2014