

CENTRAL BANK OF MONTENEGRO
Council of the Central Bank of Montenegro

OPINION
REGARDING THE DRAFT FISCAL STRATEGY OF MONTENEGRO 2024-2027

I. On 29 August 2024, the Central Bank of Montenegro received the request of the Minister for Finance for submitting the opinion regarding the Draft Fiscal Strategy of Montenegro 2024-2027 (the Fiscal Strategy), with the enclosed Report from Public Hearing.

Bearing in mind the importance of the Fiscal Strategy 2024-2027 as an umbrella document for implementing fiscal policy, the Central Bank (CBCG) carefully analysed the set objectives of the fiscal policy, the macroeconomic assumptions as the basis for their defining, and numerous fiscal measures, the implementation of which is planned in the next three-year period.

II. At its meeting of 2 September 2024, the Council of the Central Bank of Montenegro discussed the Draft Fiscal Strategy of Montenegro 2024-2027 and issued the following

OPINION

1. General assessment of the Fiscal Strategy

In addition to the legal obligation, the adoption of the Fiscal Strategy enables the systematic pursuit of fiscal policy and accountable public finances management through the implementation of measures and policies resulting from a thorough analysis, thereby reducing or eliminating the adoption of *ad hoc* measures that may affect public finance sustainability.

The Strategy includes significant fiscal measures aimed at reducing the tax burden on labour, improving the Montenegrin economy's competitiveness, reducing the non-observed economy, improving the standard of living, improving the investment environment, reforming the tax and customs administration, harmonising the excise duty policy with European Union (EU) directives, maintaining fiscal parameters within the Maastricht criteria, which are essential prerequisites for dynamic economic growth in the medium term.

The CBCG supports the determination in the Fiscal Strategy, which is also recognised in the Joint Conclusions of the Economic and Financial Dialogue between the EU and Montenegro,¹ to plan a surplus in the current budget and borrow exclusively for capital projects. On the other hand, public debt should be at most 60% of GDP until 2026, as recognised in the agreed joint conclusions of May 2024.²

This is supported by the quantitative Strategy's objectives, which predict an average capital budget of 3.9% of GDP for 2024-2027, recognising the development component of fiscal policy measures since the planned deficit results from the capital budget.

¹ Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans Partners, Türkiye, Georgia, Republic of Moldova and Ukraine, May 2024

<https://data.consilium.europa.eu/doc/document/ST-9881-2024-INIT/en/pdf>

² *Ibid*

The Strategy foresees a budget deficit of 3.5% of GDP in 2025 and 3.3% of GDP in 2027. The projected public debt level in 2024-2027 is planned at 64% per year, and the average net public debt is planned at around 61.3% per annum. The European Commission (EC) and the ECB recommend that debt is within the Maastricht criteria. Debt repayment in 2025-2027 would require 2.15 billion euros (829 million euros in 2025, 353.1 million euros in 2026 and 971.7 million euros in 2027). The CBCG welcomes the plan of gradually providing funds to service the public debt defined in the Strategy. Despite this, it expects that future borrowings for refinancing will be less favourable than the initial ones.

The Strategy has not analysed the negative macroeconomic scenarios presented in the Economic Reform Programme 2024-2026 (ERP) through lower growth scenarios. It opens the issue of what would happen if budget revenues do not increase as forecast when a negative macroeconomic shock (not foreseen by the Strategy but foreseen by the ERP) occurs. The Strategy lists key risks that could affect the achievement of growth projections and macroeconomic stability in the coming period. Still, it has not included “stress scenarios”, i.e. unexpected negative macroeconomic scenarios, but has given a projected growth rate of 3.7% in the four-year analysed period. Therefore, it would be beneficial to include negative scenarios from ERP in the analysis, regardless of their materialisation probability. We also highlight the uncertainty of achieving the planned 4.8% GDP growth rate in 2025 due to the possibility of a number of non-residents leaving and due to the announced multi-month overhaul of the Pljevlja Thermal Power Plant.

The Fiscal Strategy also includes the economic Programme of reducing the tax burden on wages and increasing the minimum wage (the Programme), whose key measures include:

- reduction of contributions for pension and disability insurance paid by employees from 15% to 10%;
- reduction of contributions for pension and disability insurance paid by the employer from 5.5% to 0%;
- minimum wage increase (the minimum wage for employees who have completed up to the 5th level of educational qualification will be 600 euros, and 800 euros for employees who have completed the 6th and higher level of educational qualification).

Moreover, it announced an increase in pensions by 7-8% if inflation is zero and even higher if inflation grows. The Fiscal Strategy plans to continue paying pensions through the Pension and Disability Fund in the following period and basing the pension system on the first pillar while abandoning the second pillar.

The wage growth will lead to growing living standards and reducing inequality, which is one of the most important goals of economic policy. Nevertheless, the growth of minimum wages represents a financial challenge for a number of MSMEs, which are an important backbone of economic development. This category of companies will face challenges in financing the proposed level of minimum wages due to limited financial resources. Therefore, there is a risk of a higher non-observed economy because high pressures to maintain this level of wages could push some businesses to operate informally to reduce costs. Moreover, companies could resort to concluding part-time job contracts or service contracts and engaging employees through employment agencies, bypassing the minimum wage regulations. To prevent this, we support the Government’s determination that inspection controls should be non-selective and effective. On the other hand, it would be desirable to define additional incentive measures for this economic sector to mitigate the effects of the increased obligations to a certain extent.

To implement the Programme efficiently and accountably, the Fiscal Strategy foresees significant amending of a number of the existing and adopting new legal solutions to compensate the budget revenues reduced by the mentioned key measures (cca. 180-200 million euros) to preserve the fiscal sustainability and kept the deficit and public debt within the Maastricht criteria. First of all, amending the Law on Value Added Tax by introducing a new rate of 15%, then amending the Personal Income Tax Law by expanding the tax base coverage by introducing new taxes on specific activities (profits from games of chance - 15%, activity via the Internet and video games-15%, and personal income from another natural person -15%), and amending the Law on Excise Duties Act on Excise Taxes and other laws.

With growing aggregate demand (increased wages and pensions, significant public investment growth), growing excise taxes and VAT increases, it is realistic to expect that it would impact inflation. The impact on inflation is expected to be limited, i.e. less than the aggregate demand growth due to the high imports and as prices of imported products are formed in the international market. However, in the past, chain stores used aggregate demand growth to raise prices, leading the government to limit margins on certain products repeatedly. On the other hand, the expected weakening of barriers in global supply chains and the reduction of global prices should affect inflation downward.

2. Assessment of fiscal forecasts for period 2024-2027

The Fiscal Strategy envisages a series of fiscal policy measures that will significantly affect the public finances' structure and quality. Continued reduction of the tax burden on labour, harmonisation of excise policy with EU directives, reduction of the non-observed economy, reform of tax and customs administration, introduction of the medium VAT rate, and better tax debt management are the main characteristics of the fiscal policy in the medium term defined in the Fiscal Strategy.

The Strategy states that a conservative approach was used to prepare budget revenue projections for the entire mid-term period, which the CBCG welcomes, primarily due to unforeseen shocks that may result in lower-than-planned revenues. The ERP's lower GDP growth and inflation scenarios have not been included. After implementing the planned measures, the Strategy forecasts revenues of 2,772.6 million euros (38.1% of GDP) in 2024 and 3,081.2 million euros (35.8% of GDP) in 2027. Despite the planned reduced contributions, the Government expects an income increase of 81.8 million euros in 2025. The main driver of income growth in 2025 will be an increased income from VAT and excise duties due to increased personal spending and the introduced new VAT rate of 15%, then the introduction of new taxable categories in the tax system of Montenegro (taxation of wins from games on chance and the implementation of the new legislation in organising games of chance), but also the intensification of activities to suppress the non-observed economy and tax debt collection. It opens an issue of whether additional budget revenues have been realistically planned and whether this could lead to a budget deficit and higher-than-projected public debt.

Budget expenses will also grow in the coming medium-term period, and the Fiscal Strategy foresees an increase in budget expenses from 3,009.6 million euros (41.3% of GDP) in 2024 to 3,364 million euros (39.1% of GDP) in 2027, which represents a growth of 12.31%. The principal reasons for the growth of budget spending in the medium term are capital budget growth, the growth of transfers for social welfare and the part of health care financing, and the implementation of new policies.

The Strategy has not specified steps for public administration reform and optimisation. Creating an efficient public administration with an optimal number of employees is a key condition for reforming public finances. In that line, we suggest the application of good practice in this area and using technical assistance from the International Monetary Fund (IMF) in conducting the Public Expenditure Review,

which would eliminate unproductive spending and enable the necessary rationalisation of the number of employees in the public sector based on meritocracy.

The CBCG supports the Government's plan to reform the wage system in the public sector by adopting a new regulatory framework and implementing the Centralised Wage Calculation System. These steps will lead to a fairer division of tasks, responsibilities, and the evaluation of the jobs' complexity following the best EU countries' practices.

The forecast budget expenditure growth outlines that the Government has opted for a more intensive investment cycle in the coming medium-term period, which will contribute to accelerating economic growth, which the CBCG supports. However, we note that borrowing from the international market is unfavourable at the moment and may lead to a constant annual increase in interest expenses. In the Strategy, the Government has recognised the risk of unfavourable borrowing. Therefore, as an option, it has put the possibility of entering into a PBG (Policy Based Guarantees) arrangement with the World Bank and issuing domestic retail bonds for natural persons, as done by Croatia and North Macedonia, which the CBCG supports. It would obtain the necessary financial resources on the domestic market, with lower interest rates than those achieved through the issuance of bonds on the international market. On the other hand, bond buyers would achieve a higher return on their funds than those they receive by depositing funds with banks. However, we should be reminded of the domestic market's limited potential.

The projected budget deficit will range from 3.5% of GDP in 2025 to 3.3% of GDP in 2027. CBCG welcomes the Government's effort to achieve the "golden rule" of financing in the next medium-term period, i.e. financing current expenditures from current revenues (current spending surplus). At the same time, the main driver of the budget deficit will be the capital budget, the execution of which will encourage economic growth and development and affect the public finance improvement in the future.

The projected public debt will average around 64% per year in 2024-2027, and the net public debt to 61.3% per year. However, the public debt in absolute terms is constantly growing in the next medium-term period. The public debt at the end of 2024 will amount to 4.61 billion euros (63.28%) and 5.61 billion euros (65.2% of GDP) at the end of 2027, representing an increase of one billion euros or 21.8%. The targeted share of debt in GDP can only be achieved if the planned nominal GDP growth rates are achieved because, as mentioned, lower growth scenarios from the ERP have not been taken into account. Also, the potential deviation of the debt level from the planned values due to applying the European ESA 2010 methodology (*European System of Accounts: 2010*) should be considered, given the requirements from negotiation chapter 17 and EC recommendations³.

Debt repayment in 2025-2027 would require 2.15 billion euros (829 million euros in 2025, 353.1 million euros in 2026 and 971.7 million euros in 2027). The Strategy has planned to provide funds for debt repayment through new debt. Following the EC recommendations and the recommendations of the CBCG from previous years, we suggest creating a Public Debt Management Strategy as soon as possible to define the method of borrowing clearly, creditors, create a clearer picture and define adequate courses of action to orderly service the public debt.

The Fiscal Strategy refers to a secured grant from the EU for constructing the highway (Andrijević-Mateševac section of 200 million euros) and the reconstructing railway infrastructure of 150 million euros. In addition, through the Growth Plan for the Western Balkans, Montenegro will have access to

³ Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans Partners, Türkiye, Georgia, Republic of Moldova and Ukraine, May 2024
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almost 400 million euros in 2024-2027. Additional investments in education, science, culture, tourism, health, and sports are planned from the capital budget, which the CBCG supports, encouraging the efficient and purposeful use of these funds to implement the projects according to the planned timeline.

Foreseen by the Strategy, the introduction of budget inspection into the public finance system has been proposed by the Strategy foresees CBCG in its Recommendations to the Government for many years. Inspection supervision is the most effective form of protection of public interest and legality, in the part of using and spending budget funds of consumer units, municipalities and other public sector entities. The observation of legal and dedicated spending and the use of public funds should be the main goal of inspection control, which will be at the centre of budget inspection.

3. Assessment of the planned new fiscal policy measures on the budget revenues

The Fiscal Strategy foresees numerous amendments to the existing and the adoption of new legal provisions that accompany the Program for reducing the tax burden on wages and increasing the minimum wage to reduce the tax burden on wage and compensate the budget revenues that will be reduced by the mentioned key measures of the Programme (cca. 180-200 million euros), all with the aim of fiscal accountability. The main part of these laws refers to the change in tax policy, which is one of the key tools for maintaining stability and ensuring the long-term sustainability of public finances.

Law on Value Added Tax. Amendments to the Law on Value Added Tax foresee the introduction of a new rate of 15% applied to books, monographic and serial publications; accommodation services in hotels, motels, tourist settlements, guesthouses, camps, tourist apartments and villas; services for the preparation and serving of food, drinks and beverages, except for alcoholic beverages, carbonated and non-carbonated beverages with added sugar and coffee in food service activities; copyright and services in the field of education, literature and art; copyright in the field of science and artistic subjects; services that are billed through tickets, except for those for which VAT exemption is prescribed; services for the use of sports facilities for non-profit purposes, servicing services provided in marinas; solar panels; hairdressing services. Expanding the tax base and defining a new tax rate will increase income. However, any introduction of new forms of taxes is very unpopular, so it can demotivate entrepreneurs or companies to engage in that business, increase the price of their services, and affect the non-observed economy.

Law on Personal Income Tax. Amendments to the Law on Personal Income Tax provide for the expansion of the tax scope, i.e. increasing the tax base through an increased number of types of income that a natural person earns, namely income from games of chance, from performing activities via the Internet and video games, and retail income that a person earns from another natural person. Thus, profits from games of chance will be taxed (15%), activities via the Internet and video games (15%) and income that a natural person receives from another natural person (15%). We find these measures well-defined.

Law on Excise Duties. Amendments to the Law on Excise Duties foresee expanding the scope of taxed products: non-carbonated drinks with added sugar, still wines and “fuel marking”. The CBCG supports the introduction of fuel marking, as this will improve both turnover control and fuel quality.

Law on Corporate Income Tax. Amendments to the Law on Corporate Income Tax are planned to introduce the right to exemption from corporate income tax, which will enable a legal entity that reinvests funds from realised profits in agricultural projects and to a legal entity that invests funds in

other subjects of agricultural activity, to reduce the calculated tax by the amount of funds that have been reinvested or invested; reduction of the percentage and scope of recognition of expenses of legal entities that are recognised as expenses in the amount of 3.5% of total income. CBCG supports this solution because any investment in agriculture, as an economic activity with vast development potential, contributes to increasing competitiveness.

Law on the Write-Off of Interest on Overdue Tax Liabilities. The adoption of the Law on the write-off of interest on overdue tax liabilities, which will include the possibility of write-off of interest to tax debtors who settle the principal tax debt in full in the manner and within the deadlines provided by Law, with the beginning of application from 1 January 2025, will enable better collection of tax debt and have a positive impact on budget revenues.

Law on Games of Chance. Adopting the new Law on Games of Chance will create the basis for higher revenues from games of chance, assuming it is applied consistently and indiscriminately.

The Fiscal Strategy has clearly defined the intention of intensifying activities to suppress the non-observed economy, per the Program for Suppression of the Informal Economy in Montenegro from 2024 to 2026. Potential reserves not included in the revenue projections of the fiscal strategy include the Law on Confiscation of Property Gains Acquired by Crime, the airport concession and revenues from the legalisation of illegally built buildings. The CBCG encourages the beginning of the dynamic application of new penalties by supervisory authorities (Government of Montenegro⁴ institutions, along with the CBCG and other regulators) under the Law Amending the Law on Prevention of Money Laundering and Financing of Terrorism adopted by the Parliament of Montenegro on 1 July 2024 to achieve efficiency, proportionality and a deterrent effect to taxpayers with identified systemic deficiencies, thus demonstrating to the European Commission and MONEYVAL the system's effectiveness and good results.

4. Fiscal Strategy's Implications on Pension and Disability Fund

Reducing the employers' burden through allocations to the Pension and Disability Fund has positive sides, but it also poses potential fiscal risks.

Reducing the contribution rate will increase the economy's competitiveness due to reduced labour costs and have potentially positive effects on reducing the outflow of labour abroad. It is essential due to the need to preserve human capital ahead of the increasingly certain Montenegro's accession to the EU. Reducing contributions to the Pension and Disability Fund can also reduce the non-observed economy in the part of informal employment, which the Fiscal Strategy predicts.

The fiscal strategy refers to 2024-2027, but looking at the far-reaching consequences of abolishing pension contributions is desirable. The risk of a birth rate drop should also not be neglected, as in the long term, it may increase the mandatory costs for social transfers. At the same time, the life expectancy in Montenegro increases and the compulsory social transfers are affected in the long term. In this direction, the CBCG suggests that the fiscal strategy be supplemented with a long-term assessment of the impact of measures to reduce contributions for pension and disability insurance on employees' and employers' burdens. It is a measure that systemically affects the income of the Pension

⁴ The Agency for Electronic Communications and Postal Activity, the administration body responsible for games of chance, the administration body responsible for tax collection, the administration body responsible for digital assets, Ministry of Interior, the administration body responsible for justice.

and Disability Fund and pensions of employees, and the CBCG believes that it is necessary to simulate the amount of the pension in a similar way as it was done at the level of earnings with up to 20 years horizon. We also suggest assessing the impact of these measures on the income and sustainability of the Pension and Disability Fund over a long-term period. Developed models of international financial institutions (such as IMF) can be used for these purposes.

Without a doubt, reducing the rate for pension and disability insurance requires higher mandatory expenditures for social transfers. The financial gap in the Pension and Disability Insurance Fund is planned to be compensated from other sources. Some of these include the increase in VAT, excise duty, an increase in consumption (and consequently the tax base), higher revenue collection than planned in 2024, a decrease in the non-observed economy (due to a decreased informal employment), and others. In general, the economic impacts of revenue reduction, on the one hand, and the economic-fiscal impacts of additional sources of budget revenues, on the other hand, have not been fully explained methodologically. It was stated that “during the analysis of the effects of the proposed programme, when quantifying the impact of the change in the minimum wage and the tax burden of labour on the revenues and expenditures of the budget, i.e. the budget balance and the impact on the business environment”, they used the IMF’s microsimulation model and the Monstat methodology. As we propose, the Annex should describe the applied methodology (inputs, hypotheses, and the timeframe to which the estimates relate) because it only presents the results but does not explain how they were obtained. The document would be significantly improved if scenario analysis were applied.

5. Fiscal Strategy’s Implications on EU integration process

Adopting the Fiscal Strategy will also create formal conditions for preparing the Medium-Term Public Debt Management Strategy for 2024-2027. The adoption of both documents is planned by Montenegro’s Accession Plan for the negotiation chapter 17 - Economic and Monetary Union for 2024 (Q2), which contributes to a better assessment of the general progress in this chapter and the fulfilment of the third criterion for the interim closing of this chapter.

The draft Fiscal Strategy 2024-2027 highlighted the importance of establishing the Fiscal Council of Montenegro for the negotiation process with the EU, especially for the negotiation chapter 17 - Economic and Monetary Union. It stated that the formal prerequisites for establishing the Fiscal Council of Montenegro were created through the amendments to the Law on Budget and Fiscal Accountability from 2023 and that “the next step is the election of Fiscal Council members, which will create the conditions for functioning and operational work according to the competences”.

The road map for fulfilling the third benchmark for the interim closure of the negotiation chapter 17 - Economic and Monetary Union envisages the formation of the Fiscal Council by the end of 2024 to fulfil the conditions defined by the Law on Budget and Fiscal Accountability. The same deadline (2024) is defined by the Action Plan for Harmonisation with the EU acquis in Chapter 17. Both documents were submitted to the European Commission. In this regard, the CBCG recommends intensifying activities on electing Fiscal Council members and avoiding delays to fulfil the obligations from the third benchmark for the temporary closing of negotiation chapter 17.⁵

⁵ Since the adoption of the Law on Budget and Fiscal Accountability in 2023, the Parliament of Montenegro’s Committee for Economy, Finance and Budget has sent the public call for appointing three members of the Fiscal Council of Montenegro two times, on 4 April 2023 and 23 May 2024.

6. Other Fiscal Strategy's implications

We deem greater alignment with EU directives through taxation of products that harm health as a positive, which will positively affect budget revenues. These products reduce life expectancy and productivity and increase budget expenditures for healthcare in the long term.

The increase in the VAT rate on hospitality services from 7% to 15%, which the Government has assessed as indicative of budget revenues side, brings challenges that need to be further analysed in the Strategy. We suggest a comparative analysis of other competitive tourist destinations⁶ because the increase in VAT on hospitality services can negatively affect the competitiveness of the Montenegrin tourist offer. Given the weak diversification of the Montenegrin economy and the significant impact of tourism on economic growth, the effects of the influence of these policies should be quantified. It is important to analyse these effects because the given macroeconomic scenario is based on the further growth of the tourism sector during 2024-2027.

The Fiscal Strategy recognises the energy/green transition well as one of the goals of the thematic policies, considering the growing climate risks and the need to realise the European Commission's Green Agenda for the Western Balkans.⁷ We believe that it would be beneficial to additionally look at and consider the necessary measures and instruments to significantly accelerate and implement them, following the assumed obligations and determination that the digital and green transition contributes to Montenegro's long-term economic stability and sustainable development.

Good practice also refers to the possibility of using artificial intelligence (AI) to collect tax revenues and identify tax evasion. AI algorithms can detect patterns and anomalies in large data sets, identifying potential tax evasion or fraud. AI can analyse taxpayer behaviour and predict non-compliance, allowing tax authorities to focus on high-risk cases. Automating tax processing and data analysis reduces administrative costs and accelerates revenue collection. Also, AI can provide personalised guidance to taxpayers, improving compliance and reducing errors. These applications help governments optimise tax collection and increase revenue.

The Fiscal Strategy included numerous other aspects of public policies, such as wages in the public sector, state-owned enterprises, digital transformation of public administration and the health system, public investment management, the labour market, environmental protection, the financial sector and others. The Fiscal Strategy adequately recognises these problems and foresees reforms in these areas that will improve citizens' quality of life.

The transformation of the Investment and Development Fund into the Montenegrin Development Bank following the technical assistance recommendations of the European Investment Bank in 2023 is of key importance for valuing the growth potential and increasing the competitiveness of the Montenegrin economy. The CBCG sent an opinion to the Government on the need for compliance with binding European directives that define the framework for the operations of credit and payment institutions. The CBCG's suggestions relate to deposit-taking activity, payment services providing, client protection, election of bank authorities, publicity of work, reporting and business control. Harmonisation with relevant European regulations should contribute to a straightforward profiling of the future institution as a development financial institution based on generally accepted standards of development financing or as a credit institution equal to all other credit institutions on the domestic banking market.

⁶ E.g. The VAT rate for hotels is 13% in Croatia.

⁷ The document that may be a guideline in this area is the World Bank's document *North Macedonia Climate Public Finance Review*, which points to a set of fiscal measures that would include the climate changes perspective.

Establishing the Credit-Guarantee Fund is an activity planned by the Fiscal Strategy. The CBCG supports completing the establishment within the defined period so that the Montenegrin economy can benefit from more straightforward and more efficient access to financing. This solution will significantly improve the situation in the real sector, which will be reflected through the reduced economy's illiquidity and the easier and faster provision of financial resources necessary for starting or expanding businesses with a particular emphasis on micro, small and medium enterprises, and vulnerable categories that include women, young people and agricultural producers.

The CBCG welcomes the Government's intention to improve corporate governance and the establishment of a supervisory function through the reform of state-owned enterprises, which will, inter alia, include the assessment and monitoring of financial and fiscal risks of their operations. We also suggest creating a central register of employees in the public sector (general Government and local administration), including employees in majority state-owned enterprises, to identify redundancies and overlapping responsibilities and perform a functional review that would be useful for future optimisation.

The Fiscal Strategy included a series of measures to improve the business environment, which is encouraging because Montenegro, as an open and small economy, must have an attractive environment for foreign investors, especially considering the FDI structure. In that part, we welcome the plan and effort to improve seasonal employment through the Law on Permanent Seasonal Workers, provide easier access to the labour market during seasonal work and ensure the rights of permanent seasonal workers for the period when seasonal work is not performed. In addition, the planned Law on Foreigners envisages the creation of prerequisites for electronic application and approval of work permits for foreigners, which will shorten the procedure for approving these permits. To improve the business environment, the CBCG suggests paying more attention to suppressing the non-observed economy through implementing the Programme for Suppressing the Informal Economy in 2024-2026 and developing a new action plan to implement the mentioned programme. We suggest reserving the funds necessary for the programme's successful implementation in the budget to create multiple benefits for the entire economy of Montenegro.

It is necessary to harmonise the sentence on page 70 of the draft Fiscal Strategy proposal that reads: "After a positive opinion from the EC, Montenegro will formally submit an application for expanding the geographical area of SEPA to Montenegro, which is expected at the beginning of July 2024" with the fact that, on behalf of the State, the CBCG formally submitted the application for joining the Single Euro Payments Area (SEPA) on 1 July 2024.

COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

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Podgorica, 2 September 2024

**CHAIRMAN
GOVERNOR**

Irena Radović, m.p.