

FIGHTING POVERTY IN MONTENEGRO

Reform scenarios for
sustainable social and
child protection

July 2022

CURRENTLY AT RISK OF POVERTY

One in four of all Montenegrins (155 thousand) and **one in three** children (44 thousand) are already living at-risk-of-poverty

REFORM SCENARIOS FOR REDUCING POVERTY

REFORMING CHILD ALLOWANCE (CA)

Universal child allowance extended to **all children under 18** is expected to significantly reduce child and the overall risk of poverty¹

Child at-risk-of-poverty decrease

▼ **6.7** percentage points

Overall at-risk-of-poverty decrease

▼ **3.8** percentage points

REFORMING FINANCIAL SUPPORT ALLOWANCE (FSA)

For an additional at-risk-of-poverty reduction effect

- ▶ Increasing the basic amount
- ▶ Expanding the beneficiaries' base
- ▶ New adequacy methodology to better match with the needs and size of households

COMBINING CA universalization & FSA expansion

Possibly reducing the poverty risk by

5.3 percentage points

Possibly lifting **31,800** Montenegrins out of the risk of poverty

SUSTAINABLE SOCIAL AND CHILD PROTECTION FUNDING

The reforms could potentially be **fully funded** by continuing to increase/improve personal **income tax system progressivity**

TO

Pay **dividends** to taxpayers **more proportionally**

BY

Collecting **additional revenue** from higher income earners while **reducing** income **inequality**

THUS

Ensuring the long-term **sustainability** of the social and child protection reforms