

## ALCOHOL USE IN MONTENEGRO

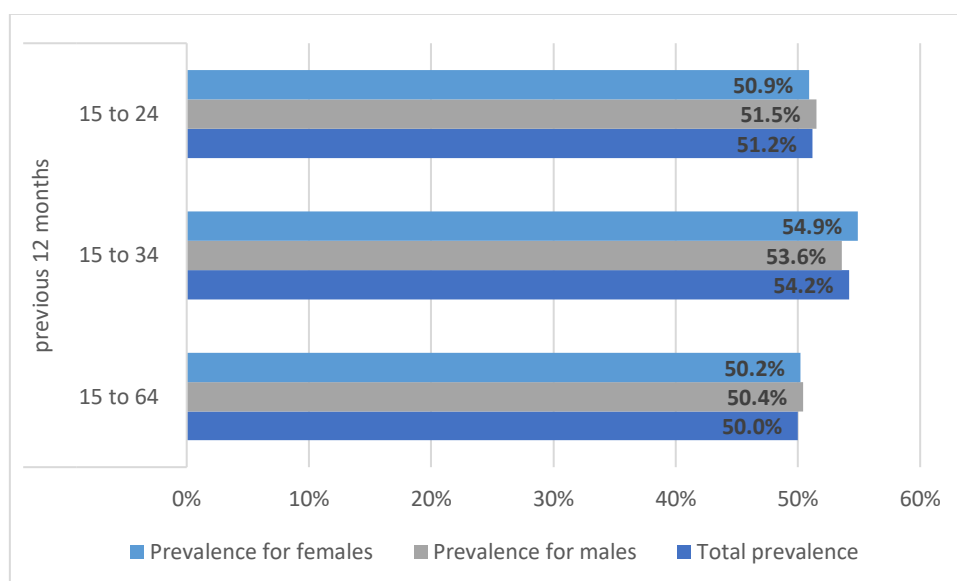
### INTRODUCTION

Traditionally, domestic alcohol production has been widespread in Montenegro, and alcohol consumption is common and socially accepted. Due to its advantageous Mediterranean climate and suitable soil conditions, Montenegro is particularly well-suited for the cultivation of grapevines. However, notably, when it comes to household consumption, beer is the most common beverage, followed by wine and then spirits. During the observed period (2018–2022), analysis of import and export trends of the three main alcoholic beverage types shows that wine exports are higher than imports, with the opposite trend for beer and spirits (*Revenue and Customs Administration of Montenegro - Taxis Portal*).

#### *Alcohol prevalence – whole population*

There is limited surveillance of alcohol use in Montenegro. Currently there is only one study that covers the whole population (2017), which includes three groups: adults, young adults, and youth. The results show that the previous-12-month prevalence was greater than 50 percent for all three groups (Figure 1), with little difference between genders (Institute of Public Health, 2017).

**Figure 1.** Prevalence of alcohol consumption in 2017 (in the previous 12 months)



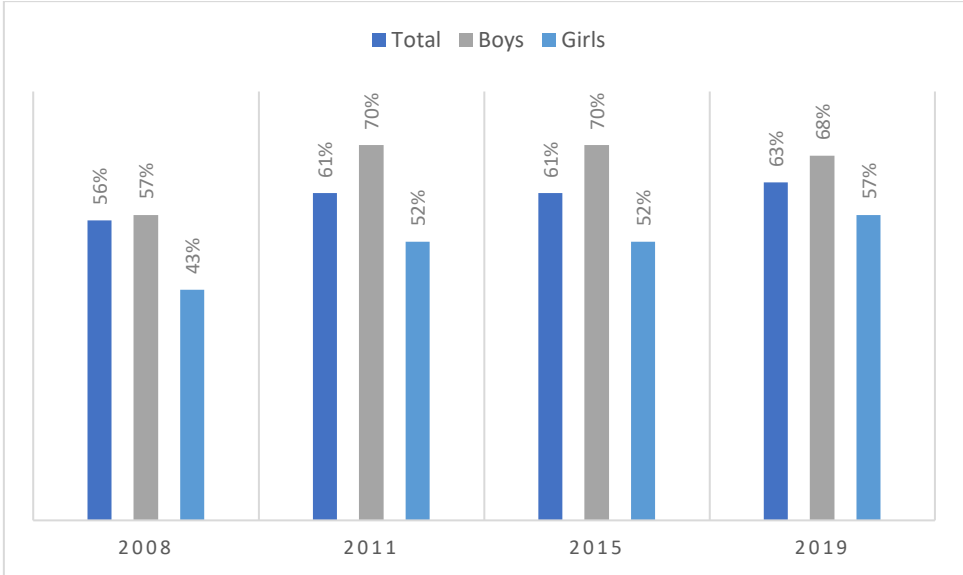
Source: Institute of Public Health, 2017

Data from the World Health Organization (WHO) on alcohol consumption in liters of pure alcohol for European countries show that in 2019 Montenegro registered very high alcohol intake, at an average of 10.34 liters per person (WHO, 2019), which is 4.88 liters higher than average alcohol intake at the global level and 1.43 liters higher than the European level. These concerning data reveal that men consume an estimated 16.86 liters (8.03 liters higher than the global average and 2.51 liters higher than the European average), whereas women’s average intake is approximately 4.31 liters (2.07 liters higher than the global average and 0.44 liters higher than the European average).

*Alcohol prevalence – youth*

Research specifically on the prevalence of alcohol use among youth (ESPAD, 2008, 2011, 2015, 2019) reveals that previous-12-month prevalence rose from 56 percent in 2008 to 63 percent in 2019. There was an 11-percentage-point increase for boys and a 14-percentage-point increase for girls from 2008 to 2019 (Figure 2). According to ESPAD research, alcohol use in Montenegro among 15- to 16-year-old boys and girls was eight percentage points below the European average in 2015 (ESPAD, 2015) and nine percentage points below the 2019 (ESPAD, 2019) European average.

**Figure 2.** Prevalence of alcohol consumption for youth (in the previous 12 months)



Source: ESPAD survey

**REGULATION RELATED TO ALCOHOL**

The primary institutions actively engaged in formulating regulations and shaping policies in the domain of alcohol in Montenegro include the Ministry of Health, the

Ministry of Finance and the Ministry of Agriculture, Forestry and Water Management.

In 2023, the Government of Montenegro adopted the new Law on Spirits Drinks. Applying this Law, Montenegro took steps to enhance compliance with current European Union legislation and fulfill its membership obligations under the World Trade Organization Trade-Related Aspects of Intellectual Property Rights agreement (WTO-TRIPS). The alignment with EU standards is evident in the definition, description, and designation of geographical indications for alcoholic beverages. The key modification introduced by the new law centers on robust support for consumer protection, addressing information asymmetry, and preventing misleading practices within the alcoholic beverage sector.

Currently, taxes on alcoholic beverage types are low (beer, spirits, and sparkling wine) or non-existent (still wine) compared to many other countries in Europe and those at a similar income level. Since Montenegro has high levels of alcohol consumption, especially among youth, taxes on alcohol should be increased to reduce the alcohol prevalence. As per the current regulations outlined in the Law on Excise Taxes in Montenegro, the country employs a mixed excise tax system for alcoholic beverages, with varying structures depending on the type of alcohol:

- spirits: alcohol-content-based specific uniform excise tax,
- beers: alcohol-content-based specific excise tax, and
- sparkling wine: volume-based specific excise tax.

**Table 1.** Overview of excise tax amounts in accordance with the regulations of Montenegro (2023)

<b>Alcohol and alcoholic beverages</b>	<b>Excise tax amount in Montenegro</b>
<b>Beer</b>	5.00 EUR per hectoliter
<b>Still wine</b>	0 EUR per hectoliter
<b>Sparkling wine</b>	35.00 EUR per hectoliter
<b>Still non-fermented drinks</b>	25.00 EUR per hectoliter
<b>Sparkling fermented drinks</b>	35.00 EUR per hectoliter
<b>Intermediate products</b>	100.00 EUR per hectoliter
<b>Pure alcohol</b>	1250.00 EUR per hectoliter

Source: Law on Excise Taxes

## **MAIN RESEARCH RESULTS**

### **Alcohol price elasticity in Montenegro: using micro data from the Household Budget Survey**

Research conducted by the Institute for Socio-Economic Analysis (ISEA) shows that total own-price elasticity is only significant in the case of spirits (-0.884). This means that an increase in the price of spirits by 10 percent would lead to a reduction of demand for this type of beverage by 8.84 percent. According to the research, if the specific spirits excise tax increases, as per the excise calendar, from 12.5 to 15 euros per liter, projections indicate several outcomes:

- price increase by 7 percent,
- consumption decrease by 5.08 percent, and
- fiscal revenues increase by 9.36 percent.

These projected elasticities suggest that raising excise taxes could be a highly effective strategy in mitigating the adverse impact of spirits on productivity, health, and the financial well-being of households. This approach aligns with Sustainable Development Goals (SDGs) 1, 3, 8, and 10. Implementing such measures could contribute positively to national revenue and support sustainable development progress of the country. Though the price elasticities of demand for wine and beer were inconclusive from the same analysis, this may have been a function of the available data. A large body of research demonstrates that elasticities for alcohol products generally fall between -0.5 and -0.8, which suggests that excise taxation on these products is very likely to generate significant fiscal benefits in the form of new tax revenues and public health rewards due to lower consumption.

## **RECOMMENDATIONS**

- ✓ Raise the tax rates on alcohol, with a focus on imposing a higher tax burden on beverages with a higher alcohol percentage (that is, taxing per unit of alcohol), particularly spirits. The goal is to prevent a shift towards cheaper alcohol products—ultimately reducing overall alcohol consumption and its related harms while simultaneously increasing government revenues.
- ✓ Encourage the establishment of a regional partnership for alcohol policy, enabling the exchange of experiences, coordinated planning of activities, and mutual support for initiatives related to alcohol use at both national and regional levels.
- ✓ Conduct an assessment to estimate the scale of unrecorded alcohol (that is, non-taxed), to help provide a comprehensive understanding of the impact of tax increases on the overall market.
- ✓ Consider any relevant policies to help mitigate consumption of non-taxed alcohol products.
- ✓ Continuous monitoring of alcohol use in Montenegro is imperative. Given that the last comprehensive population survey was conducted in 2017, there is an urgent need to carry out a new survey and gather updated data to assess the current prevalence of alcohol consumption in Montenegro. This presents an opportunity for policy makers to formulate more effective

alcohol policies and programs, informed by the latest information on alcohol use.

- ✓ Research should be conducted to estimate the price elasticity of alcoholic beverage use across different income groups. This research would provide insights into the prevalence and consumption sensitivity to price and tax changes among various income groups, facilitating a more nuanced understanding of the impact of economic factors on alcohol consumption patterns, particularly among those with lower incomes.
- ✓ Develop and implement mass media campaigns aimed at shifting the perception of alcohol use as a socially acceptable behavior, targeting the entire population. Specifically, focus on changing societal attitudes towards alcohol consumption through various media channels.
- ✓ Use these educational activities as a means to raise awareness among parents regarding the risks associated with alcohol use, aiming to prevent the initiation of alcohol consumption among young individuals. Encourage parents to play an active role in shaping their children's attitudes toward alcohol.
- ✓ Provide support to relevant institutions to enhance their capacities for effectively controlling and regulating alcohol marketing practices. This assistance can include training, resources, and collaboration to strengthen the ability of these institutions to enforce regulations and safeguard against marketing that poses risks to vulnerable populations, such as children and youth.
- ✓ The government should designate key personnel or focal points responsible for specific alcohol policies over the long term across all relevant government institutions involved in crafting effective alcohol control policies. This approach aims to secure continuity in the adoption of taxation policy changes and overall progress.

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