

Coronavirus response in 2021: building back better

Update on Montenegro (16 June 2021)



Covid-19 policy response

- **The Covid-19 policy response in 2020 amounted to around 7 per cent of GDP.** It targeted the worst-affected businesses – such as those in tourism and agriculture – and their employees, as well as vulnerable households, with wage and electricity subsidies, increased social spending and the provision of liquidity through the Investment Development Fund.
- **In 2021, a total package of around 7 per cent of GDP** is planned, targeting the hardest-hit sectors and most vulnerable populations, with wage and electricity subsidies, tax deferrals and liquidity support for businesses, as well as investments related to the green and digital transition.
- **A series of moratoria for commercial bank borrowers** was announced at the beginning of the pandemic and will last until the end of 2021.

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	5.1	4.1	-15.2	EBRD GDP growth forecast (June 2021) 2021: 8.5%; 2022: 6.0%
Annual inflation (end-year)	1.7	1.1	-0.9	Consumer confidence index: -6.5 (May 2021)
Government balance/GDP	-6.2	-2.5	-10.8	Export of services: -10.9% y/y (Q1 2021)
Current-account balance/GDP	-17.0	-15.0	-25.9	Retail sales: -7.3% y/y (Q1 2021)
Net FDI/GDP	-6.9	-6.2	-11.2	Industrial output: 11.8% y/y (Q1 2021)
Public debt/GDP (end-year)	70.1	77.2	105.2	Annual inflation: 2.2% (April 2021)
Unemployment rate (end-year)	16.1	15.9	21.2	

Key short-term priorities

- Embark on fiscal adjustments once Covid-19 concerns recede, and strengthen budgeting procedures, public investment management and public administration.
- Tackle informality by further streamlining of business regulation, simplifying tax legislation and reducing para-fiscal charges.
- The central bank should complete the asset quality review of banks and closely monitor their development in relation to Covid-19-related measures.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Competitive	<ul style="list-style-type: none"> • The troubled state-owned Montenegro Airlines has been shut down and is being replaced by a new national carrier, Air Montenegro.
Well-governed	<ul style="list-style-type: none"> • An electronic procurement system was launched in January 2021 and is expected to increase the transparency and efficiency of the public procurement process.
Green	<ul style="list-style-type: none"> • A CO₂ emissions trading scheme was launched in February 2020, the first in the Western Balkans region.
Inclusive	<ul style="list-style-type: none"> • Since the adoption of the Labour Law in December 2019, active labour-market policies are being implemented, targeting young people, in particular.
Resilient	<ul style="list-style-type: none"> • Several renewable projects are under way (wind, solar and hydro) to further diversify energy sources and strengthen the robustness of the electricity supply.
Digital	<ul style="list-style-type: none"> • As part of the country's medium-term Covid-19 recovery package, investments are planned for information technology (IT)-related institutions (such as an IT cluster and support centre for e-commerce), as well as the establishment of an innovation fund.