

Coronavirus response in 2021: building back better

Update on Montenegro (14 December 2021)



Covid-19 policy response

- The Covid-19 policy response was estimated at around 7 per cent of GDP in 2020. Measures targeted the most affected businesses in sectors such as tourism and agriculture, as well as their employees and vulnerable households, through wage and electricity subsidies, increased social spending and the provision of liquidity through the Investment Development Fund.
- For 2021, a total package, also worth around 7 per cent of GDP, targeted firms and vulnerable parts of the population through 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 moratorium measures for borrowers from commercial banks was announced at the beginning of the pandemic. They were due to be fully phased out by the end of December 2021.

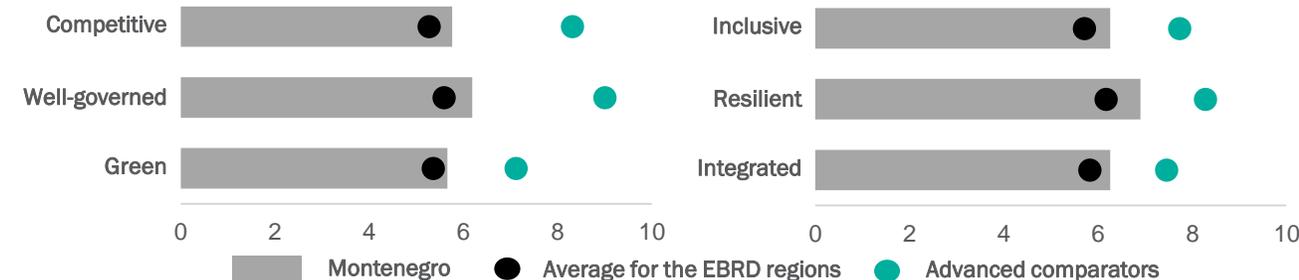
Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	5.1	4.1	-15.3	EBRD GDP growth forecast (Nov 2021) 2021: 12.3%; 2022: 5.7%
Annual inflation (year end)	1.7	1.1	-0.9	Quarterly GDP growth: -6.4% (Q1), 19% (Q2) y/y in 2021
Government balance/GDP	-6.2	-1.8	-10.9	Retail sales: 21% y/y (January-October 2021)
Current-account balance/GDP	-17.0	-14.3	-26.0	Tourist overnight stays: up 215% from 2020, at 62.5% of 2019 levels (January-October 2021)
Net foreign direct investment/GDP	-6.9	-6.2	-11.2	Industrial production growth: 5% y/y (January-October 2021)
Public debt/GDP (year end)	71.9	78.8	107.2	Inflation: 2% y/y (January-October 2021)
Unemployment rate (year end)	16.1	15.9	21.2	

Key short-term priorities

- Step up fiscal reform, also strengthening budgetary procedures and public investment management, to ensure fiscal sustainability.
- Speed up “just transition” planning to mitigate the social and economic impact of advancing towards a green transition.
- Enhance the governance and efficiency of SOEs, including by adopting and implementing a state ownership policy.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

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 procurement process. • The authorities have established Montenegro Works, a new state-owned entity, to supervise the management of other state-owned enterprises (SOEs). • E-fiscalisation, the electronic monitoring of fiscal cash registers, launched in January 2021, has been fully implemented since June 2021.
Green	<ul style="list-style-type: none"> • The country joined the Powering Past Coal Alliance in June 2021 and has announced it will end power generation from coal by 2035.
Inclusive	<ul style="list-style-type: none"> • A strategy for the Development of Women's Entrepreneurship for 2021-24, along with an Action Plan for 2021-22, were adopted by the government in October 2021.
Resilient	<ul style="list-style-type: none"> • In order to ease small and medium-sized enterprise (SME) access to finance, work on establishing a credit guarantee fund is underway.
Digital	<ul style="list-style-type: none"> • The new eFirma platform was launched in July 2021, enabling the electronic registration of new companies.