

Montenegrin government response to COVID-19

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Description

The Montenegrin government has implemented three sets of measures to help companies and citizens face the socio-economic consequences of the COVID-19 crisis.

The Montenegrin government responded very efficiently to the first threats of a COVID-19 world pandemic. At the beginning of February 2020, a “National Coordination Body for Infectious Diseases” was established and, jointly with other institutions and newly established operational teams, started preparatory activities for a possible epidemic. Thanks to that, when the first COVID-19 cases were officially confirmed in mid-March, all sectors were prepared. One of the first decisions was the closure of all school and educational institutions, which was followed by the stopping of economic activities mainly in service sectors (hotels, restaurants, bars), transport, shops etc. In the next wave of measures, gatherings were prohibited while movement was restricted for all citizens. However, at the beginning of May 2020 the measures were gradually lifted. All this resulted in Montenegro recording, by June 2020, 324 COVID-19 cases, of which 315 were cured and 9 died (for a total population of around 610,000). Although Montenegro had become a corona-free country 68 days after the first case of COVID-19 was recorded, the situation changed drastically after all measures were abandoned and borders were reopened: on 20 July, 1,861 COVID-19 cases were registered.

In order to mitigate the negative effects of COVID-19 on economic activity and living standards, the government introduced two sets of measures in March-April (Government of Montenegro, 2020b): one aimed at

supporting companies and employees and one aiming to support the socially vulnerable population. Both sets of measures were implemented in two waves: one in mid-March, with support amounting to €100 million, and one in mid-April amounting to €75 million. Subsidies were provided for all companies whose operations have been affected by the pandemic. The companies received subsidies covering between 50% and 100% of the minimum wage of employees and between 70% and 100% of the taxes and contributions related to the minimum wage for each registered employee. All enterprises, irrespective of whether their work was impacted by COVID-19, received a subsidy of 70% of the gross minimum wage for each employee on paid leave due to the pandemic (because of lockdown and self-isolation, or for family or childcare reasons). Economic measures also included subsidies for new employment as well as deferred payment of taxes and contributions. In addition, a credit line was created, providing €120 million through the Investment Development Fund to support entrepreneurs and companies. A special set of measures was implemented to support agriculture and fishery, and included small loans, one-off assistance for fishermen and livestock premiums, for a total amount of €17 million. A one-off assistance of €50 was provided to people receiving family material support (8,583 households [i.e. 4.3% of all households in Montenegro]), pensioners on the lowest pension (17,633 pensioners [i.e.

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14.6% of all pensioners]), and registered unemployed persons not receiving unemployment benefits (17,078 persons [i.e. 48% of all registered unemployed]). In addition, €64.41 in non-contributory old-age benefits were provided to those in the agricultural sector, as part of the set of measures aiming to support fishery and agriculture (3,419 beneficiaries). All socially disadvantaged households (20,892 households [10.6% of all households]), i.e. households receiving family material support or any other form of social support, received double subsidies for their electricity bills from the Montenegrin Electric Enterprise.

One of the measures agreed between the Central Bank of Montenegro and commercial banks was a moratorium on loan repayment for up to 90 days, for all legal and physical entities. In total, 57,790 individuals (i.e. 50% of those with loans) submitted a request for a moratorium.

Outlook and commentary

All these measures covered the period until the end of May 2020, while subsidies for all companies whose operations have been affected by the pandemic were also provided during June 2020. Whether or not tourism will contribute to the economic recovery will mainly depend on the situation in the region and in the European Union.

Currently, (July 2020), the prospects are not good. 85% of companies stated that the Government measures were

timely, but only 23% declared that they were in line with the needs of the economy (ISSP, 2020); this indicates that there is room for better targeting. The social measures were mainly focused on the "usual" socially vulnerable groups, and future measures also need to cover "new" vulnerable groups. The latter may include: seasonal workers, young people with difficulties transitioning from school to work, as well as the long-term unemployed (ILO with EBRD, 2020).

On 23 July, the Government announced a third package of long-term and short-term measures in response to COVID 19; these measures would be implemented until the end of 2024 and would amount to €1.22 billion. Out of a total of €82.7 million in short-term measures to be implemented by the end of 2020, €4.2 million would be used to subsidise workers' salaries in sectors affected, to pay the salaries of workers in self-isolation or quarantine, and for new jobs, €1.8 million would be used to support the most vulnerable categories of the population, and €12.1 million would subsidise the salaries of workers in tourism, catering and transport. The long-term measures are aimed at supporting companies in the IT, tourism, fishery and agriculture, energy and transport sectors (Government of Montenegro, 2020a). Although the Government announced this third package, it seems to be more of a development agenda promoted in the pre-election period. In addition, the share of the measures aimed at supporting the most vulnerable is very low, and is limited to cash transfers to the usual vulnerable categories.

Further reading

Government of Montenegro (2020a), Ministry of Economy, "The third package of socio economic measures", July 2020: <http://www.predsjednik.gov.me/vijesti/229697/Premijer-Markovic-predstavio-III-paket-Vladinih-mjera-podrske-gradanima-i-privredi-Nakon-280-mil-u-prvom-i-40-mil-u-drugom-paket.html>

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International Labour Organisation in collaboration with the European Bank for Reconstruction and Development (ILO with EBRD), "COVID-19 and the World of Work: Rapid Assessment of the Employment Impacts and Policy Responses - Montenegro", June 2020: https://webcache.googleusercontent.com/search?q=cache:gd8tEYEh_CIJ:https://www.ebrd.com/documents/strategy-and-policy-coordination/ebdrilo-covid19-and-the-world-of-work-in-montenegro.pdf+&cd=2&hl=en&ct=clnk&gl=me&client=safari

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