

Montenegro: Socio-economic policy measures to address the consequences of the COVID-19 crisis in 2021

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In the first half of 2021, the Montenegrin government adopted a fourth and fifth package of measures to help companies and citizens cope with the socio-economic consequences of the COVID-19 crisis. Like the previous ones, these packages include two sets of measures aimed at i) supporting vulnerable groups in the population (around 3% of the total amount) and ii) supporting economic activity. In the fifth package, there are fewer measures such as one-off financial assistance for the vulnerable, or salary subsidies for people in quarantine and isolation, due to the improvement of the epidemiological and consequently economic situation.

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Description

The new Montenegrin government, elected in November 2020, continues to support companies and households in the fight against COVID-19. It has adopted two packages (the fourth and fifth) of measures, which, similarly to the previous packages, include salary and electricity subsidies, tax deferrals, one-off financial assistance for vulnerable groups and liquidity support for businesses. The total value of the two packages is around €330 million, or 7% of 2019 GDP.

The first two packages were adopted in March and April 2020. They lasted until the end of June 2020 and amounted to €319.5 million, or approximately 6.5% of 2019 GDP. The third package, adopted in July 2020, was a combination of long-term and short-term measures to be implemented until the end of 2024, amounting to €1.22 billion (Government of Montenegro, 2020). As the previous parliamentary majority lost the August 2020 election, only some short-term measures (wage subsidies and liquidity support) from the third package were implemented.

In January 2021, the new government adopted a fourth package of measures (with a total value of €163 million) covering the first quarter of 2021, and in April the fifth package (total value: €163 million) covering the second quarter. Similarly to the previous three, these packages include measures aiming to support households and companies. In the fourth package, €7 million were dedicated to supporting the most vulnerable categories of the population through one-off financial assistance to

the unemployed, pensioners and beneficiaries of family material support. In the fifth package, €5 million is earmarked to support the most vulnerable, but only through electricity subsidies for pensioners with a monthly pension under €222, and for registered unemployed. The most significant measure targeting companies in the fourth package was a tax deferral programme amounting to €120 million, while in the fifth package, the most significant measure, amounting to €150 million, aims to support liquidity loans to SMEs. Salary subsidies for companies and the self-employed in the sectors affected by COVID-19, and salary subsidies for employees on paid leave due to quarantine, self-isolation or care of children under 11 due to kindergarten/school closures, are present in both packages (in the fourth, to a total amount of €22 million and in the fifth, to a total amount of €15 million). Company-support measures in the fourth package also included support to new employees, one-off financial assistance to support fiscalisation (through the introduction of a new electronic fiscal system enabling real-time collection of fiscal data from companies), an increase in the threshold for VAT registration and a reduction of the VAT refund period, reduction of renting costs of state-owned space, reduction of the annual fee for the use of marine property, etc. One of the new measures designed to support employees working in the education and health sectors, as well as to boost tourism, is the provision of tourist vouchers (amounting to €200) for teachers and health workers, which can be used in any private tourist accommodation. The fourth package also included a set of measures affecting

the market for agricultural and fishery products, including subsidies for agricultural producers and fishermen. The fifth package includes a customs deferral programme, support for companies in the form of refunds for basic material benefits, one-off financial assistance to public transport companies conveying passengers by road, and further one-off financial assistance to support fiscalisation.

Outlook and commentary

The measures implemented in 2021, like previous measures, have mainly focused on preserving jobs through wage subsidies and providing liquidity support to companies. Only a small share of these packages has been targeted at the most vulnerable, such as beneficiaries of social protection, unemployed or pensioners. Some of the vulnerable groups particularly hard hit by the COVID-19 crisis, such as families with persons with disabilities, older persons, homeless people and persons with disabilities (UN, 2020) have not been specifically targeted. In the last, fifth package, support to the most vulnerable is limited to electricity subsidies.

Although wage subsidies are most important for the preservation of jobs, this may not be sufficient in an economy such as the Montenegrin economy, with a large informal economy making up 28% to 33% of GDP (European

Commission, 2019). That is why it was also necessary to design measures that would provide support to the “newly” vulnerable, those who had previously not been in receipt of social benefits, but found themselves in need because of substantial loss of income due to the pandemic.

World Bank estimates show that in 2020, COVID-19 could increase the poverty rate in Montenegro by 3 percentage points, and that more than 80% of Montenegrins who are at risk of poverty are currently not receiving any social protection support (World Bank, 2020). It is therefore important to analyse ways in which they could be covered by existing social support programmes, or to consider the design of new measures that would provide them with support.

Further reading

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