

The Influence of Covid-19 on Strategic Planning for Sustainable Development

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ABSTRACT

Sustainable development is increasingly threatened by globalization, which, due to global integration, unification and improvement of human organization, creates progress that is accompanied by profit. This is the case in the most developed countries while the less developed countries are lagging behind. The United Nations Development Program (UNDP) has stated that the level of education, health and living standards in the world (global human development), this year will find itself on a downward trajectory since 1990, when the term was first introduced. The pandemic that erupted this year called COVID 19 is having a negative impact on global human development. The consequences of COVID are noticeable in all countries from the most developed to the poorest.

This paper aims to describe the strategic planning of sustainable development in Montenegro, with an emphasis on the period since the outbreak of the COVID pandemic. The review will be based on three aspects: economic, social and environmental, on which the analysis of sustainable development is based.

Keywords: Planning; Sustainable Development; Strategy;

Introduction

Sustainable development has become one of the key elements in the formation and implementation of development policies in the world. It can be formulated as a development that meets current needs without compromising the ability of future generations to meet their own needs. Sustainable development is a goal-oriented, long-term, comprehensive political process that affects all spheres of life. The concept of sustainable development implies the harmonization of economic, social and environmental requirements. The goal of sustainable development strategies is to balance three important factors as the basis of sustainable development: sustainable economic growth, economic and technological development, sustainable development of society based on social balance, environmental protection based on rational management of natural resources.

"In 2015, the members of the United Nations adopted 17 goals of sustainable development, including a world without hunger and poverty, but also gender equality and expanding access to education and health care. According to the agreement, these goals should be achieved in 2030.¹

National Strategy for Sustainable Development in Montenegro

Montenegro is one of the first countries in the world to fully accept and integrate the requirements of the United Nations (UN) set out in the UN Agenda for Sustainable Development until 2030. The National Strategy for Sustainable Development (NSSD) in Montenegro identifies as priority issues:²

¹ <https://www.bizlife.rs/gejts-zbog-pandemije-37-miliona-siromasnih-vise/>

² Đurović, Knežević, Komar, Vulić, Galli & Gligorić, 2016

- improving the state of human resources and strengthening social inclusion;
- support for values, norms and patterns of behavior important for the sustainability of society;
- preservation of natural capital;
- introduction of green economy;
- management for sustainable development and
- financing sustainable development.

In this way, it is possible that the overall development of Montenegro is based on responsibility and putting knowledge and technological innovation in the service of national resource management. The implementation of the NSSD by 2030 is a part of economic management that is mandatory only for EU member states, higher for countries that are in the negotiation process for EU membership, including Montenegro.

With the help of European and domestic experts, the sustainability of natural and social resources in Montenegro was assessed. Systematic indicators of national development sustainability have been introduced: human development index, ecological footprint, domestic material consumption (DMC), development productivity (RP) and space consumption. Based on the results in the time period from 2006-2015. year, there is a noticeable increase of + 45% of the ecological footprint (growth of economic activity due to natural resources) of Montenegro. Consumption of resources in Montenegro is lower than in many European countries (Finland, Sweden, Norway, Croatia, Hungary and others). European countries have reduced resource consumption through technological innovation, and have achieved economic growth with the best access to and use of natural resources.

The NSSD has defined a model for reducing domestic material consumption by 20% by 2020 compared to the 2005-2012 average, through increased productivity and more efficient use of raw materials, enabling the finalization of raw material processing and production processes, putting domestic labor, services and services, primarily in the sectors of tourism, agriculture, food production, industry, wood processing. All social actors are invited to contribute to the achievement of this demanding goal.³

The NSSD has defined the framework for economic growth so as not to jeopardize the sustainability of natural resources. It was planned to double Montenegro's GDP in 15 years, and per capita income in 2030 should reach around € 11,500. This means that the number of employees should increase to 65% (from the previous 52.5%) by 2025, or 57.5% by 2030 in order to realize the previously defined plans.

The tourism sector has the largest number of employees in Montenegro. It was expected to increase from 10.3% (data from 2015) to 13.8% (by 2026). That is a total of 26,000 jobs in the field of tourism, which would certainly



³Figure 1 Employment and unemployment rate (in%)
Đurović, Knežević, Komar, Vulić, Galli & Gligorić, 2016.

lead to a reduction in the unemployment rate (17.6% in 2015). The goal is to approach the single-digit value of the unemployment rate, which is the case with EU members. According to the Labor Force Survey from 2019, the average unemployment rate reached 15.1%, or a total of 37,176 unemployed persons, which is slightly lower than the data for the previous year (Figure 1).

Source: Directorate for Statistics - Monstat (www.monstat.org)

The successful implementation of the NSSD in Montenegro was disrupted by the outbreak of the global Covid-19 pandemic, which caused a number of changes in the planned plans. The following chapter provides an overview of these changes that are currently visible with a critical review based on information available to the public.

The influence of Covid-19 on strategic planning for sustainable development

The economic and social consequences of the COVID-19 pandemic are noticeable in all countries of the world. The crisis is taking place at a time characterized by a high level of digitalization that helps in the decision-making process for adaptation to new circumstances by both the government and businessmen and ordinary citizens. One thing is inevitable, the virus has shaken the whole world and pointed to the need for digital transformations.

Each of the countries has adjusted in accordance with its capabilities to adopt measures to protect their economies and the social status of their citizens. International organizations, as well as the European Union, have come out with their aid packages to endangered countries.

Impact of Covid 19 and strategic planning of sustainable development in Montenegro

A developed and competitive state is based on three key strategic goals, namely:⁴

- Healthier Montenegro is a center of biomedical development through new technologies, production of medicines, herbs and organic food and the provision of specialized health services (such as innovative and standard therapeutic and rehabilitation programs) as a finished product, attracting a special group of patients and researchers from the region and wider.
- Sustainable Montenegro means environmentally responsible and efficient economy in terms of use and conservation of natural resources and intergenerational level of well-being. Space as the most important resource of the state must be valorized so as not to devastate it, while the development of transport infrastructure and rehabilitation of environmental "black spots" must rely on innovative solutions and new technologies.
- Modernized and digitalized Montenegro and in that sense the development and application of ICT is crucial for economic development. The foundations of this direction are related to better infrastructure, e-economy and information security. ICT is also defined as a horizontal sector that provides information technology support to selected priorities.

Covid's impact on the economy can be viewed from a variety of perspectives, including underutilization of human and physical capital, lower commodity prices, fewer tourists, disruption of international trade, capital outflows from emerging markets, credit rationing and greater uncertainty. There are predictions that this crisis will bring the Montenegrin economy into recession due to a huge drop in tourist traffic. "The World Bank estimates the economic decline in 2020 in the range of -6.6% to -8.9%, in the worst case - up to 75% of jobs affected by social distancing measures."⁵

⁴ UNDP

⁵ UNDP

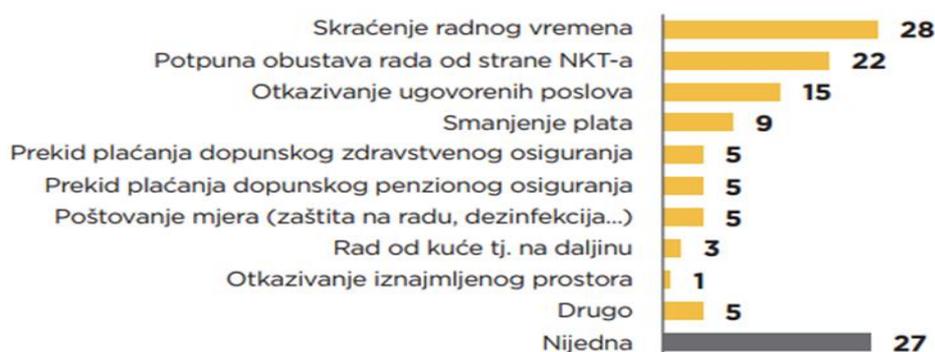
In Montenegro, revenues from tourism account for more than 20% of GDP. The sharp decline in tourism is exacerbated by other elements, such as Montenegro's inability to issue currency, limited fiscal protection and high public debt. The level of public debt limits the fiscal space to respond to the crisis, . The severity of the crisis was immediately visible in the fact that the number of unemployed increased from 35,429 to 40,361, giving an unemployment rate of 17.4%.⁶ 16,000 fewer employees were registered in April 2020 compared to April 2019. A drop of 8% is assumed that half of the tourist season will be affected by the COVID-19 pandemic.⁷

Increased poverty is caused by worsening economic conditions. According to the World Bank, depending on the length of the crisis, poverty could increase by between 1.5 and 3 percent. Micro, small and medium enterprises are the most endangered due to the cessation of work due to the pandemic (they have the lowest liquidity and rate of return), and this is not only the case in Montenegro but also globally. There is a change in working hours and a drop in income, which causes workers to be sent on unpaid leave or reduced wages. Reducing sales and increasing losses are some of the consequences of the crisis.

"Among the companies that had lower sales compared to the same period in 2019, more than half of them have over 75% lower sales compared to the same period last year, and 4 out of 10 companies have a 100% reduction in sales. Losses of over 75% are present mainly in service companies."⁸

In order to cope with the crisis most effectively, companies in Montenegro have taken certain measures and changed the way they do business by shortening working hours, reducing the volume of work, taking loans or taking advantage of savings. 28% of companies shortened their working hours while 22% of companies completely suspended operations (Figure 2).

Figure 2 The first decision taken by companies in response to COVID19 Source: UNDP



There are few companies that have decided to invest in new equipment (software or digital solutions) in order to cope with the challenges posed by the crisis. Most companies, 73% do not use digital sales platforms, and half of them do not have a significant share of online sales.

Policies and measures to assist MSME governments in countries in the fight against COVID

Croatia:

Introduction of the Agreement (state) on debt suspension. For example. all enforcement proceedings for the settlement of claims against all debtors shall be suspended for a period of three months; working capital loans and liquidity maintenance with a repayment period of up to three years. Introducing delays in loan repayment;

⁶According to the Employment Bureau

⁷ EBRD, Regional Economic Prospect Report, 2020.

⁸ UNDP

new liquidity maintenance loans are granted to economic entities for current business needs such as payment of salaries, payment of overheads and other operating costs; increasing the scope of the guarantee fund for export insurance by including the tourism sector.⁹

Bosnia and Herzegovina:

Establishment of a guarantee fund in order to preserve and improve the level of liquidity companies. FBiH Development Bank to prepare a proposal for a decision on the establishment of a credit line to improve the liquidity of vulnerable companies. · Banks and individuals will be granted a moratorium on loan payments, ie delays in loan repayment for a period of at least three months. USD to support the country in its work due to the consequences of COVID-19. 60% flat tax on the total income of small entrepreneurs with one or two employees (Republika Srpska).¹⁰

Northern Macedonia:

The Development Bank of Northern Macedonia also provided direct financial assistance in the form of interest-free loans in the amount of € 3,000 to € 30,000 to micro, small and medium enterprises. Interest-free loans to economic entities in the amount of 5.7 mil. €, plus 6 mil. € (March 22). · Subsidizing the Mandatory Social Security Contributions (SDSO) of employees in the tourism sector, transport sector, hospitality sector, and other companies affected by coronavirus during April, May and June 2020. The subsidy for compulsory social insurance would be up to 50% of the average salary paid in 2019. The National Bank's base interest rate was reduced to 1.75%. · The amount of default interest prescribed by law will be reduced to 5% (10% in the previous period) and to 4% (8% in the previous period). · Reduction of salaries of civil servants and employees in the public sector in April and May 2020 currently amounts to MKD 14,500 (€ 235). Presidents and members of municipal councils, members of management and supervisory boards of public institutions will work free of charge. · The implementation of the Law on Enforcement Procedure will be temporarily suspended until the end of June. Bailiffs will be obliged to suspend all actions taken in the enforcement procedure (all enforcement). · Moratorium on loan payments: loan users are entitled to a delay in loan repayment for the next three months. · Companies will be protected from bankruptcy during the crisis.¹¹

Conclusion

COVID-19 showed that national governments and international organizations were not ready to face a deadly global pandemic. With the exception of a few countries, many countries have failed to stop the spread of the virus, while some were on the verge of complete collapse due to inadequate reactions to the pandemic (Italy and Iran). Although the COVID 19 pandemic is still current, it can be concluded that this crisis will be more severe due to the consequences of the crises brought by SARS, bird flu, Ebola and other viral diseases in recent decades.

The epidemic is likely to cause the greatest damage to globalization trends in the world. The world is losing the ability to respond to global economic, social, environmental and medical challenges. For some time now, the four freedoms that underpin the EU have been threatened: the free movement of people, goods, services and capital.

⁹ UNDP

¹⁰ UNDP

¹¹ UNDP

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