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THE ECONOMIC IMPACT ASSESSMENT OF COVID-19 IN THE FEDERATION OF BIH

The background features a complex network of white lines and dots on a light blue gradient, overlaid with semi-transparent, blue, virus-like structures that resemble coronaviruses. These structures are positioned at the top, bottom, and right edges of the frame.

The survey was conducted on a sample of 761 companies and covers the period from the beginning of the pandemic to the end of April 2020.

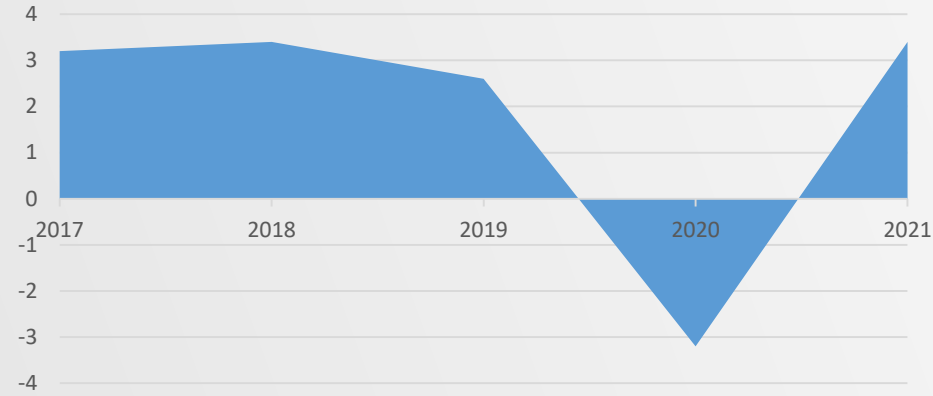
When sending the survey questionnaire, in order to have a quality statistical sample, we took into account that we have adequate geographical representation, as well as representation based on the sector and size of the company.

Macroeconomic indicators

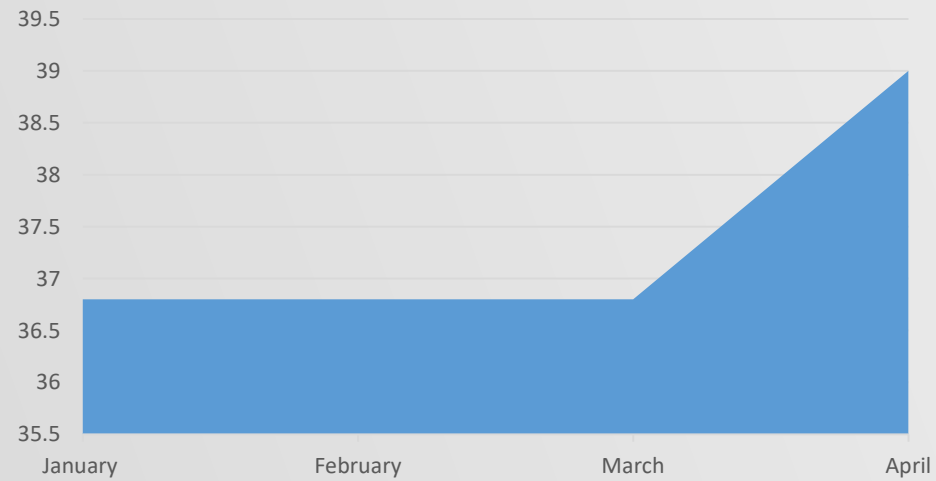


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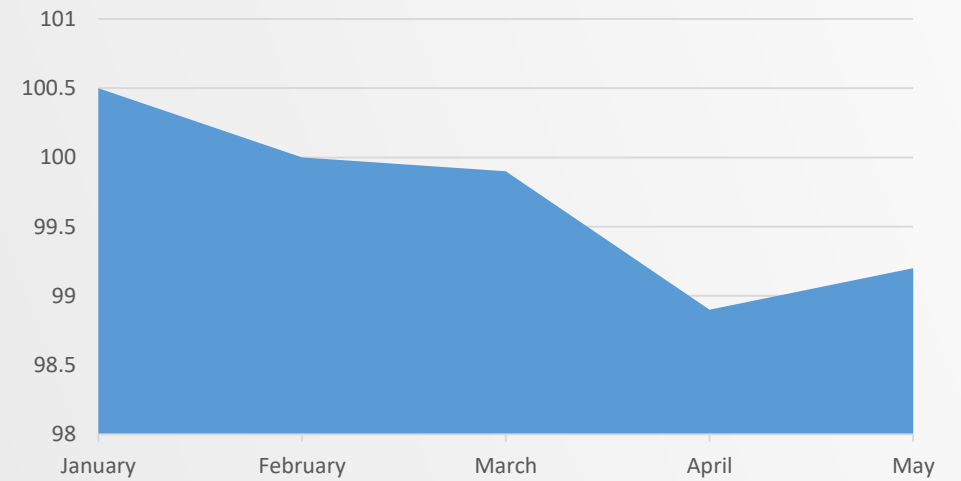
Annual GDP Growth (%) BiH



Unemployment rate (%) - FBiH 2020



Consumer Price Index - FBiH 2020

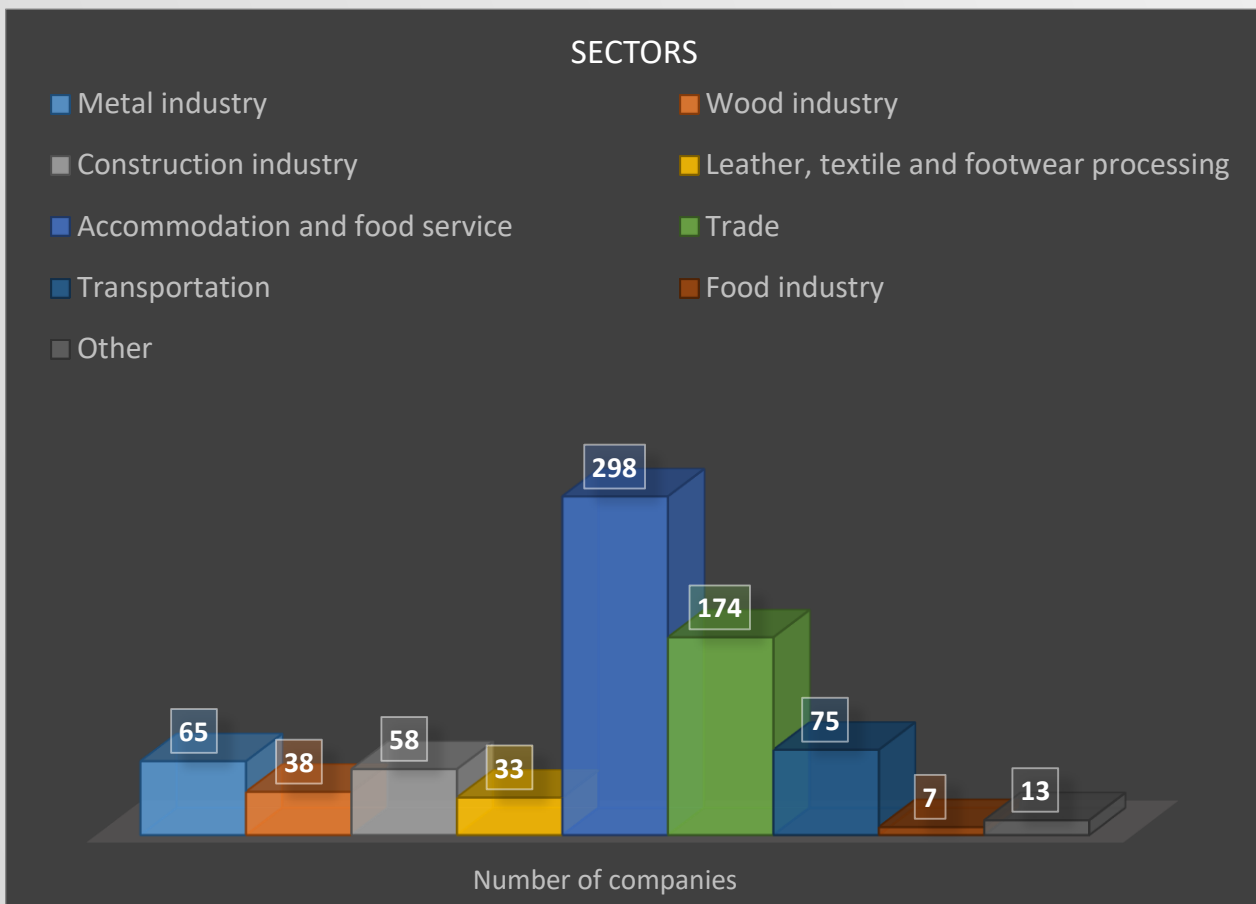


Assessment Objectives

Objectives of the Economic Impact Assessment of COVID-19:

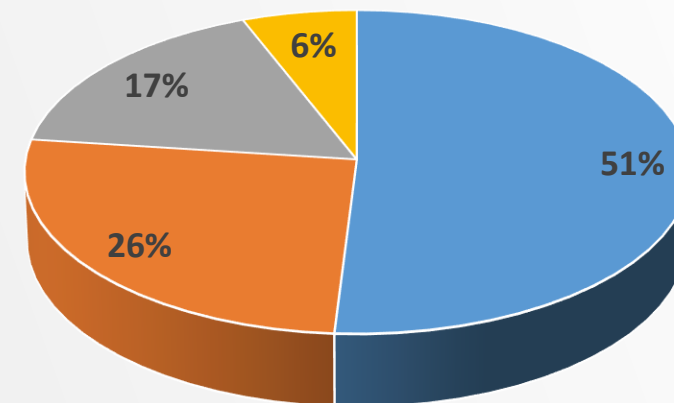
- Establishment of baseline situation within two months of the COVID-19 outbreak in the Federation of BiH;
- Identification of key impact and negative effects the private sector faces due to the COVID-19 outbreak;
- Identification of key problems and key solutions from the perspective of the employers/company owners;
- Initial assessment of immediate needs, required solutions and implementation of recommendations with greatest impact from the perspective of the employers/companies;

Target groups

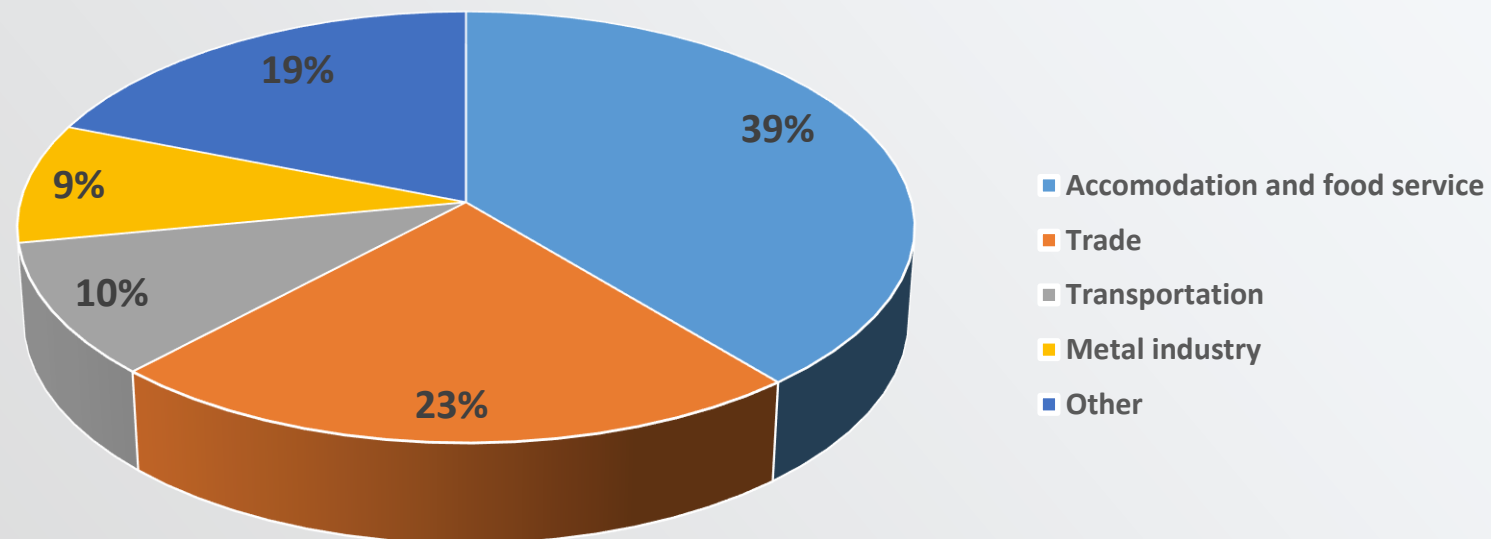


Company size by number of employees

- 0-9 employees
- 10-49 employees
- 50-249 employees
- 250 and more



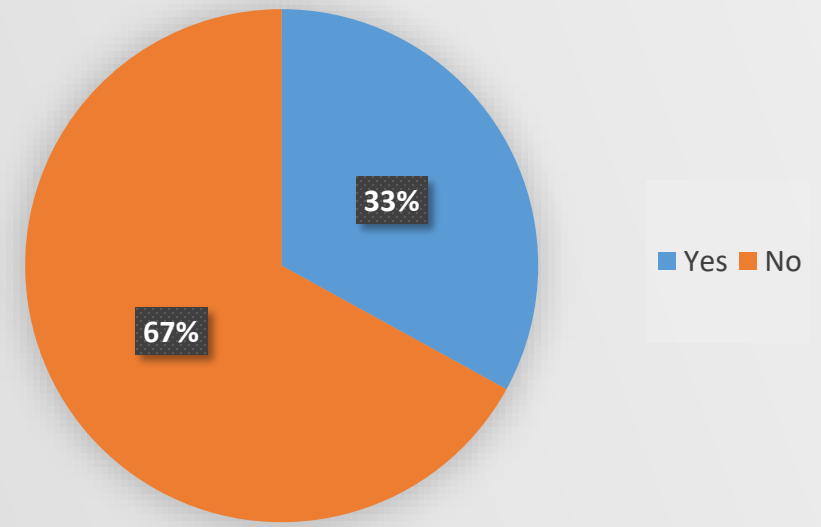
Sectors



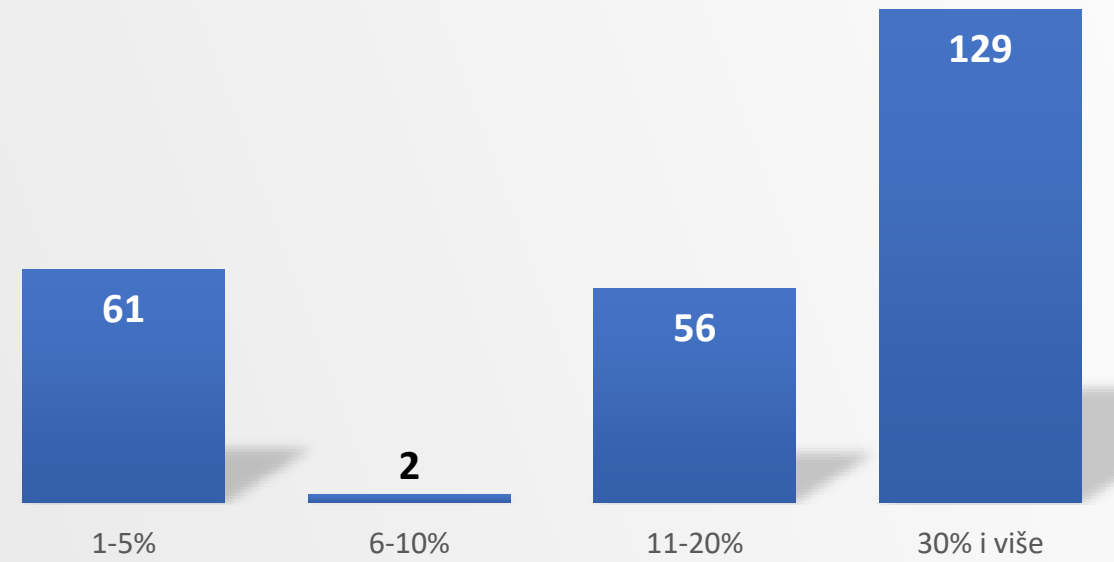


IMPACT OF COVID-19 ON BUSINESS

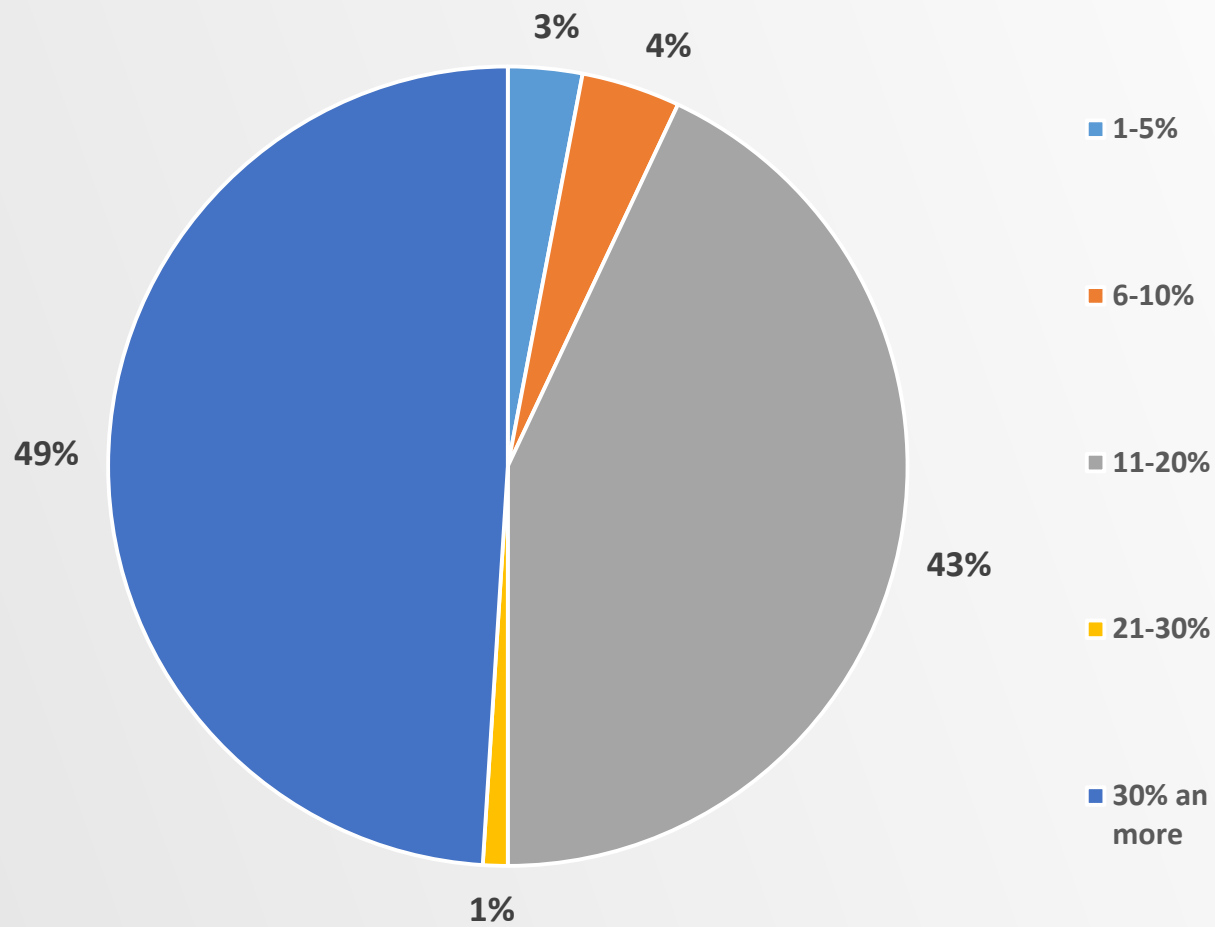
Did you lay off workers during COVID 19?



What percentage of your workforce have you laid off?



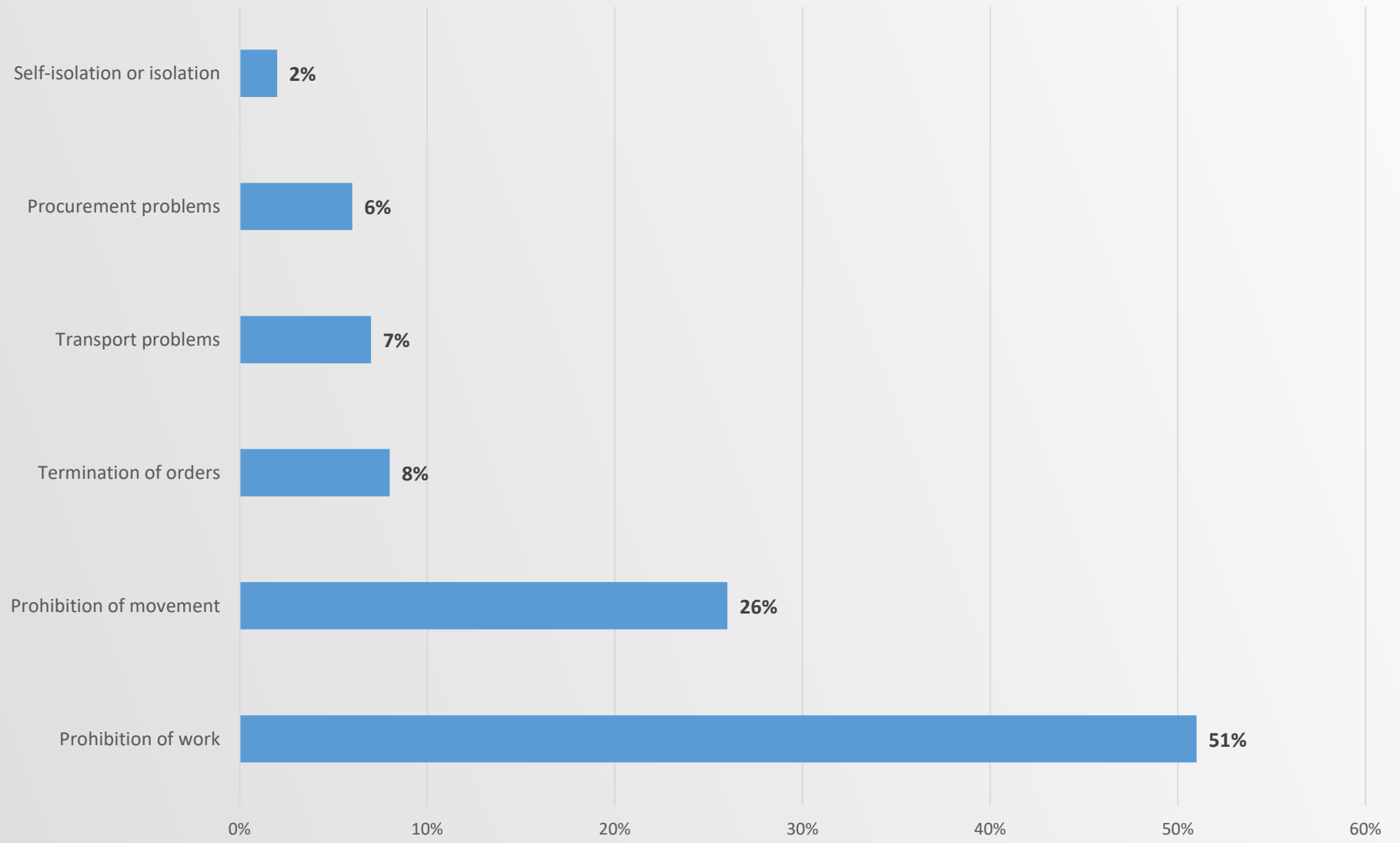
What percentage of your workforce do you plan to lay off in the next quarter?



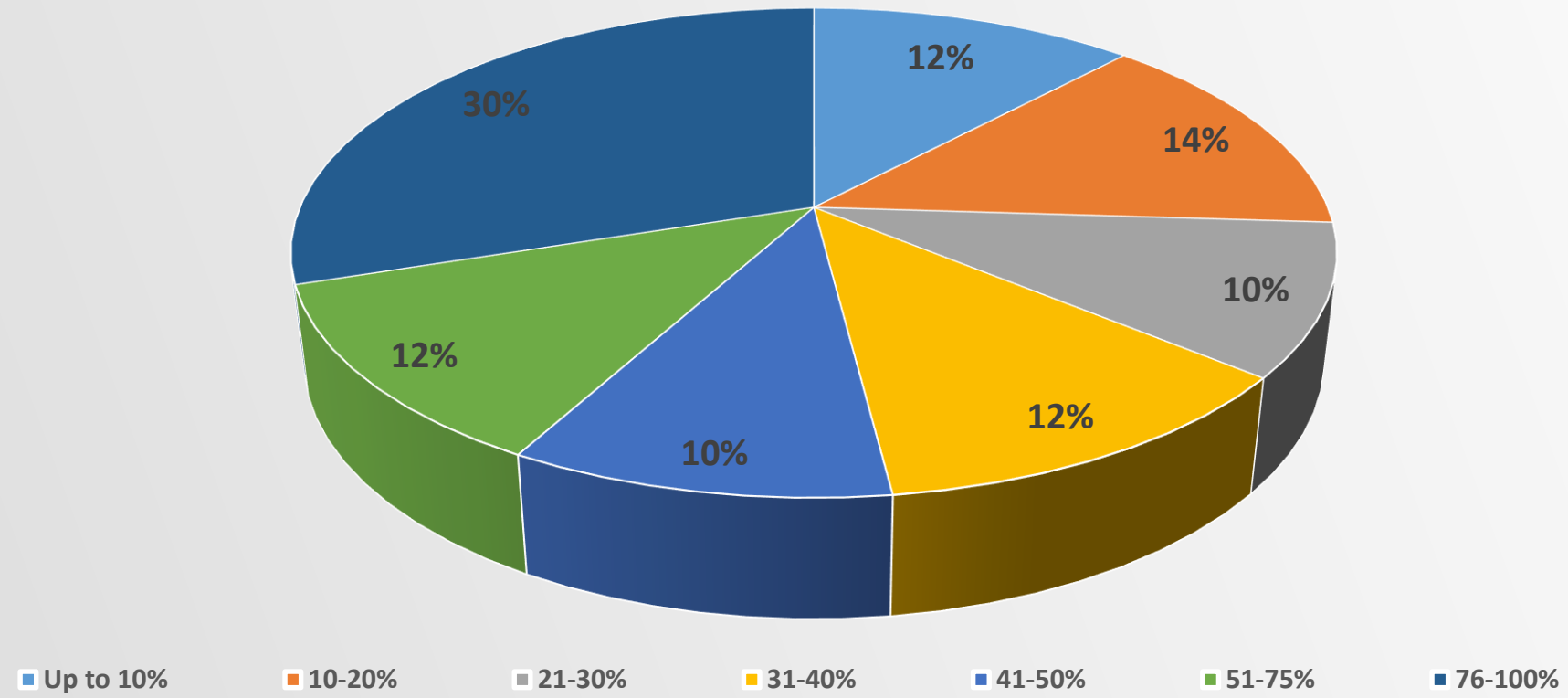


BUSINESS CHALLENGES DURING THE COVID-19 PANDEMIC

What are the main challenges your company is currently facing

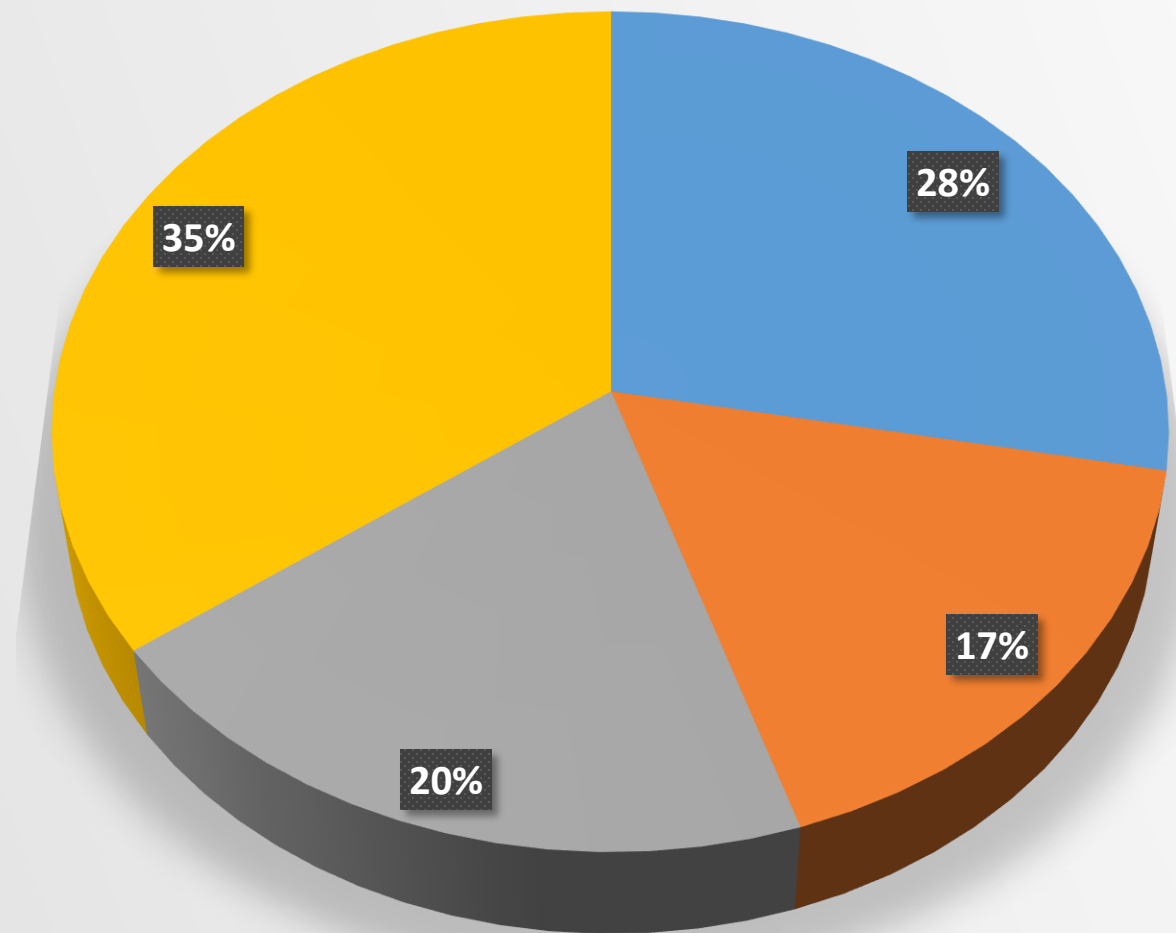


How much has your company's revenue decreased compared to the same month last year (March / April)?

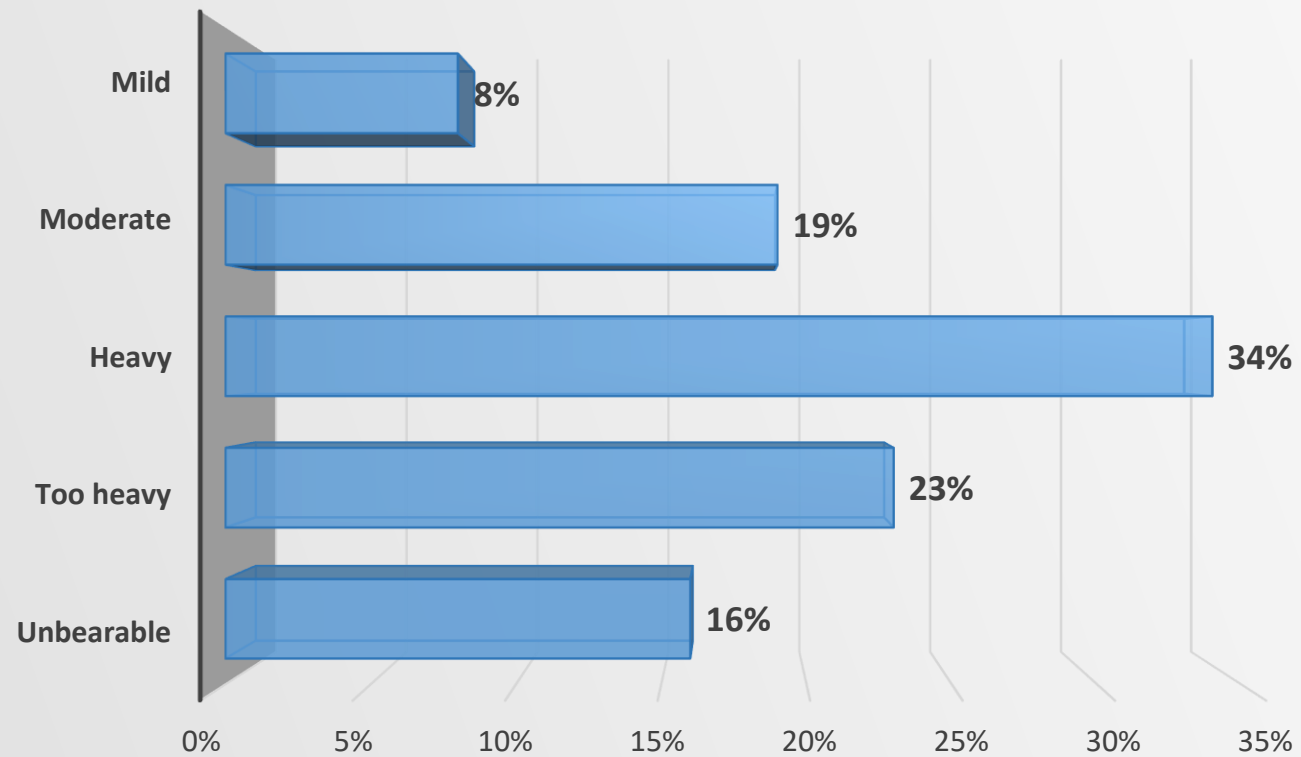


Impact on sales / revenue

- High ($\geq 50\%$ decline in sales/revenue)
- Medium (20-50% decline in sales/revenue)
- Low (up to 20% decline in sales/revenue)
- N/A



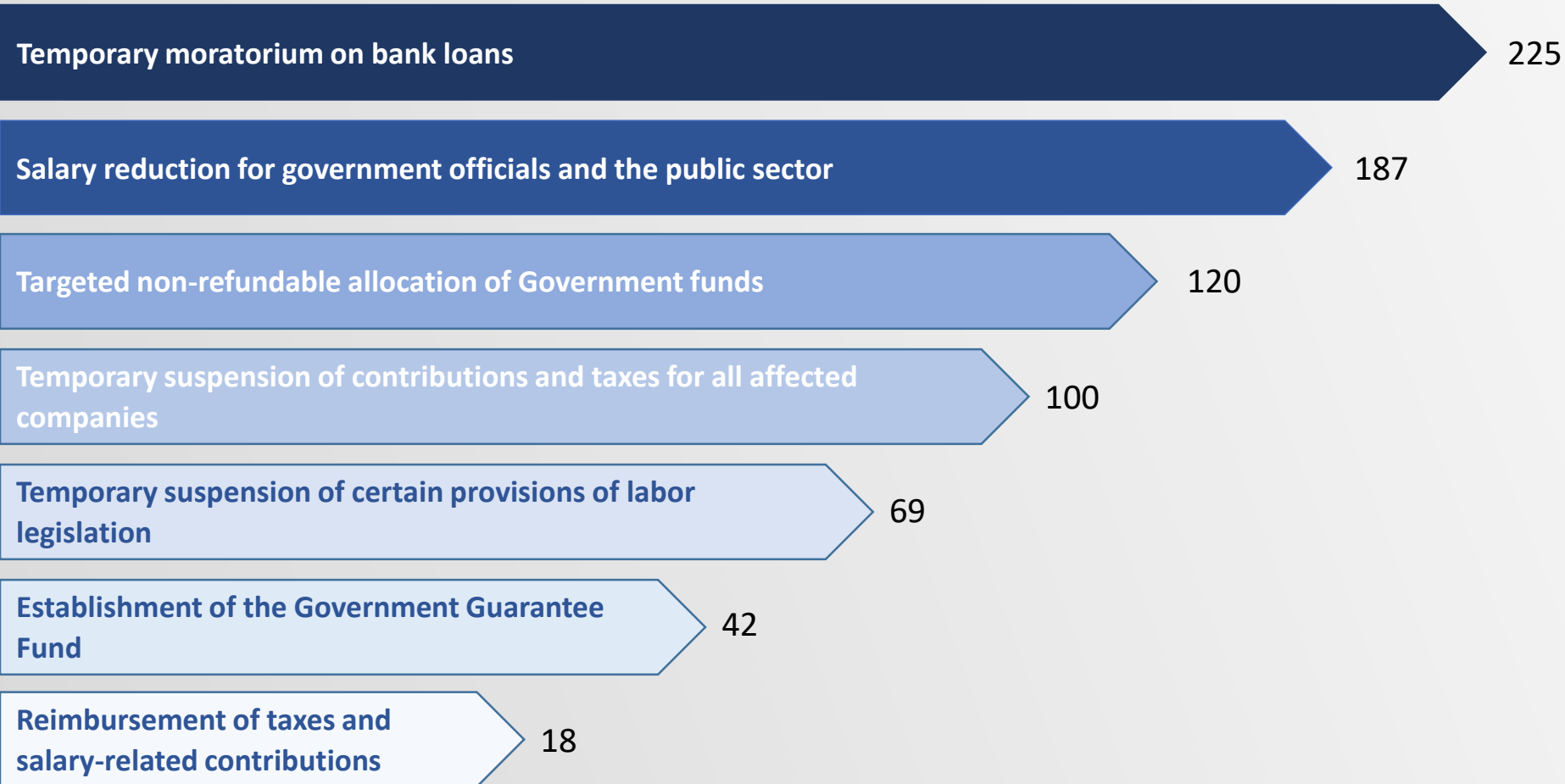
Impact on liquidity





COMPANY RECOMMENDATIONS

What priority measures should the Government of FBiH take to mitigate the economic impact of COVID-19 on companies?





**MEASURES TO MITIGATE THE ECONOMIC
CONSEQUENCES OF A COVID-19 PANDEMIC**

Government Measures

- Bosnia and Herzegovina is the only country in Europe that has not adopted measures to mitigate the economic consequences of the COVID-19 pandemic at the national level;
- The Government of the Federation of BiH has adopted a set of measures to mitigate the economic consequences of the pandemic, but no measure has been implemented;
- Some cantons and municipalities have implemented certain measures, but they were not sufficiently effective.

Measures proposed by Association of Employers of FBiH

The Association of Employers of FBiH has proposed 3 sets of measures to mitigate the economic consequences of the COVID-19 pandemic.

The first set of proposed measures:

- Establishment of a Compensation Fund;
- Urgent agreement between the entity governments, trade unions and employers' associations;
- Urgent adoption of a moratorium on legal entities and individuals for loan repayment;
- Reduction and postponement of utility payments during the state of emergency;
- Reduction and postponement of costs of paying rent of business premises and utility taxes by local government;
- Defining parafiscal levies that will be reduced or abolished during extraordinary circumstances;

The second set of proposed measures by Association of Employers of FBiH

The Government of FBiH is required to take an urgent decision on amending the relevant laws:

- Change of taxes and contributions, and other levies;
- Change of certain provisions of the existing Labor Law and the Collective Agreement
- Budget rebalance;
- Enable VAT refund for uncollected receivables in March and other months;
- To enable taxpayers to cancel their monthly advance payment;
- To enable by the Labour Law work from home and equality in the treatment of workers temporarily working at home with other workers.

The third set of proposed measures

The identified measures that need to be adopted are:

1. *Short-term measures:*

- a) measures to improve liquidity
- b) measures to increase employment
- c) Increasing the resilience and sustainability of the economy

2. *Medium-term measures:*

- Increasing the levels of savings and investment by introducing new institutions, instruments and mechanisms;
- Measures to encourage consumption;
- Legal reform of public revenues;
- Support technology transfer and upgrading and skills improvement by introducing centers of excellence at the regional / cantonal level.

3. *Long-term measures:*

- Improvement and diversification of the financial sector;
- Digitization of public administration;
- Rationalization of current public spending and increase of public investments, restructuring of public enterprises;
- Provide support for ecological innovation in the private and public sectors.

The Association has identified three areas of research that need to be undertaken to create a quality set of measures:

- Analysis of fiscal and financial policy measures that need to be created and adopted;
- Analysis of social policy measures that will contribute to economic growth and employment;
- Analysis of economic subsidy policy measures;



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