

Coronavirus response in 2021: building back better

Update on Bosnia and Herzegovina (16 June 2021)



Covid-19 policy response

- **Fiscal measures in response to the Covid-19 pandemic amounted to 2.5 per cent of GDP in 2020**, aimed at increasing spending on the healthcare sector, subsidising company social security contributions and paying a minimum wage to workers in affected sectors. The governments of both the Federation of Bosnia and Herzegovina and Republika Srpska also established guarantee funds to support on-lending activities by commercial banks.
- **Covid-19-related measures in 2021 are projected at around 1.8 per cent of GDP**, primarily targeting support for firms, but also households, as well as spending on the health sector.
- **Loan payment moratoria adopted at the onset of the pandemic were extended to June 2021**. Bank dividend payments were also suspended temporarily.

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	3.7	2.7	-4.3	EBRD GDP growth forecast (June 2021) 2021: 3.5%; 2022: 3.0% Industrial turnover: 12.0% y/y (Jan-April 2021) Exports of goods: 25.7% y/y (Jan-April 2021) Annual inflation: 0.9% (April 2021) Bank lending: 1.3% y/y (April 2021)
Annual inflation (end-year)	1.6	0.6	-0.6	
Government balance/GDP	1.7	1.4	-5.6	
Current-account balance/GDP	-3.4	-3.1	-3.5	
Net FDI/GDP	-2.5	-2.7	-1.9	
Public debt/GDP (end-year)	34.3	32.4	38.3	
Unemployment rate (end-year)	18.4	15.7	19.0	

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Green

- The State Electricity Regulatory Commission has doubled the capacity of wind farms and solar power plants that could be connected to the national power system (from 460 MW to 840 MW and 400 MW to 825 MW, respectively, for wind and solar).

Resilient

- A new law on bank deposit insurance was adopted in June 2020, paving the way for mandatory bank membership of the country's deposit insurance scheme.

Integrated

- Construction of the major Vc highway, connecting the north of the country to the south, has progressed despite the pandemic.

Digital

- While limited progress has been made on the digitalisation of government services, information and communication technology (ICT) companies targeting export markets have flourished in recent years.

Key short-term priorities

- In addition to continuing targeted support for the most affected, public capital expenditure should be boosted in areas that contribute to regional integration.
- Step up state-owned enterprise (SOE) reforms, advancing governance and privatisation to reduce fiscal risks, improve performance and create a level playing field.
- Accelerate efforts to harmonise corporate business procedures and streamline administrative processes to improve the business environment.