

Coronavirus response in 2021: building back better

Update on Bosnia and Herzegovina (14 December 2021)



Covid-19 policy response

- **Fiscal measures for the Covid-19 response in 2020 totalled around 2.5 per cent of GDP.** They targeted increased spending on the healthcare sector, subsidising the social security contributions of firms and paying the minimum wage to workers in affected sectors. The authorities in the Federation of Bosnia and Herzegovina and in the Republika Srpska established guarantee funds to support on-lending activities by commercial banks.
- **The measures in 2021 are projected to come in at around 1.8 per cent of GDP,** primarily targeting support to firms, but also to households, as well as extra spending on the health sector.
- **The first tranche of the EU's macro-financial assistance (MFA)** in the amount of €125 million to help address the social and economic impact of the pandemic was disbursed in October 2021.

Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	3.7	2.7	-3.2	EBRD GDP growth forecast (Nov 2021) 2021: 4.5%; 2022: 3%
Annual inflation (year end)	1.6	0.6	-1.6	Quarterly GDP growth: 2.5% (Q1) and 11.6% (Q2)
Government balance/GDP	1.7	1.4	-4.1	Industrial output growth: 20.2% y/y (January-October 2021)
Current-account balance/GDP	-3.3	-2.8	-3.8	Goods export growth: 33% y/y (January-October 2021)
Net foreign direct investment/GDP	-2.9	-1.5	-1.7	Annual inflation: 1.2% (January-October 2021)
Public debt/GDP (year end)	34.3	32.5	36.7	Bank deposit growth: 11.3% y/y (October 2021)
Unemployment rate (year end)	18.4	15.7	16.6	

Key short-term priorities

- To support the post-Covid-19 recovery, public capital expenditure should be boosted and strategic planning for large capital investments introduced.
- Accelerated state-owned enterprise reforms, particularly improved governance, would reduce fiscal risks, improve performance and level the playing field.
- Financial stability should be closely monitored and supervisory activities properly coordinated.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Well-governed

- Work is ongoing to improve SOE oversight and management by establishing special oversight units in the governments of both entities.

Green

- The State Electricity Regulatory Commission 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 from 400 MW to 825 MW for wind and solar, respectively).

Resilient

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

Integrated

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

Digital

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