

Responding to the Coronavirus Crisis

Update on Bosnia and Herzegovina (13/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Supply chains, exports, consumption

- Severe lockdown (curfew, schools, all non-essential businesses closed and air traffic suspended) has caused sharp halt to economic growth.
- Supply chains disrupted, and exports (above 40% of GDP) will decline.
- Services sector be hit hard due to shut down of businesses.
- Remittances (around 11% of GDP) to decline, with a negative impact on consumption, a major growth driver before the epidemic.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)
 2020: -4.5%
 2021: 6%

Number of overnight stays cancelled
 (Minister of Foreign Trade and Economic Relations, 16 March 2020)
 850 thousand

Share of manufacturing companies
 facing difficulties in operations 92%
 (survey, April 2020)

Crisis response measures to date

Support for healthcare, workers and businesses

- In FBiH, support through Stabilisation Fund, covering minimum wages and social contributions in affected companies, and a guarantee fund at the Development Bank to maintain and improve the liquidity of companies
- Extra funds for cantons and municipalities in FBiH; exemption from para-fiscal fees for affected businesses; advance corporate income tax payment cancelled.
- In RS, deferral of corporate income tax payment; fixed pricing margin for certain staple products; government to cover minimum wages, income taxes and contributions for affected businesses.
- Solidarity Fund established in RS to support economy of the entity
- Development bank in RS to defer overdue payments.

Selected crisis response indicators

Stabilisation Fund in FBiH	EUR 250 million
Payment holidays for loans, for those applying (months)	3 months
Committed external assistance	IMF RFI: EUR 333 million EC MFA: EUR 250 million EU: EUR 80.5 million (reallocated from IPA)

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable individuals