

Business Agenda 2022

Priority Recommendations for Solving Key the Issues of the Private Sector in BiH

POLICY PAPER

INTRODUCTION

The sudden onset of COVID-19 has left some adverse consequences on the economy of Bosnia and Herzegovina (BiH). The economic shock that followed has, in a short scope of time, caused a loss of many jobs, a decrease in foreign trade, and a decline in the economic activity. In only 50 days, Bosnia and Herzegovina had a loss of five percent of total jobs, while in 2020 the scope of foreign trade returned to the level it had been between 2016 and 2017.

The absence of a timely reaction from the government in BiH in the form of assistance to the economy and citizens led to the situation where many companies used their internal reserves, maintained the scope of the economic activity, and helped themselves in the recovery phase in 2021, which is also partially due to the recovery of the market in the European Union (EU). In the meantime, the onset of inflation – price increases in our country, has brought in an even more difficult position both citizens and the economy that no longer has the same opportunities to use government resources in the case of a new economic crisis. The assessments show that in the coming period the world will have to choose between two options – growing inflation or the use of tools for curbing inflation, causing an economic slowdown in the best case, and very likely a new recession.

Therefore, the purpose of the recommendations that come as a result of the activities of key actors in different segments of the economy is to facilitate decision-makers in adopting measures that will help the economy in its speedy recovery, the achievement of higher rates of economic growth, and better resilience in the case of a new crisis.

Would you like to learn more? Contact us!

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Addressing corrosive capital flows

is the project implemented by the Centers for Civic Initiatives (CCI) with the support of the Center for International Private Enterprise (CIPE) from Washington DC. The project aims to strengthen the role of the private sector's initiatives that improve local solutions to economic and management challenges.

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RECOMMENDATIONS

1. Taxation system reform

- To continue the taxation system reform. In that regard, the Federation of BiH must decrease the tax wedge to align it with the applicable rates in Republika Srpska. This includes 1) the aggregate contribution rate of 31% and 2) raising the non-taxable portion of salary to 1 000 KM with keeping the current income tax rate.
- To develop registers of parafiscal levies and determine the dynamics and plan for the elimination of parafiscal levies lacking a clear intention and purpose.
- To implement a reform of the indirect taxation system to increase the VAT threshold from the current 50 000 KM to the recommended 100 000 KM, move the date for filing and collection of VAT and eliminate duties on the import of IT equipment to speed up the process of digital transformation of business activity and provision of public services. In addition, to establish a model by which VAT would be paid on invoice collection.

 Law on Contributions in the FBiH

 Law on Income Tax in the FBiH

 Law on Value Added Tax in BiH

2. Labor market reform

- To facilitate the procedure for importing workforce from abroad, such as IT experts.
- To strengthen the process of reskilling the workers due to a larger demand in relation to the supply of workforce in some economic areas.
- To introduce legislative amendments to allow full-time students to be active participants in the labor market.
- To strengthen the support to female entrepreneurship and young people, primarily through direct forms of support and special EU lines of support.

 Law on Labor in the FBiH

 Law on Labor in the RS

 New employment support programs

3. Improving the business environment

- To speed up the procedure to open, operate and close a business.
- To define population policy measures to stop a large workforce drain.
- To improve the functioning of the judiciary to guarantee the legal security and collection of receivables.

 Digitalization of public services

 New population policy measures

 Reforms and increase of the efficiency of the judiciary

+ Anti-crisis short-term measures

- Temporarily suspend fuel excise duties.
- Increase direct assistance through transfers to different categories of economy and citizens from a surplus of collected taxes to mitigate the inflation effects.

 Law on Excise Duties in BiH

 New measures of support for citizens