



# THE IMPACT OF THE COVID-19 ON THE ECONOMY OF BOSNIA AND HERZEGOVINA

## Companies' Survey

IN PARTNERSHIP WITH



British Embassy  
Sarajevo



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

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# THE IMPACT OF THE COVID-19 ON THE ECONOMY OF BOSNIA AND HERZEGOVINA

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This survey is product of Chamber of Commerce of Federation of Bosnia and Herzegovina and Regional Chamber of Commerce Banja Luka, as part of Improving Investment Climate and Access to Markets (ICAM) project activities implemented by the International Finance Corporation (IFC), member of World Bank Group and financed by UK Government through UKAid. The findings, interpretations and conclusions expressed in this survey do not necessarily reflect the views and policies of UK Government, of the Executive Directors of IFC or the governments they represent.

**Project:** "Improving the investment climate and access to markets"

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The Chamber of the Economy of the Federation of Bosnia and Herzegovina and IFC within the project "Improving the investment climate and market access" conducted a survey:

**THE IMPACT OF THE COVID-19 ON THE ECONOMY OF  
THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**DISCLAIMER PAGE:**

Chamber of the Economy of the Federation of Bosnia and Herzegovina declare that this research is original work and has not been submitted before to any institution for assessment purposes.

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**THE IMPACT OF THE COVID-19 ON THE  
ECONOMY OF THE FEDERATION OF  
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Sarajevo, December 2020



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## 1.0 INTRODUCTION

The Chamber of the Economy of the Federation of Bosnia and Herzegovina within the project “Improvement of the investment climate and access to markets” in cooperation with the IFC conducted research and detailed analysis of the impact of the pandemic Covid -19 on the economy of the Federation of Bosnia and Herzegovina.

The method of research of business in the territory of the Federation of Bosnia and Herzegovina was performed through online questionnaire and focus groups, which was previously agreed with the clients.

The business entities involved in survey and focus groups are familiar with the research topic and agree to participate in the research. The processed sample is a representative basis for the analysis of the impact of COVID-19 on the economy of the Federation of Bosnia and Herzegovina.

The survey covers sector of wood industry, metal industry, textile and leather industry, car industry, construction, tourism, and others as one of the most affected sectors of the industry.

The main aim of conducted survey and focus groups is to get better understanding of the impact of the Covid-19 on the economy of Federation of Bosnia and Herzegovina. More precisely, to understand impact of Covid-19 on the most affected sectors of industry, evaluate the Government support and get concrete measures and steps for the recovery process in the upcoming period.

The research summarizes the key findings of the impact of Covid-19 on businesses operations in the most affected sector of industry in the Federation of B&H, and provides conclusions and recommendations on the needs of businesses in order to mitigate the consequences and easily overcome the situation caused by Covid-19 in the Federation of Bosnia and Herzegovina.



## 2.0 ANALYSIS OF RESEARCH FINDINGS

In the following sections, obtained research findings are presented and analyzed through Charts, Graphs, tables, statistics and descriptive.

## 2.1 SAMPLE DATA

In the research participates sectors of wood industry, metal industry, textile and leather industry, car industry, construction, tourism and other. These sectors are at the same time most affected sectors of industry by the pandemic Covid-19. Total number of analyzed sample is 105.

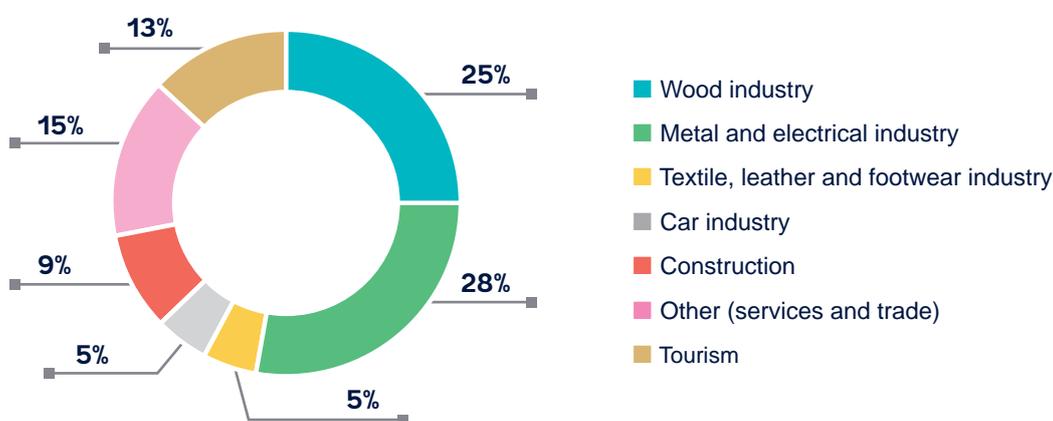
Examined sample shows the highest representation of the business entities that operate in sector of metal and electrical industry (28%), wood industry (25%), and then leading by other (15%), tourism (13%),

and construction (9%). The lowest representation, ie response of the examined sample is in the automotive industry and textile and leather (5%), although this sector is one of the most affected by the appearance of Covid-19 in FB&H.

Section of „other“ is mostly represented by companies in the sector of service and trade.

The business entities involved in survey are familiar with the research topic and agree to participate in the research.

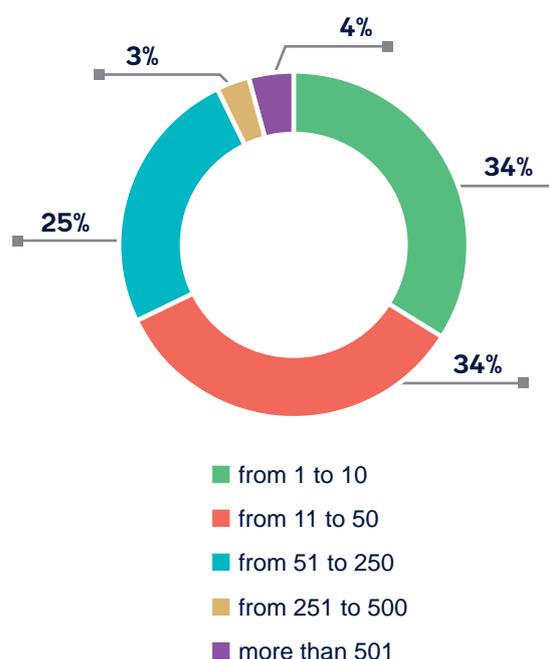
**Chart 1:** Primary Business Activity



The analysis of the sample by the number of employees shows that among the respondents, the largest number of them (34%) have from 1 to 10 employees, and from 11 to 50 employees, while from 51 to 250 employees have 25 % of respondents. The minor number is of the company representative that have from 251 to 500 employees (3%), and more than 501 (4%).

Based on the analyzed sample by the number of employees, it can be concluded SMB, SME, and Large Enterprise participated in the research, which makes a processed sample as a representative basis for the analysis of the impact of COVID-19 on the economy of the Federation of Bosnia and Herzegovina.

**Chart 2:** Number of employees (from 15th January 2020)



According to the survey, most respondents (64%) work in companies that are old more than 10 years, 20 % of respondents work in companies that are old from 5 to 10 years, while 16% of them belong to companies older than 10 years.

Obtained results shows that in the research represented are business entities by all sizes from young to old, which also makes research findings relevant.

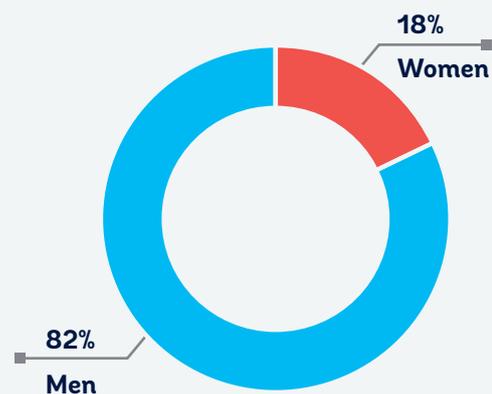
**Chart 3:** Company's age



In the domain of the ownership structure of the of the analyzed sample, Chart 4. shows the ownership structure is dominated by men (82%) and only 18% of women. Despite the smaller percentage of the female-owned companies, they declared that impact of Covid-19 on their business did not differ from male-owned companies.

In the short and medium time horizons, business expectations do not seem to differ across gender-related aspects. In general, female appear to be more adversely affected by the impact of the pandemic on the economy than males. Firms with a majority women workforce have already been more adversely affected directly and indirectly by the pandemic, therefore one would expect that this business entities led by women would also be more likely to seek support from the government or other relevant institutions. However, the scale of seeking support does not differ significantly across gender characteristics of firms. What is more, the channels through which female-oriented companies seek support do not differ significantly.

**Chart 4:** Ownership structure



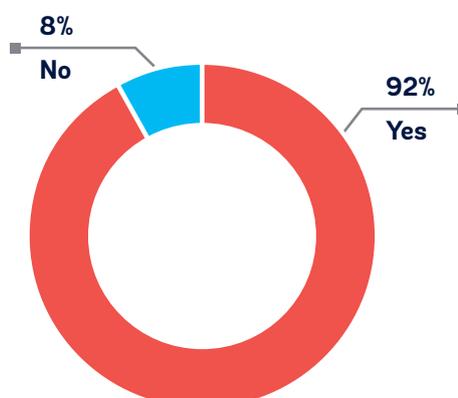
## 2.2 IMPACT OF COVID-19 ON BUSINESS

The results of the impact of COVID-19 on the operations of economic entities by various elements are discussed in below recovery support, digital technologies, financial indicators, human resources, insight into current business activities, recommendations and suggestions of businesspersons.

### 2.2.1 Recovery support

Appearance of COVID-19 affected the business operations of almost all sectors (92%), while only 8% said that that pandemic Covid-19 didn't have negative impact on their business, as shown in Chart 5.

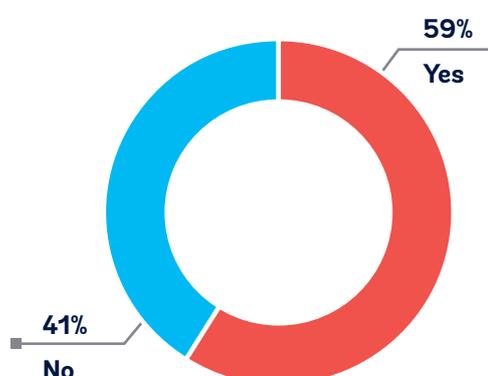
**Chart 5:** Has the Covid-19 pandemic negatively affected your business?



Sudden appearance of the pandemic Covid-19, uncertainty in duration of the situation in combination with all negative effects of Covid-19 resulted in a urgent support that business entities need in recovery and mitigating consequences. The Parliament of the Federation of Bosnia and Herzegovina passed the so-called "Corona law" and program of the recovery support for which companies could apply under certain conditions specified in the requirements of the FB&H Government.

Research findings shows that 59% of the respondents answer positively on question „Have you been a beneficiary of the pandemic consequence mitigation support to business?“, while 41% of them answered in the negative, as shown in the Chart 6.

**Chart 6:** Have you been a beneficiary of the pandemic consequence mitigation support to business?



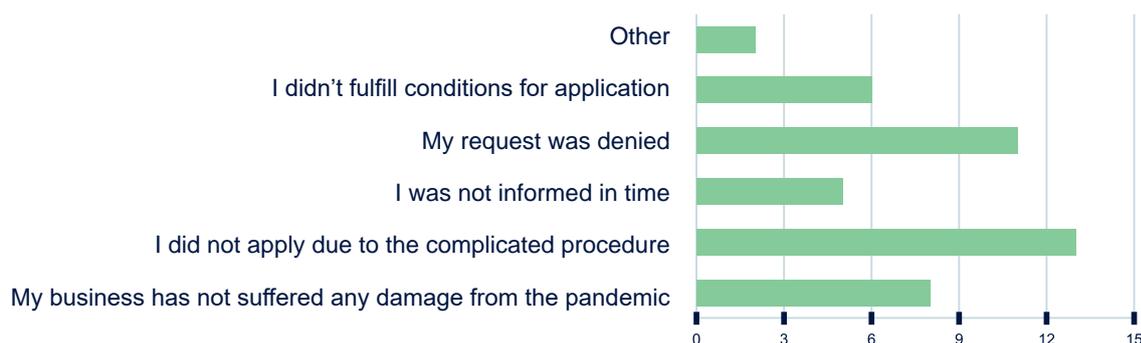
This implies a question why there is still a large percent of the companies that didn't be a beneficiary of the pandemic consequences mitigation support?

reason“ for not being a beneficiary of the pandemic consequence mitigation support is „My business has not suffered any damage from the pandemic“.

According to the research results, the most participants answered that the main reason of that is complicated procedure, denied request. The surprising situation is that third given answer on question „What is the

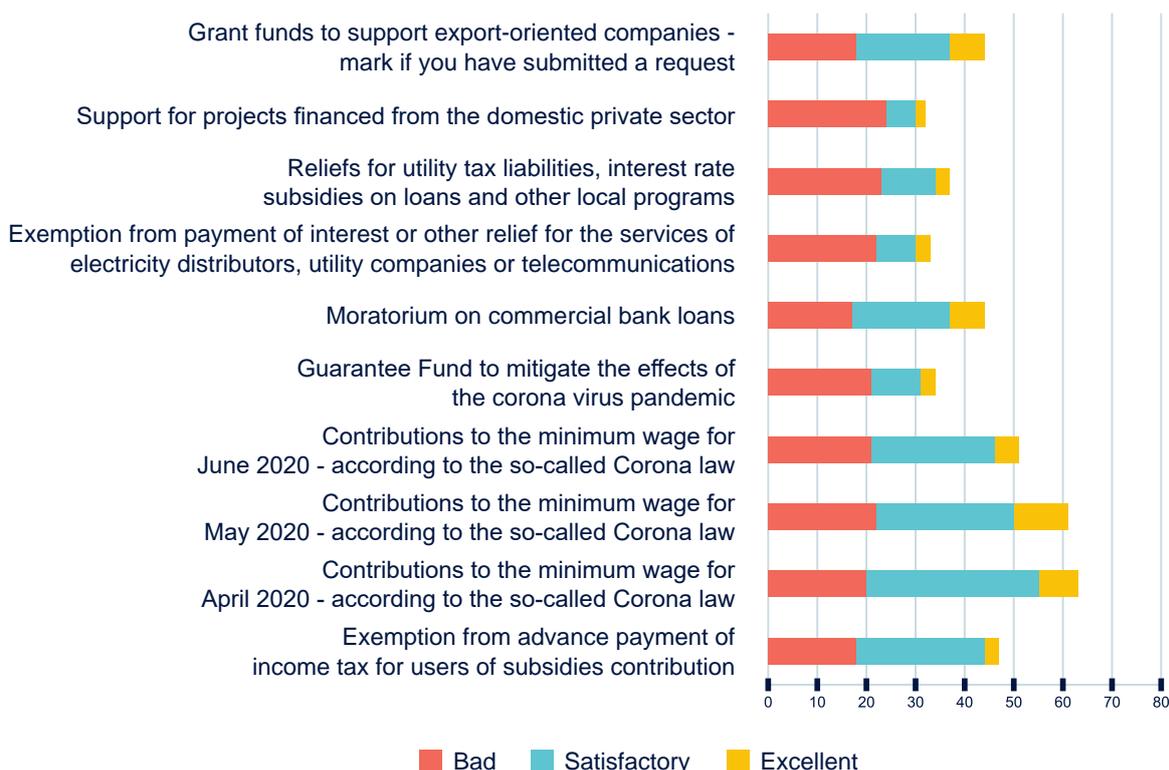
Among obtained sectors that participate in the survey, construction is probably sectors that didn't suffered and have lot damage, due to the local elections that engage many construction companies.

**Graph 1:** If you answered NO, what is the reason for that?



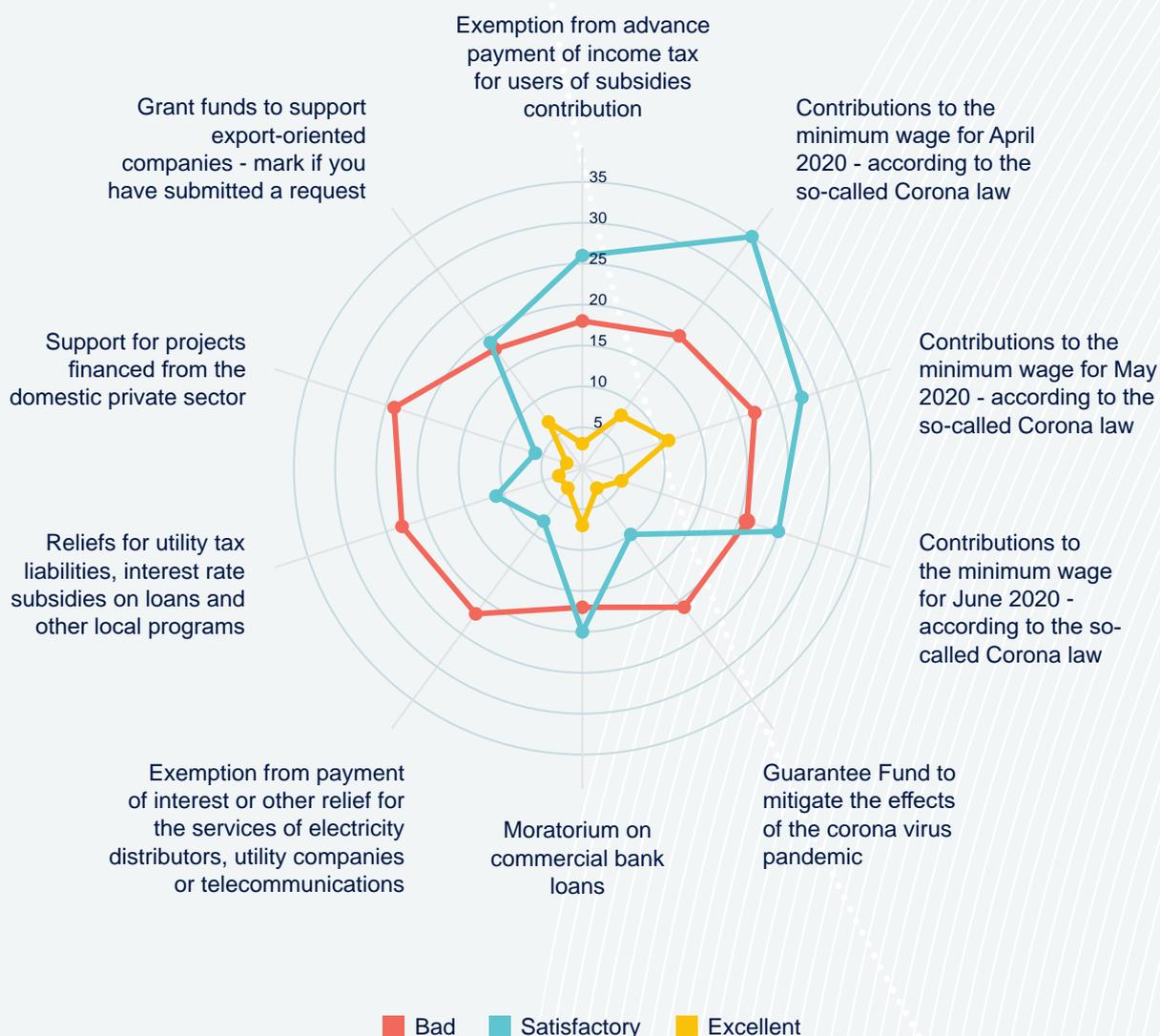
Business entities that were beneficiary of the pandemic consequences mitigation support are pleased to mark measures that they have used and evaluate their effect, Graph 2.

**Graph 2:** Please, mark the support measures you have used and evaluate their effect



Comparing all these quantities in terms of the satisfaction is shown in the Chart 7.

**Chart 7:** Evaluation of satisfaction level of support measures

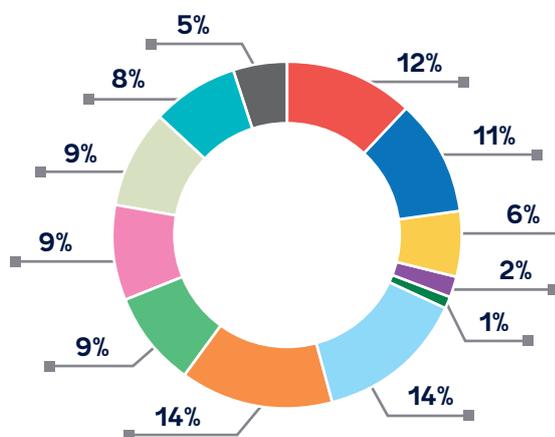


The highest level of satisfaction under variables „Excellent“ and „Satisfactory“ was recorded regarding the variables „Contributions to the minimum wage for April, May and June 2020 - according to the so-called Corona law“. However, this is minor compared to the dissatisfaction effects that are most pronounced with the variables: „Support for projects financed from the domestic private sector“, „Reliefs for utility tax liabilities, interest rate subsidies on loans and other local programs“, „Exemption from payment of interest or other relief for the services of electricity distributors, utility companies or telecommunications“.

Recognizing the urgency of the situation and effective response to economic entities in order to preserve

the economy and mitigate the consequences of the Covid-19 pandemic, Chamber of Economy of the Federation of Bosnia and Herzegovina established Crisis Headquarters of Businessmen which informed economic entities about all up-to-date information regarding the situation with Covid-19, was in daily touch with the business entities through phone, email, website and Facebook page, as well as urgently reacted to the Federal Civil Protection Administration, but also to the state Governing Structures and all other lower levels of Government. Chart 8. shows activities of Chamber of Economy and the Crisis Headquarters of Businessmen that respondent evaluate as most useful.

**Chart 8:** Which activities of the Chamber of Economy of the Federation of B&H carried out to mitigate the effects of the pandemic do you find useful?



- Analysis of the effects of the pandemic on business in FB&H
- Establishment of the Crisis Staff of Businessmen of the Chamber of Economy of FB&H
- Adoption of proposals for mitigation measures Covid-19
- Advocacy for mitigation / abolition of crisis staff measures, especially work bans
- Up-to-date and complete informing of businessmen (direct email communication, telephone, website, Facebook page)
- Creating proposals for measures to support the economy in order to mitigate the effects of the pandemic on the economy
- Cooperation with the Government of FB&H to propose measures to support the economy
- Cooperation with the Council of Ministers of B&H in order to submit proposals for facilitating the flow of passengers and goods
- Cooperation with the Ministry of Foreign Trade and Economic Relations of B&H in order to initiate the adjustment of measures of neighboring countries that negatively affect the foreign trade of B&H
- Support for private sector projects aimed at facilitating business in a pandemic
- Additional promotional activities of the project "Buy local"
- None of the above

Among all mentioned activities, the highest number of respondents, (14%) said that „Cooperation with the Government of FB&H to propose measures to support the economy“ and „Creating proposals for measures to support the economy in order to mitigate the effects of the pandemic on the economy“ was the most useful, then 12% evaluate „Analysis of the effects of the pandemic on business in FB&H“, while 11% of them said „Establishment of the Crisis Staff of Businessmen of the Chamber of Economy of FB&H“ were most useful activities of Chamber of Economy of Federation of Bosnia and Herzegovina.



Photo credit: <https://pixabay.com/photos/caves-outdoor-landscape-mountains-6105662/>

## 2.2.2 Digital Technologies

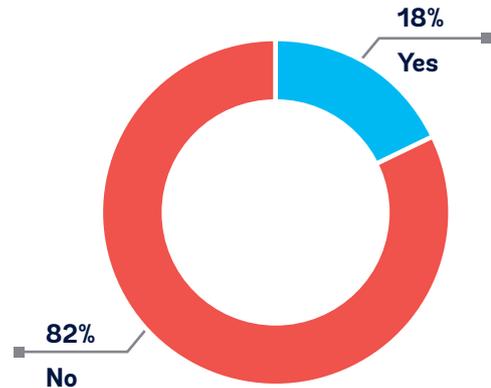
Appearance of Covid-19 in the Federation of B&H bring a new way of doing business, focused on online tools. Unfortunately, before pandemic small number of business entities used digital technologies. This situation further complicates the situation, which now requires a quick response in adapting to online business. Knowing the situation before the pandemic Covid-19, and temporary need for doing business online, business entities were asked “Are you able to do business online using digital technologies?”

According to the research results, 82% respondents said that they are not able to do business online using digital technologies, which confirm above-mentioned statement, Chart 9.

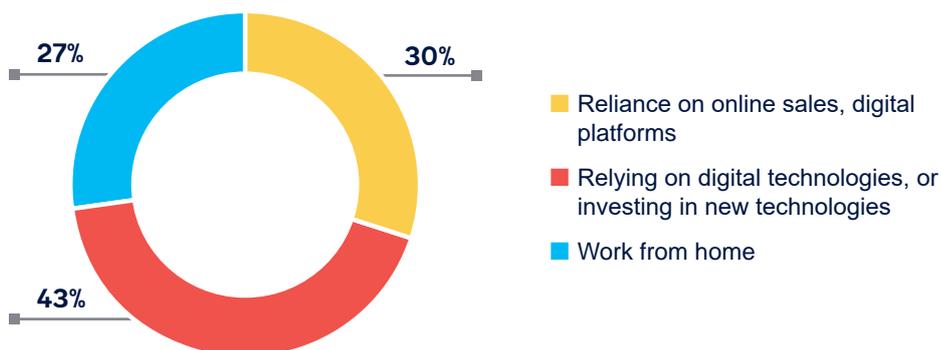
In addition, due to the speed of development of the situation, a small number of companies managed to provide the necessary support and a sufficient number of equipment on time, but the main problem is the previous non-use or ignorance of the use of digital technology for business purposes.

Companies that are able to use digital technologies (18% of them), said that they adjust in use of digital technologies based on: “Relying on digital technologies, or investing in new technologies” (43%), 30 % adjust on “reliance on online sales, and digital platforms”, while 27% adjust only on “work from home”.

**Chart 9:** Are you able to do business online using digital technologies?

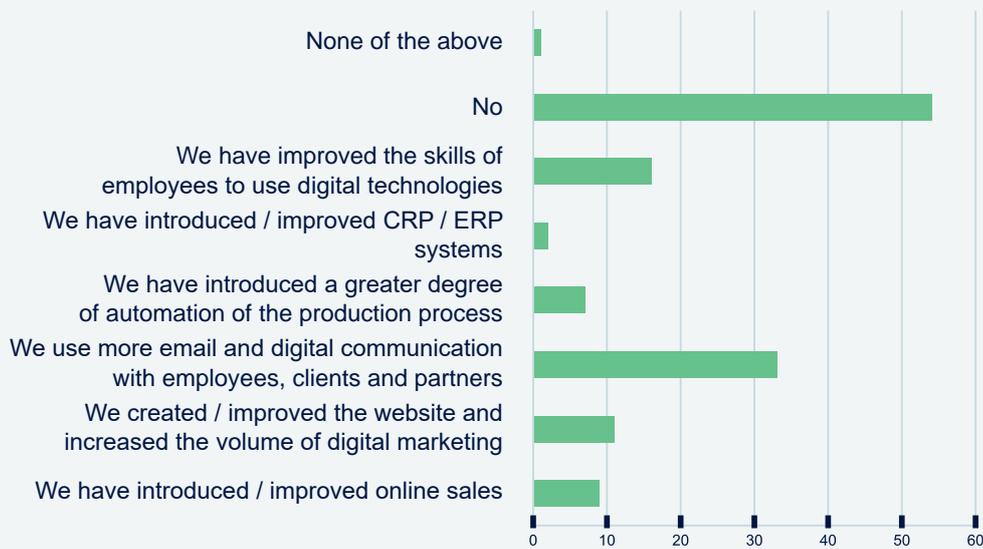


**Chart 10:** If YES, how did you adjust



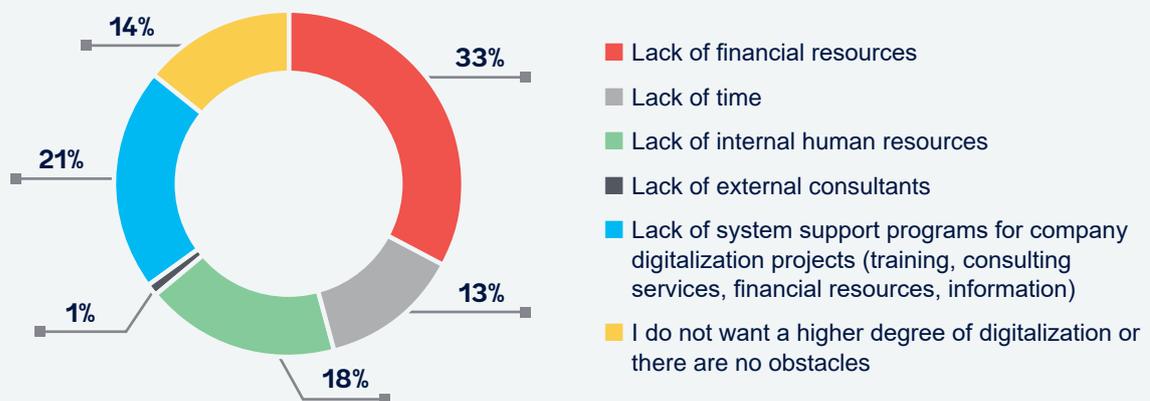
Unfortunately, most of respondents declared that they have not done any of activities to introduce or improve digital technologies in business due to the pandemic. The largest number of respondents said that they use more email and digital communication with employees, clients and partners in terms of digitalization, as well as that they improved skills of employees in a use of digital technologies. The minor number of respondents said that in terms of improving digitalization they created or improved the website and increased the volume of digital marketing, or have introduced / improved online sales and use more email, as well as that they introduced greater amount of production process, or increased CRP/ERP systems.

**Graph 3:** Have you introduced / improved digital technologies due to the pandemic



As the main obstacles for a higher level of digitalization in their business, examined sample (33%) find in lack of financial resources, 21% in lack of system support programs for company digitalization process (training, consulting services, financial resources, information), 18% of respondents find in a lack of internal human resources, while 14% of respondents said that they don't want higher step of digitalization or there is no obstacles. It is worrying that despite the Covid-19 crisis and all the attendant consequences, 14% of respondents said that they do not want a higher degree of digitalization or they find no obstacles in introducing/improving digital technologies in their business, and didn't do anything to improve digital technologies.

**Chart 11:** What are the obstacles to a higher level of digitalization of your business?

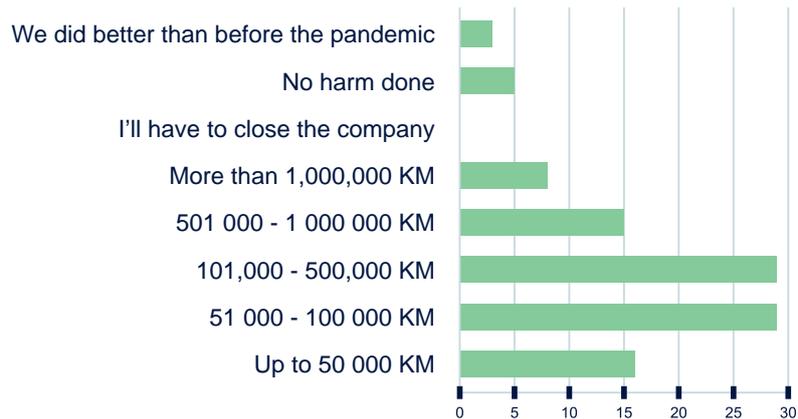


## 2.2.3 Financial Indicators

The sudden appearance of Covid-19, uncertainty in duration caused numerous problems right from the start for many companies, which results in numerous financial problems and difficulties for companies.

According to the research results most of the respondents said that the damage caused by the COVID-19 pandemic in their business is from 51,000 to 500,000 KM equally, following by up to 50,000 KM.

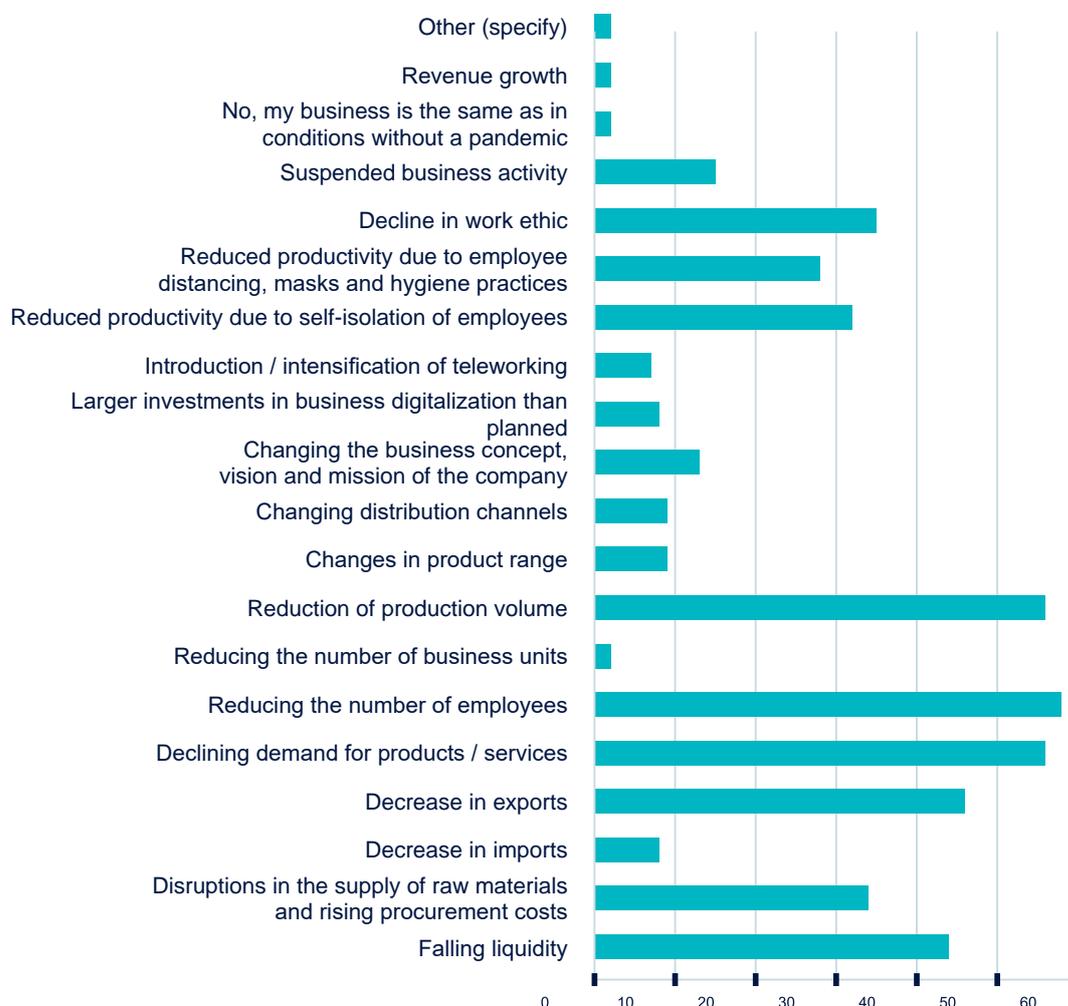
**Graph 4:** How much damage is caused by the COVID-19 pandemic in your company



Graph 5 shows the main consequences or changes or challenges in business of respondents due to the pandemic. Research sample rated reducing number of employees, declining demand for products / services, decrease in exports, reduction of production volume,

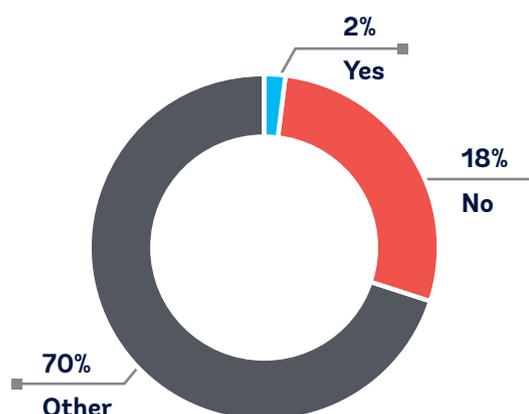
falling liquidity as main consequences/changes/ challenges in their business due to the pandemic. Rating of reducing number of employees as a main consequence is important to noted, because it consequently affects the whole economy.

**Graph 5:** What are the consequences / changes / challenges in your business due to the pandemic?



According to the above results and changes in doing business, that is full of uncertainty and unknowns, it results that business entities going in savings and hibernate mode. In support of this fact is that 70% of respondents said that loan indebtedness of their business entity didn't increased due to the pandemic. Despite the entire situation, there is some business (28%) that finds this crisis as an opportunity and use loans for investment of even for the recovery, so their loan indebtedness is increased.

**Chart 12:** Has the loan indebtedness of the business entity increased due to the pandemic?



## 2.2.4 Human Resources

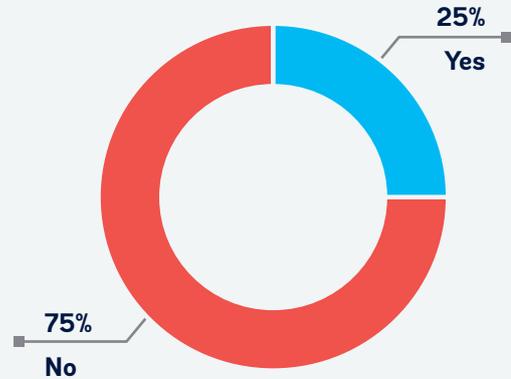
The consequences of the occurrence Covid-19, economic entities felt immediately after the occurrence of this virus and the proclamation of the state of the accident. Especially hard situation were for the business in the sector that have prohibition of work activities, due to the order of the Federal Headquarters of Civil Defense. As many businesses in this period was in path situation, without any business activities, it automatically reflects on position of employees and their reduction.

The above Chart 12 is confirmed, as participated in this survey, them 75% said that they reduce the number of employees in response to the declaration of a state of emergency.

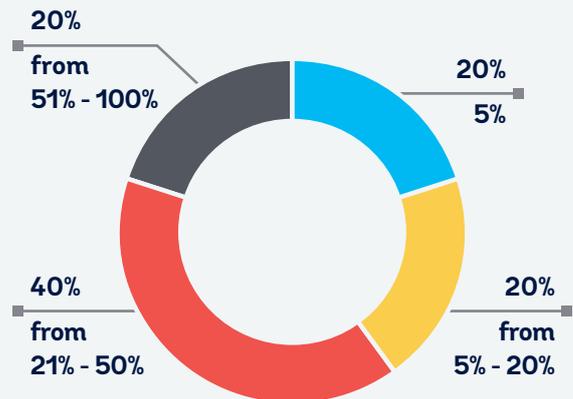
Among the companies that made reduction in number of employees, them 40%, said that percentage of reduction of employees is going mostly from 21% - 50%, while all others respondents 20% made equally reduction in number of employees by 5%, following from 5% -20%, and from 51% -100%.

The data shown above were recorded in the first wave of the Covid-19 pandemic, so research sample is again asked to respond have they reduced the number of employees in the last four months. Research findings show that 72% of them said that they didn't reduce the number of employees in the last four months, which is encouraging fact.

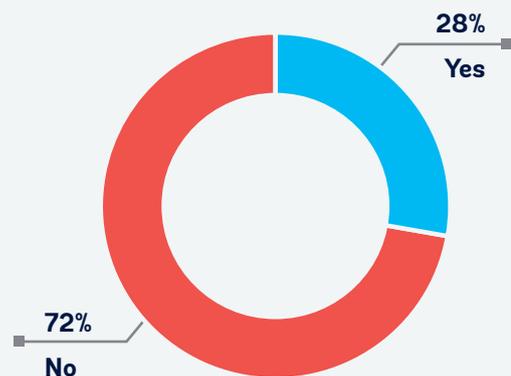
**Chart 13:** Did you reduce the number of employees in response to the declaration of a state of emergency?



**Chart 14:** Percentage of reduction of employees

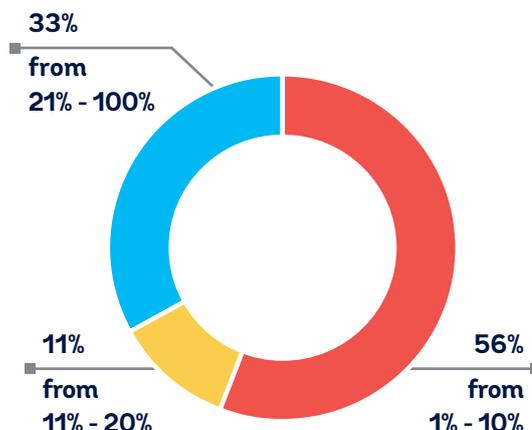


**Chart 15:** Have you reduced the number of employees in the last four months?



Percentage of reduction of employees in the last four months is going from 1% - 10% for 56 % of respondents, for 33% of respondents percentage of reduction of employees in the last four month is from 21% - 100%, and from 11% - 20% for 11% of research sample, Chart 16.

**Chart 16:** Percentage of reduction of employees in the last four months



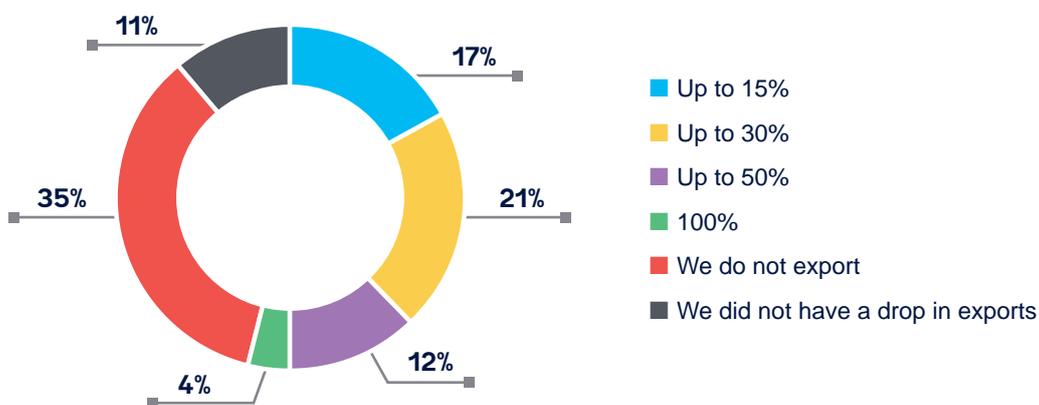
## 2.2.5 State of Business

Closure of state borders, breaking the supply chain, closing of factories, prohibition in work, and in general lockdown in many states, affect business entities, especially those who exports.

In order to understand in which measure they have a drop in export due to the pandemic, they were ask

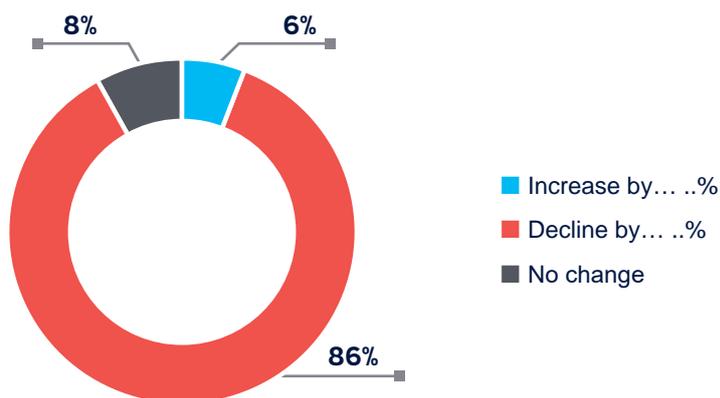
to clarify about this question. The largest number of respondents (35%) said that they don't export, while among those who do, the largest number of respondents (21%) said that export fall up to 30%, following by 17% of respondents that have up to 15% fall in exports. Only 4% of respondents have 100% fall in exports.

**Chart 17:** If you export, to what extent has there been a drop in exports due to the pandemic?



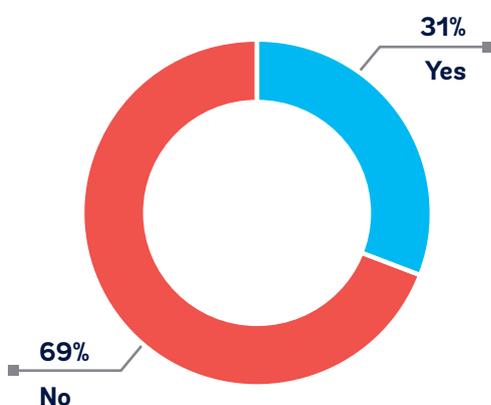
According to the all situation caused by Covid-19, mostly respondents (86%) record decline in sales in the last three months compared to the same period last year, while only 6% of respondents have some increased sales in the last three months compared to the same period last year. Although respondents who said that they record decline in sales, 69% of them said that decline is going from 1% - 50%, while higher decline have 31% respondents.

**Chart 18:** What is the percentage change in sales in the last three months compared to the same period last year?

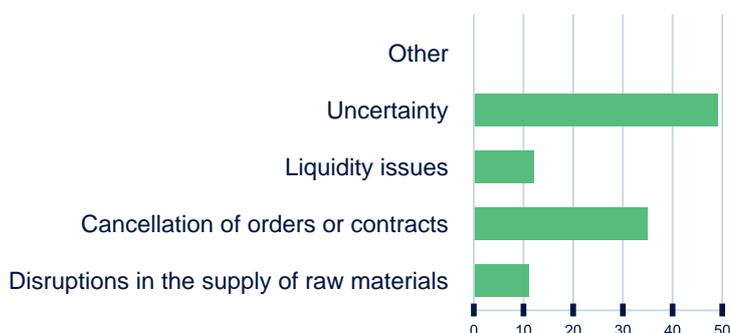


Unfortunately, 72% economic entities that participate in this survey didn't feel any stabilization of their business in the last four months. As the main reason for this situation they find in the uncertainty, cancellation of orders or contracts and liquidity issues, as shown in Chart 19. and Graph 6.

**Chart 19:** Has there been a stabilization of business in the last four months?



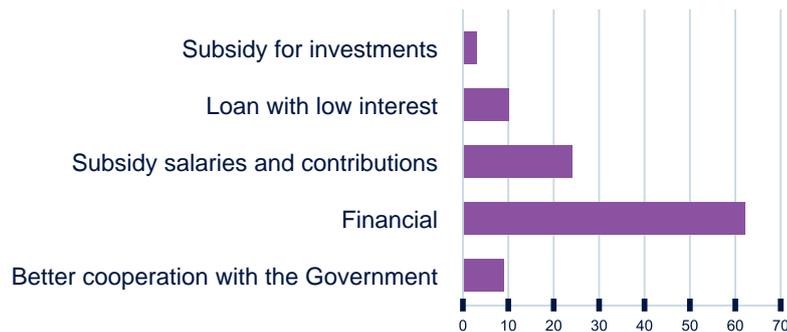
**Graph 6:** Reasons for business instability in the last four months



## 2.2.6 Suggestions of business entities

When asked to what kind of support or next measures from the governing structures would suit to their business the most, respondents suggest mostly on financial support, followed by subsidy salaries and contributions, then loans with low interest, as well as better cooperation with the Government, and subsidy in investments.

**Graph 7:** In particular, what kind of support from the governing structures would suit your business the most?



In addition to financial support, suggestions of business entities in terms of best solution in short term are related to opening borders, education, normalization of working hours, providing free treatment and testing of tourists in B&H.



## 3.0 CONCLUSIONS AND RECOMMENDATIONS

### 3.1 CONCLUSIONS

Aim of the conducted survey and focus group is to better understand the impact of the pandemic Covid-19 on economy of the Federation of Bosnia and Herzegovina. Furthermore, goal is of the analysis of the research findings is to evaluate the Government support and to understand concrete measures that will help to business entities to overcome temporary situation and accelerate the recovery process.

This analysis is of the special importance because business entities participated again in the research, 10 months after the Covid-19 appear in Bosnia and Herzegovina. Thanks to the repeated research it is possible better to understand situation, because business entities have enough time to analyze their business situation and overcome the first fear and shock.

The impact of the virus was felt in all sectors of industry, especially in the metal, wood, textile, tourism and automotive industry. In support to this statement is research findings where 82% of respondents answer positive about the negative impact of Covid-19 on their business.

10 months after the first appearance of the Covid-19 virus in BiH, business entities were asked to evaluate the Government support, and express the level of satisfaction. The highest level of satisfaction under variables „Excellent“ and „Satisfactory“ was recorded regarding the variables „Contributions to the minimum wage for April, May and June 2020 - according to the so-called Corona law“. However, this is minor compared to the dissatisfaction effects that are most pronounced with the variables: „Support for projects financed from the domestic private sector“, „Reliefs for utility tax liabilities, interest rate subsidies on loans and other local programs“, „Exemption from payment of interest or other relief for the services of electricity distributors, utility companies or telecommunications“.



Photo credit: Freepik

At the same time in order to mitigate consequences of the pandemic Covid-19, it is necessary to adapt fast on „new normal“ in doing business, which is focused on online mode. Unfortunately, according to the research results, 82% respondents said that they are not able to do business online using digital technologies. As the main obstacles for a higher level of digitalization in their business, examined sample (33%) find in lack of financial resources, 21% in lack of system support programs for company digitalization process (training, consulting services, financial resources, information), 18% of respondents find in a lack of internal human resources, while 14% of respondents said that they don't want higher step of digitalization or there is no obstacles. It is worrying that despite the Covid-19 crisis and all the attendant consequences, 14% of respondents said that they do not want a higher degree of digitalization or they find no obstacles in introducing/improving digital technologies in their business, and didn't do anything to improve digital technologies.

A particular challenge for these businesses are with the liquidity, reduction of number of employees, and decline in demand of the services.

Although, the urgent shift for the tourism sector should be on the higher level of the use of digital technologies. There is still insufficient use of digital tools in business, and the knowledge of employees. Also, a large number of companies have encountered insufficient IT equipment needed to operate. In support of the above data are research results, where 86% respondents said that they are not able to do business online using digital technologies. As the main obstacles to a higher level of digitalization in their business, examined sample (45%) find in lack of financial resources, 18% in lack of internal human resources, while 14% of respondents said that main obstacles is in lack of system support programs for

company digitalization projects (training, consulting services, financial resources, information). It is worrying that despite the Covid-19 crisis and all the attendant consequences, 14% of respondents said that they do not want a higher degree of digitalization or they find no obstacles in introducing/improving digital technologies in their business.

Research findings show that 72% of them said that they didn't reduce the number of employees in the last four months, which is encouraging fact, especially due to the fact that 75% of respondents have reduced number of employees in first period of appearance of Covid-19.

Unfortunately, 72% economic entities that participate in this survey didn't feel any stabilization of their business in the last four months. As the main reason for this situation they find in the uncertainty, cancellation of orders or contracts and liquidity issues, as shown in Chart 19. and Graph 6.

When asked to what kind of support or next measures from the governing structures would suit to their business the most, respondents suggest mostly on financial support.

In addition to financial support, suggestions of business entities in terms of best solution in short term are related to opening borders, education, normalization of working hours, providing free treatment and testing of tourists in B&H.

The research findings represent a quantitative basis for making further analysis, as well as proposing proposals and measures in order to mitigate the damage and provide adequate recovery support, as well as preventive action in the event of new emergencies and a new wave of Covid-19 virus in the Federation of Bosnia and Herzegovina.

## 3.2 RECOMMENDATIONS

According to the research result there is a need for a series of measures in order to mitigate the consequences and preventive action was noticed.

In this regard, the following recommendations are given:

- Continuation of financial support by Government to the most affected sectors
- Making a decision on postponing the payment of direct and indirect taxes to companies directly affected by the crisis until the end of the same
- Extension of a moratorium on the payment of loans to economic entities and their workers from the sectors affected by the consequences of the pandemic, as well as the provision of new loan arrangements under favorable conditions
- In accordance with Article 50 of the Law on Income Tax, enable taxpayers of income tax to cancel the monthly advance payment or changes during the tax period
- Enable, in accordance with Article 26 of the Labor Law, work outside the employer's premises, and equality in the treatment of workers at home with other paid workers
- Promoting and educating companies and employees on the application of digital technology
- Encouraging companies to strengthen the supply chain and alternative suppliers, relying on domestic suppliers
- Promoting and strengthening the domestic economy and tourism
- Encouraging consumption in order to accelerate the economy
- Opening borders for all tourists
- Safe travel badge for B&H
- Increasing competitiveness of companies through education on e-marketing, e-sales, cyber security
- Co-financing costs, such as costs of waiting workers, sick leave due to isolation and others, and due to the consequences of the crisis in order to sustain business and mitigate the current situation
- New approach of business oriented on e-marketing and in general strengthening marketing activities in order for faster opening companies to innovation and new markets
- Education of employees
- Providing support to business entities such as consulting services for e-marketing, e-finance, digitalization, cyber security
- Enable companies online B2B meetings, online fairs
- Develop Covid-19 hotline for emergency
- Develop platform that will contain all information regarding Covid-19 in one place in order to help business entities and avoid losing time on searching information



**Project:** "Improving the investment climate and access to markets"

**Contract no. 7198074**

The Chamber of the Economy of the Federation of Bosnia and Herzegovina and IFC within the project "Improving the investment climate and market access" conducted a focus group discussion (FGD):

**THE IMPACT OF THE COVID-19 ON THE ECONOMY OF  
THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**DISCLAIMER PAGE:**

Chamber of the Economy of the Federation of Bosnia and Herzegovina declare that this research is original work and has not been submitted before to any institution for assessment purposes.

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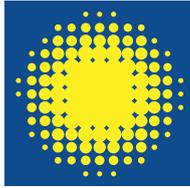
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CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

**FOCUS GROUP REPORT:  
THE IMPACT OF THE COVID-19 ON THE  
ECONOMY OF THE FEDERATION OF  
BOSNIA AND HERZEGOVINA**

Sarajevo, December 2020



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# 1.0 INTRODUCTION

The Chamber of the Economy of the Federation of Bosnia and Herzegovina within the project "Improvement of the investment climate and access to markets" in cooperation with the International Finance Corporation (IFC), organized an online focus group with representatives of the sectors of industry that are most affected by the current situation in order to better understand the problems with which they are facing as well as to get concrete answers about the support that business entities need in the recovery process.

Focus group is conducted to probe for qualitative information of the impact of the Covid-19 on economy sector in FB&H in a way that previous conducted survey isn't enough. Through a survey, with multiple and closed-ended questions participants feedback is limited in getting understandings about issues of the Covid-19 impact, governments' support and concrete recommendations in recovery of tourism sector.

Conducted focus group provide the opportunity to garner this more in-depth feedback through open-ended questions. They also allow for group interaction between members of the group, which may encourage participants to make connections to various concepts through the discussions that may not occur otherwise. This provide a more comprehensive understanding of what is being previous analyzed in survey.

The Focus Group Discussion (FGD) is compared to the findings from previous conducted quantitative research (survey) of the impact of the pandemic Covid -19 on the economy of the Federation of Bosnia and Herzegovina.

This Focus Group Report summarizes the key findings of the impact of Covid-19 on economy in the Federation of B&H, main issues, government support and provides concrete recommendation and conclusions in order to accelerate the recovery of the economy in the upcoming period.



Photo credit: Aida Lugic

## 1.1 Methodology

Due to the safety reasons and preventive prescribed measures, the Focus group discussion was held online.

Participants were introduced that the discussion will be recorded, but only for research purposes and it will be deleted once the data has been analyzed. As participants in the group, their names will not be noted in any other documentation than this which is also only for the research purpose.

The group is interviewed following a semi-structured format in that they opened with introductions and information sharing about situation overview of the impact of the Covid-19 on economy in FB&H. A transition questions were also asked to introduce the topic of the previous conducted research and to help participants discuss the issues on a broader scope.

Then specific questions were asked but not necessarily in the same order. This semi structured format was used to ensure that the key topic is better understood, discussed among all participants of the focus group, allowing free flowing discussion so that information can later be compared.

The findings from the focus group were analyzed using a thematic analysis approach. The first step in this analysis involved playing back the recordings of the focus group, while concurrently reviewing and enhancing the summary notes. Then, the key themes per research question were summarized and compared to the research findings from the survey, in order to better understand finding and get answers on questions regarding the main issues and recommendation in the mitigating consequences Covid-19 impact.

The main questions addressed to the participants of the focus group is to describe the impact of the Covid-19 on their business and economy in general, to analyses the government support as well as to get some concrete recommendation in further steps in a recovery process.

## 1.2 Participants

Recruitment of the focus group participants took into consideration a sectors of the metal, wood, textile and leather industry, construction, food, automotive and chemical industry - mix of gender, participants age and experience, company age and region.

The business entities involved in the focus group discussion were previously involved in the survey. Although, they are all familiar with the research topic, have a long-term experience, and agree to participate in the research.

In total, the focus group participated 8 business entities from the different sectors of the industry and from the different region of Bosnia and Herzegovina, in order to get a better situation understanding from all parts of the Federation of Bosnia and Herzegovina.

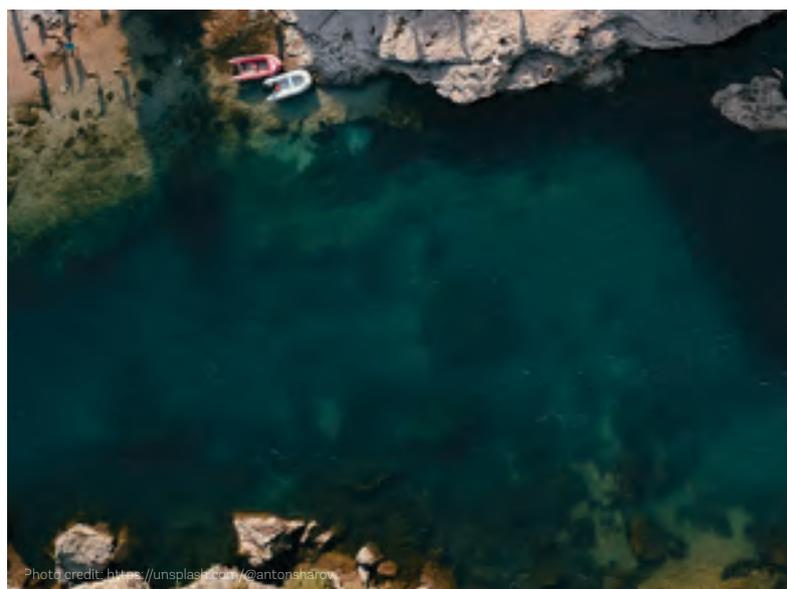
The processed sample of a focus group is a representative basis for the analysis of the impact of COVID-19 on the economy of the Federation of Bosnia and Herzegovina.

### **PARTICIPANTS:**

- 1. MR. KASIM KOTORIĆ** – POBJEDA D.D. TEŠANJ – Metal and Automotive Industry
- 2. MR. AMIR ĆORALIĆ** – EBI D.O.O. GORAŽDE – Metal and Automotive Industry
- 3. MR. FADIL SALIHOVIĆ** – BFM D.O.O. TRAVNIK – Leather and Footwear Industry
- 4. MR. ZDRAVKO VOJVODIĆ** – LIGNUM D.O.O. MOSTAR – Wood Industry
- 5. MR. ABAZ ALISPAHIĆ** – RM-LH D.O.O. – ZENICA – Construction Industry
- 6. MR. ADNAN BAJRAKTAREVIĆ** – GMC D.O.O. USORA – Construction and Metal Industry
- 7. MR. VEHAD HALILOVIĆ** – AS GROUP D.O.O. SARAJEVO – Food Industry
- 8. MRS. HALIMA ŠIŠIĆ** – BELIF D.O.O. TEŠANJ – Chemical Industry
- 9. THE CHAMBER OF COMMERCE AND INDUSTRY OF FBiH, SARAJEVO**
- 10. IFC REPRESENTATIVE, SARAJEVO**

## 2.0 KEY FINDINGS

In the following section represented are the key findings of the focus group discussion. Analyzed are: the main issues and challenges of the Covid-19 impact on the specifies sectors of industry and economy in general, support and evaluation of the government, concrete steps and measures in the recovery of the sectors and economy in the upcoming period.



### 2.1 Main Issues and Challenges of Covid-19 Impact

The appearance of the pandemic Covid-19 in the Federation of Bosnia and Herzegovina has caused numerous problems for business entities. The most common estimated financial damage per business entities going from 50,000 to 500,000 KM, depending from the company size and sector of industry. The impact of this virus on the business of economic entities was felt by all sectors. The most affected sectors of industry are: metal, automotive, wood, textile, tourism, construction, while food and chemical sectors even record an increase in production.

In addition, situation is more complex for the most affected sectors that are focused on export, foreign supply chains, and especial situation was complex duo to the prohibition for work as a certain security measures to prevent the spread of the virus.

As the health crisis turned into an economic one, their combined effect is set to leave deep scars across society.

Participants from the sector of metal, automotive, wood, textile, regardless agreed about the negative consequences of the Covid-19, financial damage, drop in export, production, breaking the supply chain and cancellation of orders as one of the main issues with which they faced. Construction sector

has lesser damage, due to the local elections, and their active engagement. Although food and chemical industries recorded slight increase, this is mostly linked to increased purchase of food and medical supplies and disinfectants due to stressful environment and citizens' fear.

One of the biggest issues of the affected sectors was closing of state borders and breaking of supply chains. Participants declare that in that times of the first shock, activity of the Chamber of Economy of Federation of Bosnia and Herzegovina helps them a lot in order to find alternative way of doing business and especially to influence the representatives of government in adoption and revision of preventive measures.

Despite all these problems, focus group participants indicated that they had no layoffs, although they know that some others had. At the same time, now 10 months after the first appearance of the pandemic Covid-19 in the Federation of Bosnia and Herzegovina, companies find alternative ways of doing business, thinking about new opportunities, alternative supply chains, reaching customers, and opening to new markets in order to foster the recovery and deal business under the „New normal“.



## 2.2 Government Support and Evaluation

All participants of the focus group expressed that they were beneficiaries of the government support which was provided under the so called „Corona law“. This support is mostly reflected in contribution in minimum wages in the previous months.

They find this kind of support useful, but not enough, especial in the first month of the appearance of the Covid-19, when they evaluate governments' support very slow. In general, participants express satisfaction related to the government support in covering minimum wages.

Regarding the negative marks for the government support, it is addressed in providing support only to export oriented companies. In addition many local companies that are not export oriented also have damages in their business operations, but they didn't have any kind of support from government.

In the meantime, business entities find that they have to find new innovative way by themselves in order to mitigate the consequences of the Covid-19. Regarding to the above-mentioned statement, companies refer on finding new investment opportunities, more precisely on new market niches through which they can overcome the damage.

In order to foster this intention and enable companies on new investment opportunities, they declare a strong need of a government support for provision of new loan arrangements under favorable conditions. In terms of loan under the favorable conditions, participants find important role of the international organization, funds and banks. Through this kind of support, not only business entities will achieve a „win“ position, but also in general whole economy to preserve GDP.

Interesting is that all participants find financial government support useful, but not the only which they need in order to mitigate temporary situation and recover as fast as it is possible. In addition, participants of the focus group said that education of employees in digitalization, e-marketing, e-sales, will help them a lot in adapting to the new way of doing business. Furthermore, participants find this kind of non-financial support at this moment mandatory for the recovery and accelerating economy again.

Support of the government should be more efficient and innovative in terms of adapting to the „New normal“ in doing business.

## 2.3 Recommendations and Next Steps

Despite the current situation in the country and the region, the participants expressed a positive attitude in the recovery, which they expect in the early spring of 2021.

In their opinion, concrete measures and recommendations are reflected in:

- Extension of the financial support
- Loan arrangements under favorable conditions
- Regulation of legislation and accompanying laws in order to remove existing barriers
- Digitalization;
- Strengthening the competitiveness
- Aggressive marketing promotion with special emphasis on a new type of promotion - online marketing
- Education of employees
- Finding new market opportunities;
- Online B2B meetings and e-Fairs in order to get in touch with new customers, partners, establish partnership, exchange information, networking;
- Opening borders
- Innovation
- Raising awareness and campaigns of local products

Summarizing, main focus of participants is not on the financial support, but on different kind of non-financial support. They still find useful financial government support, but at this moment non-financial support is also mandatory, especially in terms of digitalization.



## 3. CONCLUSIONS AND RECOMMENDATIONS

### 3.1 Conclusions

According to the survey results and the focus group discussion, the following conclusion is given:

This focus group discussion is of the special importance because business entities 10 months after the Covid-19 appear in Bosnia and Herzegovina give their broader picture of the temporary situation, evaluate the government support and give concrete measures that they need in the upcoming period in order to mitigate the consequences of the pandemic Covid-19.

The impact of the virus was felt mostly in all sectors of industry, especially in the metal, wood, textile, tourism and automotive industry. On another side construction, food and chemical have smaller impact of the Covid-19. The local elections are the main reason that construction was not under the impact of Covid-19 as other sectors of industries. Due to the situation understandable is the increase of the food and chemical industry.

Despite all these problems, focus group participants indicated that they had no layoffs, although they know that some others had. At the same time, now 10 months after the first appearance of the pandemic Covid-19 in the Federation of Bosnia and Herzegovina,

companies find alternative ways of doing business, thinking about new opportunities, alternative supply chains, reaching customers, and opening to new markets in order to foster the recovery and deal business under the „New normal“.

Regarding the government support, participants of the focus group said that they were users of the support under the so called „Corona law“. They find it useful, but in the upcoming period they express a strong need of a government support in a non-financial measures.

In this terms as well as a concrete measures in the upcoming period that will help them to overcome situation by Covid-19, participants emphasize a strong need for a education of employees, in digitalization, marketing, online B2B meetings and e-Fairs, and in general capacity building and increasing competitiveness. Of special importance is increasing awareness on local companies, and buying local brands in order to support economy.

Financial support is still needed, but now the accent is on non-financial support and laws regulation.



## 3.2 Recommendations

According to the research results and focus group discussion, there is a need for a series of measures in order to overcome temporary situation and accelerate the recovery process.

**In this regard, the following recommendations are given:**

### **FINANCIAL MEASURES:**

- Extension of the support in covering minimum wages
- Provision of new loan arrangements under favorable conditions
- Making a decision on postponing the payment of direct and indirect taxes to companies directly affected by the crisis until the end of the same
- Extension of a VAT refund for payments for uncollected receivables in all months for which the necessary documentation is available
- Regulation of legislation and accompanying laws in order to remove existing barriers and obstacles
- In accordance with Article 50 of the Law on Income Tax, enable taxpayers of income tax to cancel the monthly advance payment or changes during the tax period

### **NON-FINANCIAL MEASURES:**

- Encouraging consumption
- Digitalization;
- Strengthening the competitiveness
- Aggressive marketing promotion with special emphasis on a new type of promotion - online marketing
- Education of employees
- Finding new market opportunities;
- Online B2B meetings and e-Fairs in order to get in touch with new customers, partners, establish partnership, exchange information, networking;
- Opening borders
- Innovation
- Raising awareness and campaigns of local products



Photo credit: <https://unsplash.com/@majorr>

## 4. APPENDIX

### 4.1 Moderator's Guide

#### MODERATOR:

**Mrs. Anela Karahasan,**  
Chamber of Economy of the  
Federation of Bosnia and Herzegovina;

#### PURPOSE

Chamber of the Economy of the Federation of Bosnia and Herzegovina within the project “Improvement of the investment climate and access to markets” in cooperation with the International Finance Corporation (IFC), organized this online focus group related to the impact of Covid-19 on economy sector.

The main thing we are interested in today is hearing from you, the experts, about your ideas, opinions, and concerns as they relate to doing business, government support and evaluation of it during the pandemic Covid-19, as well as to get concrete steps and measures that will help in overcoming temporary situation and accelerate recovery. Your participation in today's focus group will help us gain valuable information and better understanding of the previous research results.

#### GREETING

Welcome and thank you for being here today. We really appreciate you taking the time to participate in this research project. My name is Anela Karahasan, and I will be the moderator for our discussion.

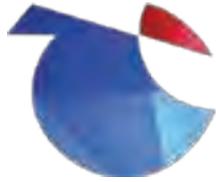
#### HOW TO PARTICIPATE

Today you will be participating in a focus group. This will be a group discussion. It's not an interview where I ask a question and each person answers the question and we move on to the next one. Instead, we'll be putting topics on the „table“ and the idea is for everyone to participate in the discussion with each other. It's particularly helpful if somebody says something and you're sitting here thinking, “Yeah, that's sort of the way I think about it or feel about it” and you share that. We also want to hear from you if you are thinking, “NO, that's not the way I do it. That's not how I think about it.” We want to hear both similarities and differences within the group. There are no right or wrong answers to these questions.





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ПРИВРЕДНА КОМОРА РЕПУБЛИКЕ СРПСКЕ  
**ПОДРУЧНА ПРИВРЕДНА  
КОМОРА БАЊА ЛУКА**

**ANALYSIS OF THE EFFECTS  
OF THE PANDEMIC ON BUSINESS IN  
REPUBLIKA SRPSKA**

Results of the survey questionnaire  
and sectoral focus groups

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# I RESULTS OF THE SURVEY QUESTIONNAIRE

Within the project “Improvement of the investment climate and market access in BiH” of the International Finance Corporation, the Chamber conducted a survey of economic entities in the RS. The purpose of the questionnaire is to update the needs of the private sector in order to define recommendations for private sector support, ie to present to the authorities and international financial institutions an initiative for additional support to economic entities whose business is limited by the epidemic that is still ongoing.

This is a subsequent analysis that followed the analysis of the effects of the Covid-19 pandemic on business in the RS economy conducted by the Chamber of Commerce in cooperation with IFC in the second quarter of 2020. Based on the answers in the questionnaires, the Chamber initiated measures and subsidies which were then introduced by the competent institutions in order to reduce the effects of the lock down in the first months of the pandemic.

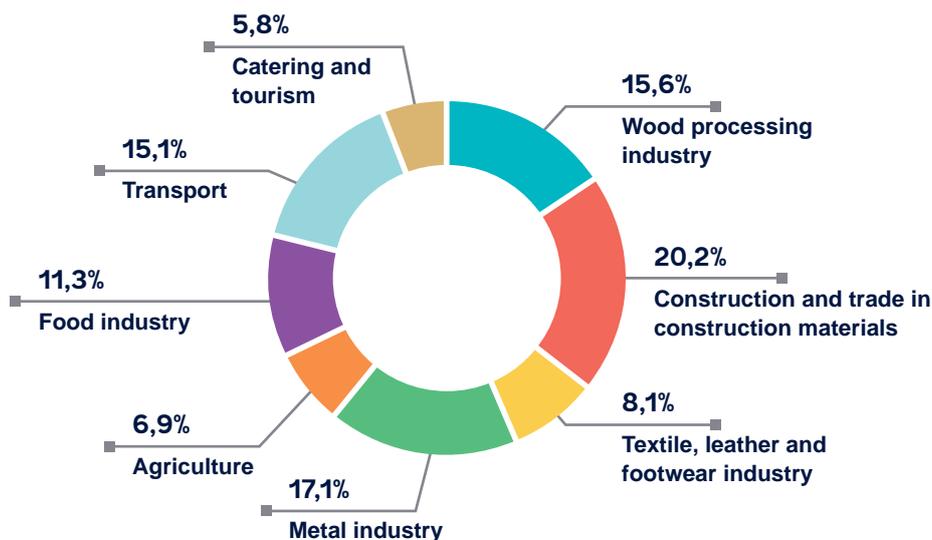
The survey was conducted on 655 respondents in Republika Srpska in October and November 2020, and the survey was primarily used for a detailed analysis of topics by sectoral focus groups in order to formulate recommendations for mitigating and overcoming the crisis caused by the Covid-19 pandemic.



Photo credit: Freepik

## 1. Overview of respondents who completed the questionnaire by sectors

Sector	Number of companies
Wood processing industry	102
Construction and trade in construction materials	132
Textile, leather and footwear industry	53
Metal industry	112
Agriculture	45
Food industry	74
Transport	99
Catering and tourism	38
<b>In total</b>	<b>655</b>



The structure of the number of completed questionnaires in this research is approximately in line with the structure of the economy of Republika Srpska. Observed by sectors, which were in the focus of this study, the largest number completed questionnaires arrived from the construction sector and the trade of construction materials (20.2%), although this sector

has not been significantly affected by the pandemic. Despite the fact that the catering and tourism sector suffered the most damage during the pandemic, the smallest number of completed questionnaires arrived from this sector (5.8%), but which is in line with the share of this sector in the structure of the economy according to the number of business entities.

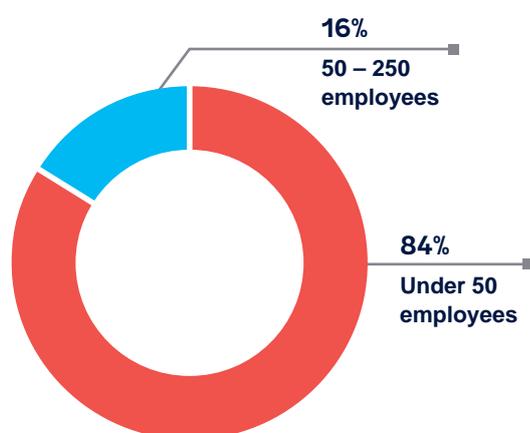
## 2. Overview of respondents according to the regional division

Region	Number of companies
Banja Luka	377
Bijeljina	81
Doboj	65
East Sarajevo	75
Trebinje	57
<b>In total</b>	<b>655</b>

Observed according to the regional division, the structure of the received questionnaires is proportional to the structure of the total economy of Republika

Srpska. Respondents from the Banja Luka region completed 58% of the questionnaires, while the Trebinje region has a share of 9%.

### 3. Overview of respondents according to the number of employees

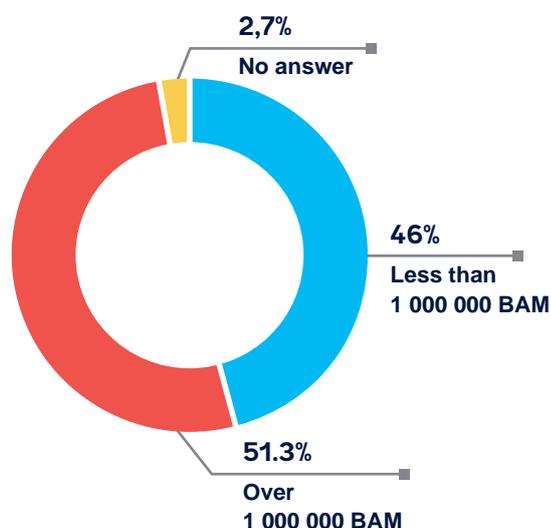


<b>less than 50 employees</b>	<b>547</b>
Yes (pandemic mitigation support beneficiary)	288
No (pandemic mitigation support beneficiary)	259
<b>from 50 to 250 employees</b>	<b>108</b>
Yes (pandemic mitigation support beneficiary)	59
No (pandemic mitigation support beneficiary)	49
<b>In Total</b>	<b>655</b>

Observed according to the number of employees, it is evident that micro and small companies suffered the most damage. The results of the survey show that the largest percentage of them filled out the questionnaire and were beneficiaries of support to reduce the effects of the pandemic on business;

which is again in line with the structure of the overall economy. Of the total number of medium-sized companies that completed the questionnaire, 55% were support beneficiaries, while the remaining 45% did not use support.

### 4. Overview of respondents according to the total income generated in 2019

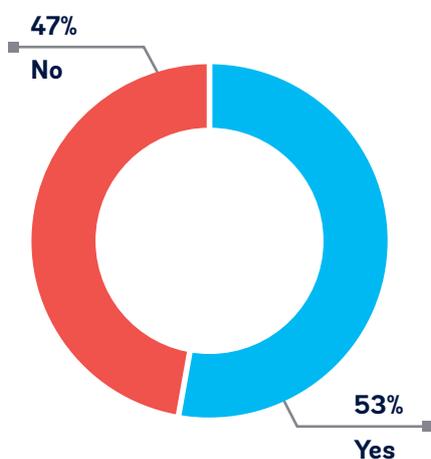


<b>less than 1,000,000 BAM</b>	<b>301</b>
Yes (pandemic mitigation support beneficiary)	168
No (pandemic mitigation support beneficiary)	133
<b>more than 1,000,000 BAM</b>	<b>336</b>
Yes (pandemic mitigation support beneficiary)	169
No (pandemic mitigation support beneficiary)	167
<b>No replies</b>	<b>18</b>
Yes (pandemic mitigation support beneficiary)	10
No (pandemic mitigation support beneficiary)	8
<b>In Total</b>	<b>655</b>

<b>less than 1,000,000 BAM</b>	<b>301</b>
<b>Yes (pandemic mitigation support beneficiary)</b>	<b>168</b>
less than 50 employees	167
from 50 to 250 employees	1
<b>No (pandemic mitigation support beneficiary)</b>	<b>133</b>
less than 50 employees	131
from 50 to 250 employees	2
<b>more than 1,000,000 BAM</b>	<b>336</b>
<b>Yes (pandemic mitigation support beneficiary)</b>	<b>169</b>
less than 50 employees	112
from 50 to 250 employees	57
<b>No (pandemic mitigation support beneficiary)</b>	<b>167</b>
less than 50 employees	121
from 50 to 250 employees	46
<b>No replies</b>	<b>18</b>
<b>Yes (pandemic mitigation support beneficiary)</b>	<b>10</b>
less than 50 employees	9
from 50 to 250 employees	1
<b>No (pandemic mitigation support beneficiary)</b>	<b>8</b>
less than 50 employees	7
from 50 to 250 employees	1
<b>In Total</b>	<b>655</b>

Observed according to the amount of total income generated in 2019, 336 companies (51.3%) with income of more than one million did not fill in the questionnaire, of which 169 (50.3%) stated that they used support. Eighteen companies in the questionnaire did not want to comment on the issue related to the amount of realized total income.

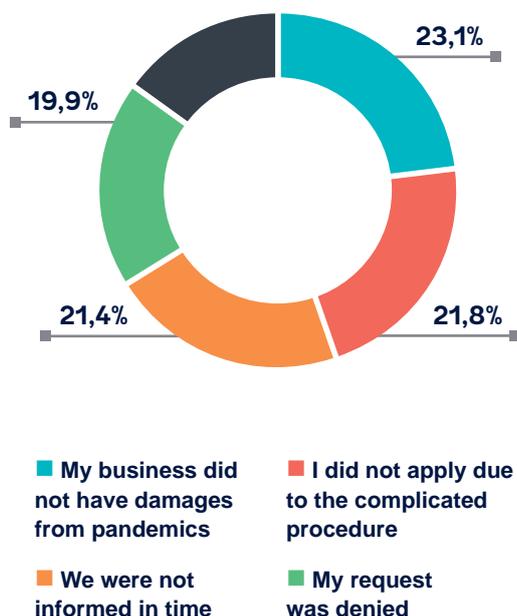
## 5. The structure of the answer to the question “Have you used support to reduce the effects of the pandemic on business”?



Out of the total number of completed questionnaires, 347 respondents stated that they used support to reduce the effects of the business pandemic, while 308 of them stated that they did not use support.

In the previous overviews of the structure of responses according to the number of employees and the amount of total income, an overview of the number of support beneficiaries according to the stated criteria is given. Taking into account the number of employees and the amount of total income, it is evident that the largest number of support beneficiaries, 167 of them, are companies that employ less than 50 employees and generate total income of less than one million convertible marks.

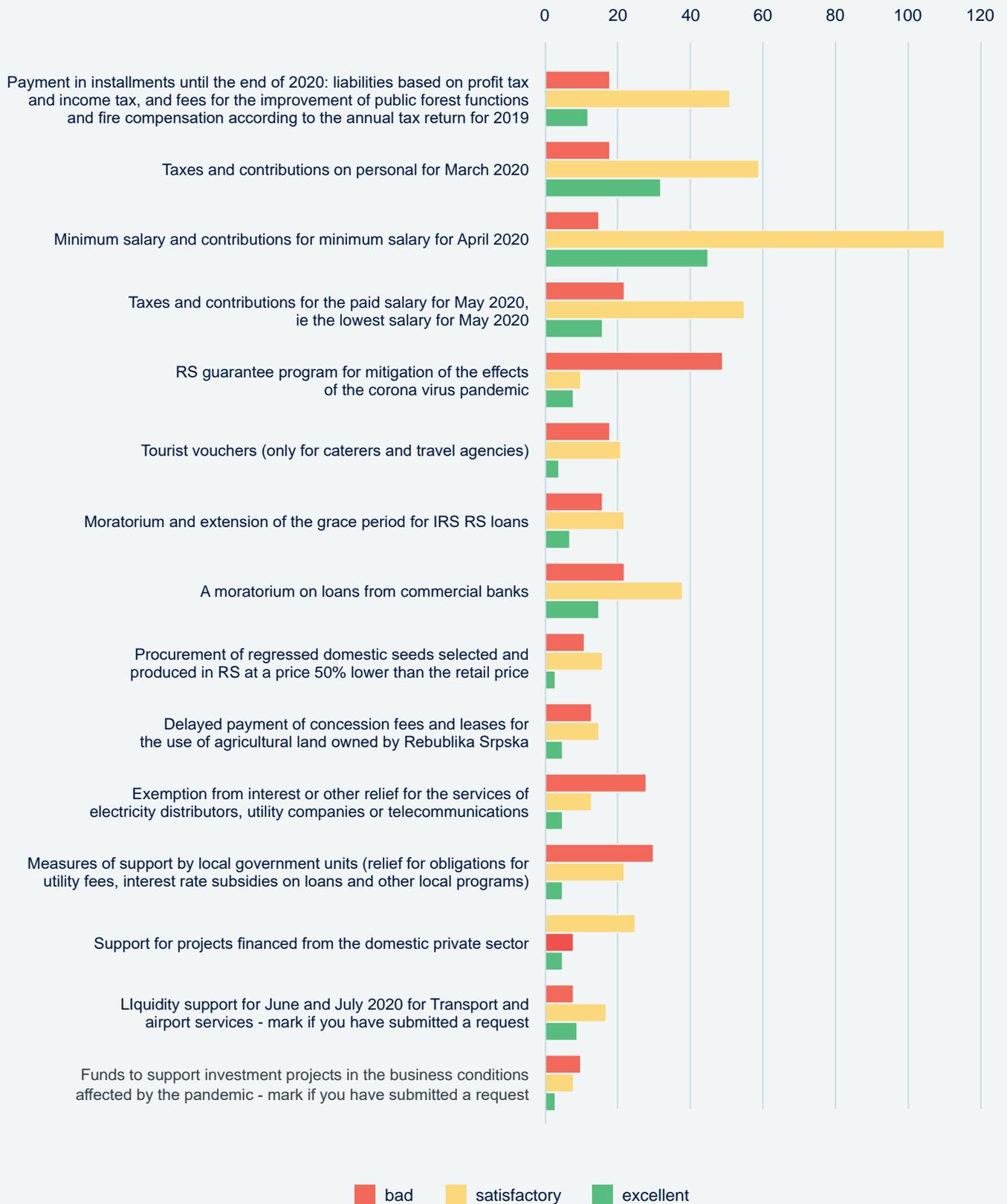
## 6. If you did not use support, what is the reason for that?



Regarding the reasons for not being a beneficiary of pandemic mitigation support, four responses dominate. With 23.1% share, most common answer is “My business did not suffer any damage”. However, the conversation in response to this in focus groups meetings show that this percentage is lower - the respondents did not supply an adequate response by the appearance that the damages are minor and short term. 21, 8% of respondents pointed out that they did not submit the request because the submission process was complex and unclear, but the significant part of the respondents, 21.4%, said that they were not well informed. These two factors can be put in direct correlation and one causes the other, but one needs to take into account the fact that the digital platforms and tools are used in a small number of companies; 19.9% of respondents stressed that their application is rejected because they did not meet the requirements for obtaining aid.

## 7. Evaluate the support measures you have used!

	Bad	Satisfactory	Excellent
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	18	50	11
Taxes and contributions on personal income for March 2020	18	59	32
Minimum salary and contributions for minimum salary for April 2020	15	110	45
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	24	53	16
RS guarantee program for mitigation of the effects of the corona virus pandemic	48	9	7
Tourist vouchers (only for caterers and travel agencies)	18	22	2
Moratorium and extension of the grace period for IRS RS loans	16	23	6
A moratorium on loans from commercial banks	24	38	15
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	11	15	2
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	13	14	3
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	26	12	3
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	28	23	3
Support for projects financed from the domestic private sector	22	7	3
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	7	15	8
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request	11	7	2



When it comes to the evaluation of the measures used and the level of satisfaction, the results indicate a uniform level of aid adequacy: 445 responses prove that the aid is satisfactory, which is 50.6% of the total 902 responses. In addition, 158 responses were that the measures were excellent and 299 responses that the measures were poor in all segments. Such a large number of answers and results was possible because the questionnaire provides the possibility of multiple answers. If we take into account the fact that there were respondents who did not give an answer, because they did not use the help or due to delays and non-fulfillment of conditions for help were in a position not to be beneficiaries, we see that help was predominantly satisfactory and two items were rated the highest: help for salary paid in May 2020 - support in the form of a minimum wage in May 2020, and subsidies for taxes and contributions in March 2020 and a moratorium on loans to commercial banks. This shows that financial forms of aid dominate as

the best support to the economy, which indicates a decrease in economic activity, production and sales, and chronic illiquidity of the economy in all segments. A measure which has the most negative grades is functioning of Guarantee program of RS for mitigation of the effects of pandemic and the lack of a measures of the local community in the form of impairment related to utilities (e.g., material costs) and grants. Therefore, most businessmen are complaining about the inability or insufficient reduction of municipal taxes, then the reduction of electricity price by the Elektroprivreda RS and the like.

From this point of view nonfinancial measures are also definitely needed in order to generate financial benefits for economy to maintain liquidity and business functions. Unfortunately, these other measures are affecting the stability of local communities and distributors of electricity in terms of their budget deficits.

## 8. What activities of the Chamber of Commerce carried out to mitigate the effects of the pandemic do you find useful?

Analysis of the effects of the pandemic on business in Republika Srpska	285	43.5%
Analysis of the effects of crisis team measures on business in Republika Srpska	114	17.4%
Advocacy for mitigation/abolition of crisis team measures, especially business lock downs	254	38.8%
Up-to-date and complete informing of businessmen (direct e-mail communication, telephone, website, Facebook page) about news related to business in a pandemic	267	40.8%
Creating proposals for measures to support the economy in order to mitigate the effects of the pandemic on the economy (eg reduction of national and utility taxes, utility price subsidies, etc.)	372	56.8%
Cooperation with the Ministry of Foreign Affairs in order to initiate the adjustment of measures of neighboring countries that negatively affect the foreign trade of BiH	121	18.5%
Support for private sector projects aimed at facilitating business in a pandemic	294	44.9%
Additional promotional activities of the project "Naše je bolje/Ours is better"	138	21.1%
None of the above	74	11.3%
No replies	5	0.8%

When it comes to evaluating the work of institutions in specific segments, we measured the contribution of the work of the Chamber of Commerce of the Republic of Srpska as an aid in overcoming and mitigating the effects of the pandemic.

The answers we have offered are dominated by a positive attitude towards the main platform of the chamber system which is the creation of proposed measures for the support to companies by the relevant authorities of the local community, entity and state, based on previous research in cooperation with the International Finance Corporation.

This option was positively assessed by 372 respondents, which is 56.8% of the total answers. Then, there is support to private sector projects, 294 positive responses, or 44.9%, and promptly and competently informing of businesses on all the news, different levels of government directives and

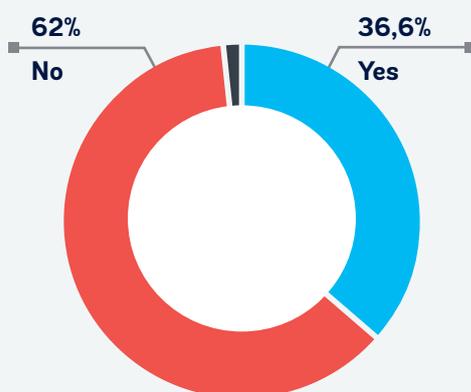
recommendations to overcome all kinds of problems faced by businessmen during 2020, which brought 294 positive responses or 40.8%. It should be noted that IT platforms and digital services were used for which was praised by the part of the respondents because the chamber system has adapted to some extent to modern services that are efficient, fast and certainly safe from an epidemic point of view. It is interesting that promotional activity “Naše je bolje/Ours is better” has only 138 likes (question number 10) – indicating that short-term measures are valorized higher than those that will bring benefits after the pandemic, positively affecting the growth of domestic production and consumption. It is on these measures we need to insist and invest in these activities, the increase in awareness about the consumption of local products and creating habits that domestic and imported goods are equal.

## 9. What are the effects/changes/challenges in your business due to the pandemic?

Liquidity decline	325	49.6%
Disruptions in the supply of raw materials and increase of procurement costs	201	30.7%
Reduction of imports	82	12.5%
Reduction of exports	217	33.1%
Falling demand for products/services	405	61.8%
Reducing the number of employees	193	29.5%
Reducing the number of business units	22	3.4%
Reduction in production volume	23	35.6%
Product range change	28	4.3%
Change of distribution channels	31	4.7%
Changing the business concept, vision and mission of the company	99	15.1%
Higher investments in business digitalization than planned	33	5.0%
Introduction/intensification of work from home	30	4.6%
Reduced productivity due to self-isolation of employees	190	29.0%
Reduced productivity due to employee distancing, masks and hygiene practices	175	26.7%
Decline in work motivation	212	32.4%
Suspended business activity	97	14.8%
No, my business is the same as in a pandemic-free environment	24	3.7%
Revenue growth	21	3.2%
Other	4	0.6%
No replies	47	7.2%



## 10. Were credit debts of the business entity increased due to the pandemic?



When we analyze the most significant effects in the business of the economy due to the pandemic at this stage in relation to the beginning of the pandemic, we can say that we linked questions 10 and 11 in one comment because they are a cause-and-effect.

The largest number of respondents, 61.8% of them or 405 responses stated the problem of falling demand for products and services, as and in the first survey in the first quarter of 2020 was the case. Unfortunately, a new interruption due to an increase in number of patients indicates that domestic and foreign demand decreases, especially when it comes to the manufacturing sector and the catering and tourism. When we single out the answer “decline in production volume” which was chosen by 233 respondents or 35.6%, it is clear that these two questions that are directly related indicate a decrease in economic



activity. Here, important factors are also decline in labor productivity due to distancing and hygiene measures that hinder the normal continuity of work and workers' isolation carries 29% of responses to the question what are the biggest challenges in the work. Unfortunately, work from home interferes 4.6% respondents, which is a minor percentage, but indicates that it is not possible to introduce a remote work in all sectors. Definitely a different and most important factor is vulnerability of liquidity as it was outlined in 49.6% of the responses which suggests that the insolvency is the biggest threat to the survival and continued operation of the economy. The same fears were highlighted and the survey in April 2020. It should be emphasized that the effects and challenges are also noticeable in the sphere of impossibility of export and its decline, which is indicated by 33.1% of responses.

Only 24 responses or 0.6% of the total number of responses emphasized that they had no impact on business due to the pandemic, which is negligible and refers to design services in construction and mostly in the IT sector in software production and similar services.

An interesting response that indicates the non-economic impact on the functioning of the economy is a social and sociological problems caused by the condition of the society the decline of enthusiasm in the work, which affects the ability of workers or the economy. Namely, 212 answers or 32.4% of the total number of answers indicate this phenomenon as factor that negatively affects the business. This problem was not measured in the survey in April 2020, and can be very significant in the period in overcoming the problem and after the end of the epidemic.

Analyzing question number 10, the logical sequence of analysis is the question of credit indebtedness of economic entities and the answer to question 11.

The increase in credit indebtedness is evident in 36.6% of economic entities, which is a significant increase compared to the previous survey. Namely, most credit funds were not used for development but for current liquidity and survival. 62% of respondents did not increase credit indebtedness, but in most cases, they used moratoriums on repayment of credit indebtedness, which creates an interest expense at the moment and a decrease in liquidity in the future. In addition to this trend, which is not favorable, but is necessary for the survival of the economy, the following phenomena have occurred that jeopardize the balance in the financial unit of the economy but indicate that real credit indebtedness should be higher than stated. Namely, the following was stated in the descriptive part of the survey under the item other, but also in focus groups:

- Increase in debts to other suppliers and vice versa
- We do not have loans and we still try to avoid debt
- Accumulated funds from previous years were withdrawn
- We have never used loans
- We have loans from earlier and trying to pay the instalments
- It is impossible to get any support from banks

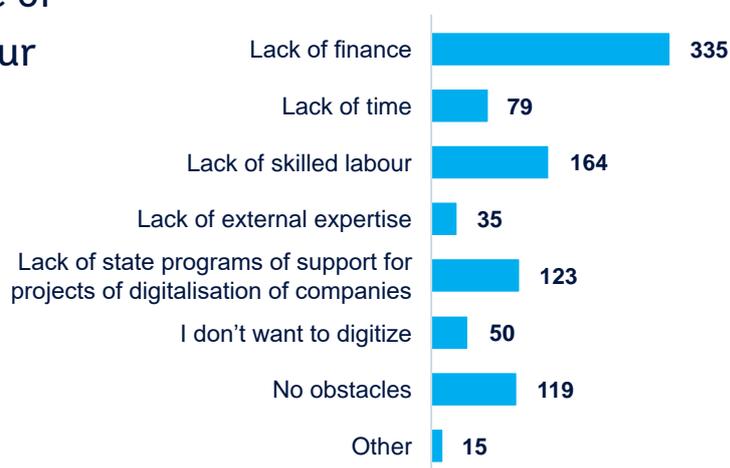
## 11. Have you introduced/improved digital technologies due to the pandemic?

We have introduced/improved online sales	43	6.6%
We created/improved the website and increased the volume of digital marketing	61	9.3%
We use more electronic communication with employees, clients and partners	206	31.5%
We have introduced a greater degree of automatisisation of the production process	14	2.1%
We introduced/improved CRP/ERP systems	10	1.5%
We have improved the skills of employees to use digital technologies	88	13.4%
No	283	43.2%
Other	9	1.4%

Certainly, one of the most important issues which needs to be in focus of improvement in the economy is digitalization of all processes, ranging from management and communication to the digitization process in the manufacturing sector. As in the survey conducted in the second quarter of 2020, it is evident that digitization represents one of the biggest shortcomings of a local economic activities in all segments ranging from the online sales, communication, work from home, to digitalization of production operations. What is most negative is that 43.2% of respondents answered that they did not improve or introduce digital technologies in their activity. Unfortunately, 31.5% or 206 respondents only uses digital platforms to communicate with employees and partners, but not

with public institutions at all levels, which was stated as one of the obstacles in the efficiency of business, reduction of costs and reduction of working hours. It was noticed that communication between institutions is also an obstacle because digital technologies and systems between them are not used. What points to specific changes is the fact that 13.4% of responses in the survey indicated that the skills of employees for the use of digital tools were enhanced. The general assessment is that due to the pandemic the attitude towards digital tools is changing but insufficiently and slow; especially online sales is disproportionate to the needs and capabilities and this is a channel of distribution that is expanding which indicates lack of information, money and trained personnel.

## 12. What are the obstacles to a greater degree of digitalization of your business?



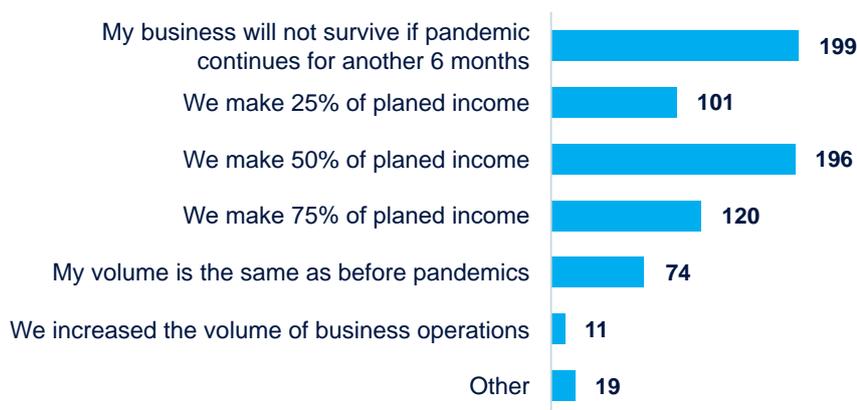
Obstacles on the path to a higher level of digitalization fit into the previous question, as well as other questions. Unfortunately, lacking finance and insolvency are not placing this issue among the priorities when it comes to the way of overcoming the negative impact of the pandemic because the investment in IT technology is left for later. This is indicated by the fact that 51.1% of the responses to the question “what’s the biggest obstacle to a higher level of digitalization of your business” is lack of funds.

Then 25% of the answers indicate the lack of internal human capacities that can carry a higher degree of digitalization, but also the lack of a systematic way and programs for the support of digitalization of companies in RS through training, consulting and informative and financial support. Precisely this

response indicates a crucial problem that needs to be solved through the institutions, and the Chamber of Commerce itself must take a more active role through its Center for Digital Transformation in order to change this situation. Only 18.2% of respondents does not see obstacles for a greater degree of digitization of their business.

Some industries have stated that the issue of digitalization is something that has no impact on them, but we believe that they are insufficiently informed and are not aware of the possibilities of digitalization or have not reached the organizational and development level that gives them space to use digital savings tools or efficient management of business processes.

### 13. To what extent do the current epidemic conditions (summer and autumn 2020) affect the reduction of the business volume of your business entity?

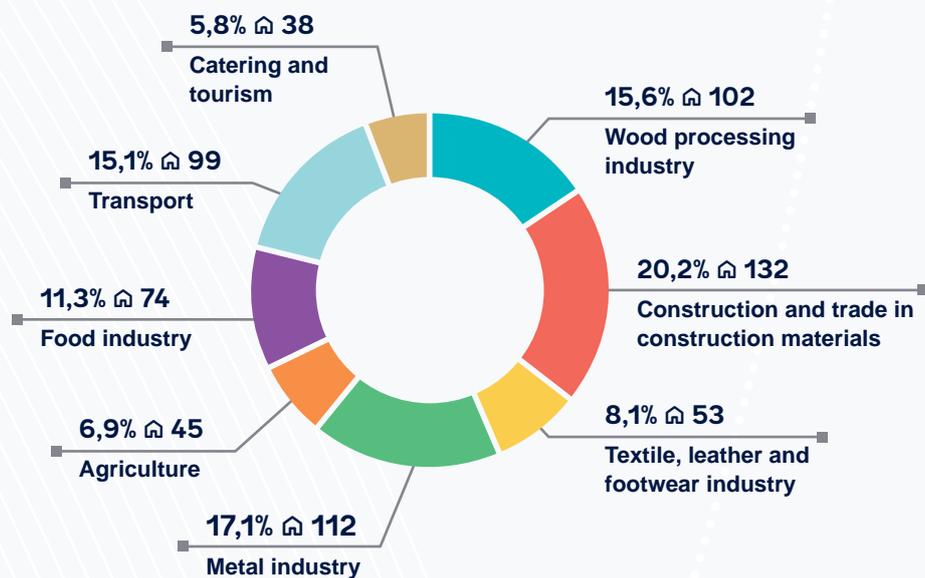


The very fact that after the first wave of a pandemic, there have been improvements in situation, led to the growth of economic activity, exports, imports, employment and consumption. It should be said that this growth did not enable the achievement of the level of economic activity from the same period in 2019 but had an upward trajectory and trend. With the new wave of the epidemic, there is another decline in economic activity, exports and consumption. Therefore, we see in the chart that a large number of companies will not be able to continue doing business if the situation is identical to the current one and does not stop in the next 6 months. Such an answer was given by 30.4% of respondents. The planned income is realized by 11.3% of respondents or 74 companies,

while 11 companies or 1.7% of respondents realize a higher volume of business and income than planned. In addition, 196 companies generate about 50% of the planned revenue and production volume. This data points to a stagnation of the overall economy in terms of business volume and revenue, and indicates that if one finds a model of financial and non-financial assistance (primarily, compensation for wages, reschedules taxes, reduction of the national and municipal taxes, energy prices and reduction of other various compensations within the framework of local communities, deferral of payment of taxes, etc.) by institutions or if the pandemic does not stop, the work of a significant number of economic entities will be closed.

## II SECTOR SURVEY RESULTS

### 1. Overview according to the number of economic entities



It should be noted that due to the nature of work and the ability to communicate with companies, the highest response, 20.2%, we had in the construction and trade of construction materials, while in the catering and tourism sector it is different because a large number of caterers are registered as independent entrepreneurs and could not participate in the analysis.



Photo credit: Freepik

## 2. Sectoral overview by regional division of economic entities

Sector	Banja Luka	Bijeljina	Doboj	East Sarajevo	Trebinje	In total
Wood processing industry	54	10	7	27	4	102
Construction and trade in construction materials	70	24	10	14	14	132
Textile, leather and footwear industry	37	2	7	4	3	53
Metal industry	74	9	15	8	6	112
Agriculture	28	6	4	1	6	45
Food industry	30	17	6	8	13	74
Transport	67	8	12	4	8	99
Catering and tourism	17	5	4	9	3	38
<b>In Total</b>	<b>377</b>	<b>81</b>	<b>65</b>	<b>75</b>	<b>57</b>	<b>655</b>

As expected, and in accordance with the number of existing economic entities by regions, the number of participants is the largest in the Banja Luka region, 377 of them. Banja Luka region represents 55% of the economic potential of Republika Srpska. Lowest

number of surveyed business entities is in Hercegovina, or 8.7% of the total number of which corresponds to the proportion of the total number of companies in Republika Srpska.

Sector	Banja Luka	Bijeljina	Doboj	East Sarajevo	Trebinje
Wood processing industry	52.9%	9.8%	6.9%	26.5%	3.9%
Construction and trade in construction materials	53.0%	18.2%	7.6%	10.6%	10.6%
Textile, leather and footwear industry	69.8%	3.8%	13.2%	7.5%	5.7%
Metal industry	66.1%	8.0%	13.4%	7.1%	5.4%
Agriculture	62.2%	13.3%	8.9%	2.2%	13.3%
Food industry	40.5%	23.0%	8.1%	10.8%	17.6%
Transport	67.7%	8.1%	12.1%	4.0%	8.1%
Catering and tourism	44.7%	13.2%	10.5%	23.7%	7.9%
<b>In Total</b>	<b>57.6%</b>	<b>12.4%</b>	<b>9.9%</b>	<b>11.5%</b>	<b>8.7%</b>

From the sectors' point of view, the most responses were in Banja Luka region which correlates with the arrangement of economy. It is interesting to state that leading regional industries are: in Bijeljina region highest number of companies we surveyed are in food processing (23% of the total number of enterprises), followed by Hercegovina with 17.6%, which proves the

agriculture and food production structure of these regions. In the region of Doboj highest number of companies that we analyzed is from the leather and footwear, metal processing and transport. While in the region of East Sarajevo dominates wood processing industry, catering and tourism, and food industries.

### 3. Sectoral overview according to the number of employees

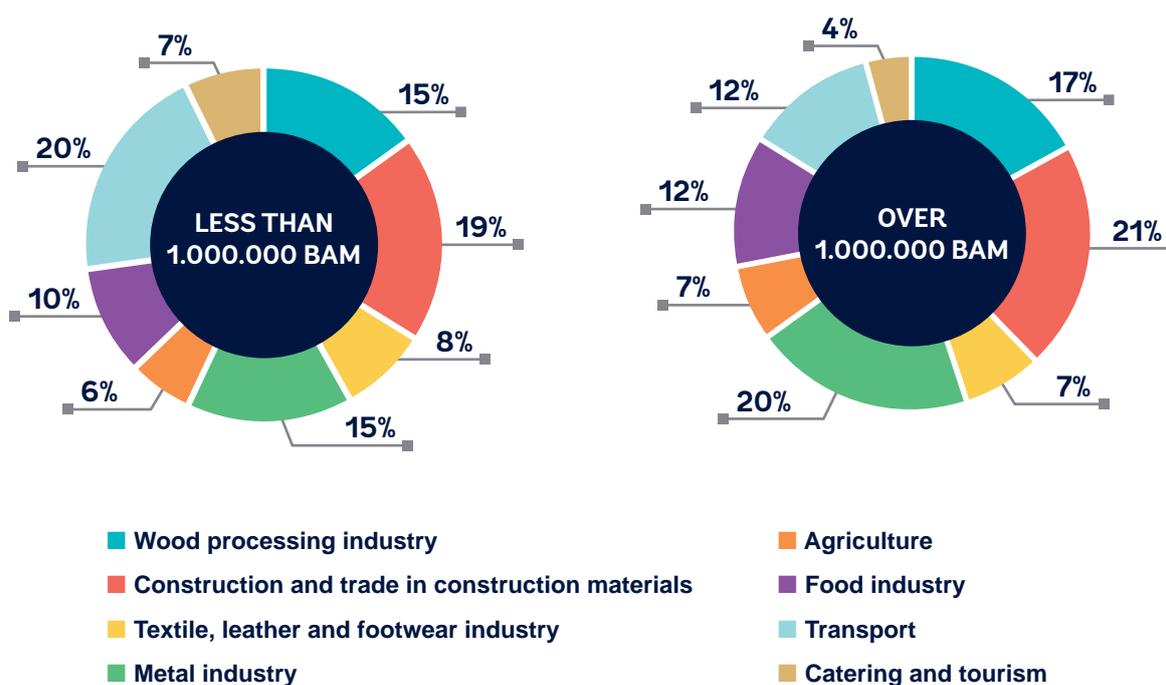
Sector	Less than 50 employees	From 50 to 250 employees	In total
Wood processing industry	80	22	102
Construction and trade in construction materials	117	15	132
Textile, leather and footwear industry	28	25	53
Metal industry	89	23	112
Agriculture	45		45
Food industry	62	12	74
Transport	94	5	99
Catering and tourism	32	6	38
<b>In Total</b>	<b>547</b>	<b>108</b>	<b>655</b>

From the point of view of the number of employees in the survey, the most participating companies have less than 50 employees. Analysis indicates that the construction sector is dominant, followed by the wood sector and the metal industry. These are labor-intensive industries, especially the wood and metal sectors. Surprisingly, textile sector which is most work intensive has almost equal number of enterprises up to 50 employees and employees between 50 and 250. Tradition in textiles is long and majority of companies are focused on so-called "lohn" principle. We are witnesses of the expansion of construction in Republika Srpska so the number of companies with up to 50 employees is increasing, but they do not have the capacity for large infrastructure works and are often subcontractors.



## 4. Sectoral overview according to the total revenue generated in 2019

Sector	Less than 1,000,000 BAM	More than 1,000,000 BAM	No answer	In total
Wood processing industry	44	57	1	102
Construction and trade in construction materials	57	71	4	132
Textile, leather and footwear industry	25	25	3	53
Metal industry	45	66	1	112
Agriculture	19	25	1	45
Food industry	30	40	4	74
Transport	59	39	1	99
Catering and tourism	22	13	3	38
<b>In Total</b>	<b>301</b>	<b>336</b>	<b>18</b>	<b>655</b>

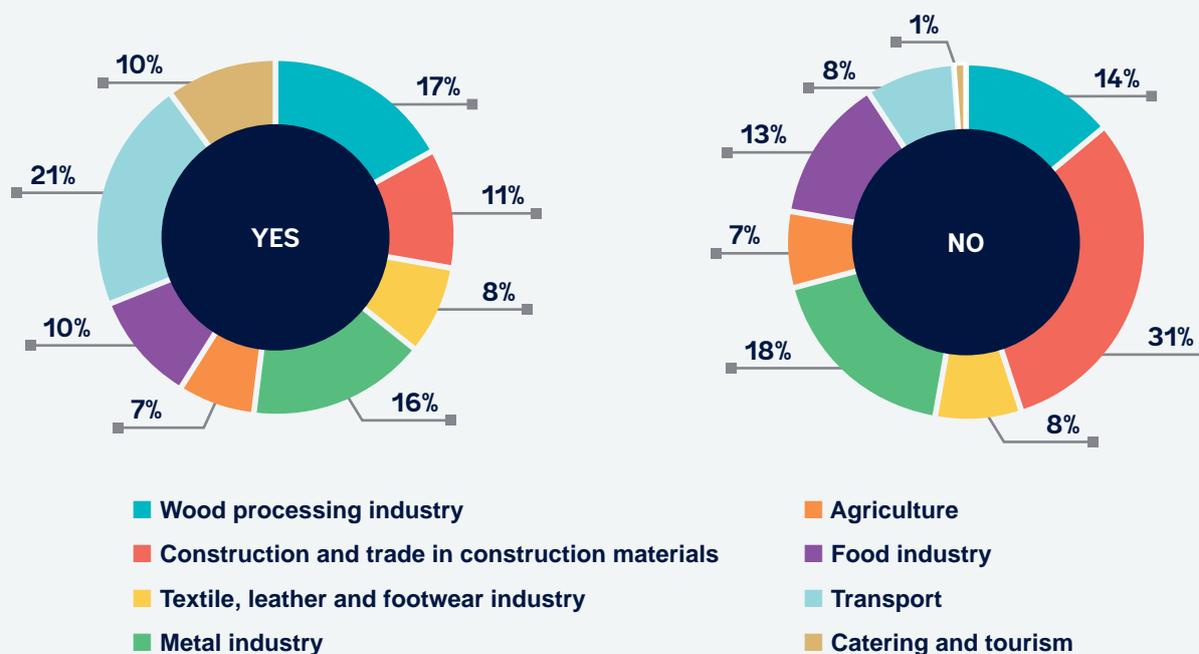


If we analyze respondents by the revenue it is evident that the participation of enterprises in this issue is balanced, almost an equal number of those with income of up to one million convertible marks and those with a higher revenue of one million convertible marks, which proves the interests of these segments for help

in overcoming the problems caused by the pandemic. 18 companies did not answer this question indicating a lack of confidence when expressing certain data. Yet this is a negligibly small number of respondents who did not answer this question or 2.74%.

## 5. Sectoral overview of the use of support to reduce the effects of the pandemic on business?

Sector	Yes	No	In total
Wood processing industry	60	42	102
Construction and trade in construction materials	37	95	132
Textile, leather and footwear industry	28	25	53
Metal industry	56	56	112
Agriculture	24	21	45
Food industry	33	41	74
Transport	73	26	99
Catering and tourism	36	2	38
<b>In total</b>	<b>347</b>	<b>308</b>	<b>655</b>



Analysis of received support for mitigating the effects of a pandemic on business showed that 52.97% of companies were users of support measures. For this analysis, the essential fact is that the decisions of the National crisis team have sometimes been in conflict with the decisions of crisis teams of local communities. Number of companies which did not use the assistance were hampered by technical anomalies in reporting and inconsistencies in the decisions of these two levels of executive power, which will be seen in further analysis.

Analysis of the assistance provided to the sectors varies depending whether the branch has been locked down. Construction was free to work because they work outdoors and there is less possibility of infection, but on the other hand shops for construction materials were closed and the process of work could not proceed unhindered because they did not have materials. There were no limitations forced on factories in processing industry but they had difficulties with reduced demand, transport of workers to factories and the like. This refers to wood processing industry,

food processing and metal. Due to restrictions in transport and the curfew, some industries were not able to freely carry out their activities and were not working or were working on reduced capacity. There were also problems of delays at borders in the process of export and import. The problems were smaller than in April 2020 but they existed.

Regarding the use of available support for mitigating the effects of the pandemic on business entities, catering and tourism are the largest users of the support because it is most affected. Same results gave the survey conducted in the first quarter of 2020. Consequently, the largest number of those who used this assistance is from this sector, 94.73% of respondents from this sector used assistance. Support is insufficient in this sector. It should be noted that these businesses were locked down, followed by a reduction in demand due to the fear of citizenship as well as mandatory measures of distancing in restaurants and low number of guests in hotels. Enterprises in the construction sector are fewest

users of support due to the fact that their work was not limited, then, agriculture and food industry have had less support because of work on open space and the fact that reimbursement of the minimum wage for March, April and May could be achieved only by those who can prove a decrease in revenue by 20% compared to the same period last year (which was difficult to prove) and complicated application procedures. On the other hand, support of local communities is minimal and has been reduced to a reduction in a number of utility fees and mainly related to support in urban areas and service activities through a reduced rent for business premises.

It should be noted that the transport sector, which at the beginning of the epidemic, along with catering and tourism, was the most affected industry, because they had direct bans and blockades of all kinds in the field of transport of goods, had a large number of companies that received assistance, 76.04 % of the total number of respondents.



Photo credit: Freepik

## 6. Sectoral overview of the reasons for not using support

Sector	My request was denied	My business did not suffer damage from a pandemic	I don't want anyone's help	I did not apply due to the complicated procedure	We were not informed in time	Other	In total
Wood processing industry	3	9		13	11	6	42
Construction and trade in construction materials	24	26	1	20	11	13	95
Textile, leather and footwear industry	7	7		4	6	1	25
Metal industry	9	7	1	17	16	6	56
Agriculture	1	10		3	2	5	21
Food industry	6	6		9	11	9	41
Transport	8	6		1	8	3	26
Catering and tourism					1	1	2
<b>In total</b>	<b>58</b>	<b>71</b>	<b>2</b>	<b>67</b>	<b>66</b>	<b>44</b>	<b>308</b>

Analyzing those who did not use any form of assistance to overcome the impact of the coronavirus epidemic on the economy, the largest number of respondents or 10.83% of the total number of respondents answered that they did not seek help; 10.07% of respondents who did not receive assistance did not have information on support actions, which is more an internal problem of the business entity; 10.22% out of 655 had not submitted an application due to the complexity of the application procedure, showing a low level of digital

competencies of companies and institutions. 8.85% of the total number of respondents had been rejected due to non-fulfillment of the conditions necessary for support: decreased income over 20% comparing with the same period of previous year or that they were allowed to work. 44 respondents were undecided, but in communication with them, the combination of lack of internal resources for application or the complexity of the application procedure was mostly mentioned.

## 7. Satisfaction with the used support measures by sector

WOOD PROCESSING INDUSTRY Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	1	11	5	17
Taxes and contributions on personal income for March 2020	2	12	4	18
Minimum salary and contributions for minimum salary for April 2020	4	24	8	36
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	4	7	2	13
RS guarantee program for mitigation of the effects of the corona virus pandemic	3	2	4	9
Tourist vouchers (only for caterers and travel agencies)	2	1		3
Moratorium and extension of the grace period for IRS RS loans	2	6		8
A moratorium on loans from commercial banks	4	7	4	15
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	1	1	1	3
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	2	1	1	4
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	6	4		10
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	5	8		13
Support for projects financed from the domestic private sector	2	1	1	4
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	2			2
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request	2	1		3

Companies from the wood industry have estimated that the first three are the most effective measures to help the economy overcome the negative effects of epidemic. Moratorium on loans are highly rated which is again related to finance and liquidity. On

the other hand it is evident that small or no help came from local communities regarding municipal taxes and fees and a moratorium or write off interest and other benefits by distributors of electricity and other utilities.

CONSTRUCTION AND TRADE IN CONSTRUCTION MATERIAL Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019		5		5
Taxes and contributions on personal income for March 2020	3	5	1	9
Minimum salary and contributions for minimum salary for April 2020	2	12	4	18
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	2	6		8
RS guarantee program for mitigation of the effects of the corona virus pandemic	4	2		6
Tourist vouchers (only for caterers and travel agencies)	1	1		2
Moratorium and extension of the grace period for IRS RS loans	2	3		5
A moratorium on loans from commercial banks	3	4	1	8
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	1	1		2
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	1	1		2
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	1	1		2
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)		2		2
Support for projects financed from the domestic private sector	1	1		2
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request		1		1
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request		1		1

The situation is similar in the construction as in the wood sector, but with the construction being more satisfied with the fourth item, which is the subsidy of taxes and contributions for the paid salary in May 2020, while unhappy with the moratorium in loans of commercial banks and Guarantee program RS.

TEXTILE, LEATHER AND FOOTWEAR INDUSTRY Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	1	6		7
Taxes and contributions on personal income for March 2020	3	3	2	8
Minimum salary and contributions for minimum salary for April 2020		9	8	17
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	3	1		4
RS guarantee program for mitigation of the effects of the corona virus pandemic	5	1		6
Tourist vouchers (only for caterers and travel agencies)	1	2		3
Moratorium and extension of the grace period for IRS RS loans	1	2		3
A moratorium on loans from commercial banks	2	5	1	8
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	1	1		2
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	2	1		3
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	2		1	3
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	4	3		7
Support for projects financed from the domestic private sector	2	1		3
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request				
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request		1		1

Taking into consideration the high work engagement of the workforce and low wages in the textile industry, the relevant institutions have responded to the highly satisfactory way for this industry with the reimbursement of the minimum wage and social security contributions on the minimum wage (8 rating excellent and 9 satisfying as together 100% positive responses). Items 1 and 2 were mostly positively assessed while local government measures, support for projects financed from the domestic economic sector, taxes and contributions for the lowest salary in May 2020. Guarantee program RS is very negatively evaluated.

METAL INDUSTRY Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	1	12	2	15
Taxes and contributions on personal income for March 2020	3	6	10	19
Minimum salary and contributions for minimum salary for April 2020	2	16	6	24
Taxes and contributions for the paid <b>salary for May 2020</b> , ie the lowest salary for May 2020	4	5	1	10
RS <b>guarantee program</b> for mitigation of the effects of the corona virus pandemic	8		1	9
<b>Tourist vouchers</b> (only for caterers and travel agencies)		1		1
<b>Moratorium</b> and extension of the grace period for IRS RS loans	1	6	1	8
<b>A moratorium</b> on loans from commercial banks	1	3	2	6
Procurement of <b>regressed domestic seeds</b> selected and produced in RS at a price 50% lower than the retail price			1	1
<b>Delayed payment of concession fees</b> and leases for the use of agricultural land owned by Republika Srpska			1	1
<b>Exemption from interest</b> or other relief for the services of electricity distributors, utility companies or telecommunications	2		1	3
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	1	2	1	4
Support for projects financed from the <b>domestic private sector</b>	1	1		2
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request		1		1
Funds to <b>support investment projects</b> in the business conditions affected by the pandemic - mark if you have submitted a request			2	2

Metal processing sector, which is one of the most developed and export oriented, gave the highest grade to first four points with a positive evaluation of moratorium and IRBRS loans, because the metal is grate user of IRBRS loans. The biggest disappointment is the Guarantee Program of RS: eight respondents defined the activity extremely negative. Negative attitude was also expressed toward the impossibility of exemption from national and municipal taxes and fees, interest by the distribution companies, utilities or telecommunication companies because they are big users of these services and these fix fees put a lot of strain on business, which was confirmed in focus groups.

AGRICULTURE Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	2	2		4
Taxes and contributions on personal income for March 2020	2	2	1	5
Minimum salary and contributions for minimum salary for April 2020	1	2	1	4
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	2			2
RS guarantee program for mitigation of the effects of the corona virus pandemic	5			5
Tourist vouchers (only for caterers and travel agencies)	2			2
Moratorium and extension of the grace period for IRS RS loans	2			2
A moratorium on loans from commercial banks	1	2		3
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	4	6		10
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	2	6		8
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	2			2
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	3	1		4
Support for projects financed from the domestic private sector	2			2
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	2			2
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request	2			2

The agricultural sector is most satisfied with delayed payment of concession fees, the purchase of subsidized selected domestic seed and first three items questionnaire. They assessed Guarantee Program negatively, as well as other industrial activities, and the support of local communities.

FOOD INDUSTRY Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	1	1	1	3
Taxes and contributions on personal income for March 2020		3	1	4
Minimum salary and contributions for minimum salary for April 2020	2	9	2	13
Taxes and contributions for the paid salary for May 2020, ie the lowest salary for May 2020	2	6	2	10
RS guarantee program for mitigation of the effects of the corona virus pandemic	5			5
Tourist vouchers (only for caterers and travel agencies)	1			1
Moratorium and extension of the grace period for IRS RS loans	1			1
A moratorium on loans from commercial banks	1	3	1	5
Procurement of regressed domestic seeds selected and produced in RS at a price 50% lower than the retail price	1			1
Delayed payment of concession fees and leases for the use of agricultural land owned by Republika Srpska	1	1		2
Exemption from interest or other relief for the services of electricity distributors, utility companies or telecommunications	2			2
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	1			1
Support for projects financed from the domestic private sector	2			2
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	1			1
Funds to support investment projects in the business conditions affected by the pandemic - mark if you have submitted a request	1	1		2

The food industry, rated all support measures negatively except for the first four items and moratorium on loans. This indicates the low level of support to the sector and the reasons are the failure to comply with most of the requirements for support, lack of information and lack of internal organizational structure or skilled employees.

TRANSPORT Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	5	6	1	12
Taxes and contributions on personal income for March 2020	1	16	8	25
Minimum salary and contributions for minimum salary for April 2020	1	19	11	31
Taxes and contributions for the paid <b>salary for May 2020</b> , ie the lowest salary for May 2020	1	14	8	23
RS <b>guarantee program</b> for mitigation of the effects of the corona virus pandemic	6	2	2	10
<b>Tourist vouchers</b> (only for caterers and travel agencies)	6	6	1	13
<b>Moratorium</b> and extension of the grace period for IRS RS loans	3	3	3	9
<b>A moratorium</b> on loans from commercial banks	9	7	3	19
Procurement of <b>regressed domestic seeds</b> selected and produced in RS at a price 50% lower than the retail price	2	2		4
<b>Delayed payment of concession fees</b> and leases for the use of agricultural land owned by Republika Srpska	3	1	1	5
<b>Exemption from interest</b> or other relief for the services of electricity distributors, utility companies or telecommunications	5	3	1	9
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	8	2	2	12
Support for projects financed from the <b>domestic private sector</b>	6	1	2	9
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	1	10	8	19
Funds to <b>support investment projects</b> in the business conditions affected by the pandemic - mark if you have submitted a request	4	1		5

The majority of respondents in transport are above average satisfied with measures from institutions. In the first place, they are satisfied with the set of financial assistance measures for salaries and contributions, the first four items, which are the best rated. These are direct financial effects and assistance. This includes the item support for maintaining liquidity for June and July 2020. The moratorium on loan with commercial banks was assessed both negatively and positively, 9 negative and 10 positive answers, which is in contrast to the attitude in other industries. Measures of support from local government and support projects financed by domestic private sector were rated negatively.

CATERING AND TOURISM Measure:	Number of economic entities that evaluated the measure			
	Bad	Satisfactory	Excellent	In Total
Payment in installments until the end of 2020: liabilities based on profit tax and income tax, and fees for the improvement of public forest functions and fire compensation according to the annual tax return for 2019	7	7	2	16
Taxes and contributions on personal income for March 2020	4	12	5	21
Minimum salary and contributions for minimum salary for April 2020	3	19	5	27
Taxes and contributions for the paid <b>salary for May 2020</b> , ie the lowest salary for May 2020	6	14	3	23
RS <b>guarantee program</b> for mitigation of the effects of the corona virus pandemic	12	2		14
<b>Tourist vouchers</b> (only for caterers and travel agencies)	5	11	1	17
<b>Moratorium</b> and extension of the grace period for IRS RS loans	4	3	2	9
<b>A moratorium</b> on loans from commercial banks	3	7	3	13
Procurement of <b>regressed domestic seeds</b> selected and produced in RS at a price 50% lower than the retail price	1	4		5
<b>Delayed payment of concession fees</b> and leases for the use of agricultural land owned by Republika Srpska	2	3		5
<b>Exemption from interest</b> or other relief for the services of electricity distributors, utility companies or telecommunications	6	4		10
Measures of support by local government units (relief for obligations for utility fees, interest rate subsidies on loans and other local programs)	6	5		11
Support for projects financed from the <b>domestic private sector</b>	6	2		8
Liquidity support for June and July 2020 for Transport and airport services - mark if you have submitted a request	1	3		4
Funds to <b>support investment projects</b> in the business conditions affected by the pandemic - mark if you have submitted a request	2	2		4

Catering and tourism, as the most affected economic sector, both at the beginning of the epidemic and now, has received the greatest assistance, and a satisfactory response has prevailed, especially for financial assistance for employees' salaries. As in the previous tables, the most negative assessment is for the work of the Guarantee Program and the support of local communities.

## 8. Sectoral review of the effects/changes/challenges of pandemics on business

WOOD PROCESSING INDUSTRY		
liquidity decline	42	41.2%
disruptions in the supply of raw materials and increase of procurement costs	40	39.2%
reduction of imports	7	6.9%
reduction of exports	62	60.8%
falling demand for products/services	67	65.7%
reducing the number of employees	33	32.4%
reducing the number of business units	3	2.9%
reduction in production volume	55	53.9%
product range change	4	3.9%
change of distribution channels	1	1.0%
changing the business concept, vision and mission of the company	18	17.6%
higher investments in business digitalization than planned	10	9.8%
introduction/intensification of work from home	7	6.9%
reduced productivity due to self-isolation of employees	29	28.4%
reduced productivity due to employee distancing, masks and hygiene practices	30	29.4%
decline in work motivation	31	30.4%
suspended business activity	9	8.8%
no, my business is the same as in a pandemic-free environment	3	2.9%
revenue growth	2	2.0%
No replies	5	4.9%

**The wood industry** is dominated by a decline in demand for products, which in turn has led to a decrease in production, reduced exports, and thus a decline in liquidity in this sector.

The survey showed that in all sectors one of the very significant effects of the pandemic is the decline in the work motivation of employees, due to fear and concern over the uncertainty of the causes of the pandemic, both for human health and economic existence.

<b>CONSTRUCTION AND TRADE IN CONSTRUCTION MATERIAL</b>		
liquidity decline	45	34.1%
disruptions in the supply of raw materials and increase of procurement costs	32	24.2%
reduction of imports	11	8.3%
reduction of exports	33	25.0%
falling demand for products/services	65	49.2%
reducing the number of employees	28	21.2%
reducing the number of business units	2	1.5%
reduction in production volume	33	25.0%
product range change	2	1.5%
change of distribution channels	4	3.0%
changing the business concept, vision and mission of the company	14	10.6%
higher investments in business digitalization than planned	1	0.8%
introduction/intensification of work from home	3	2.3%
reduced productivity due to self-isolation of employees	29	22.0%
reduced productivity due to employee distancing, masks and hygiene practices	31	23.5%
decline in work motivation	33	25.0%
suspended business activity	7	5.3%
no, my business is the same as in a pandemic-free environment	11	8.3%
revenue growth	5	3.8%
No replies	16	12.1%

The decline in demand for products and services in the **construction sector** has also led to a decline in the liquidity of this sector. This sector is also characterized by a decline in the work motivation of employees. The supply of raw materials is also difficult; this phenomenon is the result of broken supply chains and delays in the work of a number of other industries.

<b>TEXTILE, LEATHER AND FOOTWEAR INDUSTRY</b>		
liquidity decline	27	50.9%
disruptions in the supply of raw materials and increase of procurement costs	17	32.1%
reduction of imports	14	26.4%
reduction of exports	22	41.5%
falling demand for products/services	34	64.2%
reducing the number of employees	14	26.4%
reducing the number of business units	2	3.8%
reduction in production volume	26	49.1%
product range change	5	9.4%
change of distribution channels	5	9.4%
changing the business concept, vision and mission of the company	8	15.1%
higher investments in business digitalization than planned	4	7.5%
introduction/intensification of work from home	2	3.8%
reduced productivity due to self-isolation of employees	18	34.0%
reduced productivity due to employee distancing, masks and hygiene practices	11	20.8%
decline in work motivation	17	32.1%
suspended business activity	5	9.4%
no, my business is the same as in a pandemic-free environment		0.0%
revenue growth	1	1.9%
other	3	5.7%

Given that the **textile, leather and footwear industry** is largely based on Lohn principle, companies in this sector have encountered major disruptions in the supply of raw materials. This has led to a significant reduction in the volume of production and exports, and all this is due to a decline in demand for products and services with a smaller decline in liquidity than expected.

METAL INDUSTRY		
liquidity decline	56	50.0%
disruptions in the supply of raw materials and increase of procurement costs	46	41.1%
reduction of imports	20	17.9%
reduction of exports	41	36.6%
falling demand for products/services	65	58.0%
reducing the number of employees	36	32.1%
reducing the number of business units	1	0.9%
reduction in production volume	44	39.3%
product range change	6	5.4%
change of distribution channels	11	9.8%
changing the business concept, vision and mission of the company	19	17.0%
higher investments in business digitalization than planned	5	4.5%
introduction/intensification of work from home	9	8.0%
reduced productivity due to self-isolation of employees	38	33.9%
reduced productivity due to employee distancing, masks and hygiene practices	30	26.8%
decline in work motivation	44	39.3%
suspended business activity	22	19.6%
no, my business is the same as in a pandemic-free environment	5	4.5%
revenue growth	6	5.4%
No replies	8	7.1%

The dominant consequence in other sectors as well as in the **metal industry** is a decrease in production, due to a significant decline in demand for products, especially in the automotive industry in Western Europe, which is the largest buyer of metal products in RS, which again resulted in declining liquidity in this sector. The largest part of the production of the metal industry in Republika Srpska is export oriented, and the consequence of the pandemic is the reduction of exports. Loss of work enthusiasm of employees is a big problem as the side impact on the business productivity.

AGRICULTURE		
liquidity decline	30	66.7%
disruptions in the supply of raw materials and increase of procurement costs	16	35.6%
reduction of imports	5	11.1%
reduction of exports	10	22.2%
falling demand for products/services	34	75.6%
reducing the number of employees	11	24.4%
reducing the number of business units	3	6.7%
reduction in production volume	12	26.7%
product range change	1	2.2%
change of distribution channels	4	8.9%
changing the business concept, vision and mission of the company	6	13.3%
higher investments in business digitalization than planned	1	2.2%
introduction/intensification of work from home	1	2.2%
reduced productivity due to self-isolation of employees	9	20.0%
reduced productivity due to employee distancing, masks and hygiene practices	5	11.1%
decline in work motivation	13	28.9%
suspended business activity	4	8.9%
no, my business is the same as in a pandemic-free environment	1	2.2%
revenue growth	2	4.4%
No replies	2	4.4%

The largest number of respondents from **agricultural sector** said that due to decline in demand for products and services has been a significant decline in liquidity in the sector. The problem in the supply of raw materials was pointed out, which led to a reduction in the volume of production. A smaller decline in work motivation among employees is evident.

FOOD INDUSTRY		
liquidity decline	31	42%
disruptions in the supply of raw materials and increase of procurement costs	22	30%
reduction of imports	4	5%
reduction of exports	18	24%
falling demand for products/services	40	54%
reducing the number of employees	26	35%
reducing the number of business units	2	3%
reduction in production volume	25	34%
product range change	8	11%
change of distribution channels	5	7%
changing the business concept, vision and mission of the company	7	9%
higher investments in business digitalization than planned	3	4%
introduction/intensification of work from home	2	3%
reduced productivity due to self-isolation of employees	19	26%
reduced productivity due to employee distancing, masks and hygiene practices	16	22%
decline in work motivation	20	27%
suspended business activity	7	9%
no, my business is the same as in a pandemic-free environment	4	5%
revenue growth	4	5%
No replies	11	15%

In the **food industry sector**, the largest number of respondents stated that due to the fall in demand for products and services, there was a significant drop in liquidity, but the big problem is also reduced productivity due to self-isolation and distancing of employees. The processes themselves must be of highly hygienic norms and the organization of production is complicated, which makes work more expensive. The problem in the supply and supply of raw materials was pointed out, but the decline in work motivation was also noticeable.

TRANSPORT		
liquidity decline	66	66.7%
disruptions in the supply of raw materials and increase of procurement costs	23	23.2%
reduction of imports	21	21.2%
reduction of exports	30	30.3%
falling demand for products/services	72	72.7%
reducing the number of employees	30	30.3%
reducing the number of business units	8	8.1%
reduction in production volume	30	30.3%
product range change	1	1.0%
change of distribution channels	1	1.0%
changing the business concept, vision and mission of the company	21	21.2%
higher investments in business digitalization than planned	5	5.1%
introduction/intensification of work from home	4	4.0%
reduced productivity due to self-isolation of employees	27	27.3%
reduced productivity due to employee distancing, masks and hygiene practices	28	28.3%
decline in work motivation	28	28.3%
suspended business activity	24	24.2%
no, my business is the same as in a pandemic-free environment		0.0%
revenue growth	0	0.0%
No replies	2	2.0%

In the **transport sector**, which is one of the two most vulnerable sectors during the pandemic, a sharp drop in demand for services, especially in the passenger transport segment, has seriously jeopardized the liquidity and survival of this sector, resulting in significant reductions in employment and consumption of services and goods.

<b>CATERING AND TOURISM</b>		
liquidity decline	28	73.7%
disruptions in the supply of raw materials and increase of procurement costs	5	13.2%
reduction of imports		0.0%
reduction of exports	1	2.6%
falling demand for products/services	28	73.7%
reducing the number of employees	15	39.5%
reducing the number of business units	1	2.6%
reduction in production volume	8	21.1%
product range change	1	2.6%
change of distribution channels		0.0%
changing the business concept, vision and mission of the company	6	15.8%
higher investments in business digitalization than planned	4	10.5%
introduction/intensification of work from home	2	5.3%
reduced productivity due to self-isolation of employees	14	36.8%
reduced productivity due to employee distancing, masks and hygiene practices	16	42.1%
decline in work motivation	18	47.4%
suspended business activity	11	28.9%
no, my business is the same as in a pandemic-free environment		0.0%
revenue growth	1	2.6%
No replies		0.0%

The **catering and tourism sector** has been hit hardest by the effects of the pandemic, both due to measures of lock down and a large drop in demand for services. The liquidity of this sector is at a very low level, which has led to a reduction in the number of employees whose work motivation has led to a significant decline because of fear and uncertainty. Also, in 15 cases there was a decrease in the number of employment and drop of productivity due to distancing and hygienic measures.

## 9. Sectoral increase of debt due to the pandemic

	Yes	Yes	Other	In total
Wood processing industry	42	58	2	102
Construction and trade in construction materials	28	101	3	132
Textile, leather and footwear industry	19	32	2	53
Metal industry	36	71	5	112
Agriculture	14	27	4	45
Food industry	25	46	3	74
Transport	47	48	4	99
Catering and tourism	22	12	4	38
<b>In total</b>	<b>233</b>	<b>395</b>	<b>27</b>	<b>655</b>

Analyzing the increase in debt by sectors of economy, the general conclusion is that slightly less than 50% of all respondents have increased amount of loans. Most companies in the field of tourism and catering reached for loans in order to maintain their existence, 57.89% of surveyed companies. The companies in the field of transport follow because they had to hold the lines on which they did not have passengers and transport of goods is reduced by a measurable decline in production and exports. Almost 50% of companies in that industry had to improve liquidity with loans.

Then follows the wood industry where 41.17% of the total number of respondents for the same reasons had to improve liquidity while producing without final sales for warehouses. The smallest increase in loans was in the building and construction materials trade because of the nature of work (most of the builders are credited by suppliers while stores had lower demand and higher inventories from the period prior to epidemic).

## 10. Sectoral introduction/advancement of digital technologies due to the pandemic

	We have introduced/ improved online sales	We created/ improved the website and increased the volume of digital marketing	We use more electronic communication with employees, clients and partners	We have introduced a greater degree of automation of the production process	We introduced/ improved CRP/ ERP systems	We have improved the skills of employees to use digital technologies	We did not
Wood processing industry	4	12	36	3	4	6	54
	3.9%	11.8%	35.3%	2.9%	3.9%	5.9%	52.9%
Construction and trade in construction materials	13	16	43		21	46	
	9.8%	12.1%	32.6%	0.0%	15.9%	34.8%	0.0%
Textile, leather and footwear industry	5	10	19	2	1	5	24
	9.4%	18.9%	35.8%	3.8%	1.9%	9.4%	45.3%
Metal industry	8	6	41	8	4	19	37
	7.1%	5.4%	36.6%	7.1%	3.6%	17.0%	33.0%
Agriculture	2	1	12	1		7	23
	4.4%	2.2%	26.7%	2.2%	0.0%	15.6%	51.1%
Food industry	2	8	20			12	34
	3%	11%	27%	0%	0%	16%	46%
Transport	7	5	28		1	9	47
	7.1%	5.1%	28.3%	0.0%	1.0%	9.1%	47.5%
Catering and tourism	2	3	7			8	18
	5.3%	7.9%	18.4%	0.0%	0.0%	21.1%	47.4%

As in the survey in April 2020 it is evident that digital tools and IT technologies are used to a lesser extent in our industries compared to most European and regional countries, which is certainly a space for progress and development. A large number of negative responses were in the light of general conclusion: respondents did not make any progress in digitizing. In the continuation of the description of this issue, we will present the situation of those companies that have had some progress by treating them as one sample. All industries and respondents who worked on the digitization more or less improved its on line sales, where leading industries are textile, leather and footwear, metal and transport, which can be

viewed as a positive development. Positive progress has been made in sales through enhanced information to potential customers (here is lack of sales channels and skills evident). Industries of textile, leather and footwear has mostly been developing internet pages, while the least improvement of this type have been in the tourism and catering. One needs to have in mind that this industry entered a period of epidemic with much more developed these tools from other industries. All industries have significantly improved their communication lines and platforms due to the lock down of economies and countries, which will affect the greater use of these platforms even after the epidemic. Skills of employees were improved.

## 11. Sectoral overview of obstacles to a greater degree of business digitalization

	Lack of financial resources	Lack of time	Lack of internal human capacity	Lack of external consultants	Lack of system support programs for digitalization projects of companies in RS (training, consulting services, financial resources, information)	I don't want a greater degree of digitization	No obstacles
Wood processing industry	66	22	38	12	24	9	13
	64.7%	21.6%	37.3%	11.8%	23.5%	8.8%	12.7%
Construction and trade in construction materials	46	11	21		20	13	26
	34.8%	8.3%	15.9%	0.0%	15.2%	9.8%	19.7%
Textile, leather and footwear industry	34	8	17	4	15	4	6
	64.2%	15.1%	32.1%	7.5%	28.3%	7.5%	11.3%
Metal industry	62	11	39	4	21	4	21
	55.4%	9.8%	34.8%	3.6%	18.8%	3.6%	18.8%
Agriculture	18	7	10	5	11	2	14
	40.0%	15.6%	22.2%	11.1%	24.4%	4.4%	31.1%
Food industry	42	7	15	4	9	1	10
	57%	9%	20%	5%	12%	1%	14%
Transport	48	11	18	5	13	11	23
	48.5%	11.1%	18.2%	5.1%	13.1%	11.1%	23.2%
Catering and tourism	19	2	6	1	5	6	6
		5.3%	15.8%	2.6%	13.2%	15.8%	15.8%

Analysis of the obstacles to a greater degree of digitization by sector, shows the seasonal effect of the results. Most of respondents stated that the main obstacle to greater degree of digitization is a lack of finance. This was stated by 64.7% respondents in wood processing industry and 64.2% in textile, leather and footwear, while it was expected that the lowest rate has agriculture with 40.00%, which results from the low degree of opportunities for digitalization of this industry. Lack of internal human resources for the development of digitization indicates inadequate educational systems that exist. This percentage is

the highest in the wood industry and amounts to 37.3% while the lowest is 18.2% in the hospitality. The lack of system support programs for digitalization projects of enterprises in RS is indicated as a very significant factor for all industries with 20% of responses except the textile, leather and footwear industry which rated 28.3%. It is interesting that a significant number of survey respondents stated that there are no obstacles in the digitization of business in all industries, especially agriculture with 31.1% and construction with 19.7%.

## 12. Sectoral overview of effects of the current epidemic circumstances (summer and fall 2020) on the decrease the volume of business

	My business is unsustainable unless the pandemic stops in the next half year	I generate 25% of the expected income	I generate 50% of the expected income	I generate 75% of the expected income	I achieve the same volume of business as before the pandemic	I increased my business volume and revenue
Wood processing industry	22	19	35	18	12	1
	21.6%	18.6%	34.3%	17.6%	11.8%	1.0%
Construction and trade in construction materials	22	17	40	34	26	3
	16.7%	12.9%	30.3%	25.8%	19.7%	2.3%
Textile, leather and footwear industry	19	10	15	9	5	2
	35.8%	18.9%	28.3%	17.0%	9.4%	3.8%
Metal industry	30	16	35	18	17	3
	26.8%	14.3%	31.3%	16.1%	15.2%	2.7%
Agriculture	12	6	16	9	1	2
	26.7%	13.3%	35.6%	20.0%	2.2%	4.4%
Food industry	23	9	17	17	12	
	31%	12%	23%	23%	16%	0%
Transport	46	19	29	14		
	46.5%	19.2%	29.3%	14.1%	0.0%	0.0%
Catering and tourism	25	5	9	1	1	
	65.8%	13.2%	23.7%	2.6%	2.6%	0.0%

Analyzing the effects of the current epidemic circumstances on the decrease the volume of business one can conclude that some economic sectors like tourism and catering and transport, due to the nature of service activities (65.8% catering and tourism and 46.5% transport) see the possibility of suspension of work if the epidemic does not stop in the next 6 months, followed by textile, leather and footwear industries, as well as the food industry and agriculture. The increase in the volume of business and income was shown by the respondents in 5 industries, in a negligible small percentage of 1.0% in the wood industry, 2.3% in construction and trade in construction materials, in the metal industry 2.7%, 3.8% in textile, leather and

footwear industry and mostly in agriculture. The largest percentage of those surveyed achieved a turnover close to 50% of the expected percentage, mostly from agriculture, 35.6%, and the least in food industry (23.3 %) because in that industry 23% of them have 75% of expected turnover and 16% achieves the same volume of business as before the pandemic. It should be noted that the construction is in this segment again stable and the least vulnerable because with 19.7% of them operating at the prepandemic levels. This sector has the lowest number of respondents which would close their businesses if the epidemic continues, mostly these are traders in construction materials.



Photo credit: <https://pixabay.com/photos/kastel/fortress-fortress-medieval-5330452/>

### III OVERVIEW AND RESULTS OF SECTOR FOCUS GROUP MEETINGS

Within the project, we held eight sectoral focus groups with a total of 68 participants, using the Zoom application and as a round table with the constant participation of six people from the project team and the management of the Chamber of Commerce and Industry of Republika Srpska and Chamber of Commerce of Banja Luka Region and sector secretaries of both chambers.

The concept of the Zoom conference was such that after the welcome speech we explained to the participants the meaning of our work and presented the goals we want to achieve. All participants introduced themselves which was followed by a presentation of the results and the survey which was the basis for discussion. After the presentation (material below), we

developed an individual discussion and statements of participants on all issues of support in overcoming the problems they have in business during the epidemic, e.g. whether they used support, if so how they rate it, if not why they did not and what should be done in the future. The discussion then focuses on the specific support measures that participants expect and that would improve overcoming problems in current business. There was also a discussion between the participants themselves. Some subsequently provided us with views via a chat platform. The discussions more precisely defined the answers to the questions from the questionnaire, but also provided guidelines for defining the conclusions that are at the end of this document.

Ppt presentation used as preparation for focus group discussion



## Thank you for participating in the survey!

### Survey phases:

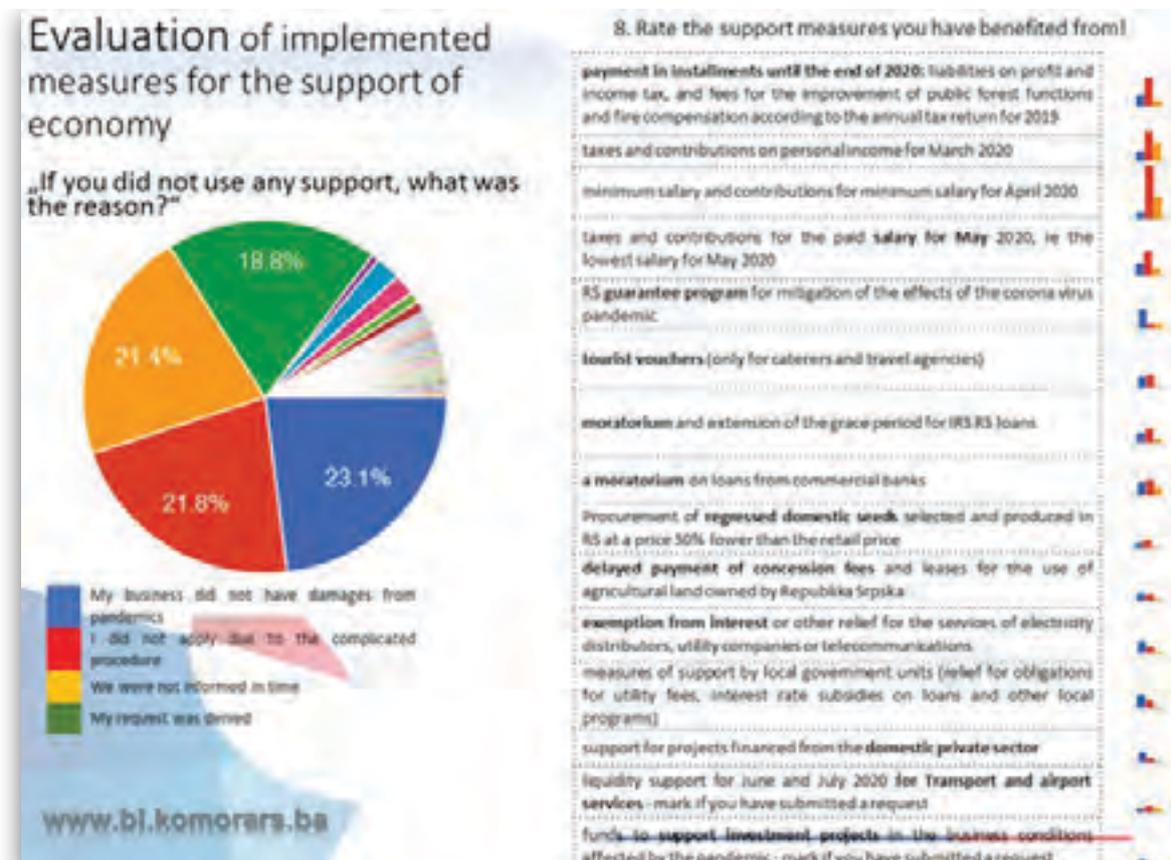
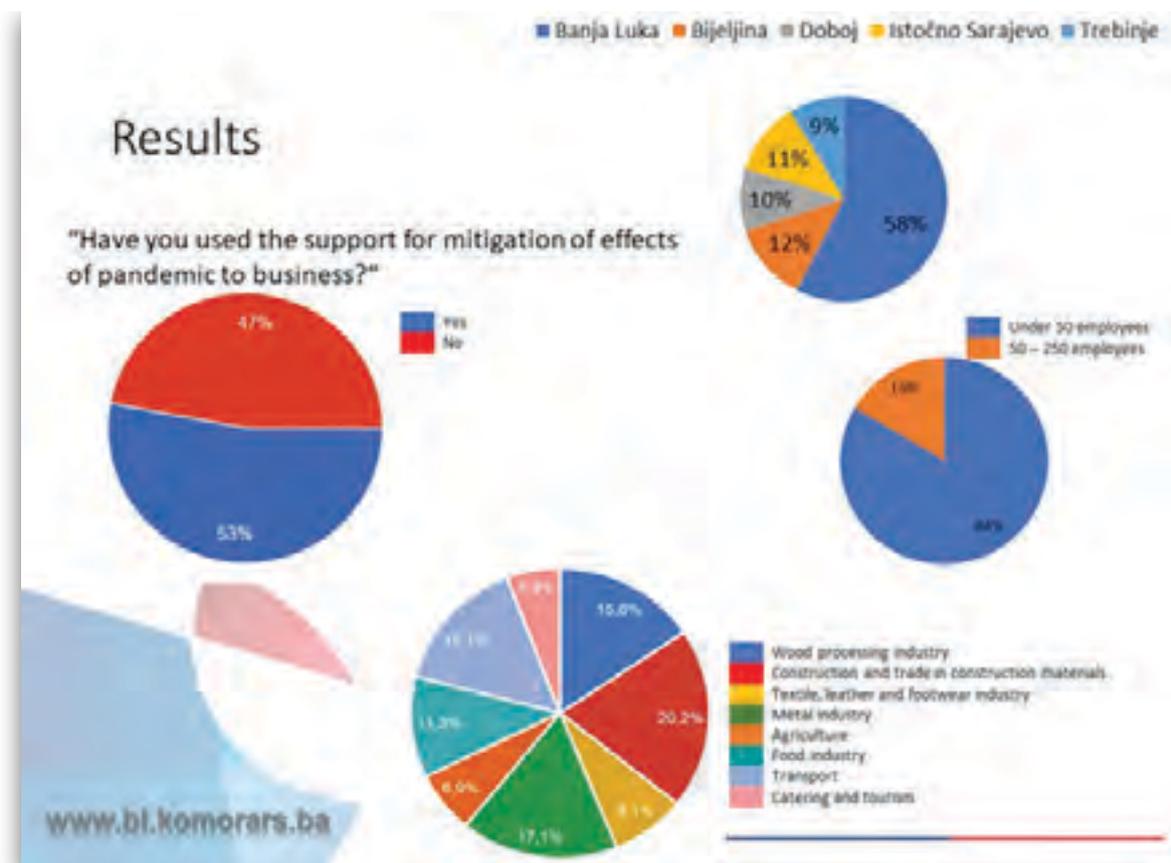
1. Questionnaire delivered to 1400 e-mail addresses in RS
  - 15 questions
2. Final results on the basis of 655 collected questionnaires
3. Presentation of preliminary result to **8 focus groups**

Sector	11.11.	12.11.	13.11.
Catering and tourism	12 h		
Transport	14 h		
Agriculture			10 h
Food processing industry			12 h
Wood processing industry			14 h
Textile, leather and shoe production		10 h	
Metal processing industry		12 h	
Construction		14 h	

4. Analyzing conclusions of focus groups
5. Final results of the questionnaire
6. Reporting

## Questionnaire

- **General**
  - Whole RS
  - 8 economic sectors
  - SME
- **Evaluation of the implemented measures** for the support of economy in RS
- **Analysis of the effects** of ongoing pandemic with the special attention to digitizing of business
- **Your suggestions** of measures for the support of economy during pandemic

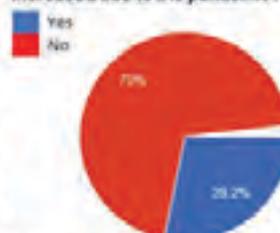


## Analysis of the effects of ongoing pandemic

10. What are the effects/changes/challenges in your business due to the pandemic?

liquidity decline	49,6%
disruptions in the supply of raw materials and increase of procurement costs	30,7%
reduction of imports	12,5%
reduction of exports	31,1%
<b>falling demand for products/services</b>	<b>61,8%</b>
reducing the number of employees	23,3%
reducing the number of business units	1,4%
<b>reduction in production volume</b>	<b>35,6%</b>
product range change	4,3%
change of distribution channels	4,7%
changing the business concept, vision and mission of the company	15,1%
higher investments in business digitalization than planned	5,0%
introduction/intensification of work from home	4,8%
reduced productivity due to self-isolation of employees	25,0%
reduced productivity due to employee distancing, masks and hygiene practices	26,7%
<b>decline in work motivation</b>	<b>32,4%</b>
suspended business activity	14,8%
no, my business is the same as in a pandemic-free environment	1,7%
revenue growth	1,2%
other	0,6%
No replies	7,2%

11. Were credit debts of the business entity increased due to the pandemic?

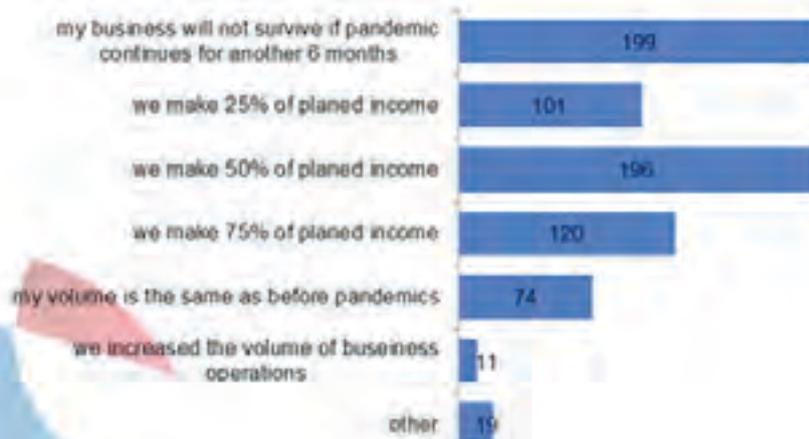


Have you introduced/improved digital technologies due to the pandemic?

we have introduced/improved online sales	43	6,6%
we created/improved websites and increased the volume of digital marketing	61	9,1%
we use more electronic communication with employees, clients and partners	206	31,5%
we have introduced a greater degree of automation of production process	14	2,1%
we introduced/improved ERP/HRM systems	10	1,3%
we have improved the skills of employees to use digital technologies	68	10,4%
no	283	43,2%
Other	5	0,8%

## Analiza posledica produženog trajanja pandemije

13. To what extent do the current epidemic conditions (summer and autumn 2020) affect the reduction of the business volume of your business entity?



# Overview of members of sectoral focus groups

## Focus group: **Catering and tourism**

🕒 Date: Wednesday, 11.11.2020 (12 a.m.)

Kompas tours-rm doo	Banja Luka
"Marco Polo" restaurant sp Jeličić Aleksandar	Banja Luka
Royal village Kotromanićevo doo	Doboj
Energomont doo	Banja Luka
Bemind ad	Banja Luka
Ethno village Stanišići	Bijeljina
Stara Ada doo	Banja Luka
Provence sp	Banja Luka
Andrićev konak doo	Visegrad

The views expressed at the meeting of representatives of economic entities in the field of catering and tourism are:

- lock down in catering and tourism should not be allowed
- to extend the program of tourist vouchers in RS
- subsidizing taxes and contributions on salaries to employees in the hospitality industry, the payment of the minimum wage is positive and it need to be continued
- creating a favorable business environment through the reduction of parafiscal levies, especially utility taxes
- introduce a subsidy per bed or hotel room
- to enable excursions within BiH as a form of assistance to tourist organizations
- online sales and delivery of food has been introduced and currently digitalisation has no decisive impact on business in the sector
- reduction of the VAT rate
- reduction of the price of electricity
- deferral of contributions, followed by the introduction of payments in 24 monthly installments
- stop blocking accounts and calculating interest
- support for quality improvement projects could significantly increase competitiveness in the existing, reduced, market



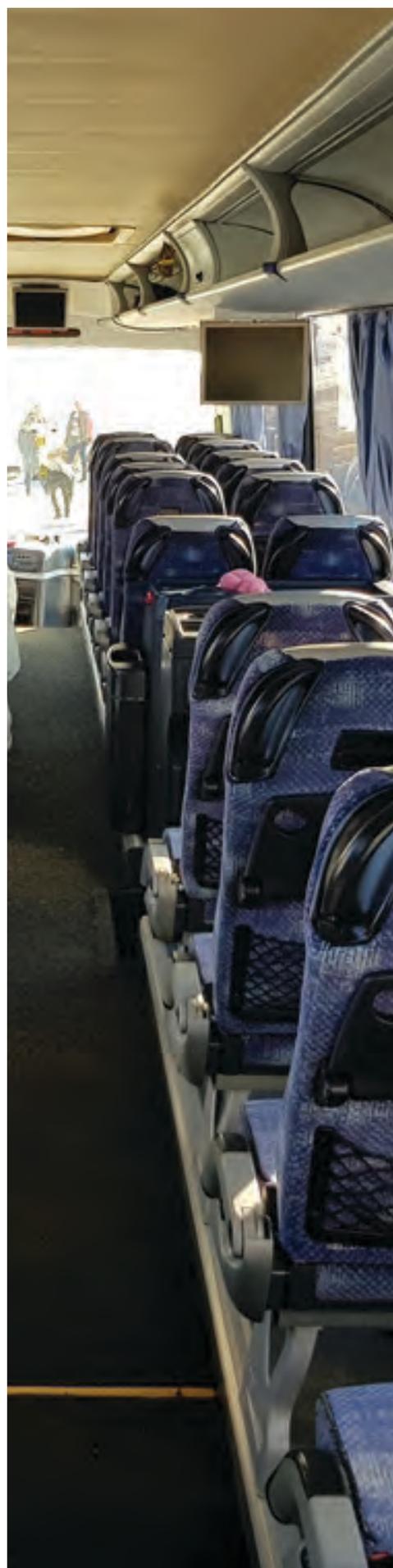
## Focus group: Transport

© Date: Wednesday, November 11, 2020 (14 p.m.)

Autotransport Prijedor ad	Prijedor
Satelit doo	Celinac
Transport Vukovic doo	Kozarska Dubica
Tomo-trans doo	Srbac
UBLA-TOURS DOO	Trebinje
Sim-prom doo	Derventa
Plavšić doo	Brod
Sons doo	East New Sarajevo
"Bus station NAS" doo	Derventa
Lux travel doo	Trebinje

The views expressed at the meeting of representatives of economic entities in the field of transport are:

- assistance in the form of a minimum wage reimbursement to be continued until the end of the pandemic
- promote public transport as safe, not as a place of spread of infection
- introduction of fuel subsidies to carriers according to the model valid in agriculture
- introduce a moratorium on loans until the end of the epidemic
- stricter control of illegal carriers
- find a solution for interest arising from delays in VAT payment (the mentioned interest rates are very high and sometimes are the result of minimal delays)
- promote the RS Guarantee Program
- reduce the VAT rate
- reduction of parafiscal levies
- moratorium on loans without impairment of creditworthiness and without calculation of intercalary interest rates during loan standstill, until the situation normalizes
- speed up the work of customs
- create measures and a plan in advance, in order to enable business planning
- increase support from local government
- ensure the maintenance of the level of administration services at all levels, because there is an evident decline in the quality of service due to the absence of employees



## Focus group: Textile, leather and footwear industry

🕒 Date: Thursday, November 12, 2020 (10 hours)

Protector	Slatina
Obuća Zvornik doo	Zvornik
Exclusive Lingerie doo	Banja Luka
Miltex doo	Banja Luka
Verdi doo	Teslic
Sana Linea doo	Kostajnica
Gloria - line doo	Banja Luka

The views expressed at the meeting of representatives of economic entities in the field of textile, leather and footwear industry are:

- tax and wage subsidies until the end of the epidemic are the most effective aid
- investment project support program, ie. for the procurement of modern technology (from October 2020) to make it continuous
- reduction of electricity prices at least during 2021
- the dual education improvement project is key to providing a skilled workforce
- provide program of technical support to digitalization processes in the economy, e.g. through budget co-financing of projects implemented by the Center for Digital Transformation of the CCI RS
- amend the Public Procurement Law in order to favor domestic production over the next five years
- business support programs for entering new markets, e.g. through projects of the Chamber of Commerce and partner chambers abroad that would be supported by the Government of RS by providing funds for the promotion of the domestic economy
- acceleration and reduction of customs processes in the import and export of goods
- reduction of parafiscal levies (republic taxes, forest taxes, company tax fees...)
- organization of a joint appearance of a cluster of companies, from the production of a domestic product to entering a new market
- technical assistance in the form of research and guidance on possible changes in activities, ie. directing business people to the needs of the market
- absence from work due to coronavirus infection should be reimbursed by the RS Health Insurance Fund
- increase the financial discipline of public companies and institutions in settling obligations to companies



Photo credit: <https://pixabay.com/photos/footwear-leather-shoes-oxfords-1838767/>

## Focus group: Metal processing industry

© Date: Thursday, November 12, 2020 (12 p.m.)

RS Silicon doo	Mrkonjic Grad
Mikroelektronika ad	Banja Luka
Termoelektro oprema doo	Lopare
Vineks - M d.oo	Celinac
MAHLE Electric Drives Bosnia Ltd.	Laktaši
Singerica Lift doo	Prijedor
METAL doo	Teslic
Mega mont doo	Celinac

The views expressed at the meeting of representatives of economic entities in the field of metal industry are:

- re-provide co- financing of employee contributions from the RS budget
- deferral of tax obligations
- at all costs to maintain foreign trading process
- moratorium on loans without interest
- technical and financial support to exporters for international certification
- provide credit lines for export projects, which would stimulate the growth of export by manufacturing companies
- reduction of parafiscal levies
- payment of VAT on the collected realization
- lock down should not be introduced
- provide state aid and in collecting debts (e.g. through insurance)
- promoting the European Entrepreneurship Network as a way to find partners in Europe
- program of support for investment projects, ie. for the procurement of modern technology (from October 2020) to make it continuous
- increase the involvement of local government and the development of each company
- absence from work due to coronavirus infection should be reimbursed by the RS Health Insurance Fund



Photo credit: <https://unsplash.com/@ahsanization>

## Focus group: **Construction and trading in building materials**

🕒 Date: Thursday, November 12, 2020 (14 p.m.)

Gip - Gradis Ltd.	Banja Luka
Elektroplan doo	Banja Luka
NPL-PROJECT DOO	Eastern Ilidza
HIDROINŽENJERING doo	Derventa
Delkom doo	Bileća
Porobic doo	Trebinje
Graditelj-prom doo	Celinac
BUK PROMET doo	Bijeljina

There were no significant requirements within this focus group because it is a branch that has been operating smoothly with relatively stable demand for their products. The views expressed at the meeting of representatives of economic entities in the field of construction are:

- improve the digitalization of institutions for easier, faster and cheaper provision of services (due to the absence of a large number of administrative staff the already low level of service quality is further deteriorated)
- provide systemic technical support to digitalization processes in the economy, e.g. through budget co-financing of projects implemented by the Center for Digital Transformation of the PC RS
- provide more favorable lending to citizens for the purchase of apartments/houses
- do not allow lock downs
- reduction and/or abolition of taxes during the pandemic
- to solve the problem of scheduling appointments for detached workers at the German Embassy
- prolong tax settlement obligations
- improve the system of informing the economy about changes in measures
- payment of VAT on the collected realization
- reduce corruption in public procurement
- amend the Labor Law to introduce the institution of work from home



## Focus group: Food processing industry

© Date: Friday, November 13, 2020 (10 a.m.)

Mlijekoprodukt doo	Kozarska Dubica
Sava BN	Bijeljina
Tropic ribarstvo	Banja Luka
Herzegovina Med doo	Trebinje
BiS Astra doo	Mrkonjic Grad
Meet industry IMEL doo	Ljubinje
Bakery "Milić"	Mrkonjic Grad
Animal feed factory Sita doo	Gradiška

The views expressed at the meeting of representatives of economic entities in the field of food industry are:

- provide specialized loans for supply of raw materials
- extension of assistance in the field of taxes and contributions and payment of the minimum wage to those who did not work or have a reduced business volume by up to 50% in 2020
- reduction of parafiscal levies
- reduction of contribution rates and personal income taxes
- reduction of concession fees
- intensify project "Naše je bolje/Ours is better"
- investment project support program, ie. for the procurement of modern technology (from October 2020) to make it continuous
- development of funds for financing subcontractors that supply food producers with raw materials
- introduction of non-tariff barriers to the import of food products from Europe
- additional moratorium on repayment of debts with banks and state contributions and rescheduling the debt over a longer period
- investment in strategic and production-oriented enterprises by the government with ownership share



## Focus group: Agriculture

© Date: Friday, November 13, 2020 (12 a.m.)

Eco zone "Ugarski brzaci" Ltd.	Kneževo
Gold-MG doo	Donji Zabar
ZZ Laktaši	Laktasi
Agrohercegovina ad	Nevesinje
Mileks doo	Milići
Gold-MG doo	Donji Zabar
Agrojapra Agricultural Cooperative	Novi Grad
Agrohercegovina ad	Nevesinje
Agricultural cooperative LIVAČ	Aleksandrovac

The views expressed at the meeting of representatives of economic entities in the field of agriculture are:

- continue with regressing of energy and seeds
- accelerate the payment of incentives
- introduce measures to hinder the import of vegetables and cereals from the EU
- enabling the export of fattening cattle, meat and meat products
- intensify project "Naše je bolje/Ours is better"
- change the Rule on Subsidies in Agriculture in order to allocate the resources according to the yield and production results



Photo credit: <https://unsplash.com/@markusspiske>

## Focus group: Wood processing industry

© Date: Friday, November 13, 2020 (14 p.m.)

Formino doo	Teslic
"DRINJAČA" LTD for production, internal and external trade and services	Šekovići
Petroprojekt doo	Bratunac
Drvodex doo	Mrkonjic Grad
Elgrad doo	Teslic
Mega drvo doo	Bijeljina
Dorwood doo	Trnovo
Masterwood doo	Prijedor

The views expressed at the meeting of representatives of economic entities in the field of wood industry are:

- repeat co-financing of employee contributions from the RS budget
- defer tax payments
- abolish or reduce parafiscal levies, republic and communal taxes
- at all costs maintain the process of foreign trading
- introduce a moratorium on loans without interest
- technical and financial support to exporters for international certification
- provide dedicated credit lines for export projects, which would be favorable, which would stimulate the growth of export of manufacturing companies
- reduction of parafiscal levies
- reducing corruption
- payment of VAT on the collected realization
- lock downs should not be introduced
- provide a state program of assistance in the collection of receivables (eg through insurance),
- promoting the European Entrepreneurship Network as a way to find partners in Europe
- investment project support program, ie. for the procurement of modern technology (from October 2020) to make it continuous
- increase the involvement of local authorities in the development of each company
- absence from work due to coronavirus infection should be reimbursed by the RS Health Insurance Fund



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# CONCLUSIONS

## Results

In October 2020, the Banja Luka Regional Chamber of Commerce started sending questionnaires to members. Until the November 6, 2020, 655 questionnaires were properly filled out. The data were imported into tables, and the results were formatted as input data for the report in accordance with the project guidelines. This activity required additional work since it was more difficult to communicate with members due to the absence of workers and reduced workload due to the pandemic as well as the fact that a small number of members use IT platforms and digital tools, which is one of the negative trends. It should be noted that there were significantly fewer unclear or incomplete questionnaires which is an improvement comparing to the first survey in April 2020. In addition, there were 8 focus group meetings held (7 video conferences and a round table):

	<u>participants</u>
1. Catering and tourism	9
2. Food industry	8
3. Agriculture	9
4. Wood industry	8
5. Industry of textile, leather and footwear	8
6. Metal industry	7
7. Construction and trading in construction materials	8
8. Transport	10

Focus groups largely confirmed the results of the surveys but also expanded the range of conclusions that will be presented in this document.

In accordance with data obtained tables and charts were made. Survey and focus groups delivered also descriptive explanations of specific situations and problems and suggestions about the shape and volume of necessary support measures.

It is obvious that there was no aid from institutions at the level of BiH. Businesses received support from the level of local communities and entities.



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The general assessment is that economic entities are not well informed about the methods, deadlines and application processes for obtaining aid. The conclusion is that hospitality and tourism suffered the most due to the lock down on entity and local level enforced in order to prevent social contacts. Most significant support was the one for overcoming the problem of liquidity and that assistance is still necessary although surveys and focus group meetings focused on non-financial forms of support.

As can be seen from the survey and focus groups discussions, catering and tourism are still under the strongest effect. After the lock down during the first wave of a pandemic, measures such as the distance between the table in the objects remained in force, serious hygienic measures have brought significant costs and additionally the attitude of the population

that is at risk to visit restaurants remained. When it comes to hospitality and tourism, the situation is much more difficult. This is followed by transport that has been severely affected in the area of passenger transport. On the other hand, a large number of business entities from transport asked for help and received it, but it is insufficient, as indicated by the results of the survey and the focus groups statements.

In April 2020 survey, 651 entrepreneurs which is more than 50% of the respondents, confirmed that it had already felt the negative impact on business. The most drastic example is the 100% of activities in the hospitality and tourism industry.

Then and also now, hardest hit was at the hospitality, tourism and transport. The situation has improved minimally in transport, which has received a lot of help.

Survey states the decline in business volume in all subjects, or 61.8% or 405 responses, which highlighted the following problems:

- the problem of falling demand for products and services
- inability to settle obligations
- fear of new lock down
- reduced export volume
- difficult supply of raw materials
- decline in employee motivation
- lack of workers due to the increase in the number of patients, etc.

Therefore, domestic and foreign demand is declining which is a problem for processing sector, and catering and tourism. The survey results show a decrease in production volume by 36.5% respondents. Distance and hygiene measures hamper the normal continuity of work and isolation of employees (29%), and the like. The second most important issue is compromised liquidity as it is pointed out in 49.6% of questionnaires which suggests that insolvency is the largest threat for the survival of the economy. The same fears were highlighted in April 2020 survey. Challenges are noticeable in declining exports and retaining existing customers; 33.1% of responses indicated this problem.

Significant fears exist for the period after the pandemic, where it is indicated that the company's performance indicators will be poor and the possibility of bank loans will be minimal and insufficient, and recovery will be more difficult.

Highly ranked problems are lack of understanding of government when it comes to the elimination or reduction of certain benefits (entity fees and utility charges), as well as the prolongation of loans with banks.

It should be noted that only 24 or 0.6% of the total number of respondents stated that they had no effects for business, which is negligible and relates to service design activities in construction and some specific activities.

The new aspect of survey is one specific social problem, and that is a drop of enthusiasm of employee, ie. change in mental and physical abilities of workers - 212 response, or 32.4% of the total number of responses signals to this negative factor. This problem was not the focus of examining in April 2020 and can be very important in the period of overcoming the problem after the end of the epidemic.

We have noticed an increase in loans in 36.6 % of respondents, which is a large number, considering that the pandemic (with a shorter setback during the summer) lasts a little over eight months. Most of credit funds were not used for development but for current liquidity and survival; 62% of respondents did not increase debts to banks, but in most cases, they used moratoriums which creates interest expense now and impairment of liquidity in the future period.

In general, again the problem and support were directly related to the problem of illiquidity, but also the uncertainty in the business in the next six months.

The low degree of digitalization of the economy is evident. Only 11.3% of respondents do business using online tools and sales. The conclusion is that the economy must be digitalized to a greater extent, from the basic issues of DMS to online sales, which may be a task for the future. Only 31 had practiced work from home.

Special emphasis should be placed on connecting the processing industry in agriculture with domestic

sources of raw materials and developing domestic resources. But the awareness of citizens to purchase local products encourages economic growth and the reduction of imports and prevents the outflow of the funds that are necessary to overcome the crisis. There are indications of absence in strategic management mechanism in agriculture and manufacturing activities.

The neglect of human resources improvement is still noticeable, although in most industries, trainings for the use of IT have been done, primarily in sales departments (textiles, leather and footwear industries). There are signs of improvement in the field of development of internet pages or staff training in communication. There is no major work on modernization and production, digitalization of work processes and competitiveness, which are important for overcoming the problems that companies are currently in. During the focus groups meeting layoffs of larger number of workers have been mentioned and there is a fear that more workers have to be fired if the pandemic persist until the spring. The conclusion remains that the monitoring of trends during the pandemic will continue and that a detailed analysis of the economy after the pandemic must be done, but with adjusted questionnaires by activities and with fewer questions.

All companies will be more affected if they do not preserve liquidity and the market. The first analysis showed the greatest amount of damage small companies. The duration of the pandemic shook medium-sized companies, apart from the construction sector and agriculture.

The most affected sectors of the economy:

- Tourism and catering,
- Transport of goods and passengers (it has been noticed that the transport of passengers, especially in international and intercity transport is endangered),
- Manufacturing industry (especially metal processing, textile, leather and wood export, due to the lock down of foreign customers),
- Agriculture.

This conclusion is consistent with survey which was carried out in April 2020.



When we analyze the data from the survey and focus group assessment, a number of conclusions emerge that open space for defining future support measures in terms of support duration, support allocation model and form of support:

- 1.** Support measures existed and almost half of the respondents rated them positively.
- 2.** There are significant variations of these ratings from industry to industry while regional opinions are balanced.
- 3.** It is necessary to extend the support during the pandemic, through the elimination or reduction of entity fees and charges and of utility fees and other charges
- 4.** The development of new forms of support is needed
- 5.** It is necessary to create the precondition for up to date informing of companies about the method and the availability of support
- 6.** It is necessary to support the development and the use of IT solutions in society (digitization), and in that process to pay a special attention to the economy and administration at all levels.
- 7.** Create support for finding new customers/markets and a return to the level and scope of work before the pandemic
- 8.** Create support for maintaining liquidity (eliminating or reducing the entity fees and charges, loans, rearrangements, etc.)

# Proposed measures

The survey supports proposal of following types of support in overcoming the current situation.

## 1. Measures to improve the liquidity of the economy

- A.** Requirement for various forms of subsidies and to the elimination or reduction of state and municipal taxes, and other levies is still dominant
- B.** Reduction of taxes and contributions for the most endangered industries and payment of minimum wages, primarily for tourism, catering and transport. This applies to the period until April 2021 because according to the focus groups, the losses are expected to be the largest in the winter, although this is not typical for these industries and is a direct consequence of the pandemic.
- C.** Establishing revolving funds for particular services by ministries, chamber of commerce, etc. Revolving funds would be financed from donations, subsidized from institutions, commercial financial institutions and contributions from members who would be able to use the funds as needed or in a defined order).
- D.** With the Banking Agencies discuss the possible solutions when it comes to new credit indebtedness of the economy, which will be a precondition for starting new production and work cycles. Namely, due to the pandemic, all companies will have reduced balance sheet and financial indicators, and there will be a problem of lack of liquid funds for the new production cycle, but also insufficient credit support to the economy.
- E.** It would be important to activate the RS Guarantee Program to a greater extent. Unfortunately, largest number of negative comments of respondents was related to the inefficiency of the program.
- G.** Promotion of domestic producers and services activities on the domestic market, this activity would increase domestic production and consumption, primarily activities such as “Ours is better” by Chamber of Commerce and Industry of Republika Srpska, but also the activities of substitution of imported goods with domestic and awareness raising actions about saved jobs by using domestic products.
- H.** Subsidy for travel tickets according to the model of tourist vouchers, because passenger transport is significantly reduced. Financing will be found in relevant ministries and in grant funding from international donations.
- I.** Reduction of concession fees. This measure is most pronounced in agriculture and construction sector.
- J.** Reduction of non-tax benefits at the level of local communities. This is a request that the RS Chamber of Commerce and Industry has already sent to the competent authorities, but it has not been realized yet.
- K.** Longer deadlines for settling direct and indirect taxes.
- L.** Amendment of the law on VAT in terms of payment of VAT upon collection of receivables.

## **2. Assistance in maintaining sales volume (preserving the market and finding new customers)**

In the first place, it is necessary to preserve the volume of production and sales and their growth.

- A.** Assistance in the process of educating businessmen in finding new customers. Establishment of special-purpose funds to help with education and appearances in target markets.
- B.** Institutional presence on the market through activities of participation in fairs, through chambers of commerce, embassies and specialized agencies, and active support on finding buyers in all industries.
- C.** Attract foreign tourists by promoting the tourist potentials of BiH and RS abroad.
- D.** Continue the activity of issuing tourist vouchers to all citizens of RS and BiH to help tourist workers after 31.12.2020 as it is done in Slovenia, Hungary and Serbia, in order to increase consumption and processing industry.
- E.** Technical and financial assistance to entrepreneurs for entering new markets, special export loans and the like.
- F.** Technical assistance and incentives for the development of new products and the application of innovative technologies.

## **3. Digitization of economy and institutions**

- A.** Advocacy and system support to the economy and institutions for the introduction and education of citizens in the use of IT solutions for business, communication, online services, issuance of certificates and certificates by all institutions. This would speed up, lower the cost and increase the efficiency of all business and administrative operations but also align our economy with the economies of developed countries, and enable enterprises to find new sales channels and customers.
- B.** As in the first study, we propose the same measures of education and promotion of the advantages of digitalization, the use of electronic signatures, technical assistance to companies introducing DMS and e-business, accelerating certain segments in the legislation to spread this business model, etc.
- C.** On the provision of technical assistance for the digitalization of business through the establishment of a digital-economic center (for example, within the Center for Digital Transformation of the Chamber of Commerce and Industry of Republika Srpska). Technical assistance in this area would enable the use of platforms for the flow of information, exchange of goods, exchange of technologies and increase the competitiveness of our economy; this should include promotion for the development of DMS systems in companies and support for the use of electronic signatures.
- D.** Conduct a pilot project in which participating entrepreneurs would use all the benefits of IT solutions for business, and a pilot project which would involve two to three institutions together with companies.

#### **4. Significant investments in the modernization of the production process through investment in modern technologies**

- A.** Establishment of specialized credit lines in combination with grants for the purchase of innovative equipment.
- B.** Government subsidies (all levels) for companies with the aim of increasing the volume of production and employment (there are programs in Republika Srpska but the funds are low, the volume of aid should be increased). Emphasis needs to be given to plants with the environmental character, or eco-products and energy efficient.
- C.** Exemptions from all customs and tax duties on new technologies.
- D.** Exemption or reduction of non-fiscal levies.

#### **5. Preservation and education of the workforce**

- A.** Reducing taxes and contributions in order to create funds for wages increase especially for skilled workers. This would reduce the gray economy, which would directly affect the growth of the budget.
- B.** Establishment of permanent educational centers for retraining at chambers of commerce. These would be courses certified by competent authorities that would allow the substitution of lacking profiles in short term and one part of not engaged population would get the opportunity for employment in industries that have problems with a lack of labor force. Funding would be provided by companies and the Employment Service. A special focus would be on training to work on new technologies and machines.
- C.** Promotion of dual system of education and guidance of young people to the necessary interest in the domestic economy.

Banja Luka, November 13, 2020





