

Occasional Budget Brief No.1:

April 2020

Impact of the adopted Rebalance of Federation of BiH Budget for 2020 on women and vulnerable categories

Based on the Proposed Rebalance of FBiH Budget for 2020, UN Women Office in BiH made an initial overview on how the rebalance will affect those who have been most affected by COVID-19 pandemic, including women and vulnerable categories¹

The proposed Rebalance of FBiH Budget was adopted at the FBiH Parliament House of Representatives session, on April 23 and on the FBiH Parliament House of Peoples session, on April 28. The total budget expenses are 5.508.930.679 KM.

1. General overview

- The Budget **does not contain** an overview of how much budgets are cut of each ministry/institution;
- From a thorough analysis, it was noted that most areas in where the **budget spending is monitored in a gender responsive manner were affected by cuts:**
 - Budget of FBiH Ministry of Entrepreneurship, Crafts and Development **cut by 79%**;
 - Budget of FBiH Ministry of Labour and Social Policy **cut by 10%**;
 - Budget of FBiH Ministry of Education and Science **cut by 38%**;
 - Budget of FBiH Ministry of Culture and Sports **cut by 27%**;
 - Budget of FBiH Ministry of Environment and Tourism **cut by 55%**;
- Financing of political parties was reduced by 50%.

2. Key Issues

- **Grants for entrepreneurs to the amount of KM 5.39 million with the Ministry of Development, Entrepreneurship and Crafts have been cancelled**
 - At the 212th Session of the Government of the FBiH, held on 06.03.2020. the FBiH Government made 5.49 million KM available as grant funds for beneficiaries through a public competition. Of these funds, 2,000,000 KM was foreseen for the project for the construction of entrepreneurial zones; for the stimulation of innovators, 40,000 KM each; for scholarships for students of in deficient occupations of 100,000 KM; for the improvement of institutional entrepreneurial infrastructure of 100,000 KM; for the encouragement of associations, chambers and educational institutions of 100,000 KM; for the provision of mentoring services for business entities of 50,000 KM; for the support of traditional and old-fashioned crafts of 200,000 KM; for the incentive for the development of crafts and related activities 500,000 KM. For the newly established entities, has been allocated KM 850,000 was allocated to through subsidizing the costs of equipment and

¹ Anita Bhatia, UN Women Deputy Executive Director: *Women and COVID-19: Five things governments can do now.* <https://bit.ly/2wWGpeP>

supplies, to strengthen the competitiveness of small and medium-sized enterprises, KM 1,250,000 through technological modernization of business processes, for technical harmonization (introduction of ISO and HACCP standards and assurance of CE importance) 150,000 KM and for promotion of entrepreneurship KM 50,000. Women, people with disabilities and those under 35 years of age have preferential treatment in applying.

→ Although the Government noted that these funds are important for new and existing business as well as a strategic direction in line with EU standards, the **abolishment of these funds significantly hinders the development of micro, small and medium-sized enterprises, and blocks budget support for the establishment of new businesses.** Recent research² shows that 71.5% of micro, small and medium companies had a very negative impact on their functioning, caused by COVID-19 pandemic. According to the latest data from the FBiH Tax Administration, more than 20,000 people were made unemployed in March 2020, **eliminating grants completely excludes small business start-ups from support and has a significant impact on entrepreneurial infrastructure in the FBiH.**

- **Reduction of cash transfers to individuals**, as prescribed by the Law on Protection of Families with Children was reduced by 98%, or 19.5 million KM and is now **only 500,000 KM.**
- The establishment of the **Economic Stabilization Fund** serves for the **Government to pay contributions for minimum wages in the private sector. The outcome of such action is merely a spillover of funds from section to section of the FBiH budget**, from the Ministry of Finance to the PIO / MIO Fund, i.e. ensuring that there are funds for the payment of pensions. Such measure benefits the Budget of FBiH, not the employers or the employees.

3. Impact on women and vulnerable categories

There is a need for the Government to be transparent in newly planned budget allocations **based on the assessed priorities** and the need for **efficient combining of budget and non-budget resources. This specifically relates to planned international assistance as well as applying a gender lens in the implementation of planned measures and activities.**

² <https://fondacija787.ba/en/2020/04/14/research-r-results-how-does-covid-19-crisis-affect-businesses-and-entrepreneurs-in-bh/>