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| **undp_logo.gif** |  **The Impact of the Financial Crisis at the Local Level in BiH** |

This assessment is based on a survey undertaken in the first week of April 2009 in the following 16 Municipalities in BiH**:** Sanski Most, Bosanski Krupa, Maglaj, Doboj, Srebrenica, Bratunac, Milici, Foca, Cajnice, Novo Gorazde, Kalinovik, Gorazde, Foca-Ustikolina, Blagaj, Stolac and Mostar. Where possible, representatives of the local development department, the Centre for Social Work, and the Institution for Employment were interviewed as well as the Mayor.

The survey was undertaken by UNDP project staff who are currently implementing projects in these municipalities and who work regularly with these authorities. The format of the survey was semi-structured interviews, with the guide having been devised by Country Office staff. The intention was to assess the perception of the impact of the economic crisis at the local level and the degree to which that impact is being monitored and evaluated, as well as to initiate discussion on this topic with a view to identifying potential areas in which local communities may be able to respond to this challenge. UNDP BiH intends to follow up on this research with those municipalities with which it is working on area-based development projects.



1. **Impact on the Private Sector**

All municipalities surveyed have observed a slowdown in activities in the private sector. Similarly, in almost all municipalities a temporary suspension or permanent termination of employees has been registered (there is, however, no available data to link this directly with the current economic downturn). Although a few export oriented enterprises registered cancellations of orders, those enterprises importing goods or products from abroad did register price rises.

The impact of crisis seems more visible in those Municipalities where the secondary and tertiary sectors are more present, reflecting, through global value chains, on the input suppliers, usually located in transitional and/or underdeveloped business communities. Wood and metal processing seem to be the most affected sectors, as they provide inputs (semi products or materials) to the next link in the chain, usually located abroad. In some municipalities (eg. Doboj, Srebrenica and Blagaj) there is optimism that new jobs will be created in the coming year in some sectors.

**Agricultural production** is mentioned as the major substantial activity as well as manufacturing. This appears to be the sole sector creating new jobs. This may be temporary, however, given the seasonal nature of the work involved.

**A decrease level of consumption** had been observed in all Municipalities.

**Construction**: In some municipalities construction projects have ceased, but all Municipalities expressed concerns as there are no new initiatives requesting construction permits.Not only real-estate demand but also demand for loans for capital investment has decreased.

**Employment:** Unemployment data and payment information are available to Municipalities on a monthly basis in the FBiH, while in the RS the municipalities have to request information from local branch offices of the Employment Offices. There are evident difficulties in assessing the actual unemployment figures in each entity, however, since many people register in the FBiH where payments are higher, while living in the RS. The actual number of unemployed in the RS is therefore likely to be higher than the number registered at the Bureau of Employment (for example in Doboj Municipality).

Most municipal officials interviewed reported that they have no knowledge of whether men or women are being more affected by job losses. Doboj is the only municipality with data on recently unemployed and sites figures at 153 men and 84 women having lost their jobs in January and February. This distinction is corroborated by the data from Una-Sana Canton which reports job losses for 1405 men and 906 women in the Canton in the same period. A number of municipal officials suggest that more men than women are being affected by newly generated unemployment due to the sectors in which jobs are being lost. In Stolac, for example, due to the closure of a steel production factory, around 90% more men than women have lost jobs.

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|  | Sanski Most | Bosanski Krupa | Maglaj | Doboj | Srebrenica | Bratunac | Milici | Foca | Cajnice | Novo Gorazde | Kalinovik | Gorazde | Foca-Ustikolina | Blagaj | Stolac | Mostar | UNA SANA Canton Bihac[[1]](#footnote-2) |
| Layoffs or business closures | Yes | Yes | Yes | Yes | Yes | Yes | Yes | - | - | - | - | Yes | Yes | Yes | Few | - | Yes |
| Increased registrations at Employment centres | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes | - | - | Yes |
| Newly unemployed registering at CSW | Yes | Yes | Yes | Yes | No | No | No | - | - | - | - | - | - | - | - | - | - |
| Evidence of salaries not being paid on time | Yes |  | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | - | No | Yes | No |
| Construction ceasing | Yes | No | No | No | No | No | No | No | No | No | No | No | No | Yes[[2]](#footnote-3) | No | - | - |
| Evidence of business growing/jobs being created | Yes | No | No | No | No | No | No | No | No | No | No | Yes | No | No | No | - | Yes agriculture |

1. **Impact on the Public Sector**

**Job losses & expected cutbacks:**

No municipalities report layoffs in the public sector at the current time. However, salary reductions and delays in payment are noted in nine while these are expected throughout 2009 in a further four. Budgetary reductions are expected to be in the vicinity of of 10% to 30%**.**  In Mostar, for example, salaries are expected to be lowered by 15 to 20% and 200 people working in the municipality will be laid off. Municipal officials particularly expressed regret at proposed cuts to public infrastructure investments.

**Measures at Entity level**

**RS**– The RS government has requested each municipality to prepare a Programme of Measures for Mitigating the Consequences of the World Economic Crisis on the level of the municipality in order to deal with the impact of the economic crisis on local economies ) The government has recognised a general decrease in all investments. The plan foresees a rebalancing of the budget in the second quarter of the year, based on incoming data in the first three or four months of 2009.

**FBiH** – Municipalities in the FBiH appear to coordinate the exchange of information and data on the impact of the crisis largely on an ad hoc basis. No further budgetary support is expected from the entity government but, rather, reductions have been announced.

**Social Welfare:** The lack of harmonised and clear procedures for applying for social welfare was highlighted, in particular regarding differences between entities. Requirements for applying to the Social Work Centre are strict in both Entities. In almost all municipalities covered, a lack of sufficient resources for CSWs is reported, although many officials report that this was the case prior to the financial crisis. Reduced revenue allocations to municipalities are expected to make this situation worse.

With the registered increase of this demand, the role played by remittances has a significant impact.

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|  | Sanski Most | Bosanski Krupa | Maglaj | Doboj | Srebrenica | Bratunac | Milici | Foca | Cajnice | Novo gorazde | Kalinovik | Gorazde | Foca-Ustikolina | Blagaj | Stolac | Mostar | Bihac |
| Layoffs in public sector | No | No | No | No | No | No | No | No | No | No | No | No | No | No  | No | No | No |
| Cutbacks, salary reductions, non-payment of salaries foreseen | Not yet  | Not yet  | No | Not yet  | Not yet | Yes | Yes  | Yes | Yes | Yes | Yes | Yes | Yes | - | - | Yes | expected in 2009 |
| Requests for CSW assistance increasing | Yes, | Yes | Yes | Yes,  | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes[[3]](#footnote-4) | Yes | Yes |
| Municipality has resources to increase benefits  | Yes, | Just  | No,  | No | No | No | No | No | Yes | No | Yes | Yes | No | No  | Yes | No | No |
| CSWs have sufficient financial resources | Yes | No | No | No | No | No  | No | No | No | No | No | No | No | - | - | Just | No |

1. **Social Impact**

**Labour migration:**

(Note: assessment of levels of return labour migration is difficult due to its often seasonal nature and the lack of comparative data over time). Anecdotal evidence suggests that some labour migrants have returned as job opportunities have ceased and there is less interest in seeking employment and are, instead, seeking employment in local agriculture. Two municipalities report returns from construction sectors abroad (Srebrenica & Bratunac). All municipal officials interviewed would like to see improved development of the local agriculture sector; though it is unclear from where such resources would come from. Many labour migrants are not eligible to seek assistance from their CSWs since they are not considered sufficiently destitute.

**Vulnerable categories:**

In all Municipalities there are vulnerable group of people. The most vulnerable are identified as families with children, the elderly and civilian victims of war. A decrease in the quality of their conditions is foreseen by the Municipalities due to the fact that they will have less money to allocate for social benefits.

Youth seems to be recognised as one of the most vulnerable categories along with IDPs, people living in collective centre and female-headed households. It is also expected that family relations will be expected to absorb frustrations created by this financial and economic crisis.

**Remittances:**

Remittance incomes are seen as providing critical support in supplementing household incomes. In the municipalities included in this survey, there is a very high level of dependency of remittances. While there is no data available that would show a decrease in the amount of remittances, a decrease in consumption is in evidence.

**Social effects:**

A number of municipal officials have observed an increase in levels of social unrest, begging, theft and general discontent. In Mostar, for example, this is attributed to frustration related to delays in salaries being paid and difficulties in making loan repayments. In a number of municipalities this increase in tension is also believed to be linked to rising levels of domestic violence.

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| People leaving for work | Yes  | Yes | Yes | - | Yes | Yes | Yes | No | No | No | No | No | No | Yes | - | No | Yes  |
| Labour migrants returning | Yes | Yes | Yes | - | Yes | Yes | Yes | No | No | No | No | No | No | - | - | - | Yes |
| Returning migrants seeking employment | Yes | Yes | Yes | - | Yes | Yes | Yes | No | No | No | No | No | No | - | - | - | Yes |
| High level of dependence on remittances | Yes | Yes | Yes | Yes | Yes | - | - | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Vulnerable groups present | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes  | Yes | Yes |
| Resources available to assist vulnerable | Yes  | No | No | No | Partially | Partially | No | No | No | No | No | No | No | No | Yes | Yes |  No |
| Other notable social affects | No  | Yes | No | No | No | No | Yes | - | - | - | - | - | - | Yes | No | Yes | - |

1. **Monitoring and Assessment**

**Monitoring & Assessment Capacities:**

It is clear that local authorities have not fully grasped the potential consequences of the global financial and economic crisis. Municipalities do not have access to data that can enable them to readily monitor and assess either the social or economic, nor are they actively collecting such data. While data may exist which would assist municipal authorities in assessing the current impact in the local area, it is clear that it is generally not being effectively utilised. For example, a few municipalities are attempting to assess the situation through data related to tax revenues (Bosanski-Krupa, Maglaj and Doboj) and information from Institutes of Employment, yet the majority are not.

In Sanski Most, an assessment has been made of people registered at the Employment Office and the CSW; apparently the most advanced among the municipalities surveyed, Sanski Most has also budgeted a programme of measures for mitigating the consequences of the financial crisis in its budget, while Maglaj municipality is also attempting to put finances aside for the same purpose.

While some local authorities, therefore, have made an attempt to grasp the effects on local economies, there are others that do not have statistical information or have not tried to access it in order to better understand the changes in the preceding months. There is also a tendency to link any sense of a downturn to the ongoing political problems in BiH rather than any other external factors.

The majority of municipal officials were therefore only able to site anecdotal evidence for many of their observations; as such, the accuracy of the overall assessment remains weak.

Despite the lack of data, some municipalities are attempting to take mitigating action; Stolac municipality, for example, is reducing expenditure by 11% for this purpose.

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|  | Sanski Most | Bosanski Krupa | Maglaj | Doboj | Srebrenica | Bratunac | Milici | Foca | Cajnice | Novo gorazde | Kalinovik | Gorazde | Foca-Ustikolina | Blagaj | Stolac | Mostar | Bihac |
| Ability to measure economic impact | None  | Some | Some | Some | None | None | None | None | None | None | None | None | None | None | No | None | - |
| Ability to measure social impact | Intended | None  | Intended | - | None | None | None | None | None | None | None | None | None | None | No | None | None  |
| Assessments have been made | Some | - | - |   | Some | Some | Some | Some | Some | Some | Some | Some | Some | No | No | None[[4]](#footnote-5) | Some |

1. **Longer term opportunities**

Municipalities have focused on providing financial support to local private enterprises facing difficulties in recent months, however, local administrations in general do not have sufficient resources to maintain such support.

One of the most interesting findings of this brief survey is that despite the presence of a significant number of other industries in many municipalities, **agriculture is seen, almost without exception, as the main area for future employment generation.**

Specifically, this includes entrepreneurship projects in the area of agriculture; the agro-food sector; construction of hydro power plants, stimulation of agricultural production, for which programmes exist, but financial means are lacking and expected. External support is requested for the development of industry and agriculture sectors.

One of the reasons for this seemingly narrow horizon may be that agriculture can be a safe refuge in contrast to what might be more challenging or daunting sectors. The lack of processing industry, job opportunities and management / specialized knowledge, may contribute to the perspective that agriculture is a safe industry to develop.

Almost all Municipalities demonstrate interest in attracting external financing for long term investments in this sector. Although the majority of the Municipalities expressed strong interest to support those willing to start agricultural business, the lack of any strategic or systematic approach to doing so is evident.

Some municipalities, such as Blagaj and Mostar, do identify other potential areas such as tourism.

**Annex 1**

**Questionnaire**

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| **Date of the Interview** |  |
| **Municipality** |  |
| **Instutution**  |  |
| **Respondent Name** |  |
| **Job Title** |  |
| **Interviewer** |  |

*For all the questions – are there any differences in the impact on men compared with women?*

**Profile of Municipality**

**Private Sector**

What are the main commercial sectors in which people are employed in this municipality?

Approximately how many people are currently employed in each sector?

What are the most common skills in this municipality? (eg. Agriculture, construction, skills in the service industries?)

Does the municipality have a particular profile in terms of the skill set of the workforce?

Are there families engaged in subsistence activities outside the formal sector?

 **Public Sector**

How many people are currently employed in the public sector (municipality, utilities, government e.g hospitals, education sector etc)?

Is there a functioning Centre for Social Work?

If yes – please give details

Do you have a functioning Employment Centre?

If yes – please give details

 **Monitoring and Assessment of the Situation**

Do you have any mechanisms to measure or assess the **economic** impact of the current financial crisis on the residents of this municipality?

Do you have any mechanisms to measure or assess the **social**  impact of the current financial crisis on the residents of this municipality?

If yes:

 have you made any assessments of the affects of the crisis or any projections of its likely impact?

what kind of data or information do you have?

**Impact of the Economic Crisis on the Private Sector in the Municipality**

Have there been any layoffs or total closures of businesses?

If yes – in which sectors?

How many men and women have been affected?

Are they registering at the Employment Centre­?

Are they registering at the CSW?

Regarding private businesses, to your knowledge, are salaries being paid on time at the moment?

If no, can you provide details?

To your knowledge, has there been any evidence of building or construction stopping in this municipality lately? (houses, public infrastructure etc)

If yes, please describe

Are there any areas of business growing at the current time?

If yes – are new jobs being created?

are these job opportunities available to both women and men?

Do you have any ideas about how new opportunities for employment could be created ?

If Yes – what resources are need to make this happen?

 Do you have resources or will you seek them elsewhere eg. development bank?

 **Impact of the Economic Crisis on Public Sector in the Municipality**

Have there been any lay-offs from the municipality, government institutions or public utilities?

If yes, please specify

Are the public sector jobs likely to continue with workers on full salary or are cutbacks, salary reductions, non-payment of salaries planned or likely to happen?

Are these kinds of problems foreseen in the near future, or is it foreseen that the public sector will be able to continue employing and paying salaries?

Are numbers of requests for help at Centres for Social Work increasing?

Does the municipality have the resources to increase benefits to families in need?

Has there been any increased demand for assistance from Centres for Social Work

If so, how are the Centres coping with the volume of work

Do the centres have financial resources to increase the number of families being supported?

**Social Impact**

Is there evidence that people are leaving this municipality in search of work?

 if yes, where are they going?

Are labour market migrants returning?

If yes, are they seeking employment

Are they seeking support from CSW?

Is there a high level of dependency on remittances,

If yes, are remittances noticeably declining?

Are there particularly vulnerable groups in the community?

If yes – please specify

Do you have resources to assist the most vulnerable?

Do see any notable social effects of the crisis – eg. rising crime, increasing discontent, rising tensions between different groups?)

If yes – pls specify

What do you intend to do about this?

**Longer Term Opportunities**

Are there any training centres for vocational education, entrepreneurship, business incubators, micro-credit facilities etc in this municipality?

If yes, please specify

do they have the funds to increase their intake, volume of work etc.

 are there local people who can take advantage of the opportunities?

Do you have any ideas about how new opportunities for employment could be created if funds are made available?

Do you have any schemes for employment of school leavers?

1. The final column contains information from an interview with the Institute for Employment in Una-Sana Canton, in Bihac. [↑](#footnote-ref-2)
2. According to the interviewee, construction works in Blagaj have stopped due to a political crisis resulting from the delay in selecting a major. [↑](#footnote-ref-3)
3. This increase is attributed to recent changes in the legislation affecting Persons with Disabilities. [↑](#footnote-ref-4)
4. Assessments have not been made due to the political crisis in Mostar – the mayor has not been elected. [↑](#footnote-ref-5)