

BANKRUPTCY RESTRUCTURING MODEL ASSIGNMENT FINAL REPORT

USAID FOSTERING AN INVESTMENT AND LENDER-FRIENDLY
ENVIRONMENT (FILE)

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Bankruptcy Restructuring Model assignment - Final Report

This report presents the results of the Bankruptcy Restructuring Model (BRM) assignment of Thomas Pellerin from to October 12th to December 31st 2005, and the plan for finalizing the BRM and training users.

A/ Results of the Assignment

A.1/ Results

As required in this assignment's scope of work, the result of this assignment is a bankruptcy restructuring model that has the following characteristics:

- User-friendly interface and easy-to-use format: the BRM has limited input sheets and most BRM functions are automated by a simple click.
- Allocates the information into three categories: input data, assumptions, and results. Each category can be recognized by a specific color in the BRM.
- Organized into five different modules to address the different stages of bankruptcy proceedings: preliminary proceeding, investigation hearing, reporting hearing, liquidation proceeding, and reorganization.

In addition, the BRM provides the advantages of:

- Producing outputs and forms needed by bankruptcy professionals during each stage of the proceeding;
- Being adapted to the bankruptcy laws of BiH; and
- Being an integrated system that handles bankruptcy from preliminary proceedings all the way to liquidation or restructuring.

Though a simple tool, the BRM requires users to have basic financial and Excel skills. We realize this might be a challenge in BiH, and we will encourage trustees and other bankruptcy professionals to become familiar with Excel prior to our training. We will also encourage trustees' staff which might be more Excel-savvy to participate to the training.

A.2/ Various issues encountered

In order to deliver a model that is simple and user-friendly on one hand, and adapted to the business and legal environment of BiH on the other hand, the team decided to create a new model that selectively incorporated some of the functionalities of the Corporate Restructuring Model developed by the Emerging Markets Group for USAID in Ukraine. The result is a model that is simpler, and therefore accessible to a wider audience. In addition, the BRM integrates specific needs of the BiH bankruptcy system.

The reorganization module incorporates a calculation of the Value Added Tax that will be introduced in BiH on January 1st 2006. However, the team received contradictory

information on the VAT rules, and adjustments will need to be made before the BRM country-wide training.

B/ Plan for Finalizing the BRM and Training Users

The plan for finalizing the BRM and training users includes:

- Writing a user manual and designing training materials,
- Conducting focus group training and adjusting the BRM based on participant feedback, and
- Training BRM users throughout BiH

B.1/ Writing a user manual and designing training materials

The first step will be to write a user manual for the BRM and design training materials. The user manual will describe all functionalities of the BRM, and follow the BiH bankruptcy process. The manual will be geared towards users, helping them to get the most out of the model. The team will also develop materials for the BRM training, including a case study of a company going through bankruptcy and reorganization. The user manual, training materials, and BRM will then need to be translated in local language.

B.2/ Conducting focus group training and adjusting BRM

In order to test the BRM, the project will conduct training of a focus group. This group will bring together a limited number of bankruptcy trustees with proven Excel and financial skills, and some exposure to reorganization. This training will be conducted in February 2006 over a period of two days in Sarajevo. The objective is to test trustees' aptitude to use the model, and to gather users' feedback on the model. Feedback will be received during the training, as well as during the month after the training as trustees start using the model on their own.

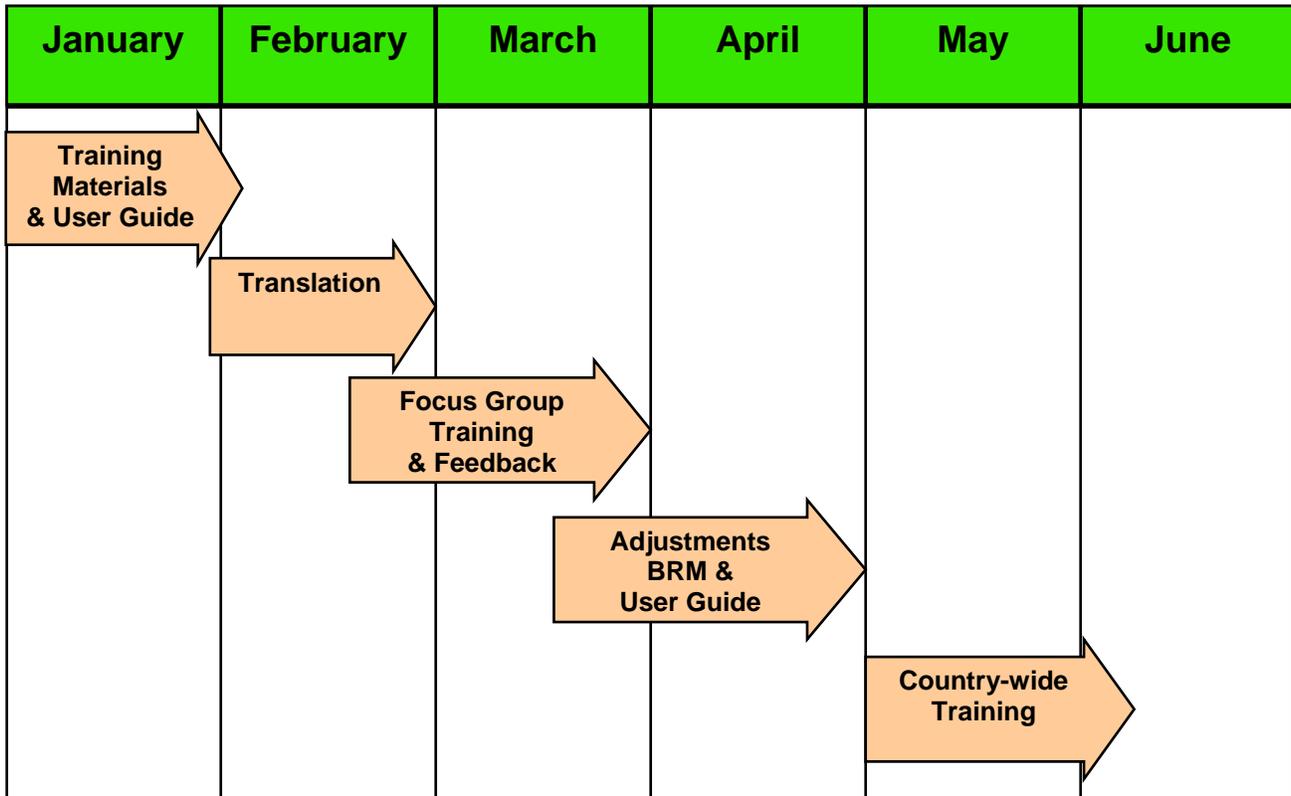
After receiving feedback from the group, the financial analyst will make the necessary adjustments to the BRM. Improving the BRM should take anywhere between 10 to 20 days depending on the work required. The objective will be to deliver an improved and finalized version of the BRM. The user guide and training materials will be adjusted to incorporate the revisions made to the BRM. The BRM, user guide, and training materials will then be translated to reflect the modifications.

B.3/ Training BRM users throughout BiH

Lastly, the team will conduct training on the BRM for bankruptcy professionals throughout BiH. Trainings will require rooms equipped with desktop computers, which limits training locations to Sarajevo and Banja Luka. However, the team will investigate venues with computer equipment in other towns. Each training session will last 2 days. Potential participants include bankruptcy trustees and their staff, judges, financial consultants, creditors such as banks' staff, etc.

B.4/ Tentative timeline

Step	Timeframe
1/ Write user manual and design training materials	January/February
2/ Conduct training on focus group and adjust BRM	February/March/April
3/ Train BRM users throughout BiH	May



C/ Beyond the BRM

The BRM was specifically designed as a tool to support bankruptcy professionals during the bankruptcy process in BiH. The insolvency module could be detached from the BRM to be used by a wider audience. This module tests whether a company is by law insolvent, and whether the bankruptcy proceeding can be open, and could be useful to corporations, judges, etc.