



USAID
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BOSNIA-HERZEGOVINA

**“TRAIN THE TRAINERS” PROGRAM
for BANKRUPTCY JUDGES,
TRUSTEES & APPRAISERS**

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Submitted by:
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Section III (B) of USAID FILE Task Order Number 821 provides as follows:

Design and implement training, continuing professional education and public education events for Trainers on Bankruptcy and Liquidation (in this respect, Trainees includes not only judges, enforcement judges, lawyers, execution officers, bankers...)

As part of its training program for bankruptcy professionals, the FILE Project has designed and delivered six training modules for bankruptcy judges, four training modules for bankruptcy trustees, and three training modules for appraisers, along with numerous training supplemental training materials. FILE is providing Judicial Training Centers (JTCs) with the profession training program materials it has developed to further USAID's goals of building local capacity, ensuring sustainability, and providing continuing trainings and maximum utilization of the training materials,. All programs and materials have been translated into the local language and are being delivered to JTCs simultaneously with delivery to USAID. The JTCs and the High Judicial and Prosecutorial Commission (HJPC) have also both agreed to post FILE training and resource materials on their new websites.

This report briefly describes the development and delivery of the attached program materials for judges, trustees, and appraisers.

1. Bankruptcy Judge Training Materials: During the development and delivery of six training modules conducted over the past two years, FILE has trained all BiH judges handling bankruptcy cases at 16 commercial divisions. The materials for the training modules that are being delivered to JTCs have been revised to reflect lessons learned during the trainings and in FILE's pilot cases and interventions.

There are currently 29 bankruptcy judges in BiH. This number has been increasing simultaneously with the increase of filed and opened bankruptcy cases. Judges continue to be overburdened with bankruptcy and other commercial cases. Some court presidents have appointed one or even two judges to assist their bankruptcy colleague. Since there are no signs the situation will improve in near future, it is extremely important for all judges to be taught on how to use the law efficiently.

JTCs will take a leading role in providing future training of bankruptcy judges in BiH. Out of the initial pool of 29 bankruptcy judges trained by FILE, at least five have the knowledge and experience in the implementation of the new law to train inexperienced bankruptcy judges. JTCs can use these local experts as trainers at various sessions. JTC has requested that FILE provide further training and train the trainers sessions for this select group of bankruptcy judges. The aim of these sessions would be to train the trainers on adult learning principles, training preparation skills, communication and presentation skills, and to prepare trainers for training delivery.

The trainings and materials have been very well-received, and there is demand among judges for further training and materials. Sarajevo Bankruptcy Judge Hakija Zaimovic said that materials developed by FILE should be used as a solid base for future education. According to Judge Zaimovic, these resource materials should be used as working documents for future training and education sessions. This could be done in a way that conclusions, answers to certain practical issues, and resolutions to dilemmas reached during discussions at trainings should be included in the resource materials thereby updating them and setting the ground for

future discussions. Judge Zaimovic attended all six sessions organized by FILE, as well as all roundtables related to judges' topics, and he asked FILE to consider repeating sessions on the bankruptcy phases in which bankruptcy judges are having the most difficulties. He suggests that these phases should be discussed with bankruptcy judges at upcoming sixth training session.

Doboj Court President Jovanka Jovanovic believes that the six-module training series developed by FILE has helped bankruptcy judges improve their work and the efficiency bankruptcy proceedings. FILE contacted Judge Jovanovic, a frequent lecturer on commercial law at JTC Banja Luka training sessions, for input on how the Project could assist its local partners in better development and delivery of a train-the-trainers program. She is very positive on the quality of developed resource materials and handouts delivered in the training cycle, and recommends that FILE continue to develop future training. Judge Jovanovic requests that FILE provide additional training sessions based on case studies and using simulation of different court hearings conducted in the bankruptcy proceeding. She asks that FILE develop and provide other tools to assist bankruptcy judges, including techniques to calculate creditors' interest, and voting results (per capita and per dollar).

2. Bankruptcy Trustee Training Materials

Four training modules were developed and delivered in 15 training sessions for BiH bankruptcy trustees who are currently working as trustees registered on a provisional list approved by Ministries of Justice, who are certified trustees, or who are preparing for the trustee's exam. Among the more than 120 trustees FILE has worked with, we have identified at least eight experienced and knowledgeable trustees who, with assistance from a train the trainers program, would be well provide continuing education to other trustees, and deliver trainings for new trustees and other bankruptcy stakeholders, including trade unions, creditors, company's managements, media and others.

The four-module trustee training program was vetted with the RS Association of Trustees, which supports FILE's initiative to assist local partners in development and delivery of the train-the-trainers program in order to ensure that training and resource materials are effectively used. The Association expressed appreciation for previous FILE trainings, and seeks additional help in organizing a number of other training sessions. Mr. Vinko Berak, Secretary of the RS Trustees Association, hopes FILE will participate in on-going training sessions because there are always more new bankruptcy topics that should be covered as well. Examples he mentioned were an initiative by trustees to gather bankruptcy judges and trustees to discuss their relations and ways to improve their work in the future; the role of trade unions and workers in the bankruptcy proceeding; title issues and other obstacles in the implementation of the bankruptcy law; impact of other laws on the bankruptcy proceeding; etc..

The Association agrees on the value of building a base of trustees with good training skills. While there are a number of experienced trustees, they lack teaching skills, including adult learning principles, training preparation skills, and communication and presentation skills.

3. Training Materials for Appraisers:

FILE has conducted six two-day training sessions for appraisers in Sarajevo and Banja Luka regions, repeating each of the three training modules twice. The approximately 50 participants trained during these sessions expressed their interest in further education and training opportunities, because no other institutions/organizations in BiH provide professional training on valuation and appraisal. Attendees included professional appraisers, courts witness experts, bankruptcy trustees, and several investment managers who wanted to increase their understanding of the different standards of valuation and to find out more about new international valuation guidelines. Trustees were very interested in learning how to specify the terms and assumptions for valuations of assets in bankruptcy, and how to read the report.

After completion of a 9-month cycle of three training session in each region, final exercises were conducted to help trainees adopt and master the most important concepts and methods. Response of the training attendees was very good and after a short period of time the first positive results were registered. VolksBank contacted FILE for a list of appraisers who were trained by FILE because they wanted to use them exclusively for their future appraisals. Bankruptcy trustees have asked for the same information in order to hire these trained appraisers for valuation of bankruptcy estate (buildings, land and equipment). FILE has identified several of the 50 participants in the trainings who would make good trainers with assistance from a train the trainers program.

The training sessions motivated appraisers from both entities to begin work on organizing state-wide professional BiH appraisers' association, instead of having two separate entity-level associations, to enable them associate with internationally recognized professional institutions. The process is on-going, as participants resolve issues related to eligibility for membership and internal policies. Appraisers hope an association can help them institute a government-backed appraiser certification program, which does not now exist.

TRAIN THE TRAINERS PROGRAM

TRAINING BANKRUPTCY JUDGES

(SIX MODULES)

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

Six-Module Training Program for Bankruptcy Judges

I. Background

Bankruptcy judges require a strong theoretical and practical grasp of the bankruptcy law, legal principles, and financial concepts. To address these needs, FILE has prepared six training modules specifically for bankruptcy judges that cover: (1) bankruptcy concepts, (2) legal issues in other laws relevant for bankruptcy (3) basic corporate finance. The discussion that follows provides an overview of the training program, guidelines for conducting the six training modules, and suggested training agendas for each module.

The modular training approach developed below has several advantages: First, trainings are interactive, permitting flexibility and adaptability in course content and ensuring that participants become involved in the training process. Second, it utilizes modern training techniques including practical case studies, group discussion of topical issues, and tailored exercises relevant to the participants' day-to-day work. These training techniques make lessons more understandable and more interesting than classical teaching methods. Third, the training modules are designed for 15-25 participants, to ensure open exchange of ideas, and maintain a level of comfort for those professionals not accustomed to interactive learning. Finally, the training design encourages participants to network and brainstorm with their professional colleagues. For best results, seating should be organized around a table to promote promotes open communication and active involvement of all participants.

II. Overview of Training Program

Program for Training of Judges

Course Description

This six-module training program provides BiH bankruptcy judges with the basic knowledge they need in their everyday work. The course will cover the key issues that arise in all phases of the bankruptcy proceeding.

Target Audience

This program is designed for judges who administer bankruptcy cases in the commercial divisions of BiH first instance courts. It provides an overview of existing legislation related to bankruptcy, an understanding of the various phases of the bankruptcy proceeding, and practical advice on how to manage a bankruptcy case from beginning to end.

Learning Objectives

Upon completion of the six-module training course, participants will understand the framework of the bankruptcy law, and be able

Content of Modules

to effectively administer the bankruptcy cases over which they preside.

1. Introductory Session for Bankruptcy Judges:

Bankruptcy Overview;

Objectives and Benefits of the Bankruptcy Law;

Identification of Parties in the Bankruptcy Proceeding;

Roles and Responsibilities of the Judge and Trustee in the Bankruptcy Process;

Roles and Responsibilities of the Assembly of Creditors and Creditors' Committee in Bankruptcy;

Understanding Basic Corporate Finance (Introduction to Finance and Accounting in a Bankruptcy Context – Part I).

2. Analysis of the Bankruptcy Framework:

Conditions for Opening a Bankruptcy Proceeding and Preliminary Procedures;

Opening and Conducting the Bankruptcy Proceeding (Institutions, Legal Consequences, Administration and Realization of Assets, Settlement of Creditors);

Reorganization Cases (Preparation, Acceptance and Approval of the Plan, Legal Effects of the Approved Plan, and Supervision over Implementation of the Plan);

Finance and Accounting in a Bankruptcy Context – Part II.

3. Review of Practical and Statutory Problems:

Suggested Areas for Amendment;

Protecting Creditors' Rights in Bankruptcy;

Legal Provisions and Financial Indicators in Reorganization;

Managing the Reorganization Process.

4. Sale of Bankruptcy Debtor's Property and Distribution of Sales Proceeds – Part I:

Techniques for Speeding Liquidation of a Debtor's Assets

General Rules on Methods and Conditions for Selling Assets

Assessment of Bankruptcy Debtor's Property;

Limitations on Sale of the Debtor's Property;

Different Methods for Conducting Public Auctions;

General Rules on Distribution of Sales Proceeds.

5. Sale of Bankruptcy Debtor's Property and Distribution of Sales Proceeds – Part II

	<p>The Bankruptcy Judge's Role in the Sale of the Debtor's Property;</p> <p>Sales of Municipal Construction Land and of Property not Registered in Land Books;</p> <p>Rights of Foreigners to Acquire Title of Property in BiH;</p> <p>Public Auctions and Distribution of Proceeds;</p> <p>Sale of Secured Property.</p> <p>6. Reorganization Cases</p> <p>Preparation, Acceptance, and Approval of the Reorganization Plan;</p> <p>Legal Effects of the Approved Plan;</p> <p>Supervision of Plan Implementation.</p>
Training Methodology	<p>Experiential and participatory training, with guided discussion, exercises, and selected training materials developed using the knowledge and skills presented in the course.</p>
Class Size	<p>15-25 participants.</p>
Course Materials	<p>The course materials and instructors' aids consist of the following:</p> <ul style="list-style-type: none">• Participant Guide (Program for six bankruptcy judge training modules);• Resource Materials (Judge's Benchbook; Model Solutions; Agendas; Handouts of all presentations and other materials)• Course Development Templates/Case Studies.

III. Guidelines for Conducting the Six Training Modules

Training Module 1: Introductory Session for Bankruptcy Judges (*Bankruptcy Overview; Objectives and Benefits of the Bankruptcy Law; Identification of Parties in the Bankruptcy Proceeding; Roles and Responsibilities of the Judge and Trustee in the Bankruptcy Process; Roles and Responsibilities of the Assembly of Creditors and Creditors' Committee in Bankruptcy; Understand Basic Corporate Finance (Introduction to Finance and Accounting in a Bankruptcy Context – Part I).*)

Module 1 is designed to provide bankruptcy judges with a broad introductory overview of the bankruptcy process. In this regard, trainees will gain a strong understanding of the objectives and benefits of bankruptcy proceedings, as well as the particulars of procedures in bankruptcy, the roles of participants, terminology, and goals. Specific areas to be covered in Session One include:

- Overview of the new bankruptcy law
- Explanation of why old law was revised

- new terminology
- Identification of participants and brief overview of roles and responsibilities
- Types of relief available (reorganization or liquidation)
- Basic corporate finance (analyzing financial statements - simplified)
- Basic elements and importance of reliable valuation of debtor's property
- Results of a successful bankruptcy

In order to gain a better understanding of the trainees' level of knowledge of the bankruptcy process, the trainer will engage participants in active discussion of the topics covered. In this way, subsequent sessions will be revised to incorporate areas in which the trainees indicate a need for additional training and support.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Bankruptcy Overview Charts
- Power Point Presentation on Bankruptcy Law (History, Objective and Benefits)
- Power Point Presentation on Financial Statement Analysis (basic elements)
- Handbook and Workbook (Exercises and Answers – Balance Sheet and Income Statement)
- Power Point Presentation on Importance of Reliable Valuation of Debtor's Property)
- The Bankruptcy Law (RS and FBiH)

Training Module 2: Analysis of the Bankruptcy Framework (*Conditions for Opening a Bankruptcy Proceeding and Preliminary Procedures; Opening and Conducting the Bankruptcy Proceeding (Institutions, Legal Consequences, Administration and Realization of Assets, Settlement of Creditors); Reorganization Cases (Preparation, Acceptance, and Approval of the Reorganization Plan, Legal Effects of the Approved Plan, and Supervision over Implementation of the Plan); Finance and Accounting in a Bankruptcy Context (Part II).*)

Module 2 is designed for more detailed exploration of the Bankruptcy Law. Particular attention is devoted to initiation of the bankruptcy case and the preliminary phase of the proceeding. Therefore, this session concentrates on the legal issues in the preliminary phase, but also includes a discussion of the financial and economic prerequisites for issuing a decision on opening the bankruptcy. Topics covered include:

- Rights of creditors and debtors to initiate bankruptcy
- Conditions for opening preliminary procedure (and for opening bankruptcy proceeding)
- Judges' decisions in the preliminary phase
- Opening and conducting the bankruptcy proceeding
- Reorganization plan
- Understanding a balance sheet and income statement
- Character and values of assets and liabilities in the balance sheet
- Cash flow analysis (simplified)

Module 2 is designed to provide judges with the financial skills they need to serve as decision-makers in a bankruptcy proceeding. The judges should be able to understand the financial statements of an enterprise in a bankruptcy or reorganization, and participate in the creditors' decision on whether to reorganize or liquidate the debtor.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentation on Cash Flow Analysis
- Handbook and Workbook (Exercises and Answers)
- Power Point Presentation on Ratio Analysis

Training Module 3: Review of Practical and Statutory Problems (*Suggested Areas for Amendment; Protecting Creditors' Rights in Bankruptcy; Legal Provisions and Financial Indicators in Reorganization; Managing the Reorganization Process*).

Module 3 contains a step-by-step analysis of the rights and responsibilities of bankruptcy judges, trustees, and creditors in the different phases of a bankruptcy proceeding. It includes practical guidance on how to solve common problems. This comprehensive, practical approach to the subject matter should give the trainee a deeper understanding of his role in the process, his obligations to the bankrupt entity and other participants, the scope and limits the judge's authority, as well as a grasp of the practical day-to-day issues judges will confront. Topics covered in Module 3 include:

- Right of creditors to file the bankruptcy
- Discussion of issues including filing the case, determining the debtor's insolvency and roadblocks to implementing the bankruptcy law
- Qualifications for appointment of preliminary trustee
- Rights of petitioning creditors in the preliminary proceeding
- Interim measures available during the preliminary proceeding
- Allocation of the judges' and trustees' roles in securing the debtor's property
- Who and under what conditions makes the decision on cessation of debtor's operations
- General introduction to reorganization of a debtor in bankruptcy
- Financial analysis as a basis for deciding whether to reorganize or liquidate
- What kind of financial data can demonstrate that a reorganization plan is feasible
- Protection of creditors in a bankruptcy plan
- The role of judges in confirming a bankruptcy plan

At the completion of Sessions Three the judicial trainee will have a solid understanding of his or her responsibilities in the process, as well as the responsibilities of other participants.

Resource Materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Checklists for Creditors and Managers
- Power Point Presentation on Legal Provisions re Bankruptcy Plan

- Power Point Presentation on Financial Indicators in Reorganization (Examples of Cash Budget and Projections)
- Workbook (Exercises and Answers)
- Power Point Presentation on Legal Provisions on Reorganization
- Power Point Presentation on Creditors as Petitioners
- Hypothetical Case Study “Umorni” (Fact Sheet)
- Hypothetical Case Study “Umorni”(One Possible Reorganization Plan)

Training Module 4: Sale of Bankruptcy Debtor’s Property and Distribution of Sales Proceeds – Part I (*Techniques for Speeding liquidation of a Debtor’s Assets; General Rules on Methods and Conditions for Selling Assets; Assessment of Bankruptcy Debtor’s Property; Limitations on Sale of the Debtor’s Property; Different Methods for Conducting Public Auctions; General Rules on Distribution of Sales Proceeds.*)

This module provides in-depth discussion of property issues. The goal is to broaden the knowledge of trainees to solve the difficult and frequent property issues faced in bankruptcies in BiH. This course should help bankruptcy judges to understand responsibility of the trustee and the assembly of creditors in liquidation of debtor’s property, and their controlling authority over the entire process. Thus, Module 4 covers following subjects:

- Identification of the bankruptcy estate
- Role of bankruptcy judge in liquidation of debtor’s property
- Procedure for liquidation of property
- Selling property not recorded in public registers
- Liquidation of formerly nationalized property in possession of the debtor
- Liquidation of construction land in possession of the debtor
- Rights of expatriates in liquidation of debtor’s property
- Identification of the debtor’s rights over his property
- Various auction models for liquidating the debtor’s property
- Procedure of distribution of proceeds among creditors

After this course, judges should be able to take effective legal control over the process of liquidation of property as conducted by trustees and the creditors’ committee or assembly of creditors.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentation on General Rules on Methods and Conditions of Selling Bankruptcy Debtor’s Property
- Power Point Presentation on Methods of Sale of Bankruptcy Debtor’s Property
- Power Point Presentation on Limitations on Sale of Bankruptcy Debtor’s Property
- Demonstration of three different methods of sales (Dutch Auction; Tender; Silent Auction)
- Power Point Presentation on General Rules on Distribution of Sales Proceeds
- Power Point Presentation – Assessment of Bankruptcy Debtor’s Property

- Power Point Presentation – Different methods of Public Bidding (with attachments – Rules on Tender of Kosovo Trust Agency; Rules on Auction of the RS Directorate for Privatization; Application for Auction; Result of Tender Offers)

Training Module 5: Sale of Bankruptcy Debtor’s Property and Distribution of Sales Proceeds – Part II (*The Bankruptcy Judge’s Role in the Sale of the Debtor’s Property; Sales of Municipal Construction Land in Town and of Property not Registered in Land Books; Rights of Foreigners to acquire Property BiH; Public Auctions and Distribution of Proceeds; Sale of Secured Property*).

Module 5 expands on the foundation laid in Module 4 to broaden the knowledge of trainees to solve the difficult and frequent property issues faced in bankruptcies in BiH. This module will help bankruptcy judges understand sales of municipal construction land in town, and provide practical advice on a common problem – selling land that is not registered in land books. Module 5 will also explore more deeply into the subject of distribution of proceeds.

After this course, judges should be able to take effective legal control over the process of liquidation of property as conducted by trustees and the creditors’ committee or assembly of creditors.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentations

Training Module 6: Reorganization Cases (*Preparation, Acceptance, and Approval of the Reorganization Plan, Legal Effects of the Approved Plan, Supervision over Plan Implementation*).

Reorganization is a complex remedy and cases for reorganization can require substantial involvement by the judge. Though the judge has no express part in structuring the plan, courts have a vested institutional interest in overseeing the responsible use of the remedy. Doing so will foster the public’s perception of the bankruptcy court as a fair, principled institution for dispute resolution.

The judge should use orderly case management procedures to ensure that reorganization is being responsibly used. At all points in the case, the judge has the right to make the debtor and other participants educate the judge about the nature of the debtor’s business, the status of its industry and markets, the viability of the debtor’s continuing operation, and the future of the case.

Main topics developed in this Training Module will be:

- Nature of reorganization - in brief
- Decision to reorganize
- Preparation and submission of the plan
- Mechanisms for implementation of the plan
- Legal requirements of plan (preparatory and implementation sections of plan)

- Classification of creditors
- Principal of equal treatment
- Court's pre-hearing consideration of plan
- Responses to plan; opinions on plan
- Voting on plan (taking the vote; necessary voting majorities)
- Objections to confirmation
- Acceptance and approval of plan
- Timing of hearing and matters to be considered at hearing
- Legal requirements with which the plan and its proponent must comply
- Feasibility of implementation procedures
- Confirmation of plan over rejection by a class (cramdown)
- Consent of debtor
- Announcement of decision
- Appeal
- Legal effect of confirmation of plan
- Failure to perform in accordance with plan
- Conclusion of bankruptcy proceedings – procedures and legal effects
- Supervision over plan Implementation

Resource materials: At the time when this document was drafted materials for this Training Session were being prepared for the first presentation of this module at the end of September 2005. Resources for this Module will be submitted to JTCs after revision based on the feedback from trainees at the first presentation of this module.

(Attachment to the Program for Six Training Modules for Bankruptcy Judges)

TENTATIVE TRAINING SESSION AGENDAS

TRAINING MODULE ONE

***First Day:* BANKRUPTCY OVERVIEW**

- 09:30 – 10:00 Registration of Participants
- 10.00 – 10.30 Introductory remarks and Icebreaker
- 10.30 – 11.30 Presentation on the Bankruptcy Law (The Objective and Benefits;
Bankruptcy Overview Charts; Identification of Institutions)
- 11.30 – 11.45 Coffee Break
- 11.45 – 13.00 Discussion on Issues in Implementation of the Bankruptcy Law
- 13.00 – 14.00 Lunch
- 14.00 – 15.00 Presentation on the Preliminary Proceeding (by phases) and Discussion
- 15.00 – 15.15 Coffee Break
- 15.15 – 17.00 Presentation on the Opening of the Bankruptcy Proceeding, Main Phase and
Reorganization Plan; Discussion on Obstacles Identified in each of these
phases of the Bankruptcy Proceeding

***Second Day:* **INTRODUCTION TO FINANCE AND ACCOUNTING IN A
BANKRUPTCY CONTEXT – Part I****

- 9.00 – 9.10 Introductory Remarks
- 9.10 – 10.00 Different types of Financial Reports; Interpretation of Balance Sheet and
Income Statement
- 10.00 – 11.00 How to Identify an Issue in Financial Reports
- 11.00 – 11.15 Coffee Break
- 11.15 – 11.45 How to read an Appraisal
- 11.45 – 12.15 How to Identify an Issue in Appraisal
- 12.15 – 12.45 Liquidation Value vs. Reorganization Value

TRAINING MODULE TWO

First Day: ANALYSIS OF STATUTORY SCHEME

- 10:30 – 11:00 Registration of Participants
- 11.00 – 11.10 Welcome and Overview of Training
- 11.10 – 11.45 Conditions for Opening Bankruptcy Proceedings and Preliminary Procedures
- 11.45 – 12.30 Interpretation of Articles in Laws Relating to Opening Bankruptcy Proceedings and Preliminary Procedures
- 12.30 – 12.45 Coffee Break
- 12.45 – 13.30 Opening and Conducting the Bankruptcy Proceedings: Institutions, Legal Consequences; Administration and Realization of Assets; Settlement of Creditors
- 13.30 – 14.30 Lunch Break
- 14.30 – 15.30 Conclusion of the Bankruptcy Proceedings
- 15.30 – 15.45 Coffee Break
- 15.45 – 17.00 Reorganization Cases: Preparation, Acceptance, and Approval of the Reorganization Plan, Legal Effects of the Plan, and Supervision over Plan Implementation.

Second Day: INTRODUCTION TO FINANCE AND ACCOUNTING IN A BANKRUPTCY CONTEXT – Part II

- 9.00 – 9.10 Welcome and Overview of training
- 9.10 – 9.30 Cash-Flow Analysis
- 9.30 – 10.30 Cash-Flow Analysis and Exercises
- 10.30 – 10.45 Coffee Break
- 10.45 – 11.15 Ratio Analysis
- 11.15 – 12.00 Ratio Analysis and Exercises
- 12.00 – 13.00 Lunch Break

TRAINING MODULE THREE

First Day: PRACTICAL AND STATUTORY PROBLEMS AND SUGGESTED AREAS OF AMENDMENT; INTRODUCTION TO CASE STUDY

- 08:30 – 09:00 Registration of Participants
- 09:00 – 09:10 Welcome and Overview of the Training Schedule
- 09:10 – 09:45 Icebreakers and Attendees Self-Introduction
- 09:45 – 10:30 “Lessons Learned” Presentation (“Hands-on” Training and Pilot Cases)
- 10:30 – 10:50 Coffee Break
- 10:50 – 11:35 Checklists for Creditors and Managers
- 11:35 – 12:15 Case Study I (Issues Connected to Filing of Cases)
- 12:15 – 13:00 Case Study II (Issues arising in the Early Phase of a Case)
- 13:00 – 14:00 Lunch
- 14:00 – 15:15 Case Study III (Establishing the Company’s Indebtedness/ Insolvency)
- 15:15 – 15:30 Coffee Break
- 15:30 – 16:15 Identifying Roadblocks in Implementation of the Bankruptcy Law with Discussion and Trainee Participation
- 16:15 – 16:45 Questionnaire on BiH Bankruptcy Regime and Homework (Case Study “Umorni”)

Second Day: LEGAL PROVISIONS AND FINANCIAL INDICATORS IN REORGANIZATION

- 09:00 – 09:30 Presentation on Legal Provisions re Bankruptcy Plan (Reorganization)
- 09:30 – 10:30 Financial Indicators in Reorganization (Cash Budget and Projections)
- 10:30 – 10:50 Coffee Break
- 10:50 – 11:20 Hypothetical Case Study IV (Reorganization Plan)
- 11:20 – 12:00 Group review of the Case Study IV
- 12:00 – 13:00 Defense of submitted Reorganization Plan 13:00 - 13: 45 Lunch

13:45 – 14:30 Summary of Comments and Suggestions re Best Practices for Implementation of Bankruptcy Law

TRAINING MODULE FOUR

***First Day:* SALE OF BANKRUPTCY DEBTOR’S PROPERTY**

10.45 – 11.00 Registration of Participants

11.00 – 11.15 Welcome Speech and Introduction of Training Contents

11.15 – 12.30 Institutions of Bankruptcy and Their Role in Sale of Property – presentation and discussion

12.30 – 13.30 General Rules on Methods and Conditions for Selling Assets - Introduction

13.30 – 14.30 Lunch

14. 30 – 15.30 Methods for Selling Debtor’s Property – Presentation and Discussion

15.30 – 15.45 Coffee Break

15.45 – 16.45 Methods for Selling Debtor’s Property – Practical Experience – Presentation and Discussion

16.45 – 17.00 Coffee Break

17.00 – 18. 00 Assessment of Bankruptcy Debtor’s Property

***Second Day:* DISTRIBUTION OF THE SALE PROCEEDS**

9.00 – 11.00 Limitations on Sale of Bankruptcy Debtor’s Property – Presentation and Discussion

11.00 – 11.15 Coffee Break

11.15 – 12.15 Presentation of Different Methods of Public Bidding

12.15 – 12.30 Coffee Break

12.30 – 13.30 General Rules on Distribution of Sales Proceeds– Presentation and Discussion

13.30 – 14.00 Conclusions and Evaluation

TRAINING MODULE FIVE

***First Day:* SALE OF BANKRUPTCY DEBTOR'S PROPERTY**

- 10.45 – 11.00 Registration of Participants
- 11.00 – 11.15 Introductory Remarks
- 11.15 – 12.45 The Bankruptcy Judge's Role in the Sale of Debtor's Property – Presentation and Discussion
- 12.45 - 13.45 Sales of Municipal Construction Land – Presentation and Discussion
- 13.45 – 14.45 Lunch
- 14.45 – 16.00 Sales of Property that is Not Registered in Land Books – Presentation and Discussion
- 16.00 – 16.15 Coffee Break
- 16.15 – 17.15 What is the Bankruptcy Estate? – Presentation and Discussion
- 17.15 – 18.15 Rights of Foreigners to Acquire Title to Property in BiH and Sales of Nationalized Property – Presentation and Discussion

***Second Day:* PUBLIC AUCTIONS AND DISTRIBUTION OF PROCEEDS'**

- 09.00 – 10.00 Cooperative Farms in Bankruptcy – Issues
- 10.00 – 11.00 Distribution of Proceeds – Practical Experiences
- 11.00 – 11.15 Coffee Break
- 11.15 – 12.45 Sales by Public Auctions – Practical Experiences – Presentation and Discussion
- 12.45 – 13.00 Coffee Break
- 13.00 – 14.00 Sales of Secured Property – Presentation and Discussion
- 14.00 – 14.15 Conclusions and Evaluation of the Session

TRAINING MODULE SIX

First Day: REORGANIZATION: PROBLEMS AND SOLUTIONS FROM COURT PRACTICE

- 10.45 – 11.00 Registration of Participants
- 11.00 – 11.15 Welcome and Introduction to Training Contents
- 11.15 – 12.45 Position of Secured Creditors in Bankruptcy – Presentation and Discussion
- 12.45 –13.45 Lunch
- 13.45 – 14.15 Legal framework for Reorganization – Presentation
- 14.15 – 16.00 Different Models of Reorganization and Practical Aspects of Drafting the Plan – Presentation and Discussion
- 16.00 – 16.15 Coffee Break
- 16.15 – 16.45 Legal Requirements for Drafting the Plan – Presentation and Discussion
- 16.45 – 18.00 Dismissal of Submitted Bankruptcy Plan (creation of classes, equal treatment within classes, viability of the plan)

Second Day: REORGANIZATION: PROBLEMS AND SOLUTIONS FROM COURT PRACTICE

- 9.00 – 09.30 Legal Framework for Adoption of the Plan - Presentation
- 09.30 – 11.30 Cramdown, “Worse-off” Analysis, and Dismissal or Confirmation of the Plan – Presentation and Discussion
- 11.30 – 11.45 Coffee Break
- 11.45 – 13.15 Problems in Reorganization – Experience from Pilot Case and Possible Application of US Solutions
- 13.15 – 13.30 Conclusions and Evaluation

TRAIN THE TRAINERS PROGRAM

TRAINING BANKRUPTCY TRUSTEES

(FOUR MODULES)

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

Four-Module Training Program for Bankruptcy Trustees

I. Background

Bankruptcy trustees require a strong understanding of the bankruptcy law, financial concepts, legal principles, as well a strong grasp of the various issues they will deal with on a day-to-day basis. To address these needs, FILE has prepared four training modules specifically for trustees. They cover each of the four key phases of the bankruptcy proceeding in which the trustee participates actively: (1) Preliminary Proceeding, (2) Investigation and Examination Hearings, (3) Sales of the Bankruptcy Estate and Distribution of the Proceeds, and (4) Reorganization of the Debtor.

The modular training approach developed below has several advantages: First, trainings are interactive, permitting flexibility and adaptability in course content and ensuring that participants become involved in the training process. Second, it utilizes modern training techniques including practical case studies, group discussion of topical issues, and tailored exercises relevant to the participants' day-to-day work. These training techniques make lessons more understandable and more interesting than classical teaching methods. Third, the training modules are designed for 15-20 participants, to ensure open exchange of ideas, and maintain a level of comfort for those professionals not accustomed to interactive learning. Finally, the training design encourages participants to network and brainstorm with their professional colleagues. For best results, seating should be organized around a table to promote promotes open communication and active involvement of all participants.

III. Overview of Training Program

Program for Training of Trustees

Course Description

This four-module course provides a foundation both for training potential trustees to prepare oneself for the Trustee Certification program, and to help the current, transitional trustees improve their professional skills to address the often difficult issues that arise in their day-to-day work. It provides an overview of the bankruptcy framework, as well as practical advice on how to manage a bankruptcy debtor. The training covers the trustee's role in each phase of the proceeding, and provides a variety of techniques and approaches to liquidation and reorganization.

Target Audience

This course is designed for potential new trustees and current transitional trustees.

Learning Objectives

Upon completion of the four-module training course, participants will understand the framework of the bankruptcy law, and be able

	<p>to effectively administer the bankruptcy procedures in the following areas:</p> <ol style="list-style-type: none">1. Preliminary Proceeding2. Examination and Reporting Hearings3. Sales of the Bankruptcy Estate and Distribution of the Sales Proceeds4. Reorganization
Training Methodology	<p>Experiential and participatory training, with guided discussion, exercises, and selected training materials developed using the knowledge and skills presented in the course.</p>
Class Size	<p>15 – 20 participants.</p>
Course Materials	<p>The course consists of the following components:</p> <ul style="list-style-type: none">◆ Participant Guide (Program for Four Training Modules for Trustees);◆ Resource Materials (Trustees' Manual with all related appendixes; Agendas; Handouts of all Presentations and other materials delivered to the participants during FILE's sessions with trustees) <p>Course Development Templates/Case Studies.</p>

III. Guidelines for Conducting the Four Training Modules

Training Module 1 – The Preliminary Proceeding:

Module 1 is designed to provide the trainees with a broad introductory overview of the bankruptcy process. This session will address three main topics: overview of the bankruptcy law, including its objectives and benefits, and its operative institutions; the preliminary phase of a bankruptcy proceeding, by steps; and, the interim trustee's roles and responsibilities in a preliminary proceeding. Specific areas to be covered in Module 1 include:

- The objectives and benefits of bankruptcy
- Need for protection of debtor and creditor interests
- Overview of the new bankruptcy law
- Explanation of why old law was revised
- New terminology
- Identification of participants and brief overview of roles and responsibilities
- Type of relief available in reorganization and liquidation
- Results of a successful bankruptcy
- Introduction to future training topics

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Charts on different stages of the bankruptcy proceeding
- Copy of RS and FBiH Bankruptcy Laws (bilingual version)
- Power Point Presentation on Roles and Responsibilities of the Preliminary Trustee
- Checklists for Managers
- Checklist for Creditors
- Evaluation Form

Training Module 2 – Examination and Reporting Hearings:

The role of the trustee necessarily includes important legal and financial responsibilities. In particular, the bankruptcy law requires the trustee to take over significant responsibilities from the debtor's management when bankruptcy is opened. Module 2 focuses on the basic legal, accounting, and financial principles that a trustee needs in order to provide necessary information to creditors and the bankruptcy judge, and to make well-reasoned decisions in managing the bankruptcy estate. Module 2 is designed to provide trustees with the skills required from the moment of opening the bankruptcy proceeding until the reporting hearing when creditors have to decide about further steps in the bankruptcy proceeding – either reorganization or liquidation of the debtor. The main topics covered are: the legal consequences of opening a bankruptcy proceeding; the role and responsibilities of the trustee from the moment of opening until the examination and reporting hearings; preparation of the reports for the examination and reporting hearings, with practical examples; valuation of assets for examination and reporting hearings, including the theory of valuation, review of different approaches, principles, and methods pursuant to international appraisal standards; and, legal aspects of the examination and reporting hearings. Other specific topics covered in Module 2 include:

- Bankruptcy jurisdiction and the power of the bankruptcy court
- Determining whether the debtor is insolvent
- Different forms of bankruptcy
- Participants in the bankruptcy case
- Procedural considerations
- Commencement of the bankruptcy case
- Appointment of the trustee
- Dealing with the bankruptcy judge
- Dealing with creditors
- The automatic stay and relief from the stay
- Property of the estate
- Administration and realization of the assets of the bankruptcy estate
- Organization of the entity's accounting records
- Preparation and interpretation of a balance sheet
- Understanding the income statement (profit and loss)
- Character and values of assets and liabilities in the balance sheet
- Calculating financial ratios from the balance sheet and income statement for indicative measures of financial standing and prospects
- Budget preparation

- Inventory and statement of assets
- Understanding of debt-equity swaps
- Using measures of the debtor's performance

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Trustees' Manual and appendices
- Power Point presentations on:
 - Legal consequences when a bankruptcy case opens
 - Role and rights of secured creditors
 - Leases of business and/or residential space
 - Examination and reporting hearings
 - Role and responsibilities of the bankruptcy trustee
 - Table of registered claims
 - Appraisal of assets
- Materials for exercise on how to write a report for Reporting Hearing

Training Module 3: Sales of the Bankruptcy Estate and Distribution of the Sales Proceeds:

The primary role of the trustee under the BiH bankruptcy law is to achieve the greatest possible repayment for creditors. Module 3 focuses on liquidation, which is, with reorganization, one of the two mechanisms available to creditors to pursue repayment. This module includes a step-by-step analysis of the trustee's responsibilities in liquidation, including how to solve common problems. Module 3 provides in-depth coverage of what assets can be sold, and what methods can be used to sell them. The material covered ranges from the legal principles that define property and ownership rights to practical solutions to maximize value for creditors. The main topics discussed in Module 3 are: general rules on methods and conditions of liquidating a debtor's property; limitations on the sale of the debtor's property; different methods of selling assets at public auction, based on experience from practice; and general rules on the distribution of sales proceeds. Other topics covered are:

- Secured debt and priorities
- Registration of interests in property (land and movables)
- Collateral and after-acquired property
- Liens and priorities
- Fraudulent transfers
- Unsecured claims
- Settlement of creditors
- Civil Procedure Code (appeal, response, hearings)
- Law on Enforcement (creditor priority rights)
- New Property Law
- Pledge Registry Law
- Law on Obligations
- Land Registry Law

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point presentation on:
 - General rules on methods and conditions for selling debtor's property
 - Limitations on sale of bankruptcy debtor's property
 - Methods of selling bankruptcy debtor's property
 - Power Point Presentation on General rules on distribution of sales proceeds
- Exercises illustrating three methods of sales (Dutch auction; tender; combination of auction and tender with sealed bids).

Training Module 4: Reorganization in Bankruptcy

The final module covers the various aspects, issues, and procedural requisites for restructuring a viable debtor and for preparing and implementing a plan of reorganization, including the treatment of the various classes of creditors. Module 4 is based on the growing body practical experience with reorganization in BiH. Specific topics that will be covered include:

- Legal requirements for a reorganization plan (background of the case, implementation elements, attachments)
- Acceptance and approval of the plan (disclosure, modification/amendment, voting, confirmation)
- Legal effect of the approved plan
- Supervision over plan implementation
- Consummation of the plan

Resource materials: When this document was drafted materials for this Training Session were being prepared for the first presentation of this module in October 2005. Resources for this Module will be submitted to JTCs after revision based on the feedback from trainees at the first presentation of this module.

(Attachment to the Program for Four Training Modules for Trustees)

TENTATIVE TRAINING SESSION AGENDAS

TRAINING MODULE ONE – Preliminary Proceeding

09:30 – 10:00	Registration of Participants
10:00 – 10:20	Welcome and Introduction to the Seminar
10:20 – 10:45	Icebreaker (Introduction of participants)
10:45 – 11:45	Presentation on the Bankruptcy Law (The Objective and Benefits; Bankruptcy Overview Charts; Identification of Institutions)
11:45 – 12:00	Coffee Break
12:00 – 13:00	Discussion on Issues in Implementation of the Bankruptcy Law
13:00 – 14:00	Lunch
14:00 – 14:30	Presentation on the Preliminary Proceeding (by phases)
14:30 – 15:30	Roles and Responsibilities of Trustees in Preliminary Proceeding
15:30 – 15:45	Coffee Break
15:45 – 16:30	Discussion on Obstacles Identified in the Preliminary Phase of the Bankruptcy
16:30 – 17:00	Evaluation Sheets, Follow-Up Session and Others

TRAINING MODULE TWO – Examination and Reporting Hearings

09:45 – 10:00	Registration of Participants
10:00 – 10:15	Introduction to the Seminar and Icebreaker
10:15 – 11:15	Presentation on Topic “Legal Consequences of Initiation of Bankruptcy Proceedings” and Discussion
11:15 – 11:30	Coffee break
11:30 – 13:00	Presentation on Topic “Investigation Hearing and Reporting Hearing” and Discussion
13:00 – 14:00	Lunch
14:00 – 15:00	Role and Obligations of Bankruptcy Trustee from Initiation of Bankruptcy until Investigation and Reporting Hearings
	Preparation of Reports Required for Investigation and Reporting Hearings, with Practical Examples – Table of Claims, Financial Analysis, etc., and Discussion
15:00 – 15:15	Coffee break
15:15 – 16:00	Appraisal of Value for Requirements of Investigation and Reporting Hearings (appraisal theory, overview of different approaches, principles, and methods in accordance with international appraisal standards)
16:30 -17:00	Evaluation Form, Upcoming Activities

TRAINING MODULE THREE – Liquidation of the Bankruptcy Estate

- 09.45 – 10.00 Registration of Participants
- 10.00 – 10.10 Introduction to Training Content
- 10.10 – 10.45 General rules on Methods and Conditions for Selling Assets
- 10.45 – 11.45 Limitations on Sale of Bankruptcy Debtor’s Property – Presentation and Discussion
- 11.45 – 12.00 Coffee Break
- 12.00 – 13.00 Methods of Sale of Bankruptcy Debtor’s Property – Part I: Presentation of Different Methods for Public Auctions, with experience from practice; Presentation and Discussion
- 13.00 – 13.30 Sandwich Break
- 13.30 – 14.30 Methods of Sale of Bankruptcy Debtor’s Property – Part II.
- 14.30 – 14.45 Coffee Break
- 14.45 – 15.30 General Rules on Distribution of Sales Proceeds – Presentation and Discussion
- 15.30 - 16.00 Conclusions and Evaluation

TRAINING MODULE FOUR – Reorganization in Bankruptcy

TENTATIVE AGENDA

- 10.45 – 11.00 Registration of Participants
- 11.00 – 11.10 Introduction to Training Content
- 11.10 – 11.45 Legal Framework for Reorganization – Presentation
- 11.45 – 13.15 Different Models of Reorganization of Bankruptcy Debtor and Practical Aspects of Drafting the Plan – Presentation and Discussion
- 13.15 – 13.30 Coffee Break
- 13.30 – 14.00 Legal Procedure for Drafting the Plan – Presentation and Discussion
- 14.00 – 15.00 Formulation of the Plan and Measures for its Implementation – Presentation and Discussion
- 15.00 – 15.30 Cram Down, “Worse Off” Analysis, and Dismissal or Confirmation of the Plan – Presentation
- 15.30 – 15.45 Coffee Break
- 15.45 – 16.15 Possible Problems in Reorganization of Debtor – Experience from Pilot Case
- 16.15 - 17.00 Other Experiences in Reorganization of Debtor – Presentation by a Trustee
- 17.00 – 17.15 Conclusions and Evaluation

TRAIN THE TRAINERS PROGRAM

TRAINING APPRAISERS

(THREE MODULES)

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

Three-Module Training Program for Appraisers

I. Background

Appraisals play a key role in some of the most critical decisions that courts and businesses make. For example, when creditors in a bankruptcy decide whether to liquidate or reorganize the debtor, their decision is based on an appraisal of the amount they are likely to receive from liquidating the debtor's assets. When appraisers use the wrong valuation methods, or apply the right methods wrongly, the judicial and commercial decisions are distorted.

The training program for appraisers, consisting of three modules of two days each, is designed both to teach a variety of appraisal methodologies, and to teach appraisers how to determine which method to apply. The needs of business and the requirements of BiH laws require a variety of different approaches to determine value, including for:

- Customs;
- Tax;
- Insurance;
- Lending purposes;
- Investment purposes;
- Business purposes;
- Personal purposes (inheritance, divorce, etc.);
- Bankruptcy liquidation and enforcement proceedings;
- Valuation for criminal and civil court procedure purposes.

Each of the above purposes requires specific adjustments to the general approach to valuation. The appraiser training program covers the full spectrum of valuation issues required for appraisals in BiH. The modular training approach developed below has several advantages: First, trainings are interactive, permitting flexibility and adaptability in course content and ensuring that participants become involved in the training process. Second, it utilizes modern training techniques including practical case studies, group discussion of topical issues, and tailored exercises relevant to the participants' day-to-day work. These training techniques make lessons more understandable and more interesting than classical teaching methods. Third, the training modules are designed for 15-20 participants, to ensure open exchange of ideas, and maintain a level of comfort for those professionals not accustomed to interactive learning. Finally, the training design encourages participants to network and brainstorm with their professional colleagues. For best results, seating should be organized around a table to promote promotes open communication and active involvement of all participants.

IV. Overview of Training Program

Program for Training of Appraisers

Course Description

This three-module training covers the standards and methodological tools needed to produce high-quality appraisals for a wide variety of purposes.

Target Audience

This course is designed to assist new and current appraisers in the practical adaptation and implementation of international standards and guidelines on appraisals, and to provide guidance on selection of the appropriate methodology for the particular appraisal assignment.

Learning Objectives

Upon completion of the three-module course, participants will be able to:

1. Understand the different standards of value and general valuation concepts and principles, and property types and rights;
2. Apply the 3 general approaches to Value: Cost Approach, Market Approach and Income Approach, as well as appropriate methods for adjusting those approaches depending on the purpose of the valuation and the standard of value;
3. Understand and implement in practice the International Valuation Standards for Market Value Basis of Valuation; Valuation Bases Other Than Market Value and Valuation Reporting
4. Professionally conduct the valuations under internationally accepted ethical standards;
5. Understand how to implement the international guidelines on valuation of:
 - GN 1 Real Property
 - GN 2 Lease Interests
 - GN 3 Plant and Equipment
 - GN 4 Intangible Assets
 - GN 5 Personal Property
 - GN 6 Business Valuation
 - GN 7 Consideration of Hazardous and Toxic Substances in Valuation
 - GN 8 Cost Approach for Financial Reporting (DRC)
 - GN 9 Discounted Cash Flow (DCF) Analysis for Market and Non-Market Based Valuations

	<p>GN 10 Agricultural Properties GN 11 Reviewing Valuations GN 12 Specialized Trading Property GN 13 Mass Appraisal for Property Taxation GN 14 Properties in the Extractive Industries</p> <ol style="list-style-type: none">6. Prepare valuation applications for Financial Reporting and for Lending Purposes;7. Analyze Financial Statements and learn how to identify and gather the data needed for the valuation report;8. Write a Valuation Report
Training Methodology	<p>Experiential and participatory training, with guided discussion, exercises, and selected training materials developed using the knowledge and skills presented in the course.</p>
Class Size	<p>15-20 participants.</p>
Course Materials	<p>The course materials consist of the following components:</p> <ul style="list-style-type: none">• Participant Guide (Program for Three Training Modules for Appraisers);• Resource Materials (Agendas; Handouts of all Presentations and other materials delivered to the participants during FILE's sessions with appraisers) and• Case Studies.

III. Guidelines for Conducting the Three Training Modules

Module 1A: Standards of Value, General Valuation Concepts and Principles, and property types and rights

The first day of Module 1 will acquaint participants with the different standards of value:

- Market Value
- Fair Market Value
- Liquidation Value
- Depreciated Replacement Cost
- Highest and Best Use Analysis
- Value in Use
- Investment Value etc.

Participants will also learn how to distinguish legal interests, accounting principles (tangible/intangible, depreciation) and economic (utility and productivity) concepts in the valuation process. This module will also cover the various types of property and the different rights and interest related to each. This session is designed to round out the knowledge of trainees to enable them to become certified appraisers. Most of the candidates are expected to have accounting and financial backgrounds, with knowledge of the legal rights subject to valuation

and the way economics treats the assets. The design of the session resolves certain issues that were identified when reviewing how appraisals have been conducted in the past and sets up a new approach towards the subject of valuation in general.

Module 1B: Applying and Adjusting the Three Standards of Value Depending on the Purpose of the Appraisal

Day 2 of Module 1 will provide practical guidance in applying the three market-based valuation approaches (Cost Approach, Market Approach and Income Approach) in a variety of situations. The training session will provide general knowledge on several methodological instruments that are used in the valuation process, and how to select and apply them. These methods will be applied to valuation of a business. All stages in the valuation process will be covered, including:

- Defining the engagement
- Drafting the scope of work
- Data gathering
- Data analysis
- Methodology determination
- Cost, market, and income approaches
- Risk factors
- Discounts and premiums
- Final value reconciliation
- Writing the report

This module will address recurring mistakes encountered with appraisal practices in BiH. Special attention will be given to risk assessment – including country, business, industrial, individual, systematic and non-systematic – and its affect on expected rates of return (investment, dividend, internal rate of return, etc.) and on the discount rate. Participants will be introduced to various methods for determining the discount rate. Module 1 will conclude by applying the knowledge gained to a Case Study.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentation on Valuation of the Capital
- Case Study (Mlekara)

Module 2A: International Valuation Standards for Determining Market Value, Valuation Bases Other Than Market Value, and Valuation Reporting

International Valuation Standards are growing in importance and becoming obligatory for appraisals for financial reporting purposes. Module 2A will introduce participants to the content and structure of the International Valuation Standards. This training session is designed to cover all three International Valuation Standards (IVSs):

- IVS 1: Market Value Basis for Valuation
- IVS 2: Valuation Bases other than Market Value

- IVS 3: Valuation Reporting

The seminar will also discuss the interrelationship of the four factors that are associated with any product, service, or commodity – utility, scarcity, demand, and purchasing power. The discussion will cover the concepts of supply and demand and their influence on market prices. The distinction between price, cost and value will be drawn out. The distinctions between market value non-market values, including liquidation value, will be discussed in detail. Finally, participants will be provided with the tools write the valuation report.

Module 2B: International Ethics Standards

Module 2B will introduce participants to the International Code of Conduct of Appraisers. Although this Code has no formal authority in law, it addresses important issues related to the professional conduct of appraisals. This session will cover topics such as: the scope of valuation work and how it is defined (assumptions, limiting conditions, characteristics of appraiser); the main ethics principles to be followed (integrity, conflict of interest, confidentiality and impartiality); the competences that the appraiser should have when conducting the valuation (acceptance of instructions, outside assistance, efficiency and diligence); disclosure of the information learned during the valuation process; and how to report values. Different ethics cases will be analyzed in an open discussion. Participants will be encouraged to develop cases based on their own experience and discuss the possible ethics issues and how they should be resolved.

Module 2C: Implementing International Valuation Guidelines

This session builds on the knowledge acquired in previous sessions by providing practical guidance to appraisers on how to approach a broad range of issues covered by “guidance notes” to International Valuation Standards. The presentation will include partial case studies covering different issues related to the guidance notes. Participants will discuss issues from their own practice and in a guided discussion find the right solutions based on the guidelines.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentation on International Valuation Standards (IVS)
- Five Exercises (with answers)
- Example of Exam for Appraisers (with answers)

Module 3A: Practice Preparing Appraisals for Financial Reporting and for Lending Purposes

This session covers two specific applications of the International Valuation Standards, valuations for financial reporting and for lending purposes. Training on valuation for financial reporting will cover the purpose of accounts, international accounting standards, accounting concepts and conventions. The second part of session introduces participants to the accepted international standards on reporting for lending purposes. The participants, guided by the moderator, will build simple “Decision Tree,” summarizing how an entity determines whether it applies IAS 40 for investment property; IAS 16 for Property, Plant and

Equipment for owner-occupied property; or IAS 2 for inventories for property held for sale in the ordinary course of business. At the end of this training session, participants will be able to fully understand and apply international valuation standards and will have substantial understanding on the connection with international accounting standards.

Module 3B: Analyzing Financial Statements, and Identifying, and Gather Data Needed for the Valuation Report

Module 3B provides guidance for participants in working with financial statements, including balance sheet, income statement, and cash-flow statement, and working capital budgeting. Trainees will be introduced to the various sources of information that appraisers use and refer to in their reports in regard to market prices, indexes, inflation, correlation of different factors, etc. Participants will also be introduced to various techniques to analyze financial statements, and other investment and financial tools used in processing market data. At the end of this session, trainees will be able to prepare a business and financial operational model of the entity subject to valuation. This model will reflect all assumptions that the appraiser has made. The participants will be able to project future opening balance sheets, income statements and cash flow statements in regard to the application of the DCF (Depreciated Cash Flow) valuation method. This will be used as a base for developing different scenarios related to debt restructuring, sale of non-core assets and/or divisions (workshops) that do not contribute to the company profitability and where the proceeds from their sale could be better used for repaying existing debt or financing working capital. The ability to do this analysis, projections, scenarios and plans will be extremely useful in the course of developing reorganization plans in a bankruptcy proceeding.

Module 3C: Write a valuation report (Case Study); Examination

This session focuses on a case study to review everything that has been learned in the previous training sessions and to strengthen the knowledge of the participants. Emphasis will be placed on the applying the standards learned to writing a valuation report, including, proper definitions of terms and assumptions, the valuation limitation and information availability, and the relationship to accounting standards. The moderator will stress the value conclusion, emphasizing the market evidence, procedures, and reasoning on which it is based.

The final exercise in the appraiser training is a three-hour test consisting of 30 questions, mostly multiple-choice questions. After the test, the moderator will explain all answers and participants will grade their tests on their own. The purpose and objective of this exercise is to help reinforce the most important concepts and methods covered in the three-module course.

Resource materials (already provided to JTCs):

- Tentative Training Session Agenda (see Attachment)
- Power Point Presentation on International Valuation Standards (Seventh Edition)
- Examples of Different Types of Valuation Reports
- Small Dictionary
- Definitions Used in Market Approach Valuation
- Final Exam and Answers

(Attachment to the Training Program for Appraisers)

TENTATIVE TRAINING SESSION AGENDAS

TRAINING MODULE ONE

First Day

10:00 – 10:15	Introduction to the session and Icebreaker
10:15 – 11:30	Valuation Theory (general valuation concepts and principles, and property types and rights)
11:30 – 11:45	Coffee Break
11:45 – 13:00	Data Sources, gathering and analysis Financial Analysis
13:00 – 14:00	Lunch
14:00 – 15:45	Cost Approach to Valuation
15:45 – 16:00	Coffee Break
16:00 – 17:00	Market Approach to Valuation

Second Day

10:00 – 11:30	Income Approach to Valuation – Part I
11:30 – 11:45	Coffee Break
11:45 – 13:00	Income Approach to Valuation – Part II
13:00 – 14:00	Lunch
14:00 – 15:30	Discounts and Premiums, Value Conclusions, Valuation Reports
15:30 – 15:45	Coffee Break
15:45 – 17:00	Valuation Case Study

TRAINING MODULE TWO

First Day

10:00 – 10:15	Introductory Remarks and Icebreaker
10:15 – 11:30	International Valuation Standards – History, Objectives, Scope and Content
11:30 – 11:45	Coffee Break
11:45 – 13:00	Appraisers' Codes of Conduct and Ethics
13:00 – 14:00	Lunch Break
14:00 – 15:45	International Valuation Standards 1-3
15:45 – 16:00	Coffee Break
16:00 – 17:00	Guidance Notes 1-2

Second Day

10:00 – 11:30	Guidance Notes 3-5
11:30 – 11:45	Coffee Break
11:45 – 13:00	Guidance Notes 6-7
13:00 – 14:00	Lunch Break
14:00 – 15:45	Guidance Notes 8-9
15:45 – 16:00	Coffee Break
16:00 – 17:00	Guidance Notes 10-11

TRAINING SESSION THREE

First Day

10:00 – 10:15	Introductory Remarks and Icebreaker
10:15 – 11:15	International Valuation Standards -- Part II
11:15 – 11:30	Coffee Break
11:30 – 13:00	Valuations for Financial Reporting and for Lending Purposes
13:00 – 14:00	Lunch Break
14:00 – 15:00	Guidance Notes 12-14, Valuation in Emerging Markets
15:00 – 15:15	Coffee Break
15:15 – 17:00	Data Gathering and Analysis, Valuation Reporting (with examples)

Second Day

10:00 – 10:30	Introduction to Test (distribution, instructions etc.)
10:30 – 13:00	Test
13:00 – 14:00	Lunch Break
14:00 – 15:45	Test Review and Grading
15:45 – 16:00	Coffee Break
16:00 – 17:00	Discussion