



CASE STUDY

Bankruptcy Gives a Second Chance

Factory employees see their first paycheck in three years



An employee at the Unis Tativ factory in Konjic is back on the job and happy to be bringing home a paycheck.

“Many Bosnia-Herzegovina citizens tend to view bankruptcy as the end of a process. In reality it’s an opportunity for a fresh start,” said John Seong, a USAID official.

Telling Our Story
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Challenge

Workers at the Unis Tativ machine tool production factory in Konjic, Bosnia-Herzegovina had not been paid in three years.

The state-owned company was insolvent — it carried too many debts to have enough cash left over to pay its employees. The factory was in working order, but until its financial situation improved, its workers had no wages and no way to support their families.

Initiative

The factory’s employees appealed to USAID to help the company file for bankruptcy. Under new bankruptcy laws passed in 2003, insolvent companies like Unis Tativ can resolve creditor claims fairly and transparently, and then transfer their debt-free assets to a new investor. Bankruptcy would allow Unis Tativ time to

reorganize itself, negotiate agreements with creditors, and start paying employee salaries. After USAID helped Unis Tativ file its bankruptcy petition in October 2005, all 160 workers received their first paychecks in three years. They continued to get paid, including all social contributions, during the entire 11-month bankruptcy and reorganization process.

Results

Now, the company is earning 200,000 euros monthly by exporting its machine tools and fasteners to the European Union. Under the reorganization plan, Unis Tativ’s workers now own 67 percent of the company. The remaining 33 percent was transferred to the company’s major creditor in satisfaction of debt, leaving the company completely privatized and financially stable. Unis Tativ was the first bankruptcy reorganization case filed and completed under the new laws. Its success is an example for others — it has shown other insolvent companies that there is a legal mechanism for helping them resolve debt and get back to business. In a country where over 70 percent of state-owned companies are insolvent, this example is sure to be followed.

Photo: Chemonics International