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**5.2 WHITE PAPER ON EVIDENCE-BASED SECOND-CHANCE
POLICY**

**Project: Embracing failure to facilitate second-chance entrepreneurship in the
Danube region**

Acronym: DanubeChance 2.0

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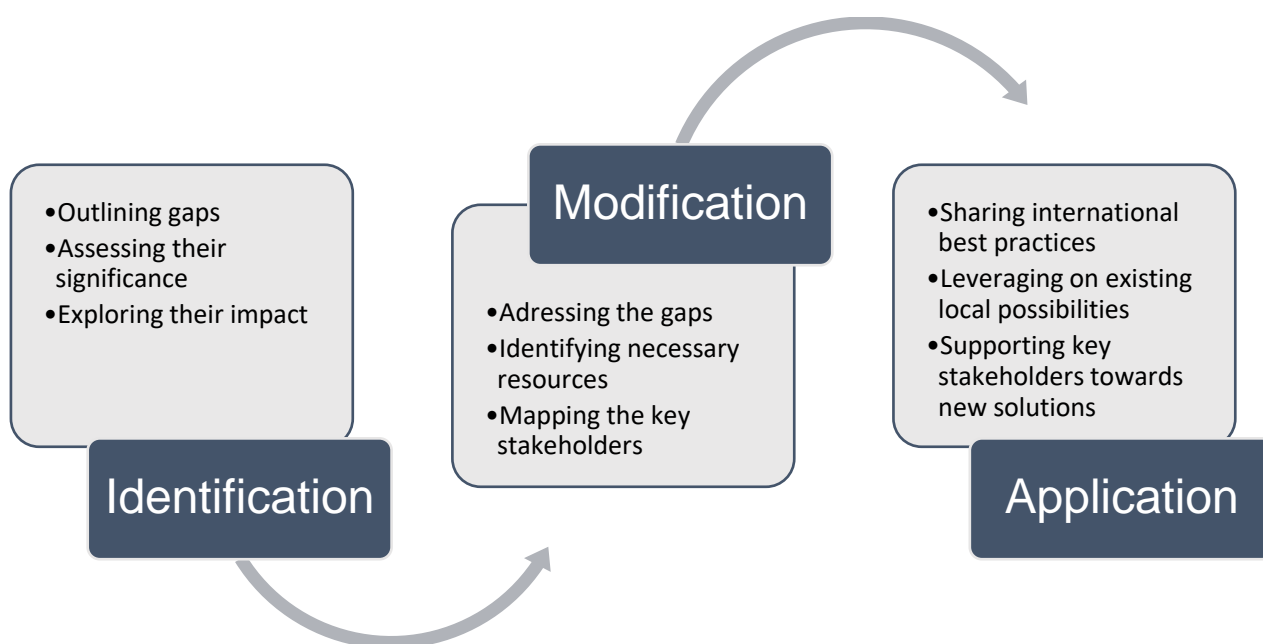
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1 Executive Summary

The White Paper on evidence-based second-chance policy is a set of measures and guidelines for decision-makers to create support programs and a better business environment for a second-chance entrepreneurship. The model of developing those measures and guidelines assumes the baseline analysis of the current quantitative and qualitative pillars of second-chance entrepreneurship (SCE) ecosystem in the Danube region, followed by the analysis and identification of best practices in overcoming the obstacles, and developing the set of recommendations to implement in order to establish an improved SCE ecosystem.



The White Paper includes the roadmap and recommendations on the creation of adequate access to skills, financing sources, market and linking with potential partners in order to create an innovative, socially responsible ecosystem for second-chance entrepreneurs in Danube Region. At the same time, the Paper provides an outline of the key identified regulatory environment adjustments, as the precondition for successfully improving the second-chance ecosystem, which will contribute to the sustainable development, social cohesion and overall improvements in the broader region.

The information obtained and conclusions developed have taken into account the information provided by project partners, and also the insights gained through the Project implementation throughout the series of activities with the second-chance entrepreneurs and re-starters.

2 Introduction

Business entry and exit are natural processes as 50% of enterprises do not survive the first 5 years of their life, and bankruptcies account on average for 15% of all business closures. In Europe, 200,000 businesses face insolvency every year, resulting in 1.7 million jobs lost. In the Danube region, the number of business failures rose by 3.6 per cent last year. Even though only 4-6% of bankruptcies are fraudulent, public opinion makes a strong link between business failure and fraud. Many honest entrepreneurs whose businesses have gone bankrupt feel discouraged to re-start due to the stigma and difficulties or discrimination faced after a bankruptcy.

In recent years, the European Commission launched several initiatives in the field of anticipating and managing change and restructuring (e.g. the creation of the Restructuring Forum, where many examples of innovative practices were discussed). The European Commission also financed numerous studies on this topic and supported the Joint European Social Partners' Work Program which is including also an integrated project on restructuring in the EU27 countries.

The DanubeChance2.0 project aims to create a transnational network of financial investors, policy-makers, academia, who will jointly promote second-chance entrepreneurship (SCE) for the sustainable economic development of the Danube region. Preliminary research shows that honest failed entrepreneurs face similar challenges in the Danube region, namely: a) no policy framework to support a second-chance (SC), b) lack of financial and non-financial services targeting second-chance and c) negative stigma. Consequently, potential second-chance entrepreneurs are demotivated to re-enter market or are dependent on self-financing.

3 General country overview

The General country overview section provides a summarized insight into the basic indicators related to second-chance entrepreneurship across the countries in the Danube Region. The section aims to clarify and present the individual countries' second-chance ecosystem through a set of quantitative and qualitative indicators.

3.1 Quantitative assessment of second-chance entrepreneurship

Quantitative indicators for the assessment of the data on second-chance entrepreneurship provide the numerical expression of the cornerstones of the SCE ecosystem. The observed indicators include:

- Number of closed companies per year
 - By region
 - By business activity (economy sectors)
 - By age of business activity
- Number of jobs lost caused by companies' bankruptcy on the national level
- Overall impact on the country GDP

The overall purpose of those indicators is to depict the economic impact on the individual regional economies caused by the businesses closed over the observed time period. Also, the quantitative indicators aim to enable the basic analysis of the sector-based impact, as well as the business maturity level and regional segmentation when observing the risk of failure.

The data for the quantitative assessment has been acquired using relevant national registers such as central banks, business registry agencies and tax authorities, as those are in general the registers containing data and information required for the analysis. The scope of the data acquired throughout the project partner countries however somewhat differs from one country to another in the Danube Region and also there is a number of indicators which haven't been obtained in certain cases, due to a variety of reasons which include the differences in recording the selected parameters, such as limited differentiation between legal entities and private individuals in some cases, or variations in sectoral classification in other cases. Also, there were some limitations imposed by commercial terms and conditions in approaching the relevant registries in a number of project partner countries possibilities. Therefore, the quantitative analysis has been performed by using the sets of data provided, summarized in Annex I - The General country overviews summary which differentiates to a certain extent to the originally assumed data sets. The document includes a summary of the data and General country overview templates submitted by the project partners, individually enclosed in the Annex II - General country overviews.

However, irrespective of the missing and omitted data, the collected sets have provided the relevant baseline, through sums and averages produced. They indicate the actual effect of the businesses closing. Thus, they allow drawing conclusions from quantitative assessment as one of the pillars for the White Paper, complemented by the qualitative assessment as the second pillar.

An additional set of numerical parameters was assumed during the preparatory phase of the data acquisition model design, aiming to highlight the potential benefits of the re-starting businesses. The assumed parameters and assessments include:

- Social impact
- Potential impact of the business restarting on overall economy (GDP growth)
- Potential for the creation of the new jobs

The purpose of assessing the impacts of re-starting businesses owned or led by individuals with significant experience, strengthened with the newly acquired sets of skills and know-how, regulatory support, and other means of support, is to provide the general insight of benefits that can be attributed to both social and economic environment, through the new employment or re-employment and rebound in economic output. Therefore, the model of acquiring those parameters had the goal of providing the contrast to the current quantitative indicators through the approximate assessment, based on the local market insights by the project partners. However, this additional set of parameters had to be omitted due to the objective obstacles in assessing the impact and also measuring it using the available sources. Instead, those parameters have been substituted by the more attainable direct approximation, assessing the effect of restarting a portion of businesses, measured by the single percent of those closed.

The main findings of the quantitative assessment are presented in the series of table below. The data have been gathered across the DC2.0 Region (Germany, Austria, Slovakia, Slovenia, Croatia, Hungary, Romania, Moldova, Bosnia and Herzegovina, Serbia):

	Number of businesses closed in the last 5 years within the DC2.0 Region								No. of empl.	Income (Bln €)
	By sector				Business age (years)					
	Total	Agri	Industry	Service	1-2	2-5	5-10	10+		
Total in 5 years	2.995.783	41.425	691.372	2.027.794	63.340	57.439	55.590	68.466	5.063.189	401
Regional average (5 years)	299.578	5.918	76.819	225.310	15.835	14.360	13.898	17.117	506.319	80,2
Regional 1-year average	59.916	1.184	15.364	45.062	3.167	2.872	2.780	3.423	101.264	16,05

Based on the 5-year period, the total number of companies closed throughout the region is nearly 3 million, employing more than 5 million people and generating 401 Billion EUR of revenue. By averaging those indicators on the countries in the DC2.0 Region, the Regional Average¹ number of closed businesses according to the obtained data² is 300.000 businesses with 500.000 employees, generating more than 80 billion EUR.

By further basic averaging of those numbers to a one-year period, the indicative values for Regional 1-year average are reaching nearly 60 thousand businesses annually, employing over 100 thousand people and generating 16 billion EUR of revenue.

Based on that data, an approximation of 10% rebound rate would result in recovery of 10.000 working positions generating 1,6 billion EUR of income, some more than 160.000 EUR per employee, which is well worth improving the second-chance ecosystem by any standard.

When analyzing the data from the last year on currently “blocked” businesses, whether they are in liquidation, blocked accounts or terminated, approximates to an average of 60.000 businesses in distress, 47.500 employees and 15,5 billion EUR of income. This is averaging to approximately 326.000 EUR per employee. The lower number of employees and higher income per employee indicates that more efficient companies are becoming affected. Although there is a data availability gap and discrepancy is quite significant, indication that efficient companies are in danger should be additional monition for individual economies. The certain discrepancy in number of employees and average values originates partially from limited availability of data at the moment of the analysis, and it can also be attributed to the COVID related additional turbulences, shifting the threshold of companies affected towards the ones being more efficient than the 5-year average company in distress.

3.2 Qualitative assessment of second-chance entrepreneurship

The qualitative assessment pillar of the second-chance entrepreneurship framework in the Danube region aims to provide a broader perspective through the descriptive element to the previously established numerical quantitative assessment. Whereas the numerical indicators acquired and processed through the quantitative assessment provide measurable, quantified insights related to the number of individuals and companies affected by the difficulties in operations and the impact those difficulties have on the overall economic output, the qualitative assessment provides more descriptive insight and deeper understanding of the main drivers of the second-chance ecosystem. Together, the qualitative and the quantitative assessment pillars analysis enables the comprehensive overview of the existence and models of application of a variety of standards and practices, and their impact on the second-chance entrepreneurship ecosystem. The qualitative indicators have been segmented into the 3 main groups, as follows:

¹ Unweighted averages

² Annex I - General Country Overviews Summary

- Existing legal framework for second-chance entrepreneurship
 - Responsible instances within legal framework
 - Existing practices
 - Existing procedures related to restructuring, bankruptcy or liquidation
 - Main challenges and needs
- Available financial instruments and support for second-chance entrepreneurs
 - Financial institutions providing support for second-chance entrepreneurs (National of Private)
 - Existing products and services offer for second-chance entrepreneurs
 - Existing national funds aiming to support second-chance entrepreneurship
 - State provided financial instruments support (tax and debt relief, restructuring, etc.)
- Existing non-financial second-chance entrepreneurship supporting initiatives/programs (technical assistance programs)
 - Existing specialized institutions providing tailored support to the second-chance Entrepreneurs
 - Available early warning systems/tools available to second-chance entrepreneurs
 - Existing training programs for strengthening the internal capacities of the second-chance entrepreneurs through enhancing their skills and knowledge

Each of the groups of indicators has its own effects on the overall re-starting environment, starting from the regulatory framework which enables consequent introduction and elaboration of the further measures in the segments of financial instruments and supporting initiatives and programs, aiming to either strengthening the access to skills, networking or other types of tailored support to the re-starting entrepreneurs. The complete overview of existing practices in each of the segments observed (Legal Framework, Financial Instruments and Support and Supporting Initiatives / Programs) has been provided in the Annex III – Project Partners Good Practices Overview. In addition to that, the Mentoring Meetings³ and Training Evaluation Grid Summary⁴ reports have also provided highly valuable, first-hand users' insight of re-starters assessment and valuation of the legal framework, financial support, and access to skills issues encountered and programs and initiatives present or desired across the region.

³ Summary Report D5.2.2 and D5.2.3 Mentoring meetings

⁴ DanubeChance 2.0 _D 5.3.2, D5.3.3, D5.3.4 Training evaluation grid summary

4 Experiences and best practice overview

The overview of Second-chance entrepreneurship framework best practices includes analysis through the key segments:

- Legal framework adjusted models, related to the applied practices and procedures related to restructuring, bankruptcy or liquidation (Regulatory and Framework Pillar)
- Financial support models and practices applied in supporting re-starters (Financial Support Pillar)
- Non-financial support, including a wide range of practices and models aiming to either technical assistance, improving internal capacities, peer exchange, and self-confidence building activities, supporting financially distressed companies as well as supporting re-starters in successful re-entry to the market (Skills and Knowledge Pillar)

The best practices in supporting re-starters across the project partner countries and across the segments are presented in sublimed form, describing the activity, the gap it addresses, necessary implementation instances and indication of the transfer potential.

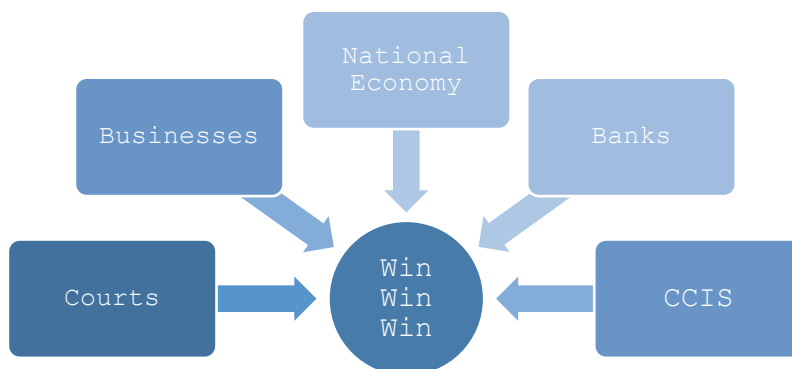
Regarding the **Legal framework best practices**, the direct insight in the most frequently applied practices throughout the region in terms of legal framework and procedures can be summarized in the model in which commercial courts, along with the tax administration and business registry entities are involved in the predefined procedures and practices related to the liquidation and bankruptcy procedures. As a general notion, the procedures can bear significant challenges:

- The process is lengthy and involves the owners/managers in a way which is preventing them from entering new endeavors while the process is ongoing. Depending on the duration of the proceedings, which can extend to years in some cases, the re-starting process is delayed, causing further difficulties;
- One of the main issues is the lack of distinction between honestly and dishonestly failed entrepreneurs, which imposes further challenges related to the liquidation process as such, as well as to its duration;
- Once the process is initiated, any financial support by the commercial and non-commercial entities ceases, further increasing the range of obstacles faced;

Of all the best practices recognized during the implementation of the “DanubeChance2.0 project”, two stand out as examples of alleviating some of the elements recognized as the main challenges. The main features are presented below:

Name of project partner	CCIS - Chamber of Commerce and Industry of Serbia
Country	Serbia
Name of GP	Restructuring Mediation Services
Short overview on Good Practice / best practice of existing SC Entrepreneurship legal framework	Restructuring Mediation Services is a model of legally regulated support to businesses in distress, regulated by the Law on Voluntarily Financial Restructuring („Official Gazette RS” No. 89/2015). Agreed financial restructuring is a consensual redefinition of debt-trust relationships between a business or entrepreneur in financial difficulties and its creditors, primarily banks. In accordance with the provisions of this Law, the Chamber of Commerce and Industry of Serbia is an institutional mediator in the process of voluntarily financial restructuring.
Short overview on Good Practice / definition and assesment of the establishment gap	In addition to the restructuring of debts and out of the court and non-bankruptcy proceedings, in accordance with the Law of restructuring and supported by the mediation services, business with financial distress can also recover its work within the court and bankruptcy procedure regulated by the Law on Bankruptcy. This Law defines conditions and steps for restructuring of debt with pre-prepared reorganization plan or with standard reorganization plan. However, Restructuring Mediation Services enable distressed businesses to avoid further negative impact in potential re-starting caused by the bankruptcy proceedings.
How can the GP be transferred to other regions?	The GP can be transferred to the other Chambers in the DR countries through the adequate regulatory framework amendments and initiatives. The GP is in line with the EU directives aiming to facilitate mediation. Transferability of this GP assumes the existence and engagement of adequate regulatory and other stakeholders to implement it.
Which institutions have a key role in implementing the GPs?	<ol style="list-style-type: none"> 1. Ministry of justice 2. CCIS 3. Commercial courts 4. Concerned SMEs - The company in financial distress 5. Banks

The essential improvement to the overall, not only re-starting, business environment introduced by the Mediation Centre model can be presented as a Win-Win-Win situation:



The courts have reduced the number of cases to resolve, the businesses are in a position to reach solutions in much faster way with reduced costs. The CCIS positions itself as the provider of much sought after service, while the banks can rely on quick disputes resolution and at the same time, broaden their market due to the fact that their potential clients are not locked in time and resources-consuming court proceedings. The overall impact on the national economy is cumulatively positive.

The second good practice activity is applied in Slovakia, promoted and supported by the Union of Slovak Clusters. The practice aims to facilitate differentiation between honestly and dishonestly failed businesses.

Name of project partner	UKS - Union of Slovak Clusters
Country	Slovakia
Name of GP	Act on Bankruptcy and Restructuring
Short overview on Good Practice / best practice of existing SC Entrepreneurship legal framework	Due to the very long process of bankruptcy, the attitude of failed entrepreneurs to re-enter the market was negatively affected, whereby given initiative increased the interest in solving debt discharge of natural persons. With the amendment to the Act on Bankruptcy and Restructuring, there is better recognition of honest and dishonest entrepreneurs, which increases the possibility of second chance for honest entrepreneurs, who have been discouraged due to the stigma and negative perception of general public. In other words, if the debtor did not have honest intention during the process of debt discharge, concerned creditors have an opportunity (within 6 years) to claim the cancellation of the debt discharge of dishonest entrepreneur. Furthermore, the application of the “disqualification register” helps to recognize between honest and dishonest entrepreneurs. To specify, the entrepreneurs that did not submit the proposal of bankruptcy to the court on time (or due to other sanctions imposed by the court) are banned from conducting business activities for 3 years. As a result, the need of failed entrepreneurs to be perceived by public as honest is more fulfilled. In addition, the reduction of time needed for solving the debt discharge has provided opportunity for honest failed entrepreneurs to re-enter the market sooner.

<p>Short overview on Good Practice / definition and assesment of the establishment gap</p>	<p>Currently, the existing legal framework and incentive measures in Slovakia are targeting mainly the small and medium size entrepreneurs (SMEs), whereby the issue of second-chance entrepreneurship is addressed only indirectly. There is the policy-oriented initiative representing new rules on debt discharge of natural persons, whereby the companies classified according to business code (Ltd., joint-stock companies, etc.) have not been included in this initiative yet.</p>
<p>How can the GP be transferred to other regions?</p>	<p>The GP may not only be transferred to other regions, but also to other target groups that are relevant for the issue of second-chance entrepreneurship. However, it is inevitable to map and analyse legal conditions in various countries, since the legal frameworks are different at the EU level. Furthermore, it is essential to develop unified evaluation model of honest and dishonest entrepreneurs, which will simplify the process of recognition of entrepreneurs.</p>
<p>Which institutions have a key role in implementing the GPs?</p>	<p>In Slovakia, there is no network connecting the community of second- chance entrepreneurs. However, important actors that need to be involved in the process of facilitating environment for second-chance entrepreneurship is the Ministry of Justice, the Ministry of Economy, business support organizations (Slovak Business Agency), the chambers of commerce (Slovak Chamber of Commerce) and other organizations supporting the activities of small and medium size entrepreneurs (for instance Slovak Association of Small and Medium Size Enterprises and Entrepreneurs). Furthermore, active involvement and discussions with honest second-chance entrepreneurs is essential factor for the creation of more favourable conditions in given area.</p>

The Slovakian model of distinguishing honest from fraudulent failed businesses contributes to a large extent not only to the improvement of the business environment but also affects one of the key obstacles recognized and formulated as “social stigma”, burdening re-starters not only in their attempts to launch a new business but also their social and psychological status and self-confidence.

Regarding the financial instruments pillar of the re-starting framework, the key analyzed elements have included obtaining data and insights as per the list below:

- Available financial instruments and support for second-chance entrepreneurs
 - Standard model of distribution of roles and responsibilities between financial institutions and national funds for supporting second-chance entrepreneurs
 - Overview of standard models, features and specifics of national level funds and financial institutions provided products and services for SC Entrepreneurs
 - Applicable and most often state provided financial instruments support (tax and debt relief, restructuring, etc.)

Regarding the financial framework, the overall environment offers extremely limited range of options for re-starters. The main indicators and the basis for that conclusion can be summarized as:

- Very limited number and scope of options
- High resistance from financial institutions
- Missing leverage mechanisms

The limitations have been identified to originate primarily from the resistance existing among financial institutions, due to both the established duration of the liquidation proceedings and the inability to distinguish between honest and dishonest failed businesses. Consequently, the traditional financial institutions are facing significant risks in terms of mainly credit risk. On the other hand, leveraging mechanisms to mitigate those risks are mainly not present, leading to a very limited set of options.

Observing the available support to second-chance businesses, due to all the above listed facts, the range of options and models is limited, yet one of the best practices has been identified and presented below:

Name of project partner	ZSI - Centre for Social Innovation
Country	Austria
Name of GP	Austria Wirtschaftsservice (AWS)
Short overview on Good Practice / best practice of existing SC Entrepreneurship financial support instrument	<p>The Austria Wirtschaftsservice (AWS) is an Austrian federal promotional bank for promoting and financing companies. This specific service for enterprises in difficulties exist in their current legal form since 2002. Small and medium-sized enterprises which are in a difficult financial situation of almost all industries can be supported through grants, loans, guarantees and consulting services. Insolvent enterprises, however, are excluded from this process.</p> <p>During the Corona crisis the AWS guarantee programme was expanded to offer a bridge guarantee that supports financing supplies (e.g. staff costs, the purchase of goods) as well as the respite of existing loans that cannot be serviced due a decrease in turnover or liquidity as a consequence of the Corona pandemic. In contrast to the restructuring guarantee the Corona bridge guarantee supports a much broader target group. While the former was only available to SMEs the new guarantee also covers sole entrepreneurs, professions, agricultural businesses, and big companies with financial demands up to 500.000 Euros.</p> <p>The guarantees are running until 2024 so concrete numbers of success in helping the businesses to survive will be available by the end of 2024.</p>

Short overview on Good Practice / definition and assesment of the establishment gap	The focus of these restructuring measures is to ensure future economic success of the enterprise in the medium-term. The preservation of jobs is one main goal of this activity. This is realised in co-operation with the concerned enterprise and the creditors. Together with firm and the creditors and an external consultancy service a concept for financial restructuring will be prepared.
How can the GP be transferred to other regions?	An important precondition for transfer of this GP is the existence of a business development bank or an organisation that can implement this measure. To develop such an instrument as the aws governmental institutions need to as well be in line with the regulation of the European Union regarding the regulations on the internal market. This national restructuring programme can be helpful to secure the SMEs in specific countries in the Danube Region. This framework can help to one the hand to support SMEs in the countries. Restructuring SMEs that are still on the market strengthens the market in the country itself and might be a preventive measure of firms outsourcing their activities to another country. From a national perspective the political will to support second-chance entrepreneurs or even prevent enterprises from failing needs to be addressed. A political and legal framework to set up a federal promotion bank is an important and strong instrument to support companies in difficulties and to secure jobs and a vivid business environment.
Which institutions have a key role in implementing the GPs?	<ul style="list-style-type: none"> - Austria Wirtschaftsservice (AWS) promotional bank; - Banks - Concerned SMEs - The company in financial distress - Network of professional consultants

Summarized, it is apparent that good practice examples involve both international and national level financial support providers, but the main pillar for the support remains to be the adequate financial regulations set up, allowing for both the introduction of risk-sharing facilities and integrated access to skills and access to finance pillars. Those findings are the basis for the improvement proposals presented further in the document.

The analysis of available models and practices of **technical assistance programs** focused on the following key aspects:

- Available models and practices of technical assistance
 - Models of specialized institutions providing tailored skills and know-how support to the second-chance entrepreneurs
 - Available models of early warning systems/tools available to second-chance entrepreneurs
 - Features and delivery model of training programs for strengthening the internal capacities of the second-chance entrepreneurs through enhancing their skills and knowledge

As the main obstacles faced by the second-chance entrepreneurs, the following have been identified:

- Early self-assessment of businesses
- Lack of specific business skills
- Lack of financial management skills
- Limited networking and advisory opportunities

It is worth noting that the technical assistance programs are not only focused on the strictly business-related skills and know-how but rather step into the broader area of a wider support scope, ranging from business-related networking to more individual aspects of psychologic and social support programs. The latter ones have been to a large extent recognized as highly relevant, due to the aspects of social stigma and self-confidence decrease related to unsuccessful business endeavors. Those aspects have also been identified throughout the mentoring meetings and training workshops as highly relevant support elements. Therefore, the overview of identified best practices includes a variety of programs, ranging throughout the identified support areas. The first one presented in detail is the Early Warning Mechanism, a practice implemented in Hungary.

Good Practice Hungary (IFKA - Public Benefit Nonprofit Ltd. for the Development of the Industry) - Early Warning Mechanism

1. Activities planned in 2020-2021

- 1) National and European assessment - getting to know and collecting the European practices, collecting knowledge and experience of domestic entrepreneurial crisis management, mapping the currently used early warning systems. Analysing of databases, identifying the key institutional actors, and necessary competencies (in financial, accounting and enterprise development institutes), and exploring in which tasks of the early warning and crisis management can the institutional actors take part. Meetings and workshops with them, realization of their possibilities of participating in the network.
- 2) Elaborating the model of early warning and crisis management network: planning, which institutions and experts will deal with the enterprises in crisis, in which system, in the framework of which agreements, with the clarifying of task distribution among institutions and the connections. Negotiations, setting up the institutional structure, involving stakeholders (pl. banks, National Tax and Customs Administration, etc.) in the establishment of the network.
- 3) Establishing the screening and diagnostic system (with the use of data-driven system which can predict the probability of bankruptcy), procurement of the necessary database, IT development, teaching the use of the system for the experts, in accordance with entitlements compiling of user manuals (for consultants, mentors and clients), based on the methodology of IFKA and on the Early Warning Europe's system.
- 4) Filling up a network with human resources: experts, training and integrating them into the system. 4 full-time consultants (one of the consultants will be a program coordinator), 1 project manager, 1 communication manager and 1 financial manager will be working part time at IFKA.
- 5) Training of consultants by crisis and change management experts. During the training information will be delivered about the elaborated screening and diagnostic system. Furthermore, our staff members will learn recruitment techniques, process management, and basics of psychology. As a result: 4 full time highly-skilled consultants will be working at IFKA.

- 6) Recruitment and selection of pro bono mentors, who have experience in company management and/or crisis management to connect to the project as mentors to support companies who got through the diagnostic process and need help. As a results: pool of mentors consisting of 80 professionals by the end of the program 2nd year.
- 7) Training of mentors about the details of the mentoring process, the documents which need to be filled out, will be introduced. On a regular basis mentors' meeting will be organized, where the mentors will have the chance to share their experiences, difficulties, discussing and give feedback on the process. The trainings will be carried out by internal resources. For the external experts one of the most important added value will be networking possibilities. Mentors' meetings will be organized every 2 months and all expenses will be covered from the program.
- 8) Selection and training of legal advisors: companies, which cannot be rescued according to the consultants, will be directed to one of the legal advisors. A pool of 10-15 legal advisors will be created and constantly updated.
- 9) Marketing and communication activity, recruitment: in order to achieve this setting up and maintaining a website or sub-site is essential, e.g. <https://earlywarning.dk/>. Disseminate the news through the institutional actors, client recruitment, sharing and disseminating of the results; website + events + articles.
- 10) Supervision: consultants will get supervision from IFKA internal colleagues as they will face a lot of mentally challenging situations, e.g. family breakdowns, alcoholism, suicidal thoughts, etc., to process these difficult situations.
- 11) Project management: establishing tasks and roadmap, creating the budget, establishing the background infrastructure, monitoring of costs and timetable, evaluating the project, reporting. Running the institutional model, measuring and improving the operation's efficiency.

2. Regulatory Background

During almost 2 years of DanubeChance2.0 project implementation (since July 2018) IFKA has already achieved:

- 1) including of second-chance enterprises in the target group in EDIOP programme for 2019-2020 and SME Development Strategy in Hungary for 2020-21;
- 2) Ministry of Innovation and Technology of Hungary started funding the development of methodology for self-assessment to prevent entrepreneurs from failure;
- 3) a network of 15 pro bono mentors in different company consultancy fields was created and applied during the implementation of educational program for second-chance entrepreneurs in Hungary;
- 4) Early Warning Hungary program was developed by IFKA and later included into a EDIOP 1.1.10 focusing on generation change and supporting family businesses in Hungary. Early Warning Hungary program aims to help businesses in drifting towards crisis, already in crisis and re-starting after the bankruptcy.

3. Stakeholders

Players involved:

- IFKA Public Benefit Non-profit Kft.
- Ministry of Innovation and Technology of Hungary
- Chamber of Commerce of Hungary
- National Association of Crisis Managers

4. Potential for EU harmonization

Early Warning Hungary is designed based on the methodology provided by a company administrating the Early Warning in Denmark - Erhvervsus Midtjylland.

IFKA will participate in the Europe-wide Early Warning Network of administrating companies, which is planned to be created in October 2020.

The goals of the Network will include the common effort towards harmonization of EU legislation in the sphere of bankruptcy, business restructuring and crisis management services for second-chance entrepreneurs.

5. Financing

1. Resource involved

- IFKA's office accommodating the consultants;
- starting with 3 part-time consultants one of them will be a coordinator; from January 2021 increasing to 4 consultants full time consultants. One of the consultants will be a coordinator;
- 1 project manager, 1 communication manager and 1 financial manager will be working part time;
- 15 pro bono mentors in the 1st year; 50 mentors in the second year; raising up to 80 mentors till the end of the 2nd year. Mentors will receive reimbursement of travel costs and per diems.

2. Timeframe

June 2020 – September 2022

3. Costs (if relevant)

2020 – 116 180 EUR

2021 – 147 050 EUR

2022 – 102 599 EUR

Total funding: 365 829 EUR

4. Funding sources:

EDIOP-1.1.10 "Improving the competitiveness of micro, small and medium-sized enterprises by improving entrepreneurship", which was developed by IFKA and funded by Hungarian Ministry of Innovation and Technology Ministry. Additional funding from other EU programmes will be raised which can influence the creation of additional Actions in the frame of this RAP.

6. Target groups

1. Micro and small entrepreneurs, who are drifting towards crisis.
2. Business owners, who are dealing with bankruptcy procedure: before, during, or after bankruptcy.
3. Internal professional implementation personnel, Ministry for Innovation and Technology internal professional implementation personnel
4. External experts
5. External pro bono mentors
6. Legal companies and consultants
7. Program consultants
8. Ministry of innovation and Technology

The OECD analysis, among the recommendations for improving the sector of micro, small and medium-sized companies, states that it is necessary to work on improving the Early Warning System in order to effectively protect companies from bankruptcy and closure. It is stated that the owners of MSMEs tend to underestimate the financial problems they face and avoid taking measures to oppose them. Organizations and institutions dealing with the improvement of the business environment for MSMEs should certainly work on the early warning mechanism and thus help entrepreneurs to prevent potential problems they may face.

The additional example of good practice recognized in the aspect of TA/non-financial support are the Fear & Fail Events, organized by PTP-Pomurje Technology Part, in the form of events, workshops, coaching and mentoring sessions aiming to increase the re-starters internal capacities to re-enter the market.

Name of project partner	PTP - Pomurski Technology Park
Country	Slovenia
Name of GP	Fear & Fail events
Short overview on Good Practice / best practice of existing technical skills supporting programs for SC	The Fear & Fail initiative organizes different forms of events, workshops, coaching, and mentoring programs as a part of Lincoln Island Initiatives, intending to elevate entrepreneurship by making an entrepreneur network through which they can learn from each other, shift mind-set towards a more positive attitude. F&F aim is to provide a different perspective and framework for building solid foundations for businesses while relying on the premise: "Ignoring our fears, resistances, and insecurities will end most likely in some failure."
Short overview on Good Practice / definition and assessment of the establishment gap	Many entrepreneurs confirmed that one of their most important needs is to have safe environments for conversation, knowledge sharing and networking. Fear & Fail provides all those needs. Recognising fear as a source of failure allows entrepreneurs and their teams to transcend, overcome the limitations and grow. That change in behaviour becomes a permanent virtuous cycle of constant learning, growth and produces mastery and innovation.

How can the GP be transferred to other regions?	F&F events were hosted multiple times in Slovenia, Austria, Belgium, Sweden, Serbia, Macedonia, Germany, Spain and Armenia and can be easily transferred to other regions, countries, local areas.
Which institutions have a key role in implementing the GPs?	<ol style="list-style-type: none"> 1. Chamber of Commerce and Industry 2. Chamber of Agriculture 3. Chamber of Craft and Small Business 4. Financial institutions

Also, one of the presented good practices has been identified in Germany, implemented by the Steinbeis 2i GmbH under the title of Team U-Hero Meeting.

Name of project partner	S2i - Steinbeis 2i GmbH
Country	Germany
Name of GP	Team U – Hero Meeting
Short overview on Good Practice / best practice of existing technical skills supporting programs for SC	The programme invites entrepreneurs in peril in the state of crisis, before or in insolvency, and gives them the chance to meet other entrepreneurs, get information on support and break the circle of isolation in a protected and safe environment. They can benefit from a network for support that is available for them as long as they need it. The service is free of charge for them. The outcome is strong – entrepreneurs reflect on their learnings from crisis and learn about chances for restart. The aim is to empower them for a successful re-start, which is based on learning from failure and using support services. At a later stage, they can become volunteers who then support Hero-Meetings by offering their experience to help other entrepreneurs. This gives credibility to the service and encourages entrepreneurs to join the meetings.
Short overview on Good Practice / definition and assessment of the establishment gap	The EU laws prohibit a support for companies in financial distress that opened insolvency procedures (state aid). This way, entrepreneurs in crisis are left without support in a state where they are in desperate need of help. Thus, politics must strengthen instruments tackling financial distress earlier in the process and support entrepreneurial monitoring programmes with early warning indicators such as strategic crisis and liquidity crisis. Debt relief processes shall be designed consistently in the EU to offer same chances for re-starters. Credit reporting agencies shall be regulated to allow a fair and transparent characterization of entrepreneurs credit rating which is based on positive factors such as transparency of entrepreneur towards banks, creditors and public institutions during crisis, as well as willingness to accept external support from experts and not by negative indicators that are applied on all entrepreneurs regardless if they were honest or dishonest.

<p>How can the GP be transferred to other regions?</p>	<p>From the legal perspective, the main regulations for each country (or eventually even region) must be appropriately studied prior to transferring the good practice. Integrating the good practice in existing frameworks that shall support the re-starters is of prime relevance. Hero-Meetings are offered in Germany since 2007 under the name of Insolvents Anonymous and have supported more than 16.000 entrepreneurs so far. They are offered by TEAM U – Restart GmbH, a non-profit organisation. They were adapted in Belgium by Dyzo, a regional public agency that supports entrepreneurs in peril and in Austria by a private group of volunteers (who stopped due to lack of funding). In Slovenia, there is the Lincoln Island Initiative.</p>
<p>Which institutions have a key role in implementing the GPs?</p>	<p>Public administrations, media and business supporting organisations shall support the cultural changes towards a culture of failure by supporting re-starters, encouraging learning processes and highlight success stories by campaigns and prizes. Raising public awareness for this topic is of key importance. Therefore, the Hero-Meetings may be established in networks of business support organisations such as the Chambers of Commerce, house banks, business and tax consultants, but also psychotherapists.</p>

The overview of the best practices reveals a broad variety of options and support segments, which can all be applied across the region, even if tailored to the local regulatory framework and overall socio-economic environment and specifics.

5 Developing the main pillars of second-chance entrepreneurship support concept

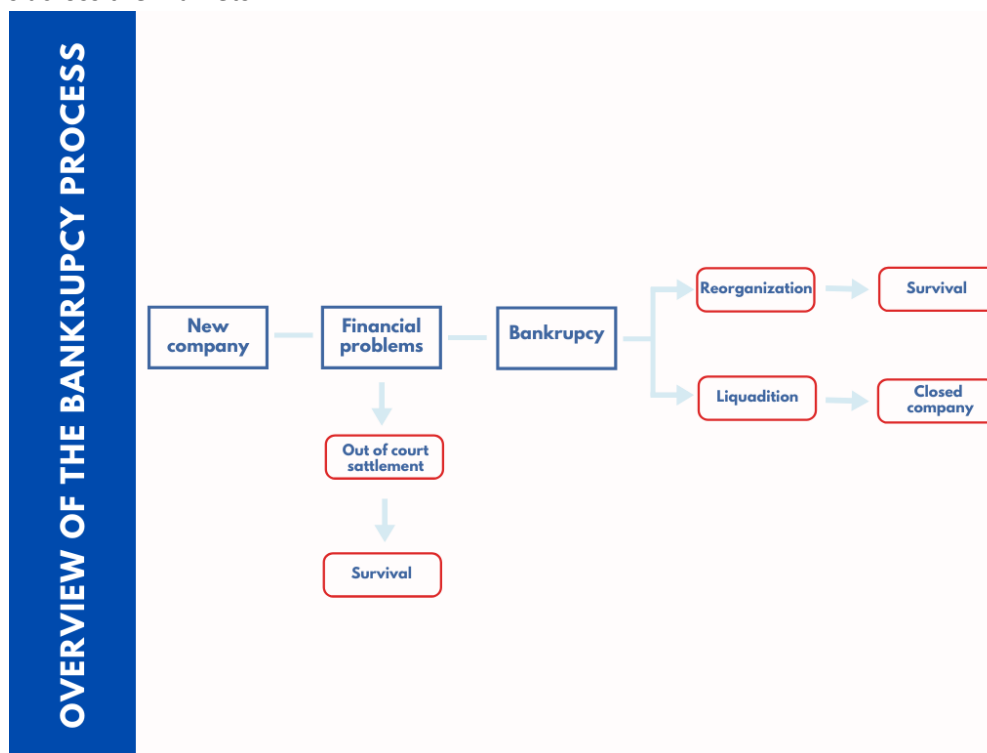
The main pillars of the second-chance entrepreneurship support concept rely on the previously identified and presented framework elements, and they are addressing the identified key challenges and methods, models and activities to overcome them. Main pillars are: Legal and Regulatory Framework, Financial Support and Skills and Knowledge

5.1 Legal and Regulatory Framework Pillar

The focus of this pillar is on the regulatory framework and on how the processes in and around bankruptcy and insolvency support or impede entrepreneurship with a particular focus on second chance: supporting financially distressed companies to survive and supporting the return of honest failed entrepreneurs to the market.

Based on the assessment made in the comparative analysis of WP3, comparing the country level profiles, it is concluded that the legal framework is one of the weakest points in the second-chance infrastructure.

Also, the analysis shows that across the region, there are examples of initiatives contributing to the improvement of the regulatory framework. The practical implementation of those solutions is yet to be accelerated, in order to prove its full potential in practice, before it can be applied, with country-specific alterations across the markets.



In addition, the main constraint within the current frameworks is by far the lack of flexible, quick processes and procedures that do not stand in the way of a re-start. That increases the time necessary to both liquidate the existing failed business and the time to re-launch a new one.

Bankruptcy legislation has to balance two conflicting interests. On the one hand, the creditor's interests must be protected. On the other, any system must keep viable businesses alive and, more importantly, create an environment that aids an entrepreneur to take risks and start a new business. This is valuable for the entrepreneur and for society at large. The bankruptcy process we can observe: from the time the company starts experiencing considerable financial problems until the company is eventually re-organised or liquidated and the subsequent effects of bankruptcy on the entrepreneur.

The main elements framing the regulatory framework adjustments can be defined as presented below:

Legislation

- Outlining adjustments to the existing bankruptcy/ restructuring legislation and introducing new elements supporting the financial and TA pillars
- Promoting the changes with policymakers and practitioners
- Building capacities to address the changes

In terms of maximizing asset value and preserving jobs, a financially distressed enterprise is usually more valuable as a going concern than if it is liquidated. It is therefore often in the interest of all parties to have effective procedures to help financially distressed companies. Based on that it would be recommendable to include the Mediation process as an obligatory part of the Law of Bankruptcy. Agreed financial restructuring is a consensual redefinition of debt-trust relationships between a business or entrepreneur in financial difficulties and its creditors, primarily banks. Regarding the costs and time, companies will benefit if find a solution for their problem outside of courts. The main goal of the out-of-court procedures must be the survival of the company as a going concern.

Out-of-court procedures will be greatly supported if policy makers include a system that facilitates re-financing of troubled companies as an alternative to the judiciary system.

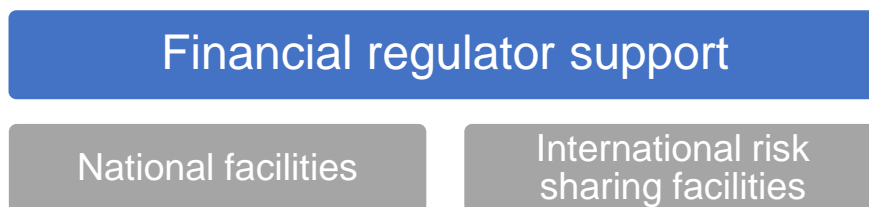
If it is not possible to re-organise a firm out-of-court, the firm can be re-organised through formal court procedures. This will often involve drafting a re-organisation plan and allowing the discharge of part of the debt; a solution that will normally be preferable to both debtors and creditors if the firm is viable after the re-organisation. Courts add time and cost and court-managed procedures may not benefit anyone. Bankruptcy proceedings should be fast, cost-efficient and be able to save a reasonable amount of the value of the assets. Simplified procedures for micro-enterprises for bankruptcy and reorganisation proceedings should be considered by national legislators.

In addition, one of the recommended practices includes digitalization of the bankruptcy procedure. Digitalization of all procedures will reduce costs and time needed for completing all procedures thus leading to a process which will be less discouraging for the potential re-starters.

5.2 Financial Support Pillar

Among the three pillars analyzed, the financial pillar has additional complex issues to resolve, due to the two-fold set of obstacles and challenges faced in an attempt to set up financial support adequately to respond to the actual needs and requirements of the second chance entrepreneurship environment improvement. The first set of obstacles is embodied in internal rules and regulations of the key stakeholders in the financial market (financial institutions and other financial providers), while the second set is defined by the financial regulatory framework in each of the countries and the broader environment such as the EU.

While the first group of obstacles includes risk and risk controlling mechanisms and regulation, followed by the costly possible loan loss provisions which effectively increase the financial risk for the financial institutions, the latter group of obstacles is often focused around the generally accepted limitations regarding the state aid or other public sector stakeholders endeavors in supporting businesses, as it can be considered violation of the free market and competition, which are the basic assumptions and cornerstone of the economy across the project markets. Therefore, in addition to the overall regulatory framework adjustments, the financial pillar also assumes active involvement of the financial and competition regulators in the respective markets, before any programs or schemes originating from national or international funds and facilities can be implemented.



During the project, some of the models and initiatives have been recognized, with the main conclusion being that the increase in number of available support options heavily relies on regulatory framework adjustments in the first place.

One of the group of models assumes creation of national facilities, embodied in development support banks and funds, which can either provide targeted financial support mechanisms directly to the re-starting companies, or provide guarantee schemes, alleviating and mitigating risks faced by the commercial financial institutions. Such schemes have been implemented in Germany and Austria and they have been addressed in the respective chapter elaborating good practices examples.

The second model assumes involvement of the cross-national or international development institutions and funds. This model also assumes adequate regulatory aspect changes, and complementary involvement of the government funds and instances, ready and equipped for risk sharing schemes and adequate budgets to match the international or cross border support. Such schemes have been implemented in some of the

markets in the region, but mainly in the context of start-ups support, where guarantee facilities act as an incentive for the commercial financing institutions to address the market niche of start-ups. However, the fact is that the increased financial risk remains the main obstacle for involvement of commercial financial institutions in the start-up financing, and it is to a large extent similar to the main obstacle for their involvement in re-starting businesses. The difference is that in case of start-ups, financial institutions don't possess historical data needed for scoring, whereas with re-starters, the historical data indicate increased risk.

To address that challenge, a two-layer action is needed:

- Providing guarantee schemes or alleviating loan loss provisions in case of re-starters
- Technical assistance for the financial intermediaries which would allow them to adjust their underwriting practices and procedures in order to fit the re-starters financing

It is therefore that the model of improvement of the financial support pillar assumes the coordinated action of the financial institutions, regulatory stakeholders, and possibly international development institutions and financial providers, through a sequence of steps:

Access to finance

- Sharing best international practices with policymakers
- Externalizing the challenge through international financing and TA programs
- Leveraging on the already achieved breakthroughs

The best practices sharing is one of the key elements of the entire DanubeChance 2.0 program and in addition to the regulatory and technical assistance / access to skills segment, it by all means includes sharing the experiences related to the financial support pillar.

5.3 Skills and Knowledge Pillar

Skills and knowledge pillar is specific in terms that, as opposed to the other two main support pillars, it addresses the intrinsic capacities of the human capital behind the businesses in distress. One of the main reasons businesses enter the risk zone and face issues and challenges threatening their normal operation, is often the lack of specific skills and know-how, which is entirely internal aspect of any business or business owner. That is also an aspect of operations which can't effectively be assessed or measured externally - while there are clear indicators of regulatory compliance of a business, or indicators of financial performance and sustainability, there are no mandatory, clear, generally accepted standards of measuring the skills and know-how levels of business owners or managers. Consequently, there is no framework in place which could support them assessing their own capacities, which would be the first step in projecting any further activity aiming to increase their skills and knowledge levels or close the identified gaps.

Therefore, in order to address the skills and knowledge pillar, the initial supporting element recognized throughout the project and assessed as a high priority is the introduction of the package consisting of a Self-assessment Tool and Early Warning Mechanism, which can enable the Technical Assistance component to be properly and adequately defined, directed and applied to the business in distress.



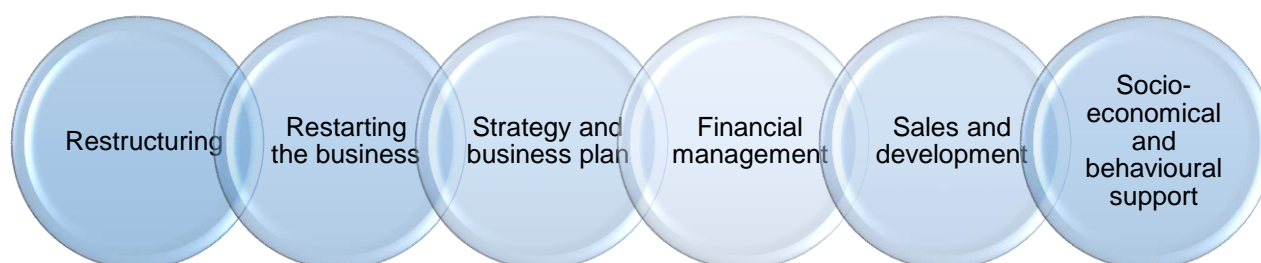
According the previous analyses, there is a need for additional technical assistance, in particular in MSME (micro, small and medium sized enterprises) sector as the most vulnerable segment of the economy and a at the same time the biggest employer. However, to properly address the individual underlying issues for each of the businesses in distress, it is necessary to have a prior warning or indication of the actual issue. By introducing and implementing the Self-Assessment Tool, which would allow the businesses to periodically test their own performance and capacity against a set of benchmarking KPIs, it can be expected for them to get into the position to obtain critical assessment and, which is critically important, a set of warning indicators, as the output of the Early Warning Mechanism. It has been recognized as an important step to support private sector to identify, evaluate, and plan potential issues that could arise during their operations.

The Early Warning Mechanism is assumed and expected to indicate the “below the threshold” performance or projections and therefore enable the business to identify for themselves the areas of operations in which they are missing critically important sets of skills and know-how. The core foundation of that concept is to offer and provide the businesses with an objective, measurable set of indicators allowing them to realize the actual “weak spots” and consequently address them through utilizing the available elements of

Technical Assistance, rather than having them assume their needs on their own, which can be misleading due to the individual, personal or other biases and misunderstanding.

The practical implementation of the Early Warning Mechanism assumes establishing sets of parameters and indicators shared with the Self-Assessment Tool, and also establishing a pool of mentors which can utilize self-assessment tool to analyze the main aspects of business operation, and thus effectively support businesses in distress in developing a roadmap for addressing the challenges and overcoming the potential or actual issues. The issues at hand can be technical, or external such as market trends, or of other nature, but it is critically important to understand the magnitude of the impact of any potential risk and identify the ways and models to prevent or diminish it.

The toolkit for businesses facing challenges, in terms of Technical Assistance package which can help them address the challenges, is the same as for the re-starting businesses. The model of Skills and Know-How Pillar, therefore, addresses all the categories of businesses in distress, irrespective of their current status and situation and that is what makes it widely applicable, with broad catchment and potential impact to the entire businesses in distress segment, similar to the other two pillars which also have the identical scope and volume of impact. During the project implementation phase, the following key Technical Assistance elements have crystalized as the main obstacles faced by the businesses in distress and re-starters in achieving their potential and building upon the experiences and practices they have obtained during the business lifetime:



Namely, those are recognized as the key support areas in developing a more sustainable re-starting environment, allowing for the entrepreneurs and businesses to develop and achieve sustainability. In addition to 5 “hard” skill-sets and support areas, the previously elaborated elements of socio-economical and behavioral aspects have also been recognized and identified as the necessary supporting element and they represent the “soft” TA support framework elements. The model of introducing the necessary Skills and Know-How pillar is identified as presented below:

Skills and Knowledge

- Developing Self - Assessment and Early Warning Mechanism elements and KPIs
- Building capacities to provide advisory services and access to skills
- Streamlining the demand
- Building the curriculum/ knowledge base

6 Delivery Roadmap Final Adjustments

The Delivery Roadmap assumes the involvement of a variety of dedicated stakeholders, in close interaction due to the nature of the necessary re-starting environment and framework redesign. According to the established best practices for addressing the identified gaps, the key instances include:

Legislation	Access to finance	Skills
<ul style="list-style-type: none"> •Ministries of Economy and Finance •Business Registries •Commercial Courts •Chambers of Commerce 	<ul style="list-style-type: none"> •International Development Institutions •Finacial providers •National development institutions 	<ul style="list-style-type: none"> •Academic and non-academic traning instances (VET providers) •NGOs and BSO •Professional TA providers

Furthermore, those instances and their roles in improving and adjusting the second chance entrepreneurship have been distributed throughout a set of intervention fields. As a central outcome of WP3 *Landscape screening* and essential to the development of the DanubeChance 2.0 strategy, the "Roadmap towards second-chance entrepreneurship" (D3.2.3) defined **‘six intervention fields’** for building up capacities for 2nd chance. They reflect the afore-presented weaknesses and shortcomings of the Danube region in this realm and take account of the identified *policy niches* for concerted action. Namely, the six fields are:

1. Cultural change
2. The inclusion of policies on second-chance entrepreneurship in business support policies
3. The simplification and harmonisation of bankruptcy procedures
4. The installation of an early warning system
5. The creation of targeted measures for second-chance entrepreneurs
6. The creation of a sound database for second-chance entrepreneurship

In the Roadmap (D3.2.3) first informal suggestions for (policy) measures were made, already in reference to the 2nd Chance Entrepreneurship Strategy. The draft recommendations of this strategy is therefore built on the inputs of the Roadmap, bringing them to a next, more elaborated stage, including considerations for their (policy) implementation.

In the following paragraphs the results of the roadmap improvement sessions are presented and recommendations for policy measures and their implementation made.

Intervention field 1 Cultural Change

Objective: Re-shaping the perception of failure in society

Suggested measures for changing society/culture:

- Include entrepreneurship into curriculum/education, e.g. the topic of “failure management”
- Raise awareness about failure also being a chance with events and talks that facilitate the sharing experiences on second chance
- Raise visibility in media to kick-off social debate; use e.g. testimonies of Human Resource experts and other established actors to bring across message or foster production of documentary

Key vectors: Education system, (social) media, networking and cooperation

Key institutions and actors: Universities, primary education, business associations, centres for entrepreneurs, journalists of mass-media, influencers of social media, private-public system of communication

Associated policy niche: 4. Networks and stakeholder cooperation

Intervention field 2 Inclusion of policies on second-chance entrepreneurship in business support policies

Objective: Open-up opportunities for re-starters to become successful again

Suggested measures for a revised second-chance policy framework:

- Reduction of taxes for re-starters
- Support restarting companies with a (state-funded) mentor network
- Creation of a network for sharing policy best-practices (e.g. institutionalize the Danube-Chance Transnational Expert Network, securing further funding)

Key vectors: Taxation, Mentoring/Consultation, Networking, EUSDR

Key institutions and actors: chambers of commerce, regional development agencies, business support organisations

Associated policy niche: 1. Second-chance entrepreneurship policy framework, 4. Networking and cooperation

Intervention field 3 Simplification and harmonisation of bankruptcy procedures

Objective: Facilitating rapid re-start across the Danube region

Suggested measures for simplified and harmonised bankruptcy procedures

Insolvency proceedings - personal bankruptcy proceedings consist of 2 parts:

- 1) Bankruptcy procedure: the sale of property and the repayment of creditors up to a certain percentage
- 2) Discharge of remaining obligations (debt)

Obligations are discharged to honest entrepreneurs (in Slovenia Article 399 (1) of ZFPPIPP) according to honesty criteria.

After the discharge is completed:

- 1) Invitation for in court-related mediation for those who would like to get the „Second chance“;
- 2) The mediator examines the bankruptcy file and becomes aware of the course and causes of the bankruptcy;
- 3) The mediator makes an interview and detects what kind of support the failed entrepreneur needs in order to avoid the causes that led to the bankruptcy and suggest involvement of business consultants: a. Economic Consulting; B. Marketing, Sales; C. Overcoming Fears and Other Psychological Barriers; D. Other
- 4) Developing a Counselling Program, not necessary individual (e.g. when there are enough candidates, a group lecture is held).
- 5) The results are monitored and validated all the time (after three months, half year, after first year), result of interim validation is report with suggestions what should be corrected.

Key vectors: insolvency proceedings, in-court related mediation, counselling programme, results monitoring

Key institutions and actors: lawyers, judges, court-related mediators, chambers of commerce, business centres, business-economy faculties

Associated policy niches: 2. Restructuring, bankruptcy and insolvency procedures, 5. Monitoring and assessment

Intervention field 4 Installation of an early warning system

Objective: Preventing businesses from failing

Suggested measures for installation of an early warning system:

- Institutionalisation of a central early warning system in Europe and commission an institution, an 'early warning agency' for operating the system
- Initiate the drafting of an EU directive to ensure national provisions are made for implementing/adopting the central EU-wide early warning system
- Establish specific 'early warning service' in every sector and deliver them through trained mentors (competence of the EU EW institution)
- Mentors should recruit from all over Europe and cater only to entrepreneurs from outside their micro-region

Key vectors: Institutionalisation of early warning, mentor system, sector-based EW services

Key institutions and actors: chambers of commerce, press, professional associations, business angels, banks

Associated policy niche: 3. Rescue measures and revitalisation tools

Intervention field 5 Creation of targeted measures for second-chance entrepreneurs

Objective: Enabling re-starters to become successful again

Suggested measures for second-chance entrepreneurs:

- Establish an “enterprise solidarity state guarantee fund”
- And a new credit score system for re-starters along with it
- Initiate a “Club of entrepreneurs” aka the rotary of 2nd chance
- Set-up a “Venture Café” for 2nd chance/re-starters

Key vectors: Funding/financing, credit scores, creditworthiness, peer-exchange, training, mentoring

Key institutions and actors: state banks, finance experts, investors, policy makers, incubators, business chambers, regional/national ministries for economy and finance

Associated policy niche: 3. Rescue measures and revitalisation tools

Intervention field 6: *Creation of a sound database for second-chance entrepreneurship*

Objective: Ensuring second-chance entrepreneurship remains a key factor of business policies

Suggested measures for creation of a sound database for second-chance entrepreneurship:

- Bringing forth an EU Directive by DG Justice on the envisaged European data dashboard on second-chance entrepreneurship
- Outline structure and functioning of Data Dashboard in the form of a green paper to ensure actual consideration and discussion of the concept

Key vectors: Data science, statistics, policy monitoring

Key institutions and actors: Data scientists, policy makers

Associated policy niches: 5. Monitoring and assessment, 1. Policy Framework

7. Recommendations

Based on the previously identified gaps and best practices, and elaborated models and features of the improved key pillars of the entire re-starting framework, the model of application of all of the recommended actions can be presented as the “Re-Start” Program model and scheme, as per the figure below:



The proposed model assumes the involvement of all previously identified stakeholders, starting from the ones in charge of the regulatory framework, and spreading towards the advisory support and financial support pillars, adjusted to the local specifics in terms of actual instances delegated with the provision of individual elements of the framework improvement.

It is also relevant to stress that, especially in terms of the advisory support pillar, it has been established that there is a number of tested, proven, and effective additional support practices. Therefore, the proposed model doesn't exclude the possibility of developing a variety of measures and practices based on those identified throughout the document and the project, as the additional support models, provided that they are lined-up with the local specifics in each of the project partner countries in which they could prove their full potential and thus further enhance and strengthen the overall re-starting and second-chance entrepreneurship ecosystem.

However, the selection of recommendation has been made in order to align them with the previously elaborated Roadmap and Strategy, clearly separating them through the same intervention fields established. In line with that, the recommendations include:

1. Intervention Field 1: Cultural change

Recommendations for policy implementation:

- Communication and dissemination of topic across the Danube, using e.g. existing entrepreneurship networks as multipliers
- Cooperation with established business networks, globally, for topic promotion and specifically, for implementing new second-chance talk formats (see above)
- Fostering public awareness through public talks on second-chance entrepreneurship
- Including policy makers in the debate to push for policy support of the issue and for raising funds for suggested cultural initiatives
- Also involving policy makers in education and academia actors to promote change in curricula

2. Intervention Field 2: The inclusion of policies on second-chance entrepreneurship in business support policies

Recommendations for policy implementation:

- There should be an EU legislative initiative (to stimulate measure adoption) that can be tailored to each country, considering cultural prerequisites and special requirements
- To prepare the initiative, policy makers should be invited to events that deal with business failure and put them into contact with (second chance) experienced entrepreneurs where they can see the pain points of entrepreneurs
- Showing policy makers, the added value of a revised policy framework featuring the above-suggested measures by using empirical data on second chance
- Setting clear indicators for measuring long-term impact of policy solutions implemented

3. Intervention field 3: The simplification and harmonization of bankruptcy procedures

Recommendations for policy implementation:

- Results monitoring is important for a general change in public opinion. First »successful birds« (good practice examples - results) shall be promoted immediately in the public (interviews, lectures) through the existing support structure (chambers of commerce, business centres, business-economy faculties, etc.)
- The involvement of court-related mediators brings credibility: people who are professionally trained, able to listen and hear and detect critical points (lawyers, judges) and can advise generally necessary "second chance" support for an honest bankrupted and discharged entrepreneur together with business consultants of different profiles
- Requirements for court-related mediators should be defined and best practice from other European countries presented to policy makers

4. Intervention field 4: The installation of an early warning system

Recommendations for policy implementation:

- Identify suitable institutions that have the competencies to act as ‘early-warning agency’ for Europe/the Danube region
- Create a multinational forum on early warning, which acts as advisory board to the early warning agency
- Establish stakeholder forum with five experts on early warning, which functions as “executive task force” for early warning and holds regular meetings
- Experts involved should have the management skills to implement the project and bring the right amount of enthusiasm along
- Initiate early-warning cooperation with non-profit organisations, e.g. women entrepreneur associations

5. Intervention field 5: The creation of targeted measures for second-chance entrepreneurs

Recommendations for policy implementation:

- Get validation of plans for the Enterprise Solidarity State Guarantee Fund and the new credit score system by financial experts with reputation and leverage in the political arena
- Get the support of experts to detail a financial concept for the Fund and its potential impact
- Initiate a pilot Fund project together with regional Ministries for Finance
- Present and promote ‘venture café’ idea to investors, highlighting potential of second-chance entrepreneurs
- Secure co-financing of club of entrepreneurs and venture café format through incubators and state-initiative

6. Intervention field 6: The creation of a sound database for second-chance entrepreneurship

Recommendations for policy implementation:

- Advocate for necessity of EU action at the EC and European Parliament
- Promote benefits of data dashboard to national policy makers in order to ensure sound implementation of EU Directive
- Assess further requirements and options for the data dashboard design and implementation by consultation of experts and policy makers in the field
- Exploit synergies with Early Warning Europe to get political awareness and support for the issue
- Have the concept of the data dashboard scrutinized by data sharing experts for ensuring GDPR compliance/data security

7 List of Annexes

1. Annex I - Summary General Country Overviews
2. Annex II - General Country Overview all project partners
3. Annex III - Good practice all project partners