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## **Preventing insolvency and allowing a second chance for entrepreneurs**

Board: Othmar Karas (EPP), Maria Grapini (S&D), Kay Swinburne (ECR), Martina Dlabajová (ALDE),  
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**Dear MEPs, Dear Assistants, Dear Stakeholders,**

The SME Intergroup held a discussion on the topic of “**Preventing insolvency and allowing a second chance for entrepreneurs**” on **22 February 2018**. The meeting was opened and chaired by President of the SME Intergroup MEP Othmar Karas (EPP).

The meeting was sponsored by the project [Early Warning Europe](#).

### **Introduction:**

- **Othmar KARAS**, MEP (EPP), President of the SME Intergroup

### **Statements:**

- **Angelika NIEBLER**, MEP (EPP), Rapporteur for the Directive Proposal “Preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring insolvency and discharge procedures”
- **Andreas STEIN**, Head of Unit Civil Justice Policy, DG JUST, European Commission

- **Costas ANDROPOULOS**, Head of Unit, COSME Programme SME Envoys and Relations with EASME, DG GROW, European Commission
- **Arnaldo ABRUZZINI**, Chief Executive Officer, EUROCHAMBRES
- **Véronique WILLEMS**, Secretary-General UPEAME
- **Celia FERRERO ROMERO**, Executive Vice-president, ATA - Spanish National Federation of self-employed workers

Please find below a summary of the SME Intergroup event:

#### The context

- Every year, more than **200.000 companies enter into insolvency procedures. Half of businesses do not survive the first five years. 80% of all insolvencies are caused by management errors / lack of management experience. One in six are knock-on insolvencies, caused by another insolvency.**
- An issue that creates many problems is late payment by public debtors.
- **Self-employed workers have greater liabilities and problems when they fail.**

#### The legislative proposal and Parliament reflections

- The European Commission's proposal on "preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures" aims to **improve the restructuring process and to increase recovery rates.**
- A main objective is that all member states have **effective preventive restructuring and second chance frameworks.** This is particularly important for SMEs because they usually do not have their own legal department to handle restructuring processes.
- A **culture which does not penalize failure** should be established. The regime should ensure that honest entrepreneurs have a second chance and are able to capitalize on the experience they have acquired through encountering difficulties.
- Another principle underpinning the proposal is that it is **better to prevent insolvencies** than to have problems later, therefore minor creditors should not be able to block the restructuring process.
- The rapporteur emphasizes that **SMEs can be affected by the knock-on of insolvencies both as creditors and debtors; their respective interests should be factored into legislation in a balanced manner.** Moreover, the position of workers in the restructuring process needs to be clarified.
- In some member states, **inadequate measures for restructuring** are currently available.

- **Every creditor should be better off in the case of restructuring than in the case of insolvency.**  
The preservation of the company should be favourable for all.
- The **maximum time for the restructuring process** should be four months, but member states should have the possibility to make it shorter and, in justified cases, extended up to 12 months.

### The discussions

- Speakers underlined the socio-economic value of enabling entrepreneurs who have experienced business failure to have a second chance.
- Specific issues discussed included if and how to assess the **viability of a company** that is at risk and how to **determine an honest entrepreneur from a dishonest one**.
- The directive was labelled as a **holistic approach**, which includes all aspects.
- Several participants stressed the importance of a '**prevention is better than cure**' approach. In this context, all speakers welcomed **Early Warning Europe**, the project co-funded by the COSME programme to provide early guidance to entrepreneurs in difficulty.
- 3 Early Warning Europe consortium partners EUROCHAMBRES, UEAPME and ATA, the Spanish National Federation of self-employed workers - presented the project:
  - Early Warning Europe aims to establish free early warning mechanisms and support to entrepreneurs and second starters in 4 pilot EU Member States: Italy, Greece, Poland and Spain.
  - Concretely, the project relies on the experience sharing between business support organisations that have a long-standing experience in providing early warning support to entrepreneurs (in Denmark, Germany and Belgium) and organisations in Italy, Greece, Poland and Spain that are starting with this service.
  - The project aims finally at building a European Network for Early Warning, support to enterprises and second starters including all 28 EU countries and incentivising other EU member states to implement similar services

Further information on Early Warning Europe on the website: <http://www.earlywarningeurope.eu/>