I Press Release

Brussels, 28 March 2019

Early Warning Europe reaction on the European Parliament vote on the harmonisation of national insolvency rules

The European Parliament approved today (28 March 2019) in first reading the compromise text reached in the trilogue negotiations for the Directive establishing common rules for the restructuring processes for companies in financial troubled waters. An important element of the new Directive is the introduction of an obligation for member states to develop and ensure access to early warning tools for companies in financial difficulties.

Figures from the European Commission show that every year more than 200.000 companies enter insolvency procedures and half of all businesses do not survive the first five years.

The Early Warning Europe project supports the implementation of early warning mechanisms in four member states (Greece, Italy, Poland and Spain) to provide free and impartial guidance to entrepreneurs in difficulties and second starters. Partners also promote knowledge-sharing across Europe to facilitate the establishment of early warning mechanisms based on the experiences gained in the project. The consortium welcomes the Parliament's approval of the provisions aimed at the prevention of insolvency as defined in Article 3.

Arnaldo Abruzzini, CEO of EUROCHAMBRES said: *"The Early Warning Europe project and the freshly adopted Directive are two sides of the same coin. The Directive is providing a legal framework which will oblige Member States to actively engage in the prevention of bankruptcy and financial distress of debtors. The tools developed under the project will provide a first answer to fulfil the new obligations created by the Directive."*

Veronique Willems, Secretary-General of SMEunited, added that: *"The Directive which was approved today is an important step ahead. Firstly, it will help companies to talk more candidly about any difficulties they might encounter at any stage of the company life-cycle. It helps establishing a culture which does not penalise failure. Secondly, the establishment of effective preventive restructuring and second chance frameworks will particularly benefit SMEs, as entrepreneurs cannot be experts in every field of management, such as legal affairs, accounting, HR, etc."*

Patrick Gibbels, Secretary-General of ESBA, said: "*We are pleased with today's adoption of the Directive as it is an important legislative step which hopefully will facilitate a cultural change. In Europe we seriously lag behind the US when it comes to entrepreneurial culture and how we perceive risk and failure. By focusing on preventative measures, avoiding bankruptcy on the one hand and second chances for honest entrepreneurs on the other hand, we can create an environment where entrepreneurialism and healthy risk-taking are promoted, rather than discouraged. The Early Warning Europe programme we are all involved in is a great mechanism which ultimately all Member States should implement."*

For more information please contact:

EUROCHAMBRES Luis Piselli Press and Communications Officer piselli@eurochambres.eu T. +32 2 282 0892	**SMEunited** Jenny Manin Press and Communications Officer pressoffice@smeunited.eu T. +32 2 230 7599	**ESBA** Patrick Gibbels ESBA Secretary General patrick.gibbels@esba-europe.org +32 2 274 25 04

Background on Early Warning Europe

The overall objective of Early Warning Europe project is to promote entrepreneurship and growth of SMEs across Europe. A key element is to create strong framework conditions for entrepreneurs and businesses across sectors that can help them face key challenges, including managing a crisis, dealing with bankruptcy and getting a second chance.

Based on the experiences of Early Warning Denmark, Team U (Germany) and Dyzo (Belgium), early warning mechanisms are implemented as a pilot in four member states (Greece, Italy, Poland and Spain) to provide advice and support to companies in difficulties. Such interventions can help prevent bankruptcies and their negative consequences such as job losses, increased economic risk for suppliers in the company value chain, and a potential economic, social and personal deroute for the company owners and their families.

An early intervention will increase the likelihood of a turnaround of the company resulting in a stable economic situation for the company and even sustainable growth. Moreover, if a company in distress is closed down at an early stage of the crisis, the intervention can help avoid an unsurmountable debt for the company owner thus giving him or her the chance to start a new venture (2nd Chance).

Assisted by the three pan-European organisations engaged, the project supports the establishment of early warning mechanisms in five additional member states that will benefit from the mentoring / trainings provided by Early Warning Europe partners. The consortium will facilitate the extension of early warning mechanisms in other European countries after the finalisation of the project.

Early Warning Europe project is co-funded by the COSME programme of the European Union.