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## DanubeChance 2.0

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

# Output 3.1

Transnational Policy Learning Instrument

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### Transnational Policy Learning Instrument – A Tool for policymakers in the Danube region

Danube Chance 2.0's Transnational Policy Learning instrument aims to support policymakers across the Danube region and beyond in facilitating common understanding of framework conditions regarding second-chance entrepreneurship as well as good policy making practices in the Danube region. The tool is a combination of various knowledge sources that provide relevant information about the regional policy and market context for second-chance entrepreneurship.

The tool offers various interesting and insightful knowledge pools for policymakers in the Danube region, who are interested in bringing their region forward in terms of economic productivity and inclusive growth.

First of all, the tool includes a report which meticulously documents the country situation in the Danube region in dimensions relevant to second-chance entrepreneurship such as specific second-chance entrepreneurship policy, framework of restructuring, bankruptcy and insolvency policies and networks and cooperation of second-chance entrepreneurs.

Additionally, it includes the transnational identification of key policy dimension necessary to advance the issue in the Danube region. Furthermore the transnational policy learning instrument includes a comparative analysis of the situation in the Danube region countries and a presentation of Good Practices that can be used as inspiring sources for policy makers in the region. Last but not least, the transnational tool allows the policy makers to dive into the issue of stigmatisation of failure in society and ways how to tackle it.

Besides that, the policy learning instruments includes a Transferability study, highlighting and detailing Good Practice case studies as well as specific insights in Early Warning Mechanisms in place in other European regions. This rich resource pool gives policymakers the necessary tools to work on the target areas which are of key importance to bring the issue of second-chance entrepreneurship forward.

The prevailing document offers a short and concise insight into the main parts of the policy tool, giving an overview on the results in an easily understandable and accessible ways.

### The regional situation – Creating an empirical basis

While various studies and indexes provide information on the start-up friendliness of regions, there is a lack of analyses focusing on the conditions for re-starters and entrepreneurs in the crisis. Against this background, the DanubeChance2.0 project partners have investigated the legal, socio-economic and cultural framework conditions for business start-ups in 11 countries of the Danube region. Based on 100 expert interviews, an extensive legal study, stakeholder consultation and desk research, the empirical part of the project identified reasons for failure and experiences with Second-Chance entrepreneurship in order to identify support needs.

The strengthening of entrepreneurial qualities through a crisis experience was highlighted by the majority of the experts involved in the study as an underestimated potential. While the support and consulting landscape for start-ups is flourishing, there are hardly any specific support offers for re-starters so far. Although re-starters are generally not excluded from support programmes due to the equal rights of all those interested in starting a business, they often have to struggle with bureaucratic hurdles, protracted insolvency and complicated debt relief procedures.

The summary of the study is also divided: While a functioning insolvency system exists in all Danube countries, they differ considerably in terms of efficiency. In Slovenia, for example, an insolvency process lasts on average just under one year, while in Slovakia this process takes more than four years (see table). One particularly sensitive issue is the stigmatisation of failed entrepreneurs, since virtually the entire Danube region regards failure as a personal failure that does not happen to competent entrepreneurs. In the start-up scene, however, a new culture regarding failure developing.

Land	Insolvenzabwicklung - Rang (weltweit)	Zeit (Jahre)	Insolvenzquote (Cent pro Dollar)	Insolvenzverfahrenskosten (% vom Vermögen)
Deutschland	4	1,2	80,4	8,0
Slowenien	9	0,8	88,7	4,0
Österreich	21	1,1	80,1	10,0
Bosnien und Herzegowina	37	3,3	38,9	9,0
Slowakei	42	4,0	48,8	18,0
Serbien	49	2,0	34,5	20,0
Rumänien	52	3,3	35,8	10,5
Kroatien	59	3,1	34,8	14,5
Ungarn	65	2,0	44,2	14,5
Republik Moldau	68	2,8	30,9	15,0
Ukraine	145	2,9	9,6	40,5

Source: World Bank (2018): Resolving insolvency, Available at:  
<http://www.doingbusiness.org/en/data/exploretopics/resolving-insolvency>

However, it still seems to be a long way to go before this will manifest itself in a more informed approach to failure. The study shows that in practically none of the countries are re-starters explicitly addressed by public programmes or political objectives. Public support is mostly limited to revitalisation measures during the crisis. In addition: Negative entries in credit agencies remain for many years after insolvency and/or debt relief (Germany 6-10 years, Austria 7 years) and make bank financing almost impossible. Thus, for the financing of a re-start only private investors ("Family, Friends and Fools") usually remain. Unfortunately, the potential of re-starters is often stalled. It is therefore important to develop this potential in the Danube Region through a combination of structural and competence-building measures.

#### Support 2.0 - Knowledge transfer on crisis prevention, early warning and re-start

Institutionalised early warning systems ("early warning") help to identify corporate crises at an early stage. A national programme from Denmark, in which voluntary consultants work together with entrepreneurs to identify and overcome crisis factors, can serve as inspiration for the Danube Region. A special feature of the programme is that the umbrella organisation "Early Warning Denmark" has a wide network of volunteer advisors with different competences and focuses who can be easily placed with entrepreneurs. The special feature of the programme is that not only economic advice is offered, but that the personal level and the effects of an entrepreneurial crisis on them are seen as a core component of any intervention measure. Initial evaluations of the programme show that those enterprises that make use of the early warning system have significantly better chances of survival than those that do not.

Especially for the re-start after failure, it is mainly private consultants and initiatives that offer professional support. The private platform "Unternehmer in Not" in Austria collects interesting and helpful information for crises and re-start. So-called "Fear and Fail" events are offered in Slovenia to exchange experiences of failure. TEAM U's "Hero Meetings" in Germany follow a similar approach, focusing on mutual exchange and personal advice for a successful re-start. The model was developed on the basis of the discussion groups of the 'Anonymous Insolvents', which have been offered nationwide in Germany since 2007. But here too, professionalisation and the bundling of synergies are needed for a nationwide support infrastructure for re-starters that goes beyond the exchange of affected persons

### Re-starting made easy

This is the point where DanubeChance2.0 would like to set impulses and therefore decided to offer a "Trial and Error" Re-Design Transnational Academy to entrepreneur which want to re-start their business. The Academy's topics range from (re)financing and negotiations with investors to questions of corporate management and team building. The toolset offered in online courses and expert workshops can be individually adapted and thus represents a unique offer for re-starters. The Academy will be implemented and further developed by a network of established experts in the Danube region.

However, practical support for those affected alone is not enough for a culture of 2nd chance. For a sustainable change that creates a culture of failure the discussion on this topic must be stimulated by the media dissemination of prominent success stories and re-starter awards. It is important to give the discourse a new direction: away from stigmatisation and towards an open social dialogue. DanubeChance2.0 offers a European platform for this. The policy level can take up an important role in this field by creating the necessary framework for a shift towards a more entrepreneurial culture.

### Creating a suitable policy framework

Thinking the different elements of the Danube Chance empirical work together, 5 dimensions can be highlighted, that should be taken into account when designing and implementing policies and initiatives or transferring a GP in the field of second-chance entrepreneurship. For one, the **regulatory background** is determining the shape of each GP and is a contextualised factor that needs to be taken into account when thinking about transferring a GP. In most of the cases, the regulations will differ in the Danube regions and therefore transferring GPs in a static and schematic way is not productive.

Additionally, the set of **stakeholders** that is relevant in the implementation of a GP needs to be defined very clearly. Institutional contexts are regionally shaped and differ considerably among Danube region countries. Therefore it is necessary to get a clear picture on the stakeholder landscape already in advance to determine which of them need to be engaged in which form.

Besides the local context that needs to be taken into account, the **European scale** has to be considered when assessing the potential for transferring and implementing GPs. Not only do the analysed GP show that there is a need for further harmonisation in certain areas (e.g. debt discharge) but also that this harmonisation leads to direct beneficial results for stakeholders and target groups.

Arguably, **financing** of GPs is a key element to secure their sustainability and their long lasting success. While in most of the GP state funding has played a big role, sources for private funding are becoming

more and more important. It is not only relevant to consider alternative funding ways for implementing GP (e.g. new forms of Public-Private Partnerships) but also alternative financing ways that can be provided to the target groups (e.g. re-starters).

Finally, a core issue for creating the necessary impact is to include the **target groups** of the GPs already in the design of practices and instruments. Especially in the case of second-chance entrepreneurship, target groups and also their needs are often hard to identify. Therefore a clear definition of the target group (e.g. where they are located in the framework of the second-chance cycle) needs and needs to be set out in order to tailor the measures to their specific needs.

Altogether these five issues form a complex of topics that allows a more detailed insight into GP and their specific mode of functioning. Getting to know these modes is key to understanding how they work and in how much they are transferable to other regions as well to design similar initiatives from scratch.