

INDICATORS ON LATE PAYMENT IN THE CONSTRUCTION SECTOR

SETTING THE SCENE

The European construction sector has been afflicted by late payments for a long time

In 2020

41%

of construction companies accepted longer payment periods to avoid bankruptcy

In 2020

42%

of companies state that late payments highly increase the threat to survival

In 2020

73%

of companies accepted longer payment terms than they are comfortable with to preserve their client relationships

The issue of late payment has amplified with the outbreak of the COVID-19 pandemic, putting further pressure on European companies

the gap between the payment terms offered and actual payment duration has increased by:



To address this gap, the European Commission is currently developing a new initiative – the EU Observatory on Late Payments. This Observatory would aim to monitor the situation of late payments in the EU economy and provide the necessary data to support policy making. **This report aims to identify a set of key construction-specific indicators to be included in the future EU Observatory on Late Payments.**

REVIEW OF EXISTING INDICATORS

For the purpose of this analysis, we classify indicators in four categories:

01



Causes of late payment, whether these relate to formal – payment process or informal – power imbalance practices;

02



State of late payment, helping stakeholders understand to which extent late payment is an issue in their country and sector;

03



Impacts of late payment, giving information on the extent to which late payment affects companies and particularly SMEs;

04



Remedial / corrective measures, giving information on the measures used to tackle the issue.

REVIEW OF GOOD PRACTICES

In some EU Member States, there are initiatives aimed at collecting data on the issue of late payment. Here below we analyse the experiences of the Observatoire des délais de paiement (Late Payment Observatory - LPO) in France, and the Italian ANCE and Piattaforma dei crediti commerciali (Commercial Credits Platform – CCP).

Observatoire des délais de paiement

The LPO is perhaps one of the oldest initiatives on late payment, set up in 1991, with the objective of helping the government and other stakeholders monitor the issue of late payment over time. Its scope expanded slightly, following changes of the regulatory framework relating to late payment.

ANCE and Piattaforma crediti commerciali

ANCE is Italy's national association of construction companies. Founded in 1946, it is composed of around 20,000 members.

Piattaforma dei Crediti Commerciali is a platform launched in 2012 and provided by Italy's Ministry of Economy and Finance to enhance transparency and accountability when it comes to the payments of the public administration.

REVIEW OF GOOD PRACTICES

Observatoire des délais de paiement

Indicators collected

LPO identified a few sources of information, notably from the **French Central Bank** and the **French Statistical Institute**, to understand the type of data points available. The LPO also uses indicators from **private providers** and **private sector associations**.

Governance

One distinct trait is that the Observatory involves both **public stakeholders** and **private sector associations**. This underlines the importance of multi/cross-sectoral stakeholders' dialogue; and the assumption that addressing late payment cannot be done by one actor.

Impact

LPO has built a strong reputation and established a strong level of **credibility and legitimacy, making it an initiative that has some influence with decision-makers**.

ANCE and Piattaforma crediti commerciali

Indicators collected

Given the scarcity of data, **ANCE** decided to collect data periodically from its members. **The Commercial Credit Platform** provides regular reports on payments from the public administrations at local, regional and national levels.

Governance

ANCE is a private association organised at national level. It is composed of regional and local branches. **The Commercial Credit Platform** is a public platform run by the Ministry of Economy and Finance's Accountancy Department, which collects information on individual invoices from over 22,200 registered public administrations.

Impact

ANCE uses the results from its surveys and analyses to advocate for legislative and policy actions in favour of timely payments for construction companies. **The Commercial Credit Platform** is used by the Government to monitor the performance of public administrations so as to identify areas where to intervene.

Implications for the EU Observatory on Late Payments

The scarcity of indicators covering late payment in the construction sector has been confirmed as an issue for both the private and the public sector. Based on the review of best practices, the following elements are recommended for the EU Observatory on Late Payments.

 <p>1</p> <p>Develop a survey to collect the necessary data on late payments</p>	 <p>2</p> <p>Include available third-party data, even if the methodology behind some indicators may differ</p>	 <p>3</p> <p>Explore available data sources such as those provided by public administrations, central banks or statistical offices</p>
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CONCLUSION

Conclusions and recommendations provide suggestions for indicators that could be used by the Observatory on Late Payments.

01

Indicators

Develop an **EU-27 wide survey** that covers both B2B and PA2B to be run annually.

Leverage the existing **SAFE survey**.

Take stock of what data is available across EU Member States through their **Central Banks and/or Statistical Institutes**.

02

Implementation

One of the key steps for the EU Observatory on Late Payments is to **define its objectives**, which will in turn determine its key performance indicators and activities.

The Observatory should have the flexibility to **evolve and change over time**, in terms of objectives, members, mission and set-up.

03

Governance of the Observatory

It is important to include both **public and private actors** in the governance of the Observatory as together they provide a more complete picture of late payments.

The governance should also provide **flexibility** for different levels of engagement and for additional data sources.