European Commission

European Construction Sector Observatory

Indicators on late payment in the construction sector

Analytical Report

August 2021

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List of abbreviations

Abbreviation	Definition
ANCE	Associazione Nazionale Costruttori Edili (Italy)
B2B	Business to Business
B2C	Business to Consumer
CCP	Commercial Credit Platform
DSO	Days Sales Outstanding
EC	European Commission
ECB	European Central Bank
ECCBSO	European Committee of Central Balance-Sheet Data Offices
ECSO	European Construction Sector Observatory
EU	European Union
FFB	Fédération Française du Bâtiment (French Building Federation)
LPO	Late Payment Observatory
MS	Member State
MSME	Micro, Small and Medium-sized Enterprise
PA	Public Authority
PA2B	Public Authorities to Business
RACER	Relevant, Accepted, Credible, Easy to monitor, and Robust
SME	Small and Medium-sized Enterprise
SAFE	Survey on the access to finance of enterprises
VAT	Value-Added Tax

1.
Setting the scene

I. Background

The European economy and especially the construction sector have long been afflicted by late payment. As a result, construction companies and especially SMEs have experienced impacts ranging from loss of income, bankruptcies, limited ability to invest in their growth and hire new employees[1]. According to recent studies, in 2020, 41% of construction companies accepted longer payments to avoid bankruptcy (the highest share among economic sectors); and 42% of companies state that late payment has a high impact on threat to survival of their business. Last, most construction companies (73%) accepted longer payment terms than they are comfortable with, to preserve their client relationships[2].

The issue of late payment has amplified with the outbreak of the COVID-19 pandemic, putting further pressure on the European companies. In fact, the gap between the payment terms offered and actual payment duration has increased from 6 to 14 days from 2019 to 2020 for B2B transactions; and from 9 to 15 days in the same time period for PA2B[3]. In addition, in 2021, 67% of construction companies declare that the risk of late or non-payments from their debtors is expected to increase in the next twelve months (compared with43% in 2020 and 16% in 2019); and 37% of them declared that late payments had a large impact and prohibits growth of the company[4].

While the issue of late payment is expecting to grow, limited comparable, consistent and regular data are available. In turn, this undermines the development and implementation of effective policies combatting late payment. This is why previous reports pointed out to the need to develop "*data collection, analysis and harmonisation (across the EU MS) on unfair long payment terms and late payment in the construction sector"*.

To address this gap, the European Commission is currently developing an upcoming initiative – the EU Observatory on Late Payments. This Observatory would aim to monitor the situation of late payment in the EU economy, and provide the much needed data to support policy making. In this context, this report, building on the previous ECSO Analytical Report on 'Late payment in the construction sector', aims to support the establishment of the Observatory, by providing an analysis and recommendations on late payment indicators that could be used in order to monitor late payment in the construction sector.

II. Objective

This report aims to identify a set of key specific construction indicators to be included in the future EU Observatory on Late Payments. These indicators will be both quantitative and qualitative, allow comparison between sectors and countries, and will be relevant to B2B and PA2B transactions.

To do that, this report will first analyse existing European indicators measuring cause, state of play, impact and remedial / corrective measures of late payment in the construction sector. This will allow identifying relevant indicators for the EU Observatory on Late Payments, possible good practices, and gaps that could be addressed. In a second step, the report will conduct a benchmarking exercise on some of the most advanced initiatives in Europe aiming to collect information about late payment in the construction sector, namely the French *Observatoire des délais de paiement*, the Italian ANCE for PA2B and the Italian *Piattaforma dei crediti commerciali* for PA2B. This exercise will provide useful lessons learnt on the indicators used and their methodology, but also on the governance and implementation processes of such initiatives (stakeholders involved, impacts, etc.). Last, this report will provide conclusions and recommendations on which

[1] ECSO (2020). Analytical Report - Late payment in the construction sector.
[2] Intrum (2020). Real estate and construction firms are hit the hardest by late payment. https://www.intrum.com/press/news-stories/real-estate-and-construction-firms-are-hit-the-hardest-by-late-payments/
[3] Ibid
[4] Intrum (2021). European Payment Report 2021. Available at: https://www.intrum.com/publications/european-payment-report/european-payment-report-2021/

indicators should be implemented as part of the EU Observatory on Late Payments to monitor late payment in the construction sector, as well as insights in terms of the possible governance and implementation process it could follow.

III. Methodology

The approach and methodology of this report were tailored to the objective of this report. It hence builds on EU and to some extent on national knowledge, information and data available at the time of the writing. The review of late payment indicators is based on desk research in order to extract all relevant information, while the assessment of the indicators relies on the RACER framework established by the European Commission[5].

Table 1:RACER Framework

Criteria	Definition
Relevant	i.e. closely linked to the objectives to be reached. They should not be overambitious and should measure the right thing.
Accepted	(e.g. by staff, stakeholders). The role and responsibilities for the indicator need to be well defined and the definition of the indicator need to be easily understood and accepted by the different stakeholders.
Credible	for non-experts, unambiguous and easy to interpret. Indicators should be simple as possible. If necessary, composite indicators might need to be used instead – such as country ratings, well-being indicators, but also ratings of financial institutions and instruments. These often consist of aggregated data using predetermined fixed weight values. As they may be difficult to interpret, they should be used to assess broad context only.
Easy	to measure, analyse and monitor (e.g. data collection and analysis should be at low cost).
Robust	i.e. the indicators should be sensitive enough to monitor changes notably over time, sectors and countries

Source: European Commission, 2021[6].

The review of the national initiatives monitoring late payment combines desk research of EU and national reports, with semi-structured interviews with relevant stakeholders. In order to ensure the relevance and use of suggested indicators, a participatory workshop was organised on 30 June 2021 with EU policy makers and actors to discuss and validate the suggested indicators.

The methodology adopted in this report has its own limitations. First, the review of existing indicators relies solely on desk research, meaning that the depth of the review corresponds the information made available by the organisations publishing these indicators. In this context, this report finds that there was generally limited information on the methodology behind those indicators, i.e. is it a survey or based on organisations' own data? What was the question asked? Who was targeted? etc. This also affected the extent to which the indicators' quality could be assessed against the RACER framework, and notably on the criteria related to: i) easiness to collect the data; and in some instances; ii) credible. Second, while this review generally focuses on late payment indicators specific to the construction sector, it is worth noting that cross-sectoral indicators (not necessarily including the construction sector) were added in order to cover examples of indicators dealing with remedial / corrective measures, which would be otherwise not available. Last, while several communication means were used to maximise the number of interviews, the response rate was more limited than anticipated, which is partly explained by the tight timeline for this assignment. This challenge was partly mitigated by strengthening the desk research.

[5] When setting up indicators, the European Commission states that all indicators should be RACER, meaning Relevant, Accepted, Credible, Easy to monitor, and Robust.
[6] See more information at: https://ec.europa.eu/info/sites/default/files/file_import/better-regulation-toolbox-41_en_0.pdf

2. Review of existing indicators

Chapter 2 – Review of existing indicators aims to take stock of and analyse existing indicators relating to late payment in the construction sector. More specifically, it reviews each of the indicators following a set of specific criteria, thus providing a comparative overview. In doing so, it will highlight some of the existing gaps in terms of indicators and data points, but also areas which are well-covered.

The analysis of the indicators is structured around the main reports providing late payment related indicators covering more than two EU countries. These indicators are then analysed following a fiche composed of a set of criteria, which were developed following identified good practices[7]. The indicators fiche is split in two parts: the first one focuses on the criteria proper to the report and hence applicable to all indicators included in it, while the second table part focuses on the analysis of the indicator per se. Last, the indicators' fiche is based on desk research.

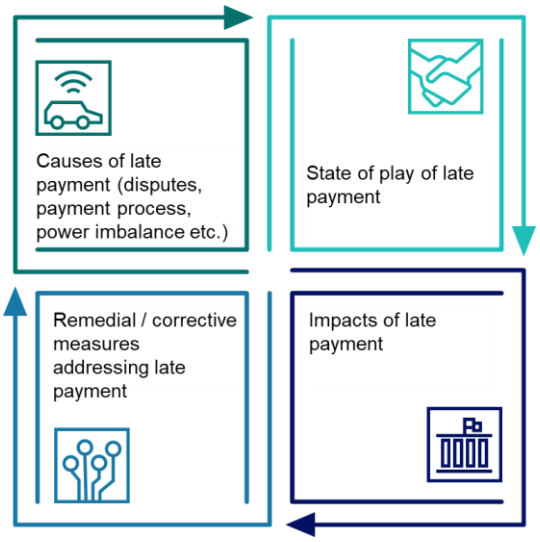
I. Introductory overview

Based on the desk research conducted, only a few reports focus on the issue of late payment including in the construction sector. In fact, six reports from public and private institutions were found to cover the issue of late payment at the European level, providing complementary but also sometimes overlapping indicators and hence data points.

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

i. **Causes of late payment,** whether these relate to formal – payment process or informal – power imbalance practices;
ii. **State of late payment** – helping stakeholders understand to which extent late payment is an issue in their country and sector;
iii. **Impacts of late payment** – giving information on the extent to which late payment affects companies and particularly SMEs;
iv. **Remedial / corrective measures** addressing late payment – providing information on the extent to which that such measures (e.g. penalties against late payers) are used in given countries/sectors.

Figure 1: Area of relevance of late payment indicators



The table below provides an overview of the existing European indicators on late payment that are reviewed as part of this report. While most of them focus on the construction sector itself, the review included cross-sectoral indicators on late payment regarding the area of remedial / corrective measures (World Bank and Atradius) so as to cover all four areas. The table already shows some complementarities but also some overlaps between each of the indicators.

[7] See examples at https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/key_policies/documents/result-indicator-fiches-pillar-i_en.pdf; and https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/key_policies/documents/target-and-result-indicator-fiches-pillar-ii_en.pdf

Table 2: Overview of existing indicators relating to late payment

Source	Indicators
EC/ECB	• Frequency of late payment for EU construction SMEs • Impact of late payment on EU construction SMEs business activity
D&B	• Number of construction companies paying: - By due date - Over 90 days
Intrum	• Average payment terms and actual payment time (B2B and PA2B) • Businesses (SMEs and large companies) accepted longer payments from businesses and public authorities • Share of businesses accepting longer payment terms than we are comfortable with, as we did not want to damage client relationships • Share of businesses that accepted longer payments and have been asked to accept longer payments • Share of businesses that accepted longer payment terms - To do not damage client relationship - To avoid bankruptcy - Due to growing macroeconomic uncertainty • Share of businesses believing that widening payment terms are a risk for their growth • Most problematic areas when it comes to customer payments • Evolution of the risk of late/non-payments in the next year • Impact of late payment on companies' investments • Impact of late payment on companies' business areas • Areas where companies would increase investments with faster payments • Precautions companies take to protect against late payment and when a customer asks for longer payment terms
Euler Hermes	• Average number of Days Sale Outstanding (DSO) by sectors and countries • % of companies paid after 90 days by sectors and countries
Atradius	• Top 4 measures to manage liquidity issues due to the impact of the pandemic (includes delaying payments to suppliers) • Amount of time, costs and resources they spent on chasing unpaid invoices • Approach to credit quality assessments • Approach to credit management
World Bank Doing Business	• Time for resolving a commercial dispute through a local first-instance court • Cost for resolving a commercial dispute through a local first-instance court

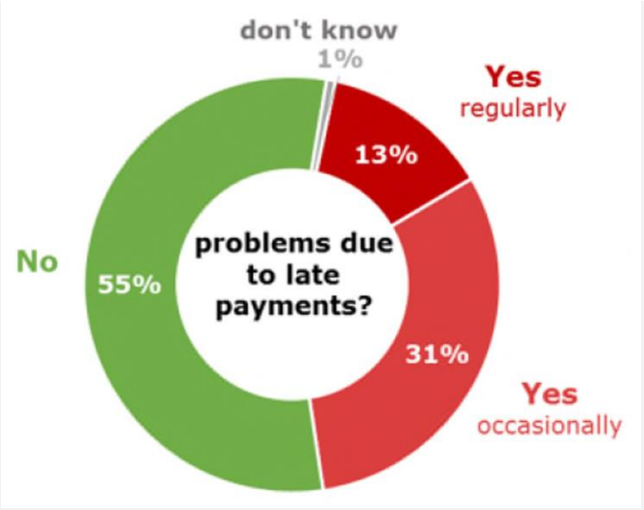
II. Analysis of indicators

A. European Commission / European Central Bank indicators on late payment

	Survey on the access to finance of enterprises (SAFE) H1		
Data source	Based on the European Central Bank and European Commission's joint survey targeting 67 large construction companies and 1,207 construction SMEs, spread over the EU-27.		
Time lag	Up to three months (between the data collection and publication of the H1 SAFE survey).	**Geographic coverage & frequency**	EU-27 Updated every year

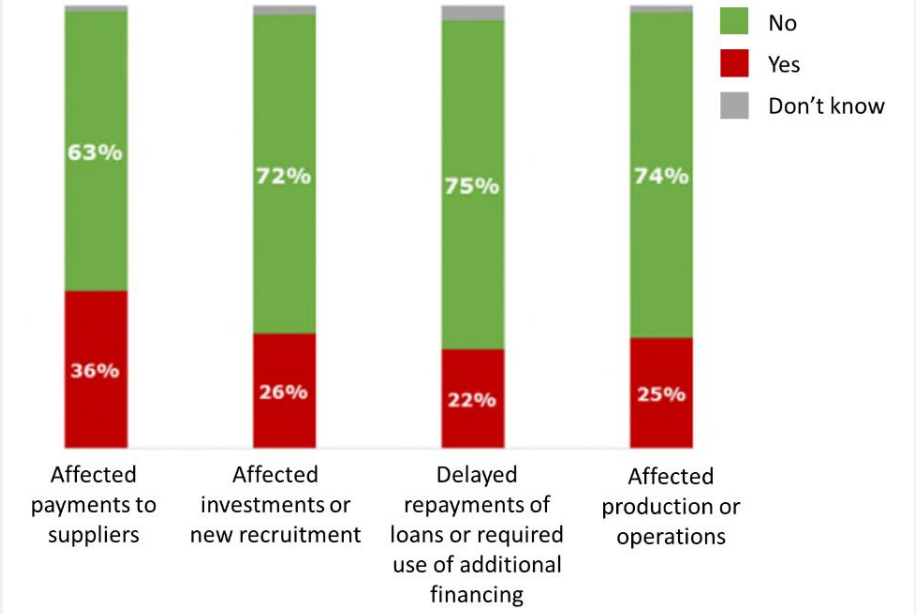
Indicator's name and link		**Frequency of late payment for EU construction businesses** https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/index.en.html
Unit of measurement		% of EU construction business respondents
Scope of relevance		**State of play of late payment**
	Definition and objective	This indicator aims to provide data points on the prevalence of late payment[8] in given EU countries, by providing information on the frequency at which companies (SMEs and large companies) experienced problems due to late payment from any private or public entity
	Methodology	**Survey:** Reference question: *Has your company experienced problems due to late payment from any private or public entities in the past six months?* Results expressed as calculation of the number of survey respondents declaring one of the below statements, divided by the total number of survey respondents. • they face issues relating to late payment causing them problems on a regular basis • they face issues relating to late payment causing them problems on an occasional basis • They do not face issues relating to late payment • They don't know
	Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries and sectors.

[8] Late payment is defined as a payment not made within the contractual or statutory period of payment, unless the debtor is not responsible for the delay, and when the creditor has fulfilled all its legal and contractual obligations.

Possible visual representation	 *The data presented in the visualisation above appears to show % respondents across all sectors, rather than from the construction sector specifically. However, data from the EU-wide construction sector is accessible.*
Comments / caveats	• While respondents cover all EU countries, few countries are covered by less than 100 businesses (Cyprus 95, Estonia 95, Luxembourg 90, Malta 95) – thus potentially questioning the representativeness of the results from these countries. • The breakdown by country within the construction sector does not appear to be accessible without requesting access to the microdata. • The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment.

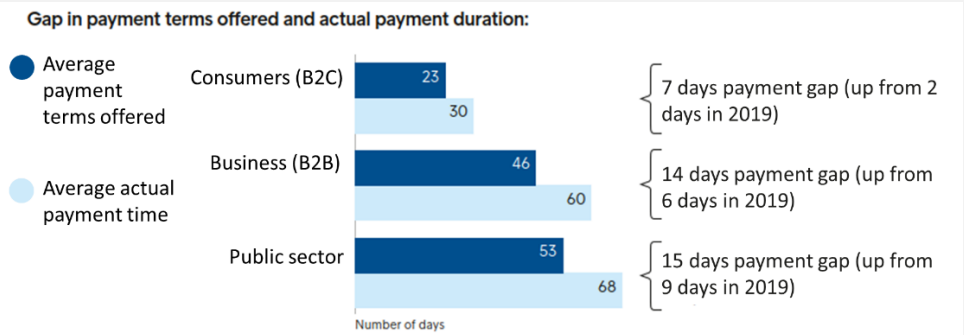
Indicator's name and link	**Impact of late payment for EU construction businesses** https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/index.en.html
Unit of measurement	**%** of EU construction business respondents
Scope of relevance	**Impact of late payment**
Definition and objective	This indicator aims to provide data points on the impact of late payment[9] in given EU countries, by providing information on the consequences of late payment on companies (SMEs and large companies) in terms of i) payments to suppliers; ii) investments or new recruitment; iii) delay in repayments of loans or need to use additional financing; iv) impact on production or operations.
Methodology	**Survey** Reference question: *What were the consequences of those late payment?* Results expressed as calculation of the number of survey respondents declaring one of the below statements, divided by the total number of survey respondents. • It affected payments to suppliers (Yes/No/Don't know) • It affected investments or new recruitment (Yes/No/Don't know) • It contributed to delay in repayments of loans or need to use additional financing (Yes/No/Don't know) • It affected production or operations (Yes/No/Don't know)

[9] Late payment is defined as a payment not made within the contractual or statutory period of payment, unless the debtor is not responsible for the delay, and when the creditor has fulfilled all its legal and contractual obligations.

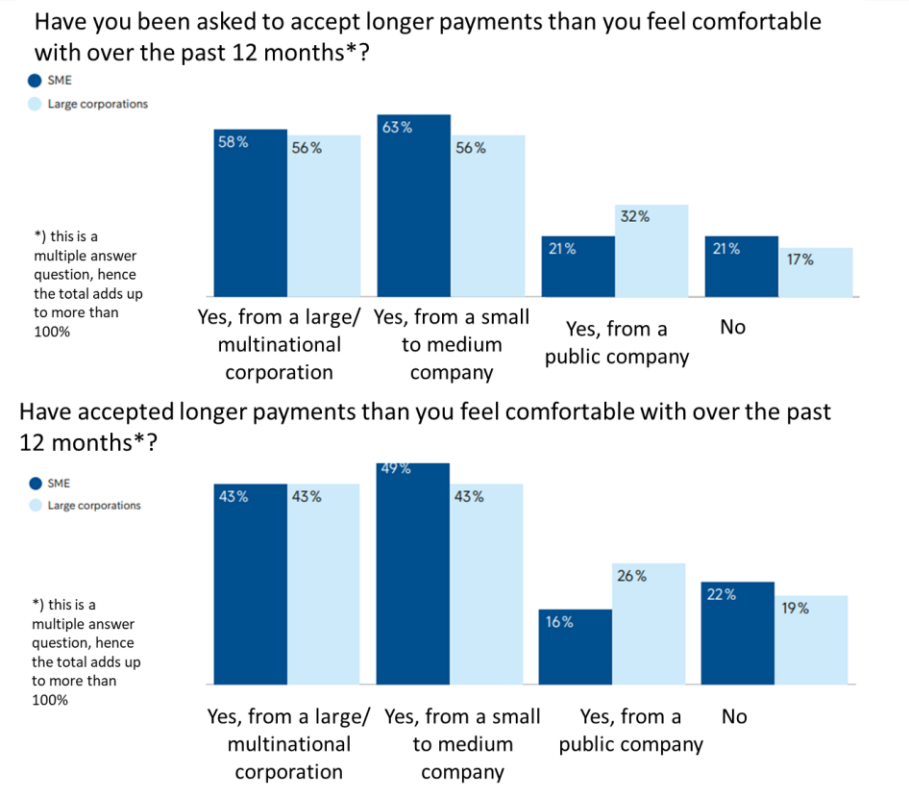
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries and sectors.
Possible visual representation	 *The data presented in the visualisation above appears to show % respondents across all sectors, rather than from the construction sector specifically. However, data from the EU-wide construction sector is accessible.*
Comments / caveats	• Data at the national level does not include sectoral data. • While respondents cover all EU countries, few countries are covered by less than 100 businesses (Cyprus 95, Estonia 95, Luxembourg 90, Malta 95) – thus potentially questioning the representativeness of the results for these countries. • The question is formulated from a qualitative perspective, allowing to get a proxy on the impact of late payment, but not a specific answer/assessment.

B. Intrum European Payment Report

European Payment Report			
Data source	Based on Intrum's survey covering 23/27 EU countries and 10 sectors (Real estate and construction companies represent 10% of overall respondents). SMEs represent 71% of overall respondents.		
Time lag	Up to two months (between the end of the data collection and publication of the Intrum Payment Report).	**Geographic coverage and Frequency**	23 EU Member States: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden. Updated every year

Indicator's name and link	**Average payment terms and actual payment time across sectors for B2B and PA2B transactions** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	Number of days
Scope of relevance	**State of play of late payment**
Definition and objective	The objective of the indicator is to capture the average payment terms and payment time for B2B and PA2B transactions.
Methodology	**Survey and telephone interview** Results expressed as an average of the payment terms and actual payment time provided by survey respondents.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector unavailable except for the "actual payment time" indicator. • In subtracting, the actual payment time with the payment terms, a payment gap can be defined, that can be used as a proxy to understand the prevalence of late payment in a given country. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Share of businesses (SMEs and large companies) that accepted longer payments and have been asked to accept longer payments** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**State of play of late payment**
Definition and objective	These indicators assess the percentage of businesses, both SMEs and large companies, who has been asked to accept and has accepted late payment over the last 12 months.

Methodology	**Survey and telephone interview** Results expressed as share of respondents who replied positively to the questions. The results are divided between SMEs and large corporations.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • "Comfortable with" is subjective and might be understood in different ways from different companies. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

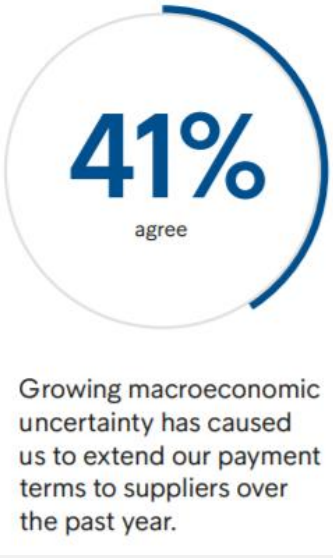
Indicator's name and link	**Share of businesses accepting longer payment terms than they are comfortable with to do not damage client relationships** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Causes of late payment**
Definition and objective	This indicator has the objective to assess the share of respondents that has accepted late payment to do not damage their relationship with their clients. The purpose is to gather more information on the reasons that lead to accept late payment.
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents agreeing with the statement "We have accepted longer payment terms than we are comfortable with, as we did not want to damage client relationships".

Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • Data/details on how late the accepted payments is not available. • "Comfortable with" is not a standardised measure among respondents, hence its meaning varies among businesses. • European Payment Report 2020 notes that 73% of businesses within real estate and construction are reluctant to challenge unfair practices for fear of losing business or tarnishing their reputation, higher than the European average across sectors. However, this data is not broken down to construction specifically. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Share of businesses that accepted longer payment terms to avoid bankruptcy** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Causes of late payment**
Definition and objective	This indicator has the objective to assess the share of respondents that has accepted late payment to do not risk going into bankruptcy. The purpose is to gather more information on the reasons that lead to accept late payment.
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents agreeing with the statement "Over the past year, we have needed to accept longer payment terms in order to avoid the risk of bankruptcy".
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.

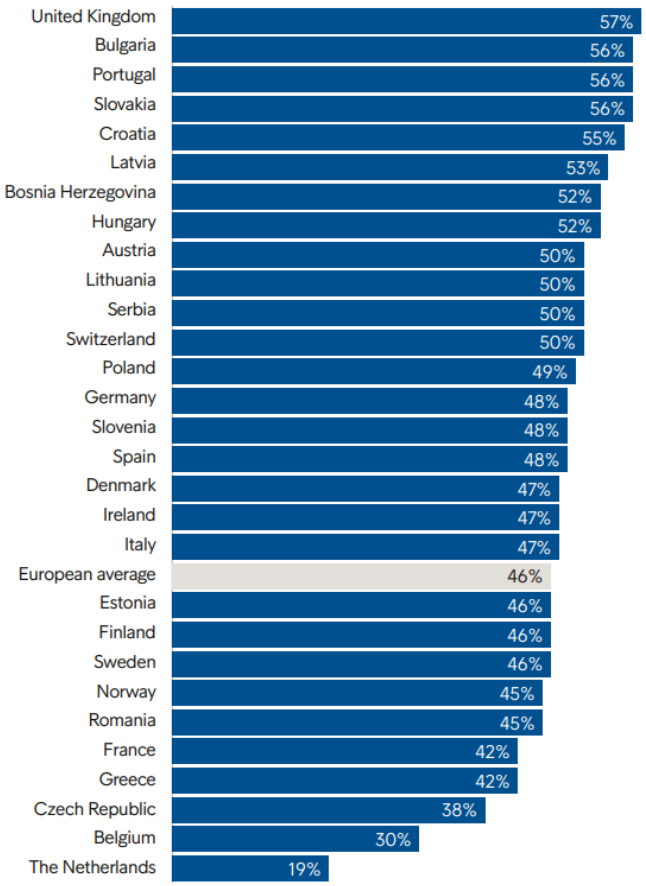
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • Data/details on how longer the payment terms is not available. • There is the possibility that some respondents understood the statement as "to avoid the risk of bankruptcy [of the client/supplier]" whereas others have understood the statement as "to avoid the risk of bankruptcy [of my company]", hence causing inconsistencies between responses. • The European Payment Report 2020 notes that 41% of businesses in the real estate and construction sector have accepted longer payments to avoid bankruptcy, higher than the European average across sectors. However, this data is not broken down to construction specifically. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Share of businesses extending payment terms due to growing macroeconomic uncertainty** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Causes of late payment**
Definition and objective	This indicator has the objective to assess the share of respondents that has extended payment terms due to macroeconomic uncertainty. The purpose is to gather more information on the reasons that lead to accept late payment.
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents agreeing with the statement "Growing macroeconomic uncertainty has caused us to extend our payment terms to suppliers over the past year".
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.

Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • Data/details on how much the payment terms were extended is not available. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Share of businesses believing that widening payment terms are a risk for their growth** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	• **State of play of late payment** • **Impacts of late payment**
Definition and objective	This indicator has the objective to assess the share of respondents that believe late payment put at risk the sustainable growth of their business.
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents per country agreeing with the statement "The widening gap between payment terms and duration of pay is a real risk to the sustainable growth of our business".
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.

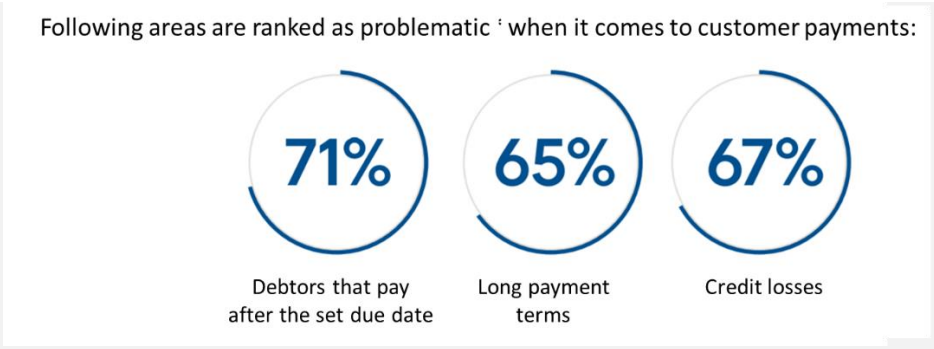
Possible visual representation

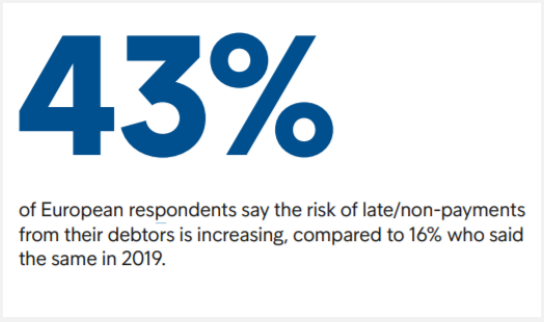


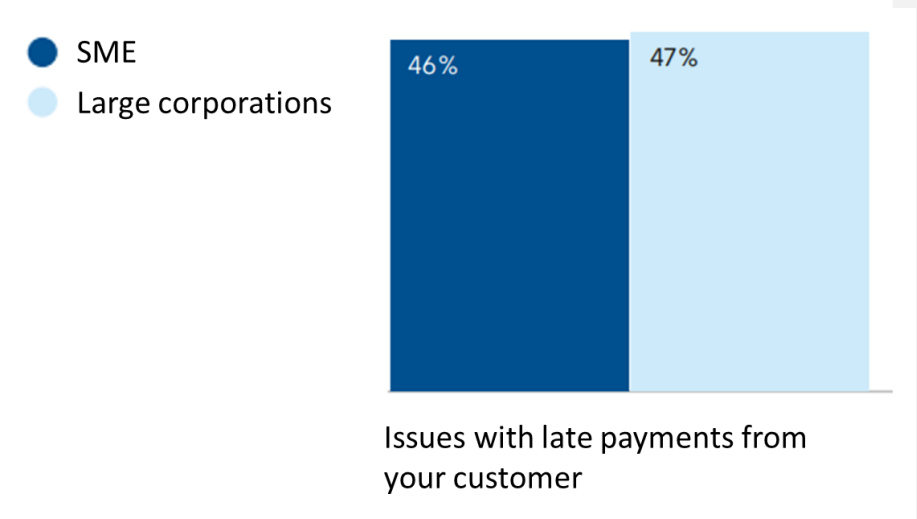
Comments / caveats

- Data specific to the construction sector is unavailable.
- A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

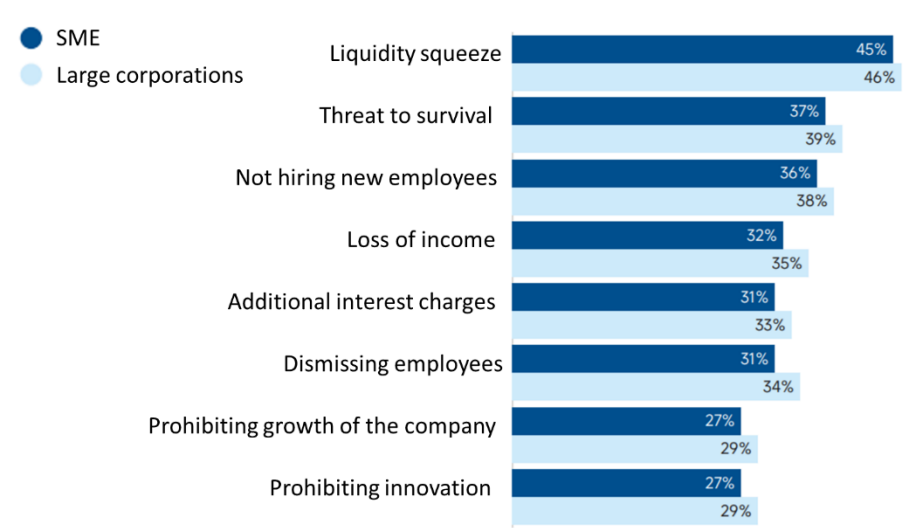
Indicator's name and link	**Most problematic areas when it comes to customer payments** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**State of play of late payment**
Definition and objective	This indicator has the objective to assess the areas the most problematic for businesses when dealing with customer payments.
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents ranking the issues either as "problematic" or "highly problematic".
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.

Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • Granular data on all options is not publicly available. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

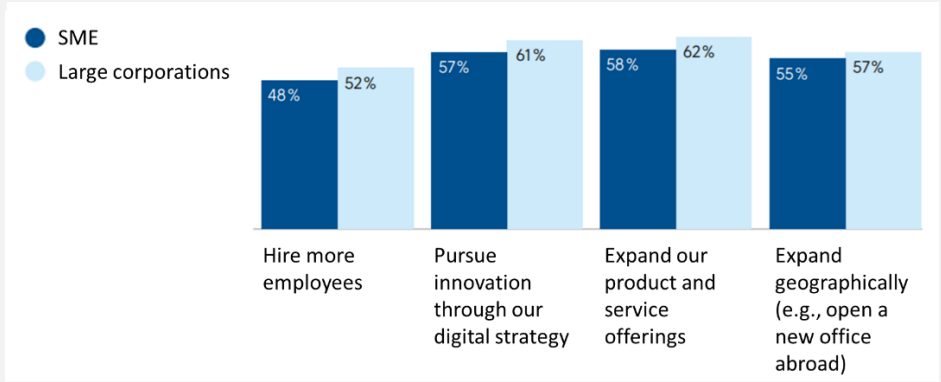
Indicator’s name and link	**Evolution in the risk of late/non- payments from debtors** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**State of play of late payment**
Definition and objective	This indicator has the objective to assess the percentage of respondents saying the risk of late payment or non-payments from their debtors is increasing. The objective is to assess the likelihood of late/non- payments and their trend (stable, growing, or decreasing).
Methodology	**Survey and telephone interview** Results expressed as percentage of respondents saying the risk of late/non-payments from their debtors is increasing.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Impact of late payment on companies' investments** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Impact of late payment**
Definition and objective	This indicator has the objective to define the share of businesses that has modified its investments plans due to late payment from customers.
Methodology	**Survey and telephone interview** Respondents were asked to indicate the impact of certain causes on their investments in strategic growth initiatives on a 5-grade scale. Responses are divided between SMEs and Large corporations.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • No data on the other three options (other than "significantly" and "very significantly") is not available. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Impact of late payment on companies' business areas** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Impact of late payment**
Definition and objective	This indicator has the objective to define the share of businesses who believe late payment have a certain impact on their business activities, so as to identify the business areas where late payment has the highest impact.
Methodology	**Survey and telephone interview** Respondents were asked to indicate the impact of late payment on a given list of business areas on a scale from 1 to 5. 4 and 5 are considered as "high impact". Responses are divided between SMEs and Large corporations.

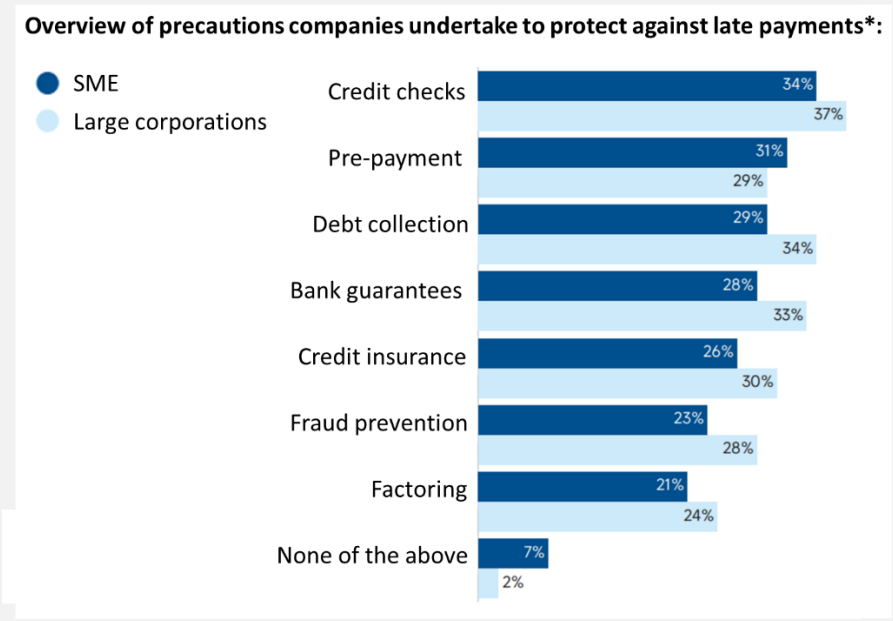
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.
Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • No data on the relative weight of the other three scale (from 1 to 3) is available. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

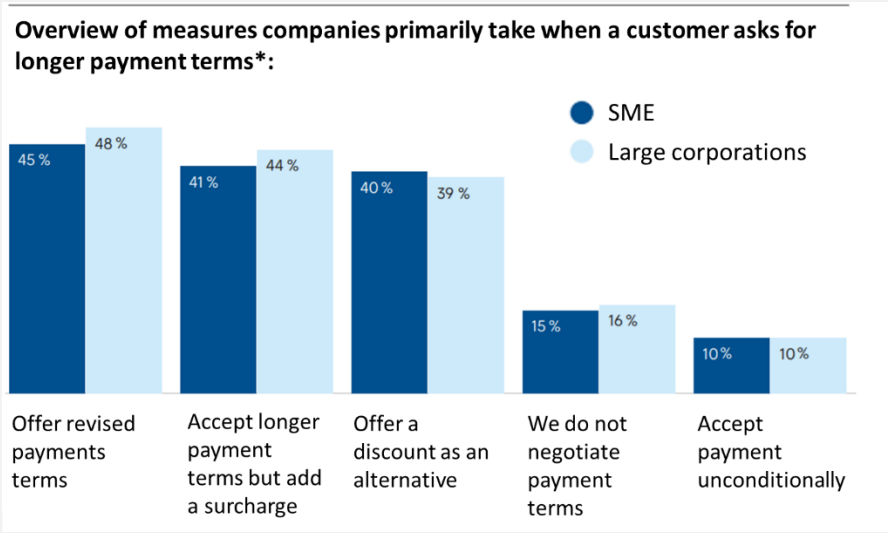
Indicator's name and link	**Areas where companies would increase investments with faster payments** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Impact of late payment**
Definition and objective	This indicator aims to identify the areas where companies would invest more if it was not for late payment. The aim is to assess which areas would grow the most if faster payments would take place.
Methodology	**Survey and telephone interview** Respondents were asked to indicate the areas where they would increase their investment if their debtors would pay faster. Responses are divided between SMEs and Large corporations.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.

Possible visual representation	
Comments / caveats	• Data specific to the construction sector is unavailable. • A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

Indicator's name and link	**Precautions companies take to protect against late payment and when a customer asks for longer payment terms** https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf
Unit of measurement	%
Scope of relevance	**Remedies to late payment**
Definition and objective	These two indicators assess the main precautions businesses take to prevent late payment from happening, and the main actions they take when a debtor requires longer payment terms. This is useful when it comes to the identification of best practices to prevent and address late payment.
Methodology	**Survey and telephone interview** Respondents were asked to indicate the areas where they would increase their investment if their debtors would pay faster. Responses are divided between SMEs and Large corporations. Being multiple answer questions, the total adds to more than 100%.
Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable between countries and sectors.

Possible visual representation





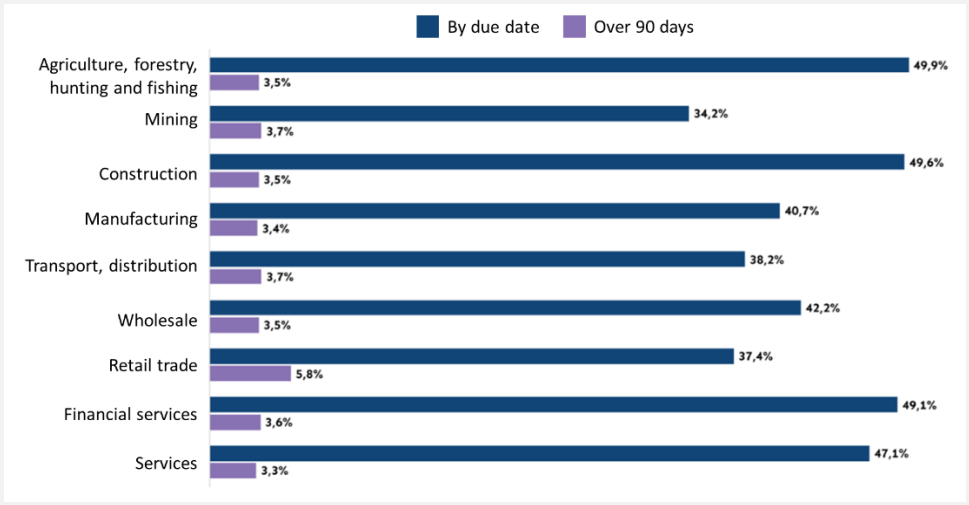
Comments / caveats

- Data specific to the construction sector is unavailable.
- A detailed methodology is not readily available for this indicator but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples.

C. D&B Payment study

	Payment Study		
Data source	Based on information held in DUNTRADE PROGRAM and are elaborated by CRIBIS D&B. The analysis of those companies for which a D&B Paydex value is available. D&B's data comes from its clients' old balances, documents that classify invoices by late payment bracket. Data comes from several thousand enterprises throughout the year.		
Time lag	N/A	**Geographic coverage and frequency**	21 EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy*, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovenia, Spain, Sweden, the Netherlands. Plus, United Kingdom, Russia, Turkey, and Serbia (included in the "Europe" area). * Italy is analysed separately from the "Europe" area. Updated every 12 months.

Indicator's name and link		**Percentage of companies paying by due date, and with over 90 days of delay.** https://hello.bisnode.com/rs/145-JUC-481/images/Payment-Study-2020-cs.pdf
Unit of measurement		%
Scope of relevance		**State of play of late payment**
	Definition and objective	These two indicators assess the relative weight of late payment in comparison to on-time payments. This information is useful to assess the incidence of late payment in the construction sector.
	Methodology	**Survey** Respondents from different countries and sectors were asked to indicate if payments are usually honoured on time, with delays of up to 90 days, or with delays over 90 days.
	Quality (RACER)	• The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable among different countries. • Data used comes from Cribis D&B's 'DUNTRADE' program. The indicator is only generated if there are at least three trade experiences from three different suppliers. As this indicator is an average, an identification of trend and homogenous observations is ensured and detailed in the methodology.

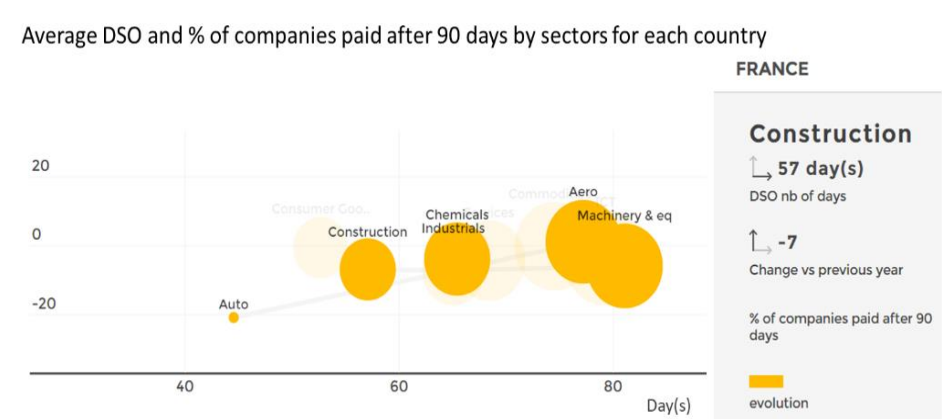
Possible visual representation	
Comments / caveats	• No sector-specific data on the payments delayed by up to 90 days, which is, on the contrary, available on a country-by-country basis.

D. Euler Hermes – Mind Your Receivables

	Mind Your Receivables[10]		
Data source	National Statistics, Solunion, Euler Hermes, Allianz Research		
Time lag	N/A	**Geographic coverage & frequency**	23 EU Member States: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovakia, Spain and Sweden. Updated every year

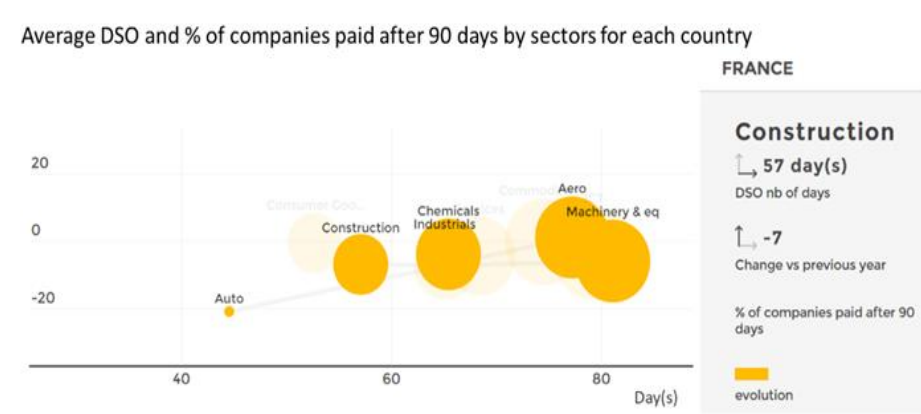
Indicator's name and link	**Average number of Days Sale Outstanding (DSO) by sectors and countries** https://mindyourreceivables.eulerhermes.com/euler/?view=Austria
Unit of measurement	Number of Days Sale Outstanding (DSO)
Scope of relevance	**State of play of late payment**
Definition and objective	This indicator aims to provide data points on the average a measure of the average number of days that it takes a company to collect payment for a sale. This indicator applies to several sectors including the construction sector.
Methodology	Data collected from the National Statistics, Solunion, Euler Hermes, Allianz Research. This database is based on proprietary Euler Hermes data and national sources.

[10] Available at : https://mindyourreceivables.eulerhermes.com/euler/?view=Austria

Quality (RACER)	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.
Possible visual representation	
Comments / caveats	• Does not cover all the EU-27. • Methodology does not specify if this relates to B2B and/or PA2B transactions. • The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment. • This data is calculated from the balance sheets of listed companies, based on data from 'an established external provider'. This provider is not explicitly specified but the charts lists 'Bloomberg' as a source. • The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.

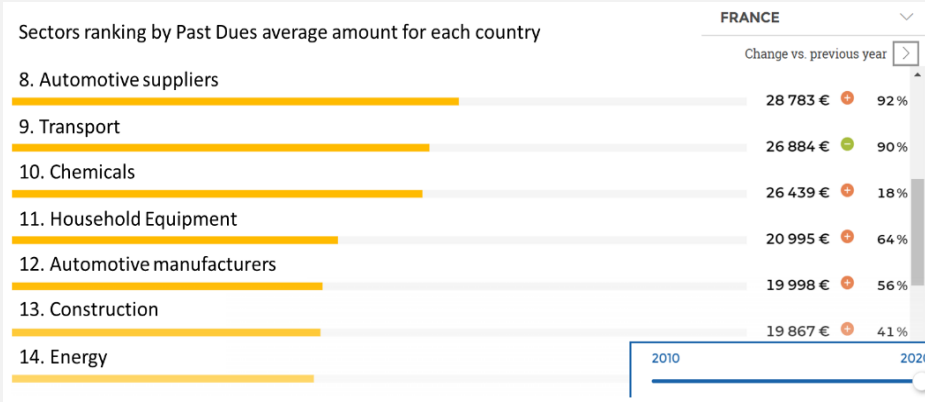
Indicator's name and link	**% of companies paid after 90 days by sectors and countries** https://mindyourreceivables.eulerhermes.com/euler/?view=Austria
Unit of measurement	%
Scope of relevance	**State of play of late payment**
Definition and objective	This indicator aims to provide data points on the share of companies being paid after 90 days. This indicator applies to several sectors including the construction sector.
Methodology	Data collected from the National Statistics, Solunion, Euler Hermes, Allianz Research. This database is based on proprietary Euler Hermes data and national sources.
Quality (RACER)	• The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries. • The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.

Possible visual representation



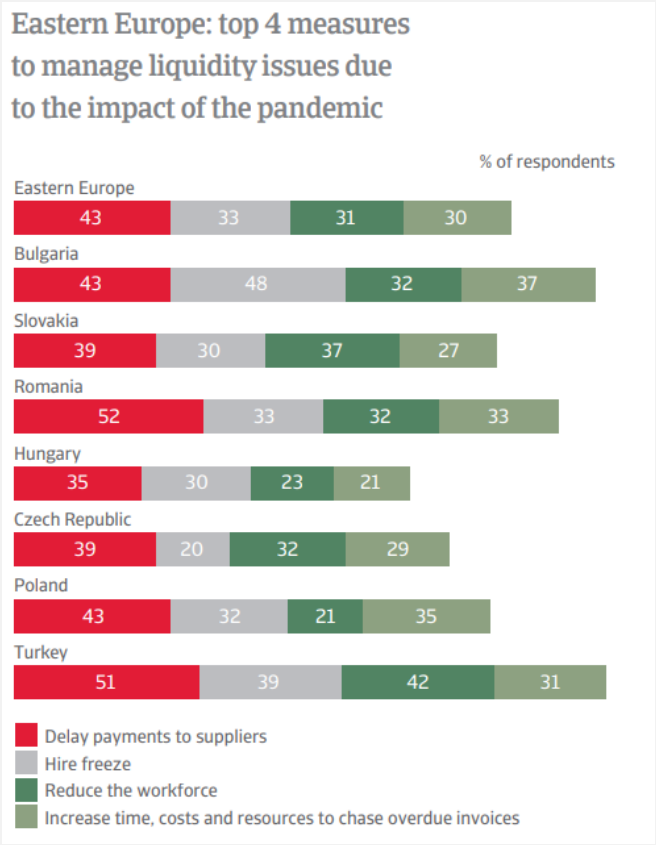
Comments / caveats

- Does not cover all the EU-27.
- Methodology does not specify if this relates to B2B and/or PA2B transactions.
- The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment.
- This data is calculated from the balance sheets of listed companies, based on data from 'an established external provider'. This provider is not explicitly specified but the charts lists 'Bloomberg' as a source.
- The methodology for this database is not accessible.

Possible visual representation	
Comments / caveats	• Does not cover all the EU-27. • Methodology does not specify if this relates to B2B and/or PA2B transactions. • The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment. • This data is calculated from the balance sheets of listed companies, based on data from 'an established external provider'. This provider is not explicitly specified but the charts lists 'Bloomberg' as a source. • The methodology for this database is not accessible.

E. Atradius Payment Practices Barometer

Payment Practices Barometer			
Data source	Based on Atradius' annual survey conducted separately in Western Europe and Eastern Europe to understand corporate payment behaviour.		
Time lag	N/A	**Geographic coverage & frequency**	19 countries: 12 (Western Europe) + 7 (Eastern Europe). Updated every year
Indicator's name and link	**Measures to manage liquidity issues due to the impact of the pandemic** https://group.atradius.com/publications/payment-practices-barometer/eastern-europe-2020-businesses-enter-2021-pandemic-battered-but-hopeful.html; https://group.atradius.com/publications/payment-practices-barometer/western-europe-2020-2021-hope-prevails-for-COVID-hit-markets.html		
Unit of measurement	% of respondents		
Scope of relevance	**Causes of late payment**		

Definition and objective	This indicator aims to define the main actions companies take to address liquidity issues created by the COVID-19 pandemic. This is relevant to determine the extent to which late payment are used by companies to face liquidity problems.
Methodology	**Interviews**
Quality (RACER)	• The indicator can be easily understood, also by non-experts; it is unambiguous and sensitive enough to monitor changes. • The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.
Possible visual representation	
Comments / caveats	• The construction sector is not covered at all by the study. • The study does not provide a pan-European comparison.

Indicator's name and link	**Amount of time, costs and resources businesses spent on chasing unpaid invoices** https://group.atradius.com/publications/payment-practices-barometer/eastern-europe-2020-businesses-enter-2021-pandemic-battered-but-hopeful.html
Unit of measurement	% of respondents
Scope of relevance	**Impact of late payment**

Definition and objective	This indicator aims to assess the share of businesses who had to increase their efforts (in terms of time, money, and/or workforce) to case overdue invoices. This indicator can give an idea of the evolution of the impact of late payment on companies, as more companies who increase their efforts to get paid means that late payment have a growing impact on their businesses.
Methodology	**Interviews**
Quality (RACER)	• The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes. However, no comparison between countries seem to be possible. • The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.
Possible visual representation	N/A
Comments / caveats	• The construction sector is not covered at all by the study. • The indicator can be used as a proxy to assess the impact of late payment.

Indicator's name and link	**Approach to credit quality assessments** https://group.atradius.com/publications/payment-practices-barometer/eastern-europe-2020-businesses-enter-2021-pandemic-battered-but-hopeful.html
Unit of measurement	% of respondents often requesting credit information directly from their customers
Scope of relevance	**Corrective / remedial measures addressing late payment**
Definition and objective	This indicator aims to gather qualitative information on the percentage of respondents who, after the pandemic, started to more often request credit information to their client, so as to assess their creditworthiness.
Methodology	**Interviews**
Quality (RACER)	The indicators can be easily understood, also by non-experts, but the data is not easily accessible/collectible.
Possible visual representation	N/A
Comments / caveats	• The construction sector is not covered at all by the study. • This indicator can be used as a proxy for late payment, as by requesting credit information, companies tend to be more cautious about potential late payer.

Indicator's name and link	**Approach to credit management**
Unit of measurement	% of respondents stating that they utilise certain credit management measures
Scope of relevance	**Corrective / remedial measures addressing late payment**

	Definition and objective	This indicator aims to assess what measures/actions businesses take in order to protect themselves from the risk of a potential payer default. Examples of measures mentioned by the respondents are: • Outstanding payment reminders • Requests for payment guarantees • Self-insurance
	Methodology	**Interviews**
	Quality (RACER)	• The indicators can be easily understood, also by non-experts, but the data is not easily accessible/collectible. • The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.
	Possible visual representation	N/A
	Comments / caveats	• The construction sector is not covered at all by the study. • This indicator can be used as a proxy to assess the extent to which companies recur to preventive measures to protect themselves in the case of undue payments / defaults.

F. World Bank Doing Business

	Doing Business – Enforcing contracts
Data source	Based on a study of the codes of civil procedure and other court regulations as well as a survey targeting local litigation lawyers and judges.

Time lag	Up to eight months (between the data collection and publication of the Doing Business).	**Geographic coverage & frequency**	190 countries including the EU-27 Updated every year

Indicator's name and link	**Time for resolving a commercial dispute through a local first-instance court** https://www.doingbusiness.org/en/data/exploretopics/enforcing-contracts
Unit of measurement	Days, counted from the moment Seller decides to file the lawsuit in court until payment.
Scope of relevance	**Corrective / remedial measures addressing late payment**
Definition and objective	This indicator aims to provide data points on the average duration of time needed to resolve a commercial dispute, considering the following three different stages i) filing and service; ii) trial and judgment; and iii) enforcement. This indicator applies equally to all sectors (not construction specific).
Methodology	**Study** **Survey:** Example of reference (open) questions: • *How long would a lawyer take to write the initial complaint and gather all supporting documents needed for filing (including authenticating them, if required)?*

- *How long does it take, in practice, between the moment the case is served and the moment the first trial hearing is held?*
- *How long does it take, in practice, to obtain an enforceable copy of the judgment and contact the relevant enforcement officer?*

Full questionnaire available at: https://www.doingbusiness.org/en/methodology

Quality (RACER)

- The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.
- There are several factors aggregated to create this indicator which are found in the methodology. Thirteen different periods are combined for this indicator. Although some of these periods may not be relevant for all court cases, this appears to be a comprehensive combination of relevant factors.
- This database previously had issues with data irregularities which may have affected robustness (see caveats).

Possible visual representation

Location	Time (days)	Filing and service	Trial and judgement	Enforcement of judgement
Poland	685	60	480	145
Portugal	755	30	545	180
Puerto Rico	630	40	500	90
Qatar	570	60	450	60
Romania	512	52	365	95

Comments / caveats

- Data does not include sectoral data and is not specific to the construction sector.
- The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment.
- A representative commercial sale dispute formed from a list of assumptions is used in this indicator. Examples of these assumptions include stipulations such as 'Buyer does not appeal the judgement' and the claim value 'equalling 200% of the economy's income per capita, or USD 5,000, whichever is greater.' The applicability of this data may be affected depending on case-specific information.
- The World Bank ran an internal investigation into data irregularities possibly affecting the last five years of Doing Business databases. The affected countries were found to be non-EU (and therefore unrelated to the statistics used as part of ECSO). https://www.worldbank.org/en/news/statement/2020/12/16/world-bank-group-statement-on-doing-business-data-corrections-and-findings-of-internal-audit

Indicator's name and link	**Cost for resolving a commercial dispute through a local first-instance court** https://www.doingbusiness.org/en/data/exploretopics/enforcing-contracts
Unit of measurement	% of claim value
Scope of relevance	**Corrective / remedial measures addressing late payment**
Definition and objective	This indicator aims to provide data points on the cost needed of resolving a commercial dispute, considering three types of costs are recorded: average attorney fees, court costs and enforce-ment costs. This indicator applies equally to all sectors (not construction specific).

Methodology

Study

Survey:
Example of reference (open) questions:

- *Fees to register the case (filing fees only)*
- *Fees for the issuance of the judgment*
- *Fees to register the judgment*

Full questionnaire available at: https://www.doingbusiness.org/en/methodology

Quality (RACER)

- The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.
- This indicator, while easily understood, involves reading the methodology to understand exactly which costs are included (attorney fees, court costs and enforcement costs). Although some of these costs may not be relevant for all court cases, this appears to be a comprehensive combination of relevant factors.
- This database previously had issues with data irregularities which may have affected robustness (see caveats).

Possible visual representation

Location	Cost (% of claim value)	Attorney fees	Court fees	Enforcement fees
Poland	19.4	12	5.4	2
Portugal	17.2	10.7	6	0.5
Puerto Rico	30.2	23	5.6	1.6
Qatar	21.6	15.5	2.5	3.6
Romania	25.8	7.7	8.1	10

Comments / caveats

- Data does not include sectoral data and is not specific to the construction sector.
- The question is formulated from a qualitative perspective, allowing to get a proxy on the prevalence of late payment, but not a specific answer/assessment.
- A representative commercial sale dispute formed from a list of assumptions is used in this indicator. Examples of these assumptions include stipulations such as 'Buyer does not appeal the judgement' and the claim value 'equalling 200% of the economy's income per capita, or USD 5,000, whichever is greater.' The applicability of this data may be affected depending on case-specific information.
- The World Bank ran an internal investigation into data irregularities possibly affecting the last five years of Doing Business databases. The affected countries were found to be non-EU (and therefore unrelated to the statistics used as part of ECSO). https://www.worldbank.org/en/news/statement/2020/12/16/world-bank-group-statement-on-doing-business-data-corrections-and-findings-of-internal-audit

III. Conclusions and implication

The following table summarises the main findings from the analysis of indicators carried out in the previous section, providing the synthesis of all the key dimensions that have been used to assess the indicators.

Table 3: Overview of the indicators

Source	Indicator	EU-27 coverage	Sectoral coverage	B2B	PA2B	RACER	Scope	Comments and caveats
ECB SAFE H1	Frequency of late payment for EU construction businesses	Yes	Several sectors, including construction	Yes	Yes	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries and sectors.	State of play of late payment	Data at the national level does not include sectoral data. To make sectoral/country analysis, access to firm-level data is needed.
	Impact of late payment for EU construction businesses						Impact of late payment	
Intrum European Payment Report	Average payment terms and actual payment time across sectors for B2B and PA2B transactions	23 EU MS	Several sectors, including construction (10% of the respondents)	Yes	Yes	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries.	State of play of late payment	Data specific to the construction sector is in many cases unavailable. In addition, a detailed methodology is not readily available for these indicators but the European Payment Report 2020 notes that a centralised field work approach and a uniform methodology were adopted. A range of industry sectors and company size profiles (SMEs and Large corporations) were included in the survey across samples
	Businesses (SMEs and large companies) that accepted longer payments and have been asked to accept longer payments			N/A	N/A		State of play of late payment	
	Share of businesses accepting longer payment terms than they are comfortable with to do not damage client relationships			Yes	N/A		Causes of late payment	
	Share of businesses that accepted longer payment terms to avoid bankruptcy			N/A	N/A		Causes of late payment	
	Share of businesses extending payment terms due to growing macroeconomic uncertainty			N/A	N/A		Causes of late payment	
	Share of businesses believing that widening payment terms are a risk for their growth			N/A	N/A		Impact of late payment	

Source	Indicator	EU-27 coverage	Sectoral coverage	B2B	PA2B	RACER	Scope	Comments and caveats
	Most problematic areas when it comes to customer payments			N/A	N/A		State of play of late payment	
	Evolution in the risk of late/non- payments from debtors			N/A	N/A		State of play of late payment	
	Impact of late payment on companies' investments			N/A	N/A		Impact of late payment	
	Impact of late payment on companies' business areas			N/A	N/A		Impact of late payment	
	Areas where companies would increase investments with faster payments			N/A	N/A		Impact of late payment	
	Precautions companies take to protect against late payment and when a customer asks for longer payment terms			Yes	N/A		Corrective / remedial measures	
D&B	Percentage of companies paying by due date, and with over 90 days of delay	21 EU MS	Several sectors, including construction	Yes	No	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes, and comparable among different countries. Data used comes from Cribis D&B's 'DUNTRADE' program. The indicator is only generated if there are at least three trade experiences from three different suppliers. As this indicator is an average, an identification of trend and homogenous observations is ensured and detailed in the methodology.	State of play	This data comes from Cribis D&B's 'DUNTRADE' program. The indicator is only generated if there are at least three trade experiences from three different suppliers. As this indicator is an average, an identification of trend and homogenous observations is ensured and detailed in the methodology. No sector-specific data is available on the payments delayed by up to 90 days, which is available on a country-by-country basis.

Source	Indicator	EU-27 coverage	Sectoral coverage	B2B	PA2B	RACER	Scope	Comments and caveats
Euler Hermes	Average number of Days Sale Outstanding (DSO) by sectors and countries	23 EU MS	Several sectors, including construction	N/A	N/A	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries. The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.	State of play	This data is calculated from the balance sheets of listed companies, based on data from 'an established external provider'. This provider is not explicitly specified but the charts lists 'Bloomberg' as a source. The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.
	% of companies paid after 90 days by sectors and countries			N/A	N/A		State of play	
Atradius	Measures to manage liquidity issues due to the impact of the pandemic	Yes	No construction sector, only manufacturing, wholesale trade, retail trade/distribution, and services.	Yes	No	The indicator can be easily understood, also by non-experts; it is unambiguous and sensitive enough to monitor changes. The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.	Causes of late payment	The methodology for this database is not accessible, the quality of this indicator is unable to be independently assured.
	Amount of time, costs and resources businesses spent on chasing unpaid invoices						Impact of late payment	
	Approach to credit quality assessments						Corrective / remedial measures	
	Approach to credit management						Corrective / remedial measures	

Source	Indicator	EU-27 coverage	Sectoral coverage	B2B	PA2B	RACER	Scope	Comments and caveats
World Bank Doing Business	Time for resolving a commercial dispute through a local first-instance	Yes	N/A	Yes	No	The indicator can be easily understood; is accessible to non-experts, unambiguous, sensitive enough to monitor changes; and comparable between countries. There are several factors aggregated to create this indicator which are found in the methodology. Thirteen different periods are combined for this indicator. Although some of these periods may not be relevant for all court cases, this appears to be a comprehensive combination of relevant factors. This database previously had issues with data irregularities which may have affected robustness.	State of play of late payment	Not specific to construction industry. This database previously had issues with data irregularities which may have affected robustness. The World Bank ran an internal investigation into these data irregularities, possibly affecting the last five years of Doing Business databases. The affected countries were found to be non-EU (and therefore unrelated to the statistics used as part of ECSO).
	Cost for resolving a commercial dispute through a local first-instance court						Impact of late payment	

The comparative analysis provides an overview on the current state of play of indicators on late payment in the EU when it comes to the construction sector. In doing so, it reveals some of the main gaps, which can be structured around the following dimensions: geographical scope; transaction scope, sectoral scope and thematic scope. In addition, the analysis points out to some of the limitations of, and overlap between, indicators.

First, the analysis highlights that only few indicators cover the EU-27 – they instead focus on several EU Member States. Because of this, homogeneous and consistent data on the EU-27 is scarce. Only the EC/ECB SAFE Survey, the Atradius Payment Barometer and the World Bank Doing Business' indicators cover all 27 EU MS. While the EC/ECB survey target specifically EU countries, the two other reports also cover several countries outside of the EU-27. As the EU Observatory on Late Payments aims to cover the EU-27, this gap may affect the relevance and potential use of these indicators and reports, and represents a challenge that needs to be taken into consideration when developing analyses and/or indicators for EU-wide observations.

Second, the existing indicators mainly cover B2B transactions, and only few of them cover PA2B, either individually or together with B2B. At the same time, according to some studies[11], PA2B late payments are of significant importance and can have a deep impact in the construction sector, and should hence be included in relevant analyses. Although B2B transactions account for the majority of construction-related payments, the limited data points on PA2B transaction means that the information provided by existing indicators only partially reflects the actual market situation, as construction projects stemming from e.g. public procurement are rarely taken into account. Put in practice, in case where companies delay their payments to sub-contractors because the PA does not pay in time, indicators would only report on the late payment relating to the B2B transaction. As a result, some of the existing indicators might not be able to provide with a full and accurate picture of late payment. Hence, depending on the scope of the EU Observatory on Late Payments, PA2B payments should be adequately covered so as to provide information that is complete and accurate.

In addition, PA2B transactions analysed or included in the indicators often focus on national level authorities or on all PAs indistinctively, and less on regional and local authorities. This may be explained by the fact that data may be lacking due to fragmentation between different levels of governance and/or difficulties in consistently collecting data from regional/local realities. At the same time, the granularity of PA2B data may help policymakers and businesses to properly understand causes and consequences of late payment, and help them tackle this issue. However, this gap is less pressing to address than getting PA2B data points on late payment across the EU-27 and its economic sectors.

Third, the construction sector is not well-covered by the analysed indicators. Most of the available indicators cover *also* this sector, meaning that data from late payment in construction are aggregated with data from other sectors (e.g. services, manufacturing, agriculture). Most of the time, information on the construction sector is presented only as share of total respondents (see Intrum European Payment Report, for instance) and is not sector-specific, hence limiting the relevance of information for construction stakeholders who may wish for more granular data. Although this could be useful to identify trends at the macroeconomic level, it also limits the sector-level depth that such indicators provide. In the context of the EU Observatory on Late Payments, having data on specific sectors that can be extracted, analysed individually, and compared is of pivotal importance to identify sectoral trends and issues. For this reason, there is a clear need to have indicators and analysis that indeed cover different sectors, but that are consistent with the sectors covered and allow for sectoral analyses and not only country-level or macroeconomic analyses. In this context, it is important to highlight that the number of observations – in particular as regards surveys – must be large enough to be relevant.

In addition to these three elements, it is important to underline that the indicators do not cover equally the four different categories analysed. More precisely, among the four main categories that have been utilised in this report (State of play, causes of late payment, impacts of late payment and remedial / corrective measures of late payment), it is possible to notice that most of the indicators focus on the as-is situation of late payment. In fact, more than half of the indicators analysed (13 out of 24) focused on the state of play of late payment. This is followed by indicators related to the impact (7 - 29%), the causes (4 – 14%), and the corrective and remedial measures (only 3, which are not construction-sector specific - 12.5%). This shows an unbalanced image of the late payment issue, with more information on late payment *per se* rather than on their causes, impacts, and potential solutions. While this gap may be explained in part because the causes and remedial / corrective measures relating to late payment are more of qualitative nature, other factors should be taken into account and notably the informal side of late payment. Payment practices, verification

[11] https://group.atradius.com/publications/market-monitor-construction-italy-2020.html

process or even conflict mediation and resolution do not necessarily follow formal processes. They are often shaped by other factors such the importance of preserving relationships with contractors, the fear of retaliation – factors that cannot be easily observed and/or measured. This clearly shows a gap in indicators that could be filled with EU-wide indicators providing added value to the information already existing. In addition, it is important that this issue also highlights the limited current maturity of the ecosystem when it comes to measures addressing late payment.

At the same time, the same information is covered by more than one indicator, creating a certain level of redundancy and overlapping. For instance, multiple indicators cover the share of companies paying or getting paid after the invoice's due date. Besides being redundant, it can also create some confusion as indicator measurements may differ following different scope, methodology and definitions, thus limiting their use and comparability. For this reason, in order to facilitate the understanding and readability of the indicators, there is a need to clarify and publish a fully-fledge methodology allowing the readers to easily compare and/or benchmark indicators. This also relate to the issue of quality, further details below.

The quality also varied across these indicators, with quality assurance of underlying data resting with the reputation of the provider in some cases (which is not always sufficient). While most of these indicators were easy to understand, full methodological information was inaccessible, so the quality of some indicators could not be assessed. This absence of methodological information questions the robustness or comparability between indicators. Although indicators were generally of good quality, the associated caveats should still be considered with their use. In light of this, the upcoming EU Observatory on Late Payments should utilise an open and peer-reviewed methodology for the collection of data and for its analysis. This would not only foster the transparency and accountability of the Observatory itself and of its data, but would also allow building its credibility and legitimacy while also supporting future improvements in the methodology.

From the analysis of the indicators, it also emerged that surveys are the most used methodology for the collection of data, followed by own data sources and structured interviews. Given i) the need to regularly collect significant amount of data across different countries; ii) the lack of other systems in place to collect the data; iii) the importance of qualitative data, surveys are likely to be the most relevant data collection tool. Own data sources are also cost effective means; however, they often tend to be not accessible to externals, hence affecting the comparability and robustness of the data provided. While being resource intensive, the added value that targeted semi-structured interviews could provide should be taken into consideration, as a way to generate additional qualitative insights on specific issues such as the causes of late payment. More generally, it is important that the upcoming EU Observatory on Late Payments keeps a transparent and open approach to the data it uses, so as to maintain accessible not only the results of its data collection activities, but also all the granular and anonymised data.

3.
Review of good practices

In a few European Member States, governments, often with the collaboration of the private sector or private sector associations, have set up initiatives aiming to collect data on the issue of late payment in their country. By analysing some of these initiatives, Chapter 3 – Review of good practices aims to provide lessons learnt and insights on i) indicators, sources and data collected on late payment; ii) their setup and governance; and iii) their impacts, which will feed in the recommendations for the EU Observatory on Late Payments. To do so, this chapter will analyse the experience of the *Observatoire des délais de paiement* (Late Payment Observatory - LPO) in France, and Italian *ANCE* and *Piattaforma dei crediti commerciali* (Commercial Credits Platform – CCP). While the LPO covers both B2B and PA2B transactions, CCP and ANCE only cover PA2B.

In addition, in order to complement this analysis, this chapter also looks at initiatives developed by private sector associations. The objective is to analyse whether and which information on late payment are being collected, thus bringing together a public and private sector perspective.

To do so, this chapter builds on desk research of national reports but also on semi-structured interviews. This allowed getting additional insights into the pros and cons behind some of the choices made in terms of both indicators/methodology, and governance.

I. Observatoire des délais de paiement

The LPO is perhaps one of the oldest initiatives on late payment, being set up in 1991, with the objective of helping the government and other stakeholders monitoring the issue of late payment over time. Its scope slightly expanded following the changes of the regulatory framework relating to late payment. For instance, the LPO followed closely the impact of the *Loi de Modernisation de l'Économie* (LME, 2008). However, its main mission remains to provide policymakers and other actors with the information and data they need in order to tackle the issue of late payment. That is why the LPO publishes studies (including an annual report on late payment, economic analysis). It can also be consulted by the Ministry of the Economy on issues relating to late payment.

Box 1: Annual report of the LPO

The annual report of the LPO provides facts and evidence on late payment in France, covering several sectors and both B2B and PA2B transactions. The report covers the manufacturing, construction, trade, transport, hospitality, ICT real estate and consultancy/service sectors.

The analysis is structured around several angles and perspective. In the 2019 edition, the report includes a first chapter providing a high-level overview of late payment in France, followed by a second chapter including late payment data on France (and other European countries, based on the reports and indicators mentioned and analysed in Chapter 1. The third and fourth chapter present the views and data of private sector associations and local and regional public authorities in regards with late payment, before concluding with a fifth chapter on the monitoring of the payment audit/control undertaken by the *Direction générale de la concurrence, de la consommation et de la répression des fraudes* (General Directorate of Competition, Consumer Affairs and Fraud Control).

A. Indicators collected

The first observation from the LPO was that data and information on late payment were almost non-existing when the initiative started. In that sense, the 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, and how these could be leveraged in order to develop an indicator providing information on late payment. The LPO includes in a transparent manner the methodology behind each of the indicators used, as shown in the table below.

Table 4: Overview of some of the indicators used in the LPO annual report

Sources	Indicators	Methodology	Effort required
- Balance sheet of the French National Bank, of non-financial companies with annual turnover of more than EUR 750,000 companies(Corporate banking file - *Fichier bancaire des entreprises* - FIBEN)	Payment delay from clients per sectors, size of companies and per regions.	Expressed in days of sales, the "trade receivables" ratio relates trade receivables, including discounted bills of exchange, to sales including all charges (including VAT), multiplied by 360. Trade receivables are calculated after deduction of advances and deposits paid on orders (recorded as liabilities in the balance sheet). The average of individual ratios (or unweighted average) assigns the same weight to each firm. This microeconomic approach better takes into account the heterogeneity of individual observations.	Limited – i.e. The effort required is about 20 man days in total – 10 days for an economist and another 10 days for an assistant[12]
	Payment delay from suppliers per sectors, size of companies and per regions.	Expressed in days of purchases, the "trade payables" ratio relates trade payables to purchases and other external expenses, including VAT, multiplied by 360. Trade payables are calculated after deduction of advances and down payments to suppliers (recorded as assets on the balance sheet). Trade receivables and payables expressed respectively in days of sales and purchases. The average of individual ratios (or unweighted average) assigns the same weight to each firm. This microeconomic approach better takes into account the heterogeneity of individual observations.	
	Trade balance or B2B trade credit	The trade balance (or inter-company credit balance) corresponds to the balance of the company's trade receivables and its trade payables (net of advances and down payments). It is expressed in days of sales. It can also be defined as the difference between the ratio of "trade receivables" and "trade payables" corrected for the ratio of purchases to sales. A company's trade balance reflects its lending or borrowing position with respect to the trade balance of a company reflects its lending or borrowing position vis-à-vis its trading partners. When it is positive, the company finances its partners through inter-company credit; when it is negative, its partners finance it.	

[12] Ibid.

Sources	Indicators	Methodology	Effort required
		The average of individual ratios (or unweighted average) assigns the same weight to each firm. This microeconomic approach better takes into account the heterogeneity of individual observations.	
Annual Business Statistics - *Élaboration des statistiques annuelles d'entreprises* – ESANE from the INSEE (National Institute of Statistics and Economic Studies)	Aggregated balance sheet of Non-Financial Corporates (NFCs) in France	From individual data the Statistical Office builds an aggregated balance sheet where assets and liabilities are decomposed by main categories, including trade receivables on the asset side and trade payable on the liability side.	
INSEE Survey (Business survey in the construction sector)	Evolution of the balance of opinion of construction company managers on customer delays (1993-2019) (in %)	Question asked to company managers: "Do the payment terms of your customers tend to shorten, remain stable or lengthen?" Applicable to: • More than 10 employees, public contract • More than 10 employees, private contract • Craftsmen	
Altares - Dun & Bradstreet	Overall payment delay in days: due time, less than 30 days, more than 30 days)	See Chapter 1	Limited
	Late payment by company size, by sector and by regions	See Chapter 1	Limited
Atradius	Late payment in France and in Europe in days	See Chapter 1	Limited

This does not mean that they ignore other indicators provided by other third parties. In fact, the LPO annual report also includes additional or similar indicators from private providers (Intrum and Atradius) and private sector associations (the Movement of the Enterprises of France - *Mouvement des entreprises de France*, (MEDEF), or in the construction sector the FFB, Confederation of the Craft industry and the Small Companies of the Building - *Confédération de l'Artisanat et des Petites Entreprises du Bâtiment*, and the National Federation of Public Works - *Fédération Nationale des Travaux Publics*), even when the methodology and hence results would be different. In doing so, the objective is to i) reconcile different information together, to provide a more nuanced picture (see box below) and; ii) leverage on existing (private and public) initiatives regarding the collection and analysis of late payment. In terms of additional indicators, the LPO for instance includes data collected by their members through surveys, which often helps in providing data points on variations over time, and in some cases the explanations for such changes.

Box 2: Example of indicators focusing on the state of play of late payment

The LPO uses for its indicator on late payment the balance sheet data (i.e. the data from the French Central Bank). With balance sheet data, a company is said to be late if it pays more than 60 days after the purchase. The advantage in using this indicator is that it covers a vast number of French companies – those having a turnover of over EUR 750,000 euros. At the same time, contractual payment terms may be in some cases 30 days, and in this case, any late payment between 30 and 59 days would not be considered in this exercise.

With the aged balances (used in the Altares methodology also included in the LPO annual report), a company is late if it pays beyond the agreed term, even if it is below 60 days. This means that Altares has the possibility to see what the contractual payment terms are, and if they were honoured in due time or not, which makes the data points highly accurate. At the same time, Altares does not cover to the same extent French companies.

This reconciliation of observations from different sources hence represents one of the main difficulties in reporting on late payment. At the same time, including these different data points helps provide a more nuanced picture of the state of play of late payment in a given economy and sector.

Overall, the experience of the LPO tends to highlight the need for a gradual approach that can evolve over time. First, its experience shows that it is crucial to set (realistic) objectives. The LPO was born out of the need for the public sector to monitor late payment, based on the existing data that was available at the time. With time, it gained credibility and legitimacy, enlarged its scope to monitor and look in more depth into specific topics (such as the late payment of local/regional public authorities), and positioned itself as a key repertory for robust data on late payment. Such a gradual approach allowed the LPO to reach its objectives, thus demonstrating progress over time. Last, the LPO never turned into a heavy "administrative machine", but kept a certain degree of flexibility whether relating to its governance (see more information section below) or its activities' focus.

B. Governance

The governance of the LPO, reflecting its scope, also evolved over time. However, one distinct trait is that early on, it involved both public stakeholders and private sector associations. This underlines the importance of multi/cross-sectoral stakeholder's dialogue; and the assumption that addressing late payment cannot be done by one actor alone. This also echoed some of the findings of previous studies, which find that "*ensuring coordination between policy-makers and construction sector initiatives is an important aspect that will help maximise impact on unfair long payment terms and late payment*".

Table 5: Stakeholders involved in the LPO

Public sector stakeholders	Private sector associations
• Directorate General of the Treasury - *DG-Trésor: Direction générale du Trésor* • Directorate-General for Competition, Consumer Affairs and Fraud Control - *DGCCRF: Direction générale de la concurrence, de la consommation et de la répression des fraudes* • Directorate-General for Public Finances - *DGFiP: Direction Générale des Finances Publiques* • Directorate General for Enterprises - *DGE: Direction Générale des Entreprises* • National Institute of Statistics and Economic Studies - *Insee: Institut National de la Statistique et des Études Économiques* • Associations of Mayors, Departments and Regions of France - *Associations des maires, des départements et des régions de France* • French Hospital Federation - *Fédération hospitalière de France (FHF),* • Directorate-General for Social Security and the Directorate-General for Local Government - *Direction générale de la sécurité sociale et la direction générale des collectivités locales.*	• Movement of the Enterprises of France - *MEDEF: Mouvement des entreprises de France* • Confederation of Small and Medium-sized Enterprises - *CPME: Confédération des petites et moyennes entreprises* • Union of local enterprises - *U2P: Union des entreprises de proximité* • French Association of Private Enterprises - *AFEP: Association Française des Entreprises Privées* • Interim professionals, services and employment trades - Prism'emploi: Professionnels de l'interim, services et métiers de l'emploi

Box 3: The role and interest of a private sector association in the LPO

The FFB is a member of the LPO, contributing to the initiative by providing data on late payments in the construction sector, sourced from the BTP Banque (a bank providing services only to professionals from the construction sector). The latter, through the analysis of the balance sheet of companies, is able to provide data points on late payments on the client and supplier's side. This exercise has been conducted since 2008, allowing for comparison over time. At the same time, one limitation regarding this indicator is that i) the clients are mostly SMEs, but do not include craftsman or microenterprises, and large construction companies; ii) in terms of methodology, the BTP bank is unable to see whether a late payment may be due to a situation of dispute, which is not rare in the construction sector – thus biasing to some extent the results provided. By spreading this data through the annual report, the LPO helps some its members such as the FFB to raise awareness about the issue of late payments and combat late payment. Besides, the federation of building craftsmen (CAPEB) provides information based on survey data of its members, thus covering micro-entrepreneurs.

Reflecting its changing scope (and with a view to get information on specific situations), the LPO welcomed additional members. This included for instance the associations of mayors, departments and regions of France. While these associations do not provide neither quantitative nor qualitative information on late payments as such (all the information on payments by the public sector is provided by *Direction Générale des Finances Publiques* – DGFiP), they can be informed about how late payments translate in practice for private sector actors (through private sector associations) and provide in return explanations e.g. the formal regulatory procedures of payment by regional/local administrations. This was said to have some impact on the payment behaviour of the latter actors, with in some cases an overall reduction of late payment from local PAs. It is important to note that such choice and setup does not happen over time: the LPO builds relationships with various actors, explores ways to collaborate, and if both parties consider it a win-win, the LPO welcomes new members, or guests as explained below. In that sense, the LPO is active in networking and identifying potential partnership and opportunities.

Importantly, the governance of the LPO also allows for some flexibility – the LPO president can for instance invite other participants than those foreseen. This is important as members' interest and engagement in the LPO can vary over time. In this context, being able to welcome guests, which can contribute actively to the mission of the LPO (by e.g. providing additional data on late payment) is an important aspect: it keeps a certain momentum and degree of engagement and interest, and allows the LPO to generate some level of traction as the preferred place to discuss and share knowledge on late payment.

C. Impact

The activities of the LPO are used by different types of stakeholders (from the public and private sector) and for different purposes and objectives. First, the LPO provided the French government with much needed data in order to help it monitor the situation of late payment in the country. Its mandate and focus evolved over time, to also foster its impact and use by and for policy-makers. Second, the LPO acts as a platform where actors can meet and discuss the issue of late payment – contributing hence to the knowledge sharing/building and awareness raising around this issue. Importantly, the indicators and data points provided by the LPO are used by the different actors (with a different agenda[13]) to have an evidence-based discussion and advocate for policy changes. In some instances, the LPO may be asked to provide an opinion on a potential issue regarding late payment. For example, it was recently asked to assess whether a derogation for businesses exporting agricultural products (and suffering from payment delay when dealing with firms in other EU or non-EU countries) to comply with payment terms set by the law would be relevant.

All in all, the LPO has built a strong reputation and established a certain level of credibility and legitimacy, making it an initiative with some soft power. In doing so, it supports evidence-based discussions and debate, which is also crucial to develop any type of policy initiatives, but also for the private sector to shift business processes (e.g. credit risk management) and advocate for policy changes related to the issue of late payment.

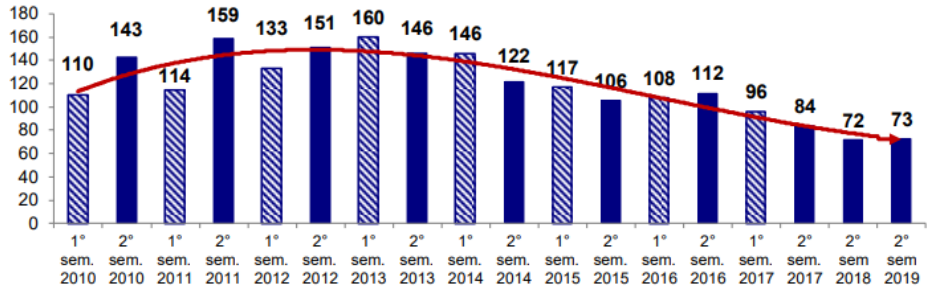
[13] between e.g. buyers and sellers; large companies / public authorities and SMEs; supporting financial objective and legislating.

II. ANCE and Piattaforma crediti commerciali

ANCE (*Associazione Nazionale Costruttori Edili*) is Italy's national association of construction companies. Founded in 1946, it is composed of around 20,000 members (private companies), from the sectors of public works, housing, commercial and industrial construction, environmental protection, building renovation and other specialised work. The association covers the whole national territory and is divided into 89 territorial associations and 20 regional bodies.

Among its different activities, ANCE regularly carries out market research and activities to assess and identify trends and conditions in the national construction sector, in order to publish monthly reports ("*Edilizia Flash*") and in-depth studies. Every six months, ANCE launches a survey for all its members to gather information on the construction sector's performance and forecast, and monitor access to credit as well as the issue of late payment by the public administration (PA2B only – see example of Figure 2 below). The survey is composed of 10 to 13 questions and is structured in two parts. The first one includes 8/9 core questions that remain consistent throughout the different editions of the survey, in order to allow for comparability. The second part includes questions on current trends and might cover new legislative initiatives or policies, market trends, etc. Between 200 and 300 companies take part to the survey.

Figure 2: Average delay in payments from the public administration (in average number of days)

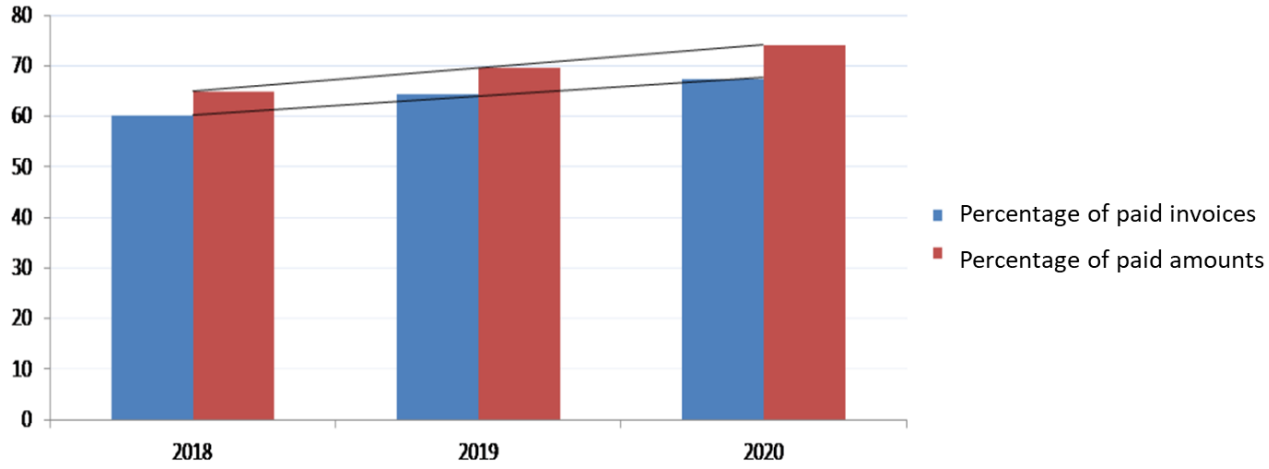


Source: ANCE.it

Piattaforma dei Crediti Commerciali[14] (Commercial Credits Platform) 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. Following the introduction of transparency requirements into the national law, the Platform monitors commercial credits from national public administrations. The data is inputted by all levels of PAs in a centralised IT system, which then automatically aggregates the data. More specifically, the platform monitors the timing of payment calculated as the sum, for each invoice issued, of the actual days between the due date of the invoice and the date of payment of the suppliers multiplied by the amount of the invoice. Data collection is done throughout the year, but the overall analysis is made on a yearly basis. However, starting from 2021, more periodic analyses (semester/trimester) are planned.

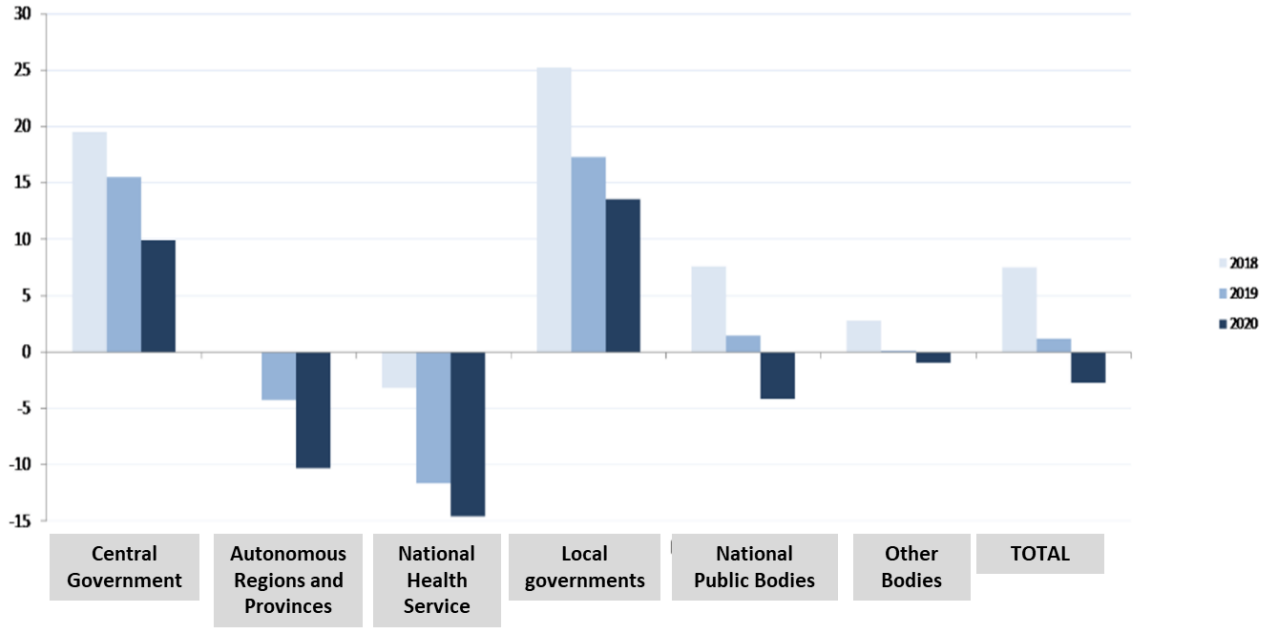
[14] Ministero dell'Economia e delle Finanze, Piattaforma Crediti Commerciali, available at: https://www.rgs.mef.gov.it/VERSIONE-I/i_debiti_commerciali_delle_pubbliche_amministrazioni/le_analisi_sui_tempi_di_pagamento/

Figure 3: Percentage of paid invoices (blue) and percentage of paid amounts (red)



Source: Ragioneria Generale dello Stato. www.rgs.mef.it

Figure 4: Average delays in payment by typology of Public Administration (in number of days)



Source: Ragioneria Generale dello Stato. www.rgs.mef.it

A. Indicators collected

Given the scarcity of data on late payment in the Italian construction sector, ANCE decided to periodically collect data from its members. These surveys, collecting data from 200 to 300 respondents, are meant to depict their perception late payment related to PA2B. ANCE also utilises Intrum European Payment Report's indicators, especially when relating to the average payment time, as complementary data point. The table below provides an overview of the indicators used and/or provided by ANCE.

Table 6: Overview of some of the indicators used and/or provided by ANCE

Source	Indicator	Methodology	Effort
Intrum European Payment Report	Average payment time	See Chapter 2 above.	
Own survey	% companies experiencing late payment from the PA	% of ANCE's members taking part to the survey who confirmed having	The survey is carried out bi-annually by

Source	Indicator	Methodology	Effort
		experienced delays in payment from the public administration.	ANCE's Conjunctural Observatory, composed by a team of 10-15 people.
Own survey	Average delay in PA2B payment	Average delay based on the information on delays provided by ANCE's members. Expressed in days.	
Own survey	Situations experienced by enterprises in relation to PA2B payment	Survey – multiple choices question. ANCE members could selected: • Asked to accept payment terms longer than 60 days[15] • Asked to withdrawn invoices • Asked to give up delay's interests in case of late payment • The European Directive on Payment is respected • Refusal of the PA to sign the contract due to incompatibility of the payment with public financial rules	
Own survey	Measures taken by enterprises to face liquidity issues caused by late PA2B payment	Survey – multiple choice question. ANCE members could select: • Bank invoice advance required • Delayed payment times to suppliers and / or subcontractors • Reduction of company investments • Self-financing • Reduction in the number of employees • Bank overdraft request • Short-term bank loan required • Deferred payment of taxes and / or contributions, including social security contributions • Request for assignment with recourse of credit • Suspension of works • Waiver of participation in public procurement • Request for assignment without recourse of credit • Request for compensation with the amounts registered in the role	
Own survey	Public bodies responsible for late payment	Survey – multiple choice question • Municipalities • Provinces • Regions • Companies owned by local authorities • Consortia • ANAS • Bodies from the National Health Service • State Railways • Others	

[15] In Italy, public administrations are required to pay invoices within a 60-day term after receipt.

The Commercial Credit Platform provides regular reports on the payment from the public administrations at local, regional and national levels[16]. Analyses are made both from a time perspective (changes compared to the previous periods) and from a spatial perspective (if late payment are particularly concentrated in specific levels of the PA). Some methodological elements need to be taken into consideration when it comes to the data from the Platform:

- The data registered in the Platform refers to the single invoices and, therefore, does not provide the possibility to have sectoral analyses. This would be technically possible if the fiscal code of the company was linked to its NACE code, for instance, which is not currently done in the Platform. Therefore, comparisons are possible only from a time (Year X vs Year X-1) and spatial (regional administrations vs national administrations, or Region A vs Region B) perspectives.
- Data on late payment is weighted against the invoice amount. This is done for a two-fold reason: first, to provide a more accurate image of the impacts of late payment to enterprises; and second, to avoid creating an incentive for PAs to pay in time smaller invoices and delay the payment of bigger ones, as there is no difference in how delays are counted.
- While the Platform reports delays in payments based on invoices, payments in the construction sector in Italy are usually based on the production of "*Stato Avanzamento Lavori*" (a periodic report on the progresses achieved in the construction works).
- The data input procedure can be done only by PAs and not by enterprises.

Source	Indicator	Methodology
Piattaforma Crediti Commerciali	Average payment time (weighted)	Public bodies are required by law to register the data of invoices on the relevant digital platform. The Platform automatically acquires, directly from the national exchange information system of the PA, all electronic invoices issued to PAs and records the payments made and communicated by the individual administrations. Starting from January 2018, the SIOPE+ system is being used to monitoring system of trade payables, to allow the automatic acquisition of the commercial invoices issued to the Public Administrations, as well as the payments made by PAs.
	Average delay (weighted)	
	Percentage of invoices paid in time	
	Average invoice due date	

B. Governance

ANCE is a private association organised at national level. It is composed of regional and local branches throughout the entire Italian territory. At national level, ANCE is part of Confindustria, Italy's confederation of Italian industries. At international level, ANCE is part of the European Construction Industry Federation (FIEC).

Piattaforma Crediti Commerciali is a public platform ran by the Ministry of Economy and Finance's accountancy (*Ragioneria dello Stato*). The Department of General State Accounting (*Dipartimento della Ragioneria Generale dello Stato*) plays an important role in monitoring the commercial debts of public administrations, through the use of the Platform, created and managed by the same Department, which detects information on individual invoices received from over 22,200 registered public administrations.

The SIOPE+ system, the IT system utilised to regularly gather information from PAs on invoices and payments, has been developed by Italy's Central Bank – *Banca d'Italia*. According to stakeholders interviewed, the Platform requires relatively low effort to be maintained and updated thanks to the automatization allowed by such system, the development of which, nonetheless, has required a certain amount of resources in the first place.

C. 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. ANCE regularly dialogues with the Government, the Parliament and the European

[16] Not all PAs are currently registered to the Platform, hence not all payments and invoices are included. However, the strong majority of PAs do take part to the Platform.

Commission, and uses the information from its analyses, including Indicators, to support its positions. For instance, the monitoring and reporting activity that ANCE has been carrying has allowed to raise awareness on some inefficiencies from public administrations that have been partially tackled over the years. Beyond the national scene, ANCE also shares the results of its internal surveys and analyses with the European Commission in order to provide evidence and facts on late payment to support discussions and debate on the issue. This included, for instance, the infringement procedure against Italy for the application of the European Directive on Late payment.

The Government, through the data gathered from the **Platform**, monitors the performance of public administrations so as to identify areas where to intervene. For instance, Public Administrations are required to progressively reduce their payment delays until they comply with the legislation. In case they fail to do so, their spending capacity is limited in order to prioritise the payment of past invoices. The Platform is also used to regularly report to the European Commission in the context of the infringement procedure on the EU Directive on Late payment, as well as for the upcoming monitoring of the National Recovery and Resilience Plan, for which the improvement of the timing of payment by public administration is one of the agreed objectives to achieve.

III. Conclusions and implications

The analysis of the selected national good practices provided additional insights in the analysis of existing indicators and monitoring practices in terms of late payment, particularly from the point of view of data sources, methodologies, and governance.

The scarcity of indicators covering late payment in the construction sector has indeed been confirmed as an issue for both the private and the public sector. To cope with this issue, the initiatives studied adopted different approaches, which should not be seen as mutually exclusive but rather complementary:

1. **Develop a survey to get the needed data on late payment such as in the case of ANCE**. Surveys are extremely useful to identify trends in the market and get an understanding of stakeholders' feedbacks and opinions on certain issues in a relatively cost-effective way. Importantly, they can also be implemented in the short-term, and can be easily tailored to the interests and needs of stakeholders. At the same time, surveys are based on a sample of enterprises/administrations that might not necessarily be representative of the entire market. Furthermore, it is important to limit to the extent possible any form of bias when developing survey questions, taking into account the interests and constraints of their target. This should be carefully taken into account when analysing the data and, if possible, such analyses should be complemented with quantitative data (e.g. data automatically collected from all invoices registered).
2. **Include available third party data, even if the methodology behind one same indicator may differ** – the point being to provide as many data points as possible on the issue of late payment, that could depict a more nuanced picture of late payment. This is particularly important as, moving from the national to the EU level, the likeliness of collecting harmonised data is more difficult. Nonetheless, the different methodologies should be clearly reported, in order for users to have a complete understanding on how the data has been collected and analysed.
3. **Explore available data sources such as those provided by the public administration, central banks or statistical offices**, as in the case of the LPO and the Platform. This approach, possible at the national level, may be slightly more difficult to replicate at the European level, as the data on e.g. balance sheet collected by Central banks and Statistical Offices may not follow the same definitions and methodology. However, some initiatives can be leveraged such as the European Committee of Central Balance-Sheet Data Offices (ECCBSO) afore mentioned. At the same time, it important to keep in mind that the data collected is rarely the freshest - e.g. the French Statistical institute's current data is still from 2018. That said, this avenue represents, nonetheless, a relevant data source.

In terms of governance, the French model of *Observatoire des délais de paiement* could be taken as an example, as public and private actors are able to dialogue on the same platform. Indeed, being late payment an issue that affects different stakeholders, it can be addressed only by engaging with the whole range of both public and private stakeholders. Thus, the structure of the upcoming EU Observatory on Late Payments should allow for a certain degree of flexibility, so as to easily adapt it to future changes and needs, such as new members or additional functions.

Finally, the Observatory should start with realistic objectives achievable in the medium-to-short term, in order to have the platform up and running in a relatively short period of time. This can be done by leveraging on sectoral organisations and actors that can help with the different activities of the Observatory and with which synergies can be built. At the same time, the functions and scope of the Observatory can be gradually expanded in line with the available resources and data.

4.
Conclusions and recommendations

Chapter 4. Conclusions and recommendations provides suggestions on the indicators that could be integrated as part of the EU Observatory on Late Payments. These are structured around three main sections: i) indicators; ii) implementation and; iii) governance.

I. Indicators

The objective of this exercise was to identify a set of key specific construction indicators to be included in the future EU Observatory on Late Payments. These indicators should be both quantitative and qualitative, allow comparison between sectors and countries, and will be relevant to B2B and PA2B transactions.

Based on the analysis conducted in this report, there are only two indicators that can satisfy the initial requirements set forward. Both of them come from the ECB/EC Survey on the access to finance of enterprises (SAFE) and are referred as frequency and impact of late payment for EU construction businesses – provided that the access to the microdata is provided. Besides these indicators, none of those analysed satisfy the scope and objective of the EU Observatory on Late Payments.

Therefore, a first recommendation would be to develop an EU-27 wide survey to be run annually (or if possible, leverage on the existing SAFE survey), to add to the extent possible additional questions related to late payment. One of the advantages of using surveys relate to the possibility of exploring different dimensions around late payment whether it relates to its causes, state of play, impact, and remedial/corrective measures. Because of its flexible nature, surveys can potentially collect relevant data points for each of these dimensions. Besides "taking a picture" of a given situation, survey would also allow capturing trends. Secondly, using the SAFE survey as a basis would allow limiting the amount of efforts required to collect and analyse the data. In that sense, it matches the easy criteria of the RACER framework, relating to the fact that data collection should be possible at low cost. Thirdly, using the SAFE survey would allow to collect relatively fresh data – published three months after collection, on a regular basis (every year).

However, it is equally important to take into account the downside relating to the usage of survey. More specifically, particular attention should be paid about the phrasing of the questions, or to whom these are meant, in order to get a picture that is the closest to the reality on the ground. For instance, the French LPO observed that asking client to talk about their payment behaviour through a survey is often inappropriate as the respondents tend to provide a rosier picture than the reality. To this end, a proper design of the questions is vital to ensure the least biased answers as possible.

Taking into account these pros and cons, this report provides a list of questions that could be asked to construction companies through the SAFE survey or a new survey (see table below). They cover i) all aspects related to late payment from their causes to the state of play, impact and remedial / corrective measures of later payments; ii) indistinctively PA2B and B2B transactions. These were discussed and validated during a workshop, taking place on 30 June 2021, with representatives from the public and private sector.

Table 7: Possible questions to construction companies

Scope	Objective	Question and target	Unit
State of late payment	Taking best practice from FIBEN – understanding where late payment originates in the supply chain. Asking questions focused on late payment received (rather than sent) avoids issue of under-reporting from survey respondents.	What is the average payment delay from suppliers? For firms in the construction sector, per EU MS.	Days of sales
State of late payment	Taking best practice from FIBEN – understanding where late payment originates in the supply chain. Asking questions focused on late payment received (rather than sent) avoids issue of under-reporting from survey respondents.	What is the average payment delay from clients? For firms in the construction sector, per EU MS.	Days of purchases
Causes of late payment / Remedial/Corrective Measures Addressing Late Payment	Understanding why firms accepted longer payment terms. Combining qualitative responses from Intrum report with additional responses and others to produce a comparable dataset across EU MS.	(If applicable) Why did you accept longer payment terms from ***suppliers?*** For firms in the construction sector, per EU MS.	Menu of options (Select all that apply) • To avoid damaging business relationships • To avoid bankruptcy • Growing macroeconomic uncertainty • Lack of remedial/enforcement measures to enforce on-time payments. • Other
Causes of late payment / Remedial/Corrective Measures Addressing Late Payment	Understanding why firms accepted longer payment terms. Combining qualitative responses from Intrum report with additional responses and others to produce a comparable dataset across EU MS.	(If applicable) Why did you accept longer payment terms from ***clients?*** For firms in the construction sector, per EU MS.	Menu of options (Select all that apply) • To avoid damaging business relationships • To avoid bankruptcy • Growing macroeconomic uncertainty • Lack of remedial/enforcement measures to enforce on-time payments. • Other
Impacts of late payment	Understanding impacts these late payment has had on firms within the sector. Combining previously stated impacts from existing surveys and indicators to produce a comparable dataset across EU MS.	Have late payment from ***suppliers*** had any of the following effects? For firms in the construction sector, per EU MS.	Menu of options (Select all that apply and specify your answer) • Less growth • Reduction in investment • Increased time, cost and resources spent on chasing unpaid invoices • Affected payments to (other) suppliers • Contributed to delay in repayments of loans or need to use additional financing • Affected production of operations • Other

Scope	Objective	Question and target	Unit
Impacts of late payment	Understanding impacts these late payment has had on firms within the sector. Combining previously stated impacts from existing surveys and indicators to produce a comparable dataset across EU MS.	Have late payment from ***clients*** had any of the following effects? For firms in the construction sector, per EU MS.	Menu of options (Select all that apply and specify your answer) • Less growth • Reduction in investment • Increased time, cost and resources spent on chasing unpaid invoices • Affected payments to suppliers • Affected payments to (other) clients • Contributed to delay in repayments of loans or need to use additional financing • Affected production of operations • Other
Impacts/ state of late payment	Understanding quantitatively the resources spent by these firms chasing unpaid invoices. Taken from Atradius report to produce a comparable dataset across EU MS for the construction sector.	Amount of time, costs and resources spent on chasing unpaid invoices ***from suppliers.*** For firms in the construction sector, per EU MS.	Estimated days/ €
Impacts/ state of late payment	Understanding quantitatively the resources spent by these firms chasing unpaid invoices. Taken from Atradius report to produce a comparable dataset across EU MS for the construction sector.	Amount of time, costs and resources spent on chasing unpaid invoices ***from clients.*** For firms in the construction sector, per EU MS.	Estimated days/ €
Remedial / corrective measures addressing late payment	This question attempts to ascertain what corrective measures already exist for firms within the construction industry.	Do you currently use any corrective measures to address late payment? For firms in the construction sector, per EU MS.	Menu of options (Select all that apply) • Commercial dispute through local court • Credit quality assessments / credit checks • Debt collection • Bank guarantees • Credit insurance • Fraud prevention • Factoring • Other
Remedial / corrective measures addressing late payment	This question attempts to understand what corrective measures already exist	How much have these corrective measures saved?	Estimated days/ €

While collecting information on unfair payment practice was considered as part of the design of the survey, this option was discarded. This is explained by several factors: i) asking questions on these issues is sensitive: main contractors may not want to disclose their actual practice, while tier 1 and 2 subcontractors may fear damaging their relationships in case they would participate/disclose information related to unfair payment practice; ii) as these are informal practices, they are often captured by organisations operating close to the ground such as national construction associations (particularly those whose membership focus on SMEs). In that sense, it may be more appropriate to build partnerships with these organisations to get qualitative information on these issues of unfair payment practices. As the issue of late payment becomes more acknowledged and recognised, it is possible to envisage that data on unfair payment practices could be collected through surveys and other complementary means.

While the payment process between PA2B and B2B transactions may differ between and within countries (as shown in the case of Italy in Chapter 3), this survey covers both PA2B and B2B transactions indistinctively. This is motivated by the fact that, to get the state of play of late payment in the construction sector, PA2B transactions cannot be ignored as they are a major player when it comes to public procurement related works and can both negatively or positively affect payment performances. Collecting data points that can be compared over time would hence add value to the initiative. In parallel, the EU Observatory on Late payments could develop a stream of work dedicated to the issue of PA2B in order to i) assess these differences in terms of payment process between EU-27 Member States, ii) draw the implications this would have in terms of collecting PA2B payment data; and iii) start building relationships with relevant actors at the national level, which may already collect relevant data.

In parallel to developing a survey collecting several indicators, the EU Observatory on Late Payments should take stock of what data on e.g. the balance sheets of companies are available across EU Member States through their Central Banks and/or Statistical Institutes. This follows the approach of the French LPO, which started with "what we have". In doing so, it will be important to highlight what information on the balance sheets are actually provided, from which companies and how fresh the data is. In this regard, a suggestion could be to have an open dialogue with the ECCBSO, which publishes a Trade Credit database for nine countries, and identify ways to explore synergies and leverage on the data collected. Likewise, it may be relevant to link up with Eurostat to better understand what data could be collected on the balance sheet of companies through Eurostat or outside. Based on the data available, the EU Observatory on Late Payments could develop its own indicators to e.g. assess the prevalence of late payment, building on existing efforts at national level – for instance, it could follow the same calculations used in the French LPO.

Going beyond the scope of indicators, it may also be relevant for the EU Observatory on Late Payments to collect late payment data points available in the EU Member states (through public or private sector provider). As shown through both the Italian and French initiatives studied in this report, they included robust data (even though not necessarily in line with their own indicators or methodology) to provide a more nuanced information about late payment. In doing so, the Observatory could become a place to get relevant information on late payment, and generate further evidence-based and discussions on this issue.

II. Implementation

One of the key steps for the EU Observatory on Late Payments will be to define its objectives, which will in turn determine its key performance indicators and activities. In this regard, the lessons learnt from French LPO reveal that it is important to set realistic objectives that can be achieved, rather than formulating ambitious and broad goals. In doing so, the Observatory can demonstrate progress in the short-term, maintaining a certain level of momentum around the initiative.

The Observatory should be thought as an entrepreneurial initiative that can evolve and change over time – whether in terms of objectives, members, mission and set-up. In this regard, while it is important to set a proper roadmap of actions, it is equally important to leave room for some flexibility, so as to allow the Observatory to exploit unanticipated opportunities as they arise. In doing so, it avoids falling into the trap of becoming an administrative machine, and adopting a passive approach. This is even more important in a context where there is very limited data which can be exploited to develop indicators, and where there is still a great deal of work and analysis to do when it comes to addressing the issue of the lack of data on late payment.

III. Governance of the Observatory

Late payment is a complex issue that cannot be tackled by either the public sector, or the private sector. It is hence important to include both types of actors in the governance of the Observatory. Each of these actors can bring to the table a unique set of insights, which can help providing a more complete picture of late payment in a given country/region. More importantly, having both actors also allow fostering interactions and knowledge and experience sharing. At the same time, doing so in the context of the Observatory allow for having evidence and fact-based discussions and debates, which may lead to the development of new policies and schemes. Being positioned at the EU level, the added value of the EU Observatory on Late Payments will naturally lie in the fact that it can help participants exchange experience – whether success or failures, between countries.

As for the implementation process, the governance of the Observatory should provide for some flexibility in order to keep the momentum and size new opportunities. This is important as members' interest and engagement can vary over time. In this context, being able to welcome new members, which can contribute actively to the mission of the Observatory (by e.g. providing additional data on late payment) is an important aspect: it keeps a certain degree of engagement and interest, and allows the Observatory to generate some level of traction as the preferred place to discuss and share knowledge on late payment.

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