EU Payment Observatory

G2B late payments

4th Thematic Report

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ANCE – Associazione Nazionale Costruttori Edili

APP - Average payment period

B2B – Business to Business

CJEU - European Court of Justice

DGFiP - Direction Générale des Finances Publiques

DSO – Days Sales Outstanding

EU – European Union

G2B - Government to Business

IEDOM - L'Institut d'émission des départements d'outre-mer

MEF – Ministero dell'Economia e delle Finanze

NRRP - National Recovery and Resilience Plan

PMCM – Plataforma Multisectorial Contra la Morosidad

SME - Small and medium enterprises

Introduction

A surge of new initiatives, including a proposal for a Late Payments Regulation, highlights the renewed emphasis that public authorities across the EU are placing on reducing late payments. However, to truly demonstrate their commitment, governments must address a type of delayed payment they can directly control: their own.

Suppliers have long been complaining about Government to Business (G2B) late payments. Given the importance of the public sector for the entire economy, these delayed transactions have an impact on cashflows and can have severe consequences on the liquidity of companies, particularly for SMEs and for those sectors more reliant on public procurement, such as construction and healthcare. They can thus be a driver for unemployment, impact the expansion of companies and their modernisation, affect the digital and climate transition and ultimately hamper economic growth.

Because of their stable revenue streams, their credibility and the fact that delayed transactions go against governmental interests, public administrations should be expected to be reliable payers. As they are the ones establishing legal payment terms, they are supposed to be the first to respect them, particularly as they are held to higher accountability standards than businesses. In addition, to foster a culture of prompt payments, public administrations should act as a model for the behaviour they expect from the private sector.

Yet late payments from public authorities persist, as shown by the multiple European Commission referrals of Member States to the European Court of Justice (CJEU), and by data provided by suppliers. The reasons are a combination of structural, organisational, liquidity and behavioural. Although many governments have adopted initiatives to address the problem, their efforts have often proved to be insufficient. Moreover, data, which should be easy to collect, are very scarce and limited, which makes assessing the magnitude of the problem challenging. This lack of transparency complicates efforts to hold public entities accountable and to drive meaningful improvements.

Despite these challenges, there are positive developments. Increased complaints by suppliers have made the issue more salient. Digital innovations favour optimised public accounting, effective payment processing and a better monitoring of G2B transactions. Some EU Member States, including France, Spain and Italy, have deployed plans and strategies to tackle late payments by public administrations. While these efforts are not flawless, they have helped to reduce payment times.

This report aims to provide a deep understanding of the issue of G2B late payments through a combination of desk research, interviews and data analysis. It examines underlying causes, available data and the effectiveness of Member State strategies. By assessing existing information, it also aims to pinpoint the data shortcomings that create obstacles to a more comprehensive analysis.

The relevance of G2B late payments

G2B late payments have consequences for the entire economy. Government expenditure represented 49.6 % of EU GDP[2] in 2022. In 2023, the volume of unpaid liabilities of governments resulting from transactions of goods and services has been calculated by Eurostat at 1.7 % of EU GDP, for a total value of EUR 282 billion[3]. Although not all of them are late payments, these represent billions of euros that are not being pumped into the economy. Any lengthening of public administrations' payment periods thus has a clear effect on cash flows in the EU.

Equally, the impact of late payments on companies is well known. They affect their liquidity and can have consequences that range from hampering their expansion to causing layoffs and even bankruptcies. Larger companies have more capacity to absorb these impacts, but the effects are more severe for SMEs. On top of that, late payments result in more late payments, creating a ripple effect that is difficult to stop[4].

Public administration suppliers also suffer these consequences. Certain sectors, such as construction and the critical field of healthcare, are particularly vulnerable as they depend heavily on government contracts. For many firms in these sectors, G2B late payments can have dramatic consequences. Checherita-Westphal et al. show that there is a correlation between late payments by governments and increased bankruptcy rates, leading to reduced profits and a slower economic growth. In addition, when government payment periods lengthen, the likelihood of bankruptcies in the entire economy increases[5].

It is in their own interest for governments to prevent this from happening. Late payments hamper growth objectives, cause unemployment and, by slowing down the economy, they also end up reducing tax revenues. This affects the ability of governments to set up new initiatives, and paradoxically, because of the ripple effect, increases the likelihood of G2B delayed payments. There is also a direct impact on other governmental projects, such as digitising the economy. Around 50 % of surveyed companies in the EU reported that lack of liquidity due to late payments impacted their ability to pursue digital innovation in 2022[6]. Green transition and sustainability investments suffer a similar effect. As stated in an opinion by the Fit for Future platform: 'A company that is paid late has no time nor capacity to invest and become more digital, more green, more sustainable and more resilient. Addressing late payment therefore is necessary to create the conditions for a successful triple transition of the economy as a whole (green, digital, resilience)'[7].

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[2] Eurostat (2024), 'Government expenditure by function – COFOG', https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_expenditure_by_function_%E2%80%93_COFOG#EU_general_government_expenditure_stood_at_49.6_.25_of_GDP_in_2022.

[3] Eurostat (2024), 'Government deficit/surplus, debt and associated data', https://ec.europa.eu/eurostat/databrowser/view/gov_10dd_edpt1__custom_12604758/default/table?lang=en

[4] EU Payment Observatory (2023), Annual report, https://single-market-economy.ec.europa.eu/document/download/bf257acd-ba43-49b8-92a0-dddac6faa6e5_en?filename=EU%20Payment%20Observatory_Annual%20Report%202023_EA-05-24-155-EN-N.pdf.

[5] Checherita-Westphal, C., Klemm, A. and Viefers, P. (2016), 'Governments' payment discipline: The macroeconomic impact of public payment delays and arrears'.

[6] EU Payment Observatory (2023), Annual report, p. 22.

[7] Fit for Future Platform (2021), Opinion on the Late Payments Directive, p. 4, https://commission.europa.eu/system/files/2023-04/Final%20opinion%202021_SBGR2_06%20Late%20payments_fup_0.pdf.

There is evidence that when governments take action to reduce their own late payments, there are positive effects for the economy and for society as a whole. Between 2012 and 2014, Spain initiated measures to reduce public administrations' delayed payments. These were found to have had a positive effect of between 0.3 and 0.6 % of GDP, and 0.4 and 0.7 % on employment[8]. In addition, a study by Conti et al. assessing the impact of the Late Payments Directive on G2B activities shows a fall in the amount of bankruptcies amongst government suppliers. This was more pronounced in those sectors that were more dependent on public administration transactions, as well as on those with a larger share of SMEs and on countries with longer payment terms[9].

Moreover, governments play an important role in creating an environment that ensures commercial transactions are paid on time. To reduce late payments, a cultural shift is needed and governments should act as catalysts for change. Late payments have become more salient in recent years. Businesses are raising their voices and multiple initiatives have been put in place both from the public and private side. This includes the proposal for a new Late Payments Directive and the setting up of new late payments observatories such as the EU and the Spanish ones. However, despite all these actions, companies will find little incentive to improve their payment practices if the government itself is not paying on time. If public administrations do not change their structure and invest in the appropriate tools and resources to ensure payments within the statutory terms, it is very unlikely that businesses will make similar efforts. Likewise, messages on the importance of combating delayed payments will have little effect on business behaviour if the government does not prove its commitment to reducing late payments by also educating its civil servants, tackling its own unfair payment practices and publishing public administration payment periods. The creation of a culture of prompt payments requires a government that leads by example.

The current EU regulatory situation

POLICY MEASURES

Since 2011, late payments have been regulated by Directive 2011/7/EU, the Directive on combating late payments in commercial transactions (the 'Late Payment Directive'). This aims to ensure firms are paid within a reasonable timeframe. It covers both Business to Business (B2B) and Government to Business (G2B) transactions.

The rules applicable to commercial transactions between public authorities and firms are defined under Article 4. It requires public authorities to pay within 30 calendar days following receipt of the invoice. However, if the invoice is received before the delivery of the goods or the execution of the service, the time will start to be counted only after that has happened. Also, if there is a verification procedure of the conformity of the goods or services, as is quite

[8] Banco de España (2015), 'Los mecanismos extraordinarios de pago a proveedores de las administraciones públicas en España', p.
21, https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/15/Fich/do1501.pdf.

[9] Conti, M., Elia, L., Ferrara A.R. and Ferraresi, M. (2020), 'Government late payments and firms survival', Evidence from the EU, http://www.siepweb.it/siep/wp/wp-content/uploads/repec/1589555501Conti_et_al_WP_SIEP_753.pdf.

common in, for instance, construction contracts, the 30-day period starts once the verification completed.

Article 4 also contains two exceptions which enable Member States to extend payment terms to up to 60 days. These are: (i) if the authority carries out specific industrial or commercial activities that require additional transparency requirements; and (ii) if the public entity is providing healthcare.

Many Member States have used these exceptions. It is common across the EU to have longer payment terms for healthcare, for instance. In France, payment terms to healthcare suppliers are 50 days, and the same for the defence sector. Italy allows 60 days in the healthcare sector, and payment terms are also extended in many defence contracts. Member States such as Malta and Romania also allow for a 60-day payment period in the case of public health entities.

In September 2023, the European Commission proposed new legislation to combat late payments. The main change to G2B transactions is that a maximum payment period of 30 days has been imposed on all public authorities, putting an end to the two exceptions above. Other changes relate to complex commercial transactions between firms and public authorities. These concern how compensation fees are calculated, the verification of goods or services that can now only happen when they are duly justified, and payment terms.

INFRINGEMENT PROCEDURES OPENED BY THE EUROPEAN COMMISSION

Since the implementation of the Late Payment Directive, the European Commission has had to warn seven Member States and refer five of them to the CJEU for their application of the Directive in relation to the late payments of their public administrations.

Italy's case is the most well-known. The European Commission had initiated an infringement procedure for G2B late payments as early as 2014. There was also evidence of unfair payment practices in which Italian public bodies postponed the issuance of work progress reports to delay payments for public works. In 2017, the European Commission referred Italy to the CJEU, which finally ruled against the Italian authorities in 2020.

In 2015, the European Commission launched an infringement procedure against Spain for poor payment performance of its public sector. Six years later, in 2021, a reasoned opinion was sent to public authorities in Spain. While significant efforts and developments to improve the payment periods of central authorities had been observed, the payment delays of regional and local authorities remained above the limits set by the Directive. This case has not been referred to the CJEU since.

The European Commission has initiated two further infringement procedures against Italy. The first case, in 2021, was against judicial authorities for excluding the acquisition of wiretapping equipment for criminal investigations from the scope of the Late Payment Directive. The case was referred to the CJEU in June 2024.

This case shows another aspect of late payments by the public sector, that is, late payments owing to exclusion from the provisions of the Late Payment Directive of sectors of the economy other than those laid down in Recital (8) and Article 1 of the Directive[10]. In this specific case, the claim against Italy is that an entire sector of the economy (payments for legal expenses provided by external suppliers for the administration of justice) has been unlawfully excluded from the scope of the Late Payment Directive, without a prior preliminary ruling of the CJEU[11].

The second case concerned payment practices in the healthcare sector in the region of Calabria and was closed in 2024. The multiple problems identified in Italy have led to late payments being included in its National Recovery and Resilience Plan (NRRP).

In 2017, infringement procedures were also started against Portugal and Slovakia for excessive payment delays of their public administrations. In the case of Portugal, this related to several layers of the public sector and in particular to the regions of Azores and Madeira. For Slovakia it was about payments from public hospitals to suppliers. Both Member States were referred to the CJEU in 2023. In July 2024, the court ruled against Portugal for the payment delays of the Portuguese public sector and in September it ruled against Slovakia for the payment delays of public hospitals[12].

In 2019, the European Commission initiated infringement procedures against Belgium because of the late payments of its public sector and against Greece for delayed payments by public hospitals. In each of these cases, it was emphasised that the persistence and pervasiveness of the G2B payment delays were hampering the competitiveness of businesses and putting their viability, especially that of SMEs, in jeopardy. Both Member States were referred to the CJEU in November 2023. In addition, a separate case was filed against Greece because of an unfair practice in which hospital contractors agreed to waive their rights to receive interest and compensation for recovery costs for late payments in exchange for immediate payments.

In April 2024, the European Commission opened an infringement procedure against Romania for the excessive payment delays of public hospitals to independent pharmacies[13].

In addition to the before mentioned infringement procedures, at the request of a Spanish regional administrative court, in 2022 the CJEU ruled against national schemes that made 60 days the de facto maximum period time allowed in G2B transactions. As a direct consequence, the Belgian government modified its public procurement law reducing G2B payment terms to a maximum of 30 days including the verification period, with only the two exceptions mentioned in the EU Directive.

These cases and the positive rulings are testament that late payments in G2B transactions exist in many Member States. As the communications of the European Commission indicate, this payment behaviour hampers the competitiveness and resilience of affected businesses

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[10] Directive 2011/7/EU does not apply to transactions with consumers, payments under law of cheques and bills of exchange, and payments related to damages. Member States may also exclude payments related to debts in the framework of insolvency and debt restructuring proceedings.

[11] In addition to the ongoing Court proceedings in Case C-324/24, the Italian Supreme Court submitted in 2024 three preliminary rulings to the European Court of Justice (CJEU) on the compatibility with the notion of commercial transactions according to the Late Payment Directive of the transactions with providers of wiretapping equipment in criminal investigations (Cases C-156/24, C-157/24 and C-183/24).

[12] Cases C–487/23 (Commission v Portugal) and C- 412/23 (Commission v Slovakia).

[13] https://ec.europa.eu/commission/presscorner/detail/en/inf_24_1941.

and ultimately are an obstacle to the Single Market and 'the proper functioning of the economy'[14].

Data availability

To understand the magnitude of G2B late payments in the EU it is necessary to have good quality data, although the infringement procedures and referrals by the European Commission already indicate that, at least in certain Member States, this is a problem. Data on late payments by public administrations exist, but they are very limited. Less data exist for late payments in G2B transactions than for B2B, which are also scarce[15]. In total, it has been possible to collect 14 sources on delayed payments by public entities. Half of these are provided by governments, while the other half come from suppliers. Data available on public administrations' payment performance also have relevant limitations in terms of scope, methodology, quality and comparability. The discrepancies between the data collected by suppliers and that provided by governments creates another significant problem.

LACK OF DATA

Of the 27 EU Member States, six publish data on the payment performance of their public administrations: Belgium, France, Ireland, Italy, Portugal and Spain. Cyprus does not publish data, but it has provided them to the EU Payment Observatory. France, Italy and Spain publish the most comprehensive data, offering a complete overview of payment performance across their entire public sectors. Portugal also publishes a significant amount of data. However, its central and regional administrations only provide information on public entities that take over 60 days on average to pay.

More information on the data available by Member States can be found in Table 1.

Table 1: *G2B late payments data available from government sources in EU Member States*[16]

	Since	Averages All G2B	Averages Central	Averages Regional	Averages Local	Data by public entity	Other
BE	2021	No	Yes	No	No	No	
CY	2020	Yes	No	No	No	No	
FR	2006	Yes	Yes	Yes	Yes	Per ministry, and local authority (*communauté*) with a population of more than 3 500 (will be expanded to all by the end of 2024).	Distinction between external expenses tied to running the government and external contracts. Aggregated data is available at the level of regions,

[14] European Commission (2024), Late payments: Commission seeks clarifications from Italy and Slovakia, https://ec.europa.eu/commission/presscorner/detail/en/IP_14_689.
[15] EU Payment Observatory (2023), Annual report, p. 7, https://single-market-economy.ec.europa.eu/document/download/bf257acd-ba43-49b8-92a0-dddac6faa6e5_en?filename=EU%20Payment%20Observatory_Annual%20Report%202023_EA-05-24-155-EN-N.pdf.
[16] Links to all sources can be found in Annex 2.

							departments and communes.
IE	2009	No	Yes	No	No	Central government departments and agencies	
IT	2019	Yes	Yes	Yes	Yes	Central government Regional administration Local entities Healthcare entities	
PT	2009	No	No	No	Yes	Municipalities Healthcare entities Public enterprises Central and regional administrations with an average payment period (APP) of more than 60 days (entity level)	Average of the healthcare sector and of public enterprises
ES	2014	No	Yes	Yes	Yes	Central government Regional administration Local entities Social security public entities	

There are also some sources from the supplier side, which all come from surveys. The Intrum European Payment Report has the greatest coverage as it includes data on reported average payment periods (APPs) by suppliers of the public administrations of 20 Member States in all sectors. The Austrian Business Check also publishes information on G2B transactions in Austria for all sectors. As well as this, the *Plataforma Multisectorial Contra la Morosidad* (PMCM) runs and publishes a survey about G2B transactions in Spain. For sectorial data, MedTech Europe has provided non-published data to the EU Payment Observatory on payments by public administrations in the healthcare industry in seven countries, based on a survey of their members. Three sectorial sources also exist on the supplier side in Italy. The Italian Construction Association (*Associazione Nazionale Costruttori Edili*, ANCE) has provided the Observatory with data reported by suppliers in the construction sector that are not publicly available, while *Farmindustria* and *Confindustria* publish data on the healthcare sector.

In six Member States (Estonia, Malta, Latvia, Lithuania, Luxembourg and Romania) there is information on all transactions, but no 2023 data that directly address G2B late payments.

Against this background, it should be noted that in its first reading of the European Commission's proposal COM(2023)533 on a new Regulation on late payments in commercial transactions, the European Parliament introduced specific reporting obligations for public authorities. According to the amendment voted by the European Parliament in April 2024, public authorities would be obliged to report regularly on payment performance, with a detailed breakdown of payment delays (for example, payments made from 1 to 30 days, 31 to 60 days, and 61 to 90 days after the statutory payment term). This information should also be made widely accessible[17].

[17] https://www.europarl.europa.eu/doceo/document/A-9-2024-0156_EN.html.

DATA LIMITATIONS

Comparability between the different sources is difficult because of the lack of harmonisation. On the side of the debtors, every government follows a different methodology while collecting and processing data. For example, the formulas to measure APPs vary. As well as this, the scope covered differs according to Member State. For instance, Belgium only publishes data at federal state level, while for Italy and Spain there is data at every government level as well as on almost every public entity. However, while Italy publishes averages of all G2B transactions, Spain does not, only disclosing those at different government levels (central, regional, local and for social security entities). There is also variation in the indicators measured. Five Member States publish data on APPs, but data from Ireland is on the share of invoices and values paid within 15 days, while Cyprus provides information on percentage of invoices paid in different timeframes. On top of this, each Member State also covers other indicators.

Making comparisons between the data provided by Member States is therefore challenging. The use of different methodologies makes comparing data points across sources impossible, it being necessary to analyse each source individually. Nonetheless, it is still possible to compare trends that come from different sources.

The data coming from the creditors (the suppliers) are all based on surveys. There is always a risk of low accuracy with survey data, regardless of the source, as they are based on subjective perceptions. This is particularly the case when it comes to APPs, which is the indicator most covered by supplier sources on G2B. The precision of the responses cannot be taken for granted. That would mean that companies that have filled in the surveys had a very coherent, consistent and detailed accounting which allowed them to extract payment period data and then analyse them to arrive at accurate figures. This is something that, even though it is becoming more and more possible thanks to eInvoicing[18], is not required of survey respondents.

Nevertheless, and although a proper analysis should always take the above-mentioned limitation into account, surveys can still provide valuable insights. In particular, only the Intrum and MedTech sources allow for cross-country comparison as they cover several Member States following the same methodology, so these are fundamental in evaluating how Member States fare in relation to each other. Equally, as the Intrum Payment Report has been produced for many years, it can give relevant information about trends.

DATA DISCREPANCIES

The data limitations mentioned above have already indicated that comparison between governmental sources and supplier sources is not possible. This is indeed confirmed when the 2023 data on APPs provided by France, Italy and Spain (the three Member States that publish enough information) are compared with those of the Intrum survey. As can be seen in Table 2, Intrum values more than double in time those provided by governments. The only exception is in the upper limit for Spain. This corresponds to the averages of local entities,

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[18] EU Payment Observatory (2024), 'How electronic invoicing helps reduce late payments in commercial transactions', https://single-market-economy.ec.europa.eu/document/download/8970b069-89d5-4153-a417-fcd908988ca7_en?filename=E-invoicing%20Thematic%20Report_Final_N.pdf.

which in any case are 18 days less than the Intrum average for the whole of the Spanish public sector.

In consequence, the data provided by governments and those coming from suppliers cannot be compared, at least not data point by data point, as they tell us different stories. The former signals that public administrations are more or less abiding by statutory payment terms. Intrum data, however, point to governments not complying with those terms by a big margin.

Table 2: *Average payment period by source, 2023*

2023	Government (DSO)	Intrum (average payment times)
France	18	64
Italy	33	71
Spain	Between 11 and 41	69

Note: Spain does not provide averages on all G2B transactions, but it does publish averages at central, regional and local level and those of social security entities covering the entire public sector

As already highlighted, those differences are explained by the data limitations mentioned in the previous section and in particular the different methodologies. Government data are normally collected on the basis of transaction information using online software and following a consistent and systematic methodology that varies country by country. Suppliers' data are based on surveys and therefore on respondents' perceptions. In the case of Intrum the same methodology is used to cover different Member States.

Equally, data provided by the authorities tend to focus on the payment performance for those invoices that have been paid (out of the universe of received invoices), whereas data from surveys take into consideration the whole universe of invoices (paid and unpaid). However, data by surveys are based on a sample, whereas those provided by public authorities take all transactions into account.

Another difference between the two types of sources is that governments use the metric Days Sales Outstanding (DSO) to measure APPs. DSO weighs the time in relation to the amounts due, meaning that the delay with an invoice for a bigger amount will have more weight on the final number than that of an invoice for a lower amount. However, surveys like Intrum do not include any weight as they are simply the result of the compilation of answers on average payment times provided by suppliers via a survey, with no weighing required.

The way governments and suppliers report when the time starts counting ('*dies a quo*') may also explain differences in payment times. The Late Payment Directive states that it only starts counting from the moment an invoice has been verified and approved and the good or service has been delivered, and that is the rule that governments follow. However, a supplier may consider that the clock starts ticking earlier, that is, when the invoice was initially sent. Equally, invoices may contain errors that make it necessary to reissue them. For public administrations, that implies putting the clock back to zero, while the supplier is likely to consider the issuance of the original invoice as the starting point to counting the time.

Another element that may come into play with these discrepancies is the existence of unfair payment practices that extend payment times in a way that is not registered by public authorities but is accounted by suppliers. This includes, for instance, unjustifiably extending verification periods. More information on unfair payment practices can be found below.

Data analysis

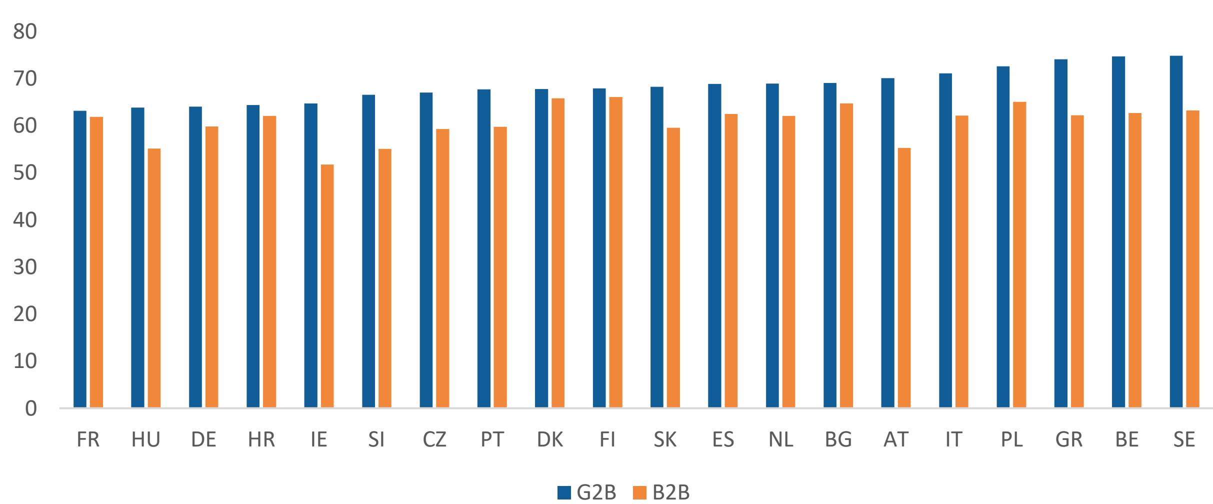
The limitations mentioned above hamper the analysis of the data on G2B transactions. Given the different methodologies used and the divergences between the data coming from governments and those from suppliers, this data analysis focuses mostly on trends, rather than analysing and comparing individual data points. When a source covers more than one Member State, comparison between countries is also possible, but not when the data come from different sources.

SUPPLIERS' VIEWS

According to Intrum, suppliers report that the public authorities of every Member State covered pay on average later than 60 days, which means that they are on average late payers. In **Figure 1**, the data show the public administrations of Sweden, Belgium and Greece were the latest payers in 2023. As mentioned earlier, Belgium and Greece have already been referred by the European Commission to the CJEU for late payments in their public sector. While the public authorities of France, Hungary and Germany are the ones said to pay earliest, they also still pay on average late. France has been taking measures against late payments for a longer period and has had a French Late Payment Observatory (*Observatoire des délais de paiement*) since 1991. Despite having many measures to reduce G2B late payments, other Member States, such as Italy and Spain, still appear to have payment times above the EU average.

Intrum data also show that, in each of the 20 Member States considered, suppliers report that public authorities pay later than businesses. The greatest differences are seen in Austria, Ireland and Slovenia, while the difference in APP between G2B and B2B transactions is lower in France, Finland and Denmark.

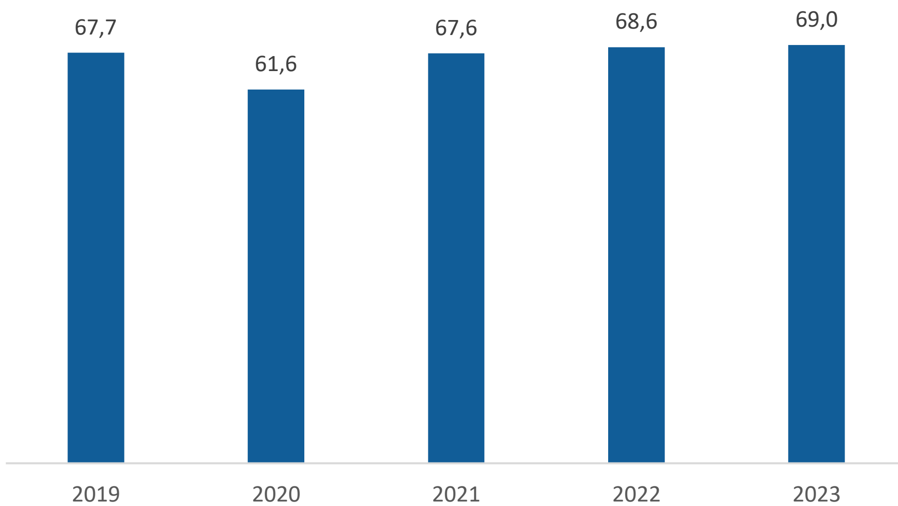
Figure 1: *Average payment period according to suppliers in days, 2023*



Source: Elaboration of the EU Payment Observatory on the basis of the Intrum Payment Report.

Suppliers indicate that late payments in G2B transactions have gradually been deteriorating since 2020 as can be seen in Figure 2. The situation is now worse than in 2019, with no improvements seen since 2020, when Covid support measures may have made public administrations seem more diligent in avoiding late payments.

Figure 2: *Average payment period in the EU in days, 2019–2023*



Elaboration of the EU Payment Observatory on the basis of the Intrum Payment Report.

GOVERNMENT DATA AND COMPARISON WITH SUPPLIERS' TRENDS

As mentioned, government data do not allow for cross-country comparison because each Member State follows different methodologies. However, in the three countries for which APPs for the entire G2B sector are available – France, Spain and Italy – it is possible to compare the trends reported by suppliers with those provided by the governments.

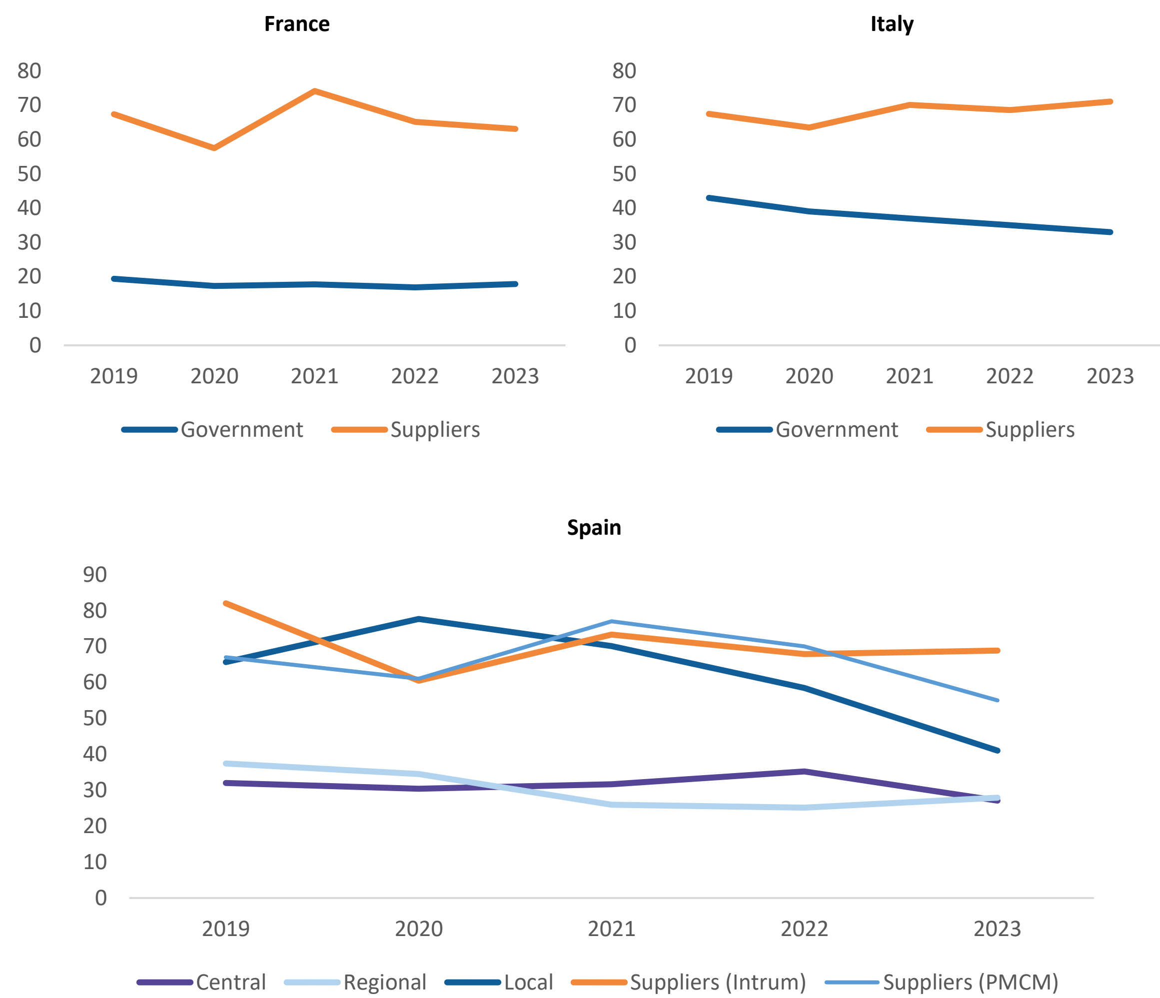
As can be seen in **Figure 3**, in France and Spain, governments and suppliers both report an improvement of APPs by public administrations since 2019. In Italy, government data also show a steady decrease in payment times since 2019. However, suppliers report an overall increase, even though there were reductions in 2020 and 2022.

Governments in the three countries also report more gradual changes than suppliers do. This is probably because supplier data is based on perceptions, which are volatile by nature as they rely on the specific experience of the respondents. Furthermore, their surveys are built on samples. As a consequence, an individual change will affect their final average more than government-provided information, which is based on all transactions.

In France, the data published by the government and that provided by suppliers go in the same direction every year, except in 2023, when payment times decreased (according to suppliers) and increased in public administrations' data. However, the oscillations are way more pronounced for suppliers than for governments, as debtors reported sharp 2020 decreases and 2021 increases. In Italy, the gradual decline in payment times published by authorities contrast with the shakier and ultimately upwards scenario reported by suppliers.

Spain has the particularity of having two supplier sources covering G2B transactions of the entire public sector, Intrum and the *Plataforma Multisectorial Contra la Morosidad*. As expected, they both report higher payment times in 2020 than the government does, excepting local authorities. They also show an overall decline in payment terms, as do government data. Nonetheless, their data oscillates more than those of public administrations. Particularly noticeable again are 2020 and 2021, years for which suppliers report a significant decrease in payment times, followed by a sharp increase that is nowhere to be seen in government data.

Figure 3: *Average payment period in France, Italy and Spain, government v supplier data, 2019–2023*



Sources: Compiled by the authors from data from the Intrum Payment Report, the French Late Payment Observatory, the Italian Ministry of Economy and Finance, the Spanish Treasury and the Plataforma Multisectorial Contra la Morosidad.

For other Member States, data limitations make any comparison between supplier and government data impossible. Suppliers measure APP for all public administrations. However, the other governments that make payment data available do not cover all G2B transactions.

The one exception is the Cypriot government, which does provide data on the entire public sector, but not on APP. Moreover, there are no supplier data available in Cyprus.

In any case, the government data available in other Member States (Portugal, Belgium, Ireland and Cyprus) show a varied picture, with some countries reporting improvements in the payment performance of covered public administrations and others indicating a deterioration.

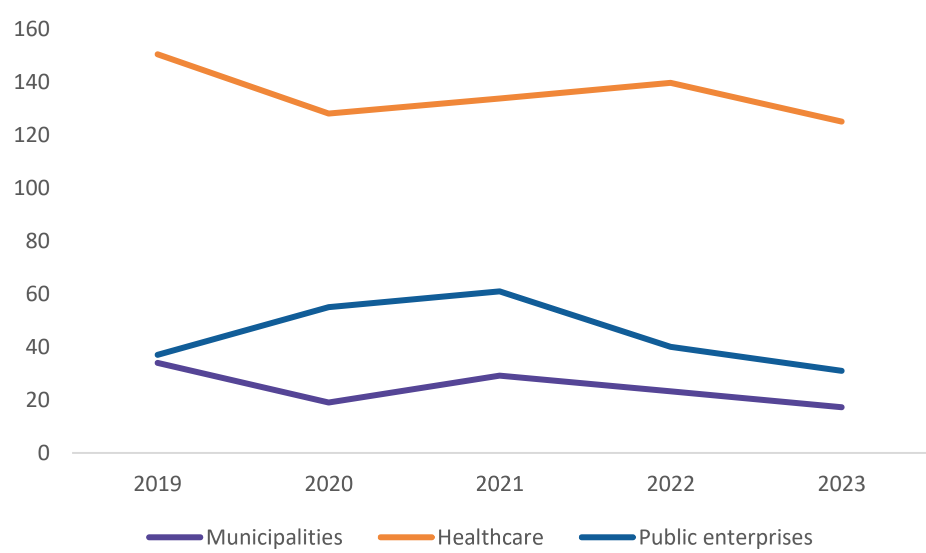
Portugal

The Portuguese government publishes data on the APP of public enterprises, municipalities and the healthcare sector. Data since 2019 show an overall positive trend but with an average DSO that remains very long in some cases.

As can be seen in Figure 4, public enterprises' payment times significantly increased from 2019 to 2021, bringing the average to over 60 days. Since then, a parallel decrease can be observed, resulting in an overall reduction of payment periods since 2019. The data on municipalities, in turn, indicate an important decrease in payment times, which have halved since 2019. This contraction was particularly pronounced in 2020, but it was followed by an increase in 2021. It has been going down again since. In the healthcare sector, the available data indicate very long payment periods of over 100 days that have, however, diminished since 2019. Nonetheless, there were increases between 2020 and 2022 and the average DSO remains extremely high.

Equally, Portugal publishes quarterly data on public administrations at central and regional level that pay in over 60 days on average. At central level the number of administrations with long payment times is not very high; in the past few years it has always been below ten. However, there are a few with extremely long DSOs of over 200 days. At regional level, Madeira and Azores are regularly included on this late payer list. The situation seems particularly dire in the former, where DSO remains consistently above 100 days.

Figure 4*: DSO in Portugal for municipalities, healthcare and public enterprises, 2019-2023*



Sources: Compiled by the authors from data from the Portuguese National Healthcare System, Budget Directorate Generate and BPStat.

Belgium

The only data published by the Belgian public administration are at federal level. They were first published in 2021. Since then, average DSO at central government level has increased from 40 to 46 days. This was because of significant lengthening of payment times in 2022. In 2023 there was a small decrease.

Ireland

Government data from Ireland also cover only central government and measure payments made on time. Although there is a slight reduction of the share of invoices paid on time since 2019, the starting point was very high. In 2019, almost all central administration invoices, 99 %, were paid on time. In 2023, it was 94 %, indicating this year to be the one in which the greatest deterioration can be observed.

Cyprus

The data provided for all G2B transactions in Cyprus relate to invoices paid within specific time slots. A decrease in the number of payments in the first 30 days since 2020 can be seen, and an increase in all other timeframes. In 2023, however, the payments between day 31 and 60 also decreased, while those of more than 90 days increased.

PAYMENT PERFORMANCE PER GOVERNMENT LEVEL

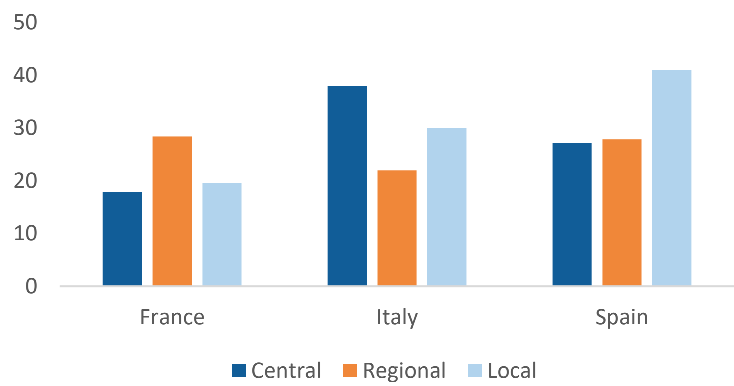
There seem to be divergences across Member States when looking at payment performance at different governmental levels. As shown in Figure 5, the latest payers vary per Member State. In France, it is the regional authorities, in Italy the central government[19], while in Spain local administrations have the longest payment times. This is probably the result of national specificities whereby the size and competencies of every level of government vary by Member State. Cultural, historical and economic elements are all likely to play an important role.

For instance, Spain is a very decentralised country, which means that regional and local authorities control many expenses. They have often incurred late payments because of lack of funds or problems with the transfer of funds collected at central state level. In the past few years, as a case study will explore, many efforts have been made to reduce the liquidity problems of regions. As a result, regional public administrations, which used to be the ones paying later, have significantly improved their payment performance. Although some measures have also been taken at local level, the funds allocated have been much lower and a similar improvement has not been seen.

In turn, in France, the comparatively longer payment times of regional administrations might be because they are in charge of healthcare payments. These have historically been long, with payment delays in overseas regions adding to the problem.

[19] However, there are notable outliers at different levels of administration. For instance, at the local level, the commune of Dernice pays in 200 days on average, while two healthcare service entities in the province of Catanzaro have significantly long payment times, averaging 207 and 110 days. Source: Italian Ministry of Economy and Finance.

Figure 5: *Average DSO by government level, 2023*



Sources: Compiled by the authors from data from the Intrum Payment Report, the French Late Payment Observatory, the Italian Ministry of Economy and Finance, and the Spanish Treasury.

Unfair payment practices and clauses

Payment performance by public authorities is affected by the unbalanced relationship between debtors and creditors. In a transaction between a public authority and a supplier, the former holds a position of power. The supplier is likely to rely heavily on public administrations as clients and does not want to damage that relationship. This can result in late payments, but also in unfair payment practices that impact the liquidity of companies.

Some of the most frequently recurring unfair payment practices and clauses in G2B transactions include:

1) Unjustifiably extending verification periods and/or identifying irrelevant minor issues in invoices that cause them to be rejected, resulting in the need to reissue them, with a new starting time. A typical example is omitting to provide the suppliers with essential elements for issuing the invoice (e.g. order number). The debtors reject the invoice on the grounds that this information is missing, and payment times are extended as a result.
2) Requests to delay or postpone the issuing of the invoice[20]. Public authorities can also ask to cluster invoices so that different orders are paid all at once. This results in the issuance of the first invoices being delayed, even though the goods and services have long been provided.
3) Bans on assignments of the credit (e.g. factoring), once the service or good has been delivered or performed, and the debtor has accepted it.
4) Bans on execution of executive orders of payments issued by a Court.
5) Discounts requested or applied unilaterally by the debtor as a condition of pay, after the payment has become overdue (e.g. 'haircut clauses' and 'clawback clauses')[21].

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[20] For transactions with public authorities negotiating the date of the invoice is prohibited by Article 4 (3) (b) of Directive 2011/7/EU.

[21] See additional information in SEC (2023)314 – Impact Assessment accompanying the proposal for a Regulation on late payments in commercial transactions – ANNEX 10.

6) Requests to waive the right to claim interest or compensation for recovery costs in the case of late payments.

Although these practices affect every company, SMEs are particularly vulnerable. First, SMEs are the ones suffering more from late payments and unfair payment practices because they are more likely to be the weaker side in any business relationship. Second, it is more difficult for SMEs to absorb any costs derived from these practices.

Equally, some sectors are particularly exposed to unfair payment practices, especially those more prone to payment disputes and in which the nature of the delivered service is not so clear cut and needs its own verification procedure. The construction sector is an example of this[22]. In this regard, 61.7 % of the companies surveyed by the Italian Construction Association (ANCE) reported that they had been requested by public authorities to delay the sending of invoices and 53.3 % said they had been asked to postpone the work progress reports that are required for payment. Asking the supplier to waive its right to obtain interest or compensation for recovery costs because of late payments is another unfair practice by public authorities reported by ANCE and mentioned by other suppliers.

Impacts

Taking into account the previous analysis, there is little doubt about the prevalence of late payments in G2B transactions. As has already been established, these late payments have detrimental consequences for the economy as a whole because they affect the liquidity of companies. This reduction of available funds hampers their ability to cover their operational costs including paying their employees, purchasing materials and maintaining systems. Consequently, many affected companies see themselves forced to reduce costs or take loans to withstand the late payments, which has long-term consequences for their operations.

The uncertainty regarding payment time also affects companies' ability to plan for future growth, curtailing as it does their capacity to invest in innovation, expansion and development. The liquidity requirements for public procurement contracts provide a straightforward example of how this can affect government suppliers. As late payments by public authorities can affect company cash flows, prospective bidders that are paid late may not satisfy these requirements and are therefore unable to take part in tenders, thus reducing competition and value for money for the public buyers. Ultimately, late payments threaten the sustainability of not only individual companies but also of the entire economic environment.

In the case of G2B transactions, this is particularly true for those sectors that rely heavily on public contracts, such as healthcare and construction. The next two sections will explore in greater detail how late payments specifically impact these industries.

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[22] Some sectorial associations have recently denounced this and other unfair payment practices. For instance:

- European Builders Confederation (2023), EBC position paper on the revision of the Late Payment Directive, https://www.ebc-construction.eu/wp-content/uploads/20230317-EBC-Position-Paper-Revision-of-Late-Payment-Directive.pdf.
- SMEunited (2023), SMEunited Position Paper on the Review of the Late Payment Directive, https://www.smeunited.eu/admin/storage/smeunited/20230323-lh-late-payment-final-cor.pdf.

HEALTHCARE SECTOR

The healthcare sector is one of the sectors more affected by G2B late payments. Given that this sector is crucial for the well-being of European citizens, the smooth functioning of its supply chain and the economic soundness of its companies should be a priority for European governments. Moreover, the Covid-19 pandemic exposed the risks of producing medical supplies outside the European Union and highlighted the need to strengthen European healthcare companies.

Yet it is one of the sectors that traditionally experiences longer payment times from governments. This affects the liquidity of companies, which can find themselves reaching the point where their viability is endangered. On top of that, the healthcare sector is composed of particularly innovative businesses, many of them SMEs, which, as we have seen, are the ones in a more vulnerable position.

The Late Payment Directive already has a provision allowing Member States to extend statutory payment terms to 60 days for the healthcare sector so that systems can 'reconcile individual needs with the available finances'[23]. Many Member States have made use of this provision. Nonetheless, and as already mentioned, the European Commission has had to refer several Member States, including Slovakia, Greece and Italy, to the CJEU for failing to comply with the statutory payment terms for the healthcare industry.

Suppliers complain of long payment periods that extend beyond those 60 days. MedTech Europe, which represents the medical devices industry, conducted a survey amongst its members. Respondents from the seven Member States covered reported longer than 60 days' average DSO, including more than 200 days in Greece and Portugal.

There are very few data from governments on the payment performance of public administrations with the healthcare industry. The Portuguese government does, however, publish APP for this sector. They are lower than those reported by the medical devices industry – the only supplier source, and they have been descending in the past few years. However, they are still very long. In 2023, the lowest figure registered, was 125 DSO. The French authorities also pay late on average to the healthcare industry. The average DSO in 2023 was 61 days, well over the statutory terms of 50 days[24].

In Italy, on the contrary, G2B APPs to the healthcare industry seem to be lower than the 60 days of statutory payment terms, and have followed a continuous downward trend since at least 2019, as reported by both the government and suppliers. According to the public authorities, in 2023 DSO to the healthcare industry was 38 days. On the supplier side, *Confindustria* reports a higher number for medical devices – 80 days – which, however, is still much lower than in other Member States[25]. Meanwhile, *Farmindustria* reports that for pharmaceutical suppliers it was 51 days[26].

Italian national health service entities are subject to penalties for failing to meet statutory payment deadlines, a framework established by Law 145/2018. This legislation aims to create

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[23] European Commission (2011), Late Payments Directive, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0007.

[24] French Payment Observatory (2024), Annual report, p. 6, https://www.vie-publique.fr/files/rapport/pdf/294704.pdf.

[25] Data can be consulted here: https://www.confindustriadm.it/tempi-di-pagamento/#:~:text=Con%20l'acronimo%20DSO%20si,essere%20superati%20i%2060%20giorni.

[26] Data can be consulted here: https://www.farmindustria.it/documenticategory/tempi-di-pagamento-p.a./.

an incentive for compliance within public healthcare administrations by directly linking the performance bonuses of general and administrative directors to their payment practices. This measure could be one reason for the observed improvements in payment practices within the healthcare sector in Italy. The positive trends in payment periods suggest that a greater sense of accountability and responsibility is emerging within public administrations, which in turn fosters a prompt payment culture. Over the years, Italy has introduced a range of different measures to tackle G2B late payments, including educational initiatives and efforts to address organisational and liquidity issues. This will be further explored in a case study. Notably, the targeted measure of linking performance bonuses to payment times in the health sector has proved particularly effective, to the extent that it has recently been extended to all public administrations. Hence, this stands as a successful example of the effectiveness of strategies aimed at resolving the problem of late payment.

Beyond payment times, healthcare businesses are subject to the same unfair payment practices as other industries. However, the criticality of the sector and the need to ensure continued supply of products and services often leaves them in a vulnerable position. In Spain, for instance, hospital suppliers cannot refuse to deliver goods even if they have not been paid. Not delivering a product would be considered a contractual violation and could expose them to contractual penalties, termination of the contract or disqualification from future contracting with public administrations. As such, the supplier is in the position of only being able to request financial compensation for the delay in payment.

Another mechanism healthcare suppliers deem particularly harmful is the 'clawback' or 'payback', which was put in place in that sector by several countries during the financial crisis. In Greece, this instrument aimed to reduce public expenses and to contain the price of medical supplies. It requires companies to pay back any sum received from public authorities that exceed the amounts originally budgeted. It has been calculated that clawback amounted to 8.6 % of total pharmaceutical expenditure during the financial crisis. From 2016 to 2020 it covered 31.4 % of Greek pharma expenditure[27].

In July 2024 in Italy, the payback tax, which was initially introduced in 2015, was deemed legitimate by the Italian Constitutional Court, after years of disputed legality. The tax concerns regions that exceeded their healthcare budgets between 2015 and 2018, including Tuscany, Umbria, and Friuli Venezia Giulia[28]. Amounting to EUR 2 billion, it has sparked significant concern among regional governments, companies, and business associations such as *Confindustria* about its potential repercussions. PMI Sanità, the national association representing SMEs in the healthcare sector, has called for action to 'save the healthcare system and 200 000 jobs after the Constitutional Court ruling on the payback of medical devices, which risks bankrupting over 2,000 companies'[29].

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[27] Letsios, A.N., Mavridoglou, G., Ladopoulou, D., Tsourdini, D., Dedes, N and Polyzos, N.M. (2023), 'Exploring the impact of clawback on pharmaceutical expenditure: A case study of public hospitals in Greece', *Int J Health Plann Mgmt*, 2023; 38(5):1539-1554, https://doi.org/10.1002/hpm.3679.

[28] Il Sole 24 Ore (2024), 'Regioni più virtuose o meno? Il caso del payback sui dispositivi medici emblematico dei diversi pesi e misure impiegati', https://www.sanita24.ilsole24ore.com/art/aziende-e-regioni/2024-07-30/regioni-piu-virtuose-o-meno-caso-payback-dispositivi-medici-emblematico-diversi-pesi-e-misure-impiegati-164657.php?uuid=AFr0CE9C.

[29] Il Sole 24 Ore (2024), 'Payback dispositivi medici: aziende in allarme, governo al lavoro per una possibile revisione della norma', https://www.sanita24.ilsole24ore.com/art/dal-governo/2024-07-25/payback-dispositivi-medici-aziende-allarme-governo-lavoro-una-possibile-revisione-norma-110018.php?uuid=AFaQnO3C.

CONSTRUCTION SECTOR

Construction is another sector that relies heavily on contracts with public authorities. It constitutes a non-negligible part of the EU economy, representing 10.9 % of EU GDP. Regular late payments can be disastrous for a sector containing numerous SMEs with less capacity to absorb a temporary liquidity reduction. Those negative effects are amplified by the long supply chain of the sector, which often consists of SMEs and micro companies that are very sensitive to payment delays and tend to work with small margins. The extra costs caused by being paid late can quickly put them in a distressing situation.

While the sector represents a significant share of EU GDP, the data available on how firms are paid are limited, with information on public authorities' payment habits being even more scarce. According to experts, tendencies are similar across Member States, but the lack of data makes detailed comparisons between countries complicated.

Nevertheless, there are some national data that can be used as an indication of the current situation with G2B payments. A survey conducted in 2024 by ANCE indicated that public authorities' payment periods are increasing, with 59 % of 278 participating companies reporting payment delays. They also indicate an APP following the issuance of the work progress report (*stato avanzamento dei lavori* or SAL) of 150 days, which highlights the severity of the situation. This payment behaviour is nevertheless not equal across all authorities. In this case it is mainly municipalities (73 %) that pay their suppliers after a very long delay.

Lengthy delays of G2B payments in the construction sector have been a longstanding and increasingly important issue, leading to the sector-specific measures included in the new Late Payment Regulation proposal. It introduces better protection for subcontractors by giving national authorities the ability to verify whether main contractors are paying their subcontractors. Contractors would in this case be requested to provide public authorities with evidence of having paid their subcontractors.

In Spain, specific legislation makes it possible for subcontractors to verify whether contractors have been paid by public authorities using liquidity funds set up to reduce G2B late payments. In this way main contractors are not then able to use the excuse of not having been paid to delay transferring funds to their suppliers.

In the construction sector, the verification procedure to assess the compliance of the works with the contract's specifications is often used to extend the payment period. Public work contracts include several technical specifications, such as the type of materials used, the quantity of material, or the expected number of work hours. When the work is completed, a two-step verification takes place. First, there is a completion of work verification. This very detailed process consists of on-site checks. For large projects, this verification may require significant time. The industry reports that minor 'irrelevant' errors are sometimes raised during this process, requiring additional work for the contractor, which then delays the initiation of payment. After this, an accountant undertakes a second verification. This phase initiates the 'proper' payment process. In this step, the accountant ensures that the submitted invoice aligns with the work that has been done.

National legislation in the EU transposing Directive 2011/7/EU allows for a verification period of 30 days maximum to ascertain the compliance of the works or of the invoice with the contractual requirements. The payment period only starts after the verification has taken place. However, the statutory 30 days can be extended indefinitely, provided that the longer period is not 'grossly unfair' to the creditor. This has led to abusive extensions of the payment terms beyond 30 days, since the concept of grossly unfair is not clearly identified in the law[30]. Businesses in the construction sector have also pointed out other abusive practices that further extend the payment period when verifying the invoice, for example by performing 'last-minute' accountancy checks just before the deadline. Errors that are discovered at this point require the provider to issue a new invoice, which has to go through the same process once more. This prolongs the total payment period, negatively impacting the contractor and the value chain behind[31].

There is, however, a certain degree of responsibility that falls on the contractor. When an invoice is submitted, all details on the invoice have to be accurate. An invoice therefore has to be updated with the final values before being sent to the contracting authority. If contractors verify that their invoice is correct, any potential delays caused by the rejection of an invoice could be avoided[32].

Drivers

Despite being contrary to government interests and having severe economic consequences, G2B late payments are still happening. Liquidity issues are often to blame. Sometimes public authorities simply do not have the money to pay on time. There might be several explanations. It could be the consequence of badly planned budgeting in which public entities overestimate their revenues and/or underestimate their expenses. Although in some cases this can be caused by unforeseen circumstances like the sudden Covid-19 crisis, it is very often the result of poor financial management. For example, a stakeholder from Luxembourg reported that, for several years now, public authorities have informed them at the end of the fiscal period that funds have run out, forcing them to wait several months until the next budget to receive payment. The reason is that services extensions requested throughout the year had not been properly budgeted. Equally, in the French overseas departments, one of the identified reasons for long payment times is that many public orders are carried out in the last months of the year, causing significant backlogs as work accumulates for accountants[33].

Another cause for lack of liquidity of public administrations is the non-transfer of funds by other administrations. Taxes are often collected at central administration level, while being spent in a decentralised manner. Inefficiencies in the transfer of those funds between administrations can cause problems of liquidity. This can be the result of administrative issues and organisational mismanagement. Elements such as fiscal rules may also play a role. The

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[30] This is one of the weaknesses and gaps identified in Directive 2011/7/EU which the Commission's proposal COM (2023) 533 for a new Regulation to combat late payments tried to address. See more in « Call for Evidence » at https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13665-Late-payments-update-of-EU-rules_en.

[31] See for more details: European Payment Observatory (2020), 'Analytical Report: Late payments in the construction sector', https://ec.europa.eu/docsroom/documents/41561.

[32] To address this problem the Commission's proposal for a new Regulation to combat late payments (COM 2023 533) lays down the obligation for the debtor to provide the creditor with all relevant information for the correct issuing of the invoice to ensure that the payment can be processed immediately.

[33] Institut d'emission des departments d'outre-mer (2023), 'Délais de paiement pratiqués par les entreprises et les organismes publics des DCOM', p. 41, https://www.iedom.fr/IMG/pdf/delais_de_paiement_dcom_zone_euro_2022.pdf.

BFF bank looked at Italian data and found a link between public administration DSO and short-term public debt interest rates[34].

Organisational issues are also one of the biggest drivers of G2B late payments. Complexity of payment processes is a common cause. For example, public administrations managing numerous procurement contracts may struggle to process large volumes of invoices efficiently. Similarly, entities dealing with complex contracts may find it challenging to certify service completion or resolve disputes in a timely manner.

Lack of resources is another factor. This may include inadequate financial management tools, insufficient digital infrastructure, or simply not having enough staff to handle payments effectively. Lack of expertise can exacerbate the problem. Even if a public entity has a sophisticated financial management system, the staff may lack the necessary skills to use it effectively.

Internal organisational issues may also pay a role. In France, for instance, the Ministry of Justice consistently has more payment delays than other ministries. According to the French Late Payment Observatory this is the result of a 'particular organization of the Ministry where several networks of shared service centres still coexist'[35]. These deficiencies have been acknowledged by the Ministry and several measures have been implemented, successfully reducing payment times.

Behavioural reasons might also be behind public administration late payments. Public employees are often not aware of the significance of late payments or of their consequences. This might lead them to not prioritise timely payments or to adopt unfair payment practices such as lengthening verification periods or requesting delays in invoice issuance.

Measures

EU Member States have implemented multiple measures to enhance the efficiency of public administration payment processes and reduce late payments. Given the amount of these, providing an exhaustive list is not possible, but an approximation can be found on the EU Payment Observatory website.

Many of the measures taken by EU Member States aim to directly address some of the drivers mentioned before. Others, however, have a broader approach where several matters are dealt with at the same time, making it more difficult to accurately pinpoint a single cause. Also, the objective of the measures is often to improve the efficiency of the public sector, with a reduction of payment times being only a secondary aim. There are very few occasions where the measures are implemented in isolation; rather they are part of wider strategies, comprising several initiatives, and their effectiveness can only be analysed as part of those plans.

Given the diversity of approaches and the varying circumstances in each Member State, there is no one-size-fits-all solution. What works well in one country may not produce the desired outcomes in another because of different organisational structures or root causes. A financial

[34] BFF (2023), Strategy update to 2028, https://edge.sitecorecloud.io/bffbanking-yt799fde/media/Project/BFFWebsites/investorrelations/Eng-PDF/20230627_BFF-2028-Strategy---Ever-more-a-bank-like-no-other.pdf.

[35] French Payment Observatory (2024), Annual report, p. 23, https://www.vie-publique.fr/files/rapport/pdf/294704.pdf.

management tool that helps reduce late payments in one public administration, for instance, may not produce the same effect in another because its problems are linked to the transfer of funds. An educational measure effective in one Member State may have less impact in another because the issue there is more a lack of resources.

Liquidity measures, which gained in prominence during the financial crisis when falls in revenues caused an extension of public administration payment times, are an example of this diversity. They vary widely in form and application. In Spain, loans from the central administration to regional or local entities are common. However, advances and accelerated transfers of funds are also available. In Portugal, exceptional temporary increases of available funds via reallocation can be requested for late payment cases. Italy favours liquidity advances. France, by contrast, prefers more long-term solutions (usually organisational measures) and tends to make use of liquidity assistance only in exceptional circumstances.

Organisational measures are often part of broader initiatives to improve overall public sector efficiency. For instance, several Member States have opted to rationalise public expenditure by centralising the accounting services of different public administrations to a single entity. Examples include the National General Functions Center of Lithuania, which serves 215 state institutions, and the centres for financial management in France. Channelling all interactions with suppliers through a single entity focused on improving financial management practices and efficiency helps eliminate overcomplicated and redundant processes. In 2023, the French centres had an APP of 10.53 days, whereas public administrations with different accounting services had payment averages of around 15 days[36].

Public entities that are digitalising their processes to improve their efficiency, particularly those linked to accountancy and payments, are also seeing a positive effect on late payments. These organisational measures normally work better when they have been deployed after consulting with suppliers. For instance, if a specific software is used to certify the completion of a service, it should be adapted to the circumstances in which that service is conducted, because it is often knowledge that only suppliers have.

One particularly effective digitalisation measure is eInvoicing. In 2014, the EU mandated all public administrations in the EU to be able to receive eInvoices[37] and Member States are increasingly requiring public suppliers to issue them. Although these initiatives are mostly for the purpose of tax collection, there is proof that eInvoicing increases payment efficiency, thereby reducing payment times. It also improves the traceability of invoices and has an overall positive effect on transparency. If it is internal, it improves financial management, and if it is with suppliers, it reduces the possibility of disputes and facilitates the monitoring of late payments[38].

Monitoring is another crucial element in reducing public administration late payments. To tackle these, it is necessary to identify the extent of the issue and which public entities are affected. This is only possible by monitoring late payments, which is something that those Member States most committed to improving G2B payment performance do. By making it

[36] French Payment Observatory (2024), Annual report, p. 23, https://www.vie-publique.fr/files/rapport/pdf/294704.pdf.

[37] Council Directive 2010/45/EU of 13 July 2010 amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing, https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32010L0045.

[38] EU Payment Observatory (2024), How electronic invoicing helps reduce late payments in commercial transactions, https://single-market-economy.ec.europa.eu/document/download/8970b069-89d5-4153-a417-fcd908988ca7_en?filename=E-invoicing%20Thematic%20Report_Final_N.pdf.

mandatory for public administrations to track their payment times, often with the help of an eInvoicing system, and regularly report them, it is possible to know where the problem is and how big it is. To make that analysis, a public entity needs to be able to monitor late payments and given the powers to intervene when necessary. In addition, the more comprehensive the data, the more information there is, which facilitates a more targeted intervention.

This is actually at the core of the efforts made by France, Italy and Spain to tackle G2B late payments, and will be explored further in the case studies. Data collected allow them to intervene in specific public entities so that corrective measures are taken to address the issue. These measures can be directed to improve liquidity, organisational, budget and financial management issues, as well as behavioural ones. In Spain, public authorities with APPs of more than 30 days for two months in a row have to design adjustment plans that ensure a timely settlement of invoices. Although they normally involve a reduction of expenses or the creation of new sources of income, organisational changes are also included. In Italy, these corrective actions used to focus on ensuring a reserve of funds and reduction of expenses. However, a recent reform opts for the design of intervention plans with the help of a Task Force from the Ministry that also tackles organisational issues. In France, following a very collaborative approach, similar reform plans are designed with the support of experts, with the intention of producing long-term change.

On top of that, sanctioning measures are also available. These include the withholding of funds in cases of persistent late payments in Spain and the establishment of administrative monetary sanctions in France. Particularly noteworthy is the tying of directors' bonuses to payment performance in Italy. This model was first tried with directors in the healthcare sector and has now been expanded to the entire public sector.

Educational measures that raise awareness about the importance of late payments and improve the financial management skills of public servants are also important to reduce G2B late payments. These measures include organising workshops and training sessions, providing tools to combat late payments and the setting up of helpdesks. Bilateral meetings to identify problems can also be of help. Equally, the establishment of observatories such as the one in France contribute to the creation of a culture of prompt payments, indicating the importance of the matter for the government.

Other relevant initiatives are those that promote a dialogue between public administrations and suppliers. This is an approach followed in France, in which cooperation with suppliers is encouraged in order to understand their problems, avoid any misunderstandings and improve overall relations. It also contributes to the education of public servants about the importance of late payments.

The following three case studies explore the measures taken in France, Italy and Spain to reduce their public administration payment times. The case studies aim to provide a deeper understanding of how these Member States are organising and implementing their strategies to combat public administrations late payments effectively.

FRANCE

France has been addressing late payments for longer than any of the Member States. The commitment of the French government to reducing late payments dates back to 1991 when the Late Payments Observatory (*Observatoire des délais de paiement*) was established. The

Observatory collects and analyses data on the payment behaviour not only of firms but also of public authorities, publishing its findings in an annual report.

France has introduced measures progressively, with a long-term approach to reducing the payment times of public authorities. The measures focus heavily on long-term objectives and avoid using financial support as a tool to combat payment delays. The *Direction Générale des Finances Publiques* (DGFiP) is in charge of late payments. DGFiP works on identifying root causes, analysing how to better address them by collaborating with both the authority struggling to complete a payment and the suppliers being paid late. It then implements targeted solutions that have lasting effects, where organisational and educational measures take prominence over liquidity ones.

Public administration accountants play a very important role in this process, making it a very resource-intensive endeavour. Accountants have a dual role. First, as they verify invoices and authorise payments, they have to ensure that they act according to legal requirements. Second, they have to track the payment behaviour of both the public authorities and the contractor, uploading all payment information to an online system.

The accountants are also in charge of liaising with and supporting suppliers in cases of late payments – a collaborative approach favoured by French authorities that encourages dialogue and close relationships with suppliers. This method helps to identify problems, avoid misunderstandings and keep the overall relationship smooth so that, when there is a late payment issue, the contractor is sure to be heard. They also participate in finding a solution. In this regard, French public authorities encourage the signing of partnerships between accountant and suppliers, particularly in those sectors and regions more prone to late payments.

An example of the success of this collaborative approach was the establishment in 2023 of a working group that aimed to address late payment problems in the construction sector in collaboration with the industry. A broad arrange of stakeholders participated. A guide to good practice on how to improve payment processes between public authorities and firms in the construction sector was published. The guide is practical and pedagogical, and includes checklists of processes to follow and help to understand online tools[39].

A key to the French strategy is the digitalisation of payments. The first major breakthrough in improving the efficiency of France's public administrations was the introduction in 2016 of the eInvoicing system 'Chorus Pro'. This has been mandatory in all G2B transactions since 2020. To further facilitate and ensure secure transfer of invoices, the DGFiP also introduced the use of EBICS, a standard that allows simple and secure bank transfers for suppliers. The automatisation of payments in certain regular expenses has also been promoted.

The Ministry for European and Foreign Affairs is an example of the success of digitalisation. This has reported APPs of just 7 days in 2023. This good payment performance is credited to software that ensures all accounting processes are digitalised, allowing for modern and efficient methods of payment[40].

Digitalisation also plays a role in DGFiP's monitoring of the correct functioning of accounting services, including compliance with late payments regulations. Using the data collected on

[39] French Late Payment Observatory (2024), Annual report, p. 37, https://www.vie-publique.fr/files/rapport/pdf/294704.pdf.
[40] Idem, p. 23.

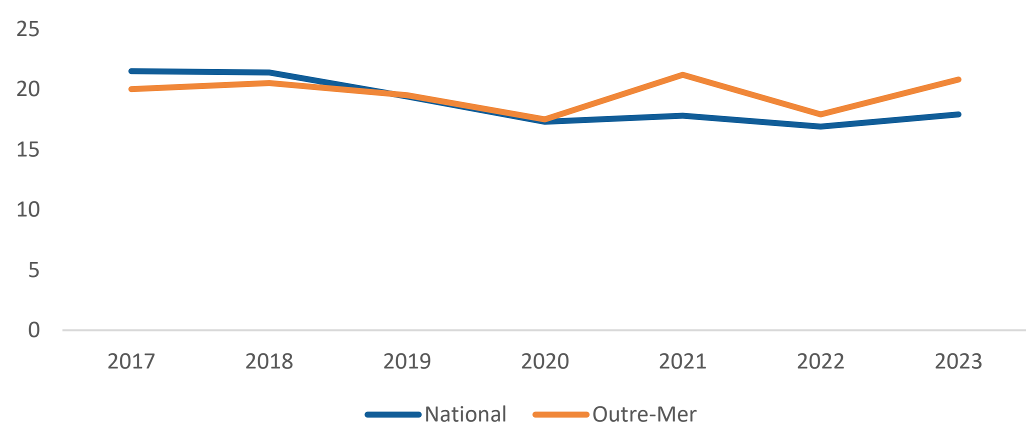
payment practices and times, DGFiP conducts selective expenditure controls. The public authorities conduct reviews based on the severity of the financial issue and its impact on supplier operations. Since 2021, DGFiP has used an AI-based predictive analysis system called TAAP to identify which public authorities to control[41].

French public authorities are also striving to improve efficiency by modernising the organisational structures that manage expenditure. This has been a long process in which public authorities have gradually refined their organisations. In 2005, specific invoicing services were put in place. The *'Centres de gestion financière'* (Centres of Financial Management) is a new structure founded in 2019 to consolidate invoice processing and streamline the expenditure chain by removing redundant controls and reposition others. The results have been very positive and the centres are now being deployed in stages across most of the public sector[42]. In 2023, the APP of those utilising the centres was almost five days lower than those of other public authorities[43].

The French system to reduce late payments is rooted in data. Every G2B transaction is recorded through the Chorus Pro system and the data are used to control payment performance, implement corrective measures and ameliorate payment practices. Public accountability also plays a role through the French Late Payments Observatory. There is a push to increase transparency. Since the 2019 *Loi Pacte* (Pacte law), public authorities have made accessible, in open source, the APP of local communities in France with more than 3 500 inhabitants. All local authorities are to be included in the database by the end of 2024.

The measures taken by public authorities in France to reduce their own late payments seem to be working. According to suppliers, it is the EU Member State where public entities pay the quickest. Government data also show payment times in public procurement consistently below the 30 days statutory payment terms, as can be seen in Figure 6. And, notwithstanding a small increase in 2023, suppliers report a continuous downward path.

Figure 6: *Average payment period in public procurement in France, 2017 – 2023*



Source: Compiled by the authors on the basis of data from the French Late Payment Observatory.

[41] Idem, p. 63.
[42] Idem.
[43] Idem, p. 23.

However, late payment problems persist in certain regions and public authorities. The authorities acknowledge these issues and many have put measures in place. For instance, in certain public authorities there is a drastically different payment behaviour between metropolitan France and its overseas territories. *L'Institut d'émission des départements d'outre-mer* (IEDOM) publishes an annual report on overseas public authorities' payment practices. According to this, the origin of the significant delays found in overseas territories are a combination of structural and cyclical problems in managing funds in public health institutions. The financial resources are often insufficient for executing payments, which results in delays initiating them. According to IEDOM, the recent increases in payment times for overseas departments (see Figure 6) are caused by additional costs incurred during the pandemic[44].

The regional management of overseas territories has put multiple measures in place to improve payment practices. These include modernising procedures, pacing the process and fostering local partnerships with suppliers and local authorising officers. Efforts have also been made to educate and support accountants in the payment process, both to smooth the payment of invoices and to inform them about the potential consequences of not executing payment within the defined period[45].

The Ministry of Justice is the only Ministry taking more than 30 days to pay. The Ministry has identified these late payments as one of its greatest financial risks and is working with DGFiP to implement measures for change.

The healthcare sector is also characterised by long payment times. To address this, the French government introduced a targeted electronic invoicing system in 2020. SFACT was developed to help local authorities and public healthcare institutions to more easily manage the entire invoicing process. The tool standardises how accounting documents are shared and makes electronic invoicing the new standard payment method. Digitalising the invoices also has the benefit of making all invoices easily traceable, therefore facilitating supervision of payment behaviour. Despite this system, however, it seems that the public healthcare sector in France continues to suffer from long payment periods.

In 2020, it paid suppliers in an average of 55.1 days, although the current French regulation only allows for an extended payment period of 50 days. By 2023, this average had increased to 61.2 days. The number of public hospitals that fail to pay suppliers in less than 50 days has also increased, rising from 37.5 % in 2022 to 41.5 % in 2023.

ITALY

Italy has introduced numerous measures over the years to address G2B late payments in commercial transactions. While there were some efforts to combat late payments in place before, the evolution of Italy's approach can be seen as a response to the European Commission's launch of an infringement procedure in 2014 and subsequent ruling by the CJEU in 2020, which significantly accelerated and intensified its actions and measures.

[44] IEDOM (2023), 'Délais de Paiement Pratiqués par les Entreprises et les Organismes Publics des DCOM', https://www.iedom.fr/IMG/pdf/ra_delais_de_paiement_dom_2023.pdf.

[45] Idem.

By the early 2010s, Italy was focused on enhancing transparency and improving liquidity within public entities. This period saw the implementation of several key measures. Public administrations were required to publish annual reports on payment times, total debts, and the total number of creditors. An online system was established to monitor trade debts and cash flows, with online data available to the public since 2014. Mandatory electronic invoicing was introduced in 2015 to streamline payment processes. To address liquidity issues, Italy set up extraordinary tools to provide liquidity advances to public administrations. The aim of such measures was purely economic: to accelerate debt payments 'with benefits for the entire national economic system through the transfer of liquidity to companies'[46].

By 2017, Italy faced further scrutiny from the European Commission. Systemic payment delays saw this culminate in a referral to the CJEU[47]. This paved the way for a second phase in Italy's strategy to combat G2B late payments. Corrective measures and sanctions to improve compliance were introduced, and increased efforts were made to enhance transparency and ensure liquidity. Law 145/2018 entered into force in 2021, establishing performance indicators for average payment delays and reductions in outstanding debts. Non-compliant administrations were required to allocate funds to a Commercial Debt Guarantee Fund or reduce spending on intermediate consumption. Sanctions that affected performance bonuses for general managers and directors of national health service entities were applied. The government also mandated increased transparency with regular updates and online publication of information on payment times, delays, and commercial debts. The Covid-19 pandemic put further pressure on liquidity, prompting additional measures in 2020 and 2021 of liquidity advances to support public administrations.

Following the CJEU's ruling in 2020, and due to Italy's ongoing challenges with late payments, the European Commission launched a formal notice procedure[48]. As a consequence, and in line with the European Commission's recommendations, the country included a comprehensive set of measures under its NRRP[49], which have now been implemented.

On the one hand, the reforms under the NRRP reinforced existing strategies. These required administrations to set annual payment objectives for compliance with deadlines, extend the tying of payment practices to the performance-related bonuses of the directors of all public entities, and mandate a more frequent reporting on overdue commercial debts.

On the other hand, they introduced a new spotlight on public administrations experiencing significant delays. For the first time, the measures specifically addressed organisational problems, identified as one of the major drivers for G2B late payments in Italy. The aim was to support different levels of administration, including ministries, provinces, and larger municipalities by identifying organisational inefficiencies and developing intervention plans targeted at improving payment performance. In the case of local public entities, to ensure

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[46] MEF (2024), 'Tempi di pagamento e debiti commerciali delle Pubbliche Amministrazioni', https://www.rgs.mef.gov.it/VERSIONE-I/tempi_di_pagamento_e_debiti_commerciali_delle_pubbliche_amministrazioni/index.html

[47] European Commission (2017), Late payment: Commission refers Italy to CJEU for failing to ensure suppliers are paid on time,https://ec.europa.eu/commission/presscorner/detail/en/IP_17_4770.

[48] Dipartimento per gli Affari Europei (2022), 'Infrazioni, aggiornamento del 29 settembre 2022', Dipartimento per gli Affari Europei - Infrazioni, aggiornamento del 29 settembre 2022.

[49] MEF (2024), 'VIII° Relazione sull'aggiornamento dei tempi di pagamento dei debiti commerciali delle pubbliche amministrazioni'.

compliance, approved plans have to be formalised as contracts between the municipality and the government.

Over the years, Italy has also put in place non-regulatory measures to support public administrations more effectively. Educational initiatives, such as seminars and training sessions, have been set up to teach civil servants to use essential tools and electronic systems for improved efficiency. More targeted support is provided through bilateral meetings with public administrations to identify specific problems. A helpdesk within the Ministry of Economy and Finance (MEF) has been set up, and ministerial circulars clarify complex legislation. Awareness-raising efforts have also been put in place to underscore the critical importance of addressing late payments.

As already noted, despite the different measures put in place, Italy still experiences challenges related to G2B late payments. According to the data provided by the MEF, the central government remains the worst performer in terms of payment times, consistently exceeding the 30-day limit[50]. Local governments are the second-worst payers. Regional administrations are the best performers, steadily showing shorter payment periods and better adherence to deadlines.

According to government data, there is a clear downward trend in APP across all levels of administration since 2019 (Figure 7). The only notable deviation can be observed in 2020, for the central government, possibly because of the economic effects of the Covid-19 pandemic. This exception did not affect other administrations, potentially suggesting that liquidity advances were effective in mitigating the impact at lower levels of government.

The graph indicates a steady improvement, suggesting that the measures implemented by Italy over the past few years have had a positive impact on reducing payment times. These include the improvement of administrative processes through the adoption of eInvoices, the setting up and updating of payment monitoring databases, raising awareness among administrators on the importance of prompt payments, and introducing regular controls and sanctions. These measures foster a virtuous cycle that becomes gradually embedded in administrative culture. An emblematic case is that of the municipality of Alcamo, in Sicily. Through a comprehensive package of organisational measures aiming to streamline the invoice processing procedure, ensure the traceability of workflows, and assign clear responsibilities to relevant offices and their managers, Alcamo significantly improved the timeliness of payments. In 2021, the municipality reduced its payment times to an average of 24 days, well below the statutory term of 30 days, and thereby outperforming both the provincial and the regional averages[51]. By improving payment procedures, this municipality has strengthened public financial management, which has enabled the provision of better services for the community without raising taxes.

While the measures implemented in recent years have proved effective, as demonstrated by the gradual improvement in payment times displayed in Figure 7, there are some limitations to the analysis. Firstly, the absence of data from earlier periods limits a full assessment, particularly of previous measures. Secondly, it is still too early to assess the impact of the

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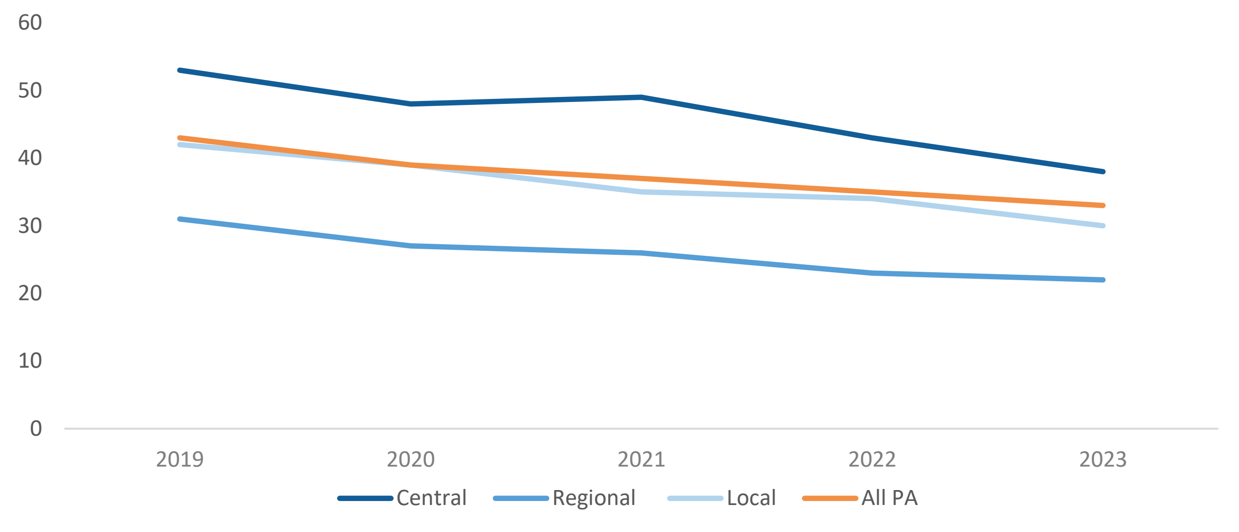
[50] MEF (2024), 'Tempi di pagamento e debiti commerciali delle Pubbliche Amministrazioni', https://www.rgs.mef.gov.it/VERSIONE-I/tempi_di_pagamento_e_debiti_commerciali_delle_pubbliche_amministrazioni/index.html

[51] Il Sole 24 Ore (2024), 'Pagamenti pubblici alle imprese: la piaga dei ritardi e le soluzioni', https://www.econopoly.ilsole24ore.com/2024/04/15/pagamenti-pubblici-imprese-pnrr-controlli

latest phase of initiatives, which specifically target public administrations experiencing critical challenges, including organisational reforms.

Figure 7: *Average payment period in Italy, 2019 – 2023*



Source: Compiled by the authors on the basis of data from the MEF.

As previously mentioned, data from suppliers present a different picture, both in terms of the number of days it takes for public administrations to pay invoices and the trends in payment times. As stated in this report, Intrum data on the entire Italian public sector note an overall increase in payment times from 2019 to 2023, with two periods of improvement in 2020 and 2022. This finding clearly conflicts with the data provided by the MEF, which show an overall decrease in payment times and a consistent downward trend over the same period.

Suppliers in healthcare and construction report different trends in their sectors. However, they do coincide with Intrum data on a recent deterioration of the payment performance of G2B transactions. In the healthcare sector, suppliers agree that there has been an overall decrease in public administration payment times since 2019. However, they report an increase in the past couple of years. According to *Confindustria*, medical devices companies reported a favourable downward trend in APP from 2019 to 2022. But this trend reversed in 2023, with a slight increase in payment times. Likewise, *Farmindustria*, representing the pharmaceutical sector, observed a reduction in average payment times from 2019 to 2021, but reported a slightly upward trend from 2021 to 2023.

Meanwhile, ANCE, the Italian association representing the construction industry, reports that payment times have shown a slow but steady improvement over the past 10 years[52]. However, a recent ANCE survey[53] seems to indicate a reversal of this trend since Autumn 2023.

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[52] ANCE (2024), 'Indagine ANCE sui Tempi di Pagamento nei Lavori Pubblici', http://multimedia.assimpredilance.it/20240506_I_Ritardati_Pagamenti_Finale_all_3.pdf.

[53] Idem

SPAIN

In Spain, the financial crisis was a turning point in the efforts to reduce late payments by public entities. The deterioration of the economy resulted in a reduction of public authorities' revenues, which caused an increase of payment times to their suppliers. This impacted companies' liquidities, particularly those of SMEs. Public commercial debts soared from 5.3 % in 2008 to 8.1 % GDP in 2011[54]. As a consequence, the government acted, legislating to reduce late payments by public entities.

The main objective was purely economic: 'Eliminating late payment in the public sector improves the competitiveness of the Spanish economy as it involves reducing the financing needs of companies, facilitating the recovery of the economic activity and improving confidence in the overall public sector[55]' Guaranteeing compliance with payment deadlines was quoted as a more specific aim.

The measures adopted were of two types: (i) structural measures that aimed to have a long-term effect on the payment behaviour of all public administrations; and (ii) extraordinary measures meant to address the liquidity problems of regions and local entities at the time. These two types of measures remain to this date the main instruments to combat G2B transactions in Spain, particularly since the extraordinary ones were made permanent, with some modifications, in 2015.

The structural measures consist of a law for electronic invoicing for the public sector and a law to control commercial debt in the public sector. They set a 30-day limit for public entities to pay their suppliers and require all public administrations to have a liquidity plan to guarantee compliance. The measures are anchored in transparency. Public administrations have to report their APPs every month. That information is then made public. The mandate on eInvoicing and the creation of an invoice registry contribute to streamlining public entities' payment processes and assist them with the transparency requirement. When a public entity APP surpasses 30 days for two months in a row, they have to adjust their liquidity plans and commit to taking measures on both the revenue and expenditure side to reduce payment times. Compliance has to be monitored by the Treasury for regions and by intervening bodies for local entities. Breaches can lead to preventive, corrective and coercive measures; the most stringent ones include the withholding of resources for direct payments to suppliers.

Extraordinary measures were, and still are in their new form, focused on addressing liquidity issues. They target regional and local entities, but most of the funding goes to the former. They consist of the creation of funds to which regions and local entities can adhere on a voluntary basis, although in some extraordinary cases it can be made mandatory for local entities that are chronic late payers. The funds provide mostly loans, but also refundable advances for local entities and debt refinancing, under strict fiscal conditions. Adhered public entities have to commit to adjustment plans to reduce their late payments. Preventive and corrective measures also exist. The money was originally directly paid to suppliers but now it

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[54] Banco de España (2015), 'Los mecanismos extraordinarios de pago a proveedores de las administraciones públicas en España', p. 8, https://www.hacienda.gob.es/GabineteMinistro/presentaciones/31-03-14%20plan%20to%20eliminate%20late%20payments%20(mod.%20sgcal).pdf.

[55] Spanish Treasury (2014), Plan to eliminate late payments in public administrations, https://www.hacienda.gob.es/GabineteMinistro/presentaciones/31-03-14%20plan%20to%20eliminate%20late%20payments%20(mod.%20sgcal).pdf.

mostly flows through the public entity. To ensure payment through the local entities fund, suppliers have to waive their right to interest and compensation for recovery costs[56].

These funds have released very large amounts of money to pay suppliers. For regions, it was a total of 117 680.81 millions of euros between 2012 and 2023, with most of it concentrated in the first 3 years. It covered more than 13 million invoices. 70% of that expense has been used to pay providers of the healthcare sector, which is the biggest expense of regions in Spain[57]. Between 2012 and 2023, the funds to local entities was 17 % of that allocated to the regions. However, the total amount is still considerable: 19910.93 millions of euros[58].

These liquidity measures seem to have had a very significant and immediate effect on payment times. Public administrations didn't start publishing data on APPs until 2014 in Spain, while the first funds were created in 2012. Nonetheless, according to the Bank of Spain, average payment times at the end of 2012 were 181 days at regional level, 109 for local entities and 60 for central government[59]. The first fund (the Supplier Payment Fund) was in place from March 2012 to February 2014, and once the data from this became available, it could be seen that invoices paid through that fund had been registered an average of 326 days earlier.

These are very lengthy values, which had significantly reduced by 2014, when the APP reported by regional administrations was 51 days, while for local authorities it was 24 days and 12 for central government, as can be seen in Figure 8. Moreover, the Bank of Spain calculates that the impact of the extraordinary liquidity measures put in place between 2012 and 2014 to ensure timely payment by public administrations to providers was between 0.3 and 0.6 % of GDP. This had a positive effect of between 0.4 and 0.7 % on employment[60]. All that said, the economic situation in Spain had also improved by that time, so the measures are probably not the only explanation for the amelioration of payment times.

Regardless, liquidity and other measures do not seem to have had a lasting effect. According to government data and as can be seen in Figure 8, regional payment times continued diminishing until 2017, when they started to increase. However, for local entities, which received less money, and central authorities, which were not subject to the liquidity measures, APPs increased for years, and they actually still pay later than they did in 2014.

In the past few years that trend has reversed, with overall improvements on APP since 2018 at central level, since 2019 at regional and 2020 at local level. Suppliers are also reporting a reduction of payment times since 2021. No new measures have been adopted specifically targeting public authorities' late payments, but the salience of the issue has increased considerably in the past few years. There have been multiple initiatives targeting late

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[56] These funds include or have included the Supplier Payment Fund, the Autonomous Liquidity Fund, the Financing Fund for Autonomous Communities which is divided into four compartments, and the Financing Fund for local entities.

[57] Spanish Treasury (2023), 'Informe sobre los mecanismos de financiación de las CCAA 2012-2023', https://www.hacienda.gob.es/CDI/Mecanismos%20Financiaci%C3%B3n/Informe-Balance-Mecanismos-2012-2023.pdf.

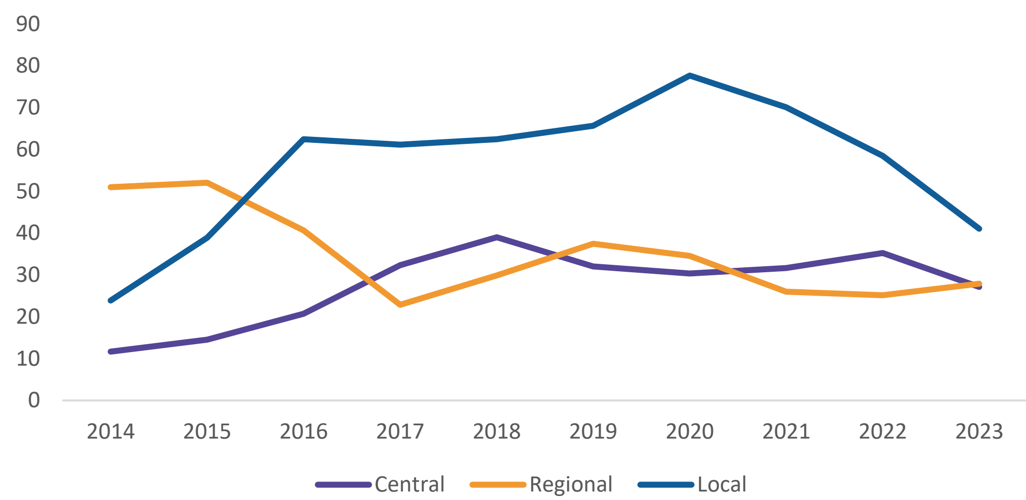
[58] Spain (2024), 'Mecanismos de financiación de las Entidades Locales', https://www.hacienda.gob.es/CDI/Mecanismos%20Financiaci%C3%B3n/Mecanismos-Financiacion-EELL.xlsx

[59] Banco de España (2015), 'Los mecanismos extraordinarios de pago a proveedores de las administraciones públicas en España', p. 11, https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/15/Fich/do1501.pdf

[60] Idem, p. 21.

payments at B2B level, such as the [Crea y Crece Law] and the creation of an observatory on B2B late payments. It is possible that this salience has raised awareness about the importance of the matter, encouraging public authorities to pay earlier. Covid support measures, which specifically targeted SMEs, might also have helped. The positive economic outlook of the Spanish economy is another factor to take into account. This has caused an increase in tax revenues, which in turn might have contributed to reducing payment times.

Figure 8: *Average payment period in Spain by levels of administration, 2014–2023*



Source: Compiled by the authors on the basis of data from the Spanish Treasury.

In any case, and despite the positive trends, suppliers are still reporting long payment times of around 60 days (69 according to Intrum for 2023 and 55 according to PMCM) and government data also show that some public entities continue to pay late, particularly at local level. For instance, in December 2023, 523 municipalities had an average payment time of more than 60 days and 250 of more than 100 days. This didn't only involve small towns: Jaen, a provincial capital with a population of more than 100 000, has an APP of over 600 days. Suppliers in the healthcare sector also report payment times of more than 60 days, despite being the sector that benefits more from liquidity measures.

Conclusion

Existing data on G2B transactions in Europe are not good enough to provide a comprehensive view of the status of G2B late payments in the EU. **Government data are not available for most Member States**. Suppliers provide data for the majority of EU countries, but in scarce and limited form. For six Member States there are simply no data. Given the discrepancies between public administration and suppliers' data, it is not possible to know the true situation in many countries as regards late payments of public entities.

This is particularly damning as governments have the structure and tools – increasingly so thanks to eInvoicing – to properly collect and monitor data on their payment transactions. Making it public, on top, would underscore their commitment to transparency and accountability, and could significantly help in reducing late payments.

However, even though existing data are not extensive enough to analyse the situation country by country, there is almost unanimous consensus from suppliers that public authorities are not setting the right example when it comes to paying them**. In every Member State where supplier data is available, APPs are above the statutory terms. Sectors heavily dependent on public contracts, such as healthcare and construction, are particularly affected. In addition, suppliers are also indicating that G2B payment performance has deteriorated in the EU since 2019.**

There are multiple drivers that cause those late payments. Determined by the unique specificities of each Member State and public entity, their nature can be, among other things, organisational, behavioural, particular to economic or societal circumstances, or of liquidity issues. However, there are also multiple possible measures that can be taken to address this.

The examples of France, Italy and Spain show that it is possible to take action and that when this is done, results normally follow. The comprehensive data that they publish on their payment times provide an overview of the payment performance of their public administrations. Encouragingly, all three countries, which have also implemented an extensive array of measures to reduce G2B late payments, have reported a reduction in payment times since 2019. This positive trend may indicate that transparency and a greater commitment by governments to combating payment delays result in lower payment times. Suppliers, in fact, corroborate the improvements in Spain and France, although not in Italy.

These cases indicate that measures are most effective not in isolation but when part of a plan, with initiatives that complement and reinforce each other. Equally, those actions need to be adapted to the circumstances of public authorities in every Member State. Regardless, digitalisation efforts seem to improve the efficiency of all public authorities and contribute to reductions in late payments, particularly with regards to eInvoicing. Also, data are at the centre of all interventions as they are needed to identify the magnitude and characteristics of the problem and which public entities should be the focus of corrective actions. Therefore, tracking payment transactions and giving a competent authority the power to intervene seems to be very important for addressing G2B late payments.

The case of France, which is the country for which both government and suppliers report shorter payment periods, shows that a long-term strategy focused on addressing the root causes of late payments and producing lasting change results in good payment performance over time. However, to achieve this, it is also necessary to invest time, resources and patience, as well as to create conditions within the public sector that enable such a change. With time, those measures will trigger a virtuous circle that becomes embedded in the administrative culture. France seems to be a success story that has come out of these kinds of long-term efforts. According to suppliers, Italy and Spain do not rate so well in comparison with other Member States. However, considering positive trends, they are likely to improve if they persist in their efforts and gradually adjust their plans to prioritise lasting solutions.

This strategy could also be followed by other Member States that are currently less active in this area. The late payments of public administrations are detrimental to the well-functioning of the economy and the competitiveness of companies. It is for the long-term benefit of governments to address them. Now that a new European regulation on late payments is going to be put in place, that technological developments allow for better accounting systems and proper monitoring of payment processes, and that there is an enhanced push from suppliers to address late payment issues, it might be the right time for those governments to act.

Annex 1 – List of interviewed stakeholders

Name	Type of stakeholder
BFF Bank	Corporate
Direction Générale des Finances Publiques (DGFiP)	Public authority
European Builders Confederation (EBC)	Trade association
Fédération Luxembourgeoise des Exploitants d'Autobus et d'Autocars (FLEAA)	Trade association
Ministero dell'Economia e delle Finanze (MEF)	Public authority
MedTech Europe	Trade association

On 12 July 2024, a thematic group meeting took place in which members of the Stakeholder Forum of the EU Payment Observatory provided feedback for this report.

ANCE and MedTech Europe provided additional written information and data for this report, as did the Ministry of Energy, Commerce, and Industry of Cyprus.

Annex 2 – Sources to government-produced data

	Indicators	Link
BE	Central government data	https://bosa.belgium.be/nl/themas/begroting-en-boek-houding/overheidsboekhouding/opvolging-betaaltermijnen
FR	Data from the French Late Payments Observatory	https://www.banque-france.fr/fr/publications-et-statistiques/publications/rapport-de-lobservatoire-des-delais-de-paiement-2023
	Overseas departments data	https://www.iedom.fr/iedom/publications/rapports-annuels/rapport-annuel-sur-les-delais-de-paiement/
	Data on the payment performance of every local entity with a population of more 3 500	https://data.economie.gouv.fr/explore/dataset/dgp_moyen_annuel_2023_sup_3500/information/
ES	Monthly payment performance of all public administrations	https://www.hacienda.gob.es/es-ES/CDI/paginas/periodomediopago/informacionaapps/pmpdelasaapp.aspx
IE	Central government data	https://enterprise.gov.ie/en/publications/#!t=Late%20Payments#!y=#!s=#!ty=#!k=
IT	Central government data	https://www.rgs.mef.gov.it/VERSIONE-I/tempi_di_pagamento_e_debiti_commerciali_delle_pubbliche_amministrazioni/il_monitoraggio_dello_stock_di_debiti_commerciali/
PT	Municipalities' APP	https://portalautarquico.dgal.gov.pt/pt-PT/financas-locais/endividamento/municipios/prazo-medio-de-pagamentos/
	Public non-financial corporations' APP	https://bpstat.bportugal.pt/serie/12587261
	Healthcare sector APP	https://transparencia.sns.gov.pt/explore/embed/dataset/tempo-medio-de-pagamento-das-instituicoes-do-sns-a-fornecedores/analyze/?sort=tempo&dataChart=eyJxdWVyaWVzIjpbeyJjaGFydHMiOlt7InR5cGUiOiJjb2x1bW4iLCJmdW5jIjoiQVZHIiwieUF4aXMiOiJwcmF6b19tZWRpb19kZV9wYWdhbWVudG8iLCJjb2xvciI6IiM2NmMyYTUiLCJzY2llbnRpZmljRGlzcGxheSI6dHJ1ZX1dLCJ4QXhpcyI6InRlbXBvIiwibWF4cG9pbnRzIjoiIiwidGltZXNjYWxlIjoieWVhciIsInNvcnQiOiIiLCJzZXJpZXNCcmVha2Rvd24iOiIiLCJzZXJpZXNCcmVha2Rvd25UaW1lc2NhbGUiOiIiLCJjb25maWciOnsiZGF0YXNldCI6InRlbXBvLW1lZGlvLWRlLXBhZ2FtZW50by1kYXMtaW5zdGl0dWljb2VzLWRvLXNucy1hLWZvcm5lY2Vkb3JlcyIsIm9wdGlvbnMiOnsic29ydCI6InRlbXBvIiwibG9jYXRpb24iOiI2LDM5LjQ1NTgxLC04LjAwNzY1In19fV0sInRpbWVzY2FsZSI6IiIsImRpc3BsYXlMZWdlbmQiOnRydWUsImFsaWduTW9udGgiOnRydWV9&location=6,39.45581,-8.00765
	Healthcare entities' APP	https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3d%3dBQAAAB%2bLCAAAAAAABAAzNLY0NQUA7unFZwUAAAA%3d
	Central government and regional administrations with more than 60 days' APP	https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3d%3dBQAAAB%2bLCAAAAAAABAAzNLY0NQYA20ymjgUAAAA%3d

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