



Kristalina Georgieva
Vice-president
Budget and Human Resources

Brussels, **30 SEP. 2015**

Dear Ms O'Reilly,

Subject: Own initiative inquiry, ref. OI/11/2015/EIS

Thank you for your letter dated 15 June 2015 addressed to the President of the European Commission about the above-mentioned case.

I am pleased to enclose the comments of the Commission regarding this inquiry.

The Commission remains at your disposal for any further information you may require.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "K. Georgieva".

Kristalina Georgieva

Enclosure

Ms Emily O'REILLY
European Ombudsman
1, Avenue du Président Robert Schuman
B.P. 403
F-67001 STRASBOURG Cedex

1. Background

In its previous own-initiative inquiry closed on 17.12.2013, the Ombudsman already investigated the subject of timeliness of payments by the Commission in 2012. On the same occasion, it also invited the Commission to provide figures for its performance in 2013. It received these figures on 22 May 2014 and noted that problems still persisted and considered it necessary to continue monitoring the situation.

For that reason, the Ombudsman launched a new own-initiative inquiry in mid-June 2015, under the above reference, in which it asks to be informed of the results of the steps taken to identify and deal with the causes of delays in making payments to contractors and to beneficiaries of grants and subsidies, and further steps taken in this field. The Ombudsman would like in particular to obtain information, for the year 2014, on the number and percentage of cases where delays in payment occurred, on the extent of the delays that occurred, on the sums involved and on the cases where interest was paid on account of late payment.

These figures are set out in the tables in section 3 below; for the sake of comparison figures from 2013 are also provided.

2. Reply from the Commission

Late payment averages in 2014 increased further both in number and value compared to the last few years following a trend noticed already since 2013. The main causes for these increased late payment averages are the shortage of payment appropriations, across all headings, already visible since early in the year and the reduction of most payment deadlines introduced since the beginning of 2013 with the entry into force of the new Financial Regulation.

Against this backdrop of payment shortfalls the Commission proposed by end-May 2014 the reinforcement of payment appropriations by EUR 4.7 billion through an amending budget which was only approved in mid-December, leading to an increase in payment appropriations by EUR 3.6 billion, EUR 1.1 billion less compared to the requested amount.

Faced with the prolonged delay in the adoption of the amending budget and the consequent scarcity in payment appropriations the Commission pursued an active management of available payment appropriations through continuous redeployment and other mitigating measures so as to:

- Minimise the financial impact for the EU budget of interests for late payments and potential liabilities;
- Maximise the implementation of new programmes;
- Minimise the potentially negative impact of decisions on third parties and the economy as a whole.

The limited and delayed availability of the additional payment appropriations requested has been the main cause for an increased number of late payments and late payment interest paid compared to previous years.

The Commission continues to take the question of late payments seriously and relative performance is being monitored regularly by the Accounting Officer's services and follow up action is undertaken where problems are identified with particular DGs. The level of payments for every annual budget results from the decision of the Budget authority (Council and Parliament).

Furthermore, on 19 May 2015, after a proposal from the Commission, the European Parliament, the Council and the Commission agreed on a "joint statement on a payment plan 2015-2016". The payment plan requests the Commission to develop appropriate tools to provide rolling forecasts of payments, including the evolution of unpaid bills and outstanding commitments in order to allow the budgetary authority to take the necessary decisions to avoid the future building up of an unsustainable backlog of outstanding payment claims at year-end. In its draft budget 2016, the Commission made a proposal in agreement with this payment plan. If adopted by the Council and the European Parliament as proposed by the Commission, the budget 2016 would allow avoiding further delays in payments related to the lack of payment appropriations.

As regards the reduction of payment deadlines introduced by the Financial Regulation of 2012, the payment process through the financial services is being improved to be in line with the new rules.

The payment times reported in the table below have been calculated on the basis of the Financial Regulation of 2012 for payments related to contracts and grant agreements signed as from 2013, and on the basis of the Financial Regulation of 2007 for payments related to contracts and grant agreements signed before 2013.

3. Performance in 2014

Table 1: Average number of days to make a payment

	2014	2013
	All payments (direct and indirect management)	All payments (direct and indirect management)
Net payment time	28 days	24 days

Table 2: Late payments

	2014	2013
	Late payments (direct and indirect management)	Late payments in (direct and indirect management)
Number of late payments	74.439	64.647
Value of late payments in EUR	2 904 375 709	1 857 043 342
Percentage of late payments in number	19.92%	16.90%
Percentage of late payments in value	12.93%	7.98%
Average delays for payments outside the Financial Regulation time limit	34.31 days	35.71 days

Table 3: Total interest paid on late payments in EUR and number of requests

	2014	2013
	Interest paid on late payments (direct and indirect management)	Interest paid on late payments (direct and indirect management)
Number of requests for interest submitted by creditors on account of late payment	200	57
Total amount of interest paid on account of late payment in EUR	3 027 123.88	653 392.18
<i>Of which amount paid upon request</i>	<i>1 378 827.18</i>	<i>53 547.13</i>

Note: all figures taken from DG BUDG Datawarehouse