

**News release****4/11/2014****30 billion Euros of unpaid EU bills
- European companies at risk -**

The unpaid bills of the European Commission reached €11 billion in 2011, €16 billion in 2012, €26 billion in 2013, and are expected to reach €30 billion in 2014 according to the European Parliament and Commission. This backlog is increasing every year, risking a “snowball” effect and putting companies at risk, particularly SMEs.

For the following reasons:

- Particularly large cuts driven by the EU Council in the budgets annually proposed by the Commission in recent years.
- Invoices from EU projects committed to earlier in the programming period are only sent to the Commission towards the end of projects.
- This is affecting all beneficiaries of EU funds, including companies.

In addition, the EU Council has proposed large cuts in the Commission proposal for the 2015 budget, particularly when it comes to competitiveness-related programmes. According to the Commission a 10% reduction would adversely affect about 600 projects involving around 1,400 SMEs.

“Business is concerned by the EU budget accumulation of unpaid invoices which is expected to reach €30 billion in 2014 and by subsequent delay in payments related to EU projects. This situation hurts all beneficiaries, particularly SMEs, suffering from cash-flow shortages, and touches substantially upon several areas, including research and innovation. Moreover, it becomes yet another disincentive to make good use of EU funds. At a time when we need to unlock investment in Europe this sends a really wrong signal to companies and adds to the already highly uncertain context. The European Commission must work together with the Council and the Parliament in order to attain the necessary means to fulfil its commitments as soon as possible, including through the current negotiations on the budget 2015. In this regard the cuts proposed by the Council in competitiveness-related programmes are of particular concern”, BUSINESSEUROPE and the European Round Table of Industrialists (ERT) warned.

Background**Situation at present and real impact on EU programmes**

Implementation of the 2014 budget is at a record high with 80% of the available appropriations already used. Only €175 million are available for transfers to cover payment needs elsewhere and all the space for redeployment within the 2014 budget has been used. Moreover, the payments ceiling for 2014 is €9 billion below the implemented 2013 budget.

The impact of the current payment shortages on individual programmes is important:

- Horizon 2020: The Commission has had to reduce the level of pre-financing for new commitments, from 60% under FP7 to 35% under Horizon 2020. Currently over 70 projects amounting to €36 million are blocked, and are incurring interest for late payment.
- Cohesion: Payment delays will hit beneficiaries, particularly those that do not have the financial capacity to “pre-finance” expenditure already incurred for a long time.



- Environment and climate action (LIFE+): 26 invoices, €11 million are suspended, pending reimbursement. Moreover, Erasmus, Development Cooperation Instrument, European Neighbourhood Instrument (ENI) which includes Ukraine, and humanitarian aid are all suffering from unavailable funding.

What is proposed by the European Commission?

- **Provide the necessary means to the 2015 annual budget (and following ones):** The general practice of annual budget decisions is that the voted budget is consistently set well below the level proposed by the Commission, mostly due to cuts proposed by the Council. To counterbalance the cuts, often budget amendments are required.

Current negotiations on the budget 2015 point to the same direction: the Council has proposed cuts of €522 million in commitments and €2.1 billion in payments. For research (Horizon 2020), a 10% reduction would adversely affect about 600 projects involving around 1,400 SMEs. The Council defends its position by saying it is already being generous at a time of budget constraints and low inflation.

- **Adopt the draft amending budget Number 4 in full:** This amending budget proposed by the Commission is being disputed by the Council. The Commission proposes a €4.7 billion increase in payments to cover outstanding bills by mobilising the contingency margin (a last-resort instrument to react to unforeseen circumstances and amounts to 0.03 % of the EU gross national income). However, this means that this increase at present will need to be compensated at the end of the period.

The Council argues not only about the amount but also about the contingency margin, as an increase now requires a correction towards the end of the financial period. The Council therefore believes this situation is only postponing the problem.

According to the Commission, while the situation will take time to stabilise, adopting an adequate 2015 EU budget, alongside the draft amending budget for 2014, would stabilise the volume of the backlog. Then, in subsequent years, a sound approach would be needed to adopt annual budgets that match the needs, using maximum flexibility to decrease the backlog gradually.

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