E-invoicing in public procurement

Another step towards end-to-end e-procurement

European Economic and Social Committee

Brussels, 17 July 2013
The policy context

- Modernisation of public procurement legislation (the new legislative package)
  - Proposed by the Commission in December 2011
  - Negotiations in the European Parliament and Council nearing completion

- On 26 June 2013 the European Commission adopted
  - Communication setting out its vision for the full digitisation of the public procurement process, so-called “end-to-end e-procurement”
  - Proposal for a Directive on electronic invoicing in public procurement
The new legislative package - e-procurement related provisions

- General agreement on the gradual transition to e-procurement
- Several elements to be digitised
  - e-notification
  - e-access (to tender documents)
  - e-submission
  - CPBs
- Adaptation of the standard forms for the publication of notices -> yet to start
End-to-end e-procurement (1)

- Continuation and extension of recent initiatives
- Commission's thoughts on digitising entire purchase-to-pay cycle (public procurement process)

Source: DG Internal Market and Services
End-to-end e-procurement (2)

- Benefits
  - Simplifies and accelerates purchase-to-pay cycle
  - Reduces administrative burden
  - Contributes to e-government and innovation
  - Improves transparency, accountability, traceability
  - Helps reduce litigation, corruption, and fraud

- **Economies of scale** – digitisation adopted by more users, reduces costs and multiplies the potential benefits

- **Economies of scope** – digitisation of related processes allows for greater automation, increasing benefits still further
End-to-end e-procurement (3)

- **Key initiatives**
  - MS strategies for introduction of e-procurement and e-invoicing
  - Multi-stakeholder Forum on e-invoicing -> creation of similar forum for e-procurement
  - Evaluation, monitoring progress, sharing best practices

... and

  - **Legislative initiative on e-invoicing in public procurement**
Political context

- European Council of June 2012: "priority should be given to measures aimed at further developing cross-border online trade, including by facilitating the transition to e-invoicing"

- EP resolution of April 2012: "make e-invoicing in procurement mandatory by 2016"

- Annual Growth Survey 2013: priority on modernisation of public administration & "Ensuring the widespread, interoperable digitalisation of public administration"

- Single Market Act II (Key action 10): "Make electronic invoicing the standard invoicing mode for public procurement"
A solid basis exists...

- Communication "Reaping the benefits of electronic invoicing for Europe – COM(2010)712"
- EU Multi-stakeholder Forum on e-invoicing
- Commission co-funded projects
  - PEPPOL
  - e-SENS
  - e-PRIOR
Public consultation

- Very good sectoral representation

Number of replies

- Policy makers
- Contracting authority
- Enterprises
- IT service provider
- Business/industry association, industry...
- Association of regional or local governments
- Tax or revenue authority
- Private individual/citizen
- Other

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Microenterprise
SME
Large company
Very strong support for EU action in e-invoicing in public procurement

- **89%** in favour of "steps to promote the use of e-invoicing in public procurement"

- **86%** in favour of "steps to promote interoperability in e-invoicing in public procurement"

- Greater support for mandatory instruments to stimulate uptake and for voluntary to improve interoperability
Reasons for supporting – expected benefits

- Stakeholders see a wide range of benefits...

(of respondents supporting EU action to promote uptake of e-invoicing in public procurement)
Most would like to see action soon

"If mandatory use of e-invoices was introduced in public procurement, what would be a realistic timescale for introducing such an obligation?"
Why an e-invoicing initiative?

- e-Invoicing offers significant economic benefits
- MS becoming active in this area
  - Several already made e-invoicing mandatory
  - Others developing national e-invoicing standards and/or launching pilot projects

(Result):

- Multiple standards and formats in e-invoicing & lack of interoperability
  - Higher costs and additional complexity for enterprises which need to support several standards
  - Disincentive for participation in cross-border public procurement

Fragmentation of the Internal Market
Objective of the initiative

Improve the functioning of the Internal Market by introducing mechanisms to diminish market access barriers in cross-border public procurement
Scope

- **Focus on above-threshold public procurement**
  - all contracting authorities (central as well as regional/local) and contracting entities
  - all types of invoices covered by the directives

- ... **but opportunities for spill-overs into areas not covered by the initiative**
  - vertical – to below-threshold procurement
  - horizontal - into B2B sector
  - to other processes (e-ordering, e-payments, e-archiving...)

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## The different options analysed

<table>
<thead>
<tr>
<th>Option</th>
<th>A new European standard is proposed to the market</th>
<th>Member States must accept invoices compliant with the new European standard</th>
<th>Only the new European standard is allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option (1): No new EU action</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Option (2): Free-choice approach</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Option (3): Selective conversion to e-invoicing</td>
<td>YES</td>
<td>NO/YES (YES - only if a Member State or a contracting authority mandates the use of e-invoicing)</td>
<td>NO</td>
</tr>
<tr>
<td>Option (4): Obligatory acceptance</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Option (5): Full harmonisation</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>
Option (4) has been chosen

- ... as it is expected to
  - overcome the current fragmentation and ensure the proper functioning of the Internal Market
  - limit unnecessary costs as transition to e-invoicing would occur on a firm’s initiative
  - respect the subsidiarity and proportionality principles
  - capture the full efficiency gains and economic savings offered by e-invoicing
  - reduce the cost and disruption of the transition for firms and contracting authorities by allowing both groups to continue to use existing (national) invoicing systems
Content of the e-invoicing Directive

- **CEN shall draw up a European standard for the semantic data model of the core electronic invoice**
  - technologically neutral
  - personal data protection
- **Contracting authorities and contracting entities shall not refuse to receive electronic invoices which comply with the European standard**
- **Transposition**
  - 48 months following the entry into force at the latest
Timeline of the transition to e-invoicing

- 2010 Communication aimed to make e-invoicing to become "the predominant form of invoicing by 2020"

- EP has called to make e-invoicing mandatory in public procurement by 2016

- Replies to our public consultation shows strong support for rapid transition (2016-2018)

- The timeline of e-procurement in the modernisation package
Thank you!