



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

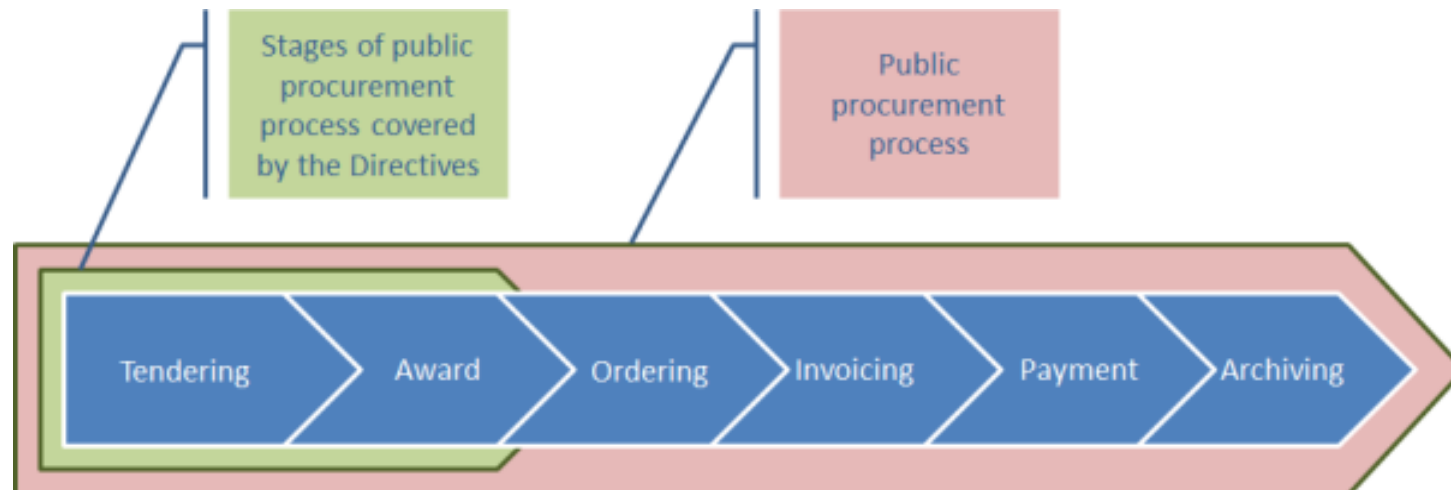
- *Modernisation of public procurement legislation (the new legislative package)*
 - Proposed by the Commission in December 2011
 - Negotiations in the European Parliament and Council nearing completion
- *On 26 June 2013 the European Commission adopted*
 - Communication setting out its vision for the 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"*

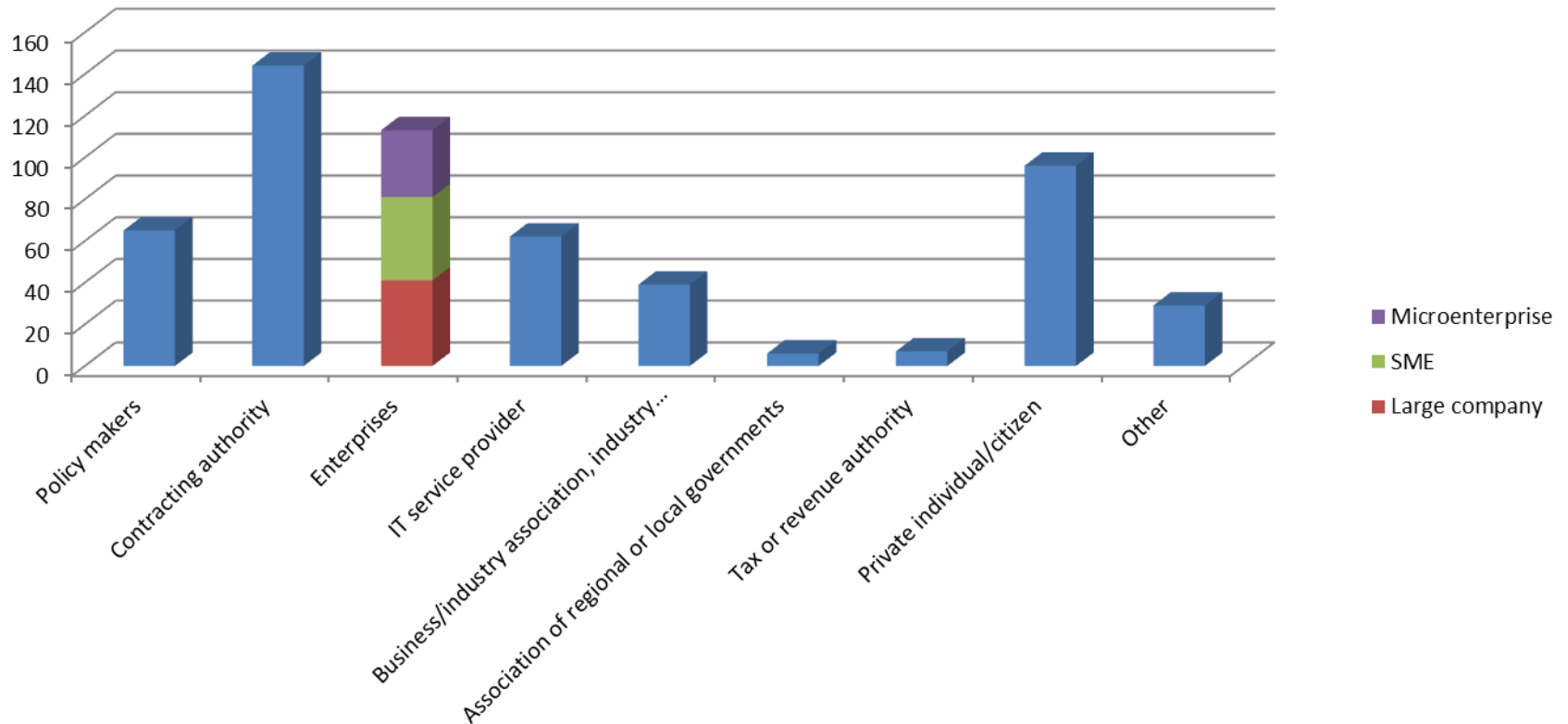
A solid basis exists...

- *Communication "Reaping the benefits of electronic invoicing for Europe – COM(2010)712*
- *EU Multi-stakeholder Forum on e-invoicing*
- *Council Directive on the common system of value added tax (2010/45/EU)*
- *Communication "A strategy for e-procurement" – COM(2012)179*
- *Commission co-funded projects*
 - PEPPOL
 - e-SENS
 - e-PRIOR

Public consultation

- Very good sectoral representation

Number of replies



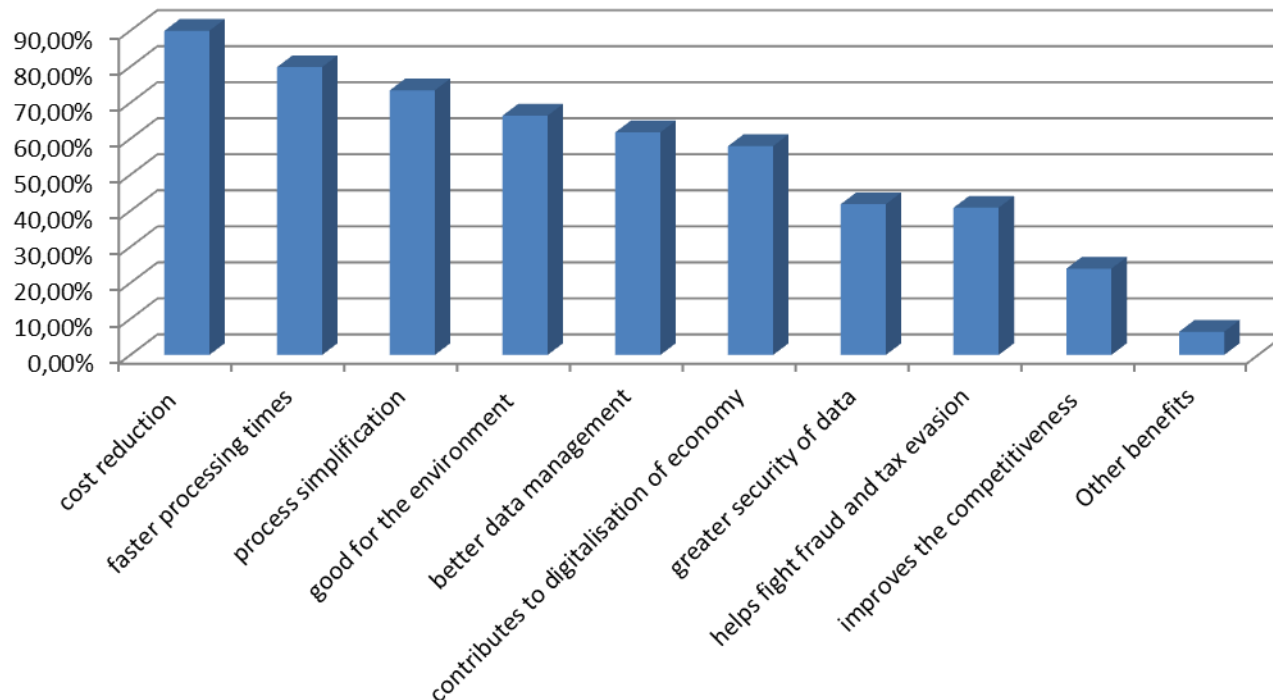
Very strong support for EU action in e-invoicing in public procurement

- **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

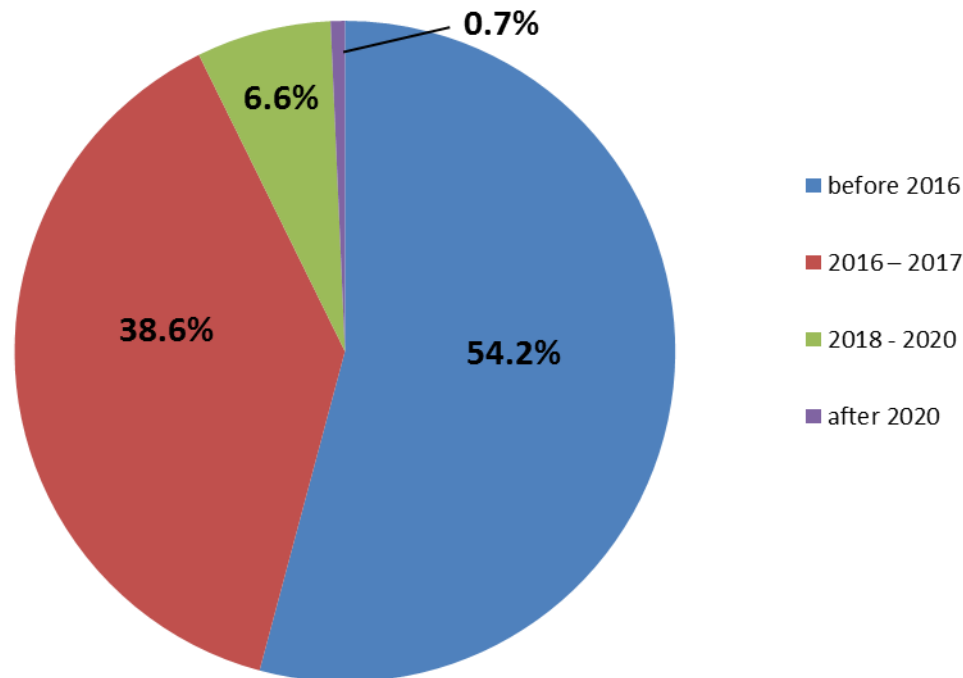
- Stakeholders see a wide range of benefits...

(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...)

The different options analysed

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

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



European
Commission

Thank you!