

# The European Electronic Invoice

## A business case perspective

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## Steps in this presentation:

- Background from European Commission
- Standards: UN/CEFACT, ISO, ...
- Elements for the business case
- The challenges

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# Background

from The European Commission



# Background

DG Enterprise and Industry

- Lisbon Agenda
- Completion of Single Market
- SEPA
- Promote e-business



# e-Invoicing...

DG Enterprise and Industry

- links internal processes of companies to payment systems
- simplifies processes, reduces administrative and financial costs, facilitates transition to new business models
- BUT, several obstacles to development of a truly pan-European e-invoicing system
- time is ripe for a European e-Invoicing Initiative

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# Cost savings

DG Enterprise and Industry

- Case study: Denmark
  - Danish Government saves €100-134 million per annum
- Case study: France
  - in 2001, B2B savings of € 40 billion
- EACT - CAST project
  - average processing cost of paper invoice € 30
  - 80% cost saving possible with e-invoicing
- Potential maximum benefits
  - full and early SEPA migration, at **€226 + €12 billion** over 6 years

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# Expert Group on e-Invoicing - Mandate

DG Enterprise and Industry

- Defined in Commission Decision of 31 Oct. 2007:
- Identify:
  - shortcomings in current regulatory framework
  - e-invoicing business requirements
  - relevant e-invoicing data elements
- Propose:
  - responsibilities for standardisation bodies and time schedule
  - European e-Invoicing Framework (EEI)

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# End Result: EEI Framework

DG Enterprise and Industry

- achieves interoperability of e-Invoicing solutions
- basis for common business rules and technical standards
- increase incentives for electronic trade
- remove barriers to e-invoicing

# EC Roadmap for eInvoicing and payments 2006 - 2010

July 2007	Final Report of the Informal Task Force on e-Invoicing
Planned (2007-2009) DG MARKT/H3 and DG ENTR/D4	Steering Committee for the creation of a EUROPEAN ELECTRONIC INVOICING (EEI) Framework Responsible for: 1) Contributing to the removal of legal barriers (EC regulator) 2) Establishing and documenting business requirements and addressing commercial barriers 3) Establishing input for single, interoperable data standard for eInvoicing
Planned 2007 – 2009 (ISO, SWIFT, CEN, UN/CEFACT, NES..)	Work on the creation of a single, interoperable data standard for e-Invoicing under the umbrella of European and international standards bodies and the support from others
July '07- Dec '08 TAXUD/D1	Legal study on functioning of the Invoicing Directive (2001/115/EC) <sup>[1]</sup>
2007-2008 DIGIT/DG MARKT	IDABC study on e-invoicing requirements (for public sector, enterprises and service providers)
2008-2010	SEPA: Co-existence and gradual adoption
Forthcoming 2008 TAXUD/D1	EC Report on the Invoicing Directive (2001/115/EC) <sup>[2]</sup> and potential proposals for amendments
2008 - 2009 DIGIT/DG MARKT	IDABC pilot project in the European Commission based on e-invoicing requirements
2008-2010 DG INFSO	Large-scale CIP pilots on e-procurement, including e-invoicing (Consortium: min. 6 Member States participation)

<sup>[1]</sup> Now incorporated in the VAT Directive (2006/112/EC)

<sup>[2]</sup> Now incorporated in the VAT Directive (2006/112/EC)

EUROPA - European Commission - Enterprise and Industry - Innovation Policy - Microsoft Internet Explorer provided by ABN AMRO

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Address [http://ec.europa.eu/enterprise/ict/policy/einvoicing/einvoicing\\_en.htm](http://ec.europa.eu/enterprise/ict/policy/einvoicing/einvoicing_en.htm)

## Enterprise and Industry

European Commission > Enterprise and Industry > Policy areas > ICT industries and e-Business

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### e-Invoicing

#### What is e-Invoicing

**e-Invoicing**, short for electronic invoicing, is the electronic transfer of billing and payment information, via the Internet or other electronic means between the parties - businesses, the public sector, consumers - involved in commercial transactions. Compared to paper invoices, e-Invoices may offer huge advantages for companies - they are said to be easier to process, they reach the customer faster and can be stored centrally at very low cost. A recent report predicts potential annual benefits of up to €40 billion across Europe in the business-to-business field alone.

#### What are the main benefits to users of using electronic invoicing?

- Quicker retrieval of money from customers by reducing the time an invoice or payment is in the post.
- Reduced printing and postage costs.
- Processing is quicker and cheaper, as the information in electronic invoices can be fed directly into a company's payments and accounting system.
- Lower storage costs.

#### What are the main obstacles to the wider use of electronic invoicing?

- e-Invoices are produced in a wide range of formats and according to many different standards. This hinders the smooth transfer of an e-invoice from one part to another and prevents the full benefits and cost savings of e-invoicing from being realised.
- Variation in national rules which govern the validity and acceptability of e-invoices in legal, financial and administrative terms. This makes their use in cross-border transactions within the EU difficult.
- Many potential users have concerns about the security of e-invoicing systems and the potential for misrepresentation and fraud.

#### What is the European Commission doing about this?

Last year the Commission worked with a wide range of stakeholders - companies, banks, other financial service providers.

Important legal notice  
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News highlights

Consultation:  
Commission consults on bringing down mobile phone tariffs in Europe  
on-line, 29 June - 3 September 2008  
Closing date: 03/09/2008

FAQs on E-commerce in the EU  
29/06/08

European Commission launches e-government support service SEMIC.EU  
19/06/08

Electronic Identity: easy access to public services across the EU  
02/06/08

More news...  
RSS feed

Forthcoming events

Internet of Things - Internet of the Future  
Nice Acropolis (France), 6 - 7 October

Start Windows ... Input Peter Pot... Microsoft ... EUROPA ... Adobe Re... 3 Micros... NL 100% 10:07 AM

# 2

## Standards

UN/CEFACT and ISO

# UN/CEFACT + ISO standards

eei-3.2-e-invoicing\_final\_report.pdf - Adobe Reader

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Critically the derivation of an International e-Invoice standard must be as open and inclusive as possible, involving or consulting, a wide range of stakeholders. This exercise must also take into consideration that the e-Invoice is part of a wider procurement process, extending from catalogue to payment and including payment reconciliation.

It is proposed to establish a collaborative activity between the pre-eminent International standardisation bodies, being UN/CEFACT (Trade and Business Process Group (TBG) 1 "Supply Chain" and TBG5 "Finance") and ISO (Technical Committee 68 "Financial Services"), for the development and delivery of an International EEI standard. This will be an open and transparent process working in partnership with the future EEI Steering Committee (see section 5) to achieve an international, rather than purely European, EEI standard solution. While time to market of any standard is critical, it is also vital that the standard forming the basis of the EEI Framework is International. This will increase market certainty in the solution, and respect the fact that European supply chains extend beyond European geographical boundaries. Experience suggests that a European standard will not readily gain the commercial support and acceptance that an International ISO/UN/CEFACT ratified standard will. In order to facilitate immediate progress towards this goal the next steps will be to agree the existing (or core) e-Invoice data requirements coming from existing standards, solutions and market experience. In order to expedite progress towards an ISO/UN/CEFACT ratified standard it is suggested to establish a collaborative relationship between the EEI Steering Committee and both TBG5 (for ISO20022 co-ordination) and TBG1 (for UN/CEFACT co-ordination). Resources from industry bodies, like SWIFT, will also be key in making effective progress. The following recommendations detail how this will be achieved.

**RECOMMENDATIONS TO ADDRESS STANDARDISATION BARRIERS**

It is recommended that the future EEI Steering Committee should consider undertaking

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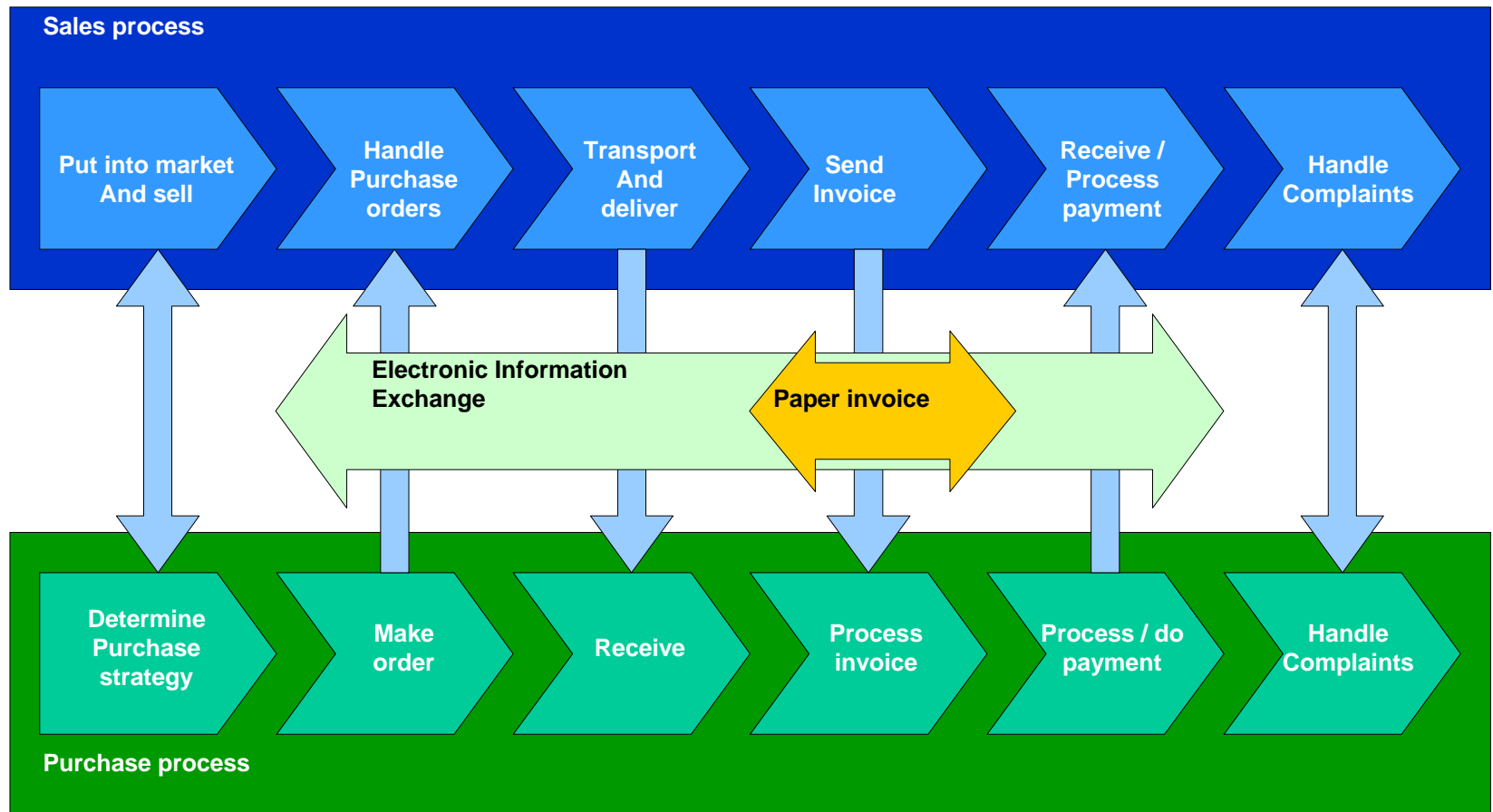


## UN/CEFACT response

- **Recognising** the fact that UN/CEFACT has been mentioned in the EEI 3.2 final report on e-Invoices in Europe as a party to develop standards to allow the EEI Framework to be implemented;
- **Recognising** the importance of a seamless evolution in the dematerialisation of more and more links in the value chain and the implementation and/or migration thereof:
- **UN/CEFACT**
  - Will adjust its priorities in the development of the required standards to meet the 18 month timeline which has been mentioned in the report on standards for e-Invoice;
  - Will develop and disseminate information for parties concerned (in both public and private sectors), already involved in implementations or considering to do so, to enhance awareness and understanding on the steps to take and facilitate a flawless migration.

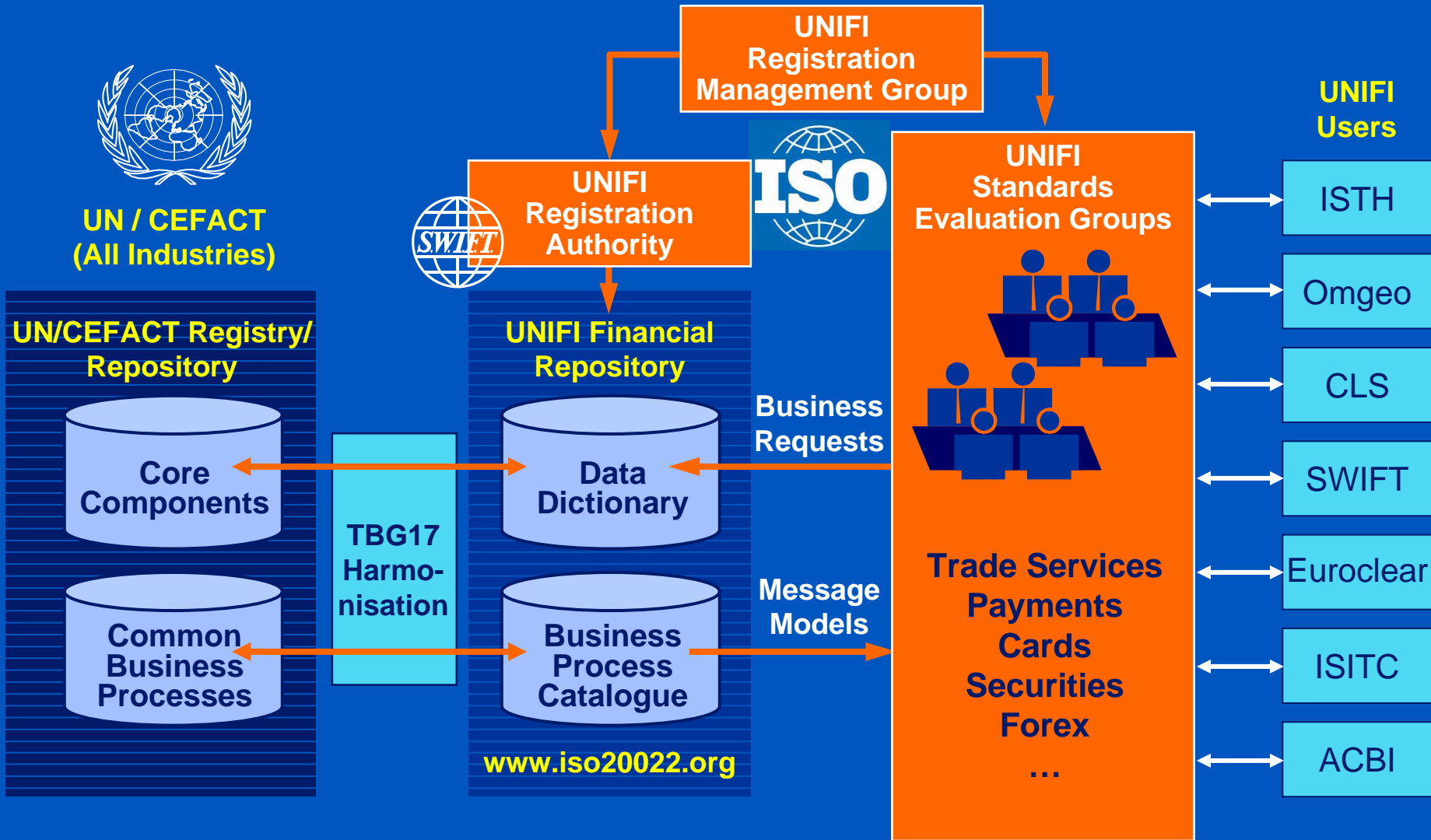
# Dematerialisation of Business Processes

## Paper in the context of electronic information exchange



# Long term convergence goal

## A single ISO-UN/CEFACT approach



# 3

## Elements for the Business Case

## Examples of benefits for SME's

- can continue to trade with partner (for example public sectors in an estimated 15 countries consider making e-invoicing more or less mandatory)
- better value for own customers (manual invoices cost him 30-70€ each, un-automated e- around 10€, fully automated 1€)
- same tool works with all – and from all
- no investment needs with template in e-bank or general portal
- no it-skills needed
- familiar user experience, user support and security when part of e-banking
- invoicing - causing much lower cost to receiver - can be more frequent > better cash flow, lower credit risk, lower currency risks
- e-invoices are paid faster > better cash flow – less financing need – less risks
- invoices can be sent to bank for invoice financing – benefiting from trading partners' credit standing
- better reporting
- cheaper accounting
- wider supply of mini ERP solutions when common standards gain space – easier to change service provider > more competition
- more valuable customer for banks, accounting firms and other service providers > more competition
- less fraud risk as e-invoice senders have been properly identified by service providers
- same tool can be used for sending invoices to consumers (increasingly needed for tax deductions and demanded as digital habits grow)

## Examples of benefits for large companies

- massive process cost savings
- better interoperability between present standards
- lower IT-application and reformatting costs with wider use of common directly interoperable standards
- cross-border interaction enabled more widely
- standard interfaces to service providers > more competition > lower costs
- opportunity to automate entire value chain (same data elements) - e-invoicing is a part of both buyer centric (purchase to payment) and supplier centric (order to cash) process models
- business process optimization and straight through processing follows fine tuning single transaction types
- faster payments > better cash flow and forecasting – improved working capital
- less credit risk
- less currency risk
- opportunity to benefit from own credit rating via supplier financing to SMEs
- less boring tasks – more motivating, productive opportunities for own staff
- opportunity to help SMEs to move up in digitalization layer
- image improvement from promoting common open standards
- part of enterprise program to slow down global warming
- opportunity to engage in positive co-regulation – driving the necessary in and eliminating the unnecessary in co-operative spirit with enlightened policy makers

## Examples of benefits for the public sector

- massive savings of tax payers' money
- opportunity to make e-society programs concrete and progress measurable – with same tools as private sector
- opportunity to drive the market by being a model user (e-only once low-cost tools to SMEs are available)
- more competitive enterprises
- less tax evasion
- opportunity to contribute to EU-wide productivity

## Examples of benefits for EU

### A. Productivity improvements from

- Faster digitalization in harmonized and wider common market
- Direct cost savings (B2B 240bn + B2C)
- Indirect improvements (financing, cash flow, fraud elimination, lower risk levels...)

### B. Step to further layers towards real time economy

- Procurement processes
- Automated accounting etc

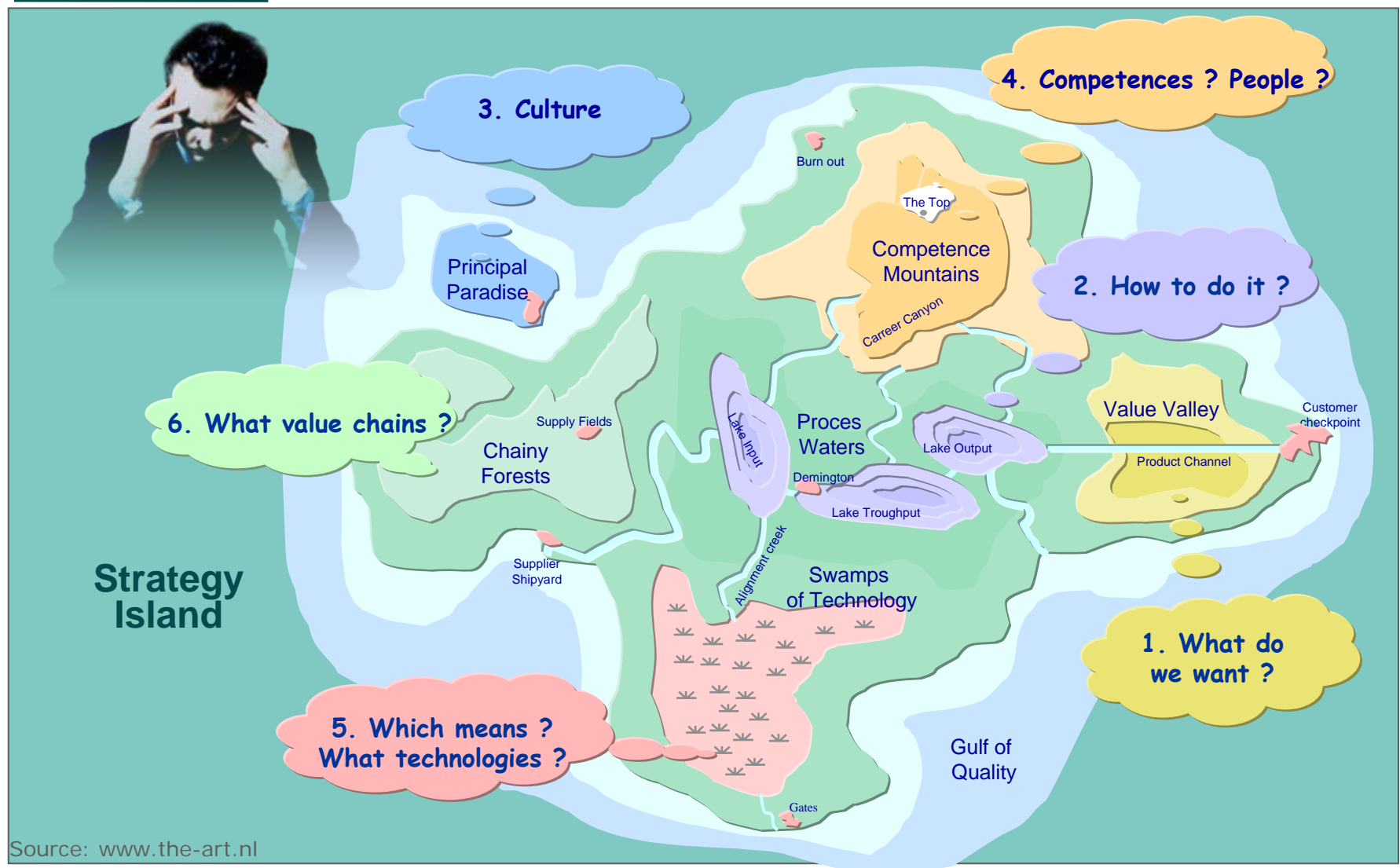
## Examples of benefits for the environment

- Less paper (fiber equivalent of 15 million trees)
- Less energy used in manufacturing
- Less printing, Less transport , Less recycling
- ...

# 4

## The Challenges

# A business manager's quest for the answers



Source: [www.the-art.nl](http://www.the-art.nl)

# A challenge in the 4-corner reference model



Appropriate Standards

Appropriate Uptake \*)

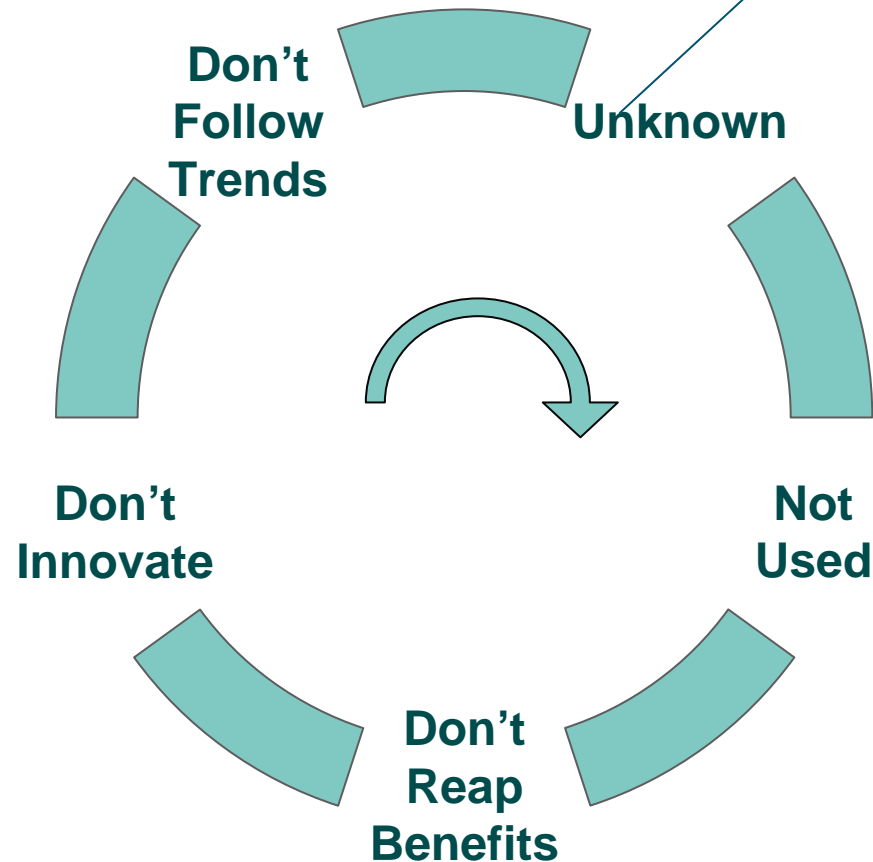
Appropriate Implementation \*)

Appropriate Adoption

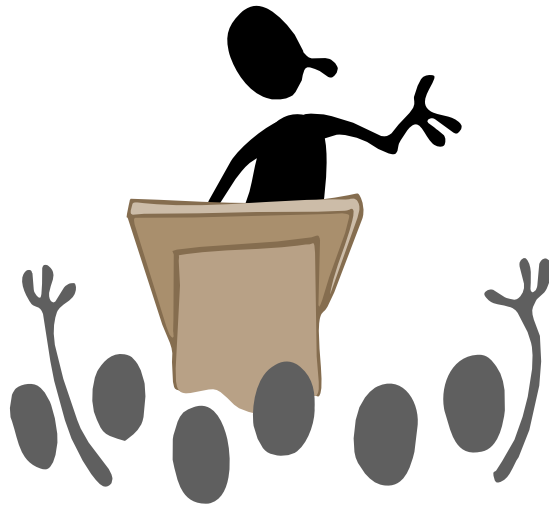
\*) Assuming shortcomings in current regulatory framework solved

## ... there is a problem with the uptake of standards

- Standards do not fit in the Business Manager quest for the answers ... (priority)
- Standards are not expressed in Business Terminology
- No 'Marketing of Standards'
- ...



**Example  
Access  
Point to  
'break the  
circle'**



Allow me to introduce myself:

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