

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 07/05/2015 - Follow-up document

The Commission presents a report on the **investigation related to the manipulation of statistics in Spain** as referred to in Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area (Commission Decision of 11 July 2014).

Background: [Regulation \(EU\) No 1173/2011](#) on the effective enforcement of budgetary surveillance in the euro area empowers the Commission to launch investigations if there are serious indications of manipulation of statistics, intentionally or due to serious negligence. Such investigations may lead to a recommendation from the Commission that the Council should impose a fine on the Member State. The fine to be recommended is calculated by the Commission but the Council has the final say on its imposition and size. If it is found that the Member State has, intentionally or by serious negligence, misrepresented its deficit and debt data, the Council may decide to impose a fine of up to 0.2% of GDP on that Member State.

According to [Council Regulation \(EC\) No 479/2009](#) on the application of the Protocol on the excessive deficit procedure, Member States are obliged to report their annual deficit and debt data to the Commission (Eurostat), in full compliance with European statistical rules and procedures.

Spain sent its first notification in the year 2012 under the Excessive Deficit Procedure (EDP) to Eurostat on 30 March 2012. The notification contained, amongst other data, the first reported data for the year 2011. After having followed its usual procedure for data assessment, Eurostat validated and published the data of Spain on 23 April 2012, in its EDP Press Release

However, on 17 of May 2012, the Spanish Statistical Authorities informed Eurostat of an increase in the expenditure of regional governments (Autonomous Communities) of about 4.5 billion euro (around 0.4% of GDP), which would impact the Spanish general government deficit, mainly in 2011, entailing an upward revision of the deficit data transmitted in the April 2012 EDP notification.

Findings of the investigations: based on visits made in 2012 and 2013, and on further analysis of the situation, **Eurostat opened a formal investigation** into the possible manipulation of statistics in the Autonomous Community (AC) of Valencia (*Comunidad Valenciana*), Spain.

This report presents the findings of the Commission in the light of the investigation conducted, together with the key facts supporting those findings. The written observations submitted by Spain on the Commission preliminary findings, are also included.

The Commission report concludes as follows:

- an entity (IGGV Regional Audit Office of the AC of Valencia - *Intervención General de la Generalitat Valenciana*) within the general government sector of the Kingdom of Spain was **seriously negligent concerning the non-recording of health expenditure** (and the non-respect of the accrual principle) in national accounts (ESA 95), leading to **an incorrect reporting of deficit data to Eurostat in 2012**, i.e. after the entry into force of Regulation (EU) 1173/2011;

- the **non-recording of expenditure was not rectified in spite of publicly available information** on the existence and extent of the problem in the reporting of the Regional Court of Auditors, which recommended that the Regional Audit Office of Valencia (IGGV) should ensure a correct recording of such expenditure.
- as a result, the data sent by Spain to Eurostat in the context of the 2012 EDP reporting was **incomplete** insofar as significant amounts of health expenditure were not reported, leading to the **revision of the reported government deficit of EUR 1.9 billion**.

Based on the findings in the report regarding the behaviour of the Spanish authorities during the period from 13 December 2011 until the launch of the investigation on 11 July 2014, the Commission may decide to adopt **a recommendation to the Council to impose a fine on Spain**, as provided in Regulation (EU) No 1173/2011.