Beat: Politics

Commission recommends imposing a fine on Spain

For misreporting of deficit data

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USPA NEWS - Following the conclusion of the investigation related to the manipulation of statistics in the Spanish Autonomous Community of Valencia, the European Commission has adopted a report and recommends to the Council to impose a fine.

This is the first time that the Commission draws on its new powers under the "Six Pack" economic governance legislation to investigate suspected manipulation of a Member State's debt and deficit data. Marianne Thyssen, the Commissioner for Employment, Social Affairs, Skills and Labour Mobility, also responsible for Eurostat, said that "sound fiscal policy is a fundamental precondition for economic growth and stability. We have learned this lesson the hard way in the last years. Today's decision sends a clear signal: The Commission is ready to use its new powers to ensure that the statistical basis for our economic decision-making is reliable - be it on the local, regional or national level."

Member States' statistics need to truly reflect the economic situation and to be compiled and reported in line with EU law, said EC. The Commission has therefore been given the responsibility to ensure that Member States' general government data is credible, reliable and independently produced. This is an important part of reinforcing economic governance and surveillance.

The report adopted by the Commission concludes that one body within the Spanish general government sector, the Regional Audit Office of the Autonomous Community of Valencia, was seriously negligent concerning the non-recording of health expenditure and the non-respect of the accrual principle in national accounts (ESA 95). This lead to an incorrect reporting of the government deficit data of Spain to Eurostat in March 2012. The misreporting stopped in 2012. The report relates specifically to statistics produced by the Region of Valencia, it is not calling into question the accuracy of national statistics in Spain. The Spanish debt and deficit figures, once corrected in October 2012, have been published without reservation by Eurostat.

Based on the findings, the Commission is recommending to the Council that a fine of EUR 18.93 million be imposed on the Kingdom of Spain. The fine has been established using a two-step methodology in line with the Commission Delegated Decision 2012/678/EU. At first the Commission determines the reference amount. Second, it may modulate that reference amount upwards or downwards taking into account the specific circumstances of the case. In this case, when defining the fine, the Commission has taken into account a series of mitigating factors such as the fact that the misrepresentation was the result of serious negligence rather than intentional and that it was the work of one entity acting alone.

The Spanish authorities have fully cooperated with the investigation and the misrepresentation has ended. Taking into account these specific circumstances, the fine proposed by the Commission has therefore been reduced to 20% of the reference amount. In May 2012, the Spanish national statistical authorities informed Eurostat that its general government deficit for 2011 would have to be revised upwards by 0.2% of GDP, compared to the figure it reported for the EDP notification a few weeks earlier. This was mainly due to the discovery of unrecorded expenditures in the Autonomous Communities of Valencia. Eurostat immediately carried out technical visits to Spain to determine the nature of the problem.

It appeared that the Intervención General de la Generalidad Valenciana (IGGV) had systematically sent incorrect information to the national statistical authorities over many years. As well as failing to report considerable health expenditure, the IGGV had not respected the accrual principle, required under national and EU law. Moreover, reports by the Regional Court of Auditors, flagging these problems, and comments of the Regional Ministry of Health, seemed to have been ignored.

Following these visits, Eurostat issued a report with detailed recommendations to ensure the quality of statistical reporting by the regional and local authorities. Eurostat worked with the Spanish authorities in the implementation of these recommendations. The correction to the Spanish general government deficit was reflected in the October 2012 EDP notification. It is important to underline that the corrected Spanish data has been published without reservation by Eurostat. In September 2013, Eurostat conducted a verification visit to Spain to confirm its findings related to the incorrect reporting in Valencia.

On the basis of this visit, and further analysis of the situation, Eurostat recommended that the Commission open an investigation into

the misrepresentation of EDP data in Spain. In July 2014, the Commission announced the launch of a formal investigation into the possible manipulation of statistics in Valencia. According to Decision 2012/678 on investigations and fines related to the manipulation of statistics the Commission must adopt a report with its findings and observations within 10 months of the decision to initiate the investigation. The Member State in question has the right to comment on any findings before the final report on the investigation is published.

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