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Briefing note on the revision of general government debt according to the Excessive Deficit Procedure (EDP). Sareb reclassification in the general government sector

The latest data in the quarterly information on general government EDP debt, which the Banco de España has published today on its website (available at this [link](#)), have been revised to reflect the usual updates of the statistical sources and the effects of the reclassification of certain units¹. In this setting, the most significant change brought about by recent reclassifications is that the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (hereafter, Sareb) is now considered as a general government unit.

Sareb was created in November in 2012, in the context of the financial crisis and as part of the financial institution aid programme to assist with the restructuring and recapitalisation of the Spanish banking sector. This unit was established with a planned life limited to 15 years and it is mostly owned by private entities (54.1% of the capital), although its liabilities, mainly debt securities issues, are guaranteed by the State. At the time of its creation, taking into account Sareb's statute and after a thorough analysis of the European legislation² in accordance with Eurostat, it was decided to classify Sareb as a private financial institution not controlled by general government.

In addition to the fact that Sareb was mostly owned by private entities, one of the conditions on which this initial decision was based was that Sareb's losses, if any, had to be relatively small compared to the total size of its liabilities.

Following this decision, there were significant changes in the situation of this unit and in the statistical methodology governing the classification of such entities. First, the development of ESA 2010³ widened the forms of control of entities. As a result, with the new rules it can be concluded that Sareb is a unit under the control of general government. Secondly, since its inception, Sareb has been incurring significant losses, which currently represent an appreciable volume in relation to its liabilities. Finally, in the European Union, similar entities

¹ The full list of entities included in general government is available on the Banco de España website at this [link](#).

² Council Regulation (EU) n° 2223/96, of 25 June 1996 on the European system of national and regional accounts in the Community (ESA 95); *Manual on Government Deficit and Debt, Implementation of ESA 2010, 2012 edition*; and Eurostat's special rules in place as long as the financial crisis persisted ("*The statistical record of public interventions to support financial institutions and financial markets during the financial crisis*").

³ Council Regulation (EU) n° 549/2013 of the European Parliament, of 21 May 2013 on the European system of national and regional accounts in the European Union (ESA 2010).

in other Member States, which were originally classified outside the general government sector, have been reclassified in that sector by national statistical authorities.

In this situation, the Technical Committee on National Accounts⁴ (CTCN, by its Spanish acronym), in accordance with Eurostat⁵ and under current legislation, deems that Sareb must be reclassified as part of the general government sector, within the State government sub-sector, as from the end of 2020.

Sareb's reclassification in the general government sector affects the public deficit and the stock of general government EDP debt. According to the provisional information available, the increase in consolidated EDP debt as a result of this reclassification was €34.18 billion in December 2020, representing 3% of GDP at market prices.

Additional information

More detailed information about the methodology used to compile EDP debt data can be found on the Banco de España website at this [link](#).

⁴ The first additional provision of Organic Law 6/2013 of 14 November 2013 created the Spanish Independent Authority for Fiscal Responsibility (AIREF) together with the Technical Committee on National Accounts (CTCN) to assess and allocate the various public sector entities' economic transactions, and also classify entities by sector, in accordance with the criteria set out in ESA 2010. This Committee comprises representatives of the National Statistics Institute, the Banco de España and the National Audit Office.

⁵ Link to Eurostat's communication on the reclassification of Sareb available [here](#)