



# ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT OF SUSTAINABLE BONDS

Allocation and impact of the Euskadi 2019  
sustainable bond.

Summary

October 2020





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## 1. Economic, environmental and social impacts

The **Basque Government** has developed a **Framework of Sustainable bonds**<sup>1</sup> for both green and social projects. This framework is aligned with the four Green Bond Principles and the Social Bond Principles

For the first time in June 2018, the Basque Government issued sustainable bonds for the total sum of €500M. In 2019 it issued the second sustainable bond, for a total sum of €600M, which were allocated to funding projects aligned with the **Euskadi Agenda 2030** and the **Sustainable Development Goals**.

The Euskadi 2019 sustainable bond yields **environmental and social benefits**. The social impacts are generally measured in terms of the number of beneficiaries (for example, students who receive grants, people awarded different kinds of allowances for housing or people with difficulties of inclusion in regard to employment). The environmental impacts are generally measured taking account of physical improvements (for example, energy savings, restored land surface, material savings or the reduction of greenhouse gas emissions).

### 1.1. Allocation of the bond

In 2019, the Basque government **executed** a total budget of **€2,814,373,904** (an increase of 2% with respect to the amount executed in 2018) on projects corresponding to the eligible project categories and, therefore, susceptible to being financed with the Sustainable Financing instruments. Of these, €2,615,363,126 (93%) were allocated to social projects, and €199,010,778 (7%) to green projects.

Of the total executed, €1,000,000,000 correspond to social<sup>2</sup> (€833,500,000; 83% of the eligible total) and green **eligible projects**<sup>3</sup> (€166,500,000; 17% of the eligible total) susceptible to being financed with Sustainable Financing instruments. A total of €190,417,905 (31.74%) of the amount corresponding to Sustainable Financing instruments has been allocated to **eligible green projects**, and the remaining €409,582,095 (68.26%) to **eligible social projects**. The rising need and interest of the Basque Government to develop green projects has meant that the amount finally allocated to financing projects in this category was higher than the eligible amount initially anticipated for this kind of projects.

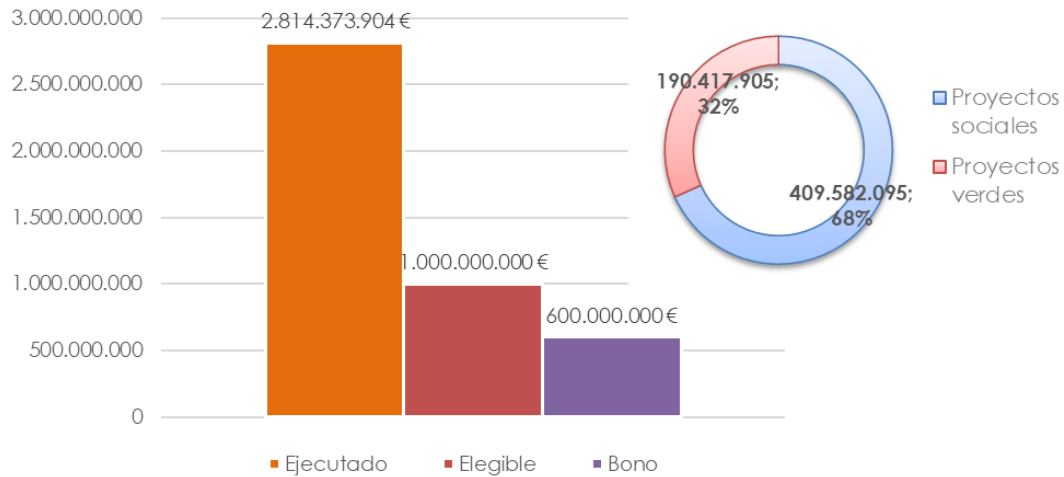
**Figure 1** shows the budget executed in the eligible project categories, the eligible total and the amount finally financed with the sustainable bond. Within the projects financed with the bond, it shows the proportion of green projects and social projects financed.

<sup>1</sup> [https://www.euskadi.eus/contenidos/informacion/7071/eu\\_2333/adjuntos/2020/Marco-de-Bonos-Sostenibles\\_Gobierno-Vasco-2018.pdf](https://www.euskadi.eus/contenidos/informacion/7071/eu_2333/adjuntos/2020/Marco-de-Bonos-Sostenibles_Gobierno-Vasco-2018.pdf)

<sup>2</sup> Affordable housing; Education; Health; Socioeconomic advancement; Employment generation and economic inclusion

<sup>3</sup> Renewable energies; Clean transport; Environmental protection; Water management

Figure 1. Budget executed, eligible projects, total amount of the bond and proportion of green and social projects financed with the Basque Country sustainable bond



|                    |                 |
|--------------------|-----------------|
| Proyectos sociales | Social projects |
| Proyectos verdes   | Green projects  |
| Ejecutado          | Executed        |
| Elegible           | Eligible        |
| Bono               | Bond            |

*NOTA: Las cifras, en todos los casos: hay que cambiar los puntos por comas y poner € al principio de la cifra y sin espacio, p.ej.: €1,000,000,000*

The selection of programmes to be financed was made by the **Basque Government Sustainable Bonds Committee**, made up of four representatives of the Ministry of Treasury and Economy, and one representative each of the Ministries of Economic Development and Infrastructures (Environment, Land Use Planning and Housing; Employment and Social Policies; Health; and Education). To select the projects and the proportions of each one to be funded with the bond, account has been taken of the extent of their alignment with the SDGs and, therefore, with the objectives of the Government Programme (see Figure 3.2).

Figure 3.2. Relationship between some of the main objectives of the Government Programme and the SDGs



Source: Metroeconomica

## 1.2. Summary of impacts

**Tables 1 and 2** summarise the **social and green projects** financed with the **2019 sustainable bond**, the eligible amount of each one in both years and the amount finally financed by and charged to the sustainable bond, as well as the impact indicators. In 2019, the socioeconomic advancement programme was the one to receive most financing from the Sustainable Financing instruments (29.90% of the total), followed very closely by clean transport (24.76% of the total). Within the socioeconomic advancement programme, the Guaranteed Minimum Income was the project to which the largest part of the funds were allocated: 62.38% of the programme funds (equivalent to 18.66% of the total 2019 bond). In clean transport, Sustainable Financing was largely distributed between the building of new infrastructures and the financing of railway operations. Employment generation, renewable energy and the conservation of biodiversity on land and below water, energy efficiency and adaptation to climate change were the entries to receive least funds from the Sustainable Financing instruments. All of them lower than 2.5% of the total amount of the 2019 sustainable bond.

The Sustainable Financing instruments make it possible to advance towards greater fulfilment of the Sustainable Development Goals, an area in which the Basque Country performs with relative satisfaction if compared with the neighbouring Autonomous Communities (OS et al., 2019). With respect to future issues, the criterion will be maintained of continuing to allocate green funds to the fight against climate change and the promotion of sustainable energies, the two SDGs in which the Basque Country displays the worst relative performance.

Table 1: Summary of social programmes and projects financed

| Categories and projects           | Related SDG     | Eligible           | Bond allocation    | % with respect to total bond | Impact indicators                                   |         |                           |        |
|-----------------------------------|-----------------|--------------------|--------------------|------------------------------|---|---------|---------------------------|--------|
|                                   |                 |                    |                    |                              | No. beneficiaries                                   |         | Others                    |        |
|                                   |                 |                    |                    |                              | Indicator   | Number  | Indicator                 | Number |
| AFFORDABLE HOUSING                | SDG 1<br>SDG 11 | 127,000,000        | 97,473,298         | 16.25%                       | No. homes receiving allowances                      | 28,805  | No. public rental housing | 14,245 |
|                                   |                 |                    |                    |                              | No. families with public rent                       | 23,515  | No. jobs created          | 332    |
| EDUCATION                         | SDG 4           | 146,000,000        | 72,224,57          | 12.04%                       | No. disadvantaged university students with grants   | 127,975 | -                         |        |
|                                   |                 |                    |                    |                              | No. special needs university students with grant    | 14,254  |                           |        |
| HEALTHCARE                        | SDG 3           | 240,000,000        | 55,000,000         | 9.17%                        | -   | -       | No. jobs created          | 591    |
| SOCIOECONOMIC ADVANCEMENT         | SDG 1<br>SDG 10 | 217,500,000        | 179,425,671        | 29.90%                       | No. RGI recipients                                  | 16,770  | -                         |        |
|                                   |                 |                    |                    |                              | No. AES beneficiaries                               | 59,150  |                           |        |
|                                   |                 |                    |                    |                              | No. beneficiaries of family allowances <sup>4</sup> | 37,722  |                           |        |
| EMPLOYMENT GENERATION             | SDG 8           | 103,000,000        | 5,458,551          | 0.91%                        | No. people hired                                    | 1,173   | -                         |        |
| <b>SOCIAL PROJECTS, SUB-TOTAL</b> |                 | <b>833,500,000</b> | <b>409,582,095</b> | <b>68.26%</b>                |   |         |                           |        |

<sup>4</sup> Includes families with children to have received the allowance (22,812) and those to have received the allowance for work-life and family balance (14,910)

Table 2: Summary of green programmes and projects financed

| Projects   | Related SDG      | Eligible             | Bond allocation    | % with respect to total bond | Impact indicators                        |           |  |             |
|--|------------------|----------------------|--------------------|------------------------------|--|-----------|--|-------------|
|  |                  |                      |                    |                              | No. beneficiaries                        |           | Others   |             |
|  |                  |                      |                    |                              | Indicator                                | Number    | Indicator                                      | Number      |
| RENEWABLE ENERGY                                     | SDG 7<br>SDG 9   | 15,000,000           | 12,780,000         | 2.13%                        | No. EE and RE projects subsidised        | 3,392     | Emissions prevented (tCO2e/year)               | 8,576       |
|  |                  |                      |                    |                              |  |           | Installed renewable capacity (MW)              | 14          |
|  |                  |                      |                    |                              |  |           | Expected renewable production (MWh)            | 15,400      |
| CLEAN TRANSPORT                                      | SDG 9<br>SDG 11  | 124,500,000          | 148,547,794        | 24.76%                       |  |           | No. trams received                             | 4           |
|  |                  |                      |                    |                              |  |           | Emissions prevented (tCO2e/year)               | 6.47        |
| POLLUTION PREVENTION AND CONTROL                     | SDG 11           | 8,725,123            | 8,506,657          | 1.42%                        |  |           | No. people informed                            | 2,188,017   |
|  |                  |                      |                    |                              |  |           | No. measuring campaigns                        | 15          |
|  |                  |                      |                    |                              |  |           | No. companies attended to                      | 442         |
|  |                  |                      |                    |                              |  |           | No. pollution reports                          | 817         |
|  |                  |                      |                    |                              |  |           | No. companies subsidised                       | 66          |
|  |                  |                      |                    |                              |  |           | No. jobs created                               | 43          |
| SUSTAINABLE MANAGEMENT OF WATER AND WASTEWATER       | SDG 6            | 11,000,000           | 14,621,604         | 2.44%                        | No. people with access to drinking water | 2,140,569 | No. projects subsidised                        | 72          |
|  |                  |                      |                    |                              |  |           | Jobs created                                   | 106         |
|  |                  |                      |                    |                              |  |           | Wastewater treated (m3)                        | 136,025,339 |
| CONSERVATION OF BIODIVERSITY ON LAND AND UNDER WATER | SDG 14<br>SDG 15 | 4,423,242            | 4,312,490          | 0.72%                        |  |           | Conserved surfaces (ha)                        | 39          |
|  |                  |                      |                    |                              |  |           | No. water masses evaluated                     | 185         |
|  |                  |                      |                    |                              |  |           | No. technical studies funded                   | 39          |
| ENERGY EFFICIENCY                                    | SDG 9            | 1,691,718            | 1,649,360          | 0.27%                        | No. projects with subsidy                | 36        | Restored surface (ha)                          | 30          |
|  |                  |                      |                    |                              |  |           | Annual reduction of waste to rubbish dumps (t) | 91,319.5    |
|  |                  |                      |                    |                              |  |           | No. trained university students                | 29          |
|  |                  |                      |                    |                              |  |           | GHG emissions prevented (t/year)               | 55,000      |
|  |                  |                      |                    |                              |  |           | Materials savings (t/year)                     | 153,300     |
| ADAPTATION TO CLIMATE CHANGE                         | SDG 13           | 1,159,917            | 0                  | 0.00%                        |  |           |  |             |
| <b>GREEN PROJECTS, SUB-TOTAL</b>                     |                  | <b>166,500,000</b>   | <b>190,417,905</b> | <b>31.74%</b>                |  |           |  |             |
| <b>TOTAL PROJECTS</b>                                |                  | <b>1,000,000,000</b> | <b>600,000,000</b> | <b>100.00%</b>               |  |           |  |             |

## 2. Impacts on production, income and employment

With respect to the impact on production, income and employment as a result of the issue of sustainable bonds, note should be taken of the fact that:

Influence of the Basque Country 2019 sustainable influence on the production, income and employment of the Basque Country will be highly significant. **For every euro invested, a production increase of €1.67 is generated and an increase in income of €0.49. In the case of employment, for every million euros invested, 17.16 jobs are generated.**

By sector, those benefitting the most will be “Rental, real estate agencies and services to companies”, “Construction”, “Transport, storage and communications”, “Manufacturing industry”, “Hotel & Catering” and Education”. However, these sectors will boost other branches of activity and will produce a pulling effect arising from the interaction between income and consumption. The role of Indirect and induced impacts is, therefore, key, showing that they are important and must be considered when setting a specific policy in motion.

The sector “Healthcare and veterinary activities and social services” is one of the core aspects of the Basque Government policy. The pulling effects on other sectors and the impacts received by the latter are important, although lower than that of key sectors such as transport, the manufacturing industry and education. This is due to the fact that the healthcare investments financed by means of the sustainable bond mainly affect the actual sector itself; however, this doesn’t mean that healthcare is not a key sector for our economy. With respect to production and income, the sector sits in tenth position, while the area related to employment rises to seventh position, especially boosted by direct jobs.

**Table 3** summarises the **results obtained for the Basque economy as a whole**. The direct, indirect, induced and total (sum of the previous three) impacts are indicated in the different columns. The “Multiplier” column indicates the multiplying (pulling) effect on production and income generated by every euro invested in sustainable projects, as well as the jobs created for every million euros invested.

Table 3: Impacts of the investments resulting from the issue of sustainable bonds

|                                       | IMPACTS     |             |             |               |            |
|---------------------------------------|-------------|-------------|-------------|---------------|------------|
|                                       | Direct      | Indirect    | Induced     | TOTAL         | Multiplier |
| <b>Production</b> (in €)              | 600,000,000 | 287,115,638 | 117,107,729 | 1,004,223,367 | 1.67       |
| <b>Income</b> (in €)                  | 196,521,615 |             | 49,238,334  | 245,759,949   | 0.49       |
| <b>Employment</b><br>(Number of jobs) | 7,888       |             | 2,408       | 10,296        | 17.16      |

Source: Own production based on the results of the analysis

The results show that the investments arising from the issue of sustainable bonds generate an increase in total production<sup>5</sup> of €1,004,223,367. In other words, we must add to the direct effect (€600,000,000) another €287,115,638 generated due to the pulling effect on the productive sectors, and another €117,107,729 due to the increase in consumption

<sup>5</sup> The data must be interpreted with caution, given that the IOTs correspond to different periods. Specifically, the last IOTs offered correspond to 2015.



arising from increased income (induced impact). Thus, as can be seen, **taking account of the direct and induced impacts** when analysing the financial impacts **is no trivial matter**.

Note, however, that **the increase in production does not transform in its entirety into available income**, given that **part is allocated to imports or to tax payments**. Thus, the direct impact on income is lower, €196,521,615, where €49,238,334 is the increase due to the induced effect. In total, the impact on income amounts to €245,759,949. The multiplier effect is 0.49, meaning that every euro invested generates an increase in available income of €0.49.

The **jobs created** come to a total of 10,296, of which 7,888 would be direct and Indirect and 2,408 induced. The multiplier effect is 17.16, i.e. every million euros invested generates 17.16 jobs.

**Breaking down the impacts by branches of activity**, the results show a similar tendency: **the Indirect and induced impacts are important** and must, therefore, be considered when setting a certain policy in motion.