

ALLOCATION AND IMPACT REPORT
2019 NAVARRE SUSTAINABILITY BOND

General Directorate of Budgets, Heritage and Economic Policy

Economy and Finance Service

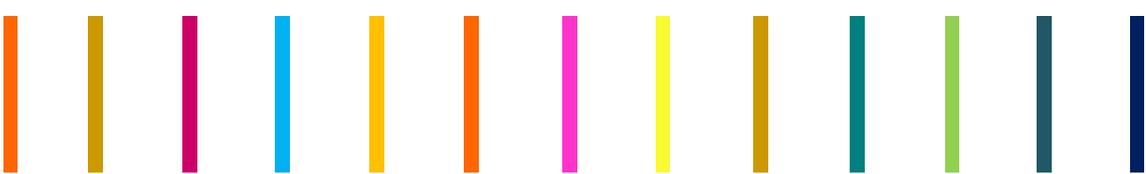
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1. Introduction

From the very beginning, the Government of Navarre has shown a firm commitment to the implementation of the 2030 Agenda for Sustainable Development approved by UN members in September 2015.

At its meeting held on November 3, 2016, the Parliament of Navarre urged the Government to prepare a study to assess how the challenges of the 2030 Agenda were being addressed through the various plans and programs. For this purpose, an Interdepartmental Commission was set up, with a high representation of the departments and the autonomous bodies. As a result, the current status of the Sustainable Development Goals in Navarre has been included in a manual and relevant indicators have been enabled in a Web Viewer, in order to provide transparent and open information to the public on the monitoring of the Sustainable Development Goals in Navarre.

In this context, the Government of Navarre has taken a step further and has decided to link its financial policy with the 2030 Agenda, opting for sustainable financing and developing a valid Sustainable Financing Framework¹ for the issuance of instruments whose income will be earmarked for environmental and social projects with a positive impact on the region.

The debut of this new type of green and social financing took place on April 30, 2019, with the issue of a sustainable bond of EUR 50 million, valid for 25 years and with an interest rate of 2.1 percent, whose funds will be aimed at projects that meet the eligibility criteria specified in the aforementioned Framework.

The selection and allocation of the projects has been carried out by an Interdepartmental Commission on Sustainable Financing, based on the eligible programs of the 2019 General Budgets of Navarre.

Following the guidelines on green bonds, social bonds and bonds linked with sustainability, and the Green Loan Principles, this report on the allocation and impact of the projects chosen is presented here below.

¹ https://www.navarra.es/NR/rdonlyres/40C27B6A-75E6-4B80-A39F-A4A909B2EDCE/449178/BonosSostenioblesNavarra2019_marcodefinanciacion1.pdf

2. Allocation report

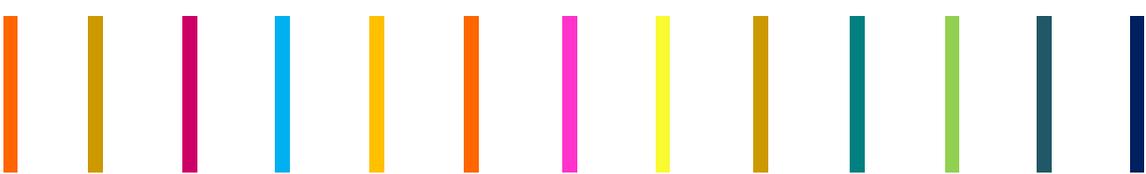
Below is a description of the projects chosen, with the categories of the Sustainable Finance Framework and the SDGs to which they relate.

The Interdepartmental Commission on Sustainable Financing set up by the Government of Navarre for the selection of the eligible projects according to the criteria of the Framework has identified a volume of EUR 211,083,221.7 in programs that can be financed by the sustainable bond, of which EUR 184,649,535.5 (87.5 percent of the total) correspond to social categories and EUR 26,433,686.2 to green categories (12.5 percent of the total).

Based on this list, the Commission has selected the projects allocated to the bond on the basis of the degree of alignment with the eligible categories and with the SDGs, and their impact indicators.

The following table lists the projects financed by eligible category and includes a summary of the 2019 budget implementation figures for these projects. Of the total amount of EUR 50,000,000 that has been financed by the sustainable bond, 59.2 percent has been allocated to social projects and the remaining 40.8 percent to green projects.

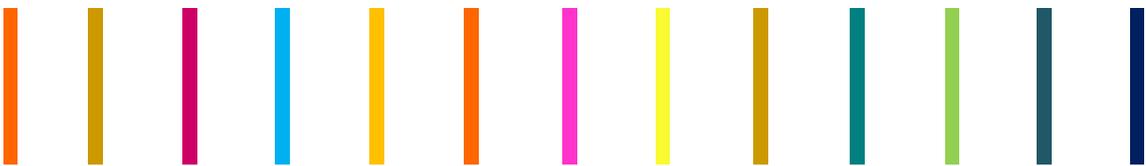
 Eligible categories	Allocated projects and items of the 2019 General Budget of Navarre	Implementation total EUR 50,000,000
 Affordable housing	Rehabilitation of houses and buildings 900007/91200/7800/261400 Subsidies and subsidies for housing performances	13,930,371.00
 Health	Drugs for rare diseases 543000/52200/2215/312300 Drugs	7,533,204.30
 Socio-economic progress	Guaranteed income 900002/91100/4809/231500 Guaranteed income	6,417,063.00
	Removal of architectural barriers A20001/A2110/6021/337100 Conservation, restoration and adaptation of monuments of the Government of Navarre	735,839.50
	Renovation of sports facilities A50001/A5410/7609/336102 (E) Call of the EE.LL. sports facilities reform and new construction	994,472.00
 Environmentally sustainable management	Land restoration 740002/74200/6019/456706 PDAD FEADER 2014-2020. Restoration of destroyed forests	88,306.00
	Improvement of forests and forest infrastructure 740002/74200/7609/456702 PDAD FEADER 2014-2020. Forest work subsidies to local entities	1,057,474.00
	740002/74200/7709/456700 PDAD FEADER 2014-2020. Forest work subsidies to private agents	194,402.00



	<p>740002/74200/7609/456703 PDAD FEADER 2014-2020. Forest infrastructure subsidies to local entities 740002/74200/7709/456702 PDAD FEADER 2014-2020. Forest infrastructure subsidies to private agents</p> <p>Investments in forest products 740002/74200/7709/456703 PDAD FEADER 2014-2020. Subsidies to private agents. Forest industry</p> <p>Agri-environmental measures 740002/74200/4700/456302 PDAD FEADER 2014-2020. Agri-environmental measures</p>	<p>485,585.00</p> <p>44,311.00</p> <p>439,877.00</p> <p>442,265.80</p>
 <p>Energy efficiency</p>	<p>Housing rehabilitation: energy efficiency 900007/91200/7800/261400 Subsidies and subsidies for housing actions</p> <p>Construction of educational centers and works 410001/41800/7609/325103 Construction of new centers and works. School Centers Plan 410001/41800/6020/325100 Construction of new centers and works. School Centers Plan</p> <p>Building with low energy consumption made of renewable materials 700000/70180/6020/411100 Conditioning of facilities</p>	<p>3,516,594.50</p> <p>8,473,987.20</p> <p>5,359,749.40</p> <p>286,498.30</p>

More budgetary information can be found at:

https://www.navarra.es/home_es/Gobierno+de+Navarra/Presupuesto/presupuestos/



3. Impact report

3.1 Social, economic and environmental impact

Below is a more detailed description of each project/program, with its impact indicators.

 **Affordable housing EUR 13,930,371.00.**
Related Sustainable Development Goals: 

This includes promoting the rehabilitation of housing and buildings managed by the Department of Land Planning, Housing, Landscape and Strategic Projects. The aid is targeted at two main types of beneficiaries, individuals and families, who fall below a certain level of income, and homeowners' associations.

The indicator used refers to protected rehabilitation works in finished homes (i.e. with a final qualification). In 2019, 4,327 rehabilitated housing units were financed.

<u>Indicator</u>	<u>Impact</u>
Number of housing units rehabilitated	4,327

 **Health EUR 7,533,204.30**
Related Sustainable Development Goals: 

This category includes the spending by the Department of Health on drugs to treat patients affected by rare diseases.

The drugs financed by this item are subject to costly patents that increase their price and prevent their supply on the market in a competitive manner. The impact indicator chosen for this measure is the monitoring of the number of patients who can access treatments, which amounted to 256 people in 2019.

<u>Indicator</u>	<u>Impact</u>
Patients treated for rare diseases	256



Socio-economic progress **EUR 8,147,374.50**

Related Sustainable Development Goals:



Socio-economic progress includes three actions with an impact on social inclusion and cohesion, such as the Guaranteed Income Program of the Department of Social Rights, the works to improve access for people with reduced mobility to the Royal Palace of Estella and the Castle of Olite, and the renovation work of local sports facilities. The latter two are promoted by the Department of Culture and Sport.

In 2019, 14 local entities renovated their sports facilities and there were two instances of infrastructure where access for people with reduced mobility was improved. The number of people who make up the family units who received Guaranteed Income in 2019 amounted to 35,899 people, representing 5.5 percent of the total population of Navarre.

Indicator

Impact

Recipients of Guaranteed Income compared to the total population	5.5%
Infrastructure with improved access for people with reduced mobility	2
Local entities that have renovated sports facilities	14



Environmentally sustainable management **EUR 2,752,220,80**

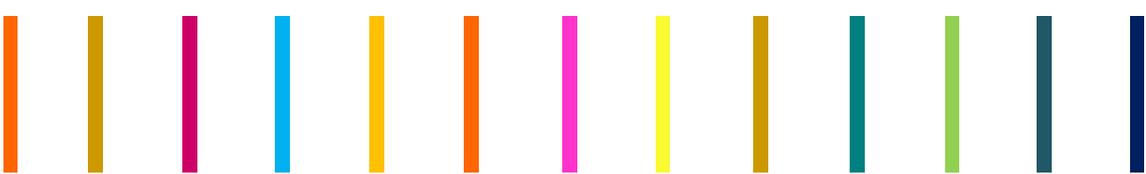
Related Sustainable Development Goals:



The Environmental Management and Land Management program of the Department of Rural Development and the Environment, which includes projects in this category, is aimed at preserving the environment by carrying out work that avoids or minimizes the impact of human activity.

Included within the "Medio Natural" (Natural Environment) project, activities are aimed at managing forest land and, in particular, forest land use, forest fire prevention, forest management. They also include subsidies to local entities and private actors in the field of forestry, as well as agri-environmental measures aimed at the conservation and improvement of dryland farming systems such as steppe wildlife habitats.

126 local forest owners, 19 private forest owners, 5 forestry companies and 88 farmers who have carried out agri-environmental practices have benefited from the aid. Likewise, the area of restored forest is estimated at 24 hectares, the improved forest area at 990 hectares, the improved forest tracks at 800 kilometers and the area received by agro-environmental actions at 10,865 hectares.



Indicator	Impact
Improved forest area, in hectares	990
Restored forest area, in hectares	24
Improved forest tracks	800
Beneficiaries affected	238
Area benefiting from environmental actions, in km.	10,865



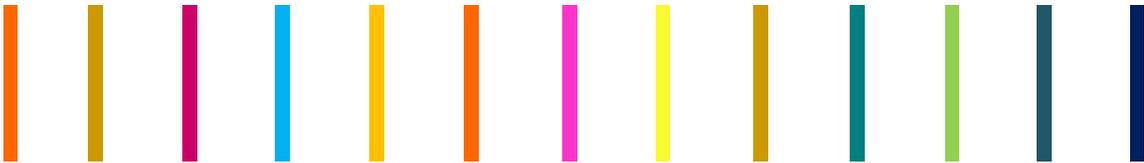
Energy efficiency EUR 17,636,829.40



Related Sustainable Development Goals:

This includes aid granted for the rehabilitation of 762 housing units by the Department of Land Planning, Housing, Landscape and Strategic Projects, which include energy efficiency actions. The category also includes the application of energy efficiency measures in the construction and expansion of educational centers of for Department of Education, and the construction of a shelter in Estella with renewable and energy-efficient materials for the Department of Rural Development and Environment.

Indicator	Impact
Houses rehabilitated with energy improvements	762
Buildings with energy efficiency measures	8



3.2 Input-output analysis

Any change in final demand, be it in private consumption, investment, public spending or exports, has an impact on production (sales value), income (gross added value) and employment in the region where it occurs, that goes beyond the direct effects that are generated in the receiving sectors of that demand. In this way, three types of impact can be discussed:

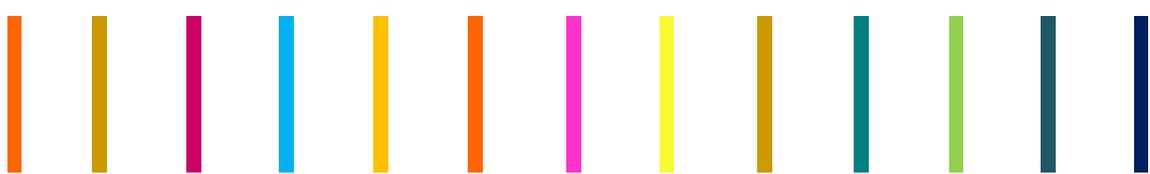
1. Direct impact. This is the production, income and employment generated in the areas of production that directly receive the investment or expenditure.
2. Indirect impact. This is the production, income and employment generated in the areas of production that supply the directly affected sectors with the goods and services they require for their activity.
3. Induced impact. This is the production, income and employment generated by the consumption of goods and services by employees in the areas of production that directly or indirectly benefit from the investment or expenditure.

The purpose of this part of the report is to quantify the economic impact of projects financed by the sustainable bond on the production, income and employment of the Autonomous Region of Navarre.

The methodology used is based on the input-output tables (IOT). The IOT describe the economic structure of a region through a comprehensive detail of the flows of goods and services that occur between the different areas of production over a given period of time. The input-output analysis allows to quantify the effect on the production, income and employment of a particular geographical area resulting from a change in final demand.

The direct impact is obtained through the information contained in the table itself and the gross value added (GVA) and employment against production coefficients, while the indirect and induced impacts require the use of Keynesian multipliers, that allow the effect of the increase on final demand to be shifted to the rest of the economy.

There is a vast bibliography on the input-output tables, as well as numerous studies and published articles which assess the economic impact. Please consult this bibliography, of which several references are cited at the end of this document, if you wish to learn more about the methodological details. This report only summarizes the steps taken in the analysis and presents the main results, both at the aggregate level for the whole economy of Navarre and at the sectoral level, broken down by areas of production.



This study is based on the 2010 Input-Output Tables of the Economic Accounts of Navarre, prepared by the Institute of Statistics of Navarre (Nastat). The IOT include a total of 68 branches of activity, but in order to simplify and facilitate the interpretation of the results, they have been grouped into 13 areas, as detailed in Table 2.

The study begins with the allocation of the budget of each of the projects financed with the bond to the different areas of production of the IOT, in order to obtain the demand vector. For this purpose, the type of expenditure or investment included in each project has been analyzed in advance, and then distributed to the corresponding areas according to their economic nature.

Once the demand vector is obtained, the direct effects on income and employment are obtained simply by applying the GVA and employment coefficients to this vector.

In order to calculate the indirect and induced impacts, however, the production, income and employment multipliers must be obtained beforehand, which will allow to transfer the direct impact to the rest of the economy of Navarre.

Table 1 shows the impact (direct, indirect and induced) of projects financed by the sustainable bond on the production, income and employment of the Regional Community of Navarre, both in absolute values (euro and full-time equivalent jobs — FTE) and in relative values, i.e. in relation to the amount of the bond.

In aggregate terms, the effect of the sustainable bond on the Navarre economy translates into EUR 80.8 million of production, EUR 38.7 million of revenue and 594 FTE jobs. This means that, for every euro invested, EUR 1.62 of production and EUR 0.77 of revenue are generated and, for every million euro, 11.89 FTE jobs are generated.

The direct effect is about 61.0 percent of the total impact, the indirect effect is around 30.0 percent and the induced effect is 9.0 percent.

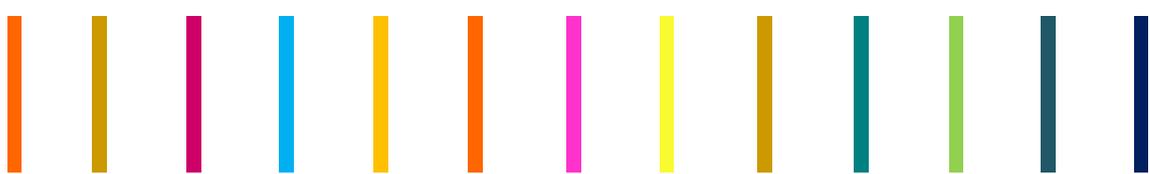
Table 1. Impacts on production, income and employment

Production and income in euro and full-time equivalent jobs

	Impact				Multiplier
	Direct	Indirect	Induced	TOTAL	
Production	50,000,000	24,423,193	6,415,753	80,838,946	1.62
Income	23,828,617	11,535,837	3,378,593	38,743,046	0.77
Employment	364	175	55	594	11.89

Source: *Economic Policy Section, Government of Navarre.*

Table 2 shows the detailed breakdown of total impacts on production, income and employment by areas of production. This allows to identify which sectors are the most benefited by the projects allocated to the bond.



As can be seen, around 50.0 percent of the total impact of the bond is concentrated in the construction sector. In particular, the projects financed in this sector generate EUR 41.7 million of production, EUR 20.4 million of income and 294 FTE jobs. The high impact on the construction sector can be explained by the fact that almost half of the allocated budget, as seen above, corresponds to building and/or rehabilitation projects for educational centers, sports facilities or other types of construction.

The manufacturing industry was the second most benefited area by the projects financed and received approximately 14–18 percent of the total impact of the bond. The effect on this sector amounts to EUR 14.8 million of production, 5.5 million of income and 92 FTE jobs.

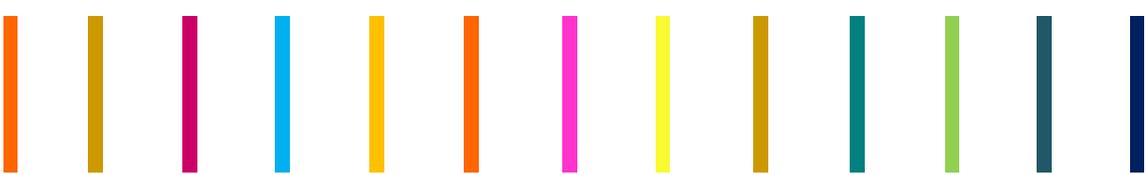
Within services, of particular note is the impact in the areas of trade and repair, rent, real estate and business services. Projects related to the rehabilitation of housing and the construction of educational centers, together with guaranteed income, have the most impact on these activities.

Finally, the impact of the sustainable bond on the agriculture, farming, hunting, forestry and fishing areas is EUR 3.2 million of production, 1.7 million of income and 39 FTE jobs, mainly explained by the projects included in the "green" category.

Table 2. Impact on production, income and employment by areas of production

	Production	Income	Employment
Agriculture, farming, hunting, forestry and fishing	3,197,878	1,697,260	39
Manufacturing and extractive industry	14,830,179	5,539,538	92
Production and distribution of electricity, gas and water	2,247,208	841,998	4
Construction	41,713,046	20,416,789	294
Commerce and repair	5,016,170	2,467,267	48
Hospitality	1,797,869	899,501	18
Transportation, storage and communications	2,945,255	1,056,142	21
Financial intermediation	1,329,041	807,087	6
Rental, real estate and business services	5,730,945	3,652,973	47
Education	319,698	230,908	5
Health care and veterinary activities and social services	779,349	527,622	6
Other social activities and personal services	837,594	519,195	10
Other services	94,714	86,766	3
TOTAL AREAS	80,838,946	38,743,046	594

Source: Economic Policy Section, Government of Navarre.



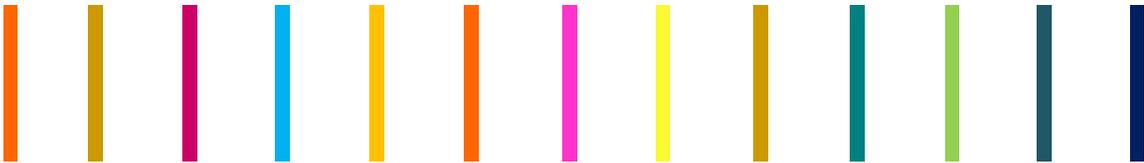
4. Conclusions

The issue of the first sustainable bond has enabled the Government of Navarre to finance a total of 15 projects for a paid amount of EUR 50,000,000, with 59.2 percent dedicated to social projects and the remaining 40.8 percent dedicated to green projects.

The availability of indicators for each project has enabled to assess the impact that the actions have had on the environment, for example, or the coverage that certain activities have achieved on their target population. Similarly, based on the input-output methodology, it has been possible to estimate the impact on the regional economy of projects financed by this first sustainable bond, quantified at EUR 80.8 million in production, EUR 38.7 million in income and 594 full-time equivalent jobs.

The Government of Navarre is responsible for the information and documentation related to the projects financed. It oversees the expenditure records of these projects, which are subsequently audited by the “Cámara de Comptos”² (Chamber of Audit).

² <https://camaradecomptos.navarra.es/es>



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