



# Impact Report BNG ESG Bonds for Dutch Municipalities

Summary report

July 2023

**HET** pon | telos



## Management Summary

BNG Bank, the market leader in financing the Dutch municipalities, started issuing sustainable bonds under their Sustainable Finance Framework in 2021, accompanied by an annual study on the performance of Dutch municipalities on the Use of Proceeds Categories. This second performance report provides an overview of Dutch municipal SDG-spending and analyses how municipalities performed on the Use Of Proceeds Categories.

In this report, the year 2023 is mentioned in two ways. When in the context of budget allocation, it concerns the actual budgets of municipalities of the year 2023. When referring to scores and data, 2023 is the reporting year. Meaning that data prior to 2023 is used; the used scores and data are not based on prognoses.

### Municipal SDG spendings

As of March 2022, the Netherlands counts 344 municipalities. Those municipalities vary in size, population, landscape and history and operate relatively close to the day-to-day lives of Dutch inhabitants and therefore have a relatively direct impact on some of the (sub)topics of the Sustainable Development Goals (SDGs).

In absolute terms, an increase in SDG-related spending is observed, but total budgets are increasing even more rapidly. Hence, in comparison to the previous year, the proportion of SDG-related expenditure is slightly lower (67.2%) as shown in the table below.

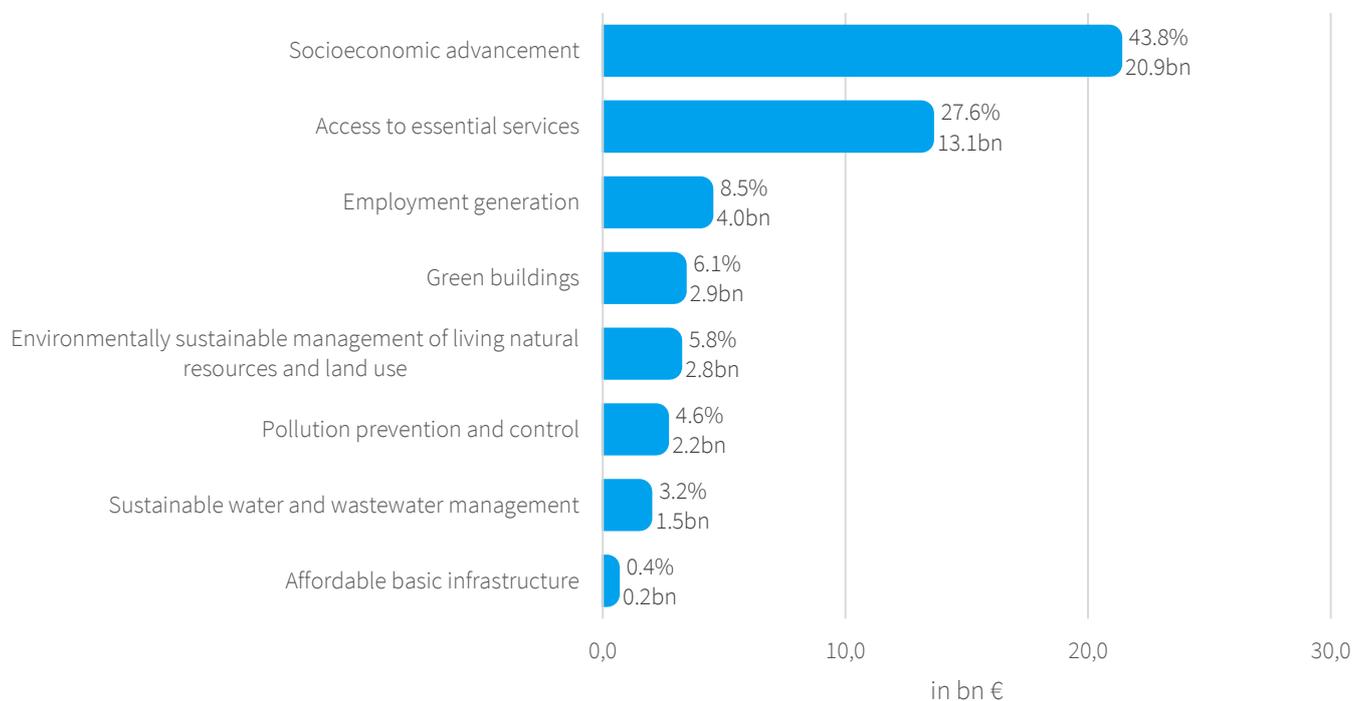
Table 1 SDG Related spendings in % of total and in bn €

Year	Percentage SDG-related municipal spending	SDG-related municipal spending in € bn
2017	66.4	37.8
2018	66.5	38.5
2019	67.3	40.5
2020	67.5	42.4
2021	68.2	44.0
2022	68.4	45.2
2023	67.2	47.6

The SDG-related budget increased with 5.3%. Most of the budget is allocated to the Use of Proceeds Categories Access to essential services and Socioeconomic advancement. Which combined, encompasses 71.4% of the total SDG-related budget. The distribution of budget reflects the municipalities' core responsibilities. Figure 1 below shows the composition of the eligible activities of the use of proceeds in bn € and the composition (shown in percentages) of the total SDG-related budget.

Figure 1 Composition of eligible activities in bn € and %

### Composition of the eligible activities by UoP categories 2023 in bn € and %



#### Budget and performance

The categories with the highest allocated budgets do not necessarily have the highest score on the Use of Proceeds Categories. Data shows that municipalities perform best (out of 100) on Pollution prevention and control, followed by Employment generation. The municipalities in the Netherlands in general do relatively well on the separation of household waste, which is reflected in the score. The higher score on Employment generation is partly the result of a national shortage in the labour force. There is currently a shortage in almost all sectors, resulting in a low unemployment rate (4.2%). Youth unemployment slightly decreased to 7.6%; the lowest youth unemployment rate since before the COVID-19 pandemic.

The lower score on Access to essential services is mainly due to rising costs of healthcare and the access to essential services decreasing in the more rural municipalities. On Socio-economic advancement, the score is mainly lowered by the rising inequality in municipalities. We observed a slight increase in poor households (to 3.4%) and a relatively high percentage of households that cope with energy poverty (8.5%).

Overall, the general trend remains mostly upward, but challenges are abundant. Especially on the more environmentally related themes, such as water quality. This summary report provides a condensed version of the analysis and highlights the main findings and outcomes. For a comprehensive understanding of the methodology used, references, footnotes and detailed results, please refer to the full report<sup>1</sup>.

<sup>1</sup> <https://www.bngbank.com/Funding/ESG-Bonds>

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# 1 Introduction

## 1.1 Set-up of this report

In the next chapters, the outcome of this impact study is presented. In this chapter we will briefly delve into the role of municipalities. Followed by an introduction of BNG Bank, its ESG funding, the Sustainable Finance Framework and the used method to measure the municipalities' performance. In chapter 2 we will discuss the performance and trends on the Use of Proceeds Categories and show the performance on five specific SDGs. Finally, chapter 3 offers some concluding remarks.

In this report, the year 2023 is mentioned in two ways. When in the context of budget allocation, it concerns the actual budgets of municipalities of the year 2023. When referring to scores and data, 2023 is the reporting year. Meaning that data prior to 2023 is used; the used scores and data are not based on prognoses.

## 1.2 Dutch municipalities

As of March 2022, the Netherlands counts 344 municipalities. Those municipalities vary in size, population, landscape and history and operate relatively close to the day-to-day lives of Dutch inhabitants. The municipal board decides over public greenery, social housing, several forms of healthcare, the construction of (public) buildings and infrastructure. In addition to the implementation of their own policy, municipalities are responsible for implementing national policies, as well as enforcing public order and safety, maintaining social services and employment opportunities, promoting economic prosperity and good healthcare. In short, municipalities are for a large part responsible for the day-to-day business of the Dutch inhabitants, and hence play a crucial and important role in the well-being and livability of the Netherlands.

### Contemporary challenges for Dutch municipalities

Contemporary challenges for Dutch municipalities today include a transition towards sustainable energy, paired with rising energy prices due to the geopolitical tensions. An asylum crisis, also a result of ongoing geopolitical tensions, both in Europe as internationally. Furthermore, there is a shortage of affordable housing, resulting in a housing market that is increasingly geared towards the higher social classes, increasing the already growing gap between the 'haves' and 'have-nots'<sup>2</sup>. On top of that, the Netherlands are coping with extreme weather patterns; very dry summers and wet winters, resulting heat and drought related issues like heat stress. The societal debate on these challenges also faces its own challenges due an increasingly polarized society and a hardening debate. Hence, there are no shortages of challenges for the local Dutch public administration.

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<sup>2</sup> Hoff, S., Vrooman, C., Iedema, J., Boelhouwer, J., & Kullberg, J. (2021). Verschil in Nederland 2014-2020; Zes sociale klassen en hun visies op samenleving en politiek.

### 1.3 About BNG Bank

BNG Bank is a Dutch promotional bank and has traditionally been the bank for the public domain and the public interest in the Netherlands. The bank is owned by the Dutch central government (50%) and local governments (50%) in the Netherlands and it has provided financing to the public sector since 1914, at competitive terms and conditions. Its clients are Dutch local authorities and institutions that are active in the social housing, healthcare, education, energy and infrastructure sectors. The majority of loans provided by the bank (more than 90%) are granted to or guaranteed by government bodies. The bank has got the highest credit ratings by all three major credit ratings agencies (Moody's: Aaa; FitchRatings: AAA; S&P Global: AAA).

BNG Bank's mission statement is 'Driven by social impact'. This purpose is leading for all BNG Bank's activities. Instead of maximizing profits, its priority is to maximize the social impact of its activities. BNG Bank has set ambitious targets in its "Road to Impact strategy", to increase the impact in the Dutch public sector. In measuring this social impact, the UN Sustainable Development Goals (SDGs) are used as the point of reference. BNG Bank also launched its Climate Plan 'Going Green', which outlines how the bank plans to reduce emissions from the credit portfolio and those arising from its own operations in line with the 1.5°C target of the Paris Climate Agreement in the coming years.

BNG Bank is driven by the core values of sustainability, reliability and professionalism. BNG Bank is convinced that these conscious choices will enable it to achieve its ambitions: to be the promotional lender that delivers social impact and that is considered by clients and other stakeholders as their go-to partner for addressing the social challenges they have to cope with. Per year-end 2022 BNG Bank has a long-term loan portfolio of EUR 88 billion.

### 1.4 BNG Bank ESG Funding

With its excellent credit ratings, BNG Bank has been a well-known issuer in the international capital markets for a long time. Increasing awareness and engagement in the field of ESG has led the global financial sector to develop ESG-labelled bond frameworks. In this light, BNG Bank has been an active issuer of ESG bonds (formerly known as SRI bonds) since 2014.

In 2014, BNG Bank developed an ESG issuance framework in cooperation with Het PON-Telos. Under this framework, the most sustainable municipalities and social housing associations were selected. The loans provided to these "best-in-class" performing core clients were consecutively funded with proceeds from the ESG bonds which the bank issued. This framework was successfully deployed until 2020. The launch of the United Nations (UN) Sustainable Development Goals (SDGs), as well as the launch of BNG's Road to Impact strategy- provided a logical backdrop to modernise the framework in 2021. As a result, the BNG Sustainable Finance Framework was launched in that year. It is under this ESG framework that BNG Bank has issued ESG bonds for Dutch municipalities and social housing associations since 2021.

## 1.5 BNG Bank Sustainable Finance Framework

The Sustainable Finance Framework follows the four key pillars of the ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP), and of the LMA Green Loan Principles (GLP): Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. Given this structure, the framework is divided in two sub-frameworks that each focus on a different client group in terms of use of proceeds:

- Sub-framework I for loans to Dutch municipalities
- Sub-framework II for loans to Dutch social housing associations

Each transaction BNG Bank initiates will include eligible proceeds from only one sub-framework to avoid mixed use of proceeds in one financial instrument.

The methodology of the municipality sub-framework maps the municipalities' COFOG expenditures to ICMA GBP and SBP categories (sustainable bond) and to the UN SDGs (Table 2). The approach allows for the distinction between the portion of expenditures that is mapped to the SDGs and the portion that is not. The proceeds of the BNG sustainable bond for municipalities will be used to fund the SDG expenditures of the Dutch municipalities.

Table 2 Municipal COFOG tasks and their accompanying SDG based on a framework by BNG Bank

<b>SBP or GBP UoP category</b>	<b>Eligible COFOG tasks</b>	<b>SDG alignment</b>
Access to essential services	<ul style="list-style-type: none"> <li>• 1.1 Crisis management and fire brigade</li> <li>• 1.2 Public order and safety</li> <li>• 4.1 Public primary education</li> <li>• 4.2 Educational housing</li> <li>• 4.3 Education policy and student affairs</li> <li>• 5.2 Sports accommodations</li> <li>• 5.4 Museums</li> <li>• 5.5 Cultural heritage</li> <li>• 6.7.2 Customized services 18-</li> <li>• 7.1 Public health</li> <li>• 8.1 Spatial planning</li> </ul>	
Socioeconomic advancement	<ul style="list-style-type: none"> <li>• 0.2 Civil affairs</li> <li>• 6.1 Cooperation and citizen participation</li> <li>• 6.2 Neighborhood teams</li> <li>• 6.3 Income plans</li> <li>• 6.6 Customized facilities (WMO)</li> <li>• 6.7.1 Customized services 18+</li> <li>• 6.8.1 Escalated care 18+</li> <li>• 6.8.2 Escalated care 18-</li> </ul>	
Employment generation	<ul style="list-style-type: none"> <li>• 3.1 Economic development</li> <li>• 3.3 Business counter and business schemes</li> <li>• 3.4 Economic promotion</li> <li>• 6.4 Guided participation</li> <li>• 6.5 Labor participation</li> </ul>	
Affordable basic infrastructure	<ul style="list-style-type: none"> <li>• 2.5 Public transport</li> </ul>	
Green buildings	<ul style="list-style-type: none"> <li>• 0.3 Management of other buildings and grounds</li> <li>• 3.2 Physical business infrastructure</li> <li>• 8.3 Living and building</li> </ul>	
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>• 5.7 Public green areas and (outdoor) recreation</li> <li>• 7.4 Environmental management</li> </ul>	
Pollution prevention and control	<ul style="list-style-type: none"> <li>• 7.3 Waste</li> </ul>	
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>• 7.2 Sewerage</li> </ul>	

## 1.6 Sustainable bonds issued under BNG Bank Sustainable Finance Framework

2022 was the second year that BNG Bank issued sustainable bonds for Dutch municipalities under the Sustainable Finance Framework. This paragraph provides an overview of the municipality bonds issued under the framework in 2021 and 2022.

Table 3 Sustainable bonds issued for Dutch Municipalities under BNG Bank Sustainable Finance Framework

2021	Coupon (%)	Maturity date	ISIN
EUR 2 bn	0.125	04/19/33	XS2332592760
2022			
EUR 2 bn	0.25	01/12/32	XS2430965538
EUR 180 mn	0.125	04/19/33	XS2332592760

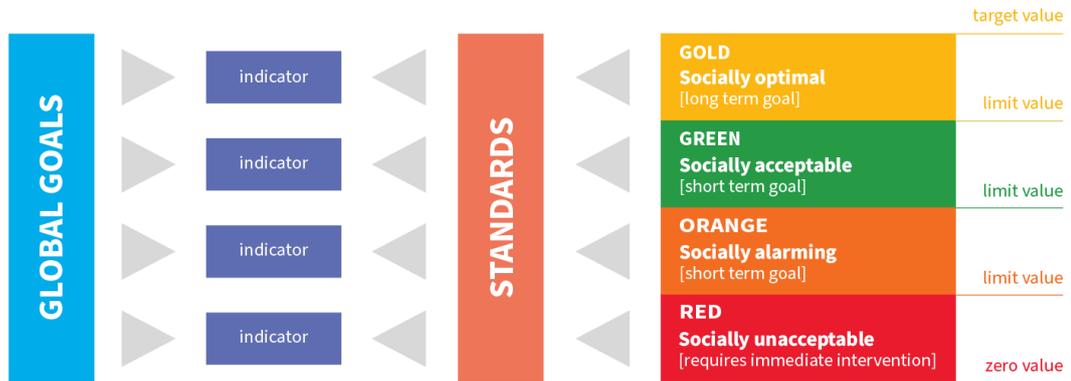
## 1.7 PON & Telos scoring method

Het PON & Telos comprised a set of indicators to measure the Sustainable Development Goals (SDG's) based on a long tradition of, and experience with sustainable development indicators and expert judgement. Het PON & Telos carefully selected the indicators to measure the impact along the SDGs but is also hampered by the availability of data. Not everything is measured and not everything that is measured, is measured well. The choice for indicators is influenced by three basic principles:

- The indicator must be linked to an SDG financed by the new BNG ESG Bond
- The indicator must be closely linked to the municipal tasks or spheres of influence
- The data used must be of high quality, and from a reliable source

In order to transform individual indicator scores into a uniform system of sustainability scores, Het PON & Telos has developed an approach using sustainability norms for each indicator within which ranges of sustainability goal achievement are defined. This results in a standardized score between 0-100, with 100 being the best score possible. A detailed explanation of this method can be found in the accompanying full report.

Figure 2 Flowchart goal achievement and norms



## 2 Framework and results

### 2.1 COFOG budget allocation

Table 4 shows the allocation of the budget by municipalities in both 2021, 2022 and 2023. Access to socio-economic advancement has historically and to date been the highest expenditure of municipalities. The allocations of eligible COFOG tasks in this category make up for 43.8% of the total budget in 2023. Municipalities second highest budget item is access to essential services, which in the past years made up about 25% of the total budget, and in 2023 does so with 27.6%. Also visible in Table 4, is that the total budget allocation increased for all use of proceeds categories, except for affordable basic infrastructure. To some extent, allocation of budgets reflects the municipalities core responsibilities. Those responsibilities are outlined in the accompanying full report, including a detailed description of the municipalities' role in tackling future societal challenges. In the next paragraph, we will see how municipalities scored on the use of proceeds categories.

Table 4 Budget allocation on Use of Proceeds Category

Use of Proceeds Category (in bn euros)	2021	%	2022	%	2023	%
Access to essential services	12.2	27.7	12.3	27.3	13.1	27.6
Socioeconomic advancement	19.4	44.0	20.0	44.3	20.9	43.8
Employment generation	3.9	9.0	4.0	8.9	4.0	8.5
Affordable basic infrastructure	0.3	0.7	0.2	0.5	0.2	0.4
Green buildings	2.5	5.6	2.7	5.9	2.9	6.1
Environmentally sustainable management of living natural resources and land use	2.3	5.3	2.5	5.4	2.8	5.8
Pollution prevention and control	2.0	4.5	2.1	4.6	2.2	4.6
Sustainable water and wastewater management	1.4	3.2	1.4	3.1	1.5	3.2
<b>Total amount</b>	<b>44.0</b>	<b>100.0</b>	<b>45.2</b>	<b>100.0</b>	<b>47.6</b>	<b>100.0</b>

### 2.2 General performance of municipalities

Table 5, which is shown below, provides a summary of the results of the Use of Proceeds category scores from 2021-2023. The general trend, up until 2021, was that of small improvements of the overall scores (0-100, with 100 being the best score possible). As of 2021-2022, in combination with positive developments there are also some small decreases noticeable, ranging from 0.33 to 2.95 percent points. In the scores of 2022-2023, where decreases occur they range between 0.02 and 2.89 percent points. Remarkable is that the category employment generation had the highest decrease last year, and has increased by 4 percent points this year, whereas sustainable water and wastewater management shows a reversed trend. An increase by 3.30 percent points last year and a decrease of 2.89 this year. We will have an in depth look at the categories in the following paragraph. Green buildings and environmentally sustainable management of living natural resources and

land use have stayed behind in scores, with no real developments over the past years. Socioeconomic advancement, employment generation and affordable basic infrastructure have improved the most over the past years. These categories have, as shown above, also have had the most budget allocated.

Table 5 Sustainability performance on Use of Proceeds categories

Use of Proceeds category	2021	2022	2023
Access to essential services	48.6	48.2	48.5
Socioeconomic advancement	45.8	47.9	49.5
Employment generation	56.0	53.1	57.2
Affordable basic infrastructure	49.4	50.6	50.4
Green buildings	31.6	31.6	31.6
Environmentally sustainable management of living natural resources and land use	46.4	46.5	45.6
Pollution prevention and control	58.8	58.4	58.4
Sustainable water and wastewater management	34.7	38.0	35.1

The accompanying full report provides an overview of the indicators used per Use of Proceeds category.

## 2.3 In depth look Use of Proceeds categories

This paragraph provides a detailed description of the Use of Proceeds categories, and contains explanatory data on indicator level to interpret trends where relevant.

### 2.3.1 Access to essential services

Access to essential services shows an overall small increase in the past years, with some small fluctuation in the scores over the latest few years. The general upward trend is mainly due to more inhabitants having sufficient physical activity, as well as an increase in inhabitants' valuation of their health. Furthermore, the educational level of Dutch inhabitants has experienced growth, with more individuals completing degrees after secondary school. Other indicators of access to essential services have stayed relatively stable or have slightly developed negatively. The costs for basis or specialized mental healthcare<sup>3</sup> for instance, has increased from about €175,- euro per inhabitant tot €200 euro per inhabitant. Looking at the average life expectancy<sup>4</sup> in the Dutch municipalities, data shows it being stable at around 82 years.

### 2.3.2 Socioeconomic advancement

This category has seen one of the largest improvements over the past years, increasing with about 9 percent points. The average disposable income of Dutch inhabitants increased over the past years. However, the average amount of poor households<sup>5</sup> in municipalities has slightly increased, from 4.2% to 4.5% to date. The Gini-coefficient<sup>6</sup> of disposable income in the municipalities in the Netherlands has increased to about 0.29, along with the increase in the Gini-coefficient of primary income (Gini-coefficient of 0.54). Meaning that the inequality is rather large, but is somewhat mitigated by social benefits.<sup>7</sup> The increase might be slight, but the inequality in the municipalities in the Netherlands is relatively large. Looking at inequalities between gender, data shows that the average labour participation of women is 68.1% to date and has been increasing incrementally over the last years (62.5% in 2016). Still, the difference in labour participation is over 8 percent points, with men's labour participation being 76.3%. This inequality is mainly induced by women doing most of the 'second shift'.<sup>8</sup> Looking at some of the safety related indicators, we see that the amount of violent crimes is steadily decreasing, as well as the amount of property crimes.

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<sup>3</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>4</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>5</sup> Poor households are households with an income up until 105% of the social minimum. The social minimum differs per age and household situation. For single households, over 21 years of age, the minimum is €1.378,95 per month

<sup>6</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>7</sup> <https://www.cbs.nl/nl-nl/longread/diversen/2021/inkomens-verdeeld-40-jaar-in-vogelvlucht/3-inkomensongelijkheid>

<sup>8</sup> <https://www.cbs.nl/nl-nl/visualisaties/dashboard-arbeidsmarkt/werkenden/arbeidsparticipatie-naar-leeftijd-en-geslacht#:~:text=Van%20de%20mannen%20werkt%20een,en%20vrouwen%20varieert%20per%20leeftijdsgroep.>

### 2.3.3 Employment generation

The employment generation category has witnessed a notable surge, with an overall increase exceeding 15 percentage points. Looking at the indicators, we see a steady increase of the Gross National Product, along a steady decrease in unemployment<sup>9</sup>, which had dropped from 6.4% in 2016 to 4.4% in 2019 and is 3.5% today. Youth unemployment<sup>10</sup> decreased since 2016, from 12.1% to 8.5% in 2019, followed by an increase to 10.6% in 2020 and to date is 7.6%. That pattern might, at least somewhat, be due to COVID-19.

### 2.3.4 Affordable basic infrastructure

As with socioeconomic advancement and employment generation, affordable basic infrastructure has steadily increased over the past years. Part of the steady increase is the increase in the usage of fossil free cars<sup>11</sup>, both private and commercial. The amount of fossil free privately owned cars went from 2.3% in 2019 to 4.4% to date. COVID-19 temporarily decreased the severity of congestions in the municipalities in the Netherlands, but that has reached pre COVID-19 rates. Inhabitants spent 1,332 minutes in congestion in 2019, followed by 413 and 566 minutes in 2020 and 2021 respectively. Currently, they are experiencing an average of 1,301 minutes in congestion. Furthermore, the accessibility of public transportation<sup>12</sup> shows a somewhat negative trend, mainly due to the increasing average distance to the nearest bus stop. Whereas that was about 1,845 meters in 2019, it is almost 2,500 meters to date. An indication of a decreasing number of bus stops in (especially rural<sup>13</sup>) municipalities, about which members of the national parliament raised questions this year.<sup>14</sup> The accessibility of train stations on the other hand, is relatively stable, with no real difference in the last years. On average, inhabitants have to travel 5km to reach the nearest train station. The already mentioned increase in both solar and wind energy also explains the increasing score on affordable basic infrastructure.

### 2.3.5 Green buildings

There have been no significant changes in the green buildings category. Currently, only 1.27% of the roofs are considered 'green,' compared to 1.16% in 2016. Municipalities are actively promoting green roofs due to their potential to enhance the livability and healthiness of cities.

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<sup>9</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>10</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022)

<sup>11</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022)

<sup>12</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>13</sup> <https://nos.nl/collectie/13923/artikel/2465241-ruim-1500-bushaltes-minder-dan-in-2018-impact-verschilt-lokaal-sterk>

<sup>14</sup> <https://www.openkamer.org/kamervraag/2023Z03569/>

### 2.3.6 Environmentally sustainable management of living natural resources and land use

Fluctuation on the score of this category over the past years, with no real increase. That is mainly due to the lower scores on biodiversity and nitrogen deposition across municipalities in the Netherlands. Although there is an average of 27.02% of protected natural area<sup>15</sup> spread over municipalities in the Netherlands, nature is coping with, amongst other things, eutrophication and drought. That is reflected in the score on this category.

### 2.3.7 Pollution prevention and control

Municipalities in the Netherlands are making some progress in the separation of household waste.<sup>16</sup> On average, 68.91% of household waste is currently being separated. Compared to 62.5% in 2016. However, the overall quantity of waste remains relatively high. Each resident generates an average of 543 kg of household waste<sup>17</sup>, which is nearly 20 kg more than in 2016 when the average was 529 kg. Additionally, there has been a slight reduction in the concentration of nitrogen oxides (NOx) in recent years, primarily attributed to a decrease in traffic-related exhaust emissions and industrial pollution. A somewhat similar trend is visible in the concentration of particulate matter<sup>18</sup>; a slight increase in 2021 (from 8.5 in 2020 to 9 µg/m<sup>3</sup>) after which a slight decrease seems to be taking effect, with the average concentration being 8.96 µg/m<sup>3</sup> to date. It is worth noting that this improvement may have been influenced by reduced traffic volumes during the COVID-19 pandemic.

### 2.3.8 Sustainable water and wastewater management

Following green buildings, the lowest performing category among Dutch municipalities. Primarily due to the poor quality of surface water in the Netherlands. Merely 1%<sup>20</sup> of Dutch surface waters meet the European Standards set by the Water Framework Directive. This directive evaluates both the ecological and chemical conditions of designated surface waters. Particularly concerning is presence of chemicals where the compliance rate is exceptionally low. Only 0.4% of the designated surface waters meet the required standard.

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<sup>15</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022) and the framework set up by the Working Group on SDG Impact Measurement (part of Sustainable Finance Platform chaired by the Dutch Central Bank)

<sup>16</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>17</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022)

<sup>18</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>19</sup> The particulate matter referred to has a particle size of 2.5 µm

<sup>20</sup> <https://www.wur.nl/nl/show-longread/een-dikke-onvoldoende-voor-waterkwaliteit.htm>

## “Long-term planning allows for sustainable choices”

The municipality of Amersfoort, with financing from BNG Bank, has realized a vision for the renewal of its educational infrastructure with the exceptionally long-term view of forty years. Particularly innovative is the 'extended decentralization', as explained by Susan Meulemans and Marjet van Wageningen, policy coordinators in the municipality: "The school boards themselves are in control."

Fifteen school boards from both primary and secondary education joined forces in a building cooperative called Samenfoort. The municipality guarantees two financing arrangements totaling nearly 70 million euros, which Samenfoort has taken out with BNG bank for 40 years. This will allow Samenfoort to renovate district by district the housing of the schools.

### Politically robust

"By placing choices regarding the allocation of funds in the hands of the cooperative, we take politics largely out of the equation," Meulemans explains. "And with a horizon of forty years, the board is motivated and empowered to make substantial investments in sustainability.

"Normally, the decision to renovate each school must weigh up against other priorities of the municipal council. This can create uncertainty about when and if a school can be built. Now, the cooperative won't have to constantly fight for budget. In return, we ask them to invest based on total cost of ownership: not a short-term perspective, but the far-reaching sense of responsibility that aligns with the long-term horizon."

### De Kei in Schothorst

In November 2022, the first new school building 'De Kei' was opened in the Schothorst neighbourhood. It incorporates progressive sustainable concepts and modern pedagogic elements, all made possible by the comprehensive approach.

Van Wageningen illustrates: "De Kei was built according to the standards of ENG, the *Energie Neutraal Gebouw* (Energy Neutral Building). Additionally, it features a modern theatre staircase and is designed based on the *learning plaza* concept. But most importantly, they designed it as a Uniform Basic Building: with slight modifications, this concept may be used for multiple school buildings. So, they don't have to design from scratch every time."

Figure 3 New school building 'De Kei' Source: Kasper Veenstra.



### Lump sum

An additional aspect that brings peace of mind to the Samenfoort cooperative is that the money is disbursed annually as a lump sum. Meulemans clarifies: "We don't earmark the money more specifically than that it is for 'educational facilities'. The municipal contribution lasts forty years, and of course we evaluate every four years together. We may adjust depending on the circumstances, and we also require adequate reporting, but ... the cooperative determines prioritization: which school they will address in which neighbourhood, for example. This is a new practice for the municipal council, and indeed many municipalities prefer to keep such decisions with themselves."

"We see that it works well for Amersfoort though, particularly because there is a solid contract underlying this freedom. The municipality did not commit this budget without some healthy discussion. And the municipality remains fairly involved with the cooperative."

## 2.4 Results SDGs in depth

BNG Bank in its company strategy focuses specifically on five SDGs which correspond closely to the activities that BNG Bank finances. BNG Bank has developed an engagement plan<sup>21</sup> that will help steer the activities of its clients and support them in their efforts to act on the SDGs. Since the COFOG eligible tasks cover many of the SDGs, we will provide an overview of all the scores on all the SDGs by municipalities in the following paragraph (Figure 4). The visual offers a comprehensive overview of the current performance of municipalities and compares it to their performance in 2021.

Below we will highlight these five SDGs and their developments for Dutch municipalities.

### 2.4.1 SDG 3: Good health and well-being



Over the past few years, we have observed a slight increase in the score for SDG 3. There are several explanations for this marginal increase in the SDG. The percentage of inhabitants who are severely overweight has risen to over 14% in recent years. Another factor contributing to the slight increase is the fluctuation in healthcare costs over the past few years, with an overall increase to an average of just over €2,510 per inhabitant.<sup>22</sup> While the costs have stabilized somewhat after the COVID-19 pandemic, they are expected to continue rising until at least 2060, according to the Ministry of Health, Welfare, and Sport.<sup>23</sup> On the other hand, we have seen an increase in inhabitants' valuation of their health and a decrease in the number of inhabitants who engage in insufficient physical activity.

### 2.4.2 SDG 4: Quality education



The score for SDG 4 has shown a consistent increase over time. The educational level of Dutch inhabitants has experienced significant growth, with more individuals completing degrees after secondary school. The number of early dropouts<sup>24</sup> has fluctuated, with a slight increase in the past year, where 1.65% of young adults (between 12 and 23 years old) left school before obtaining a basic qualification.<sup>25</sup> However, the percentage of early dropouts has decreased by over 1% since 2013.

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<sup>21</sup> <https://www.bngbank.nl/over-BNG-Bank/Samen-maken-we-meer-impact>

<sup>22</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022)

<sup>23</sup> <https://www.rivm.nl/nieuws/zorguitgaven-blijven-tot-2060-stijgen-gemiddeld-met-28-procent-per-jaar>

<sup>24</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting for Social Bonds (2022) and the framework set up by the Working Group on SDG Impact Measurement (part of Sustainable Finance Platform chaired by the Dutch Central Bank)

<sup>25</sup> A basis qualification is a Senior general secondary education (HAVO), a university education (VWO) or a Intermediate vocational diploma (MBO-2)

### 2.4.3 SDG 7: Affordable and clean energy



SDG 7 has witnessed a steady increase in the past seven years, particularly in the recent years, where the growth in renewable energy<sup>26</sup> has been remarkable. In the most recently measured year, 11.9% of the total energy generated across municipalities in the Netherlands was from renewable sources, compared to 6.3% in 2016. Additionally, the amount of solar energy generated per square kilometer increased from approximately 74 kWh in 2016 to 574 kWh in the most recently measured year. A similar upward trend can be observed in the number of onshore wind turbines. In 2016, the total capacity of wind turbines was 29 MW, while in the most recently measured year, it has reached about 51 MW. However, there are still over 5% of Dutch households struggling with an energy bill that exceeds 10% of their household income. This percentage would have surpassed the 2019 figure of 8.5% if the Dutch government had not provided compensation for the rising energy costs.

### 2.4.4 SDG 11: Sustainable cities and communities



In 2014, over 70% of houses in the municipalities in the Netherlands were considered "affordable." An affordable house is one with a property valuation below €250,000.<sup>27</sup> However, in the most recently measured year, the share of affordable housing has dropped to just over 48%. The increasing property costs are primarily responsible for the decline in the SDG 11 score. Other indicators related to SDG 11 show that self-assessed social cohesion remains relatively stable, with a rating of 6.5. The reported level of social contacts among inhabitants also demonstrates a consistent score in recent years, with over 70% of the population indicating that they have regular or frequent contact with friends, family, and neighbours.

### 2.4.5 SDG 13: Climate action



The Netherlands is among the top 10 greenhouse gas emitters in Europe, which contributes to its lower score on SDG 13. Although there has been a slight improvement since 2016, it is mainly due to a small decrease in certain emissions. For example, CO<sub>2</sub> emissions<sup>28</sup> have declined from 10,559 kg per inhabitant in 2010 to 8,527 kg per inhabitant in the most recently measured year, making it one of the highest per capita figures in Europe. Similarly, other greenhouse gas emissions, including methane (CH<sub>4</sub>) and nitrogen (NO<sub>x</sub>), have also experienced a slight decrease. Methane emissions decreased from 67.5 kg per capita to 62.5 kg per capita, and nitrogen emissions decreased from 21.5 kg per capita to 15.3 kg per capita.

<sup>26</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022) and the framework set up by the Working Group on SDG Impact Measurement (part of Sustainable Finance Platform chaired by the Dutch Central Bank)

<sup>27</sup> Municipalities assess the value of real estate annually, according to the Valuation of Immovable Property Act (*Wet Waardering Onroerende Zaken*, or W0Z).

<sup>28</sup> Indicator also in ICMA Harmonised Framework for Impact Reporting (2022) and the framework set up by the Working Group on SDG Impact Measurement (part of Sustainable Finance Platform chaired by the Dutch Central Bank)

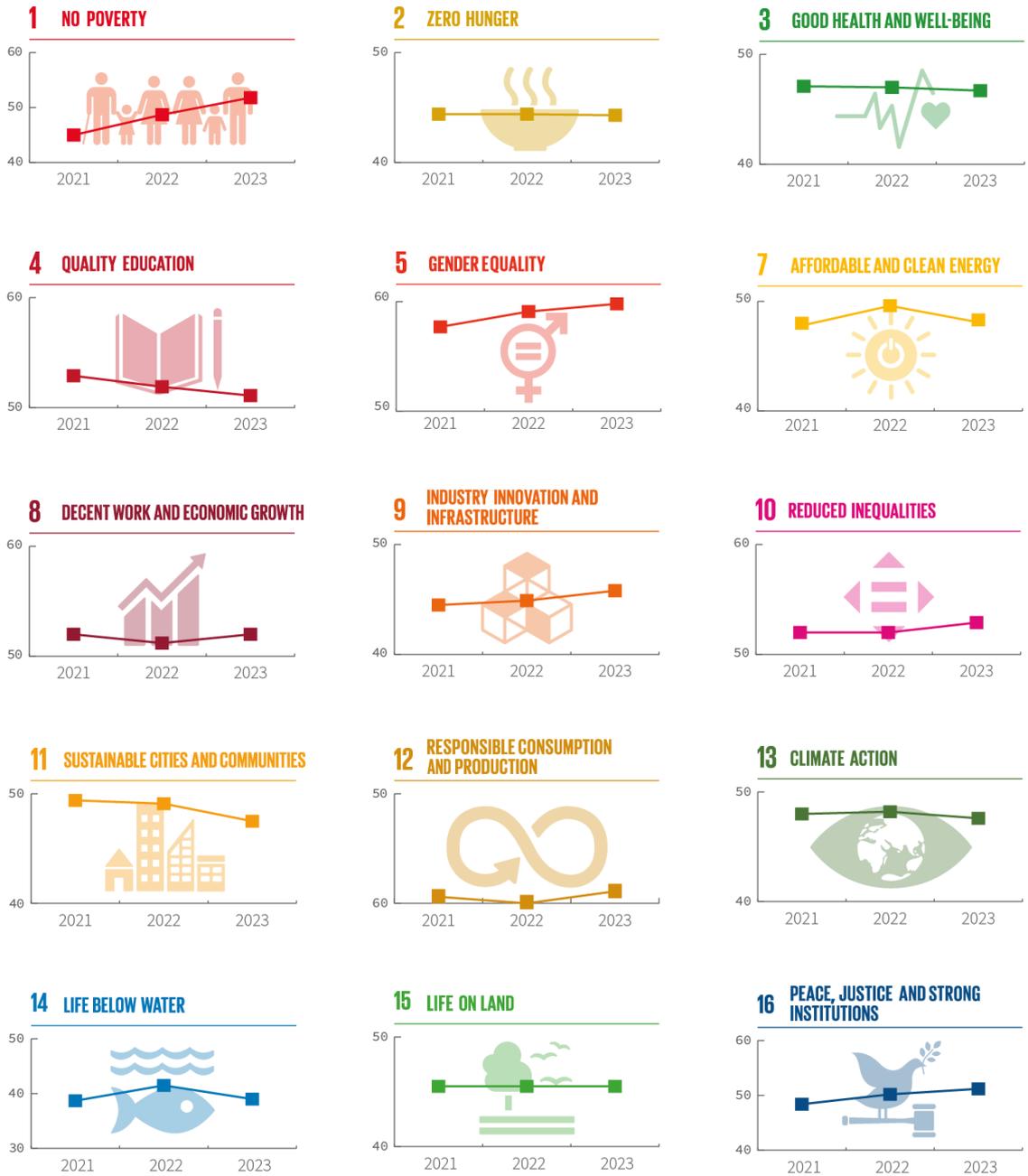
## 2.5 Results SDGs overall

Figure 4 Overall scores SDGs



Figure 4 illustrates that there have been small advancements in the Sustainable Development Goals (SDGs) since 2021. Particularly noteworthy is the improvement observed in SDGs 1 and 16. SDG 1 improved mostly because of increased disposable income and decreasing long term debts and debt management. The main reason SDG 16 rises is because of decreasing youth criminal figures. Furthermore, SDGs 5, 9 and 10 have also experienced slight improvements compared to their scores in 2021. SDGs 4 and 11 have faced a decrease compared to their scores in 2021. SDG 4 faces the challenge of a lower percentage of children successfully completing their education journey without interruptions. SDG 11 experiences a decline primarily due to a decrease in the availability of affordable houses for purchase. The remaining SDGs have generally remained relatively stable, with some exhibiting very slight improvements or decreases. For a detailed analysis of SDGs 3, 4, 7, 11, and 13, please refer to paragraph 4.2. Figure 5 provides a comprehensive overview of the score developments over time.

Figure 5 Development in time of the SDG scores



## "Possibly the most energy-neutral swimming pool in Europe"

The municipality of Rijssen-Holten has realized the renovation of a swimming pool with financing from BNG Bank. The design of the new pool features several innovative sustainable ideas that were successfully implemented. Arjan Stout and Giel ten Berge share their insights: "Perhaps the summer heat might heat the pool in winter?"

The Rijssen municipal swimming pool 'De Koerbelt' is located at the highest point in the village. "The name comes from 'koeren', which means 'to look out', to see if someone's approaching." In 2019, the municipality's board also looked out - into the future, that is.

"A new design for De Koerbelt was already on the drawing board at that time because the pool was deemed outdated, and the municipality had already decided to invest in 2017. However, with energy prices on the rise in 2019, we realized that our design for energy supply needed redoing. A pool of that size requires continuous heating. We needed better ideas for that."

Figure 6 Swimming pool the 'Koerbelt' Source: Fotografie Reitsema & Partners Architecten bna.



### Deferred deposit

Administrator Arjan Stout applied for a loan from BNG Bank totalling 16 million euros, deposited in rounds over 2021 and 2022 based on the investment plan. "We expected interest rates would rise, so we wanted to apply early but defer the deposit." BNG Bank was accommodating, Stout explains. "BNG Bank is an agreeable banking partner, which is why they're our house banker as well. We requested quotes from several banks, but BNG Bank was the most favourable here as well."

### Metamorphosis under the hood

Meanwhile, de Koerbelt has undergone a transformation, says Ten Berge. "The 160,000 visitors a year find themselves in a completely renewed swimming pool. De Koerbelt still has an indoor and outdoor pool, but the indoor pool has been completely rebuilt, and the outdoor pool has undergone significant renovations."

However, he continues, the visible changes are not where the sustainability gains lie. "The real transformation is under the hood. We are now probably the most energy-neutral public swimming pool in the Netherlands, possibly even in Europe. Colleagues from all over the Netherlands are showing up to see how we've pulled this off."

He gladly explains what is so innovative about the setup. "During the design phase, we put our heads together. If you want to be energy-efficient, you can go for solar panels, but what a pool really needs is heating. In summer, you get heat naturally, but you don't need it until winter comes. So, why not store the summer's heat for use in winter?"

### Heat pipes and thermal batteries

The solution is located behind the main building in the form of 56 racks, each containing 24 heat pipes. These pipes retain solar heat in a vacuum outer tube, while water in the form of steam transports it through an inner tube to an auxiliary building. Twenty so-called 'thermal batteries' in that building store the heated water - for months if necessary. "The water goes in at 120 degrees Celsius, and three months later, it's still at 80."

All things considered, Ten Berge explains, De Koerbelt has brought its heat supply almost on par with demand. "We have aligned it so precisely that in our calculations, only during the third week of January do we need an additional heat pump to meet our heat demands."

### Salt-gel rather than lithium-ion

For the remaining electricity demand besides heating — for computers, systems, and the like — De Koerbelt has an innovative solution. "We do use solar panels for that purpose, but even then, you need to be able to store that power until winter. So, we use salt-gel batteries. They're much more sustainable than lithium-ion, and one major advantage is that you can completely discharge them without any problems."

### 3 Conclusion

In the preceding chapters, we have discussed the various aspects of the COFOG, Use of Proceeds and Sustainable Development Goals. Additionally, we presented the overall scores of municipalities concerning the SDGs, assessed sustainability performance using the Use of Proceeds categories, and analysed COFOG budget allocations related to these categories.

In absolute terms, an increase in SDG-related spending is observed, but total budgets are increasing even more rapidly. The SDG-related budget increased with 5.3%. Most of the budget is allocated to the Use of Proceeds Categories access to essential services and socioeconomic advancement. The Use of Proceeds category scores showed small improvements until 2021, but since then, there have been some decreases. Employment generation had the highest decrease last year but increased this year, while sustainable water and wastewater management showed a reversed trend. Green buildings and environmentally sustainable management of living natural resources and land use had no significant developments. The overall trend shows socioeconomic advancement, employment generation, and affordable basic infrastructure having the most improvement over the past years.

Upon examining the SDG scores, a clear image emerges, indicating that there are still significant challenges to be addressed in order to meet the sustainability standards set by the United Nations through the SDGs. Generally, the total scores of municipalities in the Netherlands remain below 50 out of 100.

Notable observations worth mentioning are:

- Overall perceived health is high, but there are health inequalities based on socioeconomic status.
- Gender equality has made progress, but gaps in economic independence, salary, and representation in public administration remain.
- Renewable energy has increased, but affordability and energy poverty are concerns.
- Affordable housing is in short supply, especially for starters, and building in unsuitable locations is a concern. Inclusiveness is a challenge across SDGs.
- The Netherlands excels in household waste separation and recycling, but waste generation is high and increasing. The country aims to become a fully circular economy.
- The Netherlands faces severe impacts of climate change, such as flooding and drought, and focuses on adaptation and mitigation.

# Colophon

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## Publication number

221345b

## Date

June 2023



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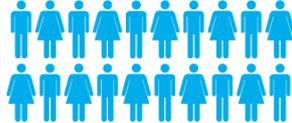
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## KENNISONDERNEMING

STICHTING ZONDER WINSTOOGMERK

### AANTAL MEDEWERKERS

**35**



## INTENSIEVE SAMENWERKINGEN

MET UNIVERSEITEN EN ANDERE  
KENNISINSTELLINGEN

### EXPERTISE

- > PARTICIPATIE & GOVERNANCE
- > WOON- & LEEFOMGEVING
- > DUURZAAMHEIDSTRANSITIES
- > SOCIAAL DOMEIN & ARBEID
- > CULTUUR & ERFGOED
- > DUURZAAMHEIDSIMPACT
- > DATA EN METHODEN

### ONZE OPDRACHTGEVERS

- > PROVINCIES
- > GEMEENTEN
- > ZORG- EN WELZIJNSINSTELLINGEN
- > FONDSSEN
- > BANKEN

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## About Het PON & Telos

### Improving social decision-making

Het PON & Telos is a renowned research institute based in the Netherlands. It was formed through the merger of two well-established research organizations, Het PON and Telos, in 2020. The institute specializes in conducting interdisciplinary research and providing expertise in various domains, including social issues, sustainable development, and regional development. Het PON & Telos aims to generate knowledge and insights that contribute to a better understanding of society and support evidence-based decision-making. They collaborate with government organizations, non-profit organizations, banks, and academic institutions to address complex challenges and promote sustainable and inclusive development.

Sustainable development is one of the key areas of expertise for Het PON & Telos. They undertake research and consultancy projects related to sustainable development, environmental impact, energy transition, circular economy, and social responsibility. By combining their expertise in sustainable development with social and economic factors, the institute helps organizations navigate the complexities of sustainable development and make informed decisions that balance environmental, social, and economic stakes.

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