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TOWARDS SUSTAINABLE PUBLIC ADMINISTRATION

MINISTERIO DE LA PRESIDENCIA

agencia de evaluación y calidad

EUPAN european public administration network

governance international

Achieving citizen outcomes

Salvador Parrado
UNED – Spanish Distance Learning University and Governance International

Elke Löffler
Governance International

National Agency for the Evaluation of Public Policies and Quality of Services
Ministry of the Presidency
(Spain)

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Executive Summary[1]

Why this study?

Governance International (www.govint.org) was commissioned by the Spanish National Agency for the Evaluation of Public Policies and Quality of Services (AEVAL) as responsible for the Spanish Presidency to carry out a scientific study on sustainability frameworks in the public sector. This was a response to the request of the EUPAN Directors General for "a study on different frameworks concerning measurement of a sustainable Public Administration. Subsequently, the results will be presented to enable further IPSG activities on the most suitable framework to be developed." The preliminary findings of the research were presented at the IPSG Meeting on 19th April in Madrid and at the Troika Meeting on 20th May.

The report starts by defining 'sustainability' and establishing its relationship to similar concepts. It continues by outlining the different approaches taken to measure sustainability from the perspective of business models, excellence models, international sustainability guidelines and sustainability reporting. Finally, it offers an outline of a Sustainability Performance Framework[2] for Public Administration to be considered for future development by the IPSG network.

Why a sustainable public administration?

In the current financial crisis of the public sector throughout EU Member Countries, sustainability has become the single most important issue for policy-makers and public managers. Therefore, this report is both timely and highly relevant. Clearly, sustainability of public policy will also stay on the agenda of public administration for some years to come – it is not simply a managerial 'fad'. We might say that the sustainability issue is sustainable.

Not surprisingly, many public agencies at international, national, regional and local levels have developed their own sustainability indicator system or have decided to use some internationally recognized sustainability measurement system. Indeed, there is no lack of sustainability measurement systems within the EU.

But what exactly does sustainability mean? The most common definition of sustainability comes from the report *Our Common Future* (the Brundtland Report ,1987). This report defines sustainable development as a "development

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[1] We would like to thank Johanna Nurmi for having sent to us the supplement on sustainability for the CAF Excellence Model as well as representatives from EFQM and EIPA and IPSG members for having made comments on a preliminary presentation of the outline of this report. We remain responsible for this text.

[2] The Sustainability Performance Framework could be differently labelled like: SuPer Framework, Sustain Perform Framework or the like.

that meets the needs of the present without compromising the ability of future generations to meet their own needs".

This broad 'umbrella' definition is here interpreted to include the social, economic and environmental development of societies. Furthermore, sustainable development may be targeted at different levels when applied to the public sector:

- Sustainability of organizational operations
- Sustainability of public policies and services
- Sustainability of the impact on all stakeholders.

How to measure sustainability?

In order to foster sustainability in the private, public and nonprofit sectors, various measurement frameworks have been developed. In particular, many well known frameworks have emerged from sustainability reporting in the private sector, where sustainability reports have been considered as a way to build trust and accountability with key stakeholders and the wider public. At the same time, sustainability reporting provided the empirical and numerical basis for helping decision-makers to measure progress towards sustainable development and to integrate it into the management systems of their organizations. While data on the economic and financial dimensions of sustainability have often appeared to be robust (at least to the extent that they were based on some evidence), the social and environmental dimensions of sustainability have often been based on narrative reporting and less on 'hard' data.

Over time, specific sustainability measurement and management frameworks for public sector organizations have been developed. Indeed, there is now a myriad of international measurement frameworks for public sector organizations. In some frameworks, sustainability has been recently included: management frameworks (e.g. the Sustainability Balanced Scorecard) and excellence models (i.e. EFQM and CAF). Other frameworks have sustainability as a main and specific focus: international guidelines on sustainability (e.g. IWA:4 from ISO for local authorities and ISO/DIS 26000 on Social Responsibility), and sustainability reporting (e.g. the GRI Supplement of Sustainability Reporting Guidelines for Public Agencies).

As is the case with any performance measurement system, existing sustainability measurement frameworks are conceived of to serve one or more purposes:

- Mainstreaming sustainability
- External reporting (usually for accountability purposes)
- Benchmarking (usually either for accountability or for learning purposes)
- Learning and innovation
- Building trust and accountability with external stakeholders.

Depending on the focus, different types of performance information needs to be provided. Clearly, what may be of interest to the management of a public agency may be of less interest to the wider public. For example, the public is likely to be more interested in the environmental consequences of a new policy, such as promoting the use of wave power, than on analyzing the carbon footprint of an existing government building.

Given the multi-faceted nature of the sustainability concept, there is no one single indicator which will tell decision-makers and other stakeholders all they need to know. Research on measuring and modeling sustainability also stresses that it is important to have indicators which assess the interaction between the social, economic and ecological dimensions of sustainability. Not surprisingly, sustainability indicator systems are complex.

Lessons from existing measurement frameworks

Given that there is already an ever growing supply of sustainability measurement frameworks, it is likely that there would be little value added in developing a new framework from scratch. The challenge is rather how to construct a common sustainability measurement framework, based on approaches which are already widely in use. In this report we recommend the creation of a 'light' European Sustainability Performance Framework for Public Administration based on 'hard' performance information that could benefit from the lessons already learnt during the development and use of other frameworks. The following options have been discussed in this report:

1. Using a Sustainability Balanced Scorecard (SBSC). The traditional Balanced Scorecard (BSC) has been enhanced by either integrating a new sustainability perspective in the Balanced Scorecard or by adding sustainability indicators into the four traditional perspectives. The Sustainability Balanced Scorecard has been recently discussed by several authors and practitioners. However, this instrument is not adequate in the context of this study because it is organization-specific. The sustainability indicators included within it normally respond to organization needs, leaving little room for comparable measures.

   Lessons learned: Members of the BSC community are engaged in discussing how to integrate sustainability in the instrument. The idea of having an extra perspective on sustainability is appealing for the public sector because it highlights the relevance of this topic as part of the mission of public sector organizations. A similar philosophy is supported for the Sustainability Performance Framework.

2. Enhancing the CAF Excellence Model with more examples ("sub-criteria") on sustainability issues is another possible option. This may be considered within the planned revision of the CAF 2012 by the CAF expert group. In spite of the potential benefits of this option, this report does fully endorse it for measuring the results of sustainability performance. As it stands now, the measurement of sustainability in CAF is based on 'soft' indicators[3] and it is embedded in the measurement of other organizational dimensions except for criterion 8. This approach

[3] As opposed to 'hard' or numerical indicators.

'dilutes' or 'embeds' sustainability in organizational performance and it does not encourage the exploration of how sustainable an organization is as a whole. While this report does not discourage the further refinement of the sustainability dimension for the CAF 2012 version, it suggests that, in the meantime, an additional instrument like the European Sustainability Performance Framework could be launched.

Lessons learned: The examples on sustainability of the CAF model for each criterion could help in establishing a minimal set of sustainability indicators for a newly designed Sustainability Performance Framework. This set of indicators would not be meant to be part of, or a supplement to, CAF. However, in combination with CAF, the Sustainability Performance Framework could eventually add valuable information on sustainability for the public agency that carries out the self-assessment.

3. Adapting IWA: 4 (International Workshop Agreement from ISO) to the context of public sector organizations. The IWA: 4 offers guidelines for mapping the path of local authorities towards the sustainability of local communities. The guidelines were drafted by stakeholders from a wide international spectrum and combine 'soft' and 'hard' sustainability indicators to be measured in a self-assessment exercise. This option is not fully adequate for all public agencies[4], because the instrument addresses specifically the sustainability of local communities. Such a measure of the sustainability of a local community is a challenge when considering the impact of public policies and services of single-purpose national or regional public agencies and will often not be sufficient to capture the most important sustainability issues for such agencies. However, IWA: 4 could be used for local authorities in the European context with some minor adaptations.

   Lessons learned: IWA: 4 mixes 'hard' and 'soft' indicators for measuring sustainability. This feature would be relevant if IPSG chooses to consider the measurement of sustainability through an excellence model, based specifically on 'soft' sustainability information, in combination with a Sustainability Performance Framework, based on 'hard' sustainability measures.

4. Adopting ISO/DIS 26000 on Social Responsibility (once amended and approved at the end of 2010). This standard (which cannot be used for certification purposes) gives recommendations on actions likely to enhance the socially responsible behavior of organizations to ensure the sustainability of the community. Although the document is rich in social responsibility content, its adoption cannot be recommended as it is not really a sustainability measurement system. However, this standard is likely to have a high impact in the near future. Therefore, it will be worthwhile following closely its development for use as an eventual European Sustainability Performance Framework.

[4] Public agency is a generic term used interchangeably with public sector organization in this text.

Lessons learned: ISO/DIS 26000 offers a list of widely accepted sustainability principles and recommendations on how to ensure socially responsible behavior. These recommendations could be a source of inspiration when drafting a common set of sustainability ‘hard’ indicators for the Sustainability Performance Framework.

5. Introducing a common ‘comprehensive’ sustainability reporting system (e.g GRI Supplement for Public Agencies). This option has been disregarded because there is no easy-to-use alternative to the GRI Supplement for the Public Sector. Furthermore, the GRI Guidelines (the *de facto* international standard) was discarded during the Swedish Presidency because of its perceived inadequacy at present for the public sector.

   Lessons learned: This instrument offers valuable insights for a more European framework adapted to the public sector, such as the use of ‘hard’ performance indicators for measurement, going beyond the narrative of sustainability policies found in other frameworks, and the distinction of different arenas for the application of sustainability measurement.

A European Sustainability Performance Framework for Public Administration

Having disregarded the different frameworks under analysis, we recommend the design of a ‘light’ Sustainability Performance Framework for Public Administration suitable for internal assessment and external reporting. This instrument should be capable of mainstreaming sustainability into the performance management system of any public agency and should also be compatible for use alongside CAF and other management models.

The creation of this instrument could now be timely, as the sustainability of public agencies is of high concern in these turbulent economic times. Besides, the European Commission is promoting a similar and parallel initiative to design a framework for private companies. This framework is likely to have around 15 common key performance indicators for measuring and disclosing information on the environmental, social and governance performance of businesses. Discussions held in 6 workshops organized in 2009 and 2010 have coalesced on the idea that a European framework is needed for this in order to overcome national fragmentation.

Following this initiative, the IPSG network could initiate discussions for drafting a Sustainability Performance Framework with the following features:

- A minimal set of core sustainability indicators (around 15 indicators). The list of common sustainability indicators could be inspired by other existing frameworks like the GRI Supplement for Public Agencies. It could also benefit from using the examples on sustainability of CAF. This would allow for a degree of integration of ‘hard’ and ‘soft’ measurement systems. ‘Hard’ indicators encourage public sector organizations to focus on results and on the actual sustainability performance.

- Those indicators should focus in the first phase of implementation on the impact of the organizational operations of public agencies on sustainability performance. In a second stage (which some public agencies might voluntarily pursue even during the first stage), it could be agreed on an additional set of around 10 indicators to measure the impact of public policies and services of public agencies in sustainability performance.
- The application of the set of indicators should be through a self-assessment exercise of the management board of the agency so that sustainability can be mainstreamed in the business strategy. A validation of the sustainability results by external feedback procedures could be a useful and voluntary additional activity.
- In principle, the results of this self-assessment exercise should be publicly disclosed, in order to enhance credibility and trust.

Introduction

Governance International (www.govint.org) was commissioned by Spanish National Agency for the Evaluation of Public Policies and Quality of Services (AEVAL) as responsible for the Spanish Presidency to carry out a scientific study on sustainability frameworks in the public sector. This was a response to the request of the EUPAN Directors General for “a study on different frameworks concerning measurement of a sustainable Public Administration. Subsequently, the results will be presented to enable further IPSG activities on the most suitable framework to be developed.”

In the current financial crisis of the public sector throughout EU Member Countries, sustainability has become the single most important issue for policy-makers and public managers. Therefore, this report is both timely and highly relevant. Clearly, sustainability of public policy will also stay on the agenda of public administration during the coming years – it is not simply a managerial ‘fad’: the sustainability issue is sustainable.

One of the most widely used instruments to measure sustainability is sustainability reporting. The private sector leads the development of sustainability reporting and public sector organizations are not keeping pace (CIPFA 2004, Dickinson 2005, Farneti and Guthrie 2008). The ‘business case’ for sustainability reporting in the private sector is that profits may increase if the production and delivery of goods and services are accompanied by a sustainable performance. This argument cannot be transferred directly to the public sector, and the motivation to think sustainably has to be differently reasoned. In any case, national and international regulators are taking interest in making compulsory sustainability reporting for the private sector as well as applying sustainability criteria in public procurement.

It is counterintuitive that the private sector leads the way in sustainability performance. Public sector activity represents a large part of the national economies, and the impact of public sector organizations in the environment is not only relevant for its organizational operations but also for the impact of its policies and services. Therefore, there is a ‘case’ for assessing sustainability performance in the public sector.

There are three different arguments for exploring different sustainability measurement frameworks for public sector organizations at the European level. Firstly, as the objectives of public service organizations cover the wide spectrum of the public interest, public agencies should play a role model for the private sector. They should account for their own direct impact on the environment, social well-being and economic prosperity (GRI - Global Reporting Initiative, 2004, p.2). Furthermore, as the public sector is promoter of social change, its impact in the environment goes beyond its operational performance. Public agencies should also be accountable for the impact of its services and policies. This argument is used for environmental impact assessments of public infrastructure. However, other policies have also an impact in the sustainability of the community, but its assessment is at best scattered throughout the organization.

Secondly, this report is based on the assumption that regulatory changes at present and, more increasingly in the future, will try to reduce unsustainable practices from all types of organizations by making sustainability reporting mandatory. As the number of national frameworks for measuring public sector sustainability is not very high, EU Member States have an opportunity to develop a joint framework that could inspire national practices, achieve comparability of information on sustainability performance and anticipate regulatory changes.

Finally, sustainability has been the main topic of environmental departments. This approach has the disadvantage that sustainability is not always mainstreamed into the business strategy. For that purpose, the IPSG network that deals with managerial issues is in a good position to integrate sustainability measurement into the management systems of the organization.

Most comparative documents limit the analysis of sustainability measurement to frameworks on sustainability reporting (ICAA, 2003; 2005; Yongvanich and Guthrie, 2006; and Kinderyté 2008). The scope of this report is wider. It focuses on the measurement of sustainability from different perspectives: business models, excellence models, guidelines to measure and promote sustainability and reporting schemes. The report offers then a more transversal view by comparing approaches with ‘hard’ and ‘soft’ measurement systems of sustainability. The frameworks have been selected on the basis that they are either created as a product of international collaboration or are acknowledged across European countries.

This report is structured as follows. It firstly defines sustainability and establishes the limits with neighbor labels. It continues by outlining the different approaches to measure sustainability: the business model of Balanced Scorecard, the CAF excellence model, sustainability guidelines like IWA 4 (International Workshop Agreement of ISO for local government) and ISO/ DIS 26000 on social responsibility and sustainability reporting (GRI supplement for public agencies). Finally, it offers the outline of a Sustainability Performance Framework for Public Administration to be considered for future development by the IPSG network.

Defining sustainability and its boundaries

This topic faces the challenge of finding a common language. There are numerous labels in use like sustainability, corporate social responsibility, social responsibility, environmental, social and governance performance and the like. The terminology for reporting on sustainability is also ample: sustainability reporting, citizenship reporting, social reporting, and triple-bottom-line reporting. This report uses the concept of sustainability for the organizational operations and the impact of public policies and services in the wider environment, although social responsibility would be more appropriate for describing this.

Sustainability and social responsibility

The most frequently quoted definition of sustainability comes from the report *Our Common Future* (also known as the Brundtland Report (1987). Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs“. This broad goal is a common objective of public and private sector organizations, governments and non-governmental organizations. The concept of sustainability is better linked to society and communities while social responsibility is an attribute of organizations.

Social responsibility refers to the incorporation of social and environmental issues in the decision-making and accountability processes of one organization. Its focus is “the responsibilities of an organization to society and the environment” (ISO/DIS 26000, p. 9). However, sustainable development refers to economic, social and environmental goals that are common to everyone. Therefore, a socially responsible behaviour should lead to an enhanced sustainable development. The distinction is of relevance because the objective is a sustainable society and not “the sustainability or ongoing viability of any specific organization” because “the sustainability of an individual organization may, or may not, be compatible with the sustainability of society as a whole, which is attained by addressing social, economic and environmental aspects in an integrated manner” (ISO/DIS 26000 p. 10).

A similar distinction is found in the EU Commission. The EU sustainable development strategy, launched by the European Council in Gothenburg in 2001 (and renewed in 2006) is the focus of the Directorate for Environment. However, the DG Enterprise and Industry aims to create the conditions in which European enterprises can better contribute to sustainable development. For that purpose, this direction general focuses on Corporate Social Responsibility (CSR) as their concern is private companies.

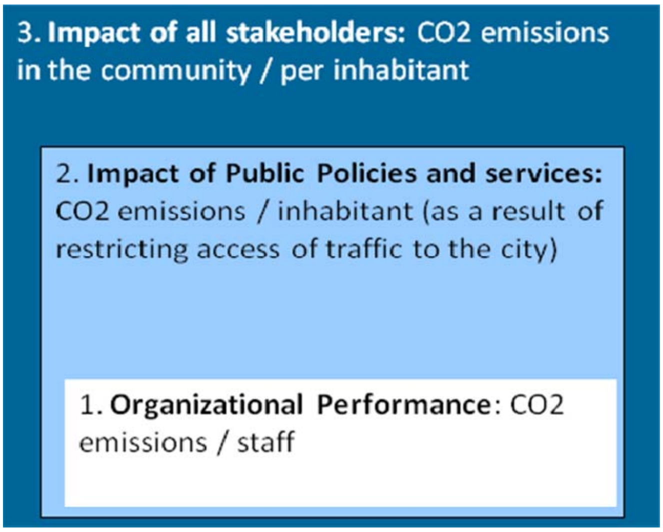
The use of ‘social responsibility’ would be more adequate for addressing the impact of public agencies (any organization) in the environment. However, in line with the commission of this study as well as a convergent trend stated by Casey (2007, p. 15), this report prefers the term ‘sustainability’ and ‘sustainability reporting’.

Dimensions and scope of sustainability

The broad definition of sustainability encompasses at least three sector dimensions and three levels of application. On the one hand, sustainability includes the social, economic and environmental development of societies according to a unanimous interpretation. This pluridimensional view tries to outbalance the idea that the progress of mankind can be achieved through economic growth without taking into account its impact on the environment and social well-being. Sustainability is then a concept that places return on investment in a wider perspective.

On the other hand, sustainability refers to the impact of individuals, households, organizations, communities and jurisdictions in the environment and its future. GRI (2005, 2006) further disaggregates sustainability in three levels (see Table 1) adapted for this report: 1) Organizational operations, 2) Impact of public policies and services from public agencies, 3) Impact of all stakeholders.

Table 1 Scope of sustainability and sustainability reporting with examples



Source: Adapted from GRI (2005).

Organizational operation refers to the role of the public agency as a consumer and employer. This level reflects the impact of the management arrangements on sustainability: the consumption of energy and land requirements, the demand of fair labour practices in contracting out services or in procurement, the existence of financial means or the adequate competencies to deliver services, and the preservation of values (transparency, integrity and legality) that grant legitimacy to the organizational performance.

A second level of sustainability refers to the *impact of public policies and services* in the community. As regards to the economic dimension, this level could be linked to the growth of employment in a local area as a consequence of reducing the barriers to set up a business, for instance. Regarding the social dimension, it could refer to the extent to which the human needs of safety, health or education are covered. Finally, concerning the environment it would reflect the impact of public agencies in the quality of air, water and land as well as the biodiversity of ecosystems.

A third level refers to the *impact of* the activities of *all stakeholders* on the community that a public agency serves. The sustainability indicators in this area might be the result of the agency policies, but not necessarily. Often (un)sustainability performance reflects the actions of different public and private stakeholders.

These three levels could be measured by different ‘hard’ performance indicators. The impact of the organization in one dimension of the environment (the quality of the air) could be measured at the *organizational level*, as the amount of CO2 emissions of a public agency; at the level of the impact of *public policies and services*, as the CO2 emissions resulting from particular policies (i.e. restriction of circulation of private vehicles in the city or in the historical centre); and, finally, at the level of all stakeholders, the CO2 emissions of a city would include the emissions of all public and private sector stakeholders.

The architecture of sustainability frameworks

The integration of sustainability concerns in the private sector has triggered numerous frameworks around the world. Those frameworks have been launched by international organizations, associations of professionals (i.e. accountants, auditors, and judges), national, regional or local governments. The frameworks vary according to their purpose. Table 2, adapted from Ligteringen and Zadek (2005), shows the emerging global architecture that deals with sustainability as a core issue or as an additional element of a wider model.

The *normative frameworks* provide information on the accepted levels of sustainability performance and are relevant in challenging organizations to consider both financial and non-financial dimensions in reporting. The most widespread normative framework is the United Nations (UN) Global Compact Principles. According to their self-definition, the UN Global Compact is a "strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption"[5]. Other international organizations (OECD - Organization for Economic Cooperation and Development, ILO- International Labour Organization) have also launched their particular sets of principles, that inform what normative behavior is expected from socially responsible organizations.

Those principles, however, have to be operationalised to help organizations to respond to these normative frameworks. This has been accomplished through *process guidelines*. The guidelines normally contain advice on the process to measure sustainability and on how to disclose sustainability information. Most frameworks serve the purpose of accountability through reporting. These frameworks are normally composed of descriptions of the socially responsible organizational policies as well as 'hard' performance indicators of the results of these policies. The supplement of the GRI Guidelines for public agencies will be examined for this report for being the *de facto* international standard at least for the private sector.

[5] http://www.unglobalcompact.org/AboutTheGC/index.html, accessed on 5 June 2010.

Table 2 The architecture of sustainability frameworks (principles, guides, standards and measurement systems)

Purpose	Goal	Some examples
Normative Frameworks (i.e. what to do)	Provide substantive guidance on what constitutes good or acceptable levels of performance	• UN Global Compact Principles • OECD Guidelines for Multinational Enterprises (MNEs) • ILO Tripartite Declaration of Principles concerning MNEs
Process Guidelines (i.e. how to measure and communicate sustainability)	Enable measurement, assurance and communication of performance	• GRI Sustainability Reporting Guidelines [Supplement for the Public Sector] • AA 1000 Assurance Standard • SROI (Social Return on Investment) • CIPFA Reporting Framework for the Public Sector (United Kingdom based)
Generic Management Standards that include sustainability (i.e. how to integrate sustainability with the management system)	Provide integrated management (or self-assessment) frameworks to direct the ongoing management of environmental, social and economic impacts	• Sustainability Balanced Scorecard • Excellence Models (EFQM – European Foundation for Quality Management, CAF – Common Assessment Framework)
Specific Management Systems on sustainability (i.e. how to enhance sustainability focus)	Provide specific guidelines or self-assessment guidance that focus on sustainability	• ISO/DIS 26000 Guidance on Social Responsibility • IWA (International Workshop Agreement): 4 (2009)

Source: Adapted from Ligteringen and Zadek, (2005).

A third group of *generic management frameworks* is composed of management models (Sustainability Balanced Scorecard - SBSC) and excellence frameworks (CAF, EFQM – European Foundation for Quality Management) whose primary goal is to improve the organizational performance. Recent versions of these models have incorporated the sustainability dimension. In the more generic model like the SBSC, there is a strong emphasis on 'hard' performance indicators associated with objectives and targets. The excellence models, however, rely on 'soft' performance indicators.

Finally, the fourth group of *specific management standards* of the Table 2 represents a hybrid. The two frameworks that will analyzed here (IWA:4 and ISO/DIS 26000) are specific tools for enhancing sustainability and socially responsible performance respectively. They also offer guidance and a prescriptive view on how to achieve this. The frameworks have been the result of work carried out by a large number of stakeholders from many different countries under the umbrella of ISO.

In the next section, the description of the different models under analysis starts with mainly management systems and finishes with a reporting framework: the Balanced Scorecard, the CAF Excellence Model, the IWA: 4 Guidelines for local authorities, the ISO/DIS 26000 on Social Responsibility and the Supplement for Public Agencies of GRI (Global Report Initiative). Frameworks have been selected because they have been either the result of international collaboration or are internationally acknowledged and applied. For each framework, there is a description of the main features, of the way in which sustainability is addressed. Additionally, lessons drawn from the frameworks are included for this report.

How to measure sustainability? A business model (i)

The Balanced Scorecard (BSC) is an instrument for corporate strategy and performance evaluation popularized by Norton and Kaplan since the early 1990s. It is widely used in all types of organizations. The instrument has experienced several improvements throughout the years. The integration of sustainability in the scorecard is a recent development.

The introduction of sustainability in the Balanced Scorecard

The BSC presents a more “balanced” view of organizational performance by including non-financial and financial information. This is achieved through a set of performance indicators, goals and targets that are clustered in four perspectives "Financial", "Customer", "Internal Business Process", and "Learning and Growth". Performance indicators measure the achievement of certain targets for organizational strategic goals in each perspective. The BSC allows managers to focus on areas in which performance deviates from the assigned targets. The method has experienced several changes and we are witnessing a third generation of BSCs. Recent BSCs have introduced more strategic thinking and strategic mapping of different perspectives as well as more ownership of the scorecard by the managers.

The BSC is also used in the public sector, but with light adaptations in some public agencies: an additional perspective on stakeholders is considered; ‘citizens’ or ‘community’ normally replaces the ’customer’ perspective and the financial aspect is no longer the most prominent perspective at the top (Bocci 2005).

In the early 2000s, the BSC was criticised for neglecting the sustainability and environmental aspects (Brignall 2002). Several authors have recently considered the integration of sustainability in the instrument under different labels like sustainability balanced scorecard (Bieker & Gminder, 2001; Bieker, Dyllick, Gminder, & Hockerts, 2001; Dyllick & Schaltegger, 2001; Bieker, 2002) or Eco-Balanced Scorecard (Sidiropoulos et al. 2004) for the private sector. These researchers concluded that the BSC has the potential to embed environmental and social objectives and performance indicators in the model. The inclusion of a sustainability dimension makes some authors speak of a fourth generation of BSCs (Massón and Truñó 2006).

According to Chai (2009), there are two prominent approaches to integrate sustainability in the BSC. A first option of integrating environmental and social objectives, targets and performance indicators in the existing four perspectives is defended by those who would like to align the different perspectives of the model in a strategic and causal way. Some authors like Jones (2004) believe that a stronger integration of the management tool and sustainability is needed. A second option is to add a new sustainability perspective or similar label. This is supported especially for the public sector by authors like Bieker (2002) and Chai (2009), who believe that public agencies, as “mission-driven” organizations have a stronger responsibility than businesses in serving the citizens and promoting social development. Therefore, this should be visible in an extra perspective.

Lessons learned

There have been concerns that the original BSC may present an imbalanced impact on the environment and in society. A recent development of BSCs starts to include either objectives and performance indicators on sustainability or a dedicated perspective on sustainability. Although both options come with downsides, it seems more appropriate to have a specific perspective focusing on sustainability for the public sector, as it is a “mission-driven” organization and it can plays a role model for the private sector. In the context of EUPAN, a Sustainability Balanced Scorecard is a good option for those public agencies that would like the integration of sustainability in the management system. This instrument, however, is not apt for comparison because BSCs are organization-specific. Each organization will prefer its own set of goals, targets and sustainability performance indicators. Therefore, other instruments might be more appropriate for benchmarking purposes. In any case, the idea of having a separate perspective on sustainability for the public sector in the BSC could be of use for the development of a future Sustainability Performance Framework. A separate perspective (framework) helps the organization to focus on sustainability.

How to measure sustainability? Self-assessment models (ii)

The most widely used excellence models in Europe have already incorporated sustainability in the self-assessment tool. The processing of sustainability in the models is marked by at least three features. Firstly, excellence models use ‘soft’ and not ‘hard’ indicators to measure sustainability. Secondly, excellence models focus rather on performance and improvement management, and not on accountability like other sustainability frameworks. Finally, sustainability is just one part of the excellence models, and not its main focus, like in other frameworks.

EFQM and CAF have integrated sustainability in their latest versions. In EFQM 2010, *Taking responsibility for a sustainable future* was included as one of its eight fundamental concepts of excellence. As part of the philosophy of the model, these concepts of excellence are integrated with the framework by reflecting or adapting text from the fundamental concept in the criteria part. For instance, the following subcriteria (1a, b, c; 2c; 3d, e; 4c; 5d; 8a, b) directly reflect text from the fundamental concept on sustainability. The following subcriteria (2a, b, 5b, 7a, 9a) show adaptations from this fundamental concept in the criterion part. CAF 2006 already includes questions on sustainability in the following criteria: people, partnerships and resources, society results, key performance results.

The integration of sustainability in the CAF framework

The inclusion of sustainability in the model shows that this issue is being taken seriously. However, the assessment system presents at least three challenges as regards to the final goal of enhancing sustainability in the public sector. These challenges are illustrated with the CAF Excellence Model.

Firstly, the specific examples on sustainability of an excellent organization are just a part of a wider set of examples within the same subcriterion. These other examples reflect different aspects of the management of the organization. Therefore, when assessing a criterion, the sustainability dimension is likely to be diluted or embedded in the score within the whole set of managerial examples. For example, in Criterion 4 on Partnerships and Resources from the Enablers part of the model there are several examples on sustainability (see Table 3). These examples are a source of inspiration when assessing a particular criterion. Other examples can be added to the list or some of the examples can be disregarded when doing the assessment.

Table 3 Criterion 4 of CAF: Partnerships and Resources

4.1. Develop and implement key partnership relations
Examples
g. Stimulating activities in the area of corporate social responsibility.
4.4. Manage information and knowledge
Examples:
c. Constantly monitoring the organization's information and knowledge, ensuring its relevance, correctness, reliability and security. Also aligning it with strategic planning and the current and future needs of stakeholders.
4.6. Manage facilities
Examples:
c. Ensuring an efficient, cost effective, planned and sustainable maintenance of buildings, offices and equipment.
d. Ensuring an efficient, cost effective and sustainable use of transport and energy resources.
f. Developing an integrated policy for managing physical assets, including their safe recycling/disposal, e.g. by direct management or subcontracting.

Source: Extracted from CAF 2006

A high score in this criterion 4, as none of the subcriteria relates exclusively and directly to sustainability, could hide achievements or failures in sustainability. There is no specific score for sustainability, and the 'excellence' of a particular organization in achieving sustainability cannot be known with this model. Then, to what extent sustainability dimensions should be a core goal of the organization and have its distinctive place or should be embedded in the generic goals of the organization? A similar issue, for instance, has emerged when analyzing the contribution of the Sustainability Balanced Scorecard (SBSC) to enhance sustainability by including sustainability objectives in each of the perspectives of the scorecard or by creating a new specific perspective on sustainability (see above). This challenge could be overcome by including a supplement of CAF with questions on sustainability (see below the supplement adopted by the Finnish government).

Something different, perhaps, applies to Criterion 8: Society results (see Table 4). Most examples are related to sustainability in the criterion. It is less clear, however, to what extent those examples refer only to organizational sustainability, the impact of policies and services or even the impact of different stakeholders.

Table 4 Criterion 8 of CAF: Society results

8.1. Results of societal measurements perceived by the stakeholders *Examples:* a. General public‘s awareness of the impact of how the organization´s performance affects the quality of citizens/customers´ life. b. General reputation of the organization (e.g. as an employer/contributor to local/global society). c. Economic impact on society at the local, regional, national and international level. d. The approach to environmental issues (e.g. protection against noise, air pollution). e. Environmental impact on society at the local, regional, national and international level. f. Impact on society with regard to sustainability at the local, regional, national and international level. g. Impact on society taking into account quality of democratic participation at the local, regional, national and international level. h. General public‘s view about the organization's openness and transparency. i. Organization‘s ethical behaviour. j. The tone of media coverage received. **8.2. Indicators of societal performance established by the organisation** *Examples:* a. Relationship with relevant authorities, groups and community representatives. b. The amount of media coverage received. c. Support dedicated to socially disadvantaged citizens. d. Support for integration and acceptance of ethnic minorities. e. Support for international development projects. f. Support for civic engagement of citizens/customers and employees. g. Productive exchange of knowledge and information with others. h. Programmes to prevent citizens/customers and employees from health risks and accidents. i. Organisation activities to preserve and sustain the resources (e.g. degree of compliance with environmental standards, use of recycled materials, use of environmentally friendly modes of transport, reduction of nuisance, harms and noise, reduction in use of utilities e.g. water, electricity, gas).

Source: CAF 2006

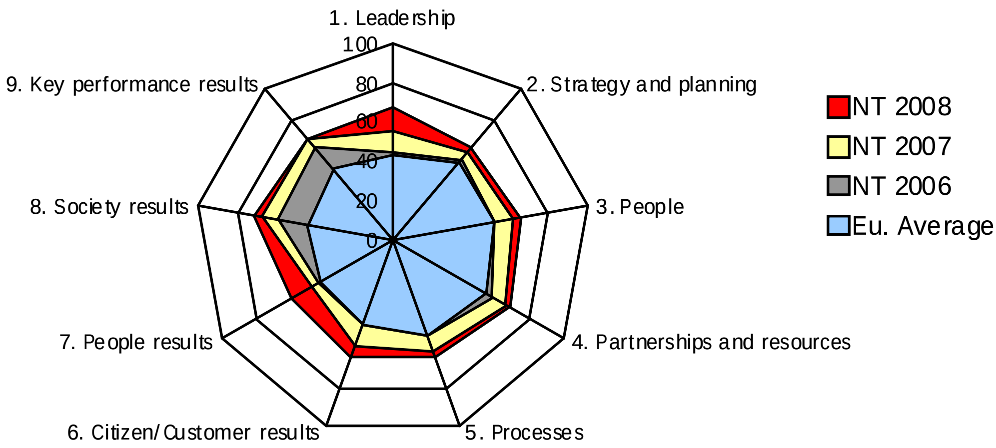
Secondly, the examples of sustainability are broad and do not relate to specific goals. Sustainability could mean different things for different organizations with the same mission. For instance, it is agreed that environmental sustainability is enhanced with the reduction of greenhouse gas emissions of buildings or when the use of renewable energy grows at the expense of non-renewable sources. Excellence frameworks are useful to understand the degree of implementation of particular friendly environmental policies to manage the facilities. The comparison under the model would likely show the extent to which these policies have been designed, implemented and yielded results. However, excellence models do not intend and do not show the actual achievement of results. For that purpose, 'hard' indicators would be more useful. They would measure the actual percentage of harmful emissions or the percentage of non-renewable energy saved in the daily operations of the organization. These 'hard' indicators would be related to more specific goals and not to broad policy definitions. The absence of particular 'hard' indicators and the impossibility to compare those results with other organizations may hide the relevance of sustainability achievements (or failures).

In sum, the measurement instrument of CAF assesses the relevance of the results and to what extent trends, targets, comparisons and causes are considered. The fact that something is measured, that there are targets for specific indicators, that comparisons (over time and with other organizations) are performed and that causes for bad/ good performance are identified does not really say much about the achievements on sustainability and those results cannot be easily communicated to the non-professionals.

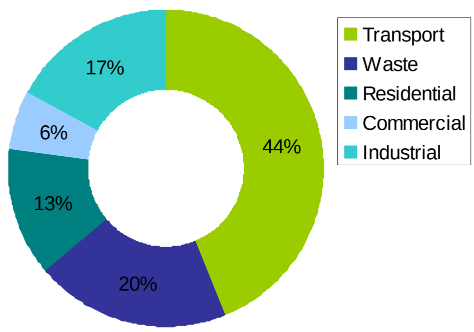
Finally, the Excellence frameworks are mainly used for management purposes, and are hardly suitable for reporting or accounting for the practices of the organization. The way in which results are presented needs special knowledge in those who have not applied the CAF, while a table with 'hard' indicators as in sustainability reporting (see the section below) seems to convey better the message to a wider audience (see the contrasting examples of how results are presented in CAF and in sustainability reporting in Illustration 1).

Illustration 1 Presentations of results in CAF and in sustainability reporting (examples).

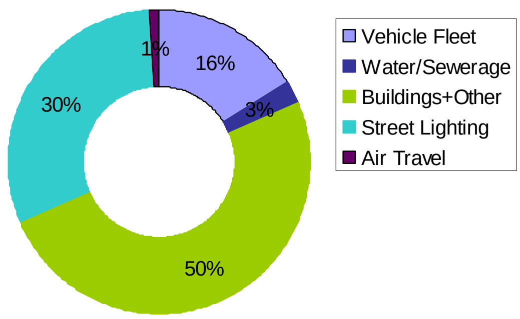
Figure 1. CAF scores 06 - 08



Community CO2 Emmissions



Council CO2 Emmissions



Source: Svensen 2008 for CAF results in the county education sector in Norway and adapted from the sustainability report from Waitakere (New Zealand) - http://www.waitakere.govt.nz/Abtcnl/pp/pdf/annreport/2008-2009/sustainbility-rpt.pdf

The results from CAF self-assessment exercises are not apt for reporting to the layman and politicians, neither even for other managers not involved in the exercise. In the example of the illustration some expertise knowledge is needed in order to adequately interpret the CAF results. Furthermore, the issue of sustainability is missed in the graphic of the CAF results. For that purpose, 'hard' measurement of sustainability would be more appropriate than a self-assessment framework based on policy descriptions, identification of weaknesses and strengths oriented to the continuous improvement of the organization and a rather 'qualitative' and soft measurement approach.

An example of a CAF supplement on sustainability

An alternative to include more focus on sustainability at the same time that the CAF framework is applied has been put into practice by the Finnish government. A supplement on sustainability to the CAF model was recently launched. The supplement contains a check list of items on sustainable development and it is voluntarily applied by those organizations that need extra questions to measure sustainability. The check-list (see Table 5 for illustration) focuses rather on environmental sustainability.

Table 5 Supplement of (Environmental) Sustainability for the CAF framework in Finland (examples of two dimensions)

6. Citizen and customer oriented results

(Key words: citizen/customer indicators and citizen/customer satisfaction measurements)

- The trust felt for the organizations ability to enhance sustainable development in its own work?
- The results from customers/citizens regarding enhancing sustainable development?
- The customer/citizen results regarding sustainable development.
- The amount of complaints from customers regarding environmental questions and issues linked to that (e. g whether service point is situated from the point of view of using public transport)

7. People results

(Key words: the views of the personnel, the personnel indicators)

- How well the personnel is committed to the environmental targets.
- The capacity of the leadership to communicate the targets to the personnel.
- The amount of development ideas received from the personnel.

Source: Finland (2008)

The Finnish government has already worked with other supplements of CAF for e-government, personnel policy, effectiveness and the use of one’s mother tongue in public services. According to the promoters, supplements are helpful because they emphasize one of these areas as a top priority of the agency or aid to do a quick assessment of the organization in that particular area.

Lessons learned

Excellence models have integrated sustainability measurement. The inclusion of sustainability examples in the CAF model has enabled this. However, excellence models have some challenges to overcome for enhancing sustainability as a core concern in the public sector. On the one hand, the particular progress obtained in sustainability is embedded in other organizational aspects that are not related to sustainability, except for criterion 8. On the other hand, the ‘soft’ sustainability indicators measure the extent to which sustainability policies have been enabled, (i.e. planned, implemented, checked and acted upon the resulting information from the monitoring processes) or the extent to which the results of the policies show positive trends and have met the targets proposed by the organization. This approach relates to the internal goals of the organization and does not measure actual comparable results from similar public agencies (i.e. water wasted during the normal operations of the public agency) in order to set sustainability priorities.

In Finland, a supplement has been used in order to overcome the challenge of the 'embeddednes' of sustainability in the CAF framework and its low visibility. The supplement adds extra examples/questions on sustainability. At the same time, however, the supplement still lacks 'hard' indicators for measuring sustainability performance. In any case, the type of questions included in the supplement could be helpful in guiding the search for 'hard' indicators, a preferred approach in this report.

How to measure sustainability? A guidance approach (iii)

This section includes two different models (ISO/DIS 26000 on social responsibility and IWA 4) that share at least three features. Firstly, they offer certain normative criteria on how to make public agencies more socially responsible. Secondly, in both frameworks sustainability /social responsibility is a core part of the model. Thirdly, they have been the result of international collaborative work under the umbrella of ISO. In this regard, they differ because ISO/DIS 26000 has followed the normal committee procedure and IWA 4 has been produced outside this procedure.

The models are different at least in two aspects. On the one hand, IWA 4 is a self-assessment tool with a prescription of sustainability goals that the organization should attain (see examples below). However, ISO/DIS 26000 is not a self-assessment tool. It offers a list of actions and expectations that a particular socially responsible behaviour would entail. On the other hand, IWA 4 focuses only on local authorities, while ISO/DIS 26000 covers any type of organization (private, public or non-governmental) from any territorial level. In connection with these differences, ISO/DIS 26000 seems to be more adequate for the purposes of this report. In any case, the teachings from the IWA 4 approach merit an additional section.

IWA 4 and its sustainability approach

IWA (International Workshop Agreement) 4 is a hybrid instrument between a self-assessment and a prescriptive tool. It tries to ensure that local authorities are reliable deliverers of policies and services. This double orientation has influenced the contents of the model. IWA 4[6] is the result of an International Workshop Agreement accepted and adopted by ISO outside their normal committee processes. Those agreements are normally reviewed every three years. IWA 4: 2009 is a second edition of the IWA 4:2005 and was unanimously approved in México in 2008.

The purpose of the IWA 4:2009 is to "'translate' the technical language of ISO 9001:2008 into language that is more user-friendly for people who are involved in local government. In doing so, the intent is to stimulate and facilitate the use of ISO 9001: 2008 in local government", (ISO 2009, p. vi) as a certification instrument. ISO 9001:2008 establishes the requirements for a framework that meets the needs and expectations of the users in a consistent manner. The promoters of the agreement consider that IWA 4:2009 could be helpful for local governments in meeting the requirements of ISO 9001:2008. IWA 4 appeared, among other reasons, as a need to overcome the compartmentalization of applying ISO 9000 to local authorities. In most local authorities, ISO 9000 was used in a number of isolated services/areas. The certification of those services/areas does not give account of the integral functioning of a local

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[6] The number 4 refers to the fourth workshop organized by the Technical Committee of ISO before it became a quality standard.

authority. IWA 4 tries to overcome this compartmentalization with an overall approach.

The framework has two pillars. A first pillar (integral management system) focuses on quality management, operational and support processes. A second pillar (reliability) takes as starting point the outcomes and outputs of local policies and services. It concentrates on the “minimum acceptable practices level” regarding the institutional development for good government, sustainable economic development, inclusive social development and sustainable environmental development (see Table 6). According to local government practitioners, the system is simple to use for politicians and managers who are not quality management experts. The same application of IWA 4 (self-assessment by members of the board of directors / managing board / political and managing board of the local corporation) allows for a collective internalization of relevant aspects for the organization. IWA 4 is applied to the whole local authority and not to its parts, as the main aim of the framework is to make citizens trust that their concerns are integrally taken into account.

Table 6 “Check Up” System for Reliable Local Government (Topics and indicators for one Topic) of IWA 4

1. Institutional development for good government
2. Sustainable economic development
3. Inclusive social development
4. Sustainable environmental development
Indicators
1 - Monitors air quality
2 – Responsible for waste collection and disposal
3 – Conscious of local government image
4 – Protective of natural resources
5 – Effective land management system
6 – Responsible for water
7- Monitors and is responsible for soils
8 – Environmental education promoted

Source: Adapted from ISO (2009, p. 45).

These four topics are further disaggregated in 39 indicators for a reliable local government, whose achievements are categorized in a traffic light system (see an example in the Table 7). The label “indicator” is perhaps misleading as it is rather a specific goal to be fulfilled by the organization. Therefore, the same self-assessment framework combines prescriptive sustainability goals and a *continuum* of achievement of that goal.

Table 7 Indicator for “Monitors Air Quality” in IWA 4

Categories	Red	Yellow	Green

1. Monitors air quality	There is no local government authority exercising any control over air polluting activities, such a burning pastureland and waste materials.	There is a mechanism to prevent burning of pastureland and waste materials, and there are periodic inspections of polluting emissions.	There are regulations and programs for mobile and fixed pollutant emission inspections.

Source: Adapted from ISO (2009, p. 49).

Unlike other self-assessment frameworks, IWA 4 combines 'soft' indicators (descriptive) and 'hard' performance indicators (numbers). See an example in the Table 8 for 'hard' indicators (rather targets that assume the existence of particular 'hard' indicators) for number 6 (Public Health Developed) and 'soft' indicator for number 9 (Civic Responsibility Promoted).

Table 8 Combination of 'Soft' and 'Hard' Indicators in IWA 4

Categories	Red	Yellow	Green
6. Public health developed	50% of the communities over 500 inhabitants do not have participatory health programs. The local government does not have its own programs in this area, and it is not part of a national or regional program.	At least 50% of the communities in the municipality with more than 500 inhabitants have an active local health committee and the city council for the local government has legislated its inclusion in national or regional programs and it has a registered local health committee.	Over 80% of the communities with more than 500 inhabitants have an active local health committee. There is a local health promotion program, legislated by the city council.
9. Civic responsibility promoted	There are no activities to promote democratic values and familiarity with the institutions.	There are some activities to heighten citizen awareness and promote community spirit, but there is no responsible institution.	There are regular activities to promote citizen awareness and community spirit, there are permanent programs and an institution responsible for promoting them.

Source: Adapted from ISO (2009, p. 48).

A clear difference of IWA 4 compared to self-assessment frameworks is the emphasis on objectives that are desirable and linked to the different dimensions of sustainable development. Any of the examples related to this shows this peculiarity. Inclusive social development is approached through goals (indicators) like: Gender equity promoted / Public Health developed / Basic education assured / Civic responsibility promoted.

A disadvantage from IWA 4 is its universal aspiration. Their promoters aspire to apply IWA 4 to any local authority regardless size and geographical location in the world. This philosophy has implied the inclusion of indicators which any local authority in a developed country is likely to have overcome (for instance, regarding the availability of clean water for domestic use). In Spain the guidelines have been adapted in a UNE 66182 (Unification of Spanish Standards) standard with a different configuration and different number of indicators than in the original version.

Finally, IWA 4, based on Agenda 21, seems to be adequate for local authorities but less apt for more specialized public agencies. Nonetheless, this model is inspirational in the way in which sustainability is addressed (see below for some lessons learned).

ISO 26000 Draft International Standard - Guidance on social responsibility

ISO/DIS (Draft International Standard) 26000 is a standard to guide any type of private, public non-for-profit sector organization in integrating a socially responsible organizational behaviour into the management system. This guide cannot be used for certification purposes. The document has its seeds in an initial discussion in 2001 in the ISO committee on consumer policy. A working group on social responsibility was established to develop the ISO/DIS 26000 in 2004. The ISO/DIS 26000[7] was approved for processing as Final Draft International Standard (FDIS) at the 8th plenary meeting on 17-21 May 2010 in Denmark (Copenhagen). The final publication of the document is expected to be published in November of 2010 once the around 2400 comments have been processed and voted upon by ISO member countries.

The document uses the concept of social responsibility and not sustainability because the main concern is the socially responsible behaviour of the organization which may enable the sustainability of societies and communities. Social responsibility is also referred as “corporate social responsibility”. However, the ISO/DIS 26000 seems to prefer the former term because it goes beyond the restricted area of private companies and it encompasses any kind of organization (private, public and non-for-profit).

The ISO/DIS 26000 further structures its approach into principles, core subjects and issues, and actions or expectations from organizations to fulfil these principles. The guide builds upon seven principles of responsibility (listed in the Table 9).

Table 9 Principles for social responsibility in the ISO/DIS 26000

[7] Retrieved on 5 June 2009 from

http://isotc.iso.org/livelink/livelink?func=ll&objId=3935837&objAction=browse&sort=name

Accountability	An organization should be responsible for its impacts on society and the environment.
Transparency	An organization should disclose the decisions and activities that impact on society and the environment
Ethical behaviour	An organization should behave with honesty, equity and integrity at all times
Respect for stakeholder interests	An organization should go beyond the interests of its owners, members, customers and constituents by respecting the interests, rights and claims of other individuals or groups that might be affected by the organizational decisions.
Respect for the rule of law	All organizations are subject to the law.
Respect for international norms of behaviour	An organization should respect international norms of behaviour
Respect for human rights	An organization should respect human rights

Source: Adapted from ISO/DIS 26000

Moreover, the document includes different actions that an organization should carry out in order to behave socially responsible at the same time that there are normative expectations on a socially responsible behaviour in some core subjects, which are further disaggregated into issues (see the full list of core subjects and an example of issues in Table 10)

Table 10 Core subjects and issues for socially responsible behaviour in the ISO/DIS 26000

Organizational governance
Human rights
Labour practices
The environment
Issue 1: Prevention of pollution
Related actions and expectations (in summary) To improve the prevention of pollution from its activities, products and services, an organization should: identify the sources of pollution and waste related to its activities, products and services; and measure, record and report on its significant sources of pollution; measure, record and report on reduction of pollution, water consumption, waste generation and energy consumption; implement measures aimed at preventing pollution and waste, using the waste management hierarchy, and ensuring proper management of unavoidable pollution and waste [83]; publicly disclose the amounts and types of relevant and significant toxic and hazardous materials used and released, including the known human health and environmental risks of these materials; systematically identify and prevent the use of: banned chemicals, defined both by national law and by international conventions, and where possible, chemicals identified by scientific bodies or any other stakeholder as being of concern. The organization should also seek to prevent use of such chemicals by organizations within its sphere of influence implement a chemical accident prevention and preparedness programme and an emergency plan covering accidents and incidents
Issue 2: Sustainable resource use
Issue 3: Climate change mitigation and adaptation
Issue 4: Protection and restoration of the natural environment
Fair operating practices
Consumer issues
Community involvement and development

Source: Adapted from ISO/DIS 26000

The added value of ISO/DIS 26000 is the consensus reached by many national and international organizations on the meaning of social responsibility and on the way in which this issue should be addressed. In January 2007, there were 355 experts and 77 observers involved in the working group from 72 countries and the participation of different stakeholder groups increased after two years of having established the working group. The draft standard has been approved by 99 countries in 2010. Experts come from developed and developing countries. The ISO committee has tried to encourage the participation of representatives from developing countries (Slob and Oonk, 2007). The Guidance combines principles of social responsibility with specific actions that translate those principles. This is another added value of the approach, as there are many *normative sustainable frameworks* in which principles are not accompanied by expected actions to fulfil those principles.

Furthermore, ISO/DIS 26000 is consistent with the normative guidelines of other international bodies like the Global Compact of United Nations and the declarations and conventions of the International Labour Organization (ILO) through specific Memoranda of Agreement. Organizations like Global Reporting Initiative and Social Accountability International have not signed those Memoranda but have participated in the process. The work on ISO/DIS 26000 has also influenced some of the recommendations of the six workshops organized in Brussels by the European Commission on sustainability information disclosure. For instance, the proposals from France, Denmark (of the few countries invited to the workshops of public authorities) and from the Trade Unions[8] recommended to watch the developments of the ISO/DIS 26000 project and their impact in the future normative European model on sustainability information disclosure for private companies.

Although ISO/DIS 26000 is not meant to be a standard upon which a certification can be issued, it may work as a check-list of the actions and expectations that the organization needs to address in order to be socially responsible and work towards ensuring sustainability in society. According to Slob and Oonk (2007), non-governmental bodies criticise some flaws of the standard. Firstly, the concept of social responsibility, basically applied to companies, is diluted when addressing all organizations, even those that have less negative impact in the environment. Secondly, civil society organizations complain that the standard is voluntary and is not subject to certification for private companies.

Lessons learned

Both IWA 4 and ISO/DIS 26000, albeit differently, promote a prescriptive view on how to focus the activities of the organizations on sustainability performance. ISO/DIS 26000 covers all types of organizations while IWA 4 focuses on local authorities.

IWA 4 shows how ‘soft’ and ‘hard’ sustainability performance indicators can be integrated in the same self-assessment tool. The combination of these measurement philosophies is undoubtedly helpful to better understand the sustainability performance of an organization.

ISO/DIS 26000 is no doubt of enormous value when putting social responsibility into practice. However, as it is based on a series of different recommended actions but does not offer a particular measurement system, it lacks the needed comparability on the strength of social responsibility of different agencies. The ISO/DIS 26000 is then a good guide for further framing the measurement system to enhance social responsibility but not to be used as a measurement framework. Furthermore, the advantage of ISO/DIS 26000 for a global arena is that it encompasses the views from experts from developing and developed countries. At the same time, this is a disadvantage for a framework tailored to

[8] All these documents accessed on 5 June 2010 from: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/index_en.htm#h2-workshop-6---final-workshop-and-discussion-of-hypothetical-scenarios

the more specific needs of public sector organizations in the EU. There are many issues and related actions in the ISO/DIS 26000 that are especially relevant for organizations operating in developing countries, but less adequate for the European context.

How to measure sustainability? Sustainability reporting (iv)

Sustainability reporting started in the private sector as a means to complement financial reporting with non-financial data (environmental and social). With this strategy, businesses could build trust and accountability to key stakeholders and the wider public. At the same time, sustainability reporting provides the empirical and numerical basis for helping decision-makers to measure progress towards sustainable development and to integrate sustainable development into the management system. In principle, sustainability reporting can be integrated with other management tools like strategic planning and self-assessment frameworks.

Definition and diffusion of sustainability reporting in the public sector

The label ‘sustainability reporting’ has replaced other similar terms like citizenship reporting, social reporting, and triple-bottom-line reporting. Sustainability reporting “involves measuring, accounting and disclosing an organization’s economic, environmental and social performance to improve organizational performance and advance sustainable development” (VVAA 2007). In spite of the pluridimensional nature of sustainability reporting, environmental concerns have been by and large its main focus (71 per cent of the reports of the largest 250 companies in 2002) while only 18 per cent of the reports covered the triple bottom line (Luckman 2006, p. 4).

The data on the economic and financial dimensions of sustainability appear to be robust, at least to the extent that they are based on evidence. However, the social and environmental dimensions of sustainability have often been based on narrative reporting and less on ‘hard’ data. This fact may have triggered different international collaborative efforts in order to select more adequate tools for measuring sustainability performance.

The proliferation of sustainability reporting frameworks and the increasing number of companies reporting on sustainability, at the same time that the dissatisfaction of different stakeholders (investors, NGOs and consumers mainly) with the quality of reporting has also grown, prompted the European Commission to organize six workshops between 2009 and 2010. The workshops have mainly dealt with the disclosure of information on sustainability performance or the environmental, social and governance (ESG) (according to their specific terms) performance of private companies. The main purpose of the workshops was to increase the added value of sustainability reporting for different stakeholders and to harmonize some criteria at the European level.

The landscape of ESG reporting is filled with different voluntary initiatives from international and national organizations, the basic requirements of the Accounts Modernisation Directive 2003/51/EC, and the legal requirements from EU member States to disclose information on their sustainability performance.

The content of the directive, already adopted by most EU Member States in the national legislation leave an open frame the reporting on non-financial information from private companies: “To the extent necessary for an understanding of the company's development, performance or position, the analysis [in the annual review] shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters."

Some European countries have introduced mandatory or voluntary schemes of sustainability reporting for private companies (see Annex). The variability and scope of reporting is considerable. While this rich landscape acknowledges the relevance of disclosing sustainability performance, it also unveils the lack of comparability of results and of processes to disclose sustainability performance information.

The workshops organized by the EU Commission between 2009 and 2010 around the topic of sustainability disclosure prompted policy documents with recommendations from different countries and international organizations. Some major points with relevant application for this report are illustrated below:

1. The stress on the disclosure of sustainability information should not be made at the cost of sustainability performance, which is the most relevant goal of any organization.
2. The disclosure of sustainability information is presented in different formats (reports, electronic outputs, responses to surveys from external stakeholders), but the preferred methods is the publication of sustainability reports.
3. There are several trends in these reports:
    a. The use of hard key performance indicators over the general description of policies is supported by most companies.
    b. Third parties are normally used to assure the trustworthiness of these reports.
    c. There is increasing reference to the guidelines of Global Reporting Initiative (GRI). According to KPMG (2008), more than 70 per cent of the 250 largest companies and the 100 largest companies by revenue (N100) have used the GRI Guidelines for their reporting.

For those companies that voluntarily use sustainability reporting there are some benefits that make their 'business' case. The three most relevant perceived benefits of producing a sustainability report in an Australian survey were 'Reputation Enhancement' (70 per cent of respondents), 'Gain confidence of investors, insurers and financial institutions' (60 per cent) and 'Operational and management improvements (59 per cent) (Department of Environment and Heritage, 2004). The trust of consumers and other stakeholders seems to be very relevant for engaging in sustainability reporting.

The use of sustainability reporting in the public sector is more modest. According to GRI (2010), 57 different public agencies have published 69 GRI reports between 2001 and 2010. However, these numbers may hide the fact that some organizations have been inspired by GRI reporting framework, although they have not fully applied it neither have they communicated it to the

GRI organization. In fact, many organizations are likely to disclose sustainability information through a wide range of channels, without necessarily focusing on a specific and holistic report (CIPFA 2004). Sustainability reporting in the public sector is at its infancy and limited to some specific areas

Sustainability considerations are taken into account in three public sector areas. Firstly, there are several initiatives linked to public procurement like the draft guide promoted by the European Commission on integrating social considerations in public procurement, the EU 2004 guide to green public procurement and the consideration of social and environmental dimensions in public procurement of Denmark, France, the Netherlands and the province of Milan. Secondly, some countries have launched mandatory legislation for state-owned companies to issue sustainability reporting in Denmark since 2008, in Sweden since 2007 and draft legislation on sustainable economy in Spain (since 2009). Finally, the local level has embraced more thoroughly sustainability reporting than other levels of government (Dickinson 2005), basically through the Agenda 21 scheme. Besides Agenda 21, other schemes like the ecological footprint or the community quality of life indicators have been used as devices for sustainability reporting on the community development in particular countries. However, this support for sustainability does not imply that local authorities in some countries (for instance in the United Kingdom) have been able to mainstream sustainability (CIPFA 2004).

The low development of sustainability reporting in the public sector might be linked to a lack of the motivation existing in the private sector, and the absence of mandatory regulation for public agencies to issue sustainability reporting. As public agencies have not ‘profits’ that depend on their socially responsible behaviour, there are no clear incentives for them to measure sustainability. In absence of mandatory regulation, it would be an extra burden for them to report on sustainability in addition to other financial mandatory reports.

The incentives to use sustainability reporting in the public sector are different. Several sources (GRI 2004, 2005; EU Workshops) offer a list of incentives for public agencies to engage with sustainability reporting.

- Promote transparency and accountability to facilitate dialogue and effective engagement with stakeholders.
- Reinforce organizational commitments to demonstrate progress, by using it as a management tool.
- Improve the internal governance of the organizations.
- Serve as a model for the private sector in its role of consumer and employer in various economies.
- Set targets for improvement and hence change attitudes.
- Arrive at fuller clarity about the organization’s agenda for sustainability.
- Enhance the trust of citizens in public agencies.

Other studies (Farneti and Guthrie 2008 and Dickinson 2005) have surveyed public agencies to understand their engagement in sustainability reporting. This has been enabled because:

- In some cases, the own employees of the organization have been a relevant driver for sustainability reporting.
- The support of key individuals who championed the process (e.g. Chief Executive, Managing Director) was crucial for the promotion of sustainability reporting in the organization.

Other drivers were less frequent. Only in a few cases there was a specific demand from elected politicians to issue sustainability reporting. Occasionally, sustainability reporting was driven by the monitoring of performance.

The supplement of GRI guidelines for public agencies

The sustainability reporting guide from Global Reporting Initiative (GRI) represents the *de facto* international standard for the private sector according to the KPMG (2008) survey. Therefore this framework merits further description because the network also published a supplement for the public sector in 2005 (Public Agencies Sector Supplement – PASS). Moreover, the GRI guidelines are aligned with the ten principles of the Global Compact. The Global Compact is a widely accepted initiative of the United Nations to commit businesses with ten principles in the areas of human rights, environment, labour and anticorruption.

GRI has identified three different levels for the measurement of sustainability performance: organizational operations, policies and services and impact of all stakeholders, although their terminology is a bit different. The guidelines address the disclosure of the triple bottom line performance for these three levels with different sets of information. A first set of information includes a description of the governance structure, the engagement with stakeholders of the organization and the global policies and management systems that set the context in which sustainability performance is to be obtained. A second set of information refers to a description of the key public policies and measures related to sustainability. These two groups of information are rather narrative and describe what the organization does in order to ensure a sustainable development. Finally, the third set of information is composed of a list of performance indicators for each of the economic, environmental and social sections. Those indicators try to reflect the sustainability performance of the public agency (see the Table 11).

Table 11 Structure of GRI report for public agencies (with examples of 'hard' performance indicators)

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEM
Governance Structure *Stakeholder Engagement* *Overarching Policies and Management Systems*
PUBLIC POLICIES AND IMPLEMENTATION MEASURES
PERFORMANCE INDICATORS
Economic
Total payroll and benefits; Total income broken down by capital and operating/recurrent revenue; Gross expenditures broken down by types of payment; Costs of all goods, materials, and services purchased; Procurement policy as related to sustainable development; and Economic, environmental and social criteria applied to expenditures and financial commitments
Environmental
Direct and indirect energy use; Total water use and recycling and reuse of water; Land owned, leased, or managed in biologically diverse habitats; Greenhouse gas emissions; Total amount of waste by type and destination (includes recycling); and Incidents of and fines for non-compliance with all applicable environmental laws.
Social
Organizational breakdown of workforce; Practices on the recording and notification of occupational accidents and diseases; Average hours of employee training per year; Senior management composition, including female to male ratio; Descriptions of human rights policies, including applicability of those policies to sub-contractors; and Assessments of the efficiency and effectiveness of services provided by the public agency.

Source: Adapted from GRI 2005

The GRI Guidelines contain two categories of performance indicators. Core indicators are, according to their definition, "relevant to most reporting organizations and of interest to most stakeholders". Additional indicators represent "a leading practice in economic, environmental or social measurement", but only used by some organizations, "provide information of interest to stakeholders who are particularly important to the reporting entity and "are deemed worthy of further testing for possible consideration as future core indicators" (GRI 2005, pp. 18-19). In general, GRI encourages considerable flexibility in preparing sustainability reports and includes some minimum conditions if an organization wants to identify its report in accordance with the GRI Guidelines.

GRI ensures certain flexibility at the same time that promotes comparability with the set of core indicators. The use of 'hard' performance indicators has at least two advantages. On the other hand, the mere choice of particular performance indicators in relation to sustainability goals gives clear indications of the chosen path of improvement. For instance, instead of only describing the policies to reduce organizational CO2 emissions, the indicator shows the actual reduction of CO2 emissions. On the other hand, adequate performance indicators are useful for comparison and benchmarking purposes, with the entailing benefits of being able to compare the achievements of similar institutions.

Sweden made mandatory in 2007 the publication of sustainability reporting following the GRI framework for state-owned companies. In 2009, 89 per cent of state-owned companies reported according to GRI (from which 72 per cent was externally assured). There are also examples of other individual European public sector organizations that have reported using the GRI framework, like the Austrian Federal Ministry of Agriculture, Forestry, Environment. In the workshops organized by the EU Commission[9] a representative of a company implementing sustainability reporting highlighted the following advantages of the approach: the possibility to measure progress, to structure work on sustainability and to include sustainability as a topic for the board of directors.

The findings of a recent GRI (2010) publication shows that the number of public agencies using the Supplement is low (12 different public agencies have published 21 reports since the release of the Supplement in 2005). The number of public sector sustainability reports represented only 1.7 per cent of the reports published in 2009. The GRI (2010) also found some difficulties with the application of the Supplement:

- Too generic and not appropriate enough for the variety of public agencies.
- The Guidelines use a language that is not appropriate for the public sector.
- The considerable variability in the way in which public agencies reported allows for little comparison. They have chosen only some indicators or different ways to report on the same indicators or rather descriptive approaches instead of more quantitative ones.

A recent study by Farneti and Guthrie (2008) of the Australian public sector sustainability reporting also reveals similar difficulties associated with using the GRI framework and its supplement for the public sector. In most cases, organizations found the Supplement difficult to apply. Additionally, respondents thought that the Supplement was designed for organizations delivering policies rather than public agencies delivering goods and services.

Lessons learned

GRI is the *de facto* international standard for sustainability reporting for private companies. The Supplement for public agencies has not encouraged excessively the endorsement of sustainability reporting by public sector organizations. Agencies reporting according to the GRI Guidelines have encountered several problems when using it: the language, the concepts and, sometimes, the performance indicators included in the supplement for the public agencies are not adequate.

In spite of these pitfalls, GRI Guidelines offer relevant concepts and useful ideas on how to enhance sustainability in the context of the European public

[9] Accessed on 5 June 2010 at: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/index_en.htm

sector. Firstly, the framework distinguishes three different arenas (organizational performance, impact of public policies and services and impact of all stakeholders) for applying sustainability. The most obvious choice for a public sector agency would be to report at least the sustainability performance of organizational operations and of the impact of public policies and services. Secondly, the model identifies core and additional indicators so that comparability can be ensured with core indicators, while additional indicators can be matched to the particular features of a public agency. Finally, the framework combines description of the governance structure as well as policies on sustainability with 'hard' indicators for each of the sustainability dimensions and for each scope or arena. The use of 'hard' indicators allows for comparability and *benchlearning* among public agencies.

What have we learned from different approaches to measure sustainability?

Lessons from different frameworks

Sustainability measurement can be promoted through a number of frameworks. Each framework has a different philosophy. Previous sections have examined at least one model from each of the different types of frameworks. All the models under analysis have either wide international recognition or have been designed by an international network. Three different dimensions help to understand the main differences among the models when measuring sustainability performance (see Table 12):

1. The consideration of sustainability as a core focuses of the model or as one part among others.
2. The main purpose of the instrument: accountability or organizational improvement.
3. Type of measurement system: based on 'hard' or on 'soft' indicators.

Table 12 Comparison between frameworks that focus on sustainability

	SBSC	CAF	IWA 4	ISO/DIS 26000	GRI
Main focus	Management	Management	Sustainability	Sustainability	Sustainability
Purpose	Mainly organizational improvement	Mainly organizational improvement	Mainly organizational improvement	A combination of organizational improvement and accountability	Mainly accountability combined with organizational improvement
Measurement system	'Hard' indicators	'Soft' indicators	'Soft' indicators combined with some 'hard' indicators	Promotion of 'soft' and 'hard' indicators	'Hard' indicators with descriptions of policies

All the different management instruments have advantages and disadvantages from the perspective of assessing sustainability performance. Their potential contribution to the enhancement of sustainability depends, of course, on how wholeheartedly the organization takes into account sustainability performance, and what particular results an instrument may offer. Sustainability is no doubt entering the domains of the public sector now that is becoming mainstream for many big private companies worldwide. Those companies have a clear business incentive to improve their socially responsible behaviour in view of an ever more demanding set of consumer expectations, with concerns in relation to human rights and environmental issues.

The same incentives cannot be found as of yet for the public sector. However, recent economic developments, trends in regulatory regimes in relation to sustainability performance information disclosure, the increasing evolution of sustainability reporting, the integration of sustainability in different managerial instruments and the international discussion on harmonization of disparate frameworks provide pressures for the IPSG group to work on sustainability measurement systems.

Adequacy of the different frameworks for measuring sustainability

Each of the examined models could represent an option for further work on sustainability measurement at the European level. Such an instrument should comply at least with the following requirements, in line with similar recommendations from KPMG and UNEP (2006) for the private sector:

- The framework should have the purpose of measuring and enhancing sustainability performance. The final aim is to improve the socially responsible behaviour of public agencies in relation to the social, environmental and economic well-being of the communities they serve. The measurement instrument should be a 'means' to that 'end'.
- The measurement system should focus on results that matter. The actual achievement of results (or failure to achieve them) may trigger management improvements. The report on results should be easily understood by politicians, managers and citizens.
- A focus on results which can be easily understood and used in comparisons is better served by 'hard' performance indicators than by 'soft' indicators, according to international practices in the private sector. Those 'hard' indicators can be accompanied by descriptions of policies and 'soft' indicators
- While some flexibility is needed for accommodating the different realities of public agencies, a 'core' set of key performance indicators would allow for comparability among public agencies.
- The key performance sustainability indicators should illustrate at least the impact of organizational operations in sustainability performance. In a second stage, other 'core' indicators could focus on public policies and services in the environment and in society.

With these requirements, this report supports the creation of a 'light' Sustainability Performance Framework, suitable for internal assessment and external reporting based on a small set of key performance indicators that focus primarily on the *organizational sustainability performance* and on the impact of *public policies and services* in a second stage. This framework could be used in combination with CAF or EFQM. The design of this instrument could benefit from some of the lessons arising from the different models.

The different models under examination seem to be less adequate for enhancing the measurement of sustainability in an European context. Firstly, a Sustainability Balanced Scorecard (SBSC) is a very relevant managerial instrument to focus the organization on strategic performance at the same time that it offers a balanced view of different perspectives of the organization. A recent development has been the introduction of sustainability concerns either integrated in the four traditional dimensions of the instrument or as a standalone perspective.

There are two problems for using this instrument for comparison purposes in the measurement of sustainability in Europe. On the one hand, the SBSC is organization-specific, so that cross-organization comparability issues arise. It would be difficult to expect an agreement on required goals and sustainability performance indicators among different organizations. On the other hand, the implementation of BSC in the public sector is not uniform in its spread across Europe. In some countries, BSC has hardly penetrated public sector organizations. Nevertheless, approaches to the creation of a different perspective on sustainability in the BSC have provided inspiration for some of the suggestions in this report.

Secondly, CAF 2006 includes examples on sustainability. A revision of the model is planned to be launched in 2012, and it is likely that the integration of sustainability in the framework will be further refined. This option is not discouraged in this report, as the CAF framework allows for 'soft' measurement of sustainability and integration of sustainability with the business strategy of the organization. However, this option is not considered to be adequate for the measurement of sustainability for the following summarized arguments:

A) Sustainability is integrated in the management framework, but at the same time seems to be diluted and, probably, 'lost' in it.

B) The 'soft' measurement method does not allow for comparing results.

C) It is unclear how the different dimensions of sustainability are considered and what criteria are used for selecting some dimensions instead of others.

D) It is more appropriate for the organization to decide what sort of sustainability goals are to be achieved instead of agreeing on sustainability goals that any public agency with certain features and operating in a particular field is expected to achieve.

Nevertheless, the existing list of examples on sustainability could valuably serve the purpose of searching for indicators for the Sustainability Performance Framework. While this framework is meant to be used separately from CAF, it could also benefit organizations applying CAF through the additional 'hard' information it supplies, subject to appropriate comparisons.

Thirdly, ISO/DIS 26000, approved in May 2010 by an international community offers a list of principles and related actions and expectations as regards the improvement of the socially responsible behaviour of organizations that should ensure the sustainability of communities. Among the recommendations of the framework, there is also a preference for 'hard' indicators. However, the standard itself is not a measurement system, although it could serve for selecting a list of core 'hard' sustainability performance indicators. The instrument has been recommended as a source of inspiration for the development of a European framework for sustainability disclosure during the EU workshops undertaken in 2009 and 2010 (EC Workshops on ESG information).

Fourthly, IWA 4 has also benefited from an extensive international collaboration. This self-assessment framework combines (mostly) 'soft' with some 'hard' indicators to measure the sustainability of communities served by local authorities through a self-assessment exercise. This framework would be very interesting for EU local authorities if some of the indicators were more adapted to European realities, as already done in Spain. However, IWA 4 is less adequate for public agencies in general, because its focus is the sustainability of the local community and this impact is more difficult to measure for public agencies other than local authorities.

Finally, the Supplement of GRI Guidelines for public agencies was examined because this framework is becoming the *de facto* international standard for private companies. However, the number of public agencies that have applied GRI worldwide is low and an assessment by GRI (2010) and other authors show that the framework has not been successfully adapted for the public sector. Nevertheless, a considerable part of its philosophy could be used for designing a 'light' Sustainability Performance Framework, because it provides principles and concepts that would likely serve the purposes of measuring, comparing and improving the sustainability performance of public agencies as it is argued in the next section.

Next Steps: The design of a European Sustainability Performance Framework

This section argues in favour of creating a 'light' Sustainability Performance Framework which can help the purposes of self-assessment for sustainability performance improvement and of reporting and accountability. The Sustainability Performance Framework should be created as a part of a European effort and the IPSG network is ideally placed to achieve this. The design of a Sustainability Performance Framework could benefit from a similar parallel project initiated by the European Commission for private companies.

In 2009 and 2010, workshops on ESG information[10] promoted by the European Commission have focused on the enhancement, measurement and disclosure of sustainability at the supra-State level for the private sector. With these workshops, the European Commission has attempted to overcome the fragmentation of national sustainability reporting as well as to increase the trust of citizens and stakeholders in this instrument in difficult economic and financial times.

International cooperation has also been promoted by a report from KPMG and UNEP (United Nations Environment Programme) (2006) on the requirements for disclosing sustainability performance at a supra-State level. The list of prerequisites to do this is built into a set of performance indicators (for instance using GRI as a global reference framework), independent verification of the achievements, the engagement of internal and external stakeholders in listing the sustainability indicators, the use of reporting for sustainability performance improvement, the role of government in fostering the initiative and the advocacy of international cooperation in order to achieve a common framework. The advocacy of an international framework to deal with the disclosure of sustainability performance of private companies was also supported by several countries and international organizations (France, Denmark, ECCJ -European Coalition of Corporate Justice-, ESBG -European Savings Bank Group-, and CSR Europe -Corporate Social Responsibility- among others) that participated in the 2009-10 EC Workshops on ESG information.

In the public sector, international cooperation to avoid proliferation of national frameworks to measure sustainability performance has the advantages of avoiding unnecessary competition with national frameworks and avoiding 'reinventing the wheel'. This does not mean that a new 'lighter' Sustainability Performance Framework should start from scratch. A number of international initiatives offer principles to enhance sustainability performance both in private and public sector organizations, key performance sustainability indicators for public sector organizations and guides on how to disclose this information.

Furthermore, sustainability concerns are not absent from management instruments or excellence models. Some lessons from those approaches can be drawn if sustainability is to be a core part of the mission of the organization.

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[10] Documents retrieved on 5 June 2010 from http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/index_en.htm

Integration between sustainability and organizational performance would be required so that sustainability is not simply an add-on.

Scope of application

The scope of application of the framework refers to the context or arena in which sustainability is to be considered, which could include: 1) Organizational operation, 2) Impact of public policies and services from public agencies, 3) Impact of all stakeholders.

The scope of application depends primarily on the typology of public agencies. There are differences between multi-purpose agencies (mainly local authorities) and single-purpose agencies. In principle, local authorities, particularly those that have embraced Agenda 21, would be better placed for measuring the impact of public policies and services as well as the impact of all stakeholders in sustainability in the local community, due to the multi-purpose nature of local authorities. However, the impact in different communities of single-purpose or even multi-purpose national and regional agencies is less apparent than the more or less straightforward and direct link between a municipality and the community it serves. Therefore, it is unlikely that a common framework can be used in the same way for measuring sustainability for local authorities and national public agencies functioning in a specific sector like health, education, the environment, the labour or the housing market: one size does not fit all.

A minimum common denominator for all these types of agencies would be to measure the impact of *organizational operations* on sustainability, as a first stage. This approach would reflect the impact of the management arrangements on sustainability: e.g. the consumption of energy and land requirements, the demand for fair labour practices in contracting out services or in procurement, the existence of financial means or adequate capabilities for delivering services, and the preservation of values (transparency, integrity and legality) that grant legitimacy to organizational performance.

The measurement by a public agency of the impact of its public policies and services could be voluntary in this first stage and mandatory in a second phase of the project, once some lessons from using sustainability indicators for organizational performance are drawn.

Sustainability key performance indicators

Performance indicators are internationally accepted. The summary document of the workshops organised by the European Commission between 2009 and 2010 establishes five scenarios on sustainability information disclosure at the European level. Scenario 1 maintains the current state of affairs without change. In the other four scenarios, sustainability information disclosure should cover content (including a set of [maximum] 15 key performance indicators (KPIs) applicable to all organizations, which are private companies in this case) as well as the process of disclosing. At the moment of writing, the European Commission has not decided yet further steps on the disclosure of sustainability information, but the document reflected the agreement on a minimum set of KPIs.

This minimum set of 15 KPIs for all companies would promote the comparison of the achievement of sustainability performance. A similar proposal is suggested for the Sustainability Performance Framework. The IPSG network could agree on around 15 KPIs for measuring the impact of the *organizational operations* on sustainability (see Table 13 for an illustrative list of potential KPIs). In spite of considerable differences between State traditions and administrative cultures within the EU, there are enough similarities so as to be able to design common denominator sustainability indicators concerning *organizational performance*. This process also entails engagement with stakeholders in order to agree on the indicators that they feel provide them with added value, too.

Table 13 Sustainability Key Performance Indicators from Organizational Operations (some examples)

Social
Diversity- composition of senior management (gender and other indicators as appropriate)
Percentage of staff on short term contracts
Percentage of staff within ten years of their compulsory retirement age
Percentage of staff with competencies appropriate for the job to be performed
Differential impacts on men and women concerning workplace safety and health
Percentage of lost hours due to absenteeism/ accidents / job injuries
Environment
Total energy used broken down by direct/ indirect use and by source
Total water use per head
Total greenhouse gas emissions per square metre of office space
Total tonnes of waste per head by type and destination (composting, reuse, recycling, recovery, incineration...)
Economic
Proportion of the cost of all goods and services purchased which have a ‘sustainable’ social or environmental label
Cost of all services provided / user
Cost of payroll and benefits / user
Gross expenditure per user, broken down by type of payment (transfers, payments for service, investment, wages, taxes...)

The IPSG network could agree on a second minimum tranche of KPIs (maybe around 10 or so) for the impact of *public policies and services*. Those KPIs could also be used for voluntary application by the public agencies that endorse the Sustainability Performance Framework and then, in the second stage, could become mandatory for all public agencies.

There are some international initiatives of relevance for drafting key performance indicators like the OECD Guidelines, the Global Reporting Initiative, or ISO/DIS 26000. For instance, the ISO/DIS 26000 draft maintains that the disclosure of social responsibility should include objectives and performance indicators in relation to core subjects.

Disclosure and performance

In principle, any information on the impact of *organizational operations* and *public policies and services* of public agencies in sustainability performance should be disclosed, in line with normal citizen rights of access to information. Refusing information disclosure should take place only if issues of secrecy or privacy are affected. While the workshops organised by the European Commission found unanimous support for the disclosure of sustainability performance information by private companies, certain flexibility could be introduced in the early stages of adoption of the Sustainability Performance Framework for the public sector in order to get the support from elected and appointed officials of the public agency, but full disclosure is highly recommended.

Of course, the most important focus of the Sustainability Performance Framework should be the improvement of sustainability performance and not simply the disclosure of information. In any case, reporting on the results of sustainability performance should necessarily be addressed during a second stage, in order to win much needed credibility and trust on the part of citizens. Reporting the results of sustainability performance should serve two purposes. Firstly, reporting would help public agencies to play a role model for sustainability performance and the disclosure of information of private companies. Secondly, reporting would help to monitor the level of negative and positive externalities caused by the operational management and policies of a public agency and trigger improvement strategies.

Integration between the Sustainability Performance Framework and other models

This framework can be used in tandem with any management model. If the IPSG network would like to achieve a higher integration between CAF and the Sustainability Performance Framework, the minimal set of sustainability indicators could be aligned with the examples on sustainability in the CAF model. Moreover, the core sustainability KPIs could also be included in other managerial instruments like the Balanced Scorecard (BSC) or be aligned for the purposes of self-assessment exercises in the EFQM Excellence Model, for instance.

The use of the Sustainability Performance Framework for *improvement* purposes would require careful contextualization, and in particular clear description of governance structures and of sustainability policies, in order to help explain trends in the sustainability results (e.g. in changing levels of externalities) or for making comparisons (with similar institutions). Those policy narratives could be extracted from self-assessment exercises as long as the organizational unit in which the CAF or EFQM has been applied coincides with the unit for which sustainability data is gathered. If there is no coincidence of scope between the Sustainability Performance Framework and a current management / self-assessment framework, then an explanatory document with the description of the governance structure and the policies that impact on sustainability should be added to the Sustainability Performance Framework.

Self-assessment and assurance

The Sustainability Performance Framework could be applied through a self-assessment exercise, in which involvement of the managerial board would be highly recommended. If the information resulting from this exercise is to be published, a quality assurance or external feedback procedure might be needed. In the workshop of public authorities organized by the European Commission, the participants came to the conclusion that quality assurance has limited value when it focuses on the model and on the sources of reporting, but it seems to be more relevant for the “materiality, relevance and accuracy of the data provided” (p. 7)[11].

External validation of the indicators normally gives credibility to the data, but certification should be voluntary. An alternative would be to use peer review from other public agencies to validate the data. This would also foster comparability and *benchlearning* among public agencies.

[11] Summary document from the Workshops for public authorities. Retrieved on 5 June 2010 from http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/index_en.htm#h2-workshop-5---the-perspective-of-public-authorities

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Annex – List of Sustainability Frameworks in Europe (some examples)

	Sustainability reporting for companies?	Name of the scheme	Sustainability information in Public Procurement?
Europe	Voluntary	EMAS (EU Eco-management and Audit Scheme)	Draft guide on how to integrate social considerations into public procurement / Guide to green public procurement in 2004
	Mandatory	International Accounting Standards (IAS)	
	Mandatory	EU Modernization Directive (2003/51/EC)	
Belgium	Mandatory	Art. 4.1.8 VLAREM II (only for Flandes)	
	Mandatory	Bilan Social	
Denmark	Mandatory	Danish Financial Statements Act /	Uses international conventions underlying the UN Global Compact for central government procurement
	Mandatory	Green Accounts Act	
	Mandatory	**2008 Law on CSR reporting for state-owned companies, private enterprises and investors**	
		Social Index	
	Voluntary	**Social-ethical Accounts**	
Finland	Mandatory	Finnish Accounting Act	
France	Mandatory	Law 2001-420 related to new economic regulations	Promotion of the social and environmental dimensions of public procurement
	Mandatory	CJDES Bilan Societal	
Germany	Mandatory	Bilanzrechtsreformgesetz (BilReg)	
Italy	Voluntary	CSR-SC project	Province of Milan encourage uptake of CSR among suppliers
Netherlands	Voluntary	Assurance Standard Committee	Environmental and social criteria included
	Mandatory	Environmental Protection Act	
Spain	Mandatory	**Draft Law on Sustainable Economy (2009) requires that state owned public companies sustainability reports according to international standards**	Plan for Green Public Procurement (2008)
	Mandatory	Resolución 25 March 2002 (Institute of Accounting and Auditing)	
Sweden	Mandatory	Annual Accounts Act	
	Mandatory	**2007 legal requirement for state-owned companies to report according to GRI**	
United Kingdom	Mandatory	Business review	
	Voluntary	Environmental Reporting Guidelines – Key Performance Indicators	

Sources: KPMG and UNEP (2006); EU WORKSHOP 2010 public authorities summary. In **bold**: It applies for parts of the public sector; mostly, state-owned enterprises.

List of acronyms

AA	Assurance Standard
BSC	Balanced Scorecard
CAF	Common Assessment Framework
CIPFA	The Chartered Institute of Public Finance & Accounting
CSR	Corporate Social Responsibility
DIS	Draft International Standard
ECCJ	European Coalition of Corporate Justice
EFQM	European Foundation for Quality Management
EIPA	European Institute of Public Administration
ESBG	European Savings Bank Group
ESG	Environmental, Social and Governance
EU	European Union
EUPAN	European Public Administration Network
FDIS	Final Draft International Standard
GRI	Global Reporting Initiative
ILO	International Labour Organization
IPSG	Innovative Public Services Group
ISO	International Standard Organization
IWA	International Workshop Agreement
OECD	Organization for Economic Cooperation and Development
PASS	Public Agencies Sector Supplement
SBSC	Sustainability Balanced Scorecard
SROI	Social Return on Investment
UN	United Nations
UNEP	United Nations Environment Programme