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Section 4



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“Basic course in Corporate Social Responsibility” in e-learning mode

Handout - Section 4

Stakeholders: State, Local Authorities and Public Administration

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For any further information, please contact the CSR and Environment Office: tel.: +39 **0422 595288**, e-mail: sportellocsr@tb.camcom.it

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1. State, Local Authorities and Public Administration

State, Local Authorities and Public Administration (P.A.) generally are the main actors of **governance**¹ in local, national and supranational economic-social systems.

More specifically, the fundamental elements that characterise the conduct of these public parties are:

- **administrative decentralisation**, that is, the attribution of Government functions and powers to those peripheral bodies or local entities closest to citizens and corporations;
- **subsidiarity**, which can be:
 - a) *vertical*, when a public authority of a higher level substitutes a lower one in case the latter results being inefficient and ineffective in satisfying citizens' needs;
 - b) *horizontal*, when Public Administration is supported by typically non-profit companies which provide either the same kind of services as the State, or additional ones. In such way citizens and corporations can avail themselves of the service provided by the supplier they consider the most suitable in terms of quality and costs. Moreover, this process promotes forms of active and socially engaged citizenship.

All this leads to the creation of **network government** dynamics – in which different authorities interact and collaborate – instead of pyramidal or hierarchical ones. In this view, we started tackling the issue of the implementation of social responsibility of public administration, mainly considering accountability, transparency and social reporting aspects.

Public Administration is increasingly invited to reflect on its social responsibility and to render its conduct more transparent to other subjects. To this effect, the role of Public Administrations is dual:

1. They are invited to **consolidate social responsibility principles** in their management, production and service-providing activities by:
 - identifying the specific objectives they intend to achieve in a set period of time (generally corresponding to the legislative term);
 - identifying the main internal and external stakeholders of P.A. activities;
 - measuring the impact of public action on different stakeholders categories, indicating, if possible, the kind of contributions or benefits that were requested and provided to each of them and the total value created and distributed in the reference territorial area;
 - identifying the modes of reporting and communicating results.
2. They must promote the adoption of **socially responsible instruments and behaviours** with regards to the functions of regulation and control of the economic and social activities carried out by private subjects, through information, training and support activities (for example, the project promoted and developed by the Ministry of *Welfare* regarding CSR).

Therefore, it is necessary to:

¹ The concept of *governance* refers to the set of rules, at all levels (laws, regulations, etc...) that regulate the management of a corporation or body. Corporate governance also includes the relations between the different stakeholders involved and their administration objectives.



- define the characteristics of the context in which the different subjects operate, identifying and communicating externally the social and environmental priorities and action areas on the territory;
- identify all different responsibilities (private and public) in meeting such needs;
- identify a model that regulates said social responsibility of the different subjects;
- promote a greater critical and analytical thinking among the population, in order to encourage a mindful conduct, respecting the environment and the social context.

By adopting Social Responsibility logics, Public Administrations contribute to the creation of an economic system in which every subject, both public and private, becomes more responsible in the use of resources and in which, at the same time, social engagement and supervision by citizens and corporations are spread.



2. The Public Administration as a stakeholder

Also Public Administration, as a stakeholder of the economic area, is further encouraged to promote actions of social responsibility carried out by corporations. Maintaining good relations with the Public Administration is indeed a crucial aspect for any economic initiative to be successful, especially if this may lead to winning a public tender in which enterprises have to be transparent and show their social engagement. It is therefore possible to outline some rules of conduct, which include the relations between enterprise and Public Administration.

2.1. Rules of good conduct in the relations between enterprises and citizens and the Public Administration.

Relations with Public Institutions should be characterised by maximum **transparency** and **fairness** (by either side). In particular, special attention shall be paid to the necessary relations maintained with Government administrations, both in Italy or abroad, in compliance with the respective roles and functions as provided for by the law, as well as to a highly collaborative approach.

Relations with Public institutions officers are limited to the enterprise's functions or organisational units officially in charge of pursuant to legal and regulatory requirements; they shall by no means impair the Company's integrity and reputation. For this reason no sums of money or other equivalent payments shall be made to public officers in charge of public services so as to influence their activities in the fulfilment of their duties.

These provisions shall not be eluded by using different types of payments such as sponsorships, assignments, consultancy, and advertising services entailing the same illicit purposes as referred above. Said expenses shall in any case always be authorised and registered according to specific company procedures.

In the same manner, directors, employees and partners shall not receive gifts of advantageous treatments, except within the strict limits of normal courtesy relations and provided they are of modest economic value.

To this end, the enterprise shall commit to:

- establish, without discrimination, stable communication channels with all institutional representatives at an international, community and territorial level through spokespeople who were explicitly given this mandate;
- represent the interests and positions of subsidiaries, if any, in a transparent, rigorous and coherent manner, avoiding collusive behaviours.

2.2. Rules of good conduct to participate in calls for tenders (and/or invitations to calls for tenders):

When participating in calls for tenders procedures, the enterprise shall commit to:

- act in compliance with the principles of fairness, transparency and good faith;
- evaluate the consistency and feasibility of the required services during the preliminary examination phase of the invitations to calls for tender;
- provide all required data, information and any type of knowledge requested during the participants' selection that are functional for winning the call for tender;



- engage in transparent and fair relations with the public officers in charge, avoiding any behaviour which could jeopardise the competent officers' freedom of choice, in the case of supplies.

Should the enterprise win the tender, with regards to the relations with the assignors, it commits to guarantee:

- the correct and fair management of the negotiation and commercial relationships;
- the diligent fulfilment of contractual obligations.

2.3 Best practice to manage the Public Administration Stakeholder

Compared to the other stakeholders, it is difficult to find the best practice as far as Public Administration is concerned. Usually, in the social-environmental reporting documents, the paragraph concerning the "remuneration"² of this stakeholder mainly contains data on levies and other taxes, insurance premiums, INPS (National Institute of Social Insurance), etc., paid by enterprises.

Other interesting data however concern possible contributions received by Public Administrations and their relevant use, and the partnerships activated with them.

It would be useful to display the CONSIP³, MePA⁴ and GPP⁵ procurements in the accounting reports of Public Administration. Indeed, as the expenditure for goods and services represents a relevant part of the outflow for the functioning of public administrations, the tendency to outsource the management of goods and services supply processes is becoming consolidated. A new model, based on one hand on the centralised purchasing discipline, and on the other hand on a subject which is external to public administration and to which the management of those activities carried out to promote procurements is entrusted, has indeed been developed. The management of procurement procedures is entrusted to companies whose capital is entirely public (only formally private) or to those subjects on which the administration exercises a form of control such as that exercised on internal services (so-called in-house companies). The choice to outsource these services comes from the will to obtain specific benefits in terms of simplification of the calls for tender procedures, disengagement from bureaucracy practices necessary to announce and manage calls for tender, and anything else deriving from this in terms of direct and indirect costs. It also allows, through the aggregation of demand, to achieve economies of scale and obtain favourable unitary prices, and eventually to concentrate specialised resources in one central structure; it also allows to develop ICT systems for the management of e-procurement platforms that are to be made available to more administrations.

Among the three abovementioned procurement methods, the Consip procedure will be now presented. The origins of the establishment of this body are to be found in art. 26 of Italian Law no.488/1999 (financial law for 2000), through which the Ministry of Treasury, now Ministry of Economy and Finance, is entrusted with the task of concluding national agreements for the procurement of goods and services for public administrations. The Ministry, by issuing Decree of February 24, 2000, in order to establish the agreements

² Allocation or redistribution of Added Value.

³ Joint stock company owned by the Ministry of Economy and Finance, sole shareholder, which exclusively serves the Public Authority. It provides assistance and support services in the Public Administrations' purchases, operating on three main areas: the implementation of the Rationalisation of public purchases programme, through the use of information technologies and innovative instruments; the development of calls for tender projects, for the individual administrations on the basis of specific procedural guidelines, and as the Central purchasing body for all administration; the development of Projects for PA, identified through articles of law or administrative deeds, by virtue of the ability to manage complex projects.

⁴ The Public Administration Electronic Market (MePA) For more information on this topic, please visit the portal <https://www.acquistinretepa.it>

⁵ The Green Public Procurement (GPP) Please see Handout no. 5 of this course.



system, decided to avail itself of a subject external to the governmental apparatus: Consip S.p.A., a subsidiary wholly-owned by the Ministry itself. The Ministry, therefore, ceases to manage directly the agreements system, entrusting said company with the management of the procedures for closing the agreements and the monitoring and controlling mechanisms to. Consip indeed is not a normal private operator. On the contrary, it is a corporate-structured organism with the only and exclusive function to serve the Italian State, and it configures itself as a “contracting administration”. It operates according to strategic indications set by the Ministry and measures its efficiency on the basis of the contribution it is able to provide to the administration in streamlining the purchasing and organisational processes thanks to the use of information technologies. Moreover, it is subject to the control of the Ministry, both from a corporate point of view, through the exercise of those rights that are typical of shareholders, and from the administrative and management point of view, as its activities are regulated by framework regulations and the triennial agreements drawn up by the Ministry. Consip is also subject to the control of the Court of Audit, according to art. no. 12 of Law no.259 of March 21, 1958.

The Consip system of agreements is developed on the basis of two different juridical relations, in which three subjects are involved: Consip, the winning supplier and the contracting administration. The first relation established is that between Consip and the winning supplier, and it arises from the completion of the public procurement procedures, of the appointment and then of the drawing up of the contract. The second relation established is that among the winning supplier and the purchasing administration; this arises from the acceptance of the supply order, on the basis of contractual conditions and specifications set in the reference agreement.



3. CSR Instruments in Public Administration

Public Administration can adopt some CSR instrument, among which we list the following:

- the Social Statement;
- The Local Agenda 21 (LA21);
- The Green Public Procurement (GPP).

3.1. The Social Statement in P.A.

As already analysed in depth in Section 2 of this course, the Social Statement is a document with which an organization communicates to its stakeholders the results of its activity, on a periodical and voluntary basis, outdoing the traditional economic balance sheet.

The Social Statement developed from the awareness that different stakeholders exist and that they have a recognised interest in knowing the effects the organisation (or body) may have on them. Therefore these parties shall be involved in order to consolidate profitable collaboration relations. This allows to identify together the objectives to be reached, so that they can meet both the organisation/body's and the stakeholder's requests.

It is important to underline that the common elements to all Social Statements are the following: voluntary choice, the results deriving from commitments, performances and from the produced social effects and the identification and the building of a dialogue with the different interested subjects.

On February 17, 2006 the "Directive of the Ministry of Public Service on social reporting documents in Public Administrations" was issued. It clearly provides – mainly thanks to the annexed Guide Lines, which form an integral part thereof – the general principles Social Statements shall comply with, for those Public Administrations that intend to pursue social accounting through the adoption of transparent reporting, communication and information instruments and actions, aimed at building an open and profitable relation with their stakeholders.

Social Statements in P.A. resolve to make the accounting reporting system clearer in terms of transparency of the body's actions and results, of explicit communication of the purposes, policies and strategies, of measurement of results and of internal and external communication.

Compared to the traditional statement, which reports the economic-financial data that are sometimes difficult to comprehend for the average reader, the Social Statement makes the administration's objectives and priorities, the achieved and programmed interventions, and the results attained more transparent and comprehensible, therefore contributing to improve:

- the **accounting dimension**, as it can complete and renew the accounting reporting system with the use of the economic- financial resources already adopted by the different regulation protocols in force;
- The **communicative dimension**, by placing itself, for its content, at the centre of the relations with the stakeholders;
- the **political responsibility dimension**, as it is part of the system of representation, through increased transparency and visibility of political choices and through the possibility of evaluation of governance skills.



- The **functioning dimension**, as it makes administrations more responsible with regards to the sustainability of public expenses, also with reference to the new limitations set by the European stability pact and the recovery actions for public deficit;
- the **strategic-organisational dimension**, as an effective instrument to re-direct, from the citizens' point of view, the planning, scheduling and control processes, and to re-think the body's organisational structure;
- the **professional dimension**, as it directs the organisation's work towards the awareness and improvement of the achieved results for the final recipient by enhancing and developing competences and professionalism, providing new motivational and accountability opportunities for operators.

3.2. Other CSR operational instruments in P.A.

At the end of the 1980s, the need to address society towards new developmental paths to meet the need of safeguarding the environment and social instances, arose.

Thus, in the 1987 "Our Common Future" report, drawn up by the World Commission on Environment and Development, the "**sustainable development**"⁶ concept was introduced, analysed in depth during the 1992 Rio Summit, when the operational instrument "Agenda 21" was implemented.

"Sustainable" has become the key word also in European Union policies. The EU, by means of the Treaty of Maastricht, has imposed Member States to take the environment into account in a significant way in all the various national measures.

In the Italian legislative landscape the concept of sustainable development, with particular reference to the Public Administration's role, was introduced in art.3 of the Legislative Decree no. 4 of 16/01/2008, in the section "Further corrective measures and amendments to Legislative Decree no. no.152 of April 3, 2006, on environmental regulations":

"Also, the Public Administration's activity must be aimed at allowing the best possible implementation of the sustainable development principle, therefore when making a comparative choice, characterised by discretion, between public and private interests, those interests safeguarding the environment and cultural heritage shall be of primary concern."

To put this sustainable development concept into effect, many instruments were introduced, such as:

- The Local Agenda 21;
- Green Purchases (GPP);
- EMAS and ISO 14001, and EFQM for CSR⁷.

⁶ This concept will be analysed in depth in Section 5 of this course.

⁷ Certification and Management Systems will be addressed in handout no. 1 of this course.



4. The Local Agenda 21 (LA21)

The Local Agenda 21 (LA21) is named after the Agenda 21 and recalls its principles as Global Action Programme on Education for sustainable development in the 21st Century, approved at the 1992 Conference on Environment and Development and recognises local communities their decisive role in the implementation of sustainable development policies. Chapter 28 of the Global Action Programme on Education for sustainable development, states that:

participation and cooperation of local authorities will constitute a crucial factor in the achievement of sustainability. Local Authorities plan, develop and manage environmental, economic and social infrastructures, control the planning processes, set policies and regulations at a local level and contribute to the implementation of the regional and national environmental policies. As they represent the closest connection to the citizen, they play a vital role in the education, activation and information processes to the public for promoting of sustainable development.

Local Authorities are therefore requested to develop their own LA21, that includes all the main Agenda 21 general objectives, as follows:

- the necessity to replace the current unsustainable patterns of life, production and consumption;
- the necessity to include environmental, economic and social issues in the decision-making process and in the current legislative, regulatory and planning framework, and also in the market and in the national accounting systems;
- the seriousness of environmental conditions in large cities, especially in metropolitan cities in developing Countries;
- the deterioration of resources such as air, soil, water;
- the waste issue;
- education, training and promotion of environmental awareness;
- the engagement of all local subjects in the sustainable development process.

In chapter 28 of the Global Action Programme on Education for sustainable development, it is also stated that:

every local Authority shall communicate with its citizens, organisations and enterprises in order to draw up a Local Agenda 21. The consultation and the gradual process of consensus building may allow Local Authorities to learn many new things and acquire the information necessary to develop new strategies. The consultation process will therefore be a way to increase awareness on relevant topics on sustainable development.

In accordance with the abovementioned statement, the main objective of A21 is therefore to implement an Action Plan to determine positive effects on global environmental conditions, actively engaging all social parties (stakeholders), using innovative information, communication, participation and actions means, addressed to achieve a “real social partnership”. In general, the creation process of a LA21 is divided into some fundamental steps, such as:

- the formal commitment of the Administration to the constitution of the LA21;
- survey on the reference territorial context;
- the activation of the engagement modalities of the local community;



- the formulation of the Action Plan that represents the complete picture of all the objectives and actions identified for the various thematic areas, and that is adopted following the Forum approval, i.e. the assembly of representatives of the local community's sectors;
- the implementation of the Action Plan;
- the monitoring of the results achieved and any necessary amendment to the Plan.



5. The Green Public Procurement (GPP)

The Green Public Procurement (GPP)⁸ aims at integrating environmental aspects in the Public Administrations' purchasing processes, and at addressing choices on goods, services and works that have the lowest impacts on environment, and that in particular:

- reduce impacts on the environment;
- safeguard competitiveness;
- encourage innovation;
- rationalise public expenditure;
- integrate environmental aspects in the Authority's other policies;
- improve the image of public authority;
- spread sustainable models of consumption and purchasing;
- increase public consumers' competences;
- improve enterprises' competitiveness;
- improve efficiency and saving of natural resources, first and foremost of energy;
- reduce waste production;
- reduce the use of dangerous substances.

This will allow, by addressing public demands toward goods and services, to achieve specific environmental strategic objectives and to start a leverage mechanism intended to modify production and consumption models, and to encourage investments in the environmental innovation sector, thus favouring the sustainable development model.

GPP is qualified as the main instrument of the European strategy on "Sustainable Consumption and Production" (COM/ 2008/397 "Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan").

Italy acknowledged the regulatory provisions contained in the European directive concerning GPP by issuing the Ministerial Decree no. 203/2003 (all Public authorities must mandatorily obtain supplies and goods produced with post-consumption recycled material, registered in the Recyclable Materials List, covering at least 30% of their yearly requirements) and the Legislative Decree no. 163 of April 12, 2006 (Code of public contracts relating to jobs, services and supplies).

Moreover, Law no. 296/2006 also states that the Action Plan must schedule the adoption of measures aiming at integrating the need of environmental sustainability in public purchasing procedures and indicates the objectives of environmental sustainability that have to be achieved in specific categories of products which are subject to public purchasing procedures.

The Interministerial Decree no. 135/2008 was issued in order to approve the National Action Plan (NAP) regarding environmental sustainability of consumption in the Public Administration sector. The Plan instrument makes it is possible to maximize the GPP diffusion (increasing the volume of "green purchases"

⁸ "Approach through which Public administrations integrate environmental criteria in all the phases of the purchasing process, encouraging the development of environmental technologies and the development of environmentally valid products, by looking for and choosing those options and solutions which have the lowest impact on environment during all their life span."



and generate a virtuous circle) in order to orient production and consumption models towards the path of sustainability also in the private sector.

The NAP therefore also provides for issuing specific decrees by the Ministry of the Environment and Protection of Land and Sea, aimed at individuating a set of “Minimum Environmental Criteria”⁹ for each of the following product categories:

1. energy services;
2. electrical and electronic household and office equipment and relevant consumables;
3. office paper;
4. food;
5. construction materials;
6. service contracts for office preservation- cleaning, maintenance;
7. public transportation and means of transport;
8. equipment.

The Action Plan was updated with Ministerial Decree of April 10, 2013.

Eventually, with the issue of the new Procurement Code (Law Decree no 50/2016) and with the amendments made at a later stage with the issue of the Corrective to the Procurement Code (Law Decree no 56/2017), GPP is not a voluntary instrument anymore, but has now become mandatory. Indeed, art. no. 34 introduced the mandatory application, for the whole amount of the tender, of the “technical specifications” and of the “contractual terms”, contained in the Minimum Environmental Criteria (MEC), “for the concession of any amount”. As far as tenders for building renovation projects are concerned, in those cases and conditions provided for in a decree issued by the Ministry of Environment, MECs have to be applied “as far as possible”. The same article provides that MECs are to be taken into consideration also for the definition of the *award criteria* as mentioned in art. no. 95 of the Code.

The new wording of art. no. 213 of the Procurement Code provides for the monitoring and application of the Minimum Environmental Criteria by ANAC¹⁰.

⁹ The legislative framework regarding the integration of environmental criteria in the purchasing process was clarified by directive 2004/07/CE and directive 2004/18/CE; these recognize the importance of the social and environmental safeguard factors by placing the valorisation of said criteria before the principle of economy.

¹⁰ Law decree no. 90/2014, transformed into Law no. 114/2014 redesigned the ANAC institutional Mission by eliminating the AVCP and transferring the monitoring of public contracts to the National Anti-Corruption Authority.

This can be identified in the prevention of corruption in the public administration sector, in controlled and subsidiary companies also through the implementation of the principle of transparency in all management aspects, as well as through the monitoring of public contracts, assignments, and any public administration sector that can potentially develop corruption, avoiding at the same time any worsening of the processes with negative consequences on citizens and enterprises, addressing the public employees’ activities and behaviours with consultative and regulatory interventions.



6. Smart Cities

Smart cities are intelligent cities, which use the internet, big data¹¹ and analytics¹² to an innovative governance. Such instruments enable to process data and decide which actions to implement to achieve traffic and pollution reduction, energy savings, greater efficiency in the management of services to citizens. For this reason, smart cities already exist also in Italy; for example we can refer to informative displays at bus stops indicating the waiting time before the next bus or tram arrives, or to systems controlling access to LTZ areas.

In smart cities the flow of information can contribute to the reduction of costs, for example in the waste collection system. For instance, specific sensors placed in the bins can warn the enterprise on when it is time to collect the waste or on the differentiation of the citizens' consumptions. There can be an increase also in energy savings and water consumption by installing movement sensors that activate the supply of energy and water only if there is someone in the relevant area.

Sensors can be useful also when safety is concerned, by signalling to the authority the presence of car accidents and possible suspect behaviours, though in compliance with privacy requirements. This kind of technology can also help disadvantaged individuals, by signalling assistance services the conditions of elderly and disabled people.



¹¹ Big Data are a large amount of data created and stored at a global level.

¹² Analytics is data analysis usually carried out through energy statistics.



In order to transform any city into a smart city, 10 steps are to be followed:

1. intelligent parking spaces; parking spaces out of the city and perfectly connected with public means of transport. This could lead to a lower level of traffic in the city, lower levels of pollution and lower prices for services.
2. Biogas from waste: transform waste into a clean-energy source, reducing CO2 emissions;
3. Intelligent buildings: build certified structures according to energy efficiency standards, which would allow to decrease water consumption by 40-70%, emissions by 70%, and waste by 90%;
4. Green areas: create green areas by integrating them in the surrounding environment to avoid wastes;
5. Renewable energy: eliminate dependency from fossil fuels and prefer renewable resources;
6. Digital Communication: communication of data on traffic and accidents, planning alternative routes and identifying parking areas;
7. IT Systems to improve energy efficiency: track consumptions to decrease wastes;
8. Car sharing: sharing a car is a choice which allows to have both economic and environmental advantages;
9. Online parking: booking your parking spot before even leaving could lead to the reduction of traffic jam and of pollution;
10. Joint commitment: in order to guarantee the construction and consequent presence of smart cities, an initial sacrifice and renounce shall be made by all citizens.

Our future will witness an increasing development of “Smart Cities”.