

**Standing Advisory Committee
on Environment & Heritage**

Inquiry into Sustainable Cities

**A Response from the
Committee for Melbourne**

June 4, 2004

Contact: **David Teller**
Deputy Director
Committee for Melbourne
Milton House,
Level 2, 25 Flinders Lane
Melbourne, VIC 3000

Ph: 03 9650 88 00
Fax: 03 9650 60 66
Email: dteller@melbourne.org.au
Web: www.melbourne.org.au

The Melbourne Model: *Mitigating the Negative Effects of Urbanization*

The impact of urbanization represents a great challenge to mankind. Migration to cities and the concentration of large numbers of people within urban centers are global threats of an immediate humanitarian, ecological and economic nature. Failure to act on these issues will directly impact the quality of life of over 50 per cent of the world's population by 2007. Australia, with over 80 per cent of its population now living in urban centers, increasingly faces urbanization-related issues including: pollution, water scarcity, rising accommodation costs, the formation of poverty ghettos, social exclusion, physical insecurity, transportation woes and inactivity-related health problems.

Unlike many countries where the scale of urban problems are seemingly too large and the resources available to redress them too limited, Australia has the resources, infrastructure, skills and willingness to cease and reverse the negative impacts of urbanisation. In other words, the gap between where we are and we would like to be is, in relative terms, quite small.

However, the obstacles to bridging this gap are many and, in many cases, heavily institutionalised within public, private and not-for-profit silos and limited partnerships. This approach is not only inefficient and unsustainable, but illogical to the extent that it underutilises the extraordinary range of human, structural and financial resources available in our society. Indeed, it may be argued that in their current form, our existing political, social and economic structures struggle to deal effectively with the scale and nature of emerging urbanisation-related issues.

The purpose of this submission is to introduce an Australian-developed model, recently endorsed by the United Nations, which seeks to facilitate constructive relationships between private and public sectors in order to develop innovative solutions to otherwise intractable urban problems. Developed by the Committee for Melbourne in 2003, the Melbourne Model ('the Model') is based on the premise that inventive solutions to complex urban problems can, in some cases, only be developed through the mutually-beneficial direct input and involvement of all sectors. The Model proposes to achieve this outcome by:

1. Empowering and involving non-traditional stakeholders based not on status or standing but on their ability and willingness to contribute to a collective and constructive process;
2. The targeting of collectively-agreed, narrowly-defined and realistic targets;
3. The provision of 'neutral', 'agenda-free' and non-political arenas for problem-solving; and
4. The constructive and expert involvement of the private sector, based on corporate self-interest.

Recognized by the United Nations Global Compact Office in 2003, the Model is currently being rolled-out internationally in Brazil, USA, Jordan, UK, Kenya and India. It is proposed that the Melbourne Model can, in the future, constitute an important tool for tackling intractable urban issues in Australia.

The Melbourne Model

Introduction:

By 2010 over 50% of the world population will be living in cities. Urbanisation and the effects of urbanism present a growing challenge to governments, institutions and communities. Complex economic, social, environmental and cultural issues face virtually every city and are often becoming more intractable as urban populations increase. The availability of affordable food, potable water, housing, education and health services, environmental degradation, unemployment, rising crime rates and the erosion of cultural and social identity are a sample of the issues typifying the failure of existing frameworks to deal effectively with the process of population migration to and concentration within cities. *It is proposed, however, that beyond their negative impact, cities are also an underutilised resource for the creation of solutions to the very problems they have created.* As highly networked focal-points of economic wealth, skilled labour, learning, government and infrastructure, urban centres are prolific incubators of new ideas, technologies and skills. If effectively captured and coordinated, these outputs have the potential to provide solutions to otherwise intractable problems. However, due to the silo-mentality and poor communication that often characterises relationships within and between organisations, such opportunities are often lost. The Melbourne Model, at the centre of the Global Compact Cities Program, is a new mechanism designed to identify, focus and facilitate the constructive capacity present in any given city – regardless of its economic, social or cultural structure. The Model puts the nine principles of the Global Compact into practice by providing a framework within which business, government and civil society, in a city, combine their inherent resources, ideas, knowledge and experience in order to develop effective solutions to pressing local problems. Once validated, these solutions are made available to other cities facing similar issues by way of a Global Compact Cities Learning Forum.

Global Compact - Background

In 1999, at the World Economic Forum in Davos, UN Secretary-General Kofi Annan highlighted the critical role that business can and must play to ensure that globalisation develops as a force for positive change rather than as a catalyst for backlash and protectionism. Corporations were receptive to the warning and encouraged the Secretary General to create a formal program designed to include business in the traditional government/civil society nexus. As a result, the United Nations Global Compact, based on shared values and principles in the areas of human rights, labour standards and environmental practices, was officially launched at the UN Headquarters in New York on 26 July 2000¹. Since its inception, participation in the Global Compact has grown rapidly with several hundred companies, labour groups, academic institutions and civil organisations from around the world engaging the program.

¹ United Nations Global Compact, *Guide to the Global Compact: A Practical Understanding of the Vision and Nine Principles*, <<http://www.unglobalcompact.org/Portal/>>

Global Compact Cities Program

In early 2001 the Committee for Melbourne² developed the value proposition that cities, as well as companies, should be allowed and encouraged to engage the Global Compact. The Committee for Melbourne argued that for a city to engage would make a clear statement of its civic, cultural and corporate character, as well as motivating positive change and participation in international dialogue focusing on issues surrounding the Nine Principles of the Global Compact. The Global Compact office generously accepted the proposal and the City of Melbourne subsequently became the first city in the world to engage the Global Compact in June 2001³. Following this process, Melbourne recognised that an opportunity existed to develop a new framework specifically designed to add value to cities engaging the Global Compact. The resulting Melbourne Model, launched in April 2003, proposes a simple framework that *catalyses and combines the resources of government, business and civil society in order to find concrete solutions to seemingly intractable urban social, economic and environmental problems*. Following the launch of the Model, four Australian-based socioeconomic and environmental projects were instigated using the Melbourne Model methodology. In late 2003, the Committee for Melbourne, as coordinator of these projects, was invited by the Global Compact Office to lead an international pilot program with the objective of determining the effectiveness of the Model in a variety of socioeconomic environments. In December 2003, Porto Alegre (Brazil) became the first city to formally agree to participate in the Global Compact Cities Pilot Program. It is planned that in 2004, Bangalore, Tianjin, San Francisco and Nairobi will join Porto Alegre and Melbourne to complete the network of cities comprising the Global Compact Pilot Program.

The Case for a Global Compact Cities Program

The world today faces an unprecedented rate of urbanisation. In 2000, the world's urban population accounted for 47% of humanity or 2.9 billion people⁴. By 2030, this number is expected to grow to 60 percent representing 5 billion people⁵. Urbanisation is exacerbating existing as well as creating new urban environmental, economic and social problems. Including poverty, personal safety, illiteracy, drugs and land, air and water pollution, urban issues impact far beyond the geographical limits of the city itself and, in many cases, become more intractable the longer they are left partially or entirely unaddressed.

Cities are also inherently dynamic and creative. As a focus of infrastructure, technology, political power, labour and capital, they play a vital and strategic role in the development of the community's social, economic, environmental and cultural life. *They are a crucible for*

² Committee for Melbourne is a private, non-profit network of business, academic and civic leaders based in Melbourne, Australia (www.melbourne.org.au)

³ The cities of Bath and San Francisco engaged the Global Compact in 2003

⁴ United Nations (U.N.) Population Division, *World Urbanization Prospects: the 2001 Revision*, (U.N., New York, 2002) p.1

⁵ *ibid.*

the creation of negative societal phenomena whilst containing the ingredients with which to tackle the very issues they have created. The proposed Cities Program therefore aims to harness the implicit experience, knowledge and intellectual capital present in cities in order to develop solutions to overcome the challenges of urbanisation. This process will be facilitated by the shared characteristics of cities that enable the efficient identification, qualification, quantification and development of projects and solutions around complex problems:

1. Based on shared language, experience, geography, culture and economies, cities have their own pre-developed and complex 'neural-networks'. Rather than attempting to create new national or international networks around given issues, significant time, effort and resources can be saved by tapping into these pre-existing local networks to develop innovative solutions to urban issues.
2. Many complex issues are already being addressed by government, business and civil society either independently or in loose coalitions. An opportunity therefore exists, using the Melbourne Model, to more effectively facilitate and catalyse existing work for a given desired outcome.
3. Urban issues in similar cities can have common root-causes, impacts and ramifications. Therefore, there exists an opportunity for solutions developed in one city to either be directly applied in or adapted to other cities facing the same or similar issues.
4. Hypothesis testing around an identified problem and proposed solution can be rapidly and effectively carried out in a discreet geographic urban area. Results can be compiled and the proposed solution altered as required until the optimal solution is developed.
5. The direct impacts of problems and their proposed solutions on government, business and civil society can be readily qualified and quantified in a limited area.

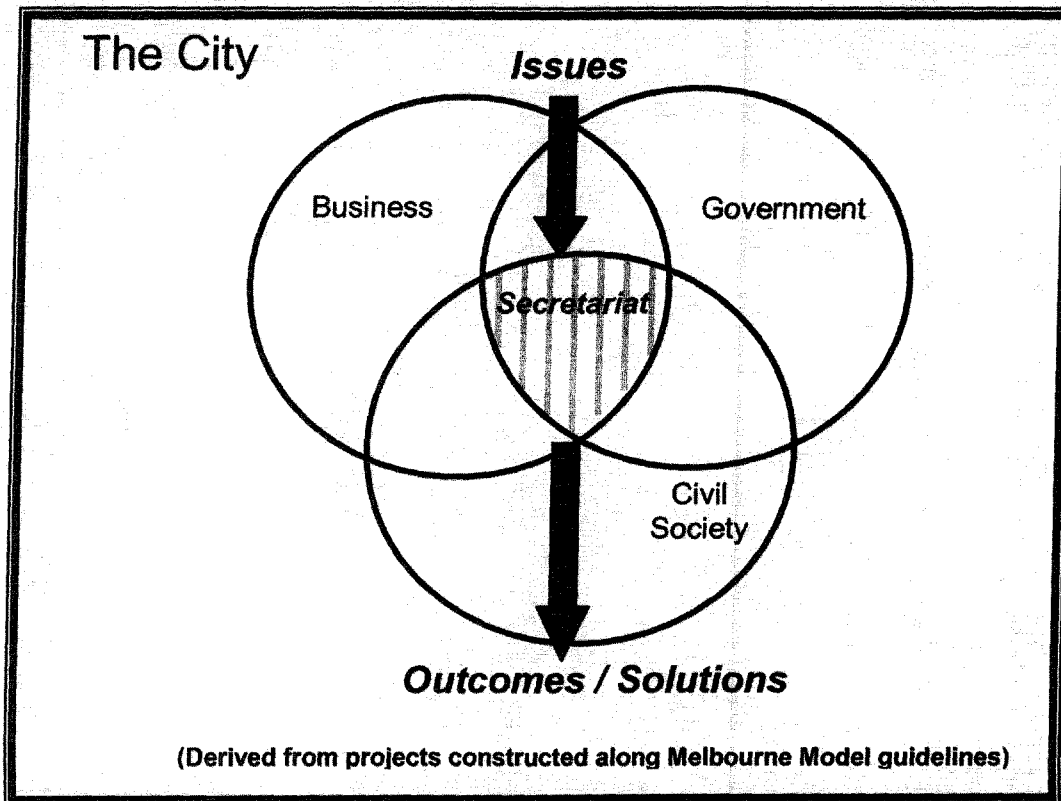
What is the added value of the Global Compact Cities Program to cities?

A great variety of urban-based public and private programs already exist to address issues of importance to the community. However, these programs often maintain a narrow focus and are often characterised by limited resources, differing agendas and the imperfect exchange of information between the various sectors involved. The Global Compact Cities Program proposes a novel approach whereby traditional inter-sector silos are broken down and scarce public and private resources harnessed and focused in order to bring business, local government and civil society together to develop action-oriented projects with concrete outcomes of clear benefit to the city. The program also provides a rallying process with which to bring together disparate groups, projects, ideas, experience and information. It constitutes a clear message from city leaders to their populations regarding their vision for a sustainable future. In addition, as the program is based on the nine principles of the Global Compact, it illustrates a collective willingness to adhere to a set of fundamental values and principles *over and beyond those stated and adhered to at a local and national level – the concept of global citizenship at its most constructive.*

What is the Melbourne Model?

The Melbourne Model (figure 2), is the central component of the Global Compact Cities Program - an urban-specific subset of the business-oriented Global Compact. It is designed to develop concrete solutions to intractable urban problems by facilitating and coordinating the ideas, knowledge, experience and resources inherent in business, government and civil society. The Model overcomes traditional organisational insularity by providing a neutral ground upon which those most capable and willing to develop new ideas and solutions, regardless of their sector of activity, organisational agendas, and seniority can work together to develop, prove and communicate concrete and viable solutions (figure 1). The Melbourne Model is purposely rigid in its approach. It is entirely outcome focused. It is not designed as a forum for debate, but as a process to develop, test and implement outcomes. Maintaining constant involvement from public, private and non-governmental stakeholders ensures that the process is self-vetting and does not open itself to accusations of bias or lack of transparency. Multi-sector involvement further ensures that scarce project resources are used effectively and that stakeholders are engaged and working effectively together.

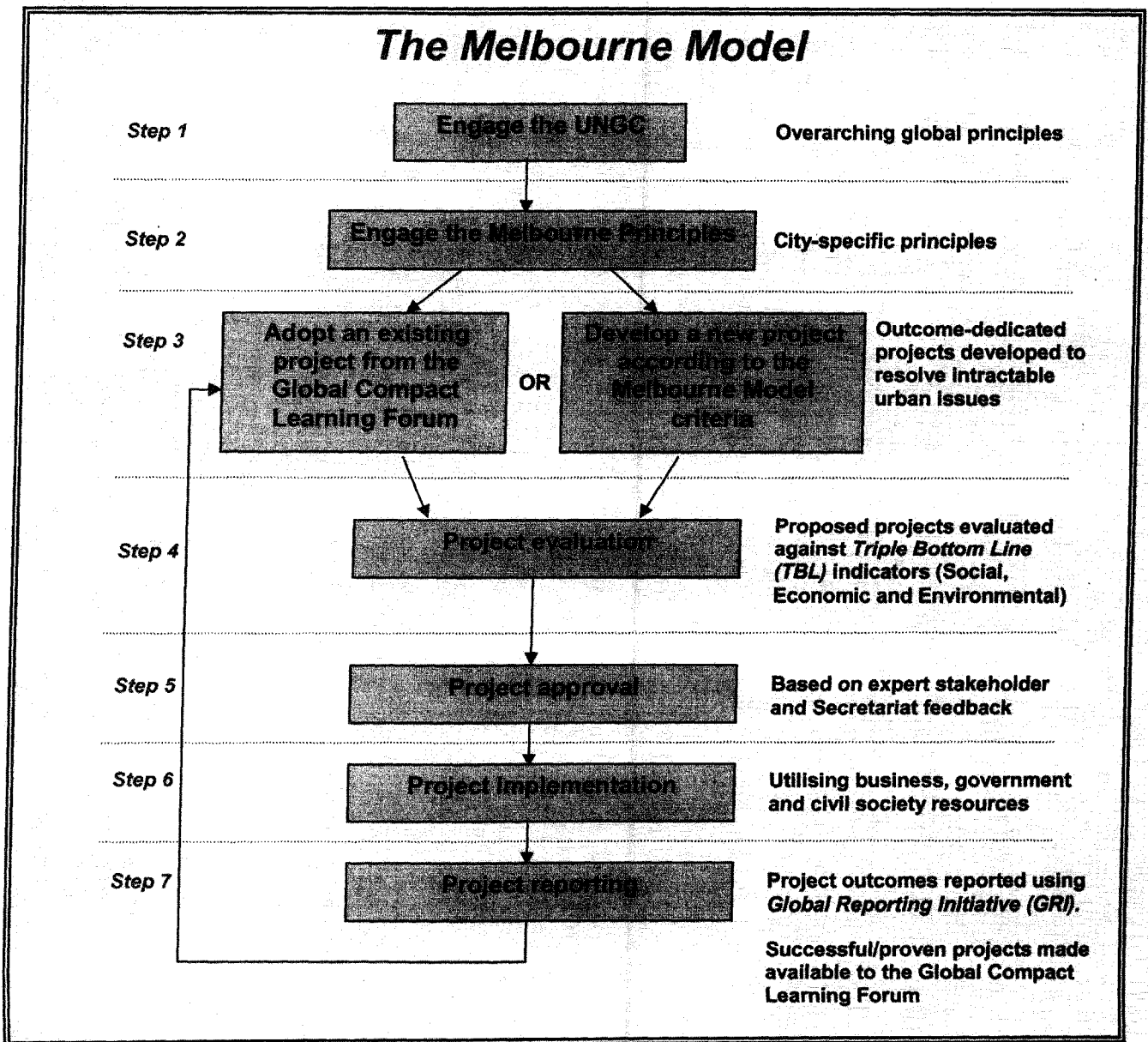
Figure 1 Outcomes through partnerships



1) Process: from ideas to outcomes

The Melbourne Model (fig. 2) seeks to ensure concrete outcomes by ensuring stakeholder engagement by way of sustained involvement in objective-oriented projects. The Model is comprised of seven steps ensuring engagement, evaluation, concept-testing and reporting.

Figure 2



The Seven Steps of the Melbourne Model

Step 1: Global Compact principles

The Global Compact Principles are the overarching, universal principles under which all Business and Cities Program activities take place. Cities and City Program stakeholders will be asked to engage the Global Compact if they are to take part in any City Program Project. The engagement process for government and civil society organisations is the same as for businesses engaging the Global Compact: a letter is simply addressed to Secretary General Koffi Annan stating the city or organisation's support for the nine Global Compact principles. The letter is signed by the CEO or senior officer of the city.

Step 2: Melbourne principles

Developed to assist cities that wish to achieve sustainable development objectives, the *Melbourne Principles for Sustainable Cities* lists ten urban-related social, economic, environmental and cultural value propositions (see Box 1)⁶. It is proposed that the Melbourne Principles be positioned as a city-specific sub-set to the overarching principles embodied in the Global Compact itself. Companies, organisations and governments will be expected to engage both the Global Compact and Melbourne Principles if they wish to be involved in City Program Projects. In addition, all proposed Cities Program projects will be measured against these values to ensure they fit within the desired outcome parameters.

1. Provide a long-term vision for cities based on sustainability, intergenerational, social, economic, and political equity, and individuality.
2. Provide a long-term vision
3. Achieve long-term economic and social equity.
4. Recognise the intrinsic value of biodiversity and natural ecosystems and their protection and restoration.
5. Enable communities to minimise their ecological footprint.
6. Build on the characteristics of ecosystems in the development and nurturing of healthy and sustainable cities.
7. Recognise and build on the distinctive characteristics of cities including their human and cultural values, history and natural systems.
8. Empower people and foster participation.
9. Expand and enable cooperative networks to work towards a common sustainable future.
10. Promote sustainable production and consumption, through appropriate use of environmentally sound technologies and effective demand management.
11. Enable continual improvement, based on accountability, transparency and good governance.

Box 1 Melbourne Principles

Source: www.melbourne.vic.gov.au

⁶ French, Spanish, Russian, Chinese and Arabic versions can be downloaded at www.melbourne.vic.gov.au. A full English version of the *Melbourne Principles for Sustainable Cities* is available at www.melbourne.vic.gov.au/upload/melbourneprinciplesenglish.pdf

The *Melbourne Principles for Sustainable Cities* are the product of the UNEP International Workshop on 'Building Urban Ecosystems' held in Melbourne. The Principles were launched by the Lord Mayor of Melbourne at the 2002 UN World Summit on Sustainable Development in Johannesburg, and were subsequently incorporated into Local Action 21- the international sustainable development implementation framework for Local government.

Step 3: projects

The Project component is the central platform of the Global Compact Cities Program. By combining resources from business, government and civil society, projects can be developed and solutions subsequently found to intractable social, economic and environmental issues.

The project opportunity

- Using minimal resources to cooperatively resolve long-standing and intractable economic, social and environmental issues.

Choosing a project

Option i: adopt an existing and proven project from the Global Compact International Learning Forum

It is proposed that successful city projects be placed within a Global Compact International Learning Forum database specifically set up for cities. This database will be run by and located at GC headquarters in New York. Participating cities will have the option of choosing projects from the database to apply in their own cities. Using the GC principles and the refined city-based principles (i.e. The Melbourne Principles), the adopted project will be tailored to suit the specific needs of the city.

Option ii: develop a new project according to Melbourne Model Project Criteria

Cities will also have the option of developing new projects that target previously unaddressed (or unsuccessfully addressed) issues, or of promoting a new approach to sustainable development. New projects must conform to the New Project Criteria.

New Project Criteria

- Must be based around an issue which impacts directly on *all* of the following: business, government and civil society
- Where the problem can *only* be resolved efficiently and effectively by the involvement and implication of *all* three sectors
- Where the nature, scope and outcome of projects can be qualified or quantified, i.e. where the objectives of the project are SMART (sustainable, measurable, achievable, realistic and timely)

- Where the project is unique
- Where conclusions/lessons/outcomes can be directly applied to and of immediate benefit to: a) the city of origin and b) other cities facing similar issues

Note:

Participants will be chosen for their specific relevance and expertise to a given project. Participants will be expected to engage the Global Compact prior to or during the project.

Testing the project mechanism in Australia

In 2003 three major socioeconomic and environmental projects are being developed utilizing the Melbourne Model mechanism. The projects are the Debt Spiral Prevention Project (socioeconomic), the Zero Net Emissions by 2020 Project (environmental/economic), and the WaterMark Project (environmental/economic).

Debt Spiral Prevention Project

Commenced in May 2003, the Debt Spiral Prevention Project was the first project to utilise the Melbourne Model methodology. Its success is measured in the continued participation of 25 companies, NGO's and government departments, working together (many for the first time), in order to develop innovative solutions to an intractable socioeconomic problem. The project illustrates the potential of the Model to have a significant impact on government policy, corporate behaviour and community involvement.

In Melbourne every month approximately 15% of customers are unable or unwilling to pay their utility bills. Of those that are unable to pay their bills a great number represent the most fragile and vulnerable members of our society. These include pensioners, youth at risk and the short, and long-term unemployed. The inability of these individuals to pay utility bills often starts or exacerbates the debt-cycle, leading, potentially, to the poverty trap. Besides the obvious negative impact on the individuals and families concerned, the poverty trap also impacts directly on business, government and civil society.

1. The bottom line of business is negatively impacted due to costs incurred in write-offs, legal pursuit, servicing and counselling of affected individuals
2. Government expends resources on related departments, projects and funding
3. Multiple NGO's work in assisting those people who have fallen into the poverty trap.

The desired outcome of this project is therefore to remove non-payment of utility bills as a significant contributing factor to individuals falling first into the debt cycle and subsequently into the poverty trap. It is planned that this outcome will be achieved by catalysing the resources and expertise of utility companies, government and NGO's in

order to develop sustainable solutions with local, national and international applicability.

Zero Net Emissions by 2020

The APEC (Asia-Pacific Economic Co-operation)-endorsed City of Melbourne *Zero Net Emissions by 2020* strategy seeks to unite government, commercial and residential interests to shift mainstream business investment in buildings, plant and power generation to superior energy-efficient design over the next two decades. This will be achieved by:

- Using market mechanisms and regulation
- Aligning with Local, State and Federal government programs and policies
- Tapping the growing interest and support for green products and work practices

UNGC signatories can contribute to the achievement of this target by participating in the proposed municipal carbon trading market; investing in the triple bottom line sequestration project; and by joining City-led buying consortia for renewable energy.

WaterMark Campaign

Through the WaterMark project the City of Melbourne aims to:

- Drive improvements in the efficiency of water consumption
- Seek alternative water supplies to replace potable water consumption where potable water is not required (eg: irrigation)
- Maximise opportunities for water recycling

The Campaign will involve residential, industrial and commercial sectors of the municipality as well as City Council's own operations. Each sector will be assigned a reduction target relevant to the sector's water usage profile and its potential for efficiency gains. Global Compact signatories can contribute to the achievement of the efficiency targets through participating in a City-led water efficiency program.

Step 4: project evaluation

Once the nature and objectives of the project have been clearly identified, the process and implications of the project must be evaluated. It is proposed that the *Triple Bottom Line (TBL)* toolkit be adopted as the official vetting mechanism for Global Compact Cities Program Projects. The *TBL* "is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters"⁷. The evaluation process will take into account Environmental, Social and Economic Performance Indicators.

⁷ Read more about the TBL at www.sustainability.com/philosophy/triple-bottom/tbl-intro.asp

Step 5: project approval

Based on the TBL evaluation report, the project is either approved by the stakeholders and secretariat to be implemented or asked to be reworked and submitted for another evaluation. This process continues until the evaluation panel is satisfied with the project.

Step 6: project implementation

Work will commence once the project is approved by stakeholders. Every attempt will be made to put in place timelines, responsibilities and clear project milestones.

Step 7: project reporting

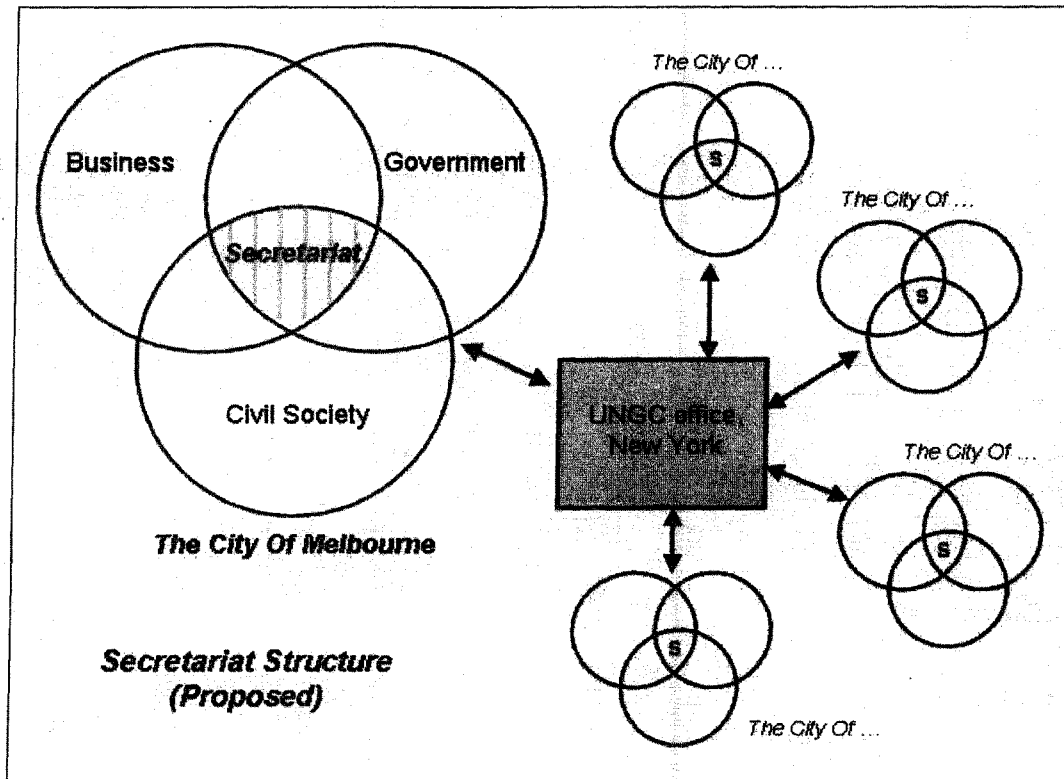
A project will be developed and refined within the city of origin. *Only successful and completed projects will be placed on the Global Compact Cities Program database.* It is proposed that, using the *Global Reporting Initiative*⁸ (GRI) guidelines, a complete report be made upon completion of the project. In addition to being a partner organisation to the Global Compact, GRI is a common reporting framework that defines the guidelines for sustainable reporting.

Secretariat

The Global Compact secretariat is the 'multi-function neural-hub' that plays a critical and central role in, first, facilitating the engagement process of organisations, companies and cities and, second, translating Global Compact and Melbourne Principles into action. It is proposed that the secretariat play a coordinating and communication role for all activities within the city, and an official linking role with Global Compact headquarters in New York (fig. 3).

⁸ Read more about the GRI at www.globalreporting.org

Figure 3 Proposed secretariat structure



City Secretariat role:

- Encouraging business/government, civil society and companies to engage the GC
- Disseminating information to all stakeholders
- Providing forums for debate around the Policy Dialogues and Learning forums
- Centralising all local GC-related activities
- Disseminating condensed information to external stake-holders
- Vetting project ideas
- Forming project groups
- Providing a forum to match GC-related projects with resources to implement them
- Facilitating the report-back mechanism to New York by way of the compilation and communication of project reports

Note: It is important that an apolitical, independent organisation with strong networks within business, government and civil society be chosen in each city to hold this role.

Global Compact New York headquarters role

- Serve as the central co-ordination point between regional Cities Program centres
- Maintain the Global Compact Learning Forum as a central repository of proven City projects
- Ensure communication of all new Global Compact Cities Program policies and practices
- Develop the Cities Program as an important and effective component of the United Nations Global Compact Program

Conclusion

In support of the Nine Principles, the Global Compact Cities Program presents an opportunity to develop and share concrete and sustainable solutions to intractable economic, social and environmental urban problems. The Melbourne Model, core methodology of the Cities Program, facilitates this outcome by providing a neutral ground where business, government and civil-society can openly communicate the ideas, knowledge and experience present in their discreet sectors. Detailed solutions are generated by participants and tested for effectiveness. If validated, solutions are implemented in the city of origin and made available to other cities around the world facing similar issues.