



# CLM - a benefit-based instrument

The CLM environmental management system is a benefit-based instrument (BBI). It has four key features:

- it addresses the causes of market failure
- it is based on sound conceptual and operational foundations
- it provides multiple benefits to multiple beneficiaries
- it is an attractive co-investment opportunity.

CLM is a whole-of-farm, landscape-linked and externally audited environmental management system that complies with internationally recognised management standards. For more detail download this CLM factsheet [http://www.almg.org.au/resources/clm\\_facts](http://www.almg.org.au/resources/clm_facts).

## Addressing the causes of market failure

CLM addresses the causes of market failure by:

- embedding environmental considerations into business planning and practice
- enabling recognition and reward for improved performance.

The potency of market forces to change behaviour is widely acknowledged, as is the legitimate role for governments to mould markets to improve environmental outcomes. This is primarily because the full costs and benefits of improved NRM are not built into existing markets, in part because of the full or part public good nature of environmental outcomes and because of externalities, uncertainties and various other institutional factors.

It is surprising then that we have not seriously invested in tools such as CLM to systematically address the causes of market failure.

Our primary NRM policy instruments are regulation, setting aside reserves, project funding and providing information. At best, regulatory measures prevent the worst outcomes. Reserves have important roles but are expensive to maintain and are of limited coverage. Project-based funding is invariably short term, fragmenting, not available to most landholders and incurs

very high transaction costs. And there is a wealth of evidence indicating that information alone is not highly effective in changing behaviour.

NRM agencies have explored what are generally categorised as market-based instruments (MBIs), generally at considerable cost. The 'market' connotation it is, however, somewhat of a misnomer for invariably these instruments have simply been a way for a single purchaser, usually the designer of the system, to allocate public funds by way of a tender process. As such MBIs are only marginally different to the more traditional allocation of public funds through a project submission process.

Invariably the application of these MBIs is limited either by way of having a single narrowly defined objective, by having a severely restricted geographic application, by being transient and/or by having little or no beneficial flow-on benefits for co-investing landholders. These difficulties are illustrated through the most dominant of the MBIs, the National Environmental Stewardship program, with publically available data confirming very high environmental purchase and transaction costs.

## Sound design and operational foundations

The design of CLM is based on concepts drawn from several disciplines:

**From behavioural science.** CLM provides recognition and hence strengthened motivation to achieve continuous improvement. CLM avoids the constraints on creativity and innovation that flow from the prescription embedded in, for instance, best management practice based systems. CLM recognises the interplay between extrinsic and intrinsic motivations for improving environmental and animal welfare outcomes and that excessive focus on benefits through commodification (pricing) can negatively affect important non-priced values and aspirations.

**From ecology.** CLM avoids the fragmentation and the perverse effects inherent in approaches that deal separately with water and vegetation, soils and fauna

and biodiversity and greenhouse gas emissions. It does this by taking an agricultural ecological approach, by focusing on the impacts of management rather than on the resources themselves and by operating across space (whole-of-property/catchment-landscape linked) and time (continuous improvement).

**From agri-business.** CLM works on a whole-of-farm basis reflecting that most Australian farmers producing the majority of agricultural produce operate multiple industries; as do most downstream operators along product chains. CLM complies with internationally recognised standards reflecting the need for recognition in both domestic and international markets.

**From public policy.** CLM addresses the causes rather than the symptoms of less-than-desirable environmental and animal welfare management. It does this first by providing credible verification of performance, essential for the operation of market and other forces for improved performance, and second by focusing on the impacts of management rather than on the state of the resources themselves. Additionally, through enhancing markets and strengthening regulatory compliance and information flows, CLM recognises the importance of having a portfolio of policy instruments operating in complementary ways towards a common goal.

Having a sound system is not just about concepts; it is also about operational ease and efficiency.

Landholders who adopt CLM use a specially designed web-based software program to develop their CLM plans and review their implementation. They are assisted by accredited trainers, through working together with other landholders and specialist advisers and through use of environmental, biodiversity and soil and plant testing manuals.

### **Benefit-based instrument with multiple benefits to multiple beneficiaries**

The thing that most distinguishes CLM from other NRM tools or instruments and that makes it such a commonsense complementary instrument is that it is benefit based, with multiple benefits for multiple beneficiaries. In this way the benefits increase and costs are able to be shared equitably amongst beneficiaries.

Communities support improved environmental and animal welfare outcomes through providing support for NRM projects and through regulatory mechanisms. Consumers are increasingly wishing to know their food and fibre products come from environmental and ethically sound production systems. Upstream and downstream corporations wish to work with progressive producers who can demonstrate environmental and ethical credentials.

There is a compelling case for communities through governments and environmental NGOs and for consumers and corporations to assess how CLM could improve the effectiveness and efficiency of their operations.

For landholders, the certification provides a sound base for capturing existing and potential benefits from beyond the farm. Equally critical is that the focus on financial benefit is strengthened for landholders through a strong whole-of-property focus on agricultural ecology; that is on improving soil-plant-animal interactions leading to improved profitability and improved environmental outcomes.

Finally, CLM is not just about delivering financial benefits. CLM recognises the interplay between extrinsic and intrinsic motivations for improving environmental and animal welfare outcomes and that focusing too much on benefits through commodification (pricing) can negatively affect important non-priced values and aspirations (refer 'What money can't buy' by Michael Sandel).

### **Co-investment opportunity**

The early development of CLM was enabled by voluntary inputs, landholder support and government funding. Subsequently, Australian and to some extent Japanese and Korean corporations (Elders, Onward Kashyima and Cheil Industries respectively) provided the support necessary for on-going testing and refinement.

There is now a strong case for a national roll out of CLM. This would enable a range of existing drivers for improving environmental and animal welfare management and for new drivers to emerge.

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