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Title: Which Market Based Instrument Approaches to Natural Resource Management?

Abstract

This paper presents findings from a research project undertaken for several South Australian natural resource management (NRM) agencies to investigate the potential to improve NRM outcomes through market based policy approaches. To answer the question which market based approaches to which NRM problems, a framework was developed that addresses some of the key shortcomings of cost benefit analysis for the problem of ex ante policy instrument choice. The framework is based on two premises:

1) While ex ante most of the determinants of efficiency (costs and benefits) can't be easily measured (especially external benefits and transactions costs); a large literature evaluating MBI experience allows meaningful inference about efficiency potential based on proposed MBI type, NRM issue biophysical attributes, and current policy starting point.

2) Administrative legislative change and income redistribution can be at least as important as efficiency in limiting potential for policy change and the potential for both can be assessed ex ante based on qualitative observations of proposed MBI type, NRM issue biophysical attributes, and current policy starting point. Application of the policy framework to evaluation of several potential MBI approaches to NRM issues is demonstrated.