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Economic Valuation of Environmental Benefits in Developing and Emerging Countries: Theoretical Considerations and Practical Evidence from Thailand and the Philippines

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Abstract

The contingent valuation method (CVM) for the assessment of the social value of environmental benefits accruing from public projects has gained increasing popularity in developing and emerging countries. However, it must be scrutinized into the transferability of this method from the socio-economic context of industrialized countries in which it was originally applied to developing and emerging countries. This paper gives a brief introduction and an overview of the theory of economic valuation of environmental project benefits and highlights a number of problematic issues that arise in the context of the application of the CVM as one popular valuation method in the context of developing and emerging countries. The theoretical considerations are exemplified by two practical valuation studies conducted in Northern Thailand as a representative of an emerging country context and in a rural area of the Philippines as a representative of a developing socioeconomic context.

In Northern Thailand a CVM study values the benefits from an improvement of suburban tap water supply that is currently negatively affected by farming activities in the uplands. The achievement of drinkable water quality requires a substantial reduction of the use of pesticides which implies further benefits for the environment and the surrounding ecosystems. Using participatory valuation methods we aim at an improvement of the validity of CVM mail surveys which prove to be much less costly than the traditional personal interviews. In the rural areas of the Philippines a comparative CVM study provides insights with respect to the different response behavior to questions in a CVM interview in two distinct but representative socioeconomic contexts. The study finds very impressive examples for possible pitfalls in the interpretation of CVM results in rural areas of developing countries. In largely subsistence based communities the numbers seem to tell a different story than in more developed regions. These concerns need to be taken into account when interpreting CVM results and deriving policy implications for environmental projects.

In summary, the practical evidence presented in this paper leads to a number of suggestions of how to improve the application of this method in order to obtain more valid results for public policy.

Keywords: Contingent valuation, drinking water supply, participatory valuation techniques