



The Regional Training Workshop  
*Economic Valuation of the Goods and Services of Coastal Habitats*

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# Wrap Up of Day 3

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# Surrogate Market

- Consumptive decision of related marketed goods => revealed consumer's preferences => surrogate market => **revealed preference method**
- Two main approaches: Travel Cost Method (TCM) and Hedonic Price Method (HPM)
- TCM => recreational use value of environment
  - A single site model => monetary value spent on each visit and no. of visits => demand function (Max. utility)
  - Area under the demand function is total willingness to pay for trips.
  - consumer surplus = net benefit = recreational use value
- HPM => property sale or rental value => implicit price of environmental amenity and dis-amenity
  - The hedonic price function of property =>  $f(\text{structural and neighborhood characteristics, and environmental amenities})$  => Marginal implicit price of amenity
  - The hedonic price function of property => demand analysis => welfare measurement

# Contingent Valuation Method (CVM)

- CVM => economic value of services (use and non-use values) => **stated preference** => passive value
- Steps of CVM:
  - Define the valuation problem
  - Preliminary decision of the survey
  - Actual survey design
  - Actual survey implementation
  - Compile, analyze and report the results
- Advantages: value based on actual choices, reliable, good indication of value, etc.
- Limitations e.g. expensive, time-consuming, biased answer, etc.

# Benefit Transfer Method (BT)

- BT => transferring available information from studies already completed in another location or context.
- Steps of BT:
  - Identify existing studies or values
  - Decide to select the studies
  - Evaluate the quality of studies
  - Adjust the existing values
- Advantages: less cost, quick, easy, etc.
- Limitations: good study not available, not accurate, etc.

# Participatory Economic Valuation

## PEV

PEV =>> the valuation technique that allow people to define the values of resources within the context of their own.

PEV is used when:

- standard methods are not applicable, cash prices have little relevance as an indicator of values, researchers work with subsistent economy, use of natural resources are diversified, people do not/ cannot indicate the quantity or value directly.

PEV can be used for:

- Assesing the use value derived from G&S of the ecosystem
- Livelihood impact assessment, i.e, establishment of marine protected area

# Methodological steps of PEV

1. Find the “numeraire” for valuation that can be translated into monetary term.
2. Identify types of use/benefit or issues of concerns
3. Rank the items of use/benefits (per year basis), as well as the numeraire
4. Perform a scoring exercise, using number of counters allocated to each item, and make a note of the scores on the recording sheet.
5. Review the findings with the respondent.
6. Transform each item of use/benefit into cash amount, which translate into an annual value.