



The Regional Training Workshop  
*Economic Valuation of the Goods and Services of Coastal Habitats*  
March 24 – 28, 2008  
Samut Songkram Province, Thailand



# **WHY ESTIMATE ECOSYSTEM VALUES?**

**BY**

**NOEL EUSEBIO O. PADILLA**  
**MEMBER, RTFE, SCS PROJECT**

# **RATIONALE FOR VALUATION**

- **HABITATS PROVIDE CERTAIN GOODS AND SERVICES**
- **NOT ALL GOODS SOLD AND SERVICES ARE BOUGHT AND SOLD IN THE MARKET PLACE**
- **THIS LEADS TO UNDERVALUATION OF RESOURCES TO THE EXTENT THAT ACTIVITIES THAT DEplete THESE RESOURCES ARE FAVORED OVER THEIR PRESERVATION**

# **RATIONALE FOR VALUATION**

- **VALUATION OF HABITATS WILL SHOW THEIR TOTAL (OR TRUE) ECONOMIC VALUE INCLUDING THOSE THAT ARE NOT BOUGHT AND SOLD IN THE MARKET PLACE**
- **THESE TOTAL (TRUE) VALUES CAN THEN BE USED IN MAKING DECISIONS ON USE OF THESE HABITATS AND THE GOODS AND SERVICES THEY PROVIDE**

# **BASIS FOR PRICING OF MARKETED GOODS**

- **GOODS DERIVED FROM HABITATS (E.G., WATER, LUMBER, FIREWOOD) ARE USUALLY SOLD AT PRICES THAT DO NOT ACCOUNT FOR THE TRUE VALUE OF THE RESOURCES/RAW MATERIALS.**
- **PRICES OFTEN JUST REFLECT THE PROCESSING AND DELIVERY COSTS**
- **THIS MAKES THE GOODS SOLD UNDERVALUED AND RESULTS IN OVER CONSUMPTION AND, CONSEQUENTLY, RESOURCE DEPLETION**
- **KNOWING THE VALUE OF THE RESOURCE AND INCORPORATING IT TO THE PRICE OF THE GOODS WILL RESULT IN MORE JUDICIOUS CONSUMPTION AND WILL HELP ARREST RESOURCE DEPLETION**

# **BASIS FOR DECISION ON TYPE OF USE OF HABITAT**

- **DEMAND FOR GOODS AND SERVICES DUE TO POPULATION INCREASE HAS RESULTED TO NATURAL HABITATS BEING DESTROYED TO MAKE WAY FOR LARGE SCALE FOOD PRODUCTION (E.G., MARICULTURE, RICE FARMING, VEGETABLE FARMING) OR RECREATIONAL AREAS ESPECIALLY IN WETLANDS AND MANGROVE AREAS**
- **THIS PRODUCTION SCHEME SEEMS TO BE DOUBLY ATTRACTIVE SINCE FOOD AND RECREATION FACILITIES ARE PROVIDED AND ECONOMIC GAINS ARE IMMEDIATELY REALIZED AS COMPARED TO UTILIZING THE GOODS AND SERVICES “NATURALLY” PRODUCED BY THE HABITAT**
- **ACCOUNTING FOR ITS “TOTAL ECONOMIC VALUE” WILL PROVIDE A BASIS WHETHER THE ECONOMIC GAINS FROM ALTERNATIVE USE OF THE HABITAT WILL OUTWEIGH THOSE OF THE NATURAL GOODS AND SERVICES PROVIDED BY THE HABITAT**
- **THIS WILL ALSO PROVIDE INPUTS TO MAKING DECISION ON WHETHER TO PURSUE PROJECTS WHERE HABITATS MAY BE DESTROYED (E.G., PIERS)**

# **BASIS FOR DECISION ON TYPE OF USE OF HABITAT (2)**

- **SOME HABITATS HAVE MULTIPLE RESOURCES ALL OF WHICH CAN YIELD ECONOMIC BENEFITS, BUT ONLY IN A MUTUALLY EXCLUSIVE MANNER (E.G., MINERALS/ BIODIVERSITY; AS OPPOSED TO MULTIPLE USE).**
- **IT IS OFTEN THE KNEE-JERK REACTION TO USE THE HABITAT IN A MANNER THAT IT WILL PROVIDE LARGE AMOUNT OF PROFIT.**
- **HOWEVER, IT IS OFTEN THE CASE THAT THE THE PROFIT WILL ONLY LAST FOR A SHORT PERIOD WHILE THE HABITAT'S ABILITY TO PROVIDE AND SERVICES ARE IMPAIRED OR TOTALLY DESTROYED.**
- **VALUATION WILL PROVIDE A BASIS WHICH RESOURCES WILL BE ABLE TO BRING IN MORE PROFIT IN THE LONG RUN AND THEREFORE GUIDE DECISION MAKERS ON WHICH RESOURCE TO UTILIZE**

# **BASIS FOR INVESTING IN THE HABITAT'S PROTECTION AND/OR IMPROVEMENT**

- **IT IS OFTENTIMES UNAVOIDABLE FOR HABITATS TO BE DEGRADED AND/OR THE RESOURCES THEREIN TO BE DEPLETED.**
- **REHABILITATION EFFORTS ARE, HOWEVER COSTLY WHILE FUNDS ARE SCARCE.**
- **THE “TOTAL ECONOMIC VALUE” OF THE HABITATS CAN BE USED AS ONE OF THE BASIS IN MAKING DECISIONS WHETHER OR NOT TO REHABILITATE AREAS AND/OR THE PRIORITY THAT SHOULD BE GIVEN TO THE REHABILITATION OF CERTAIN HABITATS AS WELL AS ALTERNATIVE COURSES OF ACTIONS TO TAKE (EG. INFRA INSTEAD OF REHAB)**
- **IT CAN ALSO BE USED TO MAKE A DECISION ON WHETHER TO SOURCE FUNDS LOCALLY OR CONTRACT INTEREST-BEARING LOANS**

# **BASIS FOR SETTING THE PAYMENTS FOR MAINTAINANCE OF HABITAT**

- **INITIATIVE TO PROVIDE COMPENSATION TO COMMUNITIES WHO PROTECT HABITATS THAT OTHERS BENEFIT FROM (AKA “PAYMENT FOR ENVIRONMENTAL SERVICES”); THE AIM IS TO ENSURE THE CONTINUOUS FLOW OF BENEFITS FROM THE HABITATS BY PROVIDING INCENTIVES TO THOSE THAT PROTECT AND MAINTAIN HABITATS INSTEAD OF EXTRACTING RESOURCES THEREFROM.**
- **SO FAR THE PAYMENTS ARE SET BY LAWS (EG., THE PHILIPPINES) WITHOUT REGARD TO THE ACTUAL VALUE OF THE BENEFITS THAT THESE HABITATS PROVIDE.**
- **THIS LEADS TO UNDERPAYMENT RESULTING IN COMMUNITIES OPTING TO EXTRACT RESOURCES FROM THE HABITATS RATHER THAN PROTECT THEM.**
- **VALUATION WILL HELP DETERMINE LEVEL OF PAYMENTS TO ENCOURAGE COMMUNITIES TO CONSERVE THE RESOURCES**



# **BASIS FOR DETERMINING WTP FOR SERVICES**

- **HABITAT SERVICES DO NOT USUALLY REQUIRE EXTRACTION AND THEREFORE CANNOT BE BROUGHT TO THE “MARKETPLACE”**
- **IT IS THEREFORE VERY HARD TO DETERMINE THE WILLINGNESS OF THE PEOPLE TO PAY FOR THESE SERVICES (E.G., IN THE FORM OF ENTRANCE FEES FOR PARKS OR FE FOR ITS AMENITIES), OFTEN LEADING TO UNDERVALUING THEM**
- **VALUATION WILL HELP DETERMINE THE SOCIAL BENEFITS THAT THE PEOPLE DERIVE FROM THE HABITATS AND THEREFORE SET THE PRICE OF THESE SERVICES**

# **DETERMINING WHICH GOODS AND SERVICES ARE USEFUL COMMERCIALY**

- BIOLOGISTS/HABITAT EXPERTS KNOW THE VARIOUS GOODS AND SERVICES PROVIDED BY THE HABITATS**
- HOWEVER, SOME OF THESE GOODS AND SERVICES ARE NOT COMMERCIALY IMPORTANT (E.G., MANGROVE WORMS WHICH ARE COMMERCIALY IMPORTANT IN CHINA AND TO SOME EXTENT IN THE PHILIPPINES, BUT NOT IN OTHER COUNTRIES IN THE SOUTH CHINA SEA REGION)**
- VALUATION WILL DETERMINE WHICH OF THESE GOODS AND SERVICES ARE USED AND THEREFORE COMMERCIALY IMPORTANT.**

- **BASIS FOR SHOWING “TRUER” PICTURE OF ECONOMY**
  - **TRADITIONAL ECONOMIC INDICATORS ONLY ACCOUNT FOR THE COUNTRY’S GOODS AND SERVICES THAT ARE SUBJECT TO MARKET TRANSACTIONS.**
  - **A “TRUER” PICTURE OF THE ECONOMY SHOULD BE ABLE TO ACCOUNT NOT ONLY THE MARKET TRANSACTIONS BUT ALSO THE STATE OF THE CAPITAL STOCK (i.e., NATURAL RESOURCES) THAT THE COUNTRY HAS.**
  - **VALUATION WILL PROVIDE THE DATA TO ACCOUNT FOR THE VALUE OF THE COUNTRY’S CAPITAL STOCK.**

Source: [www.fs.fed.os/research/sustain/documents](http://www.fs.fed.os/research/sustain/documents)

# **IEC TOOL FOR PEOPLE TO UNDERSTAND IMPORTANCE OF HABITATS/RESOURCES**

- **NOT ALL PEOPLE ARE ABLE TO AUTOMATICALLY GRASP THE CONCEPT OF TOTAL ECONOMIC VALUES OF HABITATS, ESPECIALLY SINCE A LARGE PORTION OF THE HABITAT'S ECONOMIC VALUE COMES FROM NON-MARKETED GOODS AND SERVICES**
- **PROVIDING VALUES TO SUCH SERVICES AS FLOOD PROTECTION, NURSERY FUNCTION AND GOODS SUCH AS MEDICINE WILL ENABLE PEOPLE TO ENVISION THE VALUE OF THE HABITATS THROUGH THE GOODS AND SERVICES THEY PROVIDE.**

**Thank you  
for your attention!!!**