

# Environmental Valuation Using Stated Preferences

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# Contingent Valuation

- Revealed Preferences vs Stated Preference methods
- CV: Direct questioning through a survey about people's WTP for and environmental service improvement
- Property Right: WTP vs WTA
- Survey Types
- Elicitation question types:
  - Open Ended
  - Close Ended, single bounded, double bounded
  - Bidding games
  - Payment card method

# Contingent Valuation

## Survey Issues

- Questionnaire:

- Introduction

- Detailed description of the good/service

- Institutional setting

- Payment vehicle

- Elicitation question

- Debriefing questions

- Responder characteristics

# Survey Issues

- Sampling bias
- Non-response bias
- Interviewer bias

# Survey Issues – Different Biases

- Hypotheticality, Meaning and Context problems
- Neutrality
- Decision making and judgment bias
- Non-commitment
- Order Effects
- Embedding Effects
- Starting point bias
- Strategic behavior

# Accuracy of CV Studies

- Validity: correspondence of what is intended to value and what is valued
  - Construct validity
  - Convergent validity
- Reliability: measurement's replicability

# Improvement of validity and Reliability

- Use personal interviews
- Use WTP rather than WTA
- Use appropriate elicitation method, closed ended
- Credible scenario
- WTP, fixed income and expenditure on other goods
- Remind about the substitutes
- Use follow up questions

# Improvement of validity and Reliability

- Mindful about the payment vehicle – tax
- Extra care on questionnaire development, pretesting, FGD
- Use large samples
- Include a scenario acceptance/rejection question prior to elicitation question
- Try to reduce the biases – reduce the strategic behavior
- Compare CV values
  - with RF values, actual behavior, consistency over time, different elicitation formats,
- WTP function and test
  - Negative sign with the bid, positive sign with income, relationship to proximity to amenity, explanatory power of WTP function, age, awareness and perception about the good