

## Environmental economics: A review of Sri Lankan studies

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Environmental economics arose as a sub-discipline under economics as a response to the concerns expressed by the environmentalists against the negligence of the environmental values in making decisions. This paper reviews the development and the missing links of the environmental economic studies of Sri Lanka and suggests possible future directions in order to achieve truly sustainable development.

The present research agenda of the Sri Lankan environmental economics has been stagnated on the valuation of natural assets and pollution damages. Areas of application of valuation of natural assets vary ranging from ecosystems to individual species. The concept of total economic value has become popular in valuation contexts. However, the focus is mainly on use values and non-use values have rarely been considered in valuation exercises in Sri Lanka. In addition, economic aspects of pollution have been limited to estimation of pollution damage costs mainly.

Always a low priority has been given by the Sri Lankan policies for the values of the environment. Environmental impact studies have been the only area where there is a possibility for decisions to be based on the environmental values. Although it has been mandatory to have an extended version of cost benefit analysis in the EIA, the final decisions have never been based on environmental matters.

Beyond such micro level problems, the present research agenda lacks emerging ideas of integrating absolute scarcities such as entropy constraints into the economic analysis. In addition, analysis of unique natural environments which need special considerations in economic analysis have rarely been undertaken in the environmental economic studies of Sri Lanka.

Environmental economics claims that it corrects the mistakes of normal economic analysis. It is important therefore to correct the mistakes fully rather than halfway. Precision of the estimated values as well as the pitfalls inherent to the discipline are the key issues that determines the usefulness of environmental values in protecting the precious natural assets of Sri Lanka.

Key words: Environmental economics; Micro level problems; Sustainable development; Natural assets; Policies