

Financial incentives for EST transfer

Thailand's experience

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Financial incentives have been key to promoting environmentally-sound technologies all over the world. But implementing schemes for such incentives brings in its own problems. This article illustrates the problems that Thailand has faced in this regard and suggests tentative solutions to such problems.

Introduction

Financial incentives have been increasingly used in Thailand and many other countries as an instrument to promote the transfer and diffusion of environmentally-sound technologies (ESTs) into production sectors. This article looks at the contemporary debate among environmental economists and policy makers on the use of this instrument. We shall draw upon the experience of Thailand to discuss the concept of EST, the importance of financial incentives and how various categories work, international experiences, critical factors and policy implications.

The rest of this article is divided into six parts. We begin by providing a brief review of the economic concept of EST. Thereafter we discuss definitions, categorizations and weaknesses and strengths of different forms of financial incentives as tools for imple-

menting government policy. We then briefly review the international uses of this instrument in promoting ESTs. We go on to discuss the promotion of ESTs in Thailand. Then follow two case studies on the use of financial incentives to promote transfer and adoption of ESTs, with particular reference to the swine-farm and cassava-starch-mill sectors in Thailand. Finally, we consider the policy implications of all this experience.

Economics of ESTs

EST has been of great interest to environmentalists, economists and policy makers over the last two decades. The earlier concept of 'assimilative capacity' assumed that a trace amount of contaminants released would have little damage to the environment and cause no harm to the public. That is, when a small amount of toxic substances is released into the environment, it was assumed that they would be diluted or altered by the environment and rarely re-concentrate or re-form. This assumption has proved wrong. Experi

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