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VALUING
SOCIAL
IMPACTS OF
DEVELOPMENT
PROJECTS:
WEIGHING THE
ECONOMIC
COSTS &
BENEFITS

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HARDTALK

VALUING SOCIAL IMPACTS OF
DEVELOPMENT PROJECTS:
WEIGHING THE ECONOMIC
COSTS & BENEFITS

1 CPD
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PLANMalaysia



Dr. Shahwahid Othman
SPEAKER



Puan Sri Dr. Jahara Yahaya
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INTRODUCTION

This article is based on the Hardtalk session on “Valuing Social Impacts of Development Projects: Weighing the Economic Costs and Benefits” by Dr Shahwahid Othman⁴ moderated by Puan Sri Dr Jahara Yahaya. The session started off with a brief introduction by the Moderator on the significance and relevance of the topic as it highlights the importance of integrating social considerations into development projects. For SIA practitioners, understanding and valuing social impacts is crucial as it directly informs their work in assessing and mitigating project risks and better advocate for sustainable and responsible development , ultimately enhancing project outcomes and community well-being.

Development projects, particularly large-scale initiatives such as highways, major utility infrastructure, ports, industrial developments and new townships, play a significant role in shaping the trajectory of regional and national growth. These projects are often designed to stimulate economic development, enhance connectivity, create employment opportunities, and improve overall quality of life. However, beyond their economic and physical contributions, such developments also bring profound changes to the social fabric of affected communities.

The Speaker thereon expanded on this justification, offering detailed perspectives on why valuing social impacts is crucial for SIA practitioners and development projects. Social impacts encompass both tangible and intangible effects experienced by individuals, households, and communities as a result of development interventions. These impacts can be positive or negative, short-term or long-term, direct or indirect.

This raises several important questions for planners, policymakers, and practitioners. How do we balance the anticipated benefits of development projects against the potential social costs borne by affected communities? How can these social costs and benefits be systematically identified, assessed, and compared? More importantly, how can we quantify social impacts in a meaningful way so that they can be incorporated into mitigation planning and social impact management planning.

Quantifying social impacts is increasingly recognised as an important step toward more transparent and evidence-based development planning. By translating social outcomes into measurable indicators, decision-makers and report assessors and reviewers can better understand trade-offs, prioritise mitigation measures, and ensure that development outcomes are more equitable and sustainable.

The gist of the discussion by the Speaker is on the importance of measuring social impacts, some insights on key challenges and opportunities in valuing social impacts

within the SIA process and considerations¹ as to how practitioners can balance rigorous analysis with tight timelines and budget constraints, while also exploring the role of MSIA in promoting the integration of social impact quantification into SIA practice.

VALUING SOCIAL IMPACTS

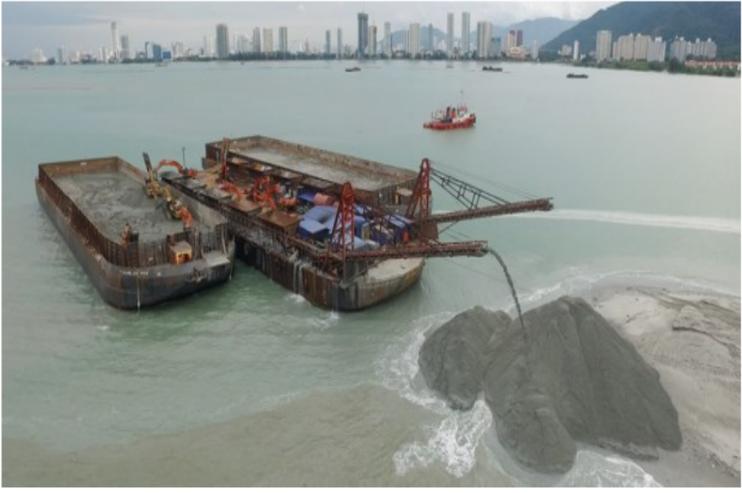
Valuing social impacts, as reiterated by the Speaker, involves understanding that development projects are implemented in locations with existing land uses and stakeholders who depend on them. Such projects inevitably bring changes that affect society, requiring time-consuming adjustments, material resources, and economic opportunities. Consequently, the local community bears these impacts and must adapt to the resulting social and economic transformation. However, it is often the case that proposed mitigation measures are insufficient relative to the impacts experienced by the affected parties. This is largely due to zero economic assessment to value significant social impacts. As a result, dissatisfaction arises, and mitigation measures may end up merely fulfilling regulatory requirements without providing adequate compensation or appropriate trade-off measures.

IDENTIFYING CRITICAL SOCIAL IMPACTS THAT SHOULD BE VALUED

In current SIA practice, the preparation of a Social Impact Assessment report includes a process known as scoping whereby social impacts are identified preliminarily. In addition, intensive stakeholder engagements help to identify social impacts that are more specific to the local communities. However, not all identified social impacts can be evaluated in terms of their costs and benefits due to certain constraints that make such valuation difficult. A clear and in-depth understanding of the nature of each social impact, as well as the most affected stakeholders, is therefore essential in determining whether an impact can be valued or otherwise. In this regard, establishing a scoping matrix is particularly useful in identifying social impacts that are suitable for valuation. Such impacts should also be differentiated according to the Zone of Influence (ZOI) and the categories of the affected social groups.

Identifying the social impacts to be quantified is best illustrated by the following examples :

⁴ Dr. Mohd Shahwahid Hj. Othman, a specialist in economic valuation and social impact assessment with over 20 years of experience, has undertaken studies on forest economic valuation, Non-Timber Forest Products (NTFPs), watershed services, and Total Economic Value (TEV) in collaboration with organisations such as the International Institute for Environment and Development (IIED), Economy and Environment Program for Southeast Asia (EEPSEA), and World Wide Fund for Nature (WWF).

Example 1: A Coastal Reclamation Project		Primarily Affected Parties	Most significant social impacts	Items to be quantified	Primary Data Requirements	Secondary Data Requirements	Data
	Fishermen	<ul style="list-style-type: none"> ✓ Loss of income from fishing activities ✓ Increased cost and time required for fishing activities 	<ul style="list-style-type: none"> ✓ Loss from decline in income ✓ Increased operational costs due to extended working hours and damage to fishing gear 	<ul style="list-style-type: none"> ✓ Fishermen's catch data by fishing season ✓ Local fishermen's operational data ✓ Expected changes in impacts 	<ul style="list-style-type: none"> ✓ Number of affected fishermen by area (from DoF and LKIM) 		
	Tourism provider	<ul style="list-style-type: none"> ✓ Income impacts due to a decline in visitor arrivals ✓ Loss of attraction resources 	<ul style="list-style-type: none"> ✓ Loss of income from tourism services ✓ Decline in the ecosystem service value of attraction areas 	<ul style="list-style-type: none"> ✓ Distribution of earnings among tourism operators ✓ Expected decline in visitation rate 	<ul style="list-style-type: none"> ✓ Number of registered and active operators ✓ Benefit transfer based on related studies and the expected area/number of affected ecosystems 		
	Residents in the surrounding area (Local)	<ul style="list-style-type: none"> ✓ Potential exposure to flood risks ✓ Inconvenience and pollution impacts during the construction phase 	<ul style="list-style-type: none"> ✓ Estimated cost of flood damages ✓ Estimated willingness to accept of such inconvenience 	<ul style="list-style-type: none"> ✓ Types and extent of losses experienced by residents ✓ Willingness to Accept (WTA) value ✓ Expected increase in flood impacts 	<ul style="list-style-type: none"> ✓ Number of affected residents/households ✓ Number of affected assets/farms/agricultural areas 		

Source: Dr Nik & Associates Sdn Bhd (EIA – Reclamation for Kuantan Crystal Bay, 2023)

Example 2: Mix Development Project		Primarily Affected Parties	Most significant social impacts	Item to be quantified	Primary Data Requirements	Secondary Data Requirements	Data
	Residents in the surrounding area (Local)	<ul style="list-style-type: none"> ✓ Disruption to utility supply and damage to existing roads ✓ Concerns over safety and social issues arising from foreign workers ✓ Traffic congestion issues during construction and operational phases 	<ul style="list-style-type: none"> ✓ Loss of value from water usage and damage costs due to road deterioration ✓ Cost of social mitigation (e.g., patrolling, CCTV installation, community liaison) and willingness-to-pay for such social security measures ✓ Costs associated with increased travel time and vehicle fuel consumption 	<ul style="list-style-type: none"> ✓ Volume of water consumption by local communities (m³/day) and Actual repair costs or asset damage costs due to road deterioration ✓ WTP surveys ✓ Actual travel time and fuel consumption ✓ Expected changes arising from anticipated impacts 	<ul style="list-style-type: none"> ✓ Current water tariff (RM/m³) and Vehicle damage or accident statistics due to poor road conditions ✓ Actual cost of social mitigation measure taken ✓ Daily traffic statistics 		
	Local business operators and community-based associations	<ul style="list-style-type: none"> ✓ Changes in market dynamics and competition as new shifts of economic activities within existing area 	<ul style="list-style-type: none"> ✓ Average revenue reduction and Rental Value Changes ✓ Incremental income changes and value of job creation. 	<ul style="list-style-type: none"> ✓ Revenue and cost components of affected operators by business type 	<ul style="list-style-type: none"> ✓ Business types and anticipated economic growth ✓ Projected employment by job type and current salary levels 		

Source: DagangNews.com (2024), <https://www.dagangnews.com/index.php/article/scientex-beli-tanah-bernilai-rm200-juta-bagi-pembangunan-bercampur-di-johor-34647>

	✓ Creation of various business and job opportunities			
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Example 3: Highway projects that traverse multiple districts and/or states



Source: Bernama (2021), <https://www.bernama.com/bm/news.php?id=1932235>

Primarily Affected Parties	Most significant social impacts	Item to be quantified	Primary Data Requirements	Secondary Data Requirements
Orang Asli (OA)	<ul style="list-style-type: none"> ✓ Impacts on the Orang Asli roaming/traditional area ✓ Human Wild-Life Conflict (HWC) 	<ul style="list-style-type: none"> ✓ Reduction in forest-related revenue ✓ Human-wildlife conflict (HWC) management and mitigation costs 	<ul style="list-style-type: none"> ✓ Information on forest product collection by OA ✓ Types of damage caused by HWC incidents and frequency of occurrence ✓ Expected changes in forest collection and HWC incidents 	<ul style="list-style-type: none"> ✓ Market value of forest products ✓ Number of OA involved and affected areas
Industry Players / Business Operators	<ul style="list-style-type: none"> ✓ Changes in market dynamics and competition as new highway connectivity shifts economic activities to other areas ✓ Increased logistics efficiency and business opportunities 	<ul style="list-style-type: none"> ✓ Incremental income changes ✓ Operational cost savings from project development 	<ul style="list-style-type: none"> ✓ Current revenue and cost breakdown by affected operators ✓ Expected changes in revenue and operational cost by affected operators 	<ul style="list-style-type: none"> ✓ Number of affected businesses and operators by business category
Residents in the surrounding area (Local)	<ul style="list-style-type: none"> ✓ Potential land acquisition and displacement affecting housing and property ownership. ✓ Community severance ✓ Improved regional connectivity and access to employment opportunities 	<ul style="list-style-type: none"> ✓ Incremental costs from land acquisition and displacement ✓ Adaptation costs to new conditions, including additional travel/mobilisation ✓ Travel cost savings from reduced distance and time ✓ Total annual wages from new job creation 	<ul style="list-style-type: none"> ✓ Changes in travel time and costs for daily activities due to the new road network 	<ul style="list-style-type: none"> ✓ Cost of land acquisition and displacement ✓ Number of households impacted by alterations in daily travel patterns ✓ Number and category of jobs to be created, with vacancies allocated to the local community

MONETISING SOCIAL COSTS AND BENEFITS FOR SOCIAL IMPACTS

Subsequently, as deliberated by the Speaker, from an economic and social perspective, social costs and benefits can be monetised by combining approaches for both direct and intangible impacts.

- **Direct impacts**, such as income loss, employment changes, or operational costs, are monetised using **observable market prices** or accounting data, providing straightforward valuation.
- **Intangible impacts**, like loss of community well-being, cultural heritage, or community cohesion, require non-market valuation methods:
 - **Stated preference** (e.g., Contingent Valuation, Choice Modelling) captures willingness to pay or accept compensation.
 - **Revealed preference** (e.g., Travel Cost, Hedonic Pricing) infers value from actual behaviour.
 - **Cost-based approaches** (e.g., replacement, avoided, or damage costs) estimate monetary equivalents of mitigating or compensating losses.

This combination allows a comprehensive economic assessment, translating both direct and intangible social impacts into comparable monetary terms for informed decision-making. Together, these approaches allow SIA practitioners to translate direct and intangible social impacts into comparable monetary values, supporting more transparent decision-making and more comprehensive evaluation of development projects.

KEY CHALLENGES AND OPPORTUNITIES IN VALUING SOCIAL IMPACTS IN SIA

On key challenges and opportunities, the Speaker pointed out that adapting economic methods to conventional SIA reporting practices remains challenging. Several key constraints make it difficult for SIA consultants to apply economic valuation approaches, as these require fundamental knowledge in economic principles. As shown in Table 1, the main challenges and potential opportunities or benefits in assigning value to the significant social impacts of a development project are outlined:

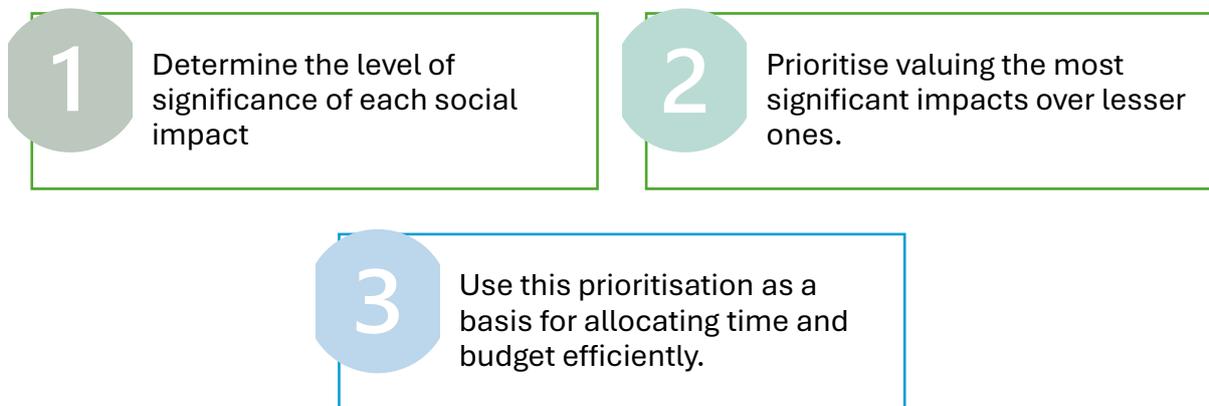
Table 1: Key Challenges and Opportunities

Key Challenges	Key Opportunities
<ul style="list-style-type: none">• Limited expertise in economic valuation techniques• Budgetary and time constraints for conducting assessments• Insufficient or unreliable data from primary and secondary sources	<ul style="list-style-type: none">• Aligning with regulatory requirements, such as EIA preparation, which may include elements of economic valuation.• Supporting evidence-based decision making through quantifiable social and economic data.

	<ul style="list-style-type: none"> • Enhancing the credibility of SIA reports and informing the design of more effective mitigation measures.
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BALANCING RIGOROUS ECONOMIC ANALYSIS WITH TIGHT TIMELINES AND BUDGET CONSTRAINTS

Incorporating economic valuation into Social Impact Assessment (SIA) strengthens the quantification of social costs and benefits, thus supporting evidence-based decision making and more effective mitigation strategies. Practitioners, however, often face challenges in conducting rigorous analyses within limited time and budget constraints. To address this, it is essential to:



By focusing on these principles, economic valuation can be applied pragmatically, ensuring that key social impacts are rigorously assessed while maintaining feasibility within project constraints.

MSIA's ROLE TO PROMOTE THE INTEGRATION OF SOCIAL IMPACT QUANTIFICATION INTO SIA PROCESS

Conclusively, the Malaysian Association of Social Impact Assessment (MSIA) can play a pivotal role in promoting the systematic integration of social impact quantification into the SIA process. This new approach is expected to help practitioners and stakeholders appreciate the importance of robust valuation, as inadequate assessment can result in inequitable compensation or ineffective mitigation measures. Lessons from agencies such as the Department of Environment (DOE) demonstrate the value of establishing methods to determine when projects require more than physical impact evaluation, and when monetisation of social impacts is necessary, therefore ensuring that both direct and intangible effects are effectively evaluated.

Furthermore, beyond regulatory guidance, MSIA can advance capacity building through knowledge dissemination, including workshops, hardtalk sessions and training courses on economic and social valuation techniques. The publication of resources, such as books, journals and guidelines on how to value social impacts, will further equip practitioners with the skills needed for rigorous social impact quantification. Collectively, these initiatives help embed a systematic, evidence-based and economically informed approach to SIA, enhancing both the credibility of reports and the effectiveness of mitigation strategies.

QUESTION AND ANSWER SESSION

To wrap up the session, the following engaging questions were raised by the participants during the Q&A:

1. *Is there a difference between a feasibility study and economic valuation (EV) for social impact?*

Feasibility studies assess project viability, considering technical, economic and social factors. Economic valuation specifically quantifies social impacts in monetary terms for decision-making. While the methods applied may be similar, the purpose and focus of these studies are fundamentally different. A feasibility study aims to assess whether a project can be implemented from a technical, economic, and operational perspective. In contrast, economic valuation for social impact is specifically intended to estimate the economic value or cost–benefit of impacts that have social implications. The focus of a feasibility study is on the likelihood of profitability, risks, adequacy of resources, and technical feasibility. Meanwhile, economic valuation for social impact is focussed to determining the economic value of social impacts, changes in livelihood and community well-being impacts EV can be used as a tool that can feed into feasibility studies. More important is the valuation of social impacts can help in ascertaining the monetary compensations needed to reimburse declines in social welfare of the aggrieved party.

2. *Should economic valuation for social impacts be prepared in detail within an SIA study? This can be challenging for some consultants, as not all practitioners have an economic background.*

These constraints are evident and highly anticipated. Therefore, the adaptation of economic valuation (EV) in SIA is expected to take time and may initially begin with usage of simpler economic valuation techniques. Over time, training, reference materials, and courses should be developed, with training modules designed for practitioners without an economics background. SIA consultants can upskill through training workshop to handle basic economic valuation concepts. Another option is to build a multidisciplinary team with economists on board for critical valuation tasks.

3. Is it possible, at the initial stage, instead of conducting a full social impact valuation, to use EV findings from the EIA report of the same project as a supporting input in the SIA reporting?

While focus of EIA is on environmental impacts, their economic valuation findings can indeed complement SIA findings. You could leverage on the EIA inputs to support your SIA. However, it is crucial to ensure the economic valuation exercises are aligned with SIA's social focus and community perspectives. This will avoid the findings be biased towards reporting values of environmental impacts rather than social impacts. Collaboration with EIA experts can help harmonise the inputs and strengthen your SIA reports.

However, to use this approach effectively, several conditions and considerations must be met:

1. Alignment with Social Focus

- The EV/CBA methodologies used in the EIA should be relevant and adaptable to the SIA context.
- The valuation must reflect social impacts and community perspectives, rather than purely environmental or business values.

2. Project and Reporting Requirements

- The project must have previously included an economic valuation or CBA in its EIA report.
- There should be consensus and information sharing between the EIA consultants who conducted the EV/CBA and the SIA consultants, ensuring proper interpretation and relevance.

3. Scope Limitation

- Use of EIA-derived EV/CBA findings should be limited to social impacts where data are available.
- The analysis should be capable of linking the estimated impact values to proposed mitigation measures for significant social effects.

4. Collaboration and Verification

- Close collaboration with EIA experts is recommended to harmonise inputs, validate assumptions, and strengthen the credibility of SIA reporting.

Hence, leveraging EIA EV or CBA findings can provide a practical and evidence-based foundation for SIA at the initial stage. Nevertheless, it is crucial to ensure valuation of social impacts aligned with social objectives, verify and validate data

relevance. This approach should complement, rather than replace, targeted social data collection to capture community-specific impacts.

CONCLUSION

SIA reports social impacts of a development project using impact significance scores that are based on perceptions of the affected stakeholders. Valuing these social impacts and weighing the economic costs and benefits, helps better decision making as to the contribution of a project to society and the economy. In this manner the negative and positive impacts are being measured using a common monetary yardstick. This would provide a clearer indicator of the extent of losses or gains being experienced by various stakeholders. Appropriate compensations could be determined to neutralise the net losses. To engage in valuation of social impacts would require special skills to undertake the valuation of the social impacts. MSIA could play a role in providing professional courses in economic valuation to equip SIA consultants with the necessary tools.

ACKNOWLEDGMENT

The contributions and deliberations of the panelist and participants during the MSIA Hard Talk Session on the 26th February 2026 are very much appreciated.

DISCLAIMER

In the spirit of inclusivity and transparency, MSIA is open and frequently invites experts of various fields and stakeholders to share their perspectives on how the SIA processes can be more effective. Their views are analysed and reported. Any views and assumptions expressed however are solely those of the authors and do not necessarily reflect that of MSIA.