

Economic Valuation of Bujagali Falls Recreational Park, Uganda

Buyinza Mukadasi, Muhamed Bukenya, Muhammod Nabalegwa

Keywords: Recreation; Economic value; Methods; Uganda

Abstract

Valuation of intangible goods and services provided by Bujagali Falls Recreation Park (BFRP) is increasingly important on local, national and international level when the deterioration of nature areas, wetlands and other biodiversity rich ecosystems is at stake. National policy discussions are focusing a better understanding of these hidden values, while they call for the development of new simple tools to come to a fuller valuation of the park resources. Valuation of the goods and services provided by BFRP is needed because this area is under pressure from the fast expanding industrial activities. Lack of knowledge and consciousness about the total value of goods and services provided by BFRP and a lack of financial resources for its sustainable management make it vulnerable to change in land use. In this paper, two valuation techniques commonly used to value open-access recreation and environmental services were examined, namely, zonal travel-cost and hypothetical valuation approaches. The zonal travel-cost method involves aggregating visitation data by district zones of origin, and computing travel cost from the zones to the study area. The visitors are estimated to have spent a total of Ushs. 7.2×10^8 (Approximately \$ 370,000[⊥]) in direct travel expenditures to access the BFRP. The willingness to pay thus reflected the social value of the park, accepting the maximum amount they are willing to pay reflected both direct and indirect benefits received from the park. These results show that BFRP has a higher value when computed using the social valuation approach than the user's hypothetical valuation method. However, both methods show that its economically viable to maintain the park under its current use, namely, recreational facility. Based on the net benefits from recreation and the discount rate recommended by the Ugandan Department of Tourism, the BFRP is estimated to have a capital value of Ushs. 2.6×10^{10} (U.S. \$ 1.3 million). The findings of this study demonstrated that recognizing the options inherent in nature areas and estimating the values of such options can contribute significantly to the value of a recreation park investment opportunity and, therefore, can impact capital budgeting decision-making. The paper concludes that BFRP is a valuable environmental resource and, even though people do not presently pay an admission fee, there is a large area of consumer's surplus or welfare gain associated with the existence of the park.