Abstract

Maldivian atolls are known for their beautiful coral structures, fish abundance, white sandy beaches, coastal vegetation and mangroves. This paper provides an economic valuation of the recreational uses of atoll-based marine resources in the Republic of the Maldives. We use a travel demand model to estimate the benefits of atoll-based marine tourism. We contribute to the literature by estimating two separate travel demand models—one without and one with endogenous costs. Our results suggest a large disparity between the amount of economic value generated from nature-based tourism and the amount going into atoll conservation. Currently, more than half the Maldivian government’s annual environmental protection expenditure comes from unstable international aid, which makes it imperative that more stable financing sources be found. Our study shows that transferring four per cent of the total annual recreational benefits from visitors as a one-time conservation fee would generate enough resources to cover government and foreign donor contributions towards environmental protection. The additional per tourist tax or user fee necessary to raise funds at the current level of conservation funding (domestic and overseas) is USD 41. This amount constitutes only a small percentage of what an average tourist spends on each trip (1.25 per cent) and the economic surplus (benefit) s/he derives from each trip (3.98 per cent). The paper concludes with a discussion of the policy implications of sustainable user-based financing mechanisms. Key Words: Atolls, Coral reef, Travel cost model, User-based finance, the Maldives