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Developing the Philippine blue economy: Opportunities and challenges in the ocean tourism sector

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ADB Working Paper Series

**DEVELOPING THE PHILIPPINE
BLUE ECONOMY: OPPORTUNITIES
AND CHALLENGES IN THE
OCEAN TOURISM SECTOR**

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Abstract

Ocean tourism contributes significantly to the economy of the Philippines, an archipelagic nation with one of the longest coastlines in the world and one of the best marine environments in terms of biodiversity. This paper aims to explore how ocean tourism and economic development intertwine in archipelagic nations, examining national statistical data on tourism and economic development in the Philippines over the last several years. Furthermore, it discusses the policy landscape and identifies the enabling and disabling factors for the development of ocean tourism in the Philippines. It indicates how inclusive models can be a catalyst for sustainable tourism through a case analysis of El Nido Resorts, a tourism enterprise operating luxury resorts within the protected area of El Nido, Palawan. It also discusses recommendations of practical policy relevance based on the opportunities and challenges of sustainable ocean tourism in the Philippines.

Keywords: ocean, tourism, blue economy, development

JEL Classification: L8, O1, M2, Q5, Z3

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1. INTRODUCTION

Our oceans contain vast amounts of wealth, providing an estimated at US\$1.5 trillion in global value added each year (Nature Conservancy n.d.). Research has acknowledged coastal and maritime activities as drivers supporting a nation's economy (McKinley et al. 2019). With the spotlight on climate change, the current discourse is tackling the appropriate use and management of private sector activities in the ocean (Voyer and van Leeuwen 2019). The blue economy, "the sustainable use of ocean resources of ocean resources for economic growth, improved livelihoods and jobs while ensuring ocean ecosystem health," covers a plethora of activities (World Bank 2017).

Ocean tourism constitutes a significant component of the economy for countries with marine resources. Sustainable ocean tourism can be part of the blue economy if the provision of livelihoods and economic growth occur simultaneously with the protection of marine resources. This requires countries to move away from business models that are purely extractive in nature and toward integrating conservation, protection, and rehabilitation into the equation. Proper management of tourism in marine environments can propel developing countries forward and help to achieve several of the Sustainable Development Goals.

This paper aims to explore how ocean tourism and economic development intertwine in archipelagic nations by using the Philippines as a country case example. It will achieve this by examining national statistical data on tourism and economic development over the last several years. Furthermore, this paper discusses the policy landscape that supports the development of ocean tourism in the country and seeks to understand how it is incorporating sustainability practices into ocean tourism by examining a tourism establishment in the Philippines.

With the importance of the blue economy in global sustainable development, understanding the different opportunities and challenges in ocean-related development is critical in making recommendations regarding existing tourism policies. The findings of the study have implications for policymakers, tourism planners, and other tourism stakeholders in developing island economies.

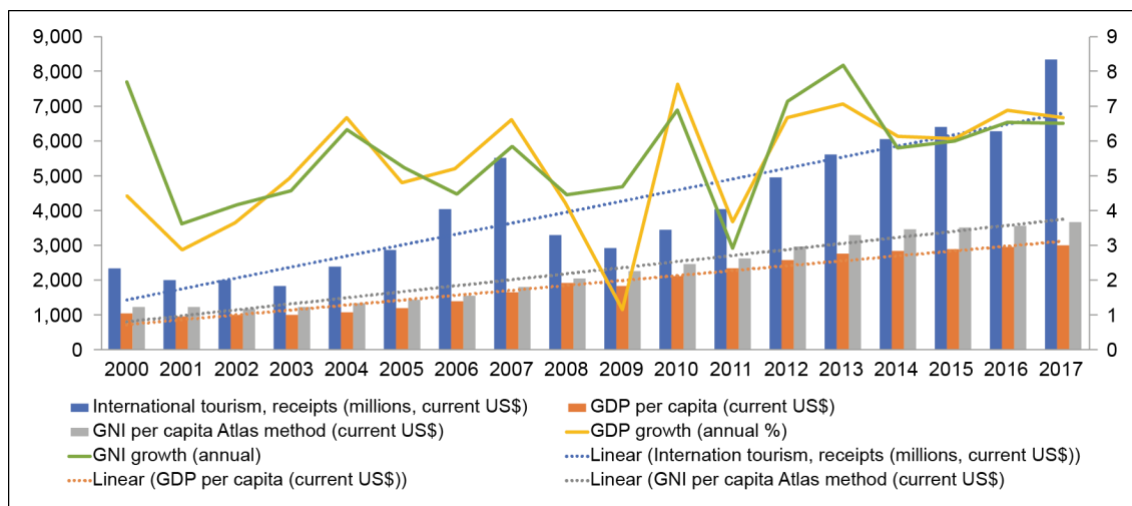
2. TOURISM AND ECONOMIC DEVELOPMENT IN THE PHILIPPINES¹

It is crucial to understand the importance of tourism to the Philippine economy since this sector is a key driver of the Philippine blue economy. In 2018, the country welcomed 7.1 million international visitors, while locals made 111 million domestic trips (Arnaldo 2019). Through the "Build, Build, Build" program of President Duterte, the country has built, renovated, or expanded tourism infrastructure, such as airports and seaports, to cope with the increasing tourist numbers. Data from the World Bank's World Development Indicators show that international tourism has been increasing since the turn of the millennium in two separate cycles. The global financial crisis of 2008 led to a large slump in tourism, but the Philippines has long since recovered. In Figure 1, the bar graphs show that international tourism receipts, the gross domestic product (GDP) per capita, and the gross national income (GNI) per capita have all been

¹ The information in this section comes primarily from the Philippine Tourism Satellite Accounts (PTSAs), which the National Statistical Coordination Board (NSCB) compiled in coordination with the Department of Tourism, and the NSCB Inter Agency Committee on Tourism Statistics (IACTS).

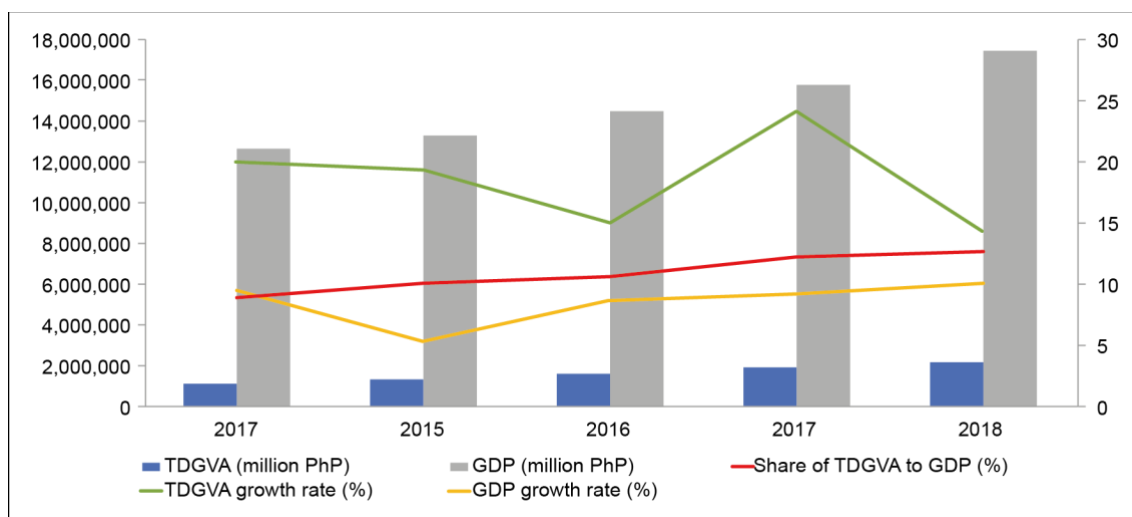
on the rise since 2010, with tourism receipts showing the fastest increase. The line graphs in the same figure show that the annual GDP and GNI growth both hover between 6% and 7%, indicating economic growth for the country, as the dotted regression trend lines in the graph indicate.

Figure 1: International Tourism and Economic Development, 2000–2017²



Source: Author’s compilation using the World Bank World Development Indicators (2019).

Figure 2: TDGVA and GDP at Current Prices, 2014–2018



Source: Author’s compilation using Philippine Tourism Satellite Account data (2019).

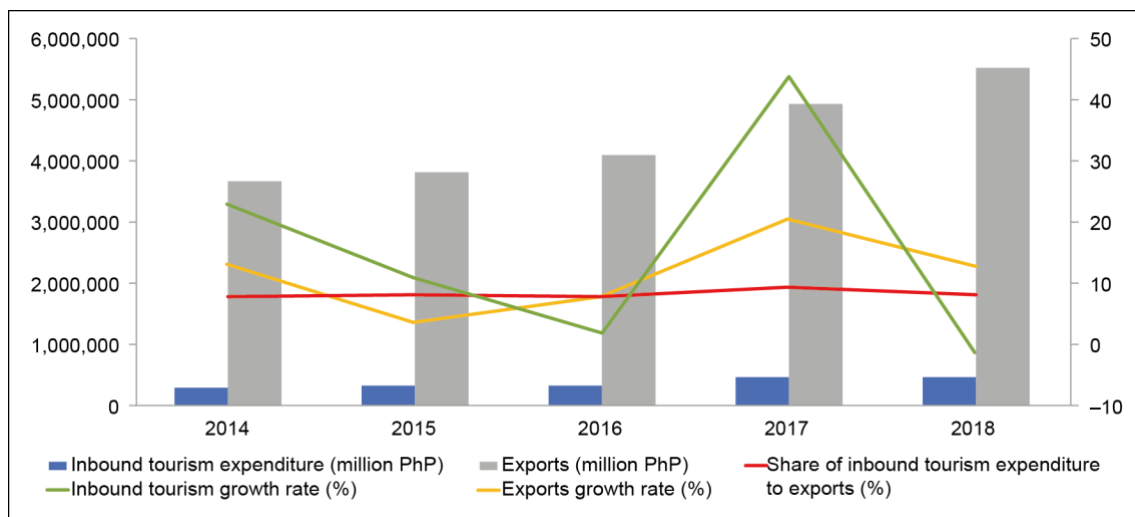
Tourism is one of the largest sectors of the Philippine economy. The bar graph in Figure 2 illustrates that tourism’s domestic gross valued added (TDGVA) receipts reached 2.2 trillion pesos in 2018, passing the 2 trillion pesos mark for the first time. The share of TDGVA in the country’s GDP also rose from 9.0% in 2014 to 12.7% in 2018 (red line), with the annual TDGVA growth rates (green line) outpacing the GDP

² All the graphs in this section use two vertical axes. Bar graph data appear on the left-hand vertical axis, which shows absolute numbers. Linear data appear on the right-hand vertical axis, which uses the percentage as its unit. The horizontal axis plots the year.

growth rates (yellow line). Accordingly, the tourism sector has accomplished the goal of a 10% contribution to the GDP years ahead of its 2022 target in the National Tourism Development Plan 2016–2022.

Figure 3 indicates that, with its 8% share of the Philippines’ total exports (red line), inbound tourism expenditure, or the expenditure of international visitors in the Philippines, ranks third among the biggest export items, with only miscellaneous services and semiconductors ranking higher. While the growth rate of inbound tourism expenditure (green line) rose sharply to 43.9% in 2017, it then declined by 1.6% in 2018. There are several possible reasons for this, including the closure of Boracay, the top foreign tourism destination, in 2018 and the controversies surrounding the Duterte administration, which led to caution in travel advisories.

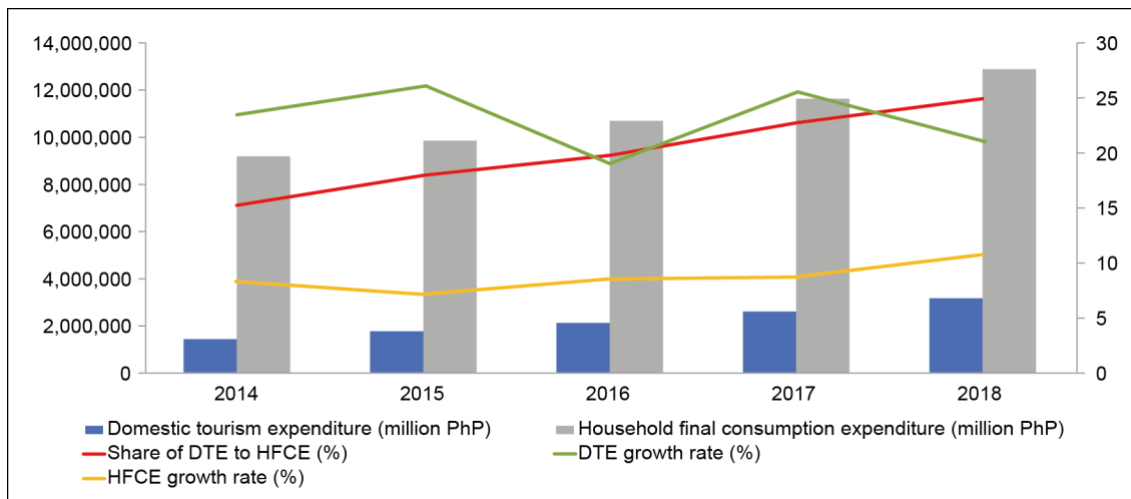
Figure 3: Inbound Tourism Expenditure and Exports at Current Prices, 2014–2018



Source: Author’s compilation using Philippine Tourism Satellite Account data (2019).

Domestic tourism is also continuing to increase as Filipinos choose to travel to different regions of the country for holidays. The country reached the target numbers for domestic tourists in the National Tourism Development Plan 2016–2022 early, causing the Department of Tourism to consider revising the target (Talavera 2019a). The share of domestic tourism expenditure in household final consumption expenditure (red line) grew from 13.1% in 2014 to 19.8% in 2018, as Figure 4 shows. The increasing GDP per capita and the transitioning of the Philippine economy from the lower-middle-income to the upper middle-income bracket over the next several years are encouraging more and more Filipinos to travel, starting with domestic travel and gradually including outbound international travel. The growth of domestic tourism expenditure (green line) is double the growth of household final consumption expenditure (yellow line).

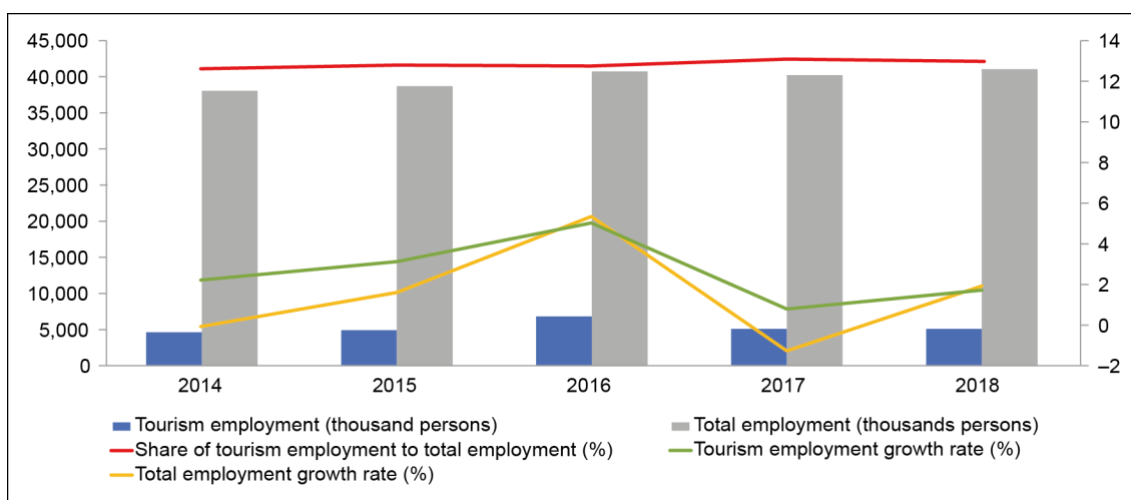
Figure 4: Domestic Tourism Expenditure (DTE) and Household Final Consumption Expenditure (HFCE) at Current Prices, 2014–2018



Source: Author’s compilation using Philippine Tourism Satellite Account data (2019).

Employment in the tourism industry grew steadily from 4.8 million employed persons in 2014 to 5.3 million employed persons in 2018, as Figure 5 shows, with the industry employment growth rate (green line) a notch higher than the aggregate growth rate (yellow line). The share of employment in tourism in the total employment (red line) also increased steadily from 12.7% in 2014 to 13.0% in 2018.

Figure 5: Employment in Tourism Industries versus Total Employment, 2014–2018



Source: Author’s compilation using Philippine Tourism Satellite Account data (2019).

Just like many developing countries, community participation in the tourism planning process is a way of implementing sustainable tourism in the Philippines (Okazaki 2008). In community-based tourism, local communities manage and organize most tourism activities. This is an effective way to manage tourism in the Philippines since it decentralizes the governance to the local government units, with the barangay as the smallest unit. Community-based tourism allows coordination amongst the different

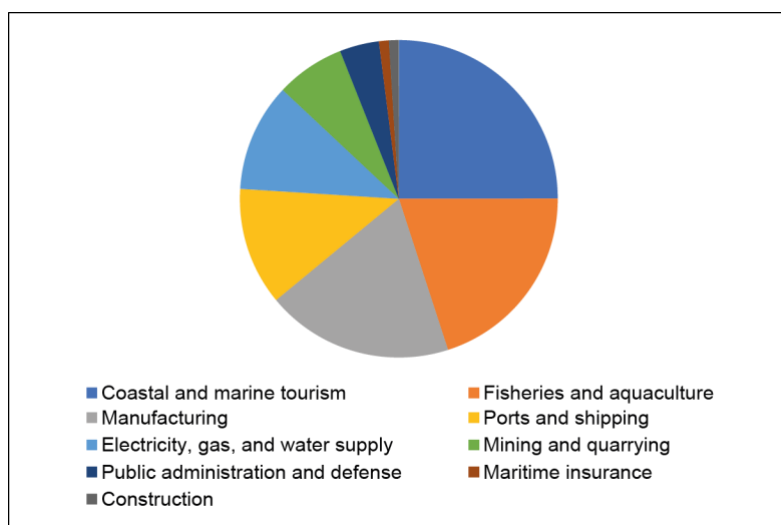
tourism stakeholders and active community involvement, making it a viable development strategy. This type of tourism is a mechanism for poverty alleviation as it provides greater economic benefits to the residents of the local community through the establishment of micro, small, or medium-sized enterprises and the generation of local employment (Teck-Weng, Hui-Bun, and Alim 2019). On the demand side, tourists can interact more with the local community and learn about the local culture and customs. This is important as the culture in the Philippines is as diverse as the number of islands. Taking this even further, many communities in the Philippines are developing strategies that incorporate sustainability components in the form of community-based ecotourism.

3. OCEAN WEALTH OF THE PHILIPPINES

3.1 The Philippine Blue Economy

The National State of the Oceans and Coasts (SOC) Report provides information on the status of seas and coasts of the Philippines, including the national ocean economy as well as the quantity and quality of resources in the coastal areas. The ocean economy of the Philippines covers 1,830 sq. km of territorial sea, and its coastline of more than 7,000 islands spans a total 36,289 km, making it one of the longest coastlines in the world. Up to 62% of the country’s 105 million citizens reside and work in coastal areas, with 2.15 million Filipinos working in ocean economy industries. Estimations have indicated that the ocean economy contributes US\$11.9 billion in gross value added (2015, constant prices), accounting for 7% of the country’s GDP. Coastal and marine tourism is the largest sector of the blue economy in the Philippines, contributing a quarter of the total value or an estimated US\$3 billion in value added, with around 900,000 employees. Fisheries and aquaculture (20%) and manufacturing (19%) follow. The value of the ecosystem services that the marine and coastal environment provides is an estimated US\$17 billion (PEMSEA 2018).

Figure 6: Blue Economy of the Philippines by Sector³ (%)



Source: Philippine National SOC Report (PEMSEA 2018).

³ We based the calculations of the Philippine blue economy on the total gross value added (TGVA) of ocean-based activities by industrial origin using data from the Philippine Statistics Authority (PSA). The PSA is currently establishing the Philippine Ocean Economy Satellite Accounts.

3.2 Valuating Coastal and Marine Ecosystems

Glover et al. (2018) asserted that properly managing ocean resources requires knowledge of the exact resources present in the ecosystem, including the inventory of individual species, and the identification of the relationships amongst these. Coral reefs, mangroves, and seagrasses are the three major ecosystems in the Philippines' coastal and marine areas. The country is in the so-called Coral Triangle, a marine area that is home to the greatest number of coral species in the world as well as other reef-dependent biodiversity, such as sea turtles and fish. Researchers have claimed that the Verde Island Passage, situated between the main island of Luzon and the island of Mindoro, is the "center of the center" of the Coral Triangle and the richest source of biodiversity (Servonnat et al. 2019). Furthermore, of the world's more than 70 salt-tolerant mangrove species, around 46 species exist in the Philippines (Viray-Mendoza 2017). The country is also home to 18 of the world's 60 seagrass species, second only to Australia's inventory of 30 species (Fortes 2013).

Numerous studies have attempted to assess the wealth of resources in Philippine waters. Table 1 summarizes the net annual benefits of the different marine ecosystems in the Philippines. Coral reefs, mangroves, and seagrasses provide a combined benefit of US\$6.2 billion each year.

Table 1: Estimated Ocean Resources of the Philippines

Ocean Resource	Area (sq. km)	Net Annual Benefits per ha (US\$)	Net Annual Benefits (US\$ million)
Coral Reefs	25,060	2,347	5,881.6
Mangroves	3,238	973	315.1
Seagrasses	978	41	4.0
Total	29,276		6,200.7

Source: Author's calculations based on Azanza et al. (2017) and PEMSEA (2018).

3.3 Ocean Health

A healthy ocean sustainably delivers a range of economic, social, and environmental benefits to current and future generations. The Ocean Health Index is a framework to assess ocean socio-ecological marine systems comprehensively. The Philippines scored 61 out of 100 and ranked 171st amongst 226 countries. This score is lower than the global average score of 71, which is alarming given the significant natural resources existing in Philippine marine and coastal ecosystems. This suggests that the Philippines has been exploiting the ocean and marine resources in ways that are not sustainable.

Tourism and recreation received the lowest score of 16, significantly below the goal of 52. This is interesting because, according to estimations, marine tourism makes up 25% of the country's blue economy. Furthermore, the score for coastal livelihoods and economies is 45, only a little over half the target of 82. These scores indicate that the country is not maintaining ocean-dependent livelihoods and revenues or maximizing livelihood quality. This makes sense given the disaster-prone nature of the Philippines. People living in coastal areas are the most vulnerable to extreme weather events, such as typhoons, placing their livelihoods in peril. Food provision is also low, at 39, indicating that the capture or raising of seafood does not take place in a sustainable manner. Fishing in the Philippines has experienced several issues, including

overfishing, illegal fishing methods, and poaching. Finally, the Philippines is 13 points below the target of 70 for clean waters. Due to its sachet economy, the country is the third-largest contributor to marine plastic (Porcalla 2018).

Table 2: Summary of Ocean Health Index Scores for the Philippines

Component	Score (out of 100)
Ocean Health Index	61
Food provision	39
Artisanal fishing opportunities	63
Natural products	92
Carbon storage	69
Coastal protection	93
Coastal livelihood and economies	45
Tourism and recreation	16
Sense of place	50
Clean waters	57
Biodiversity	84

Source: Oceanhealthindex.org.

A nationwide assessment of coral reefs in the Philippines classified approximately 90% of the sampled areas as poor or fair in terms of live coral cover, indicating a decline in coral reef health over the last few decades, primarily due to mass coral bleaching (Licuanan et al. 2017). Warm ocean temperatures, especially during El Nino events, and other biological stressors, such as crown of thorns infestation, also contribute to coral loss (Chan 2020). Overexploitation of aquatic resources, including overfishing, the use of illegal and destructive fishing methods, and sedimentation, are some of the anthropogenic causes of poor coral health (Verdadero et al. 2017). Siltation from upland erosion is one of the most critical threats to both coral reefs and the seagrass ecosystem in the Philippines (Seagrass Watch n.d.). Seagrass losses also occur due to pressure from increasing coastal populations and near-shore developments (Fortes et al. 2018). Seagrass meadows remain the least-studied coastal habitats despite their importance, resulting in a lack of appreciation of them and their low priority in conservation programs (Cacibo 2021).

Philippine mangrove areas have also declined by 50% since the 1970s, primarily due to both climate change and forest management practices. More frequent and intense tropical typhoons and the subsequent storm surges have destroyed significant mangrove cover. Anthropogenic sources, such the expansion of aquaculture, with fishponds encroaching on mangrove forests, and the cutting of mangroves for fuel and home construction, have also contributed to mangrove loss (Buitre et al. 2019). Furthermore, the conversion of upland forests into agricultural land has increased the amount of pollution from agricultural compounds spreading through river systems. Deforestation has also contributed to erosion from upstream sources, and petroleum pollution from land-based activity can suffocate mangrove root systems (Viray-Mendoza 2017). While the Philippines has made significant investments in mangrove afforestation programs, these have been largely unsuccessful due to outplanting of the wrong species in areas with unsuitable hydrological characteristics (Sharma et al. 2017).

Tourism received one of the lowest scores because the Philippines often experiences overtourism or tourist pressure on local populations in many of its top destinations (Gössling, McCabe, and Chen 2020). Local chief executives are often at a loss in managing increasing tourist numbers and the multidimensional impact of tourism on their municipality (Varga 2019). The economic benefits of tourism to the local community resulted in their oblivion to environmental protection. Job generation and municipal development are the most positive impacts of tourism, which result in a trade-off against the carrying capacity of the ecosystem (Jalani 2012). Tourism-related environmental problems, such as overcrowding, the destruction of natural habitats, poor waste management, and pollution, have been reoccurring despite numerous national laws, local ordinances, and corresponding penalties for violations.

4. OCEAN TOURISM IN THE PHILIPPINES

As the previous section mentioned, estimations have indicated that ocean tourism contributes as much as 25% to the Philippines' blue economy. Unfortunately, limited tourism-related statistics are available in the Philippines. The time series data that the Department of Tourism and the Philippine Statistical Authority publish only consider tourism's contribution to the economy as an aggregate. They break down some of the data by type of travel, but this only applies to leisure and business travel, and by mode of travel, such as air, land, and water. No published official statistics relate to ocean, marine, or coastal tourism.⁴ Among ocean tourism pursuits, beach activities still provide the largest revenue stream, while diving is a growing segment. Mangrove ecotourism is the primary community-based form of ecotourism. Cruise tourism presents the largest potential for growth in the next 5 to 10 years. Surfing and sport fishing are present but constitute a niche market. Each type of tourism product has corresponding benefits, negative impacts, and challenges, which Table 6 summarizes.

4.1 Sun and Beach Tourism

Beach tourism is the major tourism product for the Philippines due to the country's geographical profile, with more than 7,000 islands and a tropical climate. Many destinations in the Philippines have reaped accolades for the best beach or the most beautiful island destination, such as Boracay, Palawan, Bohol, and Cebu. This is evident in the extremely large difference in the arrivals and spending of international tourists between business and leisure travel.

Table 3: Inbound Arrivals in Number of Trips, 2014–2019, Thousands of Trips

Type of Travel	2014	2015	2016	2017	2018	2019
Business	482.6	473.0	477.3	466.9	519.0	526.8
Leisure	4,142.9	4,675.9	5,299.2	6,013.4	6,460.3	6,578.5

Source: Euromonitor (2019a).

⁴ The researcher has written to the Department of Tourism to request any disaggregated tourism statistics relating to ocean and marine tourism (e.g., cruises and diving). However, the DOT has yet to reply as of the writing and submission of this paper.

Table 4: Inbound Receipts by Type of Trip, 2014–2019, PhP Million

Type of Travel	2014	2015	2016	2017	2018	2019
Business	1,062.3	830.5	1,085.1	2,003.3	3,085.3	3,814.3
Leisure	212,671.1	229,623.8	222,145.3	323,554.1	411,599.3	453,920.7

Source: Euromonitor (2019a).

While the Philippines has many beaches and considers the beauty of nature as its primary asset for marketability, there have been several instances in which the management of these tourism destinations became examples of unsustainable development. For instance, Boracay Island, the country's top beach destination, generated more than US\$1 billion in 2017 from a record 2 million visitors. The rapidly growing tourism market led to an influx of uncontrolled development and commercial activity (Haynes 2018). Issues of cleanliness, environmental degradation, and the negative socio-cultural impact of Boracay Island, the country's top beach destination, have regularly featured in the news.

This situation led to President Duterte ordering a 6-month closure of Boracay for rehabilitation in 2018. The closure affected more than 30,000 people with employment on the island, including 17,000 informal workers, and the island lost an estimated US\$200 million in tourism income during the closure (Haynes 2018). However, the number of inbound tourists continued to rise despite the closure. Tourists transferred to emerging destinations, such as Palawan or Bohol, which were able to accommodate more visitors due to improvements in the tourism infrastructure. When Boracay reopened, the number of visitors was capped at 6,405 arrivals per day, allowing only 19,000 tourists on the island at any given time (Yap and Calonzo 2018).

4.2 Diving and Marine Sports

Given its location within the Coral Triangle, diving is a popular tourist activity in the Philippines. The top diving destinations include the Tubbataha Reefs National Marine Park in the Sulu Sea, the Apo Reef in Mindoro Occidental, Anilao in Batangas, and Moalboal in Cebu, to name a few. Recently, the Philippines won the 2019 World Travel Award for the World's Leading Dive Destination, while Amanpulo Resort in Palawan was the World's Leading Dive Resort (Department of Tourism (DOT) 2019).

Dive tourism is one of the key product portfolios of the Department of Tourism. Estimates have indicated that the country earned almost PhP500 million in tourism receipts from SCUBA divers in 2017 (Arnaldo 2018). About 350 thousand or 5% of international arrivals participate in diving activities (Talavera 2019b). The agency has hosted dive-centric events and trade shows and expos to promote the country as a diving destination. In terms of institutional arrangements, the Philippine Commission on Sports SCUBA Diving (PCSSD), part of the Department of Tourism, regulates sports and technical diving in the country. The PCSSD is also responsible for the accreditation of dive establishments and dive individuals.

The lack of infrastructure deters foreign divers from visiting the Philippines. The best diving sports are often in remote areas, and it can take time to travel to these places. Some diving spots, like Tubbataha Reef, also have seasonal opening, which might not necessarily align with the holiday schedules of foreign tourists. Finally, the cost of scuba diving, especially liveaboard diving, can be prohibitive to locals; a week-long liveaboard trip can cost PhP125,000 against the average annual income of PhP313,000 for Filipino households. This has led to the growing popularity of free diving as a more cost-effective alternative option.

4.3 Cruise Tourism

Cruise tourism is a relatively new tourism product for the Philippines, lagging behind neighboring countries, such as Malaysia and Thailand (Lopez 2019). Major cruise lines have only begun to arrive in the Philippines over the last 3 to 5 years. In 2017, the country welcomed 114,437 cruise passengers from the five major port of calls (out of 140 ports) in Manila, Boracay, Palawan, Ilocos Norte, and Subic Bay. The growth rate of cruises is exponential; only 446 international cruise passengers arrived in the Philippines in January 2017, compared with 9,156 in the same month in 2018, an increase of 1,953%. Due to the increasing number of ports of call in the country, the Philippines is aiming to develop its cruise tourism product with the implementation of a national cruise development strategy. The Department of Tourism aims to receive 656,635 cruise passengers from 300 ports by the end of 2022. The development of a cruise-dedicated port in Metro Manila supports this (Talavera 2019c).

Table 5: Cruise Transport Sales, Value, 2014–2019 in PhP Million

	2014	2015	2016	2017	2018	2019
Cruise Sales	418.2	436.8	458.3	487.5	549.8	588.8

Source: Euromonitor (2019b).

4.4 Ecotourism

Mangrove areas are the most common sites for community-based ecotourism in the Philippines. Many municipalities have mangrove rehabilitation programs to prevent the loss of mangrove habitats. Mangroves are an important part of the coastal ecosystem because of their ecological importance as a breeding ground for fish and other aquatic species, a habitat for birds, storage for carbon, and a means of preventing soil erosion. Developing mangrove ecotourism in coastal communities is relatively low cost compared with other tourism products in the Philippines and is easier to implement, making it an apt livelihood- and revenue-generating activity for residents and municipalities. Communities around the Philippines put up boardwalks along the mangrove forest and offer guided educational tours, boating and kayaking trips, and birdwatching sessions. In addition to the direct economic activities from mangrove ecotourism, the community benefits from increased mangrove cover, such as improvements in fishing.

Table 6: Assessment of Ocean Tourism Products

Type of Ocean Tourism	Benefits	Negative Impacts	Challenges
Sun and beach tourism	Easy to develop across all market segments (budget to luxury) Generates the most local employment Many different mechanisms to integrate sustainability into tourism operations	Mismanagement and overcrowding can lead to unsustainable tourism Solid waste and water pollution negatively affect the water quality and marine environments Increased bacteria in the water can lead to illnesses	Preventing the overdevelopment of beaches and coastal ecosystems Presenting the business case for investing in natural assets to mobilize the private sector
Dive tourism	Can combine diving trips with marine educational and cleanup activities	Frequently dived sites may suffer damage or loss of coral cover due to close contact with divers stirring up sediment Illegal removal of biodiversity or artifacts Damage resulting from boat anchors	Making the economic benefits of diving more inclusive since it is a niche market
Ecotourism	Implementable as community-based ecotourism in smaller communities Linking ecosystems to tourism promotes the development of natural capital	Potential damage to ecosystems and loss of biodiversity without good management of tourism	Developing a tour that is enticing to paying customers Balancing nature conservation with economic activity
Cruise tourism	Highest growth potential since cruise tourism is still nascent in the Philippines	Congestion due to a large influx of simultaneous arrivals Can push out local tourists from top attractions in favor of higher-paying cruise passengers Large carbon footprint of cruise liners	Requires significant investments in port-of-call infrastructure

5. POLICY LANDSCAPE AND GAPS

The policy landscape for ocean tourism comprises a mix of tourism policies, environmental policies, and the integration of the two (see Appendix A). As an archipelagic nation, the Philippines relies heavily on marine-related tourism activities. Thus, the policy framework for the blue economy is relatively well developed and robust. In fact, given the numerous regulations, it might be challenging for different actors to navigate the complex policy landscape.

Poor implementation and enforcement of laws are typical in the Philippines. Despite having a national ecotourism strategy and supposed coordination of different national agencies, many tourist destinations in the Philippines are experiencing uncontrolled development. The closure of Boracay, El Nido, and, soon, other tourist destinations for necessary rehabilitation is evidence of the mismanagement of the growth of tourism. Given the economic impact of tourism, municipalities are now considering it as a way to alleviate poverty for the community. However, many municipalities are developing their

tourism portfolios without proper planning and without putting the necessary infrastructure in place.

Successful management of protected areas in the Philippines is critical to both biodiversity preservation and inclusive development for the local communities. However, there are challenges in managing protected areas. Aside from the few that the National Integrated Protected Areas System (NIPAS) and the Extended National Integrated Protected Areas System (E-NIPAS) cover, local government ordinances form the majority of marine protected areas. Regulating fishing is the primary reason for designating marine protected areas. Tourism is usually an afterthought. There is often a need to build the capacity of locals to manage and govern their marine protected areas effectively. Marine protected areas often lack adequate funding because they rely primarily on income from permits and an allotment from the municipality's coffers. Many of these biodiversity-rich areas are in low-income municipalities, implying that the proportion of funding will be smaller. The better-managed marine protected areas can augment their budget through grants, donations, and partnerships. However, this requires the local government and those managing the protected area to have the competencies and the resources to write grant applications.

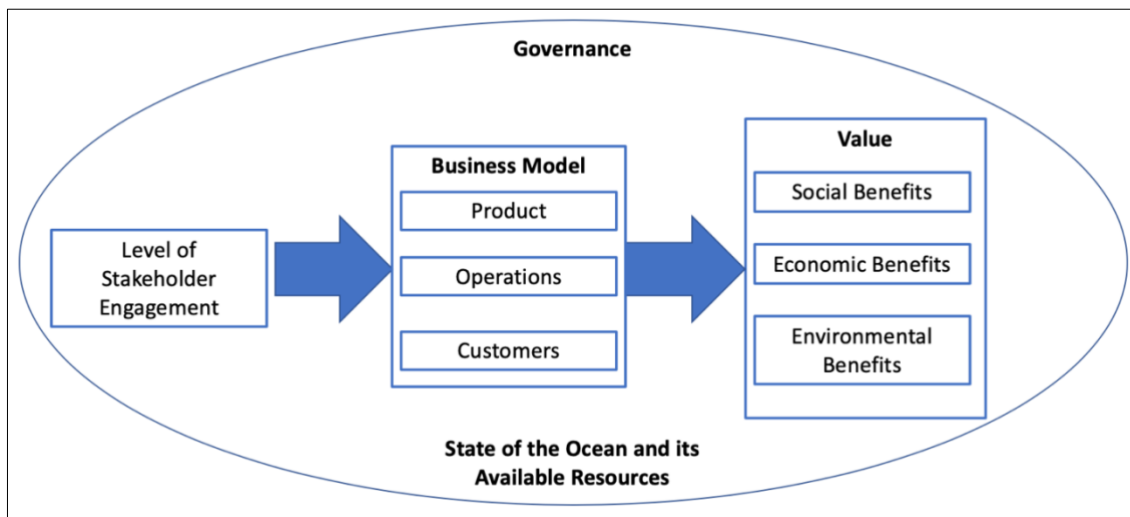
There are instances in which policies have varying levels of applicability that lead to conflict among governing bodies. For instance, the Protected Area Management Office of a particular protected area will have jurisdiction over the seascape and landscape of that protected area. Thus, the local government can issue fishing permits only on waters that are not part of the protected area, which can conflict with the Philippine Fisheries Code, the scope of which covers all Philippine waters. The Department of Agriculture can also establish fish refuges and sanctuaries in fishing grounds. Too many governing laws and bureaucratic red tape can discourage potential tourism enterprise owners.

6. CASE STUDY ANALYSIS

This paper analyzes the case of El Nido Resorts as an example of a sustainable ocean tourism enterprise. The private sector is a key actor in the development of the Philippine Blue Economy. The majority of tourism establishments in the country are privately owned, and El Nido Resorts shows how a private tourism enterprise can contribute to the blue economy by providing local communities with economic benefits while ensuring ecosystem integrity through investments in natural capital. Engaging the private sector in shifting to more sustainable behavior is one of the key challenges for a lower-carbon economy.

6.1 Framework for the Case Study Analysis

The analysis of the succeeding case study utilizes a combined framework that espouses the principles of the blue economy (WWF 2015), sustainable tourism development (UNWTO 2018), and the inclusive business model framework (UN Global Compact 2015). The three frameworks align with each other as their foundation is the tenet that economic development should be inclusive and should not come at a cost to the environment and society. The inclusive business model framework takes the economic side further by showing the integration of the bottom of the pyramid into the supply chain.

Figure 7: Conceptual Framework for Analyzing Tourism in the Blue Economy

Tourism in the blue economy should be inclusive, engaging stakeholders in the development and operation of tourism products and services, and it should be dependent on the state of the localized marine environment and the available resources. Ideally, the design of the tourism product should also consider the provision of solutions for the existing social, economic, and environmental problems that the area is experiencing. The analysis of the level of engagement uses the OECD typology of levels of stakeholder engagement (OECD 2015). The study also examines the business models of the various cases, with an emphasis on establishing whether the business model is inclusive and the operational activities are green. The third level of analysis is the different social, environmental, and economic benefits that tourism generates and how it transforms the state of the ocean and its resources. Lastly, the discussion considers the model of governance in the area.

6.2 Case Study: El Nido Resorts

Situated in Bacuit Bay, the municipality of El Nido is a first-class municipality located in the province of Palawan, Philippines. The municipality covers a land area of 465.1 square kilometers on the northernmost tip of mainland Palawan. Several bodies of water, the Linapacan Strait in the north, the Sulu Sea in the east, and another body of water in the opposite side, surround it. El Nido consists of 45 islands and islets, each of which has its own unique geological formations.

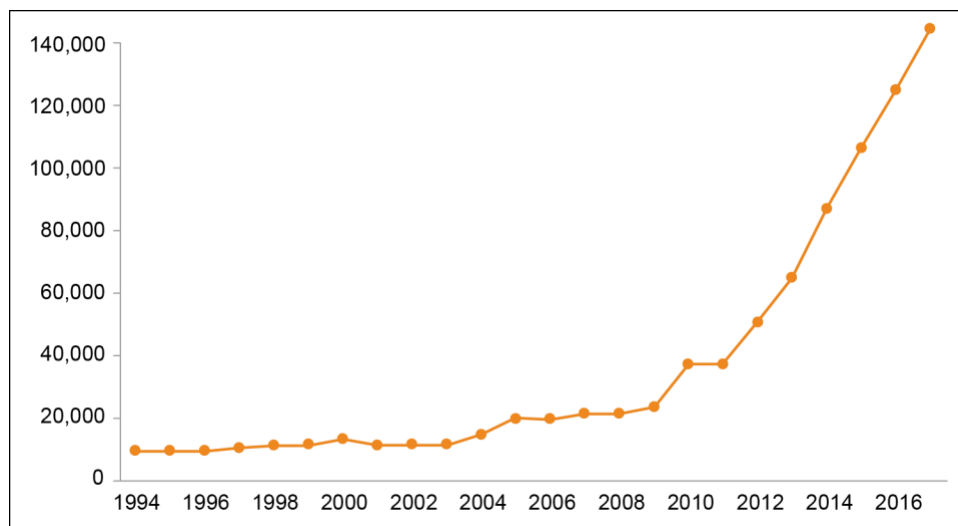
The municipality has a population of 41,606 people living in 18 barangays as of the 2015 census. Given its location, most of the residents engage in fishing, agriculture, or tourism. The poverty incidence in the province of Palawan was 24.6% in 2015, but this reduced significantly to 16.2% in 2018 as the province joined the cluster of least poor provinces in the country.

Palawan is an archipelago of 1,780 islands in the western part of the Philippines. It has the highest concentration of islands but is the most sparsely populated region in the country. Palawan is rich in natural resources, giving it the moniker of the Philippines' last ecological frontier. The El Nido–Taytay Managed Resource Protected Area is located on the north-western tip of the mainland of Palawan. The local government initially proclaimed it as a marine reserve and later expanded this to include the nearby town of Taytay and the terrestrial ecosystem when it converted it into a protected area.

Covering 36,000 hectares of land and 54,000 hectares of marine waters, the inventory of natural resources includes limestone cliffs, beaches, mangroves, clear waters, and forests. The protected area is a habitat for high counts of biodiversity. On 17 October 2017, six municipalities in northern Palawan, including El Nido, signed a Memorandum of Agreement to implement the 1.008 million-hectare Northeastern Palawan Marine Protected Area Network Management Plan.

Tourism in El Nido started in the early 1980s with the establishment of a dive station on one of the islands. The tourism growth was initially slow due to a lack of infrastructure. The development of an airport and improvements in the road network from the provincial capital of Puerto Princesa led to shorter travel times, resulting in the exponential growth of tourism. The closure of Boracay for 6 months in 2018 diverted tourists to new destinations, with Palawan providing the biggest draw.

Figure 8: Tourist Arrivals in El Nido



Source: Llanto (2018).

The tourism boom over the last 10 years may have transformed the local economy, but the uncontrolled development has led to the declaration of El Nido as overcrowded. The municipality is experiencing a spate of environmental issues, including pollution. The town has had positive tests for coliform in the past. It underwent a 6-month rehabilitation program starting in November 2018 to address its problems. Unlike Boracay, El Nido remained open to tourists during this period but implemented a no-swimming policy in severely affected areas. Furthermore, the government inventoried commercial and residential establishments violating easement rules and gave them notice to vacate. The town also passed an ordinance banning single-use plastic bottles and bags.

The Ten Knots Development Corporation, now an Ayala Land Inc. subsidiary (60% ownership), is a pioneer in El Nido. The corporation opened its first luxury resort in 1983 and operates using the El Nido Resorts brand in four locations: Apulit Island, Miniloc Island, Lagen Island, and Pangulasian Island. The company is also the developer of the Lio Tourism Estate, the master plan of which is to be an ecologically and financially sustainable tourism destination.

The company operates its resorts within the protected area. All El Nido Resorts uphold the company's "Be G.R.E.E.N." philosophy—Guard, Respect and Educate El Nido. All resort staff need to follow this training program, which consists of modules and exams on environmental management, biodiversity conservation, and environmental legislation. Staff also take a sustainability tour and experience immersion in the material recovery facility and farm. The company requires business operations to have the least possible impact on the environment while promoting respect for the local culture. The best practices of the resort include different ways to engage customers, motivate employees, and work with local communities while protecting the environment. Organization-wise, these initiatives are under the management of El Nido Resorts' sustainability team, which the director of environment and sustainability leads. Each resort has at least one in-house member of the sustainability team as a sustainability officer, an environmental officer, or an environmental enforcement officer. The background of the team members ranges from environmental engineering to wildlife biology to working as a ranger in the protected area, qualifying the team to design and implement sustainability programs.

Table 7: Stakeholder Engagement for El Nido Resorts

Level	Case Examples
Communication	Making the guests more knowledgeable about the different ecosystems, local culture, and sustainability issues in El Nido by integrating education with the guest experience
Consultation	Consulting with stakeholders on designing not only the guest experiences but also their conservation and sustainability programs
Participation	Working with the community on developing scientific studies and monitoring wildlife
Representation	Upskilling the local community and prioritizing locals for hiring and promotion
Partnerships	Partnerships with the local community to supply good and services to the resort
Co-decision making and co-production	Working with the local government to craft ordinances

6.3.1 Linking with Local Communities

El Nido Resorts has spurred economic growth as the largest employer in the municipality. In the beginning, many of the staff were from other parts of the country due to the lack of hospitality skills amongst the locals. The resort began to capacitate the local community by offering training programs on the skills that the hospitality industry required. Local women received training to become licensed massage therapists. This allows the residents of El Nido to have a secure livelihood without migrating to other parts of the country. From a business standpoint, it guarantees a consistent supply of skilled human resource for the El Nido Resorts and other establishments in the area.

The resort also makes it a priority to patronize local products to provide a livelihood for the community and reduce the carbon footprint. Local farmers learn about sustainable agricultural techniques from the resorts' model farm, which they can then implement on their own farms. Locally and organically produced vegetables comprise 60% of the total kitchen purchases, while locally reared livestock accounts for 90% of the total kitchen purchases. Sourcing locally allows the company to have more control over its supply chain while lowering the transportation costs. From a marketing standpoint, this can be a unique selling proposition due to the growing trend for consumers to prefer the "farm-to-table" approach to food.

Instead of investing in its own boats, El Nido Resorts works with local outrigger boat owners to fulfill the transportation requirements of the resort, including island-hopping tours and snorkeling trips. The resorts purchase native bags and slippers from local female weavers as complimentary room amenities for guests. Locals have a continuous livelihood because there will always be a demand from the resort. This also allows the preservation of the local culture and traditions through weaving. In addition, by paying competitive rates, the resorts will always have a supply of the products and services that they need.

6.3.2 Low-Impact Operations

El Nido Resorts implements practices that reduce waste and save resources like energy and water. The initial investment in the required technology might be higher in terms of upfront costs, but it pays off in the long term in the form of savings due to operational efficiency. El Nido Resorts operates a sewage treatment plant in combination with native reed bed filters to prevent discharges of raw sewage and grey water into the sea. It utilizes treated water in flushing toilets, watering plants, and supplying fire hydrants. Solid wastes undergo strict segregation before reaching the resort's full-cycle material recovery facility. This picks up recyclable waste for recycling while composting organic waste for use in the garden or on farms. Saying no to single-use plastics is common these days, but El Nido has had a refillable drinking water system for the last 10 years. The kitchen also works with its suppliers to refill containers for some of their supplies, such as cooking oil.

The resorts also operate their own desalination plant to guarantee the supply of fresh water without competing with local communities for the limited supply on the island. A rainwater catchment system for flushing toilets augments it. Several resort cottages have solar panels. Instead of the once-a-year Earth Hours, the resorts turn off their lights for an hour every full moon during the summer months and use the savings to purchase seedlings for a carbon-offsetting program in the El Nido watershed.

6.3.3 Guest Satisfaction through Low-Impact Tourism

El Nido is highly selective when it comes to its portfolio of guest activities; these should strongly engage guests but limit the disturbance to the natural environment. Only non-motorized sports equipment, such as kayaks, snorkels, and paddleboards, are available for guest use. Investing in these amenities is less costly than investing in motorized equipment, and the potential for damaging the ecosystems is lower. Guided tours, such as fishing expeditions, educate guests on ecosystems and conservation. Guests learn how to catch fishing sustainably using a line. The resort partners with a local fishing village to run these tours and demonstrate fishing techniques. With the ability to augment their income, local fishermen are less prone to resort to illegal means of fishing in the protected area. Trends in consumer behavior indicate an increase in preferences for authentic experiences (Boss 2008). The combination of environmental education, engaging with locals, and learning traditional practices provides guests with a unique experience that captures their satisfaction and loyalty and gains a competitive advantage for the organization.

6.3.4 Conservation and Education Efforts

El Nido Resorts works closely with the community and local government in the prevention of illegal fishing, coral and reef fish assessments, and environmental education campaigns. The organization launched El Nido Biodiversity Online, a database of El Nido's flora and fauna, in 2000 so that guests can learn more about the

biodiversity in the area. The resorts also support scientific studies by providing visiting researchers with logistical support.

The resort works with the government, mainly the Protected Area Office, to develop conservation programs, such as tagging and releasing sea turtles, protecting hatching grounds, and relocating giant clams to prevent poaching. A partnership with CSOs and the local community installed an artificial reef in part of Bacuit Bay that illegal fishing and coral bleaching had damaged. It also installed mooring buoys around the bay to prevent coral damage in high-traffic reefs.

El Nido Resorts sponsors Sea Scouts training for both resort staff and the local community to develop qualified personnel who are able to respond to marine incidents. Resort staff are also part of the joint Marine Monitoring Task Force, helping the Protected Area Management Board and the municipal government to patrol the area. Furthermore, the resort is highly engaged in the policy cycle as it participates in co-designing ordinances to improve the management of the protected area. El Nido Resorts was one of the stakeholders that lobbied for the creation of the marine reserve in 1991.

6.3.5 The Business Case for Sustainability

El Nido Resorts has been operating in Palawan for almost 40 years and is an example of how to balance profit generation with social and environmental benefits. The various resorts within Ten Knot Development Corporation's portfolio have been reaping rewards for the last 20 years. The company has built a very strong brand based on sustainability. Travel companies and prospective guests take note of these awards when they make their purchase decisions. For a tourism venture that generates revenues from guests experiencing nature, keeping the environment pristine can only enhance the product and experience. This has worked since all El Nido's resorts currently enjoy a 4.5 or higher (out of 5) rating on Trip Advisor, the top online word-of-mouth rating website for travelers. El Nido Resorts' good practices and key success factors in delivering tourism services within the context of a protected area can be a model for other ocean tourism enterprises.

7. CONCLUSION AND WAYS TO PROCEED

As a component of the blue economy, ocean tourism is an important contributor to the growth and development of the Philippines. As an archipelagic nation, tourism activities in coastline areas, as well as in offshore zones, contribute to revenues for cities and municipalities, job generation and skills development for local residents, and business opportunities. These can lead to improvements in the quality of life of communities.

The Philippine Government has been active in policy development given the significance of ocean tourism. Policies couple tourism development with environmental protection and poverty alleviation and require multi-agency collaboration. However, despite the numerous tourism and marine ecosystem protection policies in place, many tourism destinations, often beaches, are experiencing uncontrolled development.

The analysis of the ocean tourism ecosystem of the Philippines and the corresponding case study of El Nido Resorts led to the identification of several policy recommendations:

1. An analysis of ecosystems in a destination with significant natural resource assets is necessary to estimate the carrying capacity for tourism. This would allow tourism planners to manage tourist numbers and not exceed the carrying capacity when planning for tourism development. The collection of tourism statistics will be critical in monitoring the limits of tourism in the area. This requires harmonized standards and procedures on how to make inventories of natural capital.
2. Multiple stakeholders need to engage in the entire tourism development chain, from conceptualization and master planning to monitoring and evaluation. The co-creation of tourism development pathways is critical to innovation and to making the sector more inclusive. Stakeholders could include government agencies, local governments, the business sector, tourists, and the local community. The socio-economic development of the area should also include minority groups to give them a voice. Stakeholder management will be critical in harnessing synergies that result in a mutually valued roadmap for tourism development.
3. There is also a need to assess infrastructure needs prior to creating a tourism development plan for a destination. Financing mechanisms and private–public partnerships could be the norm in tourism enterprise zones.
4. Embedding payment for ecosystem services (PES) in tourism products is a financing mechanism that ensures that those who work on preserving the environment also share in the economic benefits. Currently, national parks and other community-based tourist spots charge an environmental fee and/or entrance fees. PES can act as a valued-added form of taxation through different modalities, commonly through a utilities charge. This mechanism can pass on the cost to the consumer in terms of a per bed per night fee. This defrays objections from the private sector on spending for sustainability. The charging of the PES would need an estimate of the valuation of the natural resources and corresponding ecosystem services of the area.
5. Limiting tourist numbers each day for each site or attraction based on assessments of the carrying capacity and infrastructure can help to address the issue of capacity. The local government can restrict the capacity for public attractions by requiring prior reservations with the local tourism office, which tour operators or accommodation establishments can make on behalf of the guests. Booking timeslots can also spread out visitors during the day, preventing overcrowding and making the experience much more pleasurable.
6. The private sector is responding to the changing regulations. Most tourism businesses will change their practices if government policies compel them to do so. Local governments and national agencies can explore policies mandating tourism establishments to incorporate sustainability into their business plans prior to the issuance or renewal of their business permit. Government incentives in the form of lower tax rates and other instruments can incentivize the private sector to incorporate ESG factors into their practices and key performance indicators. On the violation side, the imposition of stiffer penalties on violators can discourage businesses from choosing to pay the penalties rather than changing their practices.

7. Local communities have a key role to play in citizen-led enforcement, which can address poor enforcement of laws and policies. Civil society organizations and community members can form volunteer groups to monitor any violations of the existing tourism and environmental ordinances and legislation. Capacity building will be necessary to equip these groups with the ability to recognize and report illegal behavior to the relevant authorities through an established referral pathway.
8. Further research can develop the business case for sustainability in ocean tourism enterprises to understand the different modalities for success in terms of the financial sustainability of the business, environmental protection, and climate change mitigation or adaptation. The private sector will consider strategies if research can prove that investing in sustainability has a return and makes business sense.

APPENDIX A: LAWS AND POLICIES REGARDING BLUE ECONOMY DEVELOPMENT

A.1 Overarching Policy

1987 Philippine Constitution

Ocean tourism's foundation is Article XII of the 1987 Philippine Constitution—National Economy and Patrimony—which mandates that “The State shall protect the nation's marine wealth in its archipelagic waters, territorial sea, and exclusive economic zone, and reserve its use and enjoyment exclusively to Filipino citizens.”

A.2 Tourism Policies

Executive Order 111, Series 1999

E.O. 111, s. 2019 establishes the guidelines for ecotourism development in the Philippines, which foster sustainable tourism while enjoining the participation of the Filipino people in enhancing the growth and competitiveness of the Philippine economy. Provisions for the creation of the National Ecotourism Development Council and the formulation of a National Ecotourism Strategy are also part of the order.

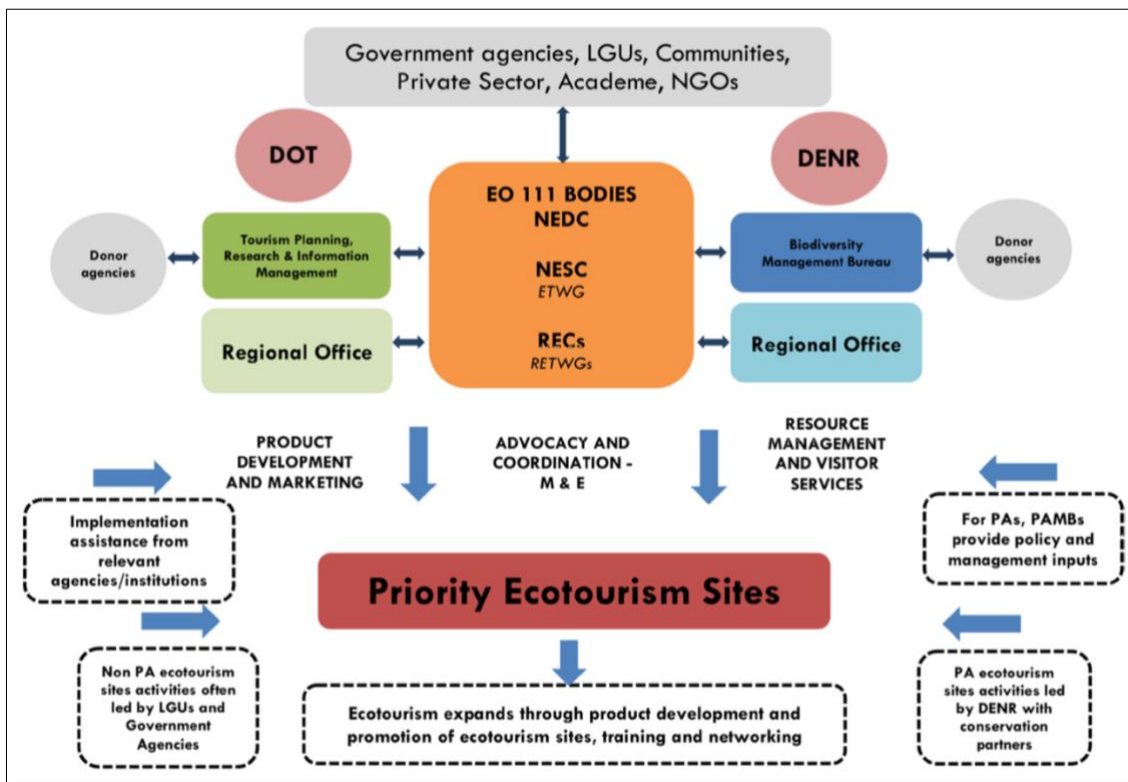
Republic Act 9593 or the Tourism Act of 2009

RA 9593 declares tourism to be an indispensable element of the national economy and an industry of national interest and importance, which the country must harness as an engine of socioeconomic growth and cultural affirmation; to generate investment, foreign exchange, and employment; and to continue to mold an enhanced sense of national pride for all Filipinos. One of the specific objectives of this act is to promote a tourism industry that is ecologically sustainable, participative, and ethically and socially equitable for local communities. The act also paved the way for the creation of Tourism Enterprise Zones through the reorganization to what is now called the Tourism Infrastructure and Enterprise Zone and the reorganization of the tourism promotion function of different organizations into the Tourism Promotions Board. A TEZ is a master planned piece of land for development into an integrated tourism complex to host tourism enterprise facilities and services within the property.

National Ecotourism Strategy and Action Plan 2013–2022

The National Ecotourism Strategy (NES) is a joint development of the Department of Tourism and the Department of Environment and Natural Resources—Biodiversity Management Bureau (DENR-BMB) and establishes the ecosystem agenda for the Philippines. The NES focuses on fostering strong cohesion among ecotourism stakeholders to pursue inclusive growth in the development of ecotourism sites and destinations forming a network within the identified clusters of tourism development. The NES identifies eight strategies for sound ecotourism development and includes coordination between host communities and different key players, from the national government to the private sector. It requires these key players to build institutional relationships.

Figure A.1: Institutional Relationships in the National Ecotourism Strategy



Source: NES 2013–2022.

Philippine Development Plan 2016a–2022

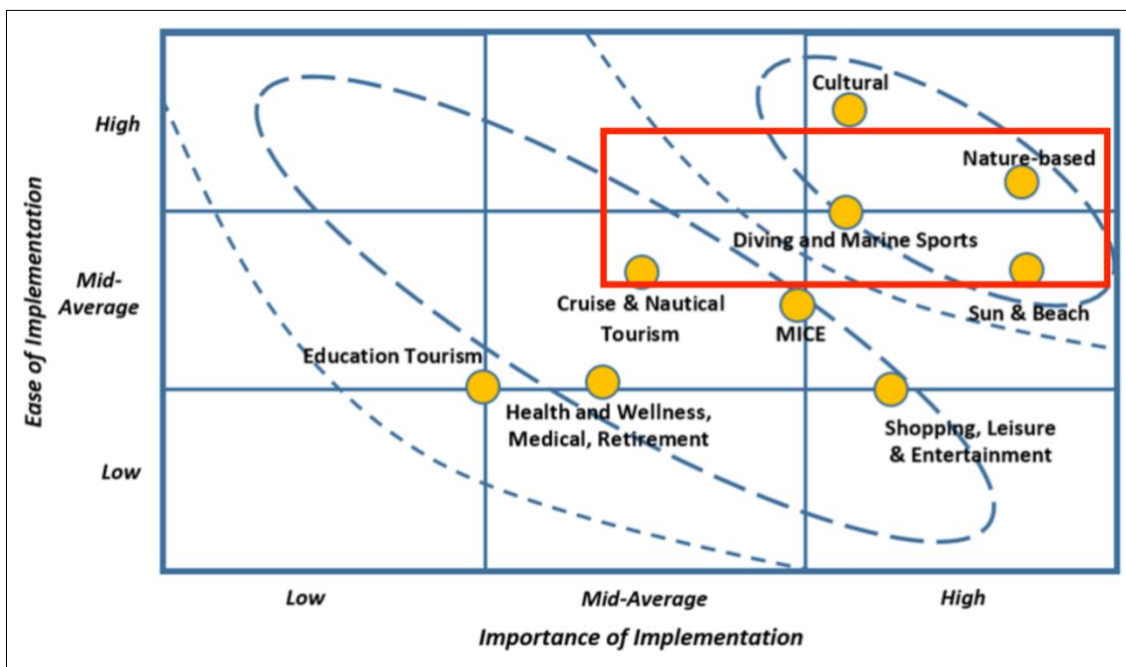
Tourism-related services constitute one of the nine priority sectors with the greatest potential to realize the path toward inclusive development, which the Philippine Development Plan (PDP) 2016–2022 outlined. The Department of Tourism is one of the member agencies of the planning committee on economic development and the planning committee on ecological integrity. Chapter 20 of the PDP focuses on more aggressive strategies to rehabilitate and restore degraded natural resources and protect fragile ecosystems while improving the welfare of resource-dependent communities. One of these strategies is to expand the development of sustainable resource-based industries such as ecotourism, supporting tourism MSMEs and encouraging community-based approaches to tourism.

National Tourism Development Plan 2016b–2022

The government updates the National Tourism Development Plan (NTDP) every 6 years, at the start of each new administration. The current version aims to develop a globally competitive, environmentally sustainable, and socially responsible tourism industry that promotes inclusive growth through employment generation and equitable distribution of income, thereby contributing to building a foundation for a high-trust society.

The plan identifies nine tourism products, including nature-based tourism, sun and beach tourism, cruise and nautical tourism, and diving and marine tourism. The NTDP has determined, based on the ease and importance of implementation, that ocean-related tourism products should receive the highest priority due to their attractiveness to the identified markets and to take advantage of the Philippines' rich natural resources. Furthermore, nature-based tourism products provide the highest potential for community-based tourism.

Figure A.2: Prioritization of Tourism Products in the Philippines



Source: National Tourism Development Plan 2016–2022.

Aside from tourism-focused policies, there are several environmental laws that are the key to the development of sustainable ocean tourism enterprises. Most of these policies are under the purview of the Department of Environment and Natural Resources.

A.3 Environmental Policies

Republic Act 7586 or the National Integrated Protected Areas System (NIPAS) Act of 1992 and the Republic Act 11038 or the Expanded NIPAS Act of 2018 (E-NIPAS)

The NIPAS Act governs and supervises protected areas in the Philippines. The original NIPAS Act paved the way for the establishment of 13 national parks. In relation to ocean tourism, the NIPAS Act is critical because the establishment of marine protected areas (MPAs) took place through a combination of the NIPAS Act and local ordinances. The E-NIPAS broadens the scope by declaring an additional 94 protected areas as national parks. It is important to note that these national parks cover a variety of landscapes, from highlands to seascapes. The new law also requires the Department of Justice to appoint special prosecutors for violators of governing laws in protected areas.

Key aspects of the NIPAS Act are the identification of the Department of Tourism as a partner, the identification of areas with NIPAS coverage that have ecotourism potential and cultural heritage value, and the preparation of plans for their development or conversion into Tourism Enterprise Zones. For this reason, it is important to distinguish a marine protected area from other modalities. Unlike marine reserves, sanctuaries, and parks, which prohibit or strictly control human access to the area, MPAs strive to strike a balance between economic activities and environmental protection through proper zoning with specific rules and guidelines (Miclait and Ingles 2004).

Executive Order 533, Series 2006

EO 533 fleshes out the integrated coastal management strategy for the Philippines to ensure the sustainable development of the country's coastal and marine environment and resources and to establish supporting mechanisms for its implementation. The intention is to implement integrated coastal management in all coastal and marine areas, addressing the interlinkages among associated watersheds, estuaries and wetlands, and coastal seas of all relevant national and local agencies. The mobilization of community stakeholders is a critical element of this approach.

Other Environmental Laws

There are several other environmental laws that provide the foundation for the proper management of ocean resources. Different national government agencies and bureaus enforce and monitor most of this legislation. The Philippine Fisheries Code (Republic Act 8550) and its amendment (Republic Act 10654) provide for the development, management, and conservation of fisheries and aquatic resources. The Philippine Clean Water Act of 2004 (Republic Act 9275) aims to protect the country's water bodies from pollution from land-based sources. This includes riverine, lake, and marine ecosystems. The Ecological Solid Waste Management Act (Republic Act 9003) is also important because it provides for a systematic, comprehensive, and ecological waste management program to ensure the protection of public health and the environment. Ideally, the act should prevent solid waste from entering aquatic environments. Republic Act 9147 or the Wildlife Resources Conservation and Protection Act establishes the guidelines for the conservation and protection of wildlife resources and their habitats.

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