Economic Research Institute for ASEAN and East Asia

An Overview of the Blue Economy of the Philippines – A Brief Assessment and Recommendations

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This overview provides a brief assessment of the blue economy of the Philippines, listing the main challenges and risks facing all stakeholders in the development, strengthening, and growth of the sectors it comprises. Potential enablers for the blue economy are identified, and monitoring and evaluation mechanisms that may be useful both at the national and the ASEAN levels are presented. The formulation of a national strategy and a roadmap for the blue economy is a crucial initial step for the government. Sustainability, resiliency, and inclusivity must be identified as pillars of the blue economy and integrated into all relevant planning frameworks.

Key Messages:

- The development of the blue economy of the Philippines has enormous potential owing to its vast and richly diverse coastal and marine environment, and could be an even more valuable source of economic growth if the use and governance of its resources is done in an inclusive and sustainable manner.

- Amongst the major challenges related to the development of the Philippine blue economy is adopting an approach that addresses and balances the competing economic interests of a wide range of users and stakeholders of the ocean and marine resources, in an equitable and inclusive manner.

- Drivers and enablers for this development include a clear national strategy and enabling policies, research and innovation, information and communication and digital technologies, a skilled workforce, adequate infrastructure, and sustainable financing.

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1. Introduction

With two-thirds of its population living in coastal municipalities, at least 2 million people directly dependent for their livelihoods on coastal resources, and more than $350 million contributed to the national economy by ocean-based activities in 2021, the importance of the blue economy to the Philippines cannot be overstated. While there is no national framework or blueprint for the blue economy, as of this writing, there is an ongoing legislative proposal for its development, and it is mentioned in the Philippine Development Plan, 2023–2028 (NEDA, 2022a). The plan adopts the definition of the blue economy under the Changwon Declaration of 2012:

> '*a practical ocean-based economic model using green infrastructure and technologies, innovative financing mechanisms and proactive institutional arrangements for meeting the twin goals of protecting our oceans and coasts and enhancing its potential contribution to sustainable development...*'[1]

The regulatory framework of sectors that are relevant to the blue economy in the Philippines includes a range of laws and regulations that govern the economic activities based on coastal and marine resources and their management. These activities fall under the fisheries and aquaculture, maritime transport and shipping, coastal and ocean tourism, offshore oil and gas, and renewable energy sectors.

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[1] Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) (2012), Changwon Declaration Toward an Ocean-Based Blue Economy: Moving Ahead with the Sustainable Development. Strategy for the Seas of East Asia, Fourth Ministerial Forum on the Sustainable Development Strategy for the Seas of East Asia, Changwon City, Republic of Korea. https://pemsea.org/sites/default/files/changwon-declaration_0.pdf

The coastal and marine ecosystem and biodiversity conservation, pollution reduction, and waste management are related to the management aspect.

The government is implementing a long list of programmes and projects in these sectors. Civil society has strong involvement, especially in resource conservation and protection. Worthwhile noting is the recent government initiative of developing the Philippine Ocean Economy Satellite Accounts and the Roadmap to Institutionalise Natural Capital Accounting, 2022–2040 – a clear recognition of the importance of the valuation of natural resources and its role in national economic planning, including for the blue economy.

While specific sectors have yet to be identified within a blue economy framework, the sectors that the government has identified as priorities for investment and development in national plans provide an idea of potential priority areas for blue economy development. The Strategic Investment Priority Plan for 2022 (based on the 2020 Investment Priorities Plan) includes these preferred activities: fishery products, infrastructure and logistics, green ecosystems (renewable energy), research and development, inclusive business models, environment or climate change related projects, and energy.

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2. Challenges and Risks

To implement a sustainable, inclusive, and resilient blue economy, the government and all other stakeholders face a number of challenges that need to be addressed. These challenges and risks may be at the strategic or governance level, global and transboundary, or sectoral, as enumerated below.

First, the potential of the Philippine blue economy for development and growth may be hampered by the lack of a national strategy and the absence of a governing structure or authority.

Second, the competing interests and objectives of a wide range of economic stakeholders in the use of a common resource can also pose a challenge, and may give rise to conflicts if not well managed (e.g. tourism versus offshore hydrocarbon extraction, resource conservation versus food security or livelihoods). The government needs to balance these interests, making sure that trade-offs resulting from government decisions or actions do not favour one user group over another. If not, the vast opportunities offered by coasts and oceans to support economic development and growth may result in uneven distribution of benefits and potential harm, or increase the vulnerability of some groups (e.g. small-scale fishers).

Third, the issue of delimitation of maritime boundaries may complicate marine resource access and affect the expansion of industries related to non-living resource extraction or generation (e.g. natural gas).

Fourth, climate change is a major risk for the development and growth of the blue economy anywhere, but poses an even greater challenge for the Philippines, which is amongst the countries most at risk in terms of exposure and vulnerability to natural disasters. Rising sea levels, and more intense and frequent typhoons brought about by climate change, threaten the blue economy through the disruption of ocean-based activities and livelihoods, and the degradation of marine and coastal ecosystems and biodiversity. The challenge is to improve the resiliency of coastal communities that would be affected by these disruptions.

Fifth, despite the Philippines being identified as one of the worst offenders in marine plastic waste pollution, national efforts to address the marine litter and plastic waste problem are slow and haphazard,. The leakage of waste to the ocean continues to be very high.

Sixth, data are lacking to aid blue economy policy and planning such as in the areas of fishery, marine debris, conservation of marine resources, and marine tourism.

Sectoral challenges: Fisheries, shipping, renewable energy

1) Fisheries: Delays in full implementation of the Fisheries Code, especially in relation to illegal fishing and overfishing.

2) Shipping: Inadequate port and ancillary facilities, and domestic shipbuilding facilities not meeting international standards.

3) Renewable energy: Lack of a policy framework for the development of an offshore wind sector of the size envisaged in the renewable energy plan, and lack of investment in enabling infrastructure.

3. Potential Enablers

This section lists factors that are potential enablers and drivers of the Philippine blue economy. The blue economy spans multiple sectors and industries and is characterised by interdependency. Synergies that would likely occur between these enablers, if present, could lead to greater overall benefits for all, highlighting the cross-cutting impact of enablers. Those outlined here relate to governance, technology and skills, financing, the business environment, and international rules:

1) Clear national strategy for the blue economy, effective institutional arrangements, harmonised planning frameworks, and regulatory coherence.

2) Adoption of governance approaches and use of planning tools adequate for the blue economy. Marine spatial planning could be adopted to promote more rational use of the ocean, and the environmentally sound development of ocean-based activities.

3) Maritime security by safeguarding navigation routes, providing important data to marine industries, protecting rights over marine resources, enforcing environmental regulations in protected areas, and addressing illegal fishing.

4) Research and innovation, especially in emerging areas such as new marine-based products and ocean-based renewable energy technology.

5) Information and communication and digital technologies. These are especially important in fisheries, e.g. in the Electronic Catch Documentation Traceability System to promote sustainable fisheries. They are also important for sustainable vessel operations and information-sharing amongst communities in the management of coastal resources.

6) Highly skilled workforce and sustainable jobs. This implies upskilling workers to develop adequate competencies (e.g. for shipbuilding and renewable energy industries), developing a workforce transition plan, and alignment of education curricula with industry requirements. More attractive wages and fair practices would also retain skilled workers in the country.

7) Sustainable investments and financing. Blue bonds, including financing for research in emerging fields, and scaling up innovative projects.

8) Policy mechanisms and incentives. Examples are the use of feed-in-tariffs, green taxes, environmental taxes, carbon taxes, and incentives systems. In the shipping industry, a levy on carbon emissions, and ratings on energy and carbon efficiency, are potential drivers for investment in green ships and infrastructure.

9) Standards and certification. A common set of blue economy standards at the regional level that covers air quality, water quality, the aquatic system and marine habitats, waste management, building standards, safety (e.g. emergency responses for oil spills), and efficiency would be a significant driver for the blue economy. Implementing international standards in the marine transport sector will encourage potential investors in shipbuilding and port infrastructure.

10) Value chain development and application. Development of value chains for new, higher-value or niche, non-traditional products (e.g. fish processing by-products and pharmaceuticals from marine organisms) and applying the value chain concept in industries (e.g. cruise tourism) would be another significant driver.

11) Infrastructure development. This is especially important in industries which are heavily reliant on modern and world-class infrastructure, such as energy development, renewable energy, and marine transport.

12) Regional governmental cooperation and international commitments in areas that are relevant for the blue economy. These are commitments on programmes with dedicated mandates on ocean, marine, and coastal resources; and complementation with pre-existing regional commitments and/or programmes.[2]

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[2] Within the Association of Southeast Asian Nations (ASEAN), this includes (i) the Cooperation Framework on ASEAN Network for Combating Illegal, Unreported, Unregulated Fishing; (ii) the 2007 Roadmap Towards an Integrated and Competitive Maritime Transport in ASEAN, (iii) the Regional Forum Workplace for Maritime Security; (iv) implementation of the 12 regional policy areas in fisheries, as agreed by the ASEAN Sectoral Working Group on Fisheries in 2020, with the inclusion of a new area – marine debris; and (v) the Strategic Plan of Action on ASEAN Cooperation on Fisheries, 2021–2025. Other regional but non-ASEAN include (i) Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) (e.g. the Sustainable Development Strategy for the Seas of East Asia); (ii) the PEMSEA Roadmap to 2030, which focuses on the blue economy; (iii) the Coral Triangle Initiative's Regional Plan of Action 2.0, 2021–2030 and Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security; and (iv) the ASEAN–Southeast Asian Fisheries Development Center (SEAFDEC) Resolution and Plan of Action on Sustainable Fisheries for Food Security for ASEAN Region towards 2030.

13) International rules on harmful fishing subsidies. The World Trade Organization Agreement on Fisheries Subsidies, adopted in June 2022, is a crucial step forward for sustainable fishing and can be considered an enabler for the blue economy.

4. Monitoring and Evaluation Mechanisms

Several mechanisms may be considered, either modelled after mechanisms in other areas or fields, or in existing frameworks of governmental cooperation, including those in use in other regions, which could aid in monitoring and evaluation (M&E) of the performance of the blue economy. Such mechanisms may be adopted at the sectoral level, at the governmental level, and throughout the Association of Southeast Asian Nations (ASEAN). They may be voluntary or mandatory, and implemented individually or concurrently at the various levels (sectoral, governmental, and regional). They may be private-sector or government-led, but always with strong collaboration between both. They may be conducted as self-assessment or by an independent, third-party body against certain standards, or may comprise only reporting obligations. The following are examples:

Monitoring and evaluation tools
1) M&E matrix to measure the progress of implementation of policy initiatives.
2) Independent review and assessment of the implementation of existing policy frameworks.
3) Use of key performance indicators and/or indices to measure sustainability performance against objectives.
4) Use of scorecards and ratings against metrics for assessment.
5) ASEAN-wide sectoral blue economy plan M&E mechanisms.

Reporting mechanisms
1) At the ASEAN level, two of the M&E systems under the ASEAN Economic Community M&E framework may be adequate for the blue economy: outcomes monitoring and impact evaluation.[3]

2) Sustainability reporting for enterprises and entities (including local government units) involved in the blue economy.
3) Sustainability criteria for the blue economy (e.g. those of the European Union). [4]

Lastly, conformity assessment tools for a common set of standards for blue economy products or industries to ensure legitimacy, quality, and safety.

5. Recommendations

The following priorities need to be addressed in the short term by the Philippine government as it embarks on the development of a blue economy:

1) Approve pending legislative proposals on the blue economy (e.g. House Bill 00069).
2) Formulate a national strategy and roadmap on the blue economy.
3) Create an inter-agency body (provisional) responsible for oversight and overall implementation of the blue economy roadmap, preparatory to the establishment of a national authority or agency.
4) Undertake marine spatial planning in identified zones/areas nationally.
5) Ensure that sustainability, resiliency, and inclusivity are defined as pillars of the blue economy and integrated into any planning framework for its development.

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[3] The other M&E system is compliance monitoring (ASEAN, 2017).

[4] European Commission, European Climate, Infrastructure and Environment Executive (2021).