

SCF - PPCR

PROJECT TITLE: ADB PPCR - BANKING THE BLUE ECONOMY PROGRAM

COUNTRY: THAILAND

MDB: ADB

Cover Page for Project/Program Approval Request Pilot Program for Climate Resilience			
Country/Region	THA	CIF Project ID#	Auto Generated by CCH
Project/Program Title (same as in CCH)	Climate Adaptation through Banking of the Blue Economy		
Type of CIF Investment:	<input type="checkbox"/> Public	<input checked="" type="checkbox"/> Private	
Is this a private sector program composed of sub-projects?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Sector/Pillar	<input type="checkbox"/> Agriculture and Landscape Management <input type="checkbox"/> Agriculture and Food Security <input type="checkbox"/> Agroforestry <input type="checkbox"/> Capacity Building / Institutional Strengthening and Governance Reform <input type="checkbox"/> Climate Information Systems and Disaster Risk Management <input checked="" type="checkbox"/> Coastal Zone Management <input type="checkbox"/> Enabling Environment <input type="checkbox"/> Forest Monitoring / MRV <input type="checkbox"/> Indigenous Peoples / Local Communities <input type="checkbox"/> Infrastructure <input type="checkbox"/> Landscape Approaches <input type="checkbox"/> Renewable Energy <input type="checkbox"/> Sustainable Forest Management <input type="checkbox"/> Urban Development <input type="checkbox"/> Water Resources Management <input checked="" type="checkbox"/> Other (Blue Economy)		
Technology/Area	<input type="checkbox"/> Bioenergy <input type="checkbox"/> Capacity Building <input type="checkbox"/> Cookstoves <input type="checkbox"/> Hydropower <input type="checkbox"/> Irrigation systems <input checked="" type="checkbox"/> Multiple <input type="checkbox"/> Solar <input type="checkbox"/> Waste to Energy <input type="checkbox"/> Wind Aquaculture		
Expected MDB Approval Date	Q4 2024		
Project Lifetime (MDB board approval to project closure)	Q1 2025		
Financial Products, Terms and Amounts (same as CCH)			
Financial Product	USD (million)	EUR (million) ^[b]	
Grant	1.425		
MPIS	0.075		
Public sector loan – Senior loan			
First loss guarantee			

Second loss guarantee		
Equity		
Senior loan		
Senior loan in local currency hedged		
Senior loan in local currency unhedged (EXCEPTIONAL REQUEST)	3.575	
Subordinated debt/loan/ mezzanine instrument with income participation		
Subordinated debt/loan / mezzanine instrument with income participation local currency unhedged (EXCEPTIONAL REQUEST)		
Subordinated debt/loan /mezzanine instrument with convertible features		
'Convertible/contingent recovery' grant/loan/guarantee (loans convertible to grants or vice versa)		
Convertible Loans (convertible to equity only)		
For loans and guarantees – is this a revolving structure? ^[1] <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Specify local currency type here	USD or equivalent in Thai Baht	
Other (please specify)		
Total		
CIF Financial Terms and Conditions Policy	Link Is this request in accordance with the CIF Financial Terms and Conditions Policy? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (if no, please specify detailed information under the justification section)	
Justification on the exceptional request		
<p>Senior loan in local currency unhedged: Senior loan in local currency was requested at Concept stage and is requested here. Providing the senior loan in unhedged local currency will mitigate the exchange rate risk for the FI implementing the project while minimizing the cost of funds through saving on currency exchange related expenses. The projects to be supported by the CIF resources will be invested by the end-borrower who are Thai SMEs and mid-market corporates. The investment proceeds and revenue from the project will mainly be in local currency aligning the transaction currency throughout the funding chain. Also, the saving on the exchange related expenses is vital to maintain the low funding cost, which further enhances the attractiveness of the package in encouraging the end-borrower to invest in the unproven & riskier sustainability investment.</p>		
Implementing MDB(s): ADB		

¹ With a revolving structure, after the loan or guarantee matures, instead of returning the funds to the Trustee, the funds are redeployed as a new loan or guarantee.

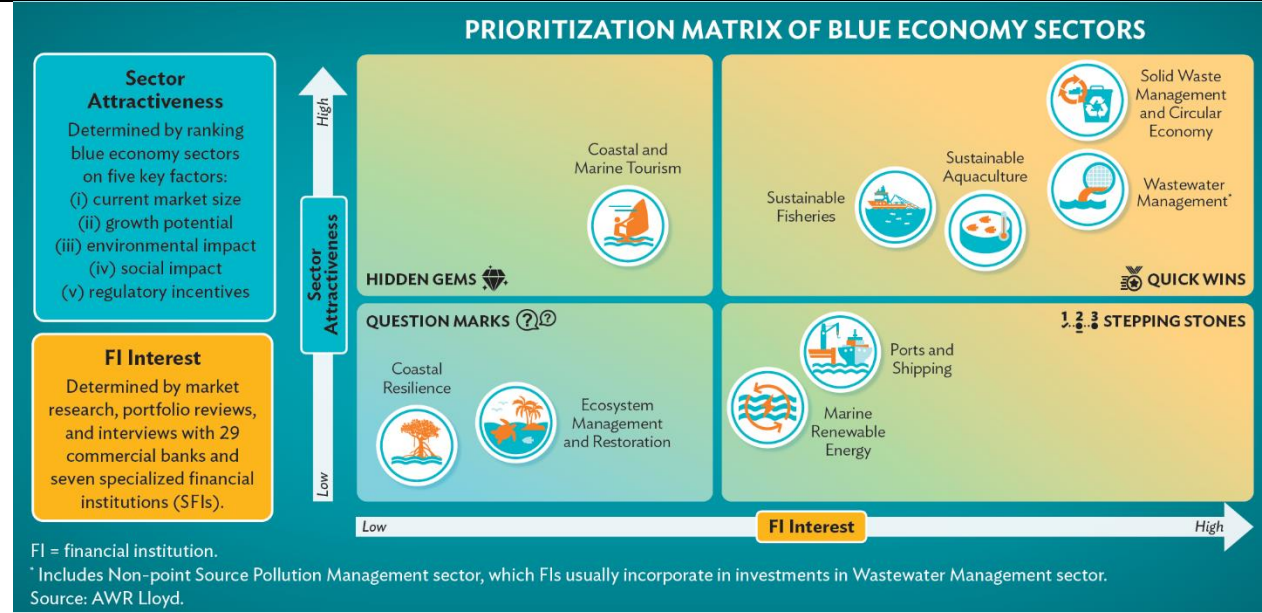
MDB Headquarters-Focal Point:	Ancha Srinivasan, Principal Climate Change Specialist
MDB Task Team Leader (TTL)	Bart Raemaekers, Advisor, PSOD and Head, Guarantees and Syndication Unit
National Implementing Agency:	
Country Focal Point/s	
Brief Description of Project/Program (including objectives and expected outcomes) ^[c]	

In March 2023, ADB's Private Sector Operations Department (PSOD) was successful in attaining concept approval from SCF (See Appendix 1 for the full ADB submission) for a PPCR funded \$3.575 million tranche of concessional financing to extend lines of credit to 1 or 2 local banks for blue economy lending to SMEs and middle market companies in Thailand. This blue economy lending is to support businesses within: (i) sustainable ocean production, fisheries, aquaculture, mariculture, nearshore sustainable agribusiness and supply chain, (ii) ecotourism, retail and hospitality, and (iii) sustainable infrastructure (including ports and shipping), coastal resilience, waste management, recycling, sewage and waste-water treatment, green transport, clean energy, and a \$1.425 million PPCR funded grant component to financial institutions to assist in implementing the lending program. The grant is to be utilized to provide capacity building and outcome-based incentives for the selected FI as needed to effectively implement a Blue Economy lending strategy. Capacity building activities include i) the conduct of market analytics, ii) setting of strategic climate outcome targets by sector, iii) implementation of BE taxonomy in internal systems, iv) design of targeted financial products to incentivize market uptake and v) training of credit and other FI staff key to the deployment of the BE lending strategy and vi) engagement of any specialized external validation required to design blue bond frameworks or post issuance compliance. The grant may also be used to provide blended-finance and/or outcome-based incentives to be designed in line with best market practices to reward the achievement of established sustainability targets for the target Blue Economy sectors.

ADB's Private Sector Financial Institution Division (PSFI), leveraging existing relationships with local FIs and capitalizing on initial discussions had on blue economy financing, has now originated a project (Project) involving a leading Thai Financial Institution. The proposed \$5m in PPCR financing would support the Thai bank to develop its loan portfolio in the Blue Economy sector where the development stage is still nascent, combined with a proposed \$100 million Ordinary Capital Resources (OCR) tranche from ADB which would support the development of renewable energy projects (up to 70%) and multi-sector lending to MSMEs (up to 30%) with a minimum of [TBD%] to be disbursed to women-owned or -led MSMEs (WMSMEs).

Refer to the Concept paper submitted by ADB and approved by CIF in March 2023 for further background and rationale for the program and Project. ADB has experience from its existing blue economy initiatives (e.g. the Healthy Oceans Action Plan, the Oceans Financing Initiative, the Blue SEA Finance Hub, amongst others), which are assisting to advance the frontiers of blue economy financing in Southeast Asia. Since submission of the concept note to CIF, in November 2023 ADB in partnership with ACGF (ASEAN Catalytic Green Finance Facility) released its Road Map For Scaling Up Private Sector Financing For The Blue Economy In Thailand.² The road map categorizes blue economy sectors into four different groups with varying prioritization levels and action plans: hidden gems, question marks, quick wins, and stepping stones, based on the attractiveness of blue economy sectors and the interest from financial institutions (FI) in these sectors. The report explains why factors such as limited awareness of ocean economy opportunities, a lack of investment-ready at-scale projects, and insufficient monitoring are proving a barrier to investors. The report shows how creating an enabling environment and developing products such as sustainability-linked loans and technical assistance grants could help drive investment flows to the sector and safeguard Thailand's blue economic growth. Please see below summary for further details.

² <https://www.adb.org/publications/road-map-private-sector-financing-blue-economy-thailand>



Proceeds from the proposed concessional loan and grant will support the Thai bank to provide lower cost funding to its borrowers, helping to develop a viable pipeline in the Blue Economy specifically in the Ports & Shipping, Sustainable Tourism, and Sustainable Aquaculture sectors. These three sectors are seen as most vital to the Blue economy in Thailand.

The concessional facility is to be structured as dedicated line of credit for the Thai bank to fund blue SMEs and middle market companies, combined with the grant funds, using a blended on-lending model, where the concessional funds combine with ADB OCR funding and the bank’s own funds to offer a blended rate loan to each customer. The concessional loan and grant from PPCR is proposed to be fully utilized with this Thai bank and passed through to the Thai bank’s 5 year customer lending rates as a decrease in cost to each borrower for blue lending, thus providing an incentive for SME and mid-corporate business to borrow for these purposes. ADB expects the reduced lending rates for blue economy projects, which are expected to have long payback, low IRR and/or significant ramp-up periods to profitability, will reinforce the market for this type of lending in Thailand and encourage the bank and other banks to be more active, and launch attractive blue loan products.

The bank’s exact mix of customer activities to be funded are yet to be identified (hence development and environmental targets are not provided herein). However sample projects include the electrification of ship vessels to upgraded to international standards, support for improved solid waste and wastewater treatment facilities and other sustainability upgrades for hotels/resorts near (within 50 km) from the coastline, and lending to embed sustainable aquaculture and fisheries practices in the aquaculture clients’ supply chains.

The table below outlines some sample activities to be supported under the program, the climate risks they address, and the expected outcomes:

Activity	Climate risk addressed	Expected outcome
Coastal protection measures such as land elevation, shore protection, and reclamation to increase infrastructure resilience	Sea water flooding, coastal erosion	Stronger coastal resilience and protection from disaster risks

Mangrove protection and rehabilitation to strengthen natural barriers to limit salt water intrusion into soils and boost nature tourism	Sea level rise, salt water intrusion	Coastal farmland and soil fertility preserved
Coral reef conservation through ecosystem approach	Change in sea surface temperature and ocean pH	Aquaculture yields, food security, and livelihoods preserved
Supporting the electrification of vessels	Mitigation	Reduce GHG emission intensity within the Shipping industry
Solid waste and wastewater treatment systems investment in hotels / resorts locating near [within 50 km] from the coastline	Sea level rise, salt water intrusion through loss of species	Preventing solid waste and wastewater polluting the ocean.

By demonstrating the economic viability of blue economy projects, ADB's blended finance is expected to help attract additional demand for blue economy finance from market participants. The project is a OneADB collaboration, as ADB is also supporting the development of the bank's sustainability finance framework, including for a blue bond issuance, through the Technical Assistance (TA) 9953: Creating ecosystems for green local currency bonds for infrastructure development in ASEAN.

ADB's standard procedures for non-sovereign operations apply, including environmental and social safeguard policies.

Consistency with investment criteria

Enhanced resilience to climate risks and disaster risk reduction	Yes
Transformational change	Yes
Relevance	Yes
Systemic change	Yes
Speed	No
Scale	Yes
Adaptive sustainability	Yes
Economic, social and environmental development impact	Yes
Gender equality and social inclusion impact	TBD
Financial effectiveness (value for money)	Yes
Contributes to the principles of Just transition	TBD
Leveraging of additional resources	Yes

For Private Sector projects/programs

Effective utilization of concessional finance	Yes
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Resources provided by CIF will be managed as part of ADB's Blended Finance program and the procedures for endorsement of ADB blended concessional finance proposals apply, including evaluation by ADB's Blended Finance Committee in the context of the blended finance principles.

Social Inclusion and Stakeholder Engagement

ADB-PSFI has engaged with several private sector financial institutions including state-owned enterprise (SOE) banks to assess the potential interest in the proposed CIF funding. The feedback from which has been positive, especially from one of the SOE banks that shows a strong commitment towards the Blue sector. If the CIF funding is approved, ADB-PSFI would also undertake significant stakeholder engagement with respect to the OCR and PPCR funding to the bank to support the development of that bank's sustainable and blue portfolio.

Gender Considerations

<p>Gender Analysis (Please insert the text from the project document on the analysis of gaps in access to services, markets and jobs by women in relation to the project sectors)</p>	<p>Key gender issues for the Banking the Blue Economy Program relate to the representation of women-owned or led SMEs (WSME) in the Thai SME base, and to women’s access to finance.</p> <p>Women entrepreneurship. Nearly 50% of all entrepreneurs in Thailand are women,³ and in the fisheries sector, female owners of fish processing facilities are as prevalent as male owners.⁴ Despite their high entrepreneurial participation, Thai women are mostly concentrated in micro, small and partly medium-sized enterprises in low value-added, lower-skilled retail and service businesses, and in the informal sector.⁵</p> <p>Women’s financial inclusion. Women in Thailand are at a disadvantage in terms of access to financial services, as can be seen in women’s account ownership at a financial institution or with a mobile-money-service provider (where women achieve 80% vs. 84% for men), or credit and debit card ownership. Despite being well involved in business, women borrow and save to start, operate, or expand businesses at lower rates than men in Thailand (7% vs. 11% and 23% vs. 33%, respectively). Overall indicators on access to borrowing from a financial institution indicate that levels are low for both men and women (14% and 16% respectively).⁶</p> <p>In line with ADB’s systematic gender assessment, ADB will assess all of a potential borrower’s operations for the potential to promote gender equality and women’s economic empowerment, and other gender analysis, as this is an essential part of ADB’s due diligence process for the loans to the FI. From the gender due diligence findings, ADB incorporates gender performance indicators that address identified gender gaps into the project’s development monitoring framework (DMF). Gender measures are defined and agreed with the company. For this sub-program, the gender designs will notably look to increase available financing to WSMEs, enhance gender inclusiveness of the FI’s operations, and explore ways to increase non-financial services to women borrowers.</p>
<p>Gender Activities (Please insert the text describing gender-specific activities included in the project)</p>	<p>ADB’s Private Sector Operations Department works with the Gender Equality Division team to mainstream gender in all its projects. A gender specialist is assigned as part of the project team and works closely with the selected FI to assess gender gaps and define a gender action plan in the processing of the transaction, as well as provide support during implementation as part of ADB portfolio management to improve the quality and results of the gender targets.</p>

³ ritanyarat D, Sakdiyakorn M. 2020. [Vicarious Learning From Innovative Women Entrepreneurs in Thailand. Advances in Developing Human Resources. 2020;22\(2\):201-214.](#)

⁴ Mekong River Commission (2008): [Promoting Gender Issues at the Fisheries Department in Thailand](#)

⁵ Xavier, S. R., Sidin, S. M., Guelich, U. & Nawangpalupi, C., 2016. [ASEAN Entrepreneurship: The Context, Impact and Opportunities for Women Entrepreneurs and Startups; Key Pivots for Growth and Sustainability. Kuala Lumpur: Universiti Tun Abdul Razak.](#)

⁶ World Bank. 2017. [Global Findex database 2017](#) – Thailand. Washington, D.C.

Gender Indicators (Please insert the text on selected gender specific indicators, including annual targets, from the Project Log Frame that the project is committing to report on)	Potential gender indicators to be considered for this Project include: (i) targets to allocate and increase the loan disbursements and number of WSME active borrowers; (ii) blue loan product marketing campaign or digital/other product development targeted at WSME; (iii) increase in the number of women borrowers trained on financial literacy, business management (for example); (iv) training of FI staff in credit teams on gender-responsive financial services; (v) revision of corporate policies revised to include gender equality standards, and provisions against any forms of harassment (with specific mention of anti-sexual harassment and supporting procedures; and (vi) staffing targets for women in management, credit, professional teams.
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Expected Results (M&R)

Project/Program Timeline

Expected start date of implementation ^[d]	Q4 2024
Expected end date of implementation ^[d]	Q4 2027

Core Indicators	Project-Defined Indicators/Targets
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Please identify which of the below indicators are relevant to your project proposal, list the corresponding project-defined indicator(s), and report all targets (including disaggregated targets).

PPCR Core 2: Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience (Proxy = Government capacity or coordination-related outputs)	TBD
PPCR Core 3: Quality and extent to which climate-responsive instruments/investment models are developed and tested (Proxy = Number of climate-responsive instruments/investment models supported)	Targeting 5 sub-loans of \$10 million each, utilizing \$1m of PPCR funds for each sub-loan
PPCR Core 4: Extent to which vulnerable households, communities, businesses, and public services use improved PPCR-supported tools, instruments, strategies and activities to respond to climate variability or climate change (# of households, communities, businesses, public services)	
<i>Households</i>	TBD
<i>Communities</i>	TBD
<i>Businesses</i>	[5]
<i>Public services</i>	TBD
<i>TOTAL</i>	5
PPCR Core 5: Number of people supported to cope with the effects of climate change (disaggregated by male/female)	
<i>Male</i>	TBD
<i>Female</i>	TBD
<i>TOTAL</i>	TBD

Additional PPCR Results Indicators	Project-Defined Indicators/Targets	
Area covered by sustainable land and water management practices (ha)	TBD	
Number of national, sectoral, and local policies, plans, strategies, and frameworks that integrate climate change (disaggregated by national/sectoral/local)	TBD	
<i>National</i>		
<i>Sectoral</i>		
<i>Local</i>		
<i>TOTAL</i>		
Number of knowledge products, studies, systems, and platforms developed in support of climate resilience	5	
Length (km) of climate-resilient roads built or rehabilitated	TBD	
Length (km) of embankments, drainage systems, sea walls, waterways, and flood defense protections constructed or restored	TBD	
Number of people receiving climate-related training (disaggregated by male/female)	TBD	
<i>Male</i>	TBD	
<i>Female</i>	TBD	
<i>TOTAL</i>	TBD	
<i>Please also submit the full project results framework to CIF AU upon MDB Board approval of the project.</i>		
Co-financing		
	Please specify as appropriate	Amount
MDB 1		\$100 million
MDB 2 (if any)		
Government		
Private Sector		
Bilateral		
Others (please specify)	The Thai Bank will match the PPCR Funding with at least \$5 million of own resources for the blue economy portfolio	\$5 million
Total Co-financing		\$105 million
SCF Funding		\$5 million
Total (Co-financing + SCF funding)		\$110 million
Proportion of Total Financing for Adaptation		
Proportion of Total Financing for Mitigation^[f]		
Expected Date of MDB Approval		
Q4 2024		

NOTES:

[a] This cover page is to be completed and submitted together with the MDB project/program proposal when requesting SCF funding approval by the Technical Committee/GCAP Sub-Committee

[b] For products denominated in EUR, please also provide USD equivalent in the column to the left

[c] Please provide the information in the cover page or indicate page/section numbers in the accompanying project/program proposal where such information can be found.

[d] Insert “not applicable” (N/A) if dates cannot be determined at the time of submission (e.g. private sector programs)

[e] Insert value N/A if indicator is not applicable to the project/program.

[f] Per MDBs’ own Paris alignment climate finance tracking methodologies

Version: October2023

CCH – [here](#)

CIF Website – [here](#)

CIF Pipeline Management and Cancellation Policy - [here](#)

Appendix 1: Pilot Program For Climate Resilience Business Development For Resilience Program Concept Note

PILOT PROGRAM FOR CLIMATE RESILIENCE BUSINESS DEVELOPMENT FOR RESILIENCE PROGRAM CONCEPT NOTE		
1. Country/Region:	Thailand	2. CIF Project ID#: <i>(Trustee will assign ID)</i>
3. Project Title:	Climate Adaptation through Banking of the Blue Economy	
4. Indicate Track:	1A	
5. Funding Request from PPCR (in USD) including PPG:	Grant:	US\$1,500,000 (Inclusive of MPIS/Fees)
	Non-Grant:	US\$3,575,000 or equivalent in Thai Baht
	Total:	US\$5,075,000 (Inclusive of MPIS/Fees)
	Amount allocated for PPG:	N/A
6. MDB Project Implementation and Support: Services (MPIS) Fee (in USD)	US\$75,000	
7. Implementing MDB:	Asian Development Bank	
8. Other MDB Involvement	MDB: N/A	Type of Involvement: N/A
9. National/[Regional] PPCR Focal Point, if applicable:		
10. National/[Regional] Executing Agency for project:	As a financial institution lending program, ADB will engage with one to two Thai banks or non-banking financial institutions (NBFIs) to deploy PPCR funds.	
11. MDB PPCR Focal Point and TA Task Team Leader (TTL):	Headquarters-PPCR Focal Point:	TTL:
	Ancha Srinivasan, Principal Climate Change Specialist	Janette Hall, Director, Investment Funds and Special Initiatives Division
11. Project Description and Justification for Funding		
<p><i>1. Project description</i></p> <p>The project is a private sector climate adaptation lending program to Thai local banks and/or non-banking financial institutions (NBFIs) for blue economy lending to small and medium sized enterprises (SMEs) and middle market companies in Thailand. ADB will target climate adaptation opportunities exclusively under this program and will deploy PPCR funds only for projects that satisfy MDB criteria for adaptation financing under the joint MDB methodology for climate finance tracking.¹ ADB is submitting this proposal to PPCR's Business Development for Resilience Program (BDRP) window as it targets an innovative private sector initiative (innovative and pre-commercial project types listed below); it will support Thailand's banking sector and the Thai government in mainstreaming climate risk management and resilience into economic planning and development; and lastly, the proposal supports critical technical assistance activities that seek to enable future investments in climate resilience in Thailand and the Southeast Asia region.</p>		

¹ Multilateral Development Banks, 2022. Joint Report on Multilateral Development Bank's Climate Finance. October, 2022. Available online: <https://www.adb.org/sites/default/files/related/270836/2021-MDBs-Report-Climate-Finance.pdf>

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Project types will include: (i) sustainable ocean production, fisheries, aquaculture, mariculture, nearshore sustainable agribusiness and supply chain, (ii) ecotourism, retail and hospitality, and (iii) sustainable infrastructure (including ports and shipping), coastal resilience, waste management, recycling, sewage and waste-water treatment, green transport, clean energy. These projects are expected to contribute to coastal communities' climate resilience by catalyzing investment across portfolios of relevant sectors, including protection of coastal ecosystems,, preservation and enhancement of fishery/aquaculture/agriculture yields, improvement of food security, soil fertility and livelihoods through climate resilient agriculture, and other investments in nature based solutions that reduce vulnerabilities to climate risks such as sea level rise and coastal erosion. ADB will blend PPCR funds with ADB's ordinary capital resources (OCR) to support climate adaptation projects as classified under the joint MDB methodology for climate finance tracking. With PPCR funding of ~\$5.1 million, ADB expects to support one to two financial institutions (FIs).

The project also involves a \$1.5 million grant-funded component to support partner FIs in implementing the lending program. The TA will be utilized to provide capacity building and outcome-based incentives for the partner FI(s) to effectively implement a blue economy lending strategy. Capacity building activities will include i) market mapping and analytics, ii) establishing climate targets by sector, iii) implementing blue economy taxonomy in internal systems, iv) design of targeted financial products to incentivize market uptake, v) training of credit and other FI staff key to the deployment of the blue economy lending strategy, and vi) engagement of any specialized external validation required to design blue financing frameworks or post issuance compliance. ADB will also design blended-finance and/or outcome-based incentives in line with best market practices to reward the achievement of established sustainability targets. Please refer to Annex 1 Project Description for further detail.

2. *Justify the rationale for PPCR funding to ensure it is not utilized as a substitute to regular MDB financing or other bilateral funds that are already intended to support technical assistance and capacity building components in MDB projects to ensure success.*

Blue economy financing is highly nascent in Thailand and Southeast Asia, particularly for the private sector. Due to high levels of perceived risk associated with blue economy sectors, domestic financial institutions have limited ability to extend long tenor loans that are needed to match the long payback period of blue projects. Moreover, while MSMEs account for more than 95% of Thai enterprises, 45% of GDP and generate jobs for 86% of Thailand's labor force, the SME landscape is fragmented and these businesses lack access to direct capital markets, making them the "missing middle" in sustainable blue economy development. More than half of all employed women in Thailand are self-employed entrepreneurs². Roughly one-third of employees working in aquaculture in Thailand are women³ and roughly half of employees working in fisheries⁴ are women. Female entrepreneurs face greater barriers in accessing finance to expand their businesses,⁵ and financing gap for women-owned SMEs (WSMEs) accounts for 61% of the overall MSME finance gap in Thailand.⁶ Scaling up blue economy activities and developing the market for blue financing requires dedicated concessional resources and customized support through Financial Institutions- which are the key intermediaries to channel financing to MSMEs - which currently does not exist. The proposed program will fill this void with a gender angle and will not substitute or crowd out regular MDB financing but rather crowd in commercial financing to fund

² UN Women (2020): [Women's Economic Empowerment in Fisheries in the Blue Economy of the Indian Ocean Rim](#).

³ Southeast Asian Fisheries Development Center (2017): [Fisheries Country Profile: Thailand](#).

⁴ UN Women (2020): [Women's Economic Empowerment in Fisheries in the Blue Economy of the Indian Ocean Rim](#).

⁵ World Bank. 2017. [Global Findex database 2017 – Thailand](#). Washington, D.C.

⁶ Bangkok Post (2019): [Women Entrepreneurs Key to Thai Growth Story](#).

blue economy opportunities that would otherwise not have been viable.

Covering more than 70% of the planet's surface, 95% of the biosphere, serving as home to many complex ecosystems, and producing half of the planet's oxygen, the ocean and its well-being are crucial to our own well-being. Billions of people in Asia and the Pacific depend on healthy oceans for their livelihoods, food security, health, and recreation. The market value of coastal and marine resources and related industries is an estimated \$3 trillion to \$5 trillion, which is nearly 5% of global gross domestic product (GDP).⁷ However, the impacts of climate change, marine pollution, overfishing, and unsustainable coastal development are increasingly threatening these ecosystems, jeopardizing the region's economies. The East Asian Seas (EAS) region countries and seas (including Thailand) account for 80% of global aquaculture, 60% of the world's capture fisheries, is the conduit for 90% of world trade through shipping and present a share of the ocean economy to gross domestic product of over 20% in some countries, as shown in Figure 1. Table 1 below shows financing gaps by region across the Pacific, Southeast Asia, and South Asia.

Table 1 - Finance Gap by Region: Investments Needed by 2030 to Meet the SDGs (million \$)^a

Themes	Segments	Pacific	SE Asia	South Asia	Totals	Blue Economy Score
Ecosystem and Natural Resource Management	Marine & River Ecosystems	121	44	51	216	23
	Fishing	22	200	2,001	1,427	15
	Fisheries	14	-27	28	15	15
	Seafood Processing & Distributions	930	4,775	3,429	9,134	19
	Aquaculture & Algaculture	1,001	9,782	9,843	20,626	23
Pollution Control	Solid Waste Management	80,500	145,000	47,400	272,900	17
	Resource Efficiency And Circular Economy	9,000	58,600	69,900	137,500	20
	Non-point Source Pollution Management	26,300	87,100	463,800	577,200	21
	Wastewater Management	13,900	97,000	750,400	261,300	23
Sustainable Coastal and Marine Development	Coastal and Marine Tourism	1,776	1,396	773	3,945	14
	Coastal Resilience	1,700	3,600	6,340	11,640	23
	Resilient Ports	881,000	1,510,000	1,280,000	3,671,000	23
	Green Ports	8,858	63,641	22,086	94,585	22
	Green Shipping	2,171	5,649	5,532	13,352	22
	Marine Offshore Wind Renewable Energy	25,200	151,800	235,000	412,000	22
	Marine Tidal, Wave, Geothermal Renewable Energy	100	500	800	1,400	22
Total		1,052,593	2,139,060	2,298,283	5,489,140	

Recognition of the growing threats to the ocean has resulted in an increase in global "blue" initiatives. The ocean's contribution to the global economy is estimated at \$2.5 trillion, and this "blue economy" is defined as the sustainable use of ocean and coastal resources to drive economic growth and improve livelihoods, while protecting and nurturing marine ecosystems.⁸ There are increasing opportunities in sustainable tourism, food production, wastewater treatment, integrated solid waste management, and sustainable coastal infrastructure, but securing these opportunities requires large investments that governments and donors alone cannot meet alone. ADB estimated the shortage of funds to be \$459 billion annually¹⁰, which will only be met by a significant ramp-up in flows from commercial and institutional finance, capital markets, and public-private partnerships. Traditional blended finance

⁷ United Nations: Ocean Conference Daily Press Briefing by Damian Cardona Onses (5 June 2017).

⁸ ADB, 2022. Financing the Blue Economy: Investment in Sustainable Blue Small-Medium Enterprises and Projects in Asia and the Pacific. June 2022, Manila. DOI: <http://dx.doi.org/10.22617/TCS220281-2>

⁹ Asian Development Bank, 2021. Financing the Ocean Back to Health in Southeast Asia: Approaches for Mainstreaming Blue Finance. Manila: ADB. DOI: <http://dx.doi.org/10.22617/TCS210453-2>

¹⁰ *ibid.*

vehicles play a crucial role in increasing blue economy investments from non-sovereign sources, and in supporting more innovative structures like blue bonds, debt-for-nature swaps, credit enhancements, SDG bonds, and other innovative approaches to tapping the region’s capital markets in support of new projects.

To accelerate the investments in the blue economy, ADB is currently implementing its Action Plan for Healthy Oceans and Sustainable Blue Economies, which targets to expand financing and technical assistance for ocean health and marine economy projects to \$5 billion from 2019 to 2024, including cofinancing from partners. It will focus on four areas that build climate resilience : creating inclusive livelihoods and business opportunities in sustainable tourism and fisheries; protecting and restoring coastal and marine ecosystems and key rivers; reducing land-based sources of marine pollution, including plastics, wastewater, and agricultural runoff; and improving sustainability in port and coastal infrastructure development.

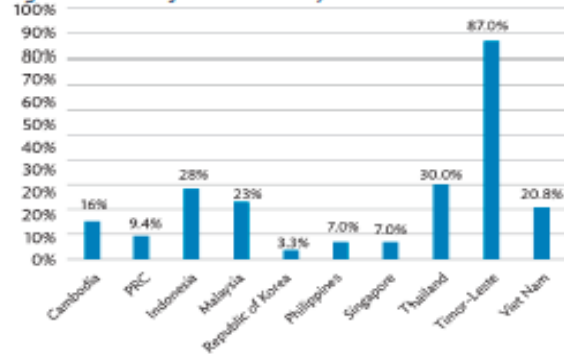
ADB will leverage the knowledge dissemination activities of its Sustainable Development and Climate Change Department (through initiatives such as the Action Plan for Healthy Oceans and Sustainable Blue Economies) to scale up the results from the sub-program within Thailand and in other SEA countries (e.g., Indonesia, the Philippines, Timor-Leste, and Viet Nam where there is considerable opportunity to further develop the blue economy).

12. Eligibility of the Project under Track 1A (Business Development for Resilience Program)

i. The investment will be made in a region or industry sector that faces demonstrable adaptation challenges and can act as a demonstration pilot for low-income countries by being replicable and sharing relevant experience and learning;

Thailand is among countries with the greatest potential in terms of blue economy investment opportunities and sustainability in Asia and the Pacific.¹¹ As shown in Figure 1 below, blue economy plays an important part in Thailand’s economy contributing to 30% of GDP and 26% of total employment¹².

Figure 1 – Share of Ocean Economy to Gross Domestic Product¹³



¹¹ ADB (2022): [Financing Small and Medium-Sized Enterprises that Dominate the Blue Economy: Country Priorities Heatmap](#), January 2022.

¹² Department of Marine and Coastal Resources of Thailand, GEF, UNDP, PEMSEA (2018): [National State of Oceans and Coasts 2018: Blue Economy Growth](#)

¹³ Asian Development Bank, 2021. Financing the Ocean Back to Health in Southeast Asia: Approaches for Mainstreaming Blue Finance. Manila: ADB. DOI: <http://dx.doi.org/10.22617/TCS210453-2>

Climate change is posing an increasing threat to coastal communities and livelihoods dependent on marine ecosystems. As extreme weather events intensify, higher sea temperatures reduce aquaculture yields, and rising sea levels erode the recreational value of beaches. Thailand is recognized as highly vulnerable to climate variability and change, facing rapid onset and long-term changes in key climate parameters, as well as impacts of these changes on communities, livelihoods and economies, many of which are already underway.¹⁴ Coastal inundation and seawater intrusion are likely to increase as a result of climate change.¹⁵ Land loss from sea-level rise will also affect sustainable land use for economic activities in tourism, coastal industrial zones, and blue economy activities at large. Given the important role blue economy plays in Thailand's overall economy, significant climate adaptation investment is needed to minimize the consequences of climate change. Thailand's National Adaptation Plan has identified 6 strategies and 16 work plans that cut across different sectors, calling for actions from development and promotion of ecological and sustainable tourism to management of marine and coastal resources.¹⁶ Financing large adaptation costs will challenge Thailand's fiscal space¹⁷, and it is thus crucial to enlist the support of the donor community and empower private sector solutions. Addressing the blue economy SME financing gap in Thailand and developing local private sector financial institutions' capacity to fund sustainable blue projects will not only constitute opportunities to address Thailand's demonstrable adaptation challenges in themselves but will also have significant demonstration effect across the region, especially in countries such as Viet Nam, the Philippines, and Indonesia, where blue economy investment opportunities have great potential¹⁸ and at the same time climate adaptation faces sizable financing and capacity gaps. As the negative impact of climate change disproportionately affects women and women-owned businesses, programs that incorporate gender measures in the design and monitoring framework also present an opportunity to mainstream gender in the blue economy, reduce barriers for women entrepreneurs to access finance for blue economy activities, and strengthen their climate resilience. As such, this facility has been designed and proposed.

Barriers to blue ocean financing include a lack of fiscal measures and declining development assistance and funding from private investors through foreign direct investments, in addition to large burdens of external debt in some countries. The other challenges for attracting investments into blue sectors arise from poor bankability (low levels of cash flow in deals), and weak enabling frameworks, which include institutional, regulatory, governance, legislative and human resources that are required for establishing strong intersectoral and transboundary partnerships.¹⁹

A survey conducted by Responsible Investor, reached out to 328 institutional investors in 34 countries to assess their interest in financing the ocean economy.²⁰ The results indicate that nine out of 10 investors are interested in investing in sustainable blue economy projects and a third of the respondents regard the sector to be an important one by 2030. The survey highlights that public pension funds, charitable organizations, wealthy families, and individuals are increasingly interested in

¹⁴ The World Bank and ADB (2021): [Climate Risk Country Profile: Thailand](#).

¹⁵ Thailand (2018). [Third National Communication to the UNFCCC](#).

¹⁶ Thailand: [The First Draft of Thailand National Adaptation Plan](#).

¹⁷ IMF(2022). [Thailand: Selected Issues](#).

¹⁸ ADB (2022): [Financing Small and Medium-Sized Enterprises that Dominate the Blue Economy: Country Priorities Heatmap](#), January 2022.

¹⁹ WEF, [Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders an Overview of the Strategic Use of Development Finance and Philanthropic Funds to Mobilize Private Capital for Development \(2015\)](#) https://assets.ctfassets.net/4c9qlwde6gy0/6hNHDaeN300e0m2QgemC2U/9cc4d420b936bb42b5cc7f394bc05579/World_Economic_Forum_Blended_Finance_Vol.1_-_A_Primer_for_Development_Finance_and_Philanthropic_Funders_2015.pdf

²⁰ Credit Suisse, 2020. [Investors and the blue economy. https://www.esg-data.com/blue-economy](https://www.esg-data.com/blue-economy)

blue finance. The reasons cited are positive financial gains in addition to advancing SDG 14 to make a difference to society and the environment. The key sectors identified by investors include climate change mitigation and adaptation through marine renewables, marine plastic pollution, sustainable fisheries, and aquaculture. Respondents opined that reducing the risk in investments was contingent upon strengthening enabling conditions and developing innovative finance approaches.²¹ The success of the sub-program will have a strong demonstration effect to the lower income countries with similar dependency on the blue economy by addressing the need to support the capacity of financial institutions to support a larger pipeline of MSME and mid-market firm potential pipeline of blue economy projects.

ii. The investment must demonstrate significant direct benefits by (A) making the livelihoods of small-scale private actors more resilient to climate change, or (B) providing the co-benefit of increased community resilience, for example, by reducing pressure on scarce water resources, increasing food security, or increasing the resilience of the local community to extreme weather;

The sub-program will provide concessional lines of credit to local banks for blue economy lending to SMEs and middle market companies in Thailand to support a range of blue economy activities that will strengthen coastal communities' climate resilience such as sustainable ocean production, ecotourism, sustainable infrastructure. A design and monitoring framework for each project will help ADB to ensure that the benefits are directed towards small scale private actors and communities. Relative to infrastructure and microfinance, MSMEs are the backbone of firm activity in most of emerging Asia – including Thailand - yet lack the aggregating platforms and financial institutions available to the other two major avenues of development finance. Further, most opportunities for jobs, growth, and gender equality—regardless of market segment or region—are driven by MSMEs rather than infrastructure projects.²²

iii. Other countries will only be allowed to receive non-grant financing for private sector operations, including through MDB public sector arms. For private operations the minimal concessionality principle applies. Grants for technical assistance can be accessed as described above;

ADB will implement the sub-program as part of ADB's blended finance program in accordance with its governance rules, including compliance with DFI blended finance principles such as minimum concessionality.

iv. A cap will be set on funding investments in such countries to ensure adequate resources are available for PPCR and low-income CIF countries.

This sub-program is small (~US\$5.1 million), mainly due to the size of PPCR funding available for the private sector. As such, ADB will concentrate on one country, Thailand. ADB may seek to expand the program to other CIF countries if additional PPCR funding becomes available.

13. Objectives:

The objective of the sub-program is to address the gap in the much-needed concessional financing to jumpstart the blue MSME and middle market company financing in Thailand and to strengthen the capacity of its financial institutions to support climate resilience, adaptation to climate risks and risk reduction. The concessional facility, coupled with the grant funding, will allow local banks to expand the universe of bankable blue MSME projects, build their capacity to design tailored products and

²¹ *Ibid.*

²² International Labour Organization. 2019. Small Businesses and Self-Employed Provide Most Jobs Worldwide. https://www.ilo.org/wcmsp5/groups/public/-/dereports/-/dcomm/-/publ/documents/publication/wcms_723282.pdf

evaluate the impacts of blue projects, and showcase the viability of the segment to attract commercial investors and encourage replication in Thailand and across Southeast Asia.	
14. Is the proposed TA/Project linked to an ongoing MDB project or an MDB project under preparation?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
15. If yes, which project is it linked to and what is the project status (ongoing/under preparation)?	<p>The project under preparation will blend PPCR resources with ADB's own OCR resources to on-lend to financial institutions to support blue economy climate adaptation activities in Thailand. The project will capitalize on ADB's experience from its existing blue economy initiatives including the Healthy Oceans Action Plan²³, the Oceans Financing Initiative²⁴ and the Blue SEA Finance Hub²⁵.</p> <p>ADB is actively engaging with relevant stakeholders through workshops and bilateral conversations, and expects the project to be formulated within the next 18 months and implemented within 3 years. Examples of indicative projects in the pipeline include: i) support to integrate more sustainability and climate resilience design elements into the tourism, ports and shipping portfolios of a Specialized Financial Institution (SFI) in Thailand; ii) design of targeted products to help aquaculture farmers make investments into new production techniques that improve climate resilience in their production methods, in coordination with a local bank in Thailand.</p>
16. Indicative Date of Submission for PPCR SC Approval	January 2023
17. Expected Outcomes:	
<p>ADB expects the following outcomes:</p> <ul style="list-style-type: none"> • Mobilization of long tenor financing to support sustainable blue projects of local MSMEs and middle market companies to strengthen the climate resilience of coastal communities. • Local FIs' blue lending capacity strengthened (one to two FIs), including offerings of targeted blue financial products, deployment of blue economy lending strategy, ability to adopt blue bond framework, etc. 	
18. Key Results and Indicators for Success (consistent with PPCR Core indicators, and including indicators disaggregated for women and men, and if relevant vulnerable and excluded groups including ethnic and racial minorities, persons with disabilities, Indigenous Peoples, etc.):	
Result	Indicator

²³ ADB (2019): [ADB Launches \\$5 Billion Healthy Oceans Action Plan, May 2019.](#)

²⁴ ADB: [ADB Oceans Financing Initiative – Accelerating Blue Investments in Asia and the Pacific.](#)

²⁵ ADB: [Blue SEA Finance Hub – Proactively Accelerating the Blue Economy in ASEAN.](#)

(a) Strengthened capacity of local FIs to finance blue economy projects and support climate resilience of coastal communities	# of blue SME and middle market lending products launched by local FIs, with # of blue lending product or outreach targeted at women-owned or led SMEs (WSME) # of blue sub-loans disbursed by local FIs # FI employees with improved skills and knowledge on gender sensitive blue SME lending
(b) Narrowed funding gap for blue economy SMEs and middle market companies	\$ on-lent to SMEs and middle market companies to support blue economy projects, with \$ on-lent to WSME # of blue SME borrowers financed, with # of blue WSME financed
(c) Strengthened climate resilience of coastal communities and blue economy livelihoods	\$ on-lent to finance strengthening of climate resilience
(d) Improved employment opportunities in blue economy sectors in Thailand	% of the labor force employed in Thailand's blue economy % of women in blue economy jobs in Thailand # of jobs supported through the Blue Economy projects funded in Thailand # of gender inclusive corporate policies and practices

17. Budget:

Expenditures ²⁶	Amount (USD) - estimates	
Concessional lines of credit to local banks	3,575,000	
Grant (to support project viability, blended finance and/or outcome-based performance incentives)	1,425,000	
MPIS	75,000	
Contingencies (max. 10%)	N/A	
Total Cost	5,075,000	
Co-Financing ²⁷ :	<i>Amount (USD million):</i>	<i>Type of contribution:</i>
• Government		
• MDB	5	Debt (own account)
• Private Sector	10	Debt (from partner FIs)
• Others (please specify)		
Co-Financing Total	15	

20. Project Timeframe

²⁶ Expenditure categories should be provided by the MDBs based on own procedures.

²⁷ This includes in-kind contributions (monetary value), MDB loan or grant, parallel financing, etc.

<p>Expected start date of implementation: Q3, 2023 Expected end date of implementation: Q3, 2026 Expected investment lifetime in years: 15 years</p>
<p>21. Role of other Partners involved in project:</p> <p>ADB is in discussion with 3-4 local banks in Thailand with a few to assessing potential to develop lines of credit to support blue economy financing. Furthermore, ADB has engaged a specialized consulting firm to conduct a broad market mapping of stakeholders in order to better understand the specific areas of investment potential, as well as barriers that prevent more financing to flow to the target blue economy sectors through FIs. The goal is to build on these insights to select optimal FI partners for ADB and to develop tailored products and programs to build FI capacity in the market with a view to scaling blue economy lending in Thailand. If the sub-program is approved, further engagement will be undertaken with additional public and private sector stakeholders.</p>
<p>22. Implementation Arrangements (incl. procurement of goods and services):</p> <p>ADB's Private Sector Financial Institution Division (PSFI) will originate the project(s) leveraging existing relationships with local FIs and capitalizing on initial discussions had on blue economy financing. All deals under the sub-program will be co-financed by ADB's own ordinary capital resources and ADB's standard procedures for non-sovereign operations apply, including environmental and social safeguard policies. Resources under the sub-program will be managed as part of ADB's Blended Finance program and the procedures for endorsement of ADB blended concessional finance proposals apply, including evaluation by ADB's Blended Finance Committee in the context of the blended finance principles. Any third-party service providers engaged as part of the subprogram, e.g. TA service providers, will be selected and contracted in accordance with ADB's procurement policy.</p>
<p>23. Gender and Social Inclusion Considerations and Expected Results:</p> <p>Key gender issues for the Banking the Blue Economy Program relate to the representation of women-owned or led SMEs (WSME) in the Thai SME base, and to women's access to finance.</p> <p>Women entrepreneurship. Nearly 50% of all entrepreneurs in Thailand are women,²⁸ and in the fisheries sector, female owners of fish processing facilities are as prevalent as male owners.²⁹ Despite their high entrepreneurial participation, Thai women are mostly concentrated in micro, small and partly medium-sized enterprises in low value-added, lower-skilled retail and service businesses, and in the informal sector.³⁰</p> <p>Women's financial inclusion. Women in Thailand are at a disadvantage in terms of access to financial services, as can be seen in women's account ownership at a financial institution or with a mobile-money-service provider (where women achieve 80% vs. 84% for men), or credit and debit card ownership. Despite being well involved in business, women borrow and save to start, operate, or expand businesses at lower rates than men in Thailand (7% vs. 11% and 23% vs. 33%, respectively). Overall indicators on access to borrowing from a financial institution indicate that levels are low for both men and women (14% and 16% respectively).³¹</p> <p>Arrangements for gender measures in the program design and monitoring. ADB's Private Sector Operations Department has a dedicated team to mainstream gender in its projects. These specialists</p>

²⁸ Sritanyarat D, Sakdiyakorn M. 2020. [Vicarious Learning From Innovative Women Entrepreneurs in Thailand](#). *Advances in Developing Human Resources*. 2020;22(2):201-214.

²⁹ Mekong River Commission (2008): [Promoting Gender Issues at the Fisheries Department in Thailand](#).

³⁰ Xavier, S. R., Sidin, S. M., Guelich, U. & Nawangpalupi, C., 2016. [ASEAN Entrepreneurship: The Context, Impact and Opportunities for Women Entrepreneurs and Startups. Key Pivots for Growth and Sustainability](#). Kuala Lumpur: Universiti Tun Abdul Razak.

³¹ World Bank. 2017. [Global Findex database 2017 – Thailand](#). Washington, D.C.

will work closely with each of the selected FIs to assess gender gaps and define gender action plans with them in the processing of the transactions, as well as provide support during implementation to these FIs as part of ADB portfolio management to improve the quality and results of the gender targets. As such, gender analysis is part of ADB's due diligence process for each loan to an FI, including those under this sub-program, and ADB will incorporate gender performance indicators into the sub-projects' development monitoring frameworks (DMF). Gender measures are typically defined during due diligence and notably look to increase available financing to WSMEs, enhance gender inclusiveness of the FI's operations, and explore ways to increase non-financial services to women borrowers.

Potential gender indicators to be considered for the subprojects may include: (i) targets to allocate and increase the loan disbursements and number of WSME active borrowers; (ii) blue loan product marketing campaign or digital/other product development targeted at WSME; (iii) increase in the number of women borrowers trained on [financial literacy, business management, tbd]; (iv) training of FI staff in credit teams on gender-responsive financial services; (v) revision of corporate policies revised to include gender equality standards, and provisions against any forms of harassment (with specific mention of anti-sexual harassment and supporting procedures; (vi) staffing targets for women in [management, credit, professional] teams.

24. Other Information:

Annex 1. Project Description

PILOT PROGRAM FOR CLIMATE RESILIENCE			
Project Description			
18. Country/Countries:	Thailand		
19. TA/Project Title:	Banking the Blue Economy Program		
20. Indicate Track: 1A, 1B or 1C*	1A <input checked="" type="checkbox"/>	1B <input type="checkbox"/>	1C <input type="checkbox"/>
21. Funding Request from PPCR (USD) including TA/project preparation	Returnable Capital: \$3.575 million or equivalent in THB Grant (to support project viability, blended finance and/or outcome-based performance incentives): \$1.425 million Total: \$5.00 million		
22. MPIS Request (USD)**:	\$0.075 million (maximum allowable)		
23. Implementing MDB:	Asian Development Bank		
24. Brief TA/Project Description and justification for funding***:	<p>Summary</p> <p>ADB's Private Sector Operations Department (PSOD) is seeking approval from SCF for a tranche of concessional financing to extend lines of credit to local banks for blue economy lending to SMEs and middle market companies in Thailand. This includes: (i) sustainable ocean production, fisheries, aquaculture, mariculture, nearshore sustainable agribusiness and supply chain, (ii) ecotourism, retail and hospitality, and (iii) sustainable infrastructure (including ports and shipping), coastal resilience, waste management, recycling, sewage and waste-water treatment, green transport, clean energy. The project also involves a \$1.42 million grant-funded component to support 1-2 selected financial institutions in implementing the lending program. The TA will be utilized to provide capacity building and outcome-based incentives for the selected FI as needed to effectively implement a Blue Economy lending strategy. Capacity building activities include i) the conduct of market analytics, ii) setting of strategic climate outcome targets by sector, iii) implementation of BE taxonomy in internal systems, iv) design of targeted financial products to incentivize market uptake and v) training of credit and other FI staff key to the deployment of the BE lending strategy and vi) engagement of any specialized external validation required to design blue bond frameworks or post issuance compliance. Blended-finance and/or outcome-based incentives will also be designed in line with best market practices to reward the achievement of established sustainability targets.</p> <p>Background</p> <p>Marine ecosystems form the largest carbon sink on earth and enable ocean-based mitigation options with emission reduction potentials that outsize all current coal-fired power plants worldwide.³² They also offer coastal communities that are most vulnerable to climate change significant protection against extreme weather events, crucially</p>		

³² High Level Panel for a Sustainable Ocean Economy (2019): [The Ocean as a Solution to Climate Change](#).

contribute to their livelihoods, and underpin their adaptive capacity. At the same time, the marine ecosystems, and the livelihoods that depend thereon, are under threat from climate change, as higher sea temperatures reduce aquaculture yields, and rising sea levels erode the recreational value of beaches. Building climate resilience calls for investments in sustainable blue economy activities that range from sustainable fishery value chain, to ocean-friendly chemicals and plastic recycling, to marine ecosystem restoration, to sustainable tourism services, etc.³³

Asia is home to 17 of the world's 20 largest ports and some 80% of global fish production. Asia's seafood complex alone employs more than 60 million people. Aquatic systems that sustain fisheries and aquaculture are undergoing significant changes as a result of global warming and projections indicate that these changes will be accentuated in the future.³⁴ Fishery and aquaculture productivity is highly sensitive to changes in water temperature, oxygen levels, acidity, etc. The prominence of the blue economy segments in Asia also means substantial capital is required to transition them towards sustainability, particularly as many of the blue economy sectors require out of pocket costs to increase resilience and mitigate climate externalities associated with ocean-related assets. The region faces a \$5.5 trillion blue financing gap to achieve related SDGs and targets.³⁵

SMEs make up 90% of the economy in Asia and the Pacific and employ 70% of its population.³⁶ SMEs are active in all blue sectors but lack adequate direct finance and support. They typically have difficulty availing funding from local banks due to insufficient collateral and credit history and have funding needs that are too large for microfinance institutions that specialize in uncollateralized lending and too small for DFIs. Local banks often also lack the ability to lend at the long tenor that is required to fund blue projects with long payback periods. The blue economy SME financing gap in developing Asia is estimated to be \$2 trillion.³⁷

Thailand is one of the countries with the greatest potential in terms of blue economy investment opportunities and sustainability in Asia and the Pacific.³⁸ The blue economy contributes to approximately 30% of Thailand's GDP and 26% of its total employment.³⁹ Thailand has a strong and developed commercial banking sector, but it is heavily tilted towards

³³ IFC (2022): [Guidelines for Blue Finance](#).

³⁴ FAO (2018): [Impacts of Climate Change on Fisheries and Aquaculture](#).

³⁵ UNDP, UNEP, ADB (2022): [Financing the Blue Economy: Investment in Sustainable Blue Small-Medium Enterprises and Projects in Asia and the Pacific](#), June 2022.

³⁶ Ibid.

³⁷ Ibid.

³⁸ ADB (2022): [Financing Small and Medium-Sized Enterprises that Dominate the Blue Economy: Country Priorities Heatmap](#), January 2022.

³⁹ Department of Marine and Coastal Resources of Thailand, GEF, UNDP, PEMSEA (2018): [National State of Oceans and Coasts 2018: Blue Economy Growth](#)

the high-volume high-profit businesses such as large corporate clients, foreign exchange services, and high-income retail customers. It is the Thai government who has been taking leadership in providing small-scale credit, through state-owned commercial banks and specialized financial institutions, often at subsidized rates.⁴⁰ Addressing the blue economy SME financing gap in Thailand and developing local private sector financial institutions' capacity to fund sustainable blue projects will not only harness such opportunities in themselves but also have significant demonstration effect across the region. As such, this facility has been designed and proposed.

Innovation and pioneering

Private sector blue economy financing is still at an early stage of development in Southeast Asia. In November 2020, Thailand's Indorama Ventures, the largest producer of 100% recyclable PET in the world, raised \$300 million blue loan from IFC, ADB and DEG to boost its recycling infrastructure and divert waste from the marine environment. In July 2021, Thai Union, a global leading seafood processor, raised THB 5 billion (~\$150 million) from issuing Thailand's first sustainability-linked bond which also had blue performance targets.⁴¹ In April and May 2022, IFC announced its \$100 million and \$50 million subscriptions to the first commercial bank blue bonds in the Philippines⁴² and Thailand⁴³ respectively. These initial efforts are encouraging and need to be rapidly scaled up to make a dent at the multi-trillion blue funding gap and to trickle down from global industry leaders to blue SMEs.

The proposed PPCR sub-program will build on these early efforts, capitalize on ADB's experience from its existing blue economy initiatives (e.g. the Healthy Oceans Action Plan⁴⁴, the Oceans Financing Initiative⁴⁵, the Blue SEA Finance Hub⁴⁶, etc.), and advance the frontiers of blue economy financing in Southeast Asia. The table below outlines some sample activities to be supported under the program, the climate risks they address, and the expected outcomes:

Activity	Climate risk addressed	Expected outcome
Coastal protection measures such as land	Sea water flooding, coastal erosion	Stronger coastal resilience and

⁴⁰ ADB Institute (2016): [Commercial Bank Innovations in Small and Medium-Sized Enterprises Finance: Global Models and Implications for Thailand](#), July 2016

⁴¹ Thai Union (2021): [Press Release: Thai Union Launches Thailand's First Sustainability-Linked Bond](#), July 2021.

⁴² IFC (2022): [Press Release: IFC's Investment in BDO's Blue Bond to Help Tackle Marine Pollution in the Philippines, Support Blue Economy](#), April 2022.

⁴³ IFC (2022): [Press Release: IFC to Support Thailand's Blue Economy through First Blue Bond Issued by TMBThanachart Bank](#), May 2022.

⁴⁴ ADB (2019): [ADB Launches \\$5 Billion Healthy Oceans Action Plan](#), May 2019.

⁴⁵ ADB: [ADB Oceans Financing Initiative – Accelerating Blue Investments in Asia and the Pacific](#).

⁴⁶ ADB: [Blue SEA Finance Hub – Proactively Accelerating the Blue Economy in ASEAN](#).

	elevation, shore protection, and reclamation to increase infrastructure resilience		protection from disaster risks
	Mangrove protection and rehabilitation to strengthen natural barriers to limit salt water intrusion into soils and boost nature tourism	Sea level rise, salt water intrusion	Coastal farmland and soil fertility preserved
	Coral reef conservation through ecosystem approach	Change in sea surface temperature and ocean pH	Aquaculture yields, food security, and livelihoods preserved
<p>The facility is structured as dedicated lines of credit for local banks to fund blue SMEs and middle market companies. The blended on-lending model is appropriate as it leverages local banks' market intelligence while targetedly addressing banks' inability to lend at longer maturities and their higher perceived risk of the segment due to the self-perpetuating shortage of precedents. The concessional facility, coupled with the technical assistance, will allow local banks to expand the universe of bankable blue SME projects, build their capacity to evaluate blue projects, and showcase viability of the segment and attract commercial investors. ADB will co-finance all deals with its own ordinary capital resources (OCR) funding and seeks to leverage the concessional financing to crowd in at least 3x additional financing, including at least 2x additional private sector financing.</p> <p>Readiness</p> <p>ADB is in the initial stages of discussion with a 5 local banks in Thailand, including state-owned banks, who show strong interest in developing lines of credit to support blue economy financing. Furthermore, ADB has engaged a specialized consulting firm to conduct a broad market mapping of stakeholders in order to better understand the specific areas of investment potential, as well as barriers that prevent more financing to flow to the target Blue Economy sectors through FIs. The goal is to build on these insights to select optimal FI partners for ADB and to develop of tailored products and programs to build FI capacity in the market with a view to scaling blue economy lending in Thailand. ADB expects to develop one proposal for blue financing within the next 18 months.</p> <p>Thailand has a developed banking sector and their underfinancing of the SME segment and blue economy sectors is driven by economic considerations as well as lack of specialized knowledge to design products and funding solutions. With the right incentives, banks can develop an</p>			

	<p>appreciation of the vibrant opportunities in the blue economy and be mobilized to support blue SME activities.</p> <p>Thailand has been among the top marine fisheries producers and exporters for several decades but faced declining production in recent years due to overfishing and illegal, unreported, and unregulated (IUU) fishing. In reaction, the government rolled out a series of regulations and policies such as the Fisheries Act, the Royal Ordinance for Fisheries, and the Fisheries Management Plan. Producers and processors in the fisheries value chain that adopt sustainable practices have a head start in adjusting to the increasingly eco-conscious regulatory environment.</p> <p>Marine and coastal tourism in Thailand had been growing at an accelerated pace prior to the pandemic, but further unchecked growth in the sector could lead to issues related to the carrying capacity of habitats and pollution. Recognizing the conservation needs and shifting consumer demands, many private sector-led sustainability undertakings have emerged from mangrove restoration CSR projects, to ecotourism farmstays, to adoption of sustainable packaging to reduce marine plastic waste. Strengthening the resilience of coastal and marine tourism against the threats of climate change is vital to protecting the ecosystem as well as the livelihoods that depend on tourism. There is a need for blended finance support to transition these from more niche CSR projects to more mainstream commercial investment opportunities.</p> <p>Offshore oil and gas plays an important role in Thailand’s energy mix, but the sector faces sustainability challenges from oil spill incidents to decommissioning of offshore platforms at the end of production. Solutions to minimize oil and gas companies’ emissions including carbon capture and storage technologies will find willing ears. Further developing the country’s renewable energy capacity will reduce its dependency on offshore oil and gas operations, improve small-scale fishing communities’ access to ocean-based livelihoods, and contribute to the overall achievement of Thailand’s commitments under its Nationally Determined Contributions (NDC).</p> <p>High-impact \$5 million of PPCR concessional funding is expected to catalyze at least \$15 million additional investments (including financing from ADB’s Ordinary Capital Resources), injecting much needed additional financing into Thailand’s blue economy. Financing will be on-lent by commercial banks to 5-8 local SMEs⁴⁷ or mid-market companies to support their sustainable blue economy activities, including (i) sustainable ocean production, fisheries, aquaculture, mariculture, nearshore sustainable</p>
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⁴⁷ Assuming 3:1 leverage ratio and average sub-loan size of \$2-3 million. Borrowers most ready to make blue economy investments tend to be medium-sized companies, hence the relatively larger average sub-loan size.

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	<p>agribusiness and supply chain; (ii) ecotourism, retail and hospitality; (iii) sustainable infrastructure (including ports and shipping), coastal resilience, waste management, recycling, sewage and waste-water treatment, green transport, and clean energy, and thereby strengthening the climate resilience of Thailand's coastal communities. The sub-program is also expected to generate development co-benefits such as creation of local employment opportunities and improvement of environmental and social standards within local supply chains.</p> <p>The facility is expected to crowd in commercial interests in blue SMEs beyond the lifetime of the facility. Exposure to viable blue projects gained by local commercial banks will alter their risk perceptions and recalibrate their risk appetite. The sub-program will have significant demonstration effect and help unlock the blue economy potential in Thailand and across the region.</p> <p><i>Short implementation lifespan (3 years maximum based on BDRP guidelines)</i> Based on the initial discussions ADB has had with local banks, it is anticipated a proposal can be developed within the next 18 months and implemented within 3 years.</p>	
25. Indicative Outputs/Outcomes (Ensure strong alignment with the overall objectives of the PPCR):	<p>Number of transactions signed: 1 Number of technical assistance projects approved: 1-2 Number of SMEs and mid-market companies supported: 5-8 Amount on-lent by local financial institutions to support blue economy activities: \$20 m</p>	
26. Is the proposed TA/Project linked to an ongoing MDB project or an MDB project under preparation?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
27. If yes, which project is it linked to and what is the project status (ongoing/under preparation)?	<i>Under preparation</i>	
28. Indicative Date of Submission of Project Proposal for PPCR SC Approval	<i>2 November 2022</i>	
29. Indicative TA/Project Implementation Period	<i>Number of Months/Years: 15 years</i> <i>From: 2023 To: 2038</i>	