



Initial Poverty and Social Analysis

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IND: Tata Capital Growth Fund II

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Asian Development Bank

NOTE

- (i) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Tata Capital Growth Fund II
Lending/Financing Modality:	Financial Intermediary	Department/ Division:	Private Sector Operations Department/ Private Sector Investment Funds and Special Initiatives Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed investment in Tata Capital Growth Fund II (TCGF II) is consistent with the Asian Development Bank (ADB) Strategy 2030's objective of (i) addressing remaining poverty and reducing inequalities by facilitating quality job creation, including in small and medium-sized enterprises and inclusive businesses; and (ii) accelerating progress in gender equality.^a The investment in the fund is also consistent with ADB's country partnership strategy for India, 2018–2022, which highlights the need for recapitalization of the country's banking sector to resolve its stressed assets; includes support for affordable housing, financial inclusion, and the health sectors as strategic priorities; and focus on strengthening gender equality.^b

B. Poverty Targeting

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

TCGF II will invest in lower mid-market companies that provide needed services and employment to the local population. The companies will come from the following target sectors: financial services (e.g., housing finance), healthcare (e.g., health insurance), manufacturing, and information technology.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. India's national poverty rate fell from 37.2% in fiscal year (FY) 2004 to 21.9% in FY2011, reducing the number of the absolute poor by 137 million (footnote b). India's poverty rate was estimated at 13.4% in 2015 based on the international poverty line of \$1.90 in 2011 purchasing power parity (PPP) terms.^c Despite clear progress in poverty reduction in recent decades, poverty remains widespread in India, and the pace with which poverty is being eradicated may have moderated. In 2015, 176 million people lived in extreme poverty, or below \$1.90 per day (2011 PPP), while 659 million people (50.4%) lived below the lower middle income class poverty line of \$3.20 (2011 PPP) per person per day. A steadily increasing population, which reached 1.339 billion people in 2017,^d continues to stress public and private health service providers and housing availability and affordability, especially in the country's rapidly urbanizing areas. The investment in TCGF II will primarily benefit the target investee companies and their employees. The businesses and their employees within the supply chains of each investee, the customers of each investee, and the government (through increased tax revenue) will also indirectly benefit.

2. Impact channels and expected systemic changes. The investment in the fund will provide growth and productivity in 10–12 companies over the fund's projected 10-year life. It will contribute to the generation of job opportunities in urban areas where investee companies are located and catalyze market confidence in private sector investment.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence will examine the potential social safeguards impacts and other social risks of the prospective investments and determine the capacity of the fund manager, Tata Capital Limited (Tata Capital), to identify and manage them.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The International Finance Corporation (IFC) reports that women are significantly underrepresented among the investment decision-makers at private equity and venture capital firms, as well as in the leadership of companies that receive this investment capital.^e Tata Capital follows the Tata Group's Code of Conduct (footnote f), which promotes equal opportunity in employment, but currently has no women partners or investment team members.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? ☒ Yes ☐ No
TCGF II intends to ensure that portfolio companies meet the fundamental requirements needed to safeguard women at work.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No Tata Capital will be required to ensure that its investments do not cause adverse impacts on women and/or girls nor widen gender inequality. Gender measures that can be implemented to enhance benefits to women will be assessed during due diligence.

4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity) ☐ EGM (effective gender mainstreaming)
☒ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT		
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The main stakeholders of the project are the investee companies and their employees. Considering the nature of private equity fund investments, there is limited opportunity for these stakeholders to participate in project design. However, due diligence will ascertain how the stakeholders will best benefit from the investment.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded? The nature of the investment in the fund limits opportunities of engaging and empowering stakeholders and beneficiaries. Nevertheless, the investment is expected to boost employment in the target sectors and the provision of much needed financial and healthcare services. ADB will work with Tata Capital to explore opportunities through which the fund can directly benefit the poor via the philanthropic work of Tata Sons Limited – the flagship holding company of the Tata Group and a major benefactor for civil society organizations across India.</p> <p>3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?</p> <p><input checked="" type="checkbox"/> Information generation and sharing (L) <input type="checkbox"/> Consultation (NA) <input checked="" type="checkbox"/> Collaboration (L) <input type="checkbox"/> Partnership (NA)</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The commercial nature of fund investments will not require a participation plan, however any community outreach or support activities by investees will be monitored by the fund manager and reported to ADB in the annual environmental and social performance report (ESPR).</p>		
IV. SOCIAL SAFEGUARDS		
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI		
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The business activities undertaken by the fund's investees are not expected to involve land acquisition that would cause involuntary physical or economic displacement impacts. The fund will invest in consumer sectors, financial services, healthcare, and information technology while avoiding investments in real estate and companies with recourse to government compulsory land acquisition authority.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>		
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI		
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Business activities of potential fund investees are not expected to adversely or beneficially affect distinct and vulnerable indigenous peoples (ethnic groups).</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable, as no impacts on indigenous communities are anticipated.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>		
V. OTHER SOCIAL ISSUES AND RISKS		
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input checked="" type="checkbox"/> Labor retrenchment (L)</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? While an outcome of this investment has targeted employment growth in portfolio companies, TCGF II's direct impact on the local labor market will only be within the 10–15 portfolio companies. The fund manager's investment strategy includes taking only a minority stake in portfolio companies, which limits its ability to influence labor-related aspects of investee business. Retrenchment can be an issue in private equity investments because workforce reduction can occur following investment to prioritize efficiency gains for profit and business sustainability. This risk will be addressed</p>		

by ensuring that TCGF II makes investments in accordance with national labor laws and takes measures to comply with internationally recognized core labor standards.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?

☒ Yes ☐ No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? The project team will conduct the due diligence in accordance with ADB requirements.

^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

^b ADB. 2017. [Country Partnership Strategy: India, 2018–2022](#). Manila.

^c World Bank. 2019. [Poverty & Equity Brief: South Asia: India](#). Washington. In 2015 1.077 billion people (82.3% of India's population) lived below the upper middle income class poverty line of \$5.50 (2011 PPP) per person per day in 2015.

^d World Bank. 2019. [Poverty and Equity Data Portal: India](#). Washington.

^e International Finance Corporation. 2019. [Moving Toward Gender Balance in Private Equity and Venture Capital](#). Washington DC.