

Initial Poverty and Social Analysis

September 2019

REG: Proposed Equity Investment in Kaizen Private Equity II Pte. Ltd.

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Equity Investment in Kaizen Private Equity II Pte. Ltd.
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 \$5 million investment in Kaizen Private Equity II Private Limited (KPE II) will assist up to eight education companies across India, Philippines, Thailand, Viet Nam and Myanmar, among others. Education sub-sectors where KPE-II prefers to invest capital include K-12 education, test preparation, pre-schools, online education and vocational training. The proposed investment is consistent with ADB's Strategy 2030 in supporting two of the seven key operations priorities: (i) addressing remaining poverty and reducing inequalities; and (ii) accelerating progress in gender equality.^a The project further contributes to ADB's objectives under Strategy 2030: (i) expanding private sector operations to reach one third of its total operations in number by 2024, and (ii) diversifying private sector operations beyond the infrastructure sector. The proposed investment is aligned with ADB's country partnership strategies for India, Philippines and Viet Nam, which include access to quality education as core objectives.^b The ADB's country partnership strategy for Philippines, 2018-2023 supports strategic pillar 3 on investing in people which promotes access to quality secondary education and TVET and labor market activation program.^c The project is also aligned with ADB's Country Partnership Strategy for India, 2018–2022 which supports improving employability and productivity of growing workforce through education under Pillar 1: Boosting economic competitiveness to create more and better jobs.^d The investment is also consistent with the Country Partnership Strategy: Viet Nam, 2016–2020 which supports improving access to services for health and education under Pillar 2: Increasing the inclusiveness of infrastructure and service delivery.^e

B. Poverty Targeting:

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. In South and Southeast Asia, the GDP contribution from agriculture and manufacturing is decreasing while the services sector is increasing. In India, Philippines and Thailand, the agriculture and industrial sectors' share of GDP went from 49.1%, 45.6% and 48.9% in 2007 to 41.6%, 40.1% and 43.7%, respectively, in 2017. Because of the expansion in the services sector which require more labor resources, there is a need to enhance the quality of education and making education more affordable to the population. This requirement should be matched by improved access to educational institutions that offer these services. Therefore, investments in education are acutely needed and can significantly contribute to narrowing the skills gap in populations to boost overall productivity and ensure economic growth.

The quality of public provision for education in India and other countries in the region has been found to be inadequate due to limited government spending, shortage of quality teachers and resulting absenteeism, and poor infrastructure. The public expenditure on education in KPE-II's target countries is also insufficient to cater to the growing demand for quality education. Public education expenditure as a percentage of gross domestic product (GDP) is 3.8% for India, 4.1% for Thailand and 5.0% for Vietnam compared to member countries of the Organisation for Economic Co-operation and Development which is more than 8%. According to a McKinsey & Company report, education spending per head by families in India is projected to rise from 6% of personal disposable income in 2015 to 9% in 2025. Similarly, between 2010 and 2020, private expenditure on education is estimated to rise at a compound annual growth rate (CAGR) of 7.7% in Viet Nam, 4.7% in Indonesia and 4.2% in the Philippines.

2. Impact channels and expected systemic changes. The investment which will improve access to financial resources for the educational institutions, higher quality of education, and skill development for youth, and is expected to translate to better employability and incomes of the labor force and their family.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB team will conduct due diligence on Kaizen's corporate environment and social management system and sample of existing investments. During the due diligence ADB team will also explore potential gender measures that promote welfare and opportunities to staff and students of investee companies.

4. Specific analysis for policy-based lending. Not applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Of the five targeted investment countries for Kaizen, the Philippines is closest to approaching gender equality with a rank of 8th on the World Economic Forum's (WEF) Global Gender Gap Index in 2018, followed by Thailand ranked 73rd, Vietnam at 77th, Sri Lanka at 100th and India at with the greatest gender gap with a ranking of 108th. All of the five countries have achieved, or nearly achieved, parity for female enrolment in education however, significant gender gaps remain in terms of women's labor force participation. The ratio of women to men in the workforce varies across the five countries with India at 0.35, Sri Lanka at 0.49, Philippines at 0.67, Thailand at 0.82, and Viet Nam the closest to parity at 0.91. Women's participation in the economic sector is crucial for their economic empowerment and adds to overall economic productivity. Unfortunately, the existing power dynamic tends to favour men with women often underrepresented as workers and managers and also facing challenges such as sexual harassment. In 2008 the International Trade Union Confederation estimated that between 30 - 40% of women workers in the Asia-Pacific region had reported some form of harassment women often feel pressured not to say anything in order to retain employment, due to their obligations to provide for their families and their limited mobility.

Despite the existence of legal and regulatory guidelines in all of Kaizen's investment countries on gender equality and student protection, implementation of such laws is weak. Power relationships – particularly those based on age and gender – between teachers, staff and students and among students themselves are at the root of violence in school settings. Many schools support highly hierarchical, control and punishment-oriented cultures – through both direct actions as well as inaction – to the extent that bullying and sexual violence may come to be seen as normal or inevitable parts of school life. Corporal punishment and bullying generally affect both boys and girls, but the level of violence experienced by boys is usually more severe. By contrast, sexual harassment and violence appears to be overwhelmingly carried out against girl students by male students and teachers. Kaizen has an existing Gender Policy (2017) which states that the company promotes female education, female employability and empowerment within both its own organization as well as its portfolio companies and the communities with which it is working. Kaizen has an anti-sexual harassment and nondiscriminatory policy in place for both itself and its current portfolio companies.

2. Does the proposed project or program have the potential to make a contribution 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 The investment is proposed to be categorized as effective gender mainstreaming (EGM). Gender design features and targets will be incorporated in the fund's operations and investments. A gender action plan will be prepared.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
☐ Yes ☒ No

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

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 primary beneficiaries of the project are Kaizen's target investee companies. Indirect beneficiaries include the school management, parents, students, school administrative and faculty staff, and externally the neighboring community. Kaizen shared that the investee companies engage with communities on shared concerns including traffic during peak hours.

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?

This Fund's support to educational institutions will allow improvement of educational facilities and programs offered to students, without discrimination. The investee companies' education system offers courses and programs that supports students' better employability.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

L ☒ Information generation and sharing ☐ Consultation ☐ Collaboration ☐ Partnership

With the limited scope of the project, there is limited space to promote collaboration with civil society organizations.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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</p> <p>Investment proceeds will be used to improve the performance of the educational enterprises by enhancing the organizational structures, teaching and learning techniques and facilities as well as facility upgrades and/or construction of new section or extensions of existing building, construction of new buildings within existing schools or in a newly leased or purchased land, mostly in urban areas. Investee companies are not expected to engage in activities that will involve category A impacts on involuntary resettlement as investee companies typically lease assets or lease or procure small land plots on commercial terms for their expansion or new branches. ADB will exercise its excuse right to be excepted from contributing funds to investments in companies screened as being involved in business activities with category A involuntary resettlement impacts.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA 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> <p>Kaizen's investee company assets or land procurements are expected to be by lease or purchase on commercial terms and in line with market rates. The ESMS will include a screening checklist and guidance for identifying and assessing the potential for involuntary land acquisition impacts.</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>Kaizen investment in educational institutions will mostly be in India, Philippines and Viet Nam. Proceeds will be directed towards operational enhancements, including building extensions and upgrades, that are predominantly situated in urban areas. The proposed pipeline of investments is not expected to adversely affect or target as beneficiaries distinct and vulnerable indigenous peoples, ethnic minorities, or scheduled tribal groups.</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 See above explanation.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA 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> <p>The fund will establish an ESMS in accordance with ADB SPS requirements prior to first disbursement. The ESMS will include a procedure to identify, assess and plan management measures for any proposed investment that may affect the dignity, human rights, livelihood systems, or culture of ethnic minority groups, or affect the territories or natural or cultural resources that such groups own, use, occupy, or claim as an ancestral domain or asset.</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 <input checked="" type="checkbox"/> Labor retrenchment</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? Kaizen and its investee companies will comply with the national labor laws and will take measures to comply with the International Labor Organization's core labor standards.</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA 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?</p>

<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No ADB team will carry out an environment and social assessment covering the corporate environmental and social management system, potential environment and social safeguards issues, and other social aspects.
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 PPTA or due diligence? ADB team will conduct review of relevant documents, interview with relevant staff involved in environmental and social policies and operations, and visit of sample investee companies to identify gaps and explore gap-filling measures, as required.

-
- ^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–Accelerating Inclusive Economic Transformation*](#). Manila; ADB. 2018. [*Country Partnership Strategy: Philippines, 2018–2023–High and Inclusive Growth*](#). Manila; ADB. 2016. [*Country Partnership Strategy: Viet Nam, 2016–2020–Fostering More Inclusive and Environmentally Sustainable Growth*](#). Manila.
- ^c ADB. 2018. [*Country Partnership Strategy: Philippines, 2018–2023–High and Inclusive Growth*](#). Manila
- ^d ADB. 2017. [*Country Partnership Strategy: India, 2018–2022–Accelerating Inclusive Economic Transformation*](#). Manila; ADB. 2018.
- ^e ADB. 2016. [*Country Partnership Strategy: Viet Nam, 2016–2020–Fostering More Inclusive and Environmentally Sustainable Growth*](#). Manila.