

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Equity Investment in True North VI LLP Fund
Lending/Financing Modality:	FI	Department/Division:	Private Sector Operations Department / Private Sector Investment Funds and Special Initiatives Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: general intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy The transaction is consistent with the country partnership strategy, 2013–2017 of the Asian Development Bank (ADB) for India, ^a which highlights investment in financial infrastructure, including investment funds, as a priority area. It is also aligned with ADB’s Midterm Review of Strategy 2020 ^b and the Financial Sector Operational Plan ^c that highlight the role of private investment and finance sector development in stimulating economic growth. Specifically, the midterm review outlines ADB’s support to the finance sector for the development of financial infrastructure, institutions, and products and services. As control investors in India’s middle-market segment, the True North Fund VI LLP will actively manage its investee companies to scale them sustainably, thereby contributing to capital mobilization, job creation, and private sector growth.
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence 1. Key poverty and social issues. The fund has a diverse sector focus with potential investments in sectors including financial services (nonbanking finance companies, microfinance, affordable housing), health care (services, non-pharmaceutical), consumer, and technology sectors. Investments in middle-market companies providing financial services and health services will contribute to addressing access constraints in these sectors. For instance, in India, only 53% of persons aged 15 and above have bank accounts, 14% have formal savings, and 6% engage in formal borrowing. ^d Investments in microfinance will target borrowers at the bottom of the pyramid who often rely on informal channels (friends, family, and informal moneylenders) for credit. Similarly, health care investments made by the fund are expected to improve the quality, efficiency, and cost-effectiveness of health services and delivery modalities for underserved populations in India. 2. Beneficiaries. The proposed investment will primarily benefit the fund’s portfolio companies, most of which will have the fund as a control investor. The fund will maintain active engagement with and stewardship of its portfolio companies, incorporating operational improvements and assisting portfolio companies to grow in a sustainable manner with environmental, social, and governance oversight. It will assist portfolio companies to fill management positions and facilitate peer-to-peer business development and learning forums within its portfolio. Though the direct and/or primary beneficiary is likely to be the portfolio companies, the indirect beneficiaries are likely to be poor and vulnerable people who will have better access to financial, health, and housing services. 3. Impact channels. The fund will directly contribute to the expansion and growth of its portfolio companies, which may translate to more underserved groups in India being reached, particularly in areas of finance and health, depending on the sector focus of the selected portfolio company. 4. Other social and poverty issues. Post investment, the fund will apply a sustainability index to assess its portfolio companies’ performances in delivering (i) customer experience, (ii) employee satisfaction, (iii) management of suppliers and supply chains, (iv) environmental conservation, and (v) corporate social responsibility. This index also has reporting indicators for compliance on statutory requirements pertaining to environment, safety, and labor. 5. Design features. With the establishment of the fund and the divestment of capital, the proposed investment is expected to (i) increase private equity funding for middle-market companies in India; (ii) expand access to banking, insurance, and financial services; (iii) improve access to and affordability of healthcare services; (iv) generate employment in targeted sectors; and (v) catalyze additional private equity capital for the middle-market segment in India.
II. PARTICIPATION AND EMPOWERING THE POOR
1. Participatory approaches and project activities. The fund’s manager has conducted a corporate social impact assessment of portfolio companies financed in its previous fund vehicles to gather information on their level of social responsibility to their stakeholders as well as to manage potential risks. This has been done using participatory methods and through engagement with different stakeholder groups either involved in or benefiting from the activities of the portfolio companies. True North is expected to apply the same tool to portfolio companies in the fund. 2. Civil society organizations. True North considers the following as key stakeholders of its portfolio companies: customers, employees, shareholders, suppliers, and the community. Portfolio companies are expected to manage expectations of key stakeholders and have mechanisms in place for adequate communication and consultation.

to ADB's Social Protection Strategy (2001), to take measures to comply with internationally recognized core labor standards.

B. Affordability

With possible investments in companies providing health services, the fund is expected to contribute to the expansion of affordable healthcare services in India.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

NA Communicable diseases NA Human trafficking

Others (please specify) _____

2. Risks to people in project area. Not applicable.

VI. MONITORING AND EVALUATION

1. Targets and indicators. [This information has been removed as it falls within exceptions to disclosure specified in paragraph 97(viii) of ADB's Public Communications Policy (2011)], which will be deployed to 8–10 portfolio companies by 2025.

2. Required human resources. The fund will assign an environment and social officer to monitor the implementation of its ESMS.

3. Information in the project administration manual. Not applicable

4. Monitoring tools. The fund will submit to ADB an annual environment and social monitoring report, documenting compliance of its portfolio companies with ADB requirements.

^a ADB. 2013. *Country Partnership Strategy: India, 2013–2017*. Manila.

^b ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^c ADB. 2011. *Financial Sector Operational Plan*. Manila.

^d <http://datatopics.worldbank.org/financialinclusion/country/india> last accessed 2 August 2017.

Source: True North, ADB, The World Bank.