



## Initial Poverty and Social Analysis

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### REG: Proposed Equity Investment Exacta Asia Investment II, LP

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Asian Development Bank

### **ABBREVIATIONS**

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
ESMS	–	environmental and social management system

### **NOTE**

In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Exacta Asia Investment II, L.P.
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 project will provide equity investments through Exacta Asia Investment II, L.P. into small and medium-sized companies in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam. Possible investees operate across the retail, healthcare distribution, agriculture, food and beverage, manufacturing services, precision engineering and education sectors. The project will be responsive to the Asian Development Bank's (ADB) strategic agenda, which aims to achieve inclusive economic growth and is consistent with the country partnership strategies of host countries to reduce poverty. Investments are expected to help boost local economies by strengthening the private sector middle-market companies' financial capacity to develop and sustain business activities that will contribute in curbing poverty through employment generation and consequent increase in government revenues.

#### B. Poverty Targeting

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

The proposed project is expected to create job opportunities through financial investments.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. ADB country-specific poverty statistics show that 10.9% (2016) of the population in Indonesia is living below the national poverty line, 0.6% (2014) in Malaysia, 21.6% (2015) in the Philippines, 10.5% (2014) in Thailand, and 7% (2015) in Viet Nam. While ADB's 2016 labor force data presents 5.6% unemployment rate in Indonesia, 3.4% in Malaysia, 5.4% in the Philippines, 1.0% in Thailand, and 3.0% in Viet Nam. The project will contribute to poverty reduction in target ASEAN countries by providing capital to interested investees who need assistance to sustain and expand their business activities. Business sustainability will ensure security of tenure of existing employees and most likely will create further employment opportunities.

2. Impact channels and expected systemic changes. The proposed project is expected to stimulate private sector investments that will create employment opportunities.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will evaluate alignment of Exacta's operation, systems and processes with ADB Safeguard Policy Statement requirements as well as with ADB Social Protection Strategy on core labor standards and gender dimension

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

### 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? No gender element is anticipated in the proposed project. However, the policy of Exacta in promoting non-discrimination and equal employment opportunities will be reviewed.

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

The nature of the proposed project is not anticipated to directly contribute to the promotion of gender equity and/or women empowerment.

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

The proposed project is unlikely to cause socio-cultural impacts or limit its potential benefits to any socioeconomic group, including women.

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. Potential stakeholders are Exacta's employees and possible investees. Exacta's measures to ensure its investees' compliance to required public consultation will be reviewed.

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 private commercial nature of investments in companies will have limited opportunity to engage with the stakeholders, especially the poor and excluded.

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?

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

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? ☐ Yes ☒ No

The nature of the project is private equity investments to small and medium sized companies.

#### IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category** ☐ A ☐ B ☐ C ☒ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No Exacta's possible investees will have limited impacts or unlikely to cause involuntary land acquisition that will result physical and economic displacement. The procedures and process of Exacta to screen investee business activity for potential involuntary resettlement will be reviewed.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix  
☒ Environmental and social management system arrangement ☐ None

**B. Indigenous Peoples Category** ☐ A ☐ B ☐ C ☒ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No Business activities of potential fund investees are not expected to adverse or beneficial impact to Indigenous Peoples communities.

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No Not Applicable

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social impact matrix  
☒ Environmental and social management system arrangement ☐ None

#### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

☐ Creating decent jobs and employment ☒ (L) Adhering to core labor standards ☒ (L) Labor retrenchment  
☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☐ Affordability  
☐ Increase in unplanned migration ☐ Increase in vulnerability to natural disasters ☐ Creating political instability  
☐ Creating internal social conflicts ☐ Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design?

Due diligence will confirm compliance of Exacta with core labor standards and applicable national labor laws. Possible issue on retrenchment and corresponding mitigating measures will be reviewed.

#### 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?

ADB staff will conduct due diligence and assess the social and safeguards concerns relevant to the proposed project.

Sources: Sources: ADB. 2008. Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020. Manila; ADB. 2016. Country Partnership Strategy: Republic of Indonesia, 2016-2019. Manila; ADB. 2011. Country Partnership Strategy: Republic of the Philippines, 2011-2016. Manila; ADB. 2013. Country Partnership Strategy: Kingdom of Thailand, 2013-2016. Manila; ADB. 2016. Country Partnership Strategy: Socialist Republic of Viet Nam, 2016-2020. Manila; Government of the Philippines. 2017. Philippine Development Plan, 2017-2022. Manila; ADB. 2017. Key Indicators for Asia and the Pacific. Manila; Trawson T, et.al.. 2017. Financing Development Goals in ASEAN: Strengthening integrated national financing frameworks to deliver the 2030 Agenda.