ADB

Initial Poverty and Social Analysis

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Regional: Navis CLMV Co-Investment Fund, L.P.

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CLMV	–	Cambodia, Lao PDR, Myanmar, Viet Nam
CPS	–	country partnership strategy
ESG	–	Environment, social, and governance
ESMS	–	Environment and Social Management System
NAF	–	Navis Asia Fund
PIAL	–	prohibited investments and activities list

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Navis CLMV Co-Investment Fund 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 Asian Development Bank (ADB) is proposing an equity investment of up to $20 million in Navis CLMV Co-Investment Fund L.P. (the CLMV Fund), which has a minimum fund size of $150 million. The CLMV Fund will co-invest alongside the Navis Asia Fund (NAF) 8 to make equity investments for controlling stakes in middle-market companies in Cambodia, Lao People's Democratic Republic (PDR), Myanmar, and Viet Nam (CLMV) operating in the education, healthcare, manufacturing, business services, and consumer products and services sectors. The proposed investment aligns with operational priorities outlined in the ADB Strategy 2030.[a] These priorities include (i) addressing remaining poverty and reducing inequalities by increasing the emphasis on human development and social inclusion and generating quality jobs, and (ii) accelerating progress in gender equality especially with the adoption of the Gender 2x criteria. It is also in line with ADB's country partnership strategies (CPS) for CLMV, which emphasize strengthening human capital through increasing focus on delivering vital social services such as quality education and healthcare, thereby helping to drive poverty reduction and contribute to economic diversification plans of the respective countries. Navis' current investments in schools, hospitals, pharmaceuticals and vaccine cold chain equipment makes this proposed investment consistent with ADB's operational plan for private sector operations (2019-2024), which focuses on key sectors including education and healthcare.

B. Poverty Targeting:

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

According to ADB statistics, 24.8% of Myanmar's population were living below the national poverty line in 2018, 23.2% in the Lao PDR, and 12.9% in Cambodia.[b] Of the four countries of CLMV, Viet Nam has the lowest percentage of its population living below the national poverty line which is at 5.8% (endnote b). Though these figures have improved from 2015 to 2018,[c] many continue to face challenges caused by poverty, vulnerability, job insecurity, and economic uncertainty. Adding to the burden is the economic and health crisis caused by the COVID-19 pandemic, highlighting the need to support the region through more capital investments. The Navis CLMV Fund's transaction pipeline includes services, healthcare, education, and manufacturing companies that typically require workers and will therefore maintain and generate employment opportunities.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Low healthcare spending, inadequate investment in education, and limited availability of skilled labor impair the capacity of CLMV countries to further their economic growth. The Navis CLMV Fund, which is expected to invest in key sectors such as education, healthcare, financial and business services, and manufacturing, can generate vital developmental outcomes in these sectors, contributing to the overall growth of these four countries. Such investments from Navis CLMV foresee the owners of the portfolio companies and their employees as the primary beneficiaries. Indirect beneficiaries include the businesses and their employees within the supply chains of each client company. Investments in education and healthcare will contribute to strengthening the competitiveness and further develop these countries' human capital.

2. Impact channels and expected systemic changes. The project will contribute to boost the growth of the private companies operating in the education, healthcare, manufacturing, business services, consumer products and services sectors, thereby supporting jobs, economic development, access to quality education, and delivery of services. Navis CLMV Fund is also inclined to advance gender equality by promoting gender diversity within Navis, and by supporting gender-relevant initiatives of its client companies, especially with its intention to apply the Gender 2x criteria.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Navis is an established fund manager in Southeast Asia. Due diligence will assess Navis's performance with past portfolio companies, identify gaps between its current Environment and Social Management System (ESMS) and the ADB safeguards and social policy requirements, and Navis's capability to identify and manage the social safeguards impacts and other social risks of its investments.

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? Globally, women are significantly underrepresented as investment decision-makers and founders of investee companies at private equity and venture capital firms. In 2019, companies founded by women received just 2.7% of global venture capital funding (a small increase from 2.2% in 2018) for a total of $3.54 billion, while 11.5%

of the year's total funding went to mixed-gender founding teams with the remainder (85.8%) going to all-male founder teams.[d] Interest in gender lens investing, including initiatives such as 2X Challenge, is increasing in Southeast Asia. For example, five active private impact investors in Indonesia, Philippines and Vietnam have deployed USD 40 million in more than 30 deals using an explicit gender lens since 2007.[e]

Women are significantly underrepresented among the investment decision-makers at private equity funds. In Asian investment firms, women comprise on average 18% of employees and fill just 12% of senior roles, which is the lowest figure of any asset class and is unchanged from 2017.[f]

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

Due diligence will identify potential gender mainstreaming measures that may be incorporated in the project design. Gender measures may include applying a gender lens to investments in the fund, cascading gender inclusive policies to investee companies, gender trainings for staff and/or development of gender inclusive policies or practices by Navis.

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 main stakeholders of the investment are Fund portfolio companies operating in the education, healthcare, manufacturing, business services, and consumer products and services sectors in the CLMV countries, co-owners, and their employees. The businesses and their employees within the supply chain of each portfolio company will also indirectly benefit from this project. The project team will assess how the beneficiaries in these sectors can benefit from the Navis CLMV Fund during due diligence.

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 project will have limited opportunities for participation of those who are not immediate stakeholders given the private nature of investments in the portfolio companies. However, Navis has an institutionalized Serious Environment, Social, and Governance (ESG) Incident Reporting procedure wherein portfolio companies need to report serious ESG incidences that can have significant reputational and/or financial implications for the portfolio companies and Navis CLMV. Due diligence will assess Navis CLMV's mechanism as a means for engagement, and how Navis monitors and handles grievances associated with portfolio companies.

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

Navis' role as a financial intermediary provides limited opportunities for engagement with civil society organizations interested in each portfolio companies' business activities.

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 this transaction will not require a project specific participation plan. Nonetheless, due diligence will assess opportunities for Navis CLMV to enhance its engagement with portfolio company stakeholders.

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　　The Fund's ESMS requires the CLMV Fund manager to screen all target companies for involuntary displacement impacts and risks however the ESMS does not reflect the ADB Safeguard Policy Statement (2009) categorization definitions for involuntary resettlement impacts. The Navis CLMV Fund will not invest in any company undertaking business activities that cause category A involuntary displacement impacts. In accordance with Safeguard Policy Statement requirements, the ESMS will be enhanced during ADB's appraisal by Navis to reflect ADB's definition of category A involuntary resettlement impacts. ADB will seek a side letter provision with the CLMV Fund to permit it to not contribute capital to any proposed investment in a company that ADB assesses is non-compliant with the enhanced ESMS.

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   The Navis CLMV Fund will not invest in a company that undertakes business activities that cause Category A impacts on distinct and vulnerable ethnic minority or Indigenous Peoples groups. The Navis ESMS requires CLMV Fund manager to screen proposed portfolio company business activities that directly or indirectly affect the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as their ancestral domain. While the Fund manager has stated that it is unlikely to invest in any company causing adverse impacts on such groups, ADB will not contribute to any proposed investment that is likely to cause adverse impacts on distinct and vulnerable groups of Indigenous Peoples. ADB will seek a side letter provision with the CLMV Fund to permit it to not contribute capital to any proposed investment in a company that ADB assesses is non-compliant with the enhanced ESMS.
3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No
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 (M) ☒ 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? During due diligence, the team will assess Navis CLMV's capacity to identify and manage labor risks, especially forced and child labor, in portfolio companies. Due diligence will assess the capacity of Navis to drive employment growth in portfolio companies. The team will also explore opportunities to embed ADB's sexual exploitation and harassment risk assessment methodology in the enhanced ESMS.

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 for financial intermediaries. The team will confirm that Navis CLMV Fund has adequate resources and capability to conduct due diligence and analysis for its investments in pipeline and future portfolio companies.

[a] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific.* Manila.
[b] ADB. 2020. *Basic Statistics 2020.* Manila.
[c] ADB. 2019. *Basic Statistics 2019.* Manila; ADB. 2018. *Basic Statistics 2018.* Manila; and ADB. 2017. *Basic Statistics 2017.* Manila.
[d] Hinchliffe, Emma. Fortune. March 2, 2020. Funding for female founders increased in 2019—but only to 2.7%. New York.
[e] Global Impact Investing Network and Intellecap. 2018. The Landscape for Impact Investing in Southeast Asia. Manila.
[f] Preqin Ltd. 2019. Women in Private Equity. London

Source: Asian Development Bank.