



Initial Poverty and Social Analysis

Project Number: 55240-001
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India: Zenex - Improved Animal Health and Welfare Project

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ABBREVIATIONS

ADB	–	Asian Development Bank
ESMS	–	environmental and social management system
ZAHL	–	Zenex Animal Health India Private Limited

NOTE

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

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Proposed Equity Investment Zenex Animal Health India Private Limited Zenex – Improved Animal Health and Welfare Project
Lending/Financing Modality:	General Corporate Finance	Department/ Division	Private Sector Operations Department/ Office of the Director General

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 investment of up to INR 780 million (approximately \$10,680,000)^a to Zenex Animal Health India Private Limited (Z AHL) to purchase common equity shares of Zydus Animal Health Limited (Zydus). The investment will result in ADB owning about 3.0% of Z AHL. The transaction is responsive to the aim of the ADB's country partnership strategy, 2018–2022 for India, in supporting investments in rural infrastructure to improve agricultural productivity.^b The partnership strategy also states that ADB will focus on the government's priority of doubling farmers' incomes, and provide support to intensify and diversify agricultural production.

B. Poverty Targeting

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

The project is classified general intervention and is designed to provide funding support to Z AHL.

C. Poverty and Social Analysis

- 1 Key issues and potential beneficiaries. ADB country-specific poverty statistics show that 21.9% of the population of India was living below the national poverty line in 2017^c and 13.4% in 2015 based on the international poverty line of \$1.90 per person per day^d. The World Bank Poverty and Equity Brief for India estimated that 176 million were living in extreme poverty. The outbreak of the Covid 19 pandemic is expected to increase the poverty in the country. Livestock's contribution to India's GDP increases, from 4.0% in 2011 to 5.1% in 2019.^e However, challenges to improve hygiene and health practices on livestock rearing may result in smallholder farmers' vulnerability to income loss if left unaddressed. The project will support (i) enhanced production of quality animal healthcare products; (ii) increased awareness about antimicrobial resistance, better farm hygiene and biosecurity best practices; and (iii) gender inclusivity in animal health and welfare practices, and better inclusion of women in the sector.
2. Impact channels and expected systemic changes. The ADB loan will be used to finance the acquisition of 100% of shares of Zydus and enable re- re-investment of internal accruals to grow the business. The acquisition will continue to support the farmers' access to quality animal health products, as well as increase farm efficiency, productivity, and incomes.
3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will build on the Environment and Social process on Multiples Fund III, a PE Fund of which ADB is a Limited Partner. Multiples commissioned the services of PWC to assess the ESG performance of Zydus. Gaps identified will be addressed through a corrective action plan to be implemented by Zenex post-acquisition.
4. Specific analysis for policy-based lending. Not applicable.

II. GENDER AND DEVELOPMENT

1. India is making progress towards development goals, however gender disparities are persisting across sectors.^f On one side, gender diversity on corporate boards is improving due to a regulatory push, with India's Companies Act, 2013 making it mandatory for boards to have at least one woman director seeking to drive gender diversity on corporate boards in India.^g On the other side, developing female talent in leadership and technical roles remains a challenge. women continue to be underrepresented in key sectors particularly in science, technology, engineering and mathematics (STEM) fields. Similarly, pharmaceuticals and life sciences sectors are a nontraditional area of employment for women and tend to employ few women.^h As such, India is one of the world's largest producers of drugs but only 15% of the nearly 50 million workforce are women.ⁱ While data on women's participation in veterinary professions is not available, recent developments suggest that veterinary medicine has undergone dramatic, rapid feminization with a majority of total students being girls in veterinary colleges and Universities in India.^j Furthermore, women play an important role in livestock-farming labor and animal care in India, 55% of employed livestock-farming

labor and more than 77% of the work involved in taking care of animals^k, yet often lack knowledge and access to suitable animal health services.^l

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

The project has strong potential to enhance gender equality results in Z AHL operations. Due diligence will look at defining gender design features for the project aiming to introduce gender sensitization in animal health services and ensure the inclusion of female farmers, livestock owners and veterinarians in the access to training. Women's participation in certain job categories at company level and gender gaps in the corporate policies will also be assessed.

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 EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the project are the employees and its customers. The due diligence will review engagement activities, and information needs of the stakeholders.

2. Who are the key, active, and relevant CSOs in the project area? Due to the nature of the project, Civil Society Organization (CSO) participation is not envisioned for this project.

3. Are there issues during project design for which participation of the poor and vulnerable is important?

Yes No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? The due diligence process will determine the need to develop a stakeholder engagement plan and external grievance mechanism to provide clear guidelines in managing concerns and expectations of different stakeholders (regulators, customers, vendors, contractors, among others) on its business activities.

5. What level of CSO participation is planned during the project design?

(L) Information generation and sharing ___ Consultation ___ Collaboration ___ Partnership

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 existing manufacturing facility of Zydus is leased and located within the State Infrastructure & Industrial Development Corporation of Uttarakhand Limited (SIIDCUL) industrial area of Haridwar, Uttarakhand. The activities related to this investment is not expected to entail physical or economic displacement. However due diligence will determine if future investments of Z AHL will require to develop an environment and social management system to screen and address any potential social risks of the project.

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 existing manufacturing facility of Zydus is leased and located within the State Infrastructure & Industrial Development Corporation of Uttarakhand Limited (SIIDCUL) industrial area of Haridwar, Uttarakhand. The

investment is not expected to impact on any distinct and vulnerable group of Indigenous Peoples as defined under ADB's Safeguard Policy Statement. However due diligence will determine if future investments of Z AHL will require to develop an ESMS that will screen and address any potential social risks to ethnic minority groups.

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 (L) Adhering to core labor standards (L) Labor retrenchment (L)
- 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? The due diligence will review compliance of Zydus with local and federal labor laws. Findings and recommendations will form part as an action plan to be agreed with Zenex to ensure compliance and adherence to 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 If no, please explain why.
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? ADB Team will conduct environment and social desk review of Zydus environment and management policies and procedures. A corrective action plan will be discussed and agreed with Z AHL.

- a INR 750 million (of the total INR 780 million) is the ADB equity investment amount. The balance of the approved ADB investment amount of INR 30 million (approximately \$400,000) will be paid by ADB to Multiples to compensate it for carrying the cost of warehousing the investment for ADB until ADB's approval process is complete. As an investor in Multiples, ADB and other investors in Multiples will be beneficiaries of this amount.
- b ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila.
- c ADB. 2019. [Basic 2019 Statistics](#). Manila.
- d World Bank. 2018. [Poverty & Equity Brief: South Asia: India](#). Washington
- e Government of India, Central Statistical Organisation, [National Accounts Statistics-2019](#). India
- f World Economic Forum. 2020. ["Insight Report Global Gender Gap Report"](#). Geneva. 2020.
- g Institutional Investors Advisory Services. 2020. [Corporate India. Women on Boards](#). Mumbai. 2020
- h Institute for Transportation and Development Policy. 2017. ["Women and Transport in Indian Cities"](#). Delhi. 2019
- i C.H Unnikrishnan. 2014. [Bridging the gender inequality gap in the pharma sector](#). *Livemint* (accessed 24 August 2021)
- j T.P Sethumadhavan. 2018. [Changing shift towards women in veterinary profession](#). Mathrubhumi. (accessed 24 August 2021)
- k Food and Agriculture Organization of the United Nations. 2012. [Invisible Guardians. Women manage livestock diversity](#). Rome. 2012.
- l Food and Agriculture Organization of the United Nations. 2012. [Invisible Guardians. Women manage livestock diversity](#). Rome. 2012.

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