



Initial Poverty and Social Analysis

Project Number: 56161-001
June 2022

India: Investment in True North (GIFT) Fund VII

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CURRENCY EQUIVALENTS

(as of 31 May 2022)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0128949897
\$1.00	=	₹77.549500

ABBREVIATIONS

AAAADB	–	Asian Development Bank
ESMS	–	environmental and social management system
GIFT	–	Gujarat International Finance Tec-City

NOTE

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

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Investment in True North (GIFT) Fund VII
Lending/Financing Modality:	Equity Investment	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 equity investment of Asian Development Bank (ADB) in True North (GIFT) Fund VII (along with the domestic fund and its sub-fund, collectively “True North VII” or the “fund”) will be used to support middle-market companies operating in health care, financial services, consumer, and information technology sectors in India. It is aligned with the Strategy for New India @ 75, the Government of India’s defined objectives for 2022-2023, which emphasizes private sector investments, financial inclusion, digital connectivity, accessibility and affordability of health care, and employment as drivers of economic growth.^a ADB’s investment in the fund is also consistent with the strategic priorities of the ADB’s country partnership strategy for India, 2018-2022, which acknowledges the role of the private sector and highlights financial inclusion and delivery of quality health services as priority areas to achieve economic competitiveness and inclusive growth.^b

B. Poverty Targeting

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

Through the project, the investment of True North is expected to contribute to enhancing access of the Indian population, including the poor and vulnerable, to health care, financial, consumer products, and information technology services.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The expected beneficiaries of the proposed project are 12 to 15 middle-market companies that True North will invest in with ADB’s support. The employees of these companies operating in financial services, healthcare, consumer, and information technology will also benefit from the investment, ensuring job sustainability and security despite the impact of the COVID-19 pandemic on the Indian economy.
2. Impact channels and expected systemic changes. The proposed project will bring positive impacts by focusing strategically on healthcare and financial services. True North will prioritize supporting financial institutions that serve the unbanked and underbanked and contribute to achieving financial inclusion, and healthcare and life sciences companies that aim to improve and promote health and quality of life in an affordable manner. Because of this, the project is expected to contribute to addressing the problem of access to finance and healthcare in India. The government is still halfway to fully addressing the financial inclusion backlogs, with the Financial Inclusion Index at 53.9 as of March 2021.^c On access to health care, out-of-pocket household spending on health services accounts for almost 63% of total health spending, pushing 55 million of India’s population into poverty annually.^d
3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will review the environmental and social impacts and risks of True North’s existing and future portfolio. True North has an existing environmental and social management system (ESMS), satisfactory to ADB, developed for the predecessor True North Fund VI. The due diligence process will also sum up the performance of True North in implementing the ESMS.
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? In India, gender equality and diversity are receiving increasing traction in the PE industry. According to the Institute of Chartered Accountants in England and Wales, there are four principal reasons why diversity matters: (i) apparent lack of diversity raises doubts about effectiveness; (ii) diversity can help social acceptability; (iii) diversity can enhance rigor; and (iv) In India, the Companies Act creates an urgency of appointing women directors on corporate boards.^e Targeted surveys with PE firms report mixed progress on the status of women’s representation and perception from employees on women’s participation in the companies. For instance, while proportion of women employees in investing and operating roles is growing, with substantial progress in recruiting women into entry-level and mid-level positions, little to no progress has been made in women’s representation at the top.^f On one hand, the Companies Act 2013 making mandatory for boards to have at least one female director is creating an urgency of appointing women directors thus pushing for more diversity on corporate boards (endnote e). On the other side,

developing female talent in leadership and technical roles remains a challenge and little to no progress has been made in women's representation in management (endnote 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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

The project has strong potential to enhance gender financing results in equity capital investment. Gender due diligence will look at introducing a gender lens screening tool that would encourage the Fund to better consider gender action across its portfolio, leading to wider dissemination and application of gender equality principles.

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 True North Fund VII will be the target portfolio companies and their employees. The nature of the transaction will not provide opportunities for the main stakeholders to participate in the project design. However, due diligence will confirm the implementation of the ESMS on the engagement with the stakeholders in the investment process.

2. Who are the key, active, and relevant CSOs in the project area? The nature of the project will limit the opportunities to interact with civil society organizations. Due diligence will confirm True North's engagements with non-government organizations.

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?

True North's portfolio selection is market-driven and based on investment criteria. Hence, participation of CSO and organizations representing the poor and vulnerable is limited.

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

L Information generation and sharing L Consultation NA Collaboration NA Partnership

IV. SOCIAL SAFEGUARDS

- A. Involuntary Resettlement Category** A B C FI-treated as C

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

The business activities of portfolio companies in the predecessor fund, True North Fund VI, do not involve involuntary resettlement impacts. Due diligence will include assessing the business activities of targeted portfolio companies concerning involuntary land acquisition, access restriction, and physical or economic displacement.

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-treated as C

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

Similar to True North Fund VI, the business activities of Fund VII's portfolio companies are not expected to affect any Indigenous Peoples and their communities.

<p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The nature of the project will not require broad community support to be obtained.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA 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>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input 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? Due diligence will reaffirm the True North's compliance with national labor laws and core labor standards. The implementation of the ESMS to ensure compliance of portfolio companies will also be reviewed.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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 staff will conduct due diligence to assess poverty, social, and gender dimensions and ascertain the social safeguards impacts of the proposed project.</p>

^a Government of India. NITI Aayog. 2018. [Strategy for New India @ 75](#). New Delhi

^b ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila.

^c Reserve Bank of India. 2021. [Reserve Bank of India introduces the Financial Inclusion Index](#).

^d World Health Organization. 2022. [India Health System Review](#). Health System in Transition. Vol-11, Number 1.

^e KPMG and Women Corporate Directors Foundation. 2017. [Towards Gender Balanced Boards](#). Mumbai.

^f K. Samtani et al. 2022. [Closing the Gender Gap in Investing WinPE and BCG's new research shows how Indian PE/VC firms can bridge the diversity divide](#). Mumbai.

Source: Asian Development Bank