



Initial Poverty and Social Analysis

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Regional: Investment in Growthem Capital Partners SEA Fund I, L.P.

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	Coronavirus disease
CPS	–	country partnership strategy
CSO	–	civil society organization
ESMS	–	environmental and social management system
GHG	–	greenhouse gas
SPS	–	Safeguard Policy Statement (2009)

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Equity Investment in Growthem Capital Partners SEA Fund I, L.P.
Lending/Financing Modality:	Private Equity Fund	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

Growthem Capital Partners SEA Fund I, LP (Growthem I or the fund) intends to provide growth capital to medium-sized companies with significant business activities in Indonesia, the Philippines, Viet Nam. The fund may also invest in companies operating in Malaysia, Singapore, and Thailand on an opportunistic basis. Growthem I's focus areas are health care, financial services, education, digital services, and consumer sector. The project is aligned with three operational strategies of ADB's Strategy 2030: (i) addressing remaining poverty and reducing inequalities by expanding growth capital availability to medium-sized companies which in turn can translate into employment generation; (ii) accelerating progress in gender equality by promoting greater financial inclusion of women through investments in appropriate businesses and strengthening gender equality in the fund's operations; and (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability by scaling the energy-efficiency capacity of target investee companies.^a ADB's proposed investment in Growthem I is also consistent with ADB's country partnership strategy for: Indonesia, Viet Nam, Philippines, and Thailand which prioritize inclusive growth by improving job creation, deepening financial markets, strengthening the healthcare system, and improving access to services.^b

B. Poverty Targeting:

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

The proposed transaction will support the expansion of the health care, financial services, education, digital services, and consumer sectors in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam. It is expected that financial investments in these sectors will drive employment generation. The project will also facilitate the investee companies' transition to energy-efficient options, thereby contributing to easing the poverty impacts from climate change.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The COVID-19 pandemic has set back development gains in the Southeast Asia. According to ADB estimates, 4.7 million people in the region were pushed into extreme poverty (those who live on less than \$1.90 per day) in 2021 due to employment losses following the steep decline in economic activities.^c As surges in the COVID-19 cases put tremendous stress on national health care systems, the impacts have fallen more heavily on the poor and vulnerable population who are already underserved by health services outside pandemic conditions. Poverty impacts from the COVID-19 pandemic are also exacerbated by climate change that has increasingly caused chronic disruptions to the livelihoods of the poor population.^d The poor and vulnerable population in areas where the investee companies operate are expected to indirectly benefit from the project through better access to goods and services, and employment opportunities to be generated as a result of the companies' expansion. In the long term, the general populace will also likely gain from the reduction of greenhouse gas (GHG) emissions owing to the energy-efficiency measures undertaken by the portfolio companies.

2. Impact channels and expected systemic changes. Financing availability has been problematic for many medium-sized companies in Southeast Asia as banks are becoming more risk-averse given the COVID-19 pandemic and macroeconomic uncertainties. The proposed investment will therefore provide much needed growth capital to target investee companies, enabling them to propel economic activity, improve access to goods and services, and support job creation in the region. By facilitating the decarbonization of the investee companies' operations through capacity building, the project will contribute to addressing climate change vulnerabilities, disproportionately affecting the poor population. Further, investments in the digital and financial services sectors will help close access gaps and boost economic resilience by ensuring that financial services reach the marginalized and disadvantaged sectors.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will review the environment and social management system (ESMS) of Growthem to confirm its alignment with ADB requirements.

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? Twelve of the approximately 40 million formal SMEs globally are women-owned. Women run more than half of SMEs in Indonesia, and the country is home to 22 million women entrepreneurs. In the Philippines, women own 66% of SMEs^e and in Vietnam they own 49%.^f Despite women's proven entrepreneurial acumen, they struggle to get the right finance and support for their businesses with the gender gap in financing estimated to be \$1.7 trillion globally.^g One of the solutions to

the financing gap for women-inclusive businesses is gender lens investing. In 2019, capital raised by private market gender lens investment vehicles in Southeast Asia reached \$815 million.^h Gender lens investing is gaining traction in Southeast Asia as fund managers increasingly recognize that gender lens investing is smart investing. Evidence proves that capital allocation with a gender lens can increase financial returns.ⁱ Impact investors in Southeast Asia have a particularly compelling context in which to capitalize on the gender lens investing opportunity, given the large concentration of women entrepreneurs in the region and the substantial financing gap they face.^j Both men-led and women-led businesses can be the target of gender lens investing. Investors have an opportunity to incentivize investees led by women and men alike to improve workplace diversity and to adopt practices that help women in their businesses to thrive to improve both business performance and gender equality. Gender diverse firms in East Asia demonstrated an 18 percent increase in their internal rate of return in 2018.^k Gender-balanced teams also boost business metrics such as employee engagement, brand awareness, and client retention.^l Despite clear evidence that gender-diverse teams lead to better financial performance,^m the investment industry (which includes investment management, mutual funds, hedge funds, private equity and venture capital funds) have one of the lowest shares of women in leadership positions of any sector.ⁿ The investment management industry has an average of 4% women in leadership positions, hedge funds have 4% female portfolio managers,^o while 2% of mutual funds are managed exclusively by female portfolio managers. In Asian private equity and venture capital firms, women are significantly underrepresented with women making up only 18% of employees and holding just 12% of senior roles.^p

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

During gender due diligence potential gender measures to be examined include introducing a gender lens investment approach which may include a gender equality scorecard into the fund's investment process and/or gender recommendations to the fund's investees. The project team will also consider implementation of an anti-sexual harassment policy, internship for women, mentorship or other career development opportunities for female staff and establishment of gender and diversity committee.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? 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 are Growthum's investee companies and their employees. There will be limited opportunities for stakeholder participation due to the nature the project.

2. Who are the key, active, and relevant CSOs in the project area? Due diligence will determine any relevant CSOs in the areas, where Growthum is operating. It may be noted though that CSO participation is not expected due to the nature and scope of the 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 project will have few opportunities for participation beyond immediate stakeholders given the nature of the project. However, due diligence will examine if the fund's policies and practices on information disclosure and stakeholder engagement, including grievance redressal, are in accordance with national laws and regulations and ADB requirements, as applicable.

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

L Information generation and sharing NA Consultation NA Collaboration NA 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

Growthum's investments are envisaged to have limited or unlikely to entail involuntary land acquisition. The fund's procedures for screening investee's business activities for potential involuntary resettlement will be reviewed. ADB will exercise its excuse rights to be exempted from contributing capital to any proposed investments in a company that will cause category A involuntary resettlement impacts.

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

<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project does not target nor discriminate distinct and vulnerable indigenous peoples.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Project activities are not anticipated to result in commercial development of cultural resources and knowledge of distinct and vulnerable ethnic minority groups, displacement of such groups from their traditional land, or commercial development of any natural resources within customary land.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design? <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 <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <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? Growthem and its investee companies will abide by applicable national labor laws and will take measures to comply with the ILO core labor standards, pursuant to ADB's Social Protection Strategy (2001).</p>
<p>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<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? <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? The project team will undertake due diligence in accordance with ADB requirements.</p>

^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

^b ADB. 2020. [Country Partnership Strategy: Indonesia, 2020–2024—Emerging Stronger](#). Manila; ADB. 2018. [Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth](#). Manila; ADB. 2021. [Country Partnership Strategy: Thailand, 2021–2025—Prosperity and Sustainability through Knowledge and Private Sector-Led Growth](#). Manila; and ADB. 2020. [Country Operations Business Plan: Viet Nam, 2021–2023](#). Manila.

^c ADB. 2022. [COVID-19 Pushed 4.7 Million More People in Southeast Asia Into Extreme Poverty in 2021, But Countries are Well Positioned to Bounce Back](#). Manila.

^d ADB. 2022. [Southeast Asia Rising from the Pandemic](#). Manila.

^e Asia-Pacific Economic Cooperation. 2014. [Policy Partnership of Women and the Economy Strategic Plan 2015-2018](#)

^f UNESCAP. 2017. [Fostering Women's Entrepreneurship in ASEAN: Transforming Prospects, Transforming Societies](#). Bangkok.

^g ADB. 2021. [Bridging Financing Gaps for Women Starts with Better Data and Technology](#). Manila

^h Sasakawa Peace Foundation, Catalyst at Large and Sagana. 2020. [Gender Lens Investing Landscape: East and Southeast Asia](#). Tokyo.

ⁱ International Finance Corporation. 2019. [Moving Toward Gender Balance in Private Equity and Venture Capital](#). Washington.

^j Investing in Women. 2021. [Gender Lens Investing in Southeast Asia. A Snapshot of Progress in Indonesia, the Philippines & Vietnam](#). London.

^k International Finance Corporation. 2019. [Moving Toward Gender Balance in Private Equity and Venture Capital](#). Washington.

^l Sodexo. 2018. [Sodexo's Gender Balance Study 2018: Expanded Outcomes Over Five Years](#). Sodexo Operations, LLC.

^m McKinsey and Company. 2015. [Why diversity matters](#). London.

ⁿ Biegel, S. et.al. 2020. [Gender Lens Investing Landscape - East and Southeast Asia](#). Tokyo. p.10

^o IFC. 2019. [Moving gender balance toward in private equity and venture capital](#). Washington.

^p Prequin. [Women in Private Equity](#). London.

Source: Asian Development Bank