British International Investment

FMO Entrepreneurial Development Bank

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Agency for Development and Cooperation SDC
स्वीस सरकार विकास सहयोग एसडिसि

Invest for Impact Nepal

*Invest for Impact Nepal is a platform dedicated to connecting Development Finance Institutions with high-impact investment opportunities in Nepal through Financial Institutions and Private Equity Funds.*

# NEWSLETTER

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## Introduction

This is IIN's second newsletter and covers programme updates, highlight of events, partnerships, and update on DFI investments in Nepal. In addition to programme activities, IIN has routinely been engaging with stakeholder representatives including DFIs and Development Partners and projects with financial sector interventions. IIN's stakeholder engagement has helped shape its understanding of ecosystem actors, market needs and challenges.

## Programme Updates

### Launch of Flexible TA Facility for FIs and Design of PEVC Funds TA Facility

A flexible technical assistance (TA) facility has been launched by IIN to help Class A financial institutions (FIs) with ESG and investment readiness for DFI investments. A separate TA facility has also been designed aimed at facilitating the readiness of PEVC funds to engage with DFIs and impact investors. Assistance provided through the facility will support pipeline investment opportunities in Nepal for DFIs.

## IIN Developing Partnerships for Local ESG Promotion

IIN along with Dolma Consulting engaged with Barcelona School of Management under Spain's Pompeu Fabra University to conduct a mission to Nepal to analyse the capacity of Tribhuvan University's School of Management to launch an ESG course. This mission was supported by the Dutch Entrepreneurial Development Bank. The academic partnership between the two universities is likely to culminate in an ESG curriculum at Tribhuvan University's School of Management with technical and academic support provided by the Barcelona School of Management to produce skilled and qualified ESG professionals to serve Nepal's financial, industrial and business sectors.

## Promoting Alternative Investment Ecosystem in Nepal

Invest for Impact Nepal and Nepal Private Equity Association signed an agreement to support the institutional development of NPEA. The support includes improving services to the members, developing capacity of investment professionals and supporting policy advocacy.

## Delivered Advanced Valuation and Financial Modelling Training to PEVC Investment Professionals

Invest for Impact Nepal in collaboration with Nepal Private Equity Association organised a training programme on "Advanced Valuation and Financial Modelling" for investment professionals in the private equity and venture capital sector. The hybrid training was customized to cater to the needs and priorities of investment professionals. The training programme was delivered by AMT Training UK and a total of 18 participants representing Dolma Impact Fund, Business Oxygen, True North Associates, Aadhyanta, Global Equity Fund, Pioneer Law Associates and Team Ventures successfully completed the training.

## Panel Discussion - The Future of Impact Investment in Nepal

Invest for Impact Nepal organised a panel discussion on "The Future of Impact Investment in Nepal". The event was participated by Ms Latika Golyan, Chairperson and Managing Director of Made in Nepal Pvt. Ltd, Mr Suman Joshi, Chairperson of Nepal Private Equity Association, Mr Shrini Nagarajan British International Investment's Director and Head of Asia, and Mr Jason Seuc Director, Economic Growth office- USAID. Attendees in the panel discussions included representatives of DFIs, Development Partners, Financial Institutions, Private Equity Funds, and the private sector. Speaking at the program BII Managing Director for Asia Shrini Nagarajan said Nepal is an important country of destination for BII due to emerging opportunities. He said BII investment in Nepal is extremely relevant and informed that BII has already invested US$ 100 Million in the country. The panel discussions concluded with announcements by BII, FMO and SDC to scale up IIN's programme activities to 2025.

# Events

## Pipeline Building Events in Partnership with CNI-YEF and NPEA

Invest for Impact Nepal, in collaboration with the Confederation of Nepalese Industries Young Entrepreneurs Forum and the Nepal Private Equity Association, hosted an event on "Scaling Business through DFI and PE/VC Investments". This programme was organised to provide insights into DFI and PEVC investments, including their priorities, instruments, processes, and requirements to invest in the private sector in Nepal. The insights provided were based on the results of interviews conducted by IIN with the private sector in 2021. The programme was attended by 39 participants including representatives of two DFI investee companies, DFIs, NPEA, CNI-YEF and the private sector. Parag Shrestha from Fuse Machines an investee company highlighted the role of DFIs beyond just seeking profits. He said there are various dimensions to DFI investments; among other, the support DFIs provide investee companies in challenging times and how best to overcome them. The tripartite event was seen as a start to bridge the information gap on DFI investments to help facilitate uptake of DFI investments by the private sector.

## The First Pipeline Building Event Outside of Kathmandu Valley

IIN supported Nepal Private Equity Association and Nepalese Young Entrepreneurs' Forum to organise "Scaling Business Through PEVC Investments" in Itahari in Province one. PEVC funds have had limited reach outside Kathmandu valley and many businesses are unaware of the potential and the benefits of PEVC investments. The programme was attended by 35 participants from NYEF's Sunsari Chapter, representing a range of

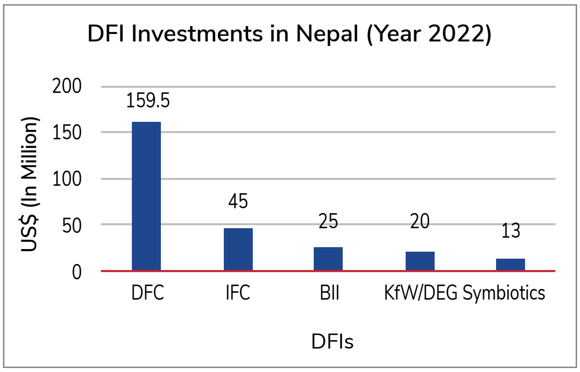

sectors including manufacturing, hospitality, technology, and agri-business. The event allowed these companies to engage with PEVC firms such as Dolma Impact Fund and True North Associates, NIBL ACE Capital and investee companies such as Sajilo Sewa and Karkhana.

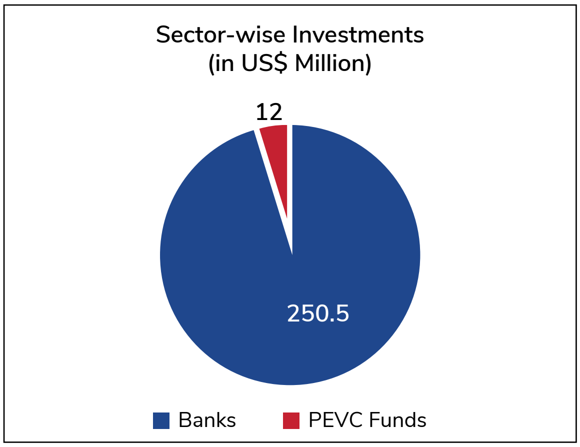
## PEVC Firms Identifies Challenges and Opportunities for Regulatory Reforms

Invest for Impact Nepal, in partnership with Nepal Private Equity Association and Pioneer Law Associates, hosted a validation event to share insights from private equity and venture capital firms on regulatory challenges they face within the current legal framework. The validation event helped identify 16 policies that appeared as hindrances in the private equity ecosystem. The hindrances were categorised based on both their impact and feasibility of amendment, which participants agreed to prioritise work together to address six of the most pressing challenges. The documented priorities have formed the basis for IIN to develop an advocacy strategy to address challenges and improve operating environment for PEVC industry.

# DFI Investments Exceeds US$ 260 Million in 2022

**Despite a challenging economic environment, both globally and nationally the DFIs sector has given Nepal a strong vote of confidence.** In 2022, several DFIs invested in Nepal. One notable investment was by U.S. International Development Finance Corporation's (DFC) who invested US$ 100 Million (Debt) in NMB Bank, US$ 12 million in Dolma Impact Fund II (Equity) and US$ 47.5 Million in Laxmi Bank (Debt). These investments were the very first by DFC in Nepal. Similarly, British International Investment (BII) invested US$ 25 million in NMB Bank and International Finance Corporation (IFC) invested US$ 20 million in Sanima Bank and US$ 25 Million in NMB Bank Limited in 2022. Likewise, Japan International Cooperation Agency (JICA) also invested US$10 Million in Dolma Impact Fund II the first by JICA in Nepal.



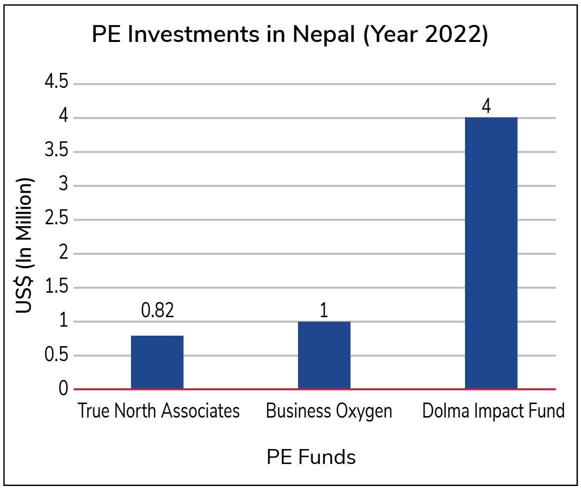



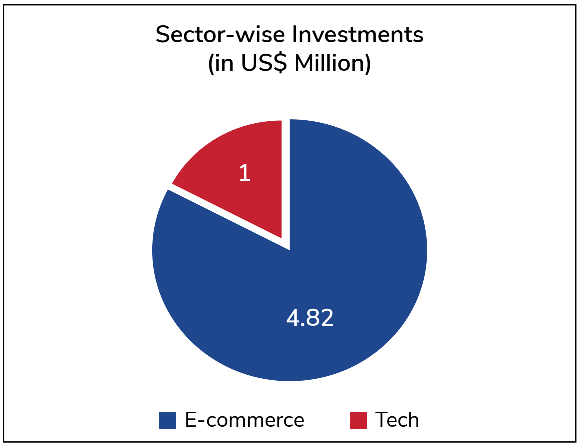

**PEVC Investments have built on the demand for digital services that emerged from the Covid pandemic.**

In 2022, Dolma Impact Fund invested US$ 4 Million in food delivery service provider Foodmandu. Similarly, Business Oxygen invested US$ 1 Million in Genese Solutions and True North Associates invested in US$ 0.82 million in Sajilo Marmat Sewa.

In December 2022, Dolma Impact Fund II closed with an investment of over US$ 71 Million.

Please refer to the figure below to find out the total DFIs and PEVC investments in 2022.




*Note: Data compiled by IIN team using publicly available sources*

# IIN Publications

IIN has an extensive research and analysis programme on the investment landscape in Nepal. A series of summary reports can be found here:

1. Making Regulations More Navigable for Direct Foreign Investors.
2. Exploring SME Financing Facilities in Nepal.
3. Understanding Development Needs of Investment Professionals in Nepal.
4. Private Sector's Requirement for Growth Capital and DFI Investment.

## Investee Toolkit


IIN has also put together an Investee Toolkit in collaboration with Nepal Private Equity Association (NPEA). The toolkit is a comprehensive resource for investees in Nepal, covering topics such as key sources of investment, Nepal's investment landscape, different investor types, and key investor requirements. The toolkit also serves as a valuable resource for potential investee and can be accessed on IIN's website.

Contact Us

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