Powered by

Understanding Development Needs of Investment Professionals in Nepal

Background

Invest for Impact Nepal (IIN) is a three year programme funded by British International Investment (BII); FMO, the Dutch Entrepreneurial Development Bank; and the Swiss Agency for Development and Cooperation (SDC). The scale up phase runs from July 2022 to July 2025.

Main IIN Objective

- Support DFIs active or interested in Nepal with the ultimate objective to accelerate transformative DFI investment into Nepal.
- Facilitate coordination between DFIs to reduce risks, raise returns and enhance development impact.
- In partnership with development partners, facilitate collaboration to shape Nepali market to unlock patient, flexible capital to support private sector growth and innovation.
- Support strengthening of key investment market-system actors and foster partnerships for a conducive environment for foreign investments.

Context and Objectives

Nepal's Private Equity and Venture Capital industry is still in its early stages. Given the nascent stage of the market, there are only few fund managers who have experience in raising and managing a fund. Some stakeholders suggest that this limited experience is one of the challenges in convincing investors to participate in a fund, and in creating demand for the funds among business leaders. The limited experience also increases the risk of fund underperformance and unnerves potential investors, including DFIs. Furthermore, global trends also show that apart from numeracy, investment professionals should be well versed with technologies; have in-depth understanding of and ensure compliance with evolving regulations and standards; have soft skills like analytical and communication skills, be GESI friendly, have humility etc.; and most importantly, they should have, and they should comply with a code of ethics.

To understand the skills and competencies required by Nepalese investment professionals, IIN undertook a talent development needs assessment of investment professionals. It also assessed the talent development programmes currently on offer to investment professionals, the available service providers for such trainings, and the competencies/capabilities of such service providers (including their suitability to offer and deliver a new pilot training programme).

Key Activities and Results

IIN collected the information on skills and competencies required by Nepalese investment professionals through a series of consultations, interviews and surveys with funds managers and investment professionals. These findings were validated with investment professionals representing the Nepal Private Equity Association (NPEA) as well as funds and law firms engaged in FDI facilitation. The assessment and validation meeting provided further detail on why the identified technical and soft skills and competencies are deemed important for both (i) improving individual investment professional skillsets; and in turn (ii) promoting the development of Nepal's investment ecosystem.

The key areas highlighted as requiring improvement include the following:

Technical skills and competencies

- Fund structuring and fundraising
- Fund and risk management
- Deal origination, screening and deal making
- Advanced valuation and financial modelling
- Managing and monitoring investee companies
- Knowledge about national and international regulatory frameworks, including ESG
- Data analytics

Soft skills and competencies

- Negotiation
- Communication and presentation
- Relationship management
- Networking

Based on these findings and priority needs of investment professionals, IIN collaborated with AMT Training UK to design and deliver a tailored training on "Advance Valuation and Financial Modelling" for investment professionals. A total of 18 participants from 8 members of NPEA successfully participated in the training programme.

Key findings

The following list highlights the key prioritized capacity gaps that need to be addressed:

Technical skills and competencies:

- **Structuring funds, fund raising, managing deals and risk management** are the key areas of improvement for all funds.
- **Deal origination, screening** and **deal making** are acknowledged as critical for successful investment .
- **Advanced valuation and financial modelling** is crucial for the management of more complex investment instruments and risks in a market like Nepal.
- Local funds realise the importance of **ESG compliance** and its **integration into the valuation process** for fundraising and risk management – they want to understand more on the process, time and costs involved.
- There is **minimal knowledge on national and international regulatory frameworks** as these issues are generally handled by lawyers.
- **Data analytical skills** are deemed key for managing the risk of investments, but it is difficult to obtain data in Nepal due to the **lack of a data sharing platform and credible data.**
- Knowledge and skills are required to help provide better **management support and monitoring to investee companies.**
- There is limited **scope and experience on exits and exit strategies**.

Soft skills and competencies:

- **Negotiation** is recognised as an ongoing process and critical from deal origination to exit.
- **Communication and presentation skills** are essential to deliver strong pitches and to secure the best deals.

Recommendation & Next Steps

Most funds recognise the importance of DFI investment to promote an alternative investment ecosystem in Nepal and acknowledge the gaps in their investment readiness. Based on these findings and to build the capacity of investment professionals, the following interventions are recommended:

- Pilot and delivery of contextualised training sessions focused on the identified technical and soft skills.
- The training sessions should be practical, interactive sessions and in cohort with a mix of face-to-face and online sessions with follow-up (allowing peer-to-peer networking).
- The sessions should include a sharing of best practices and real case studies from frontier markets.
- The programme should be targeted at investment professionals, fund managers, fund boards, and potential investors.
- Additional support can be offered via exchange programmes and/or inviting international experts to present at courses as well as offering larger capacity development workshops focused on specific technical skills.
- Strengthen the capacity of NPEA to (i) lead on the delivery of the capacity development programme; and (ii) play a broader role to help enhance the competitiveness and effectiveness of its members and potential members.

Invest for Impact Nepal

Invest for Impact Nepal

Sanepa, Lalitpur Metropolitan City Ward No. 2, Lalitpur, Nepal

info@investforimpactnepal.com
www.investforimpactnepal.com
www.linkedin.com/company/invest-for-impact-nepal/
www.twitter.com/Invest4Nepal