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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Private Equity Funds in roundtable discussion with DFIs

Private Equity Funds and Development Finance Institutions (DFIs) were engaged, the first time such an event has ever been organised in Nepal. The roundtable discussion aimed to facilitate Limited Partners (LPs-Investors) understanding of the evolving PEVC landscape in Nepal and provided an opportunity for LPs to engage with new and existing General Partners (GPs-Fund Managers). The roundtable also highlighted experiences of investing in Nepal by various DFIs and GPs, who presented the opportunities that currently exist in investing in PEVC funds in Nepal. The roundtable discussions included 10 private equity funds and six DFIs. The discussion was organised by Invest for Impact Nepal (IIN) to coincide with the visit to Nepal by Dolma Impact Fund's (DIF) investee DFIs. The roundtable held on 14th March also brought clarity to engagement processes for PEVCs to seek funding and investments from DFIs as well as discussions on DFIs interest in the fund structures of PEVCs in Nepal.

Six DFIs who took part in the discussion were FinnFund, SwedFund, U.S. International Development Finance Corporation (DFC), British International Investment (BII), Dutch Entrepreneurial Bank (FMO), and International Finance Corporation (IFC). Representatives from the PEVCs were Team Ventures, True North Associates, Global Equity Fund, One to Watch, Business Oxygen, Avasar Equity, Aadhyanta, SEED Investments, SAFAL Partners and Dolma Impact Fund.

British Parliamentarians meet IIN team

10 visiting members of the International Development Committee (IDC) of the British House of Commons, the parliamentary oversight commission for all overseas aid provided by the UK government, visited the IIN team. The visit aimed to understand IIN's work in promoting investments by DFIs in Nepal. The IDC members representing all major political parties in the UK were led by Chair, Ms. Sarah Champion, MP. The IIN briefing was also attended by representatives of the Swiss Development Cooperation (SDC), BII and the Nepal Private Equity Association (NPEA).

IIN Project Director, Buddhika Samarasinghe, highlighted that the platform is a unique initiative for South Asia and has strong potential to facilitate the types and quantum of foreign investment into Nepal. IIN, he said was working with ecosystem stakeholders in Nepal to attract investments by DFIs that bring new industry, technology, and efficiencies that are not normally available to the private sector. Giving an overview of the new dynamics of the market in Nepal, Mr. Samarasinghe said the private sector is interested in DFI investments, and that interest is especially increasing in the financial sector. With reference to the delivery of results and targets, he briefed the IDC that IIN will work with banks and financial institutions to cater to the financial needs of some 4,000 SMEs by unlocking US$ 100 million of DFI investments.

Sarah Champion, IDC Chair, House of Commons

Speaking at the briefing, Ms. Sarah Champion opined that IIN's work would need to be embedded within the community and government structures to ensure the sustainability of the initiative. She also showed interest in funding thresholds of DFIs, flow-on of DFI investments to SMEs, and also the modus operandi of Private Equity Funds in Nepal.

Head of Cooperation at SDC, a key Development Partner supporting IIN, Ms. Silvana Hogg said SDC were looking at synergies working with DFIs to create development impact and support economic recovery after the COVID-19 pandemic. She said SDC supports IIN's objective to support SMEs and has been engaging in policy dialogue with the government and collaborating with DFIs and DPs to promote Nepal's economic and development agenda.

BII Managing Director and Head of Asia, Mr. Srini Nagarajan, briefed the British delegation of BII and FMO's investments in the country. Stating that there is a wide gap in environment, social and governance standards in the market, Mr. Nagarajan said BII was putting its resources into IIN to support the ESG standards and capacity strengthening of financial institutions.

Cooperation between IIN and USAID's Trade and Competitiveness Program

IIN and USAID (Trade and Competitiveness Program) signed a Letter of Cooperation (LoC) in February 2023 to support the growth of FDIs in Nepal. The cooperation, which runs through July 2025, includes partnerships on advocacy for policy and regulatory reforms and developing pipeline opportunities for DFI investments. The cooperation is also aimed at increasing financing opportunities for Small and Medium Enterprises (SMEs) and facilitating to bring FDI investments

into Nepal to finance SMEs, support financial service providers to cater to the needs of SMEs, and strengthen market system actors.

The LoC - signed by IIN's Chief Executive Officer, Bibek Shrestha and USAID's Trade and Competitiveness Chief of Party, Agnes Luz - will also focus on improving access to market-based financial and non-financial services and support for productivity sectors with high growth and employment potential. Commenting on the cooperation Agnes Luz said "[t]his partnership will work to advocate for policy reforms that increase Foreign Direct Investment in Nepal and support the growth of Nepal's economy by promoting investment opportunities, and providing support for sectors that have significant potential for growth and development".

The USAID's Trade and Competitiveness Program is being implemented by Deloitte Consulting LLP in partnership with J.E Austin, South Asia Watch on Trade, Economics, and Environment (SAWTEE) and Tohmatsu India (DTTI).

Incorporating ESG in Private Equity Investments

IIN and NPEA jointly organised a seminar to discuss the critical role of ESG in making informed investments. The seminar held in February 2023 aimed at raising awareness among private equity and venture capital firms on the benefits of considering ESG components in the investment decision making process. The seminar titled “Incorporating ESG in Private Equity Investments” was participated by 33 PEVC investment professionals from across the country. The participants and key speakers deliberated on specific country context ESG issues and challenges while making investment decisions. Facilitating speakers with ESG expertise were Ms. Mercedes Sotoca and Ms. Marta Juhasz from FMO and Ms. Natasha Kate Ward from BII.

Addressing the importance of ESG in investment decisions, CEO of Business Oxygen, Mr. Siddhant Raj Pandey, shared his company’s criteria for investing in businesses to ensure their long-term sustainability. He also emphasised the importance of companies and investors being aligned to reach their financial goals against the backdrop of social and environmental responsibilities. Likewise, CEO of Team Ventures Mr. Tenzin Gonsar, also highlighted the role of business owners and entrepreneurs in implementing ESG standards and said investors have an important mediatory role to help portfolio companies incorporate ESG as an integral component of their businesses. Sharing ESG challenges facing the country Mr. Biswa Giri, Manager at One to Watch, said there is a dearth of human resource expertise to accurately assess and meet ESG criteria.

Media interaction

An interaction was held between the IIN team and journalist representatives from Media Society of Economic Journalists Nepal (SEJON) in January 2023 to understand IIN's work to support the investment environment in the country. The interaction helped bring clarity to what DFIs do and IIN's objective and programme activities related to DFI investments and priorities in Nepal. Discussions between IIN and media representatives included policy and regulatory regime challenges faced by DFIs and alternative investment channels for SMEs.

Investment update

BII and Dolma Impact Fund (DIF) II announced their largest joint investment of US$ 15.3 million (NPR. 1.98 billion) in WorldLink Communications Ltd. The investment in Nepal's leading internet service provider includes US$ 8.4 million by BII and US$ 6.9 million by DIF II. The joint investment is a major milestone for Nepal's internet industry and represents the largest investment in the sector to date. The investment will contribute to expanding internet connectivity across the country with an emphasis on rural connectivity. WorldLink Chairman Mr. Dileep Agrawal says the expansion of quality internet connectivity will cater to small and medium-sized business entrepreneurs which will help them connect to global markets. The capital provided will help speed up WorldLink's internet expansion under its business approach of connecting everyone, anywhere, at all times. The investment will also support employment generation and the development of skills development of company staff.

Prior to the current joint investment, BII had invested US$ 12 million in WorldLink Communications in October 2019 bringing foreign investment in the company to US$ 27.3 million.

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