

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

July-September 2023

Issue 5

www.investforimpactnepal.com

Advancing sustainable financing in Nepal

In a move towards fostering sustainable financing in Nepal, Invest for Impact Nepal (IIN) and Nepal Banker's Association (NBA) jointly organised a seminar in September titled "Moving towards Sustainable Financing in Nepal". Senior representatives from Nepal Rastra Bank, the banking sector, the business community, hydropower power producers, development finance institutions, and development partners attended the seminar.

One of the key highlights of the seminar was the unveiling of a comprehensive report on Environmental, Social, and Governance (ESG) practices by both commercial and development banks in Nepal. This report meticulously assessed the ESG maturity of Nepalese banks against key indicators and best

practices, providing valuable insights into the current landscape.

Sunil KC, the Chairperson of NBA, underscored the significance of Nepal Rastra Bank's "Environment and Social Risk Management" (ESRM) guideline. He hailed it as a pivotal benchmark that charts the course towards sustainable financing, aligning Nepal with global standards and responsibilities. Deputy Governor Dr. Neelam Dhungana Timsina emphasised that the ESRM guidelines are geared towards fortifying the banking sector against environmental and social risks, including climate risks. Dr. Timsina asserted that sustainable financing in Nepal necessitates a well-defined roadmap. At the core of this transformative journey lies the promotion of a comprehensive green



financing taxonomy, essential for building a green and resilient Nepal.

A major announcement during the seminar was the launch of a Certified Course on ESG tailored for banking professionals. This collaborative effort between IIN and NBA, delivered by Spain's Pompeu Fabra University Barcelona School of Management, is set to commence its first batch in November 2023. Michael Jongeneel, CEO of FMO, appreciated the initiative, stating that the ESG course is poised to accelerate the ESG agenda within Nepal's financial sector. Jongeneel's endorsement reflects a recognition of the course's potential to drive positive change and foster a heightened awareness of environmental, social, and governance responsibilities among banking professionals in Nepal.

NBA Chair Sunil KC hailed the course launch as a watershed moment for sustainable finance in Nepal. He emphasised its significance as a crucial milestone, providing banking professionals with the knowledge and skills necessary to navigate the complexities of ESG practices. Mr. KC also extended his appreciation to the supporting partners—BII, FMO, SDC, and IIN—for their commitment to realising NBA's vision of propelling sustainable financing in Nepal.

FMO CEO commends IIN's sustainable initiatives during office visit

In a recent visit to the IIN office, FMO CEO Michael Jongeneel engaged with the team, delving into the progress of IIN and understanding the challenges faced in bridging the investment gap in the country. During discussions, Jongeneel noted a growing interest among DFIs in Nepal and credited IIN for fostering this positive development. Jongeneel's also appreciated for IIN's endeavours in the realm of Environmental, Social, and Governance (ESG). He acknowledged that as banks transition towards sustainable finance, there is a natural inclination for their clients to follow suit, steering towards sustainability. This would culminate in enhanced long-term profitability for businesses.

Jongeneel's visit not only underscored the importance of sustainable finance but also highlighted the pivotal role IIN plays in catalysing positive changes within Nepal's financial landscape. The acknowledgment from FMO's CEO reinforces the significance of IIN's efforts in promoting sustainable practices and attracting increased attention from DFIs.

NPEA releases comprehensive PEVC investment report 2012-2022

The Nepal Private Equity Association (NPEA), in collaboration with Invest for Impact Nepal, has unveiled a comprehensive snapshot report encapsulating the Private Equity and Venture Capital (PEVC) investments in Nepal over the past decade (2012-2022). This initiative serves as a valuable resource, shedding light on the evolving landscape of PEVC investments in Nepal and offering insights into market dynamics, sectors, sizes, and investment opportunities.

Gleaning data from member companies associated with the NPEA, the report categorises investments into three distinct funds: Offshore Foreign Direct Investment (FDI), Onshore FDI, and Local funds sourced exclusively from Nepalese investors. The report, encompassing a total of 72 investments amounting to approximately US\$ 66 million, provides a nuanced overview of the Nepalese PEVC market. Notably, the top three sectors attracting investments were Information and Communication Technology (ICT), Renewable Energy, and Agri-

business. This diversification underscores the growing interest and potential across various sectors within Nepal's economic landscape.

The report also documents a noteworthy trend with seven partial and ten full exits by PEVCs over the last ten years. These exits signify a maturing market and reflect the dynamism within Nepal's investment landscape.



IIN and Global Equity Fund sign MoU

Invest for Impact Nepal (IIN) and Global Equity Fund (GEF) have inked a Memorandum of Understanding (MoU). This collaboration is poised to facilitate technical assistance, aiding GEF in raising Foreign Direct Investment (FDI) capital within the framework outlined by the Nepal government's guidelines issued by the Ministry of Industries in August 2021.

Under the terms of the MoU, IIN will provide crucial technical support to prepare GEF for qualification of its Nepal Infrastructure Investment Fund (NIIF) as an onshore FDI fund and investment ready for securing foreign direct investments. This strategic move not only opens avenues for foreign investment but also positions NIIF as an attractive and compliant investment vehicle within Nepal's regulatory landscape. The NIIF, with a capital of one billion rupees, stands



as a testament to the commitment of GEF, Prime Life Insurance, and Himalayan Everest Insurance towards sustainable infrastructure projects.

Innovative toolkit empowers SMEs for investment opportunities

IIN in partnership with NPEA has unveiled a tool to empower SMEs in Nepal - the Investment Readiness Self-Assessment Toolkit. This toolkit is strategically designed to help SMEs gauge their preparedness for investment opportunities from PEVC. What sets it apart is its adaptability, catering to a diverse range of investment sectors and making it universally applicable across various industries.

At its core, the toolkit features a comprehensive scorecard with self-assessment criteria, covering crucial aspects such as value proposition, management team, business and financial planning, and responsible business practices. This holistic approach ensures a thorough evaluation, providing SMEs with a nuanced understanding of their strengths and areas for improvement.

Designed with user-friendliness in mind, the toolkit employs investment gradients, allowing entrepreneurs to classify their businesses into three distinct categories: 'Investment Aware,' 'Investment Explorer,' or 'Investment Ready.' This not only simplifies the self-assessment process but also enables SMEs to tailor their strategies based on their current standing.

Notably, this resource isn't limited to SMEs alone. Fund Managers can leverage the toolkit as a valuable resource for evaluating potential investment prospects. Its versatility positions it as a dynamic instrument capable of fostering informed decision-making and propelling the SME sector towards enhanced investment readiness.

The cover of the 'Investment Readiness Scorecard' toolkit. It features a white background with a large, stylized graphic of overlapping red, blue, and purple shapes. At the top left, there are logos for British International Investment (UK flag), FMO (Entrepreneurial Development Bank), and the Swiss Agency for Development and Cooperation SDC. The main title 'Investment Readiness Scorecard' is in large white text, with the subtitle 'Self Assessment for Companies with PEVC interests' below it. At the bottom left are the logos for NPEA (Nepal Private Equity Association) and Invest for Impact Nepal. The date 'June 2023' is printed at the bottom right.

The Securities Exchange Board of Nepal (SEBON) revises the lock-in period for investments

In a strategic move to foster a more investment-friendly climate, the Securities Exchange Board of Nepal (SEBON) has made a significant policy amendment. With the objective of creating a conducive environment for DFIs investments, SEBON has revised the lock-in period from three years to one year. This policy shift comes into effect following recent amendments to SEBON's regulations, signaling a proactive approach to attract and facilitate DFI investments.

Reducing the lock-in period is a noteworthy step aimed at enhancing liquidity and flexibility for investors, particularly DFIs, in Nepal's securities market. The move reflects SEBON's commitment to adapt its regulatory framework to the evolving needs of the financial landscape, promoting a more dynamic and responsive investment ecosystem.

This adjustment is poised to have a positive impact on DFI engagement in Nepal, providing them with increased agility in managing their investments. As the financial sector continues to evolve, SEBON's proactive measures contribute to positioning Nepal as an attractive destination for both domestic and international investors, aligning with broader economic goals.

DFI investment updates

NMB Bank signed a \$20 million debt deal with FMO the Dutch Entrepreneurial Development Bank and supported by Dutch Fund for Climate and Development (DFCD). The debt to the bank is to be used to empower small and micro enterprises (SMEs) and boost the green taxonomy system in Nepal.

Speaking to The Himalayan Times, Michael Jongeneel, CEO of FMO, highlighted the importance of embedding Environmental, Social, and Governance (ESG) principles at the core of banking strategies for Nepal to attain its sustainable goals. He emphasized FMO's commitment to financing projects with a high environmental impact, ensuring stringent standards in their design and construction. Jongeneel elaborated on FMO's broader initiative in supporting sustainable financing in Nepal through Invest for Impact Nepal (IIN). This collaborative effort involves FMO, British International Investment (BII), and the Swiss Development Cooperation (SDC), collectively contributing to the establishment of IIN. One of the key objectives of IIN is to elevate the banking sector to higher standards of environmental, social, and governance practices.



Contact Us



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

