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FMO, CDC Group, Swedfund and IFC participate in first close of Nepal-focussed Dolma Impact Fund II

Dolma Fund Management announces the first close of Dolma Impact Fund II (Dolma II) – a private equity fund investing primarily in renewable energy, healthcare and technology in Nepal. Investors in this \$40m first close are FMO, the Dutch entrepreneurial development bank; CDC Group, the UK's development finance institution and impact investor; Swedfund, the Swedish development finance institution; and the International Finance Corporation (IFC). The final close is targeted at \$75m.

The timing is important as COVID cases rise in Nepal, following the trend in India. Dolma II's target sectors will directly address capacity constraints in healthcare and enable digital solutions to scale rapidly that will be vital both during and following the pandemic.

Pre-COVID, Nepal was one of the world's fastest growing economies, achieving GDP growth rates of between 6.7% and 8.2% in 2017-2019, according to the World Bank, as it continues its journey towards Middle Income status. Even in 2020, Nepal outperformed its South Asian peers. Dolma II is part of a shift towards increased foreign direct investment (FDI) in Nepal, a country with a population of almost 30 million. Dolma II follows the success of Dolma Impact Fund I (Dolma I) which pioneered institutional FDI and Environmental and Social standards from 2014 in this high-growth emerging market. Dolma I's portfolio includes almost 50 MW of renewable energy, some of the country's leading AI and e-commerce firms, and much-needed pharmaceutical manufacturing and medical care.

Other foreign investment successes in Nepal include an internet service provider, mobile telco and hydropower projects, while long-established multinationals such as Standard Chartered, Unilever and Coca-Cola continue to thrive in the country. To further accelerate FDI, Nepal Invests platform was launched last month by CDC, FMO and the Swiss Agency for Development and Cooperation (SDC).

Tim Gocher, CEO, Dolma Fund Management said: "Our second fund is an international vote of confidence in Nepal's private sector and talent. Our first fund demonstrated the commercial and impact opportunities in Nepal. Dolma Impact Fund II is a big step to opening these opportunities to a broader set of foreign investors to whom impact is a priority".

Jaap Reinking, Director Private Equity, FMO said: "As an anchor investor in Dolma Impact Fund I, we're excited to invest in Dolma Fund Management's second fund. Not only does this support our ambitions towards accelerating climate action, financial inclusion, and reducing inequalities, it also focuses on improving environmental and social conditions for many Nepalese workers and businesses. We are proud to support Dolma Fund Management as it will invest in the emerging tech sector and much-needed healthcare services and jobs in Nepal."

Srini Nagarajan, Managing Director and Head of Asia, CDC Group, commented: "Following the launch of Nepal Invests, CDC's investment in Dolma Impact Fund II reiterates our commitment to helping draw greater FDI to Nepal, particularly into sectors, such as renewable energy, technology, healthcare and education, where there are opportunities for high social impact. We are pleased that our commitment will play a role in supporting the country's post-pandemic

economic recovery, help enhance digitisation, boost skills development and facilitate a thriving and resilient economy.”

Gunilla Nilsson, Head of Energy & Climate, Swedfund, said: “Dolma Impact Fund II focuses on Swedfund’s three core sectors (renewable energy, financial inclusion and healthcare) while technology and increased digitalization are over-arching themes for us. A strong driving force behind our investment is to increase the number of decent jobs in the formal sector and stimulate the local economy in Nepal. We are pleased that the fund is also expected to contribute to women’s economic empowerment and meets the 2X Challenge criteria.”

Babacar S. Faye, Resident Representative, IFC commented: “Private equity funds can be an important source of capital and expertise for local entrepreneurs in Nepal—particularly in allowing them to expand their businesses, create more jobs, and provide essential goods and services. IFC is working towards deepening the private equity market in Nepal. Dolma is our second investment in this sector, and we hope that this will have a demonstration effect, beyond the financial returns, and attract more investments. This market will continue to grow if also supported by additional enabling reforms.”

Dolma Impact Fund I and II target risk-adjusted market returns while their impact is aligned to Nepal’s SDG targets. For **SDG 5 – Gender Equality**, Dolma II qualifies for the 2X Challenge, to drive gender balance in the portfolio. For **SDG 8, 9 and 10 – relating to Work, Industry and Inequality**, Dolma I’s portfolio companies generated quality employment for almost 5,000 people in Nepal since 2014. The majority of these jobs are for youth under 35. Over the same period, an estimated 2 million mostly young workers left Nepal to work abroad. For **SDG 7 and 13 – Clean Energy and Climate Action**, Dolma I’s renewable energy portfolio will avoid 219,000 tonnes of CO2 emissions annually. Further reducing polluting emissions in Dolma II is a priority as the Himalayan glaciers are set to lose two thirds of their mass in a business-as-usual scenario, according to the International Centre for Integrated Mountain Development (ICIMOD), threatening the 600m people living downstream with devastating floods.

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