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## CEO's Message

Greetings!

In the fourth quarter of CY2021 as Karandaaz resumed operations from its office premises, we have also had the good fortune to see a number of key projects and initiatives coming to fruition and taking shape. Foremost among these is the company's growing focus on climate change.

It gives me great pride to share that Karandaaz has made significant progress in strengthening our investment focus on green initiatives. Green finance investments and financing by Karandaaz include:

- A loan to Nizam Energy to bridge the financing gap and meet the company's working capital requirements to import solar equipment for onward installation. The funding will be used to support a cumulative capacity of 10.6 MWs.
- Karandaaz is also in the process of providing a loan to Reon Energy to enable purchase of solar equipment from both local and international suppliers. It is estimated that the facility will support installation of 20 MWs of clean energy per annum from within its definitive contracts having cumulative capacity of over 75 MWs.
- To foster innovation in climate change mitigation and adaptation, Karandaaz concluded the 2021 challenge fund with financial commitments (grant and debt) to five solutions under two themes: i) plastic waste management; and ii) efficient water management. The plastic waste management solutions include: a) De-inking and de-metallizing plastics to produce virgin-like polymer; b) Dispensing machines for domestic usage products

(soap, shampoo, etc.) to reduce single usage of plastic bottles; and c) Recycling plastics to make lifestyle products and furniture. The efficient water management solutions include: a) Using constructed wetland and bioremediation to treat wastewater in the sugar industry; and b) Climate-smart irrigation to improve the resilience of smallholder farmers in rainfed agricultural areas.

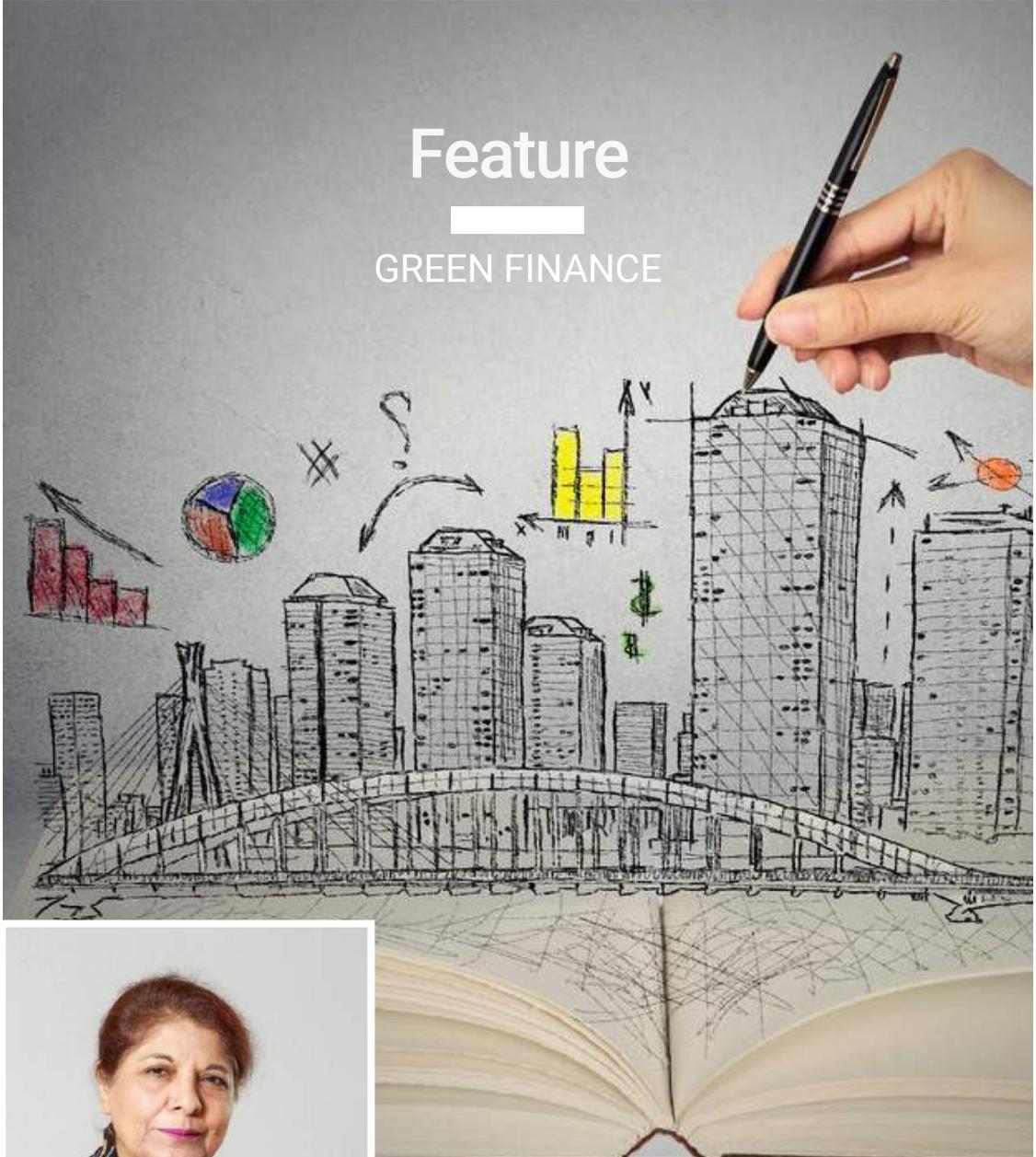
Karandaaz has also commissioned research to support its Green Finance agenda. It has concluded a study on renewable energy, energy efficiency and green financing in Pakistan. While Pakistan's energy crisis is well documented, the report also identifies investment opportunities in multiple sectors, including the power sector, textile, food processing units, chemicals, automobiles and public sector entities such as universities and hospitals.

In pursuance of digitizing the financial sector, Karandaaz has continued to support fintechs and platforms service providers such as Befiler, an online portal to promote tax compliance by simplifying and digitizing the tax filing process. The digital finance team is also working with the State Bank of Pakistan to launch the second use case (Person to Person) of Raast; and the Central Directorate of National Savings to launch an ATM Debit Card. Keep watching this space for further developments.

As we progress into the next quarter, we see endless opportunities to serve the untapped market for financial inclusion and economic development. So stay tuned for more exciting updates.

Best Regards

**Waqas ul Hasan**



# Feature

## GREEN FINANCE



Dr. Shamshad Akhtar  
Explains how SMEs in  
Pakistan are at Risk from  
Climate Change

**Dr. Shamshad Akhtar**  
Chairperson, Karandaaz Board

**Dr. Shamshad Akhtar, Chairperson Karandaaz Pakistan, emphasized that the government should provide a holistic framework, including policy development, incentives and linkages around climate, sustainability and finance to persuade small and medium enterprises (SMEs) to take up green finance opportunities.**

She was speaking at the Global SME Finance Forum 2021, the largest, technically in-depth, and geographically diverse annual conference on SME financing, which is hosted by the Washington D.C. based platform, the SME Finance Forum.

Speaking with Ms. Momina Aijazudin, Global Head of Financial Inclusion at IFC Washington D.C., Dr. Akhtar shared that Pakistan is among the group of countries most vulnerable to climate change. The ND-GAIN Country Index which summarizes a country's vulnerability to climate change ranks Pakistan at 152, among 181 countries. Pakistan is expected to face a greater than average rise in average temperature across its territory by the 2090s. This could significantly affect its current water resources, exposing an additional 5 million people to the risk of flooding by 2035 – 2044 and affecting yields of many important crops in the country.

Dr. Akhtar stated that while there is recognition of the fact that climate change has especially grave consequences for low-income households, fewer people talk about this also being the case for smaller firms. While small firms and low-income households are not major generators of greenhouse gas (GHG) emissions, research using panel data from 1999-2017 for 71 countries, found that climate vulnerability increases financing costs for firms and worsens firms' access to finance. Such problems are particularly pronounced for SMEs, which have scarce recourse to capital markets, and often struggle to access financial services.

In Pakistan, SMEs contribute 30% to GDP. In addition to economic growth, SMEs also have a sizeable impact on

employment, employing approximately 80% of the non-agricultural labour force. SMEs also make an important contribution to the country's exports, accounting for approximately 25% of the exports of manufactured goods. As such, SMEs will feel the burden of climate change and need to work on impact mitigation and adaptation efforts.

Naturally, agriculture will be the directly affected economic sector with decrease in crop yields, affecting health and productivity of the associated labor force and crop losses due to extreme weather events. But changes in weather patterns will have more wide ranging effects too, as for example, rise in temperature will increase cooling requirements, exacerbated by rapid urbanization, air pollution and decrease in green/forest cover. This will put an increased strain on the energy infrastructure in Pakistan.

Talking about Karnadaaz, she said,

*“Karandaaz is working on several fronts to promote and improve SMEs' access to the right mix of financial resources. The organization is also working towards making SMEs realize the significance of resource efficiency and developing a nexus between green finance and financial inclusion to understand the true potential of a circular economy.”*

Ms. Aijazudin concluded the session with the following finding from a study by IFC:

15%

energy usage could be saved in Pakistan through conservation and adopting energy efficiency measures.





# Exclusive Interview



**Ms. Shumaila Rifaqat**

Head of Innovation Challenge Fund and Monitoring, Evaluation & Learning, Karandaaz Pakistan

**Q1. Given that women in Pakistan face a number of challenges including cultural restrictions, societal pressures and limited access to funds, how does Karandaaz Women Ventures encourage Pakistani women to overcome these barriers? Have women responded to your efforts?**

The challenges faced by Pakistani women are culturally entrenched and also manifest in low levels of economic opportunity available to them. Pakistan is ranked 153 out of 156 countries in the Global Gender Gap Report and has the lowest gender parity (0.33) for 'Economic Participation and Opportunity' and less than 7% of managerial positions in Pakistan are held by women. It is thus not surprising that Pakistan has one of the lowest rates of women entrepreneurship (1%).

With the intent to develop a successful model for funding women-led businesses and demonstrate to the market that this segment is a viable funding proposition, Karandaaz Pakistan launched the Women Entrepreneurship Challenge in 2017, which evolved into Women Ventures in 2020. As of November 2021, a total of 28 businesses have received investment from Karandaaz, while more than 85 women-led businesses have been supported through business development support services. As an organization our commitment to women entrepreneurship is increasing both in scale and value, and we aim to double the Women Ventures portfolio in two years.

The quality of applicants to the WV program is impressive. The current portfolio of 28 businesses has been established by a mix of dynamic and ambitious women running businesses in a range of sectors, including engineering, technology, fashion design, food processing, etc. These women entrepreneurs have not only overcome societal challenges to setting up and running successful businesses but they are also actively contributing to the economy through revenue generation and creating jobs.

So, in response to your question on whether women have been responding, it would not be incorrect to say that every year Women Ventures is attracting women-led businesses from all sorts of sectors and providing opportunities to women entrepreneurs to grow their enterprise. Looking at our growing and high-quality portfolio I feel we are on the right track and that Karandaaz will have a significant mark on improving ecosystem support offered to women entrepreneurs in Pakistan.



**Q2. Karandaaz support for women-led businesses dates back to 2017. Please share the impact of the program on business women assisted so far.**

As of November 2021, Karandaaz has injected approximately PKR 440 million into women-owned and led businesses in the country. In turn, these dynamic women entrepreneurs have generated over PKR 1 billion in revenue and supported more than 750 jobs. With Karandaaz support, these businesses are not only growing and expanding their business operations, but they are also improving their corporate governance systems, regulatory compliances and financial management through advisory support provided by Karandaaz. Such improvements are especially important if women entrepreneurs plan to access financing from banks and large financial institutions going forward.

**Q3. Do you have any success story to share with us of a Pakistani women entrepreneur who has brought a significant change in her field of interest?**

All our portfolio businesses are trail blazers in their sectors and are unique stories of struggle, commitment, and success. While I would love to list all of them here, I shall try to contain the number. One of the businesses Karandaaz has invested in is owned and managed by Samina Masood, CEO Murad Textile. She is a phenomenal woman who has established a small textile embroidery unit in Lahore that supplies embroidered material to big clothing brands. In a male dominated sector, she has established a business that is known for its quality.

Another example is Fatin Gondal, Co-founder WebWorks. Fatin left her job in the IT sector to set up her own technology company that provides e-commerce services to other businesses. She is successfully expanding her technology business and has started exploring the export of her company's services.

Neelofer Khan, CEO Noha Global, is running a facility management company and professionalizing this segment which will have a significant impact on formalizing employment in this sector.

Mehrunnisa Assad, CEO Lel, has revived the petra dura technique of stone inlay work from a small workshop in Peshawar and exhibited her work in several international exhibitions in Dubai, Italy and USA.

These are all women who are passionate about their businesses and are claiming their space in the business sector and Karandaaz is proud to support them in achieving their dreams.

**Q4. Globally we have seen a number of successful women entrepreneurs and the list is becoming longer. In your opinion, do any of our Pakistani women entrepreneurs match the international criteria of being a successful entrepreneur? If not, when can we be at par with international standards?**

There are numerous good examples of successful women entrepreneurs but international comparison would be unfair as the business environment, in terms of ease of doing business, financing available, and other support structures etc. are very different. We will be at par when human development and economic opportunities available to women in developed countries like Pakistan are the same as those offered to women in developed countries.

**Q5. My wife is a home maker. If she wishes to start a small-scale business, what are the criteria to get business support from Karandaaz Pakistan?**

Karandaaz Women Ventures has very specific eligibility criteria, these include the following:

- more than 50% of the business is owned by the female,
- the lady must have a leading role in the day-to-day management of the business,
- the business should be earning at least PKR 5 million in annual revenue, and
- the business should have an operational history of three years.

The operational history requirement can be reduced if the business is earning more than PKR 7.5 million in annual revenue.

If a business meets these criteria, it can apply online through a very simple application form. The application is available on the Karandaaz website (<https://wv.karandaaz.com.pk/business-investment/>) and can be submitted at any time as there is no annual deadline.

**Q6. Is there anything you would like to add?**

Karandaaz Women Ventures is a unique funding model that is purely designed to facilitate growth of women-led businesses and maximize their chances of success. I would encourage business women in any sector to avail this opportunity and become role models for other aspiring female entrepreneurs. Women have a key role in Pakistan's economic development, which can only be achieved with higher levels of gender participation.



## Newsflash

# Karandaaz Announced Funding for Five Green Projects to Improve Plastic Waste Management and Efficient Water Management

According to a study by the Pakistan Council of Research in Water Resources, about 95% of Pakistan's water is used in agriculture, and almost about 60% of water is lost during conveyance and application in the field. Untreated disposal of industrial waste also continues to be a common practice. Similarly, according to the Government of Pakistan, 87,000 tons of solid waste is generated per day, mostly from major metropolitan areas. Such factors will have grave implications for the macro economy, disease, food security, livelihoods, and climate itself.

With support from the Foreign, Commonwealth & Development Office (FCDO), innovative projects in two areas—efficient water management, and plastic waste management—were invited to submit innovative solutions for financial assistance under Karandaaz's Innovation Challenge Fund – Green (ICF-Green). The selected winners were:



Speaking at the event, Ms. Gerry, Development Director at FCDO said,

“ *The private sector is crucial to fighting climate change. The UK and Pakistan are working together against climate change. At the COP26 climate change conference last week, the UK pledged over £55 million to help Pakistan fight climate change, promote efficient water usage and unlock climate investment.* ”

Climate change is a high priority area for Karandaaz. **PKR 200 million** was committed only through this round. Going forward Karandaaz plans to enhance its green portfolio to support both adaptation and mitigation measures to address climate change concerns in Pakistan.



**Suftech Innovations** – a climate tech startup involved in upcycling of plastic waste and creating polymer resins that can be used as a replacement for virgin plastics.



**Davaam** – a technology company allowing consumers to reuse single-use plastic of domestic products to dispense and refill the packaging instead of buying additional plastic monthly.



**Consortium of 8th Loop and Open Door Design** – working on a vision to convert the wasted plastic into construction material and other lifestyle products for long-term durability.



**National Rural Support Program (NRSP)** – working on an innovative initiative on climate-smart irrigation through solar energy for efficient drip and sprout irrigation.



**National University of Medical Sciences (NUMS)** – a university project where water is treated in ponds in the presence of plants and microorganisms to remove contamination and toxicity produced by industries, especially in the sugar industry.



Lack of access to finance and poor investor interest explains the lack of private sector engagement in plastic waste management and efficient water management and conservation. Karandaaz Innovation Fund strengthens the foundation for climate-smart green projects in Pakistan for a sustainable future.



The winning candidates of ICF-Green Challenge Round with Ms. Annabel Gerry, Development Director at FCDO UK, Mr. Waqas ul Hasan, CEO Karandaaz and Mr. Jaffer Askari, Senior Private Sector Development Adviser, FCDO.

## Workshop on Financial Inclusion Gender Data in Pakistan: Today and Tomorrow

Female financial inclusion in developed countries exceeds 90%, while in South Asia, only 64% of women have a formal bank account. In contrast, the financial inclusion of women in Pakistan is less than half of the average for South Asia. The study findings show that while women's access to banking services in Pakistan has increased by 14% from 2008 to 2020, the gender gap, which is the difference between the proportion of men with a formal bank account and the proportion of women with a formal bank account, has more than doubled during the same time period. Therefore, the digitization of government to person (G2P) payments such as the payments under Ehsas and implementation of branchless banking policies are contributing to increase the rates of financial inclusion of women in recent years.

Only 8% of micro, small and medium enterprise (MSME) owners are women. Less than 12% of firms in Pakistan have female participation in ownership, far behind regional and global estimates (South Asia 18%) and global average (34%). Low levels of women entrepreneurship has also been correlated with the low rate of women's financial inclusion.

Banks are beginning to recognize the strategic importance of serving the women's market and many have recently launched dedicated women's products. However, these efforts need to go beyond 'feminized' offers (i.e., products that are labeled for women, but do not solve any gender-specific issue or provide added value for women). The good news is that several emerging Fintechs are beginning to innovate around women-centric financial products with primary focus on the banked segment.

Karandaaz, in partnership with Women's Financial Inclusion Data (WFID), Alliance for Financial Inclusion (AFI) and Data2X organized a virtual session to share findings and increase awareness on the importance of sex-disaggregated financial services data, which is necessary to catalyze actionable plans to increase financial inclusion of women.

The workshop addressed the need to gather and provide access to data that brings attention to gaps and opportunities in working towards providing a full range of financial services to women. Sex-disaggregated data provides policy makers with the required information to catalyze action to bridge those gaps.



Pakistan has the world's lowest rate of women's entrepreneurship with only **1%** of women engaged in entrepreneurial activities compared to **21%** of men.

The State Bank of Pakistan is now working towards reducing the gender gap in financial inclusion in Pakistan by moving from gender neutral to gender intentional policy. Ms. Sima Kamil, Deputy Governor (Financial Inclusion, Digital Financial Services & IT) SBP in her remarks during the webinar said,

“There are 82 million unique bank accounts in Pakistan as of December 2020, out of which 21 million belong to women. This represents 33% of adult women having a bank account. Women's financial inclusion has been one of the top priorities of the National Financial Inclusion Strategy (NFIS) and was reinforced by the newly developed Banking on Equality policy. These include promotion of gender diversity in financial institutions and their access points, introduction of women centric products and targeted outreach, establishment of women champions at all touch points, and formation of a policy forum on gender and finance.”

# Befiler to Introduce a Digital Solution for Tax Filing with Karandaaz Support

Befiler participated in and was selected as a grantee under a recent round of Karandaaz's Digital Experiment Program. The grant will support Befiler's vision of promoting tax compliance in Pakistan through digitalization of the tax filing process, specifically encouraging women's participation in financial and tax matters.

The grant will be specifically utilized for the promotion of digital filing of tax returns among working-women. The aim is to enable women to file their own tax returns conveniently and efficiently. Through this grant, Befiler plans to test interventions especially designed to encourage more women to become active tax filers through Befiler's user-friendly mobile app and outcomes of communication using A/B testing. The lessons learned through the experiment will be widely disseminated to push the entire tax ecosystem forward.

Akbar Tejani, CEO Befiler Pakistan expressed,



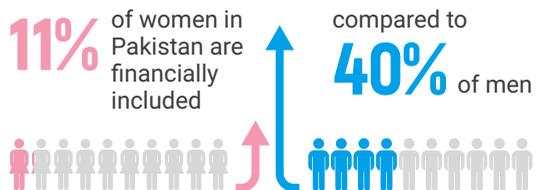
*Befiler aims to directly target women for tax filing in hopes to have a higher involvement from them in finance and tax matters. Through this exercise, we hope to give rise to opportunities to women to experience focused and directed marketing encouraging them to engage in tax filing process. This will help in moving past the stereotype that the financial and tax matters are to be led by men in their families. Our alliance with Karandaaz Pakistan is directed towards the execution of strategies to support women empowerment through focused targeting, and facilitation.*



**BEFILER IS PROUD TO BE SUPPORTED BY KARANDAAZ TO  
EMPOWER WOMEN  
FOR FACILITATING AND PROMOTING TAX FILING**

**PAKISTAN'S MOST TRUSTED TAX FILING PLATFORM**

For Pakistan, embracing digital financial services remains a challenge. The gap is especially wide as, based on the Financial Inclusion Insights Survey (Oct 2021) only



On the other hand, Befiler's user stats reveal that although female users are only 5% of total users, their conversion rate from sign up on Befiler to successful tax filing is more than double compared to male counterparts.

Pakistan's economy is undergoing a change in terms of increased women owned businesses and the need for women-specific tax training products is becoming imperative. The digital experiment of Befiler will start by creating user samples and as part of the first phase of the experiment; Befiler will roll out a new app interface to specifically engage women through in-app content and communication. In the second phase efficiency of incentive versus fear-based communication will be tested. Through this experiment, Befiler looks forward to establish a new way for women to be addressed as a target group for tax and financial products.



## Investee Showcase

### Clayworks



Mahbina Waheed founded Clayworks, a ceramics design and manufacturing company, from a small office in her father's house in Lahore. Clayworks offers a wide range of ceramic tableware and home products in bold color combinations and South Asian design inspiration. What makes her story quite interesting is the non-traditional nature of her business venture. She is one of the very rare female entrepreneurs in Pakistan who has gone into manufacturing ceramics.

Mahbina had her first lot of 400 mugs manufactured at a small factory in Lahore in 1998. Personally involved in the entire process, working with "Bhola", the factory owner, she worked closely with the production team, learning the manufacturing process and operational requirements for the kind of products she wanted.

The initial investment to purchase equipment was financed with USD 20,000 from her mother, and the production facility was set up on land owned by her family. The first Clayworks display centre was set up at the factory site in 1999 and a second outlet was added in Islamabad in 2002. While there have been a significant number of queries from Karachi, Mahbina could not expand distribution further due to limited production capacity.



**Mahbina Waheed**  
Founder Clayworks



Mahbina had been working with leading foreign and local banks for her personal financial needs; but to finance her business needs, she found it difficult to find and access an appropriate financial product. The interest rates charged and collateral requirement, despite a successful business model, were major bottlenecks in obtaining financing from a bank.

In 2018, Mahbina participated in the Women Entrepreneurship Challenge (WEC, renamed Karandaaz Women Ventures in 2021) to compete for funding to finance her growth plans. She needed investment to expand production capacity and to modernize her production technology.

She progressed through the WEC process supported by Karandaaz-assigned mentors who helped develop a presentation and a pitch which she delivered to a panel of independent judges. Mahbina was selected as one of the winners and received growth capital amounting to PKR 28 million. The sub-commercial pricing offered by Karandaaz, together with no requirement for collateral and a longer tenor were major incentives to participate in the opportunity. Mahbina feels that Karandaaz Women Ventures is possibly the best financing option currently available to women entrepreneurs in Pakistan.

The financing from Karandaaz has been used to purchase a new kiln from an international supplier and other equipment to expand and upgrade operations. These improvements are expected to increase Clayworks' production capacity to over 100,000 pieces per month (25 times the current production capacity). In addition to expanding domestically, with a better quality product, Clayworks also plans to explore export opportunities.

Despite these improvements Mahbina is not keen on becoming a large manufacturer, instead, she has her eye set on becoming the most efficient producer of high-quality ceramics. The company's growth, she feels, has to be managed to ensure the right management capability and systems that ensure appropriate controls.

# DO YOU WANT TO GROW YOUR BUSINESS?



Women led businesses may apply for up to

# Rs. 3.5 CRORE

 in loan

Women Ventures also provides technical business support

Accepting applications on rolling basis

## ELIGIBILITY CRITERIA:

The business earned a revenue of at least PKR 7.5 million in the last 12 months.

The business has an operational history of at least 3 years.

The female entrepreneur has more than 50% shareholding in the business and an active role in its management.

The female entrepreneur is a Pakistani citizen (having an NIC or a NICOP).

**APPLY AT**  
[www.karandaaz.com.pk](http://www.karandaaz.com.pk)  
**#womenventures**



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# Infographics

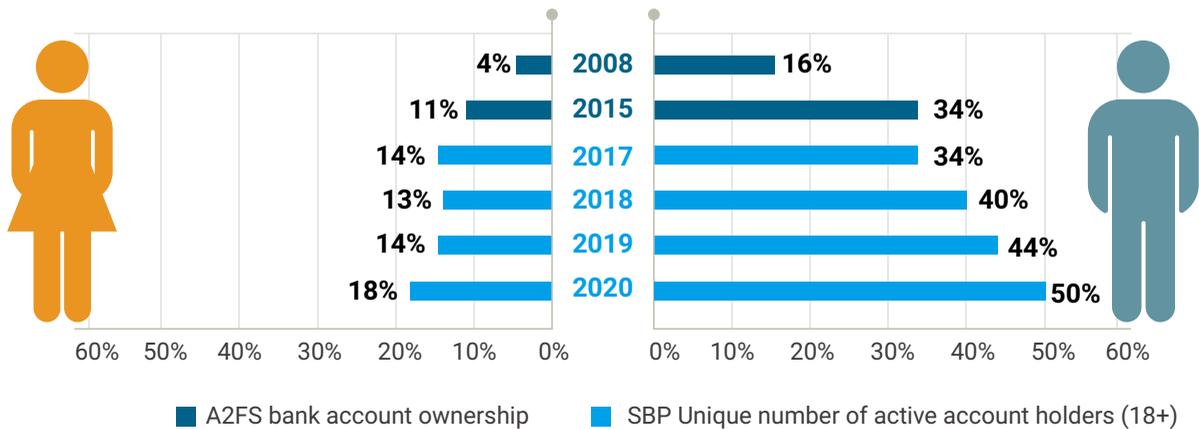
## Data2X Pakistan – Data Diagnostic Findings

### Financial inclusion (formally banked) has more than tripled since 2008

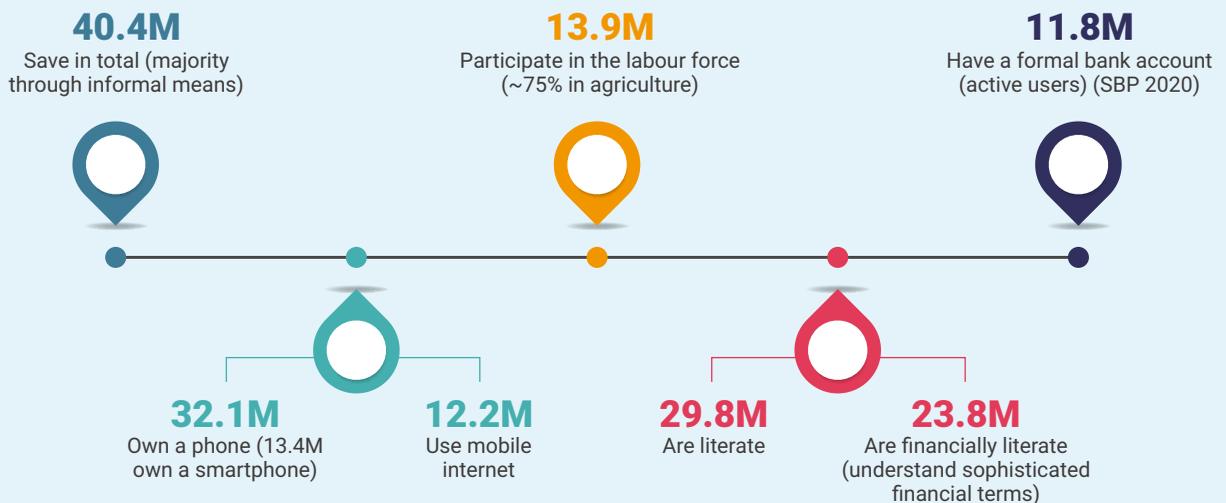
Access to finance: A2FS & SBP Unique Active Customers



### Women's access to banking services increased by 14%, the gender gap has more than double during the same time period



### FSPs are yet to adequately address the untapped opportunity in the women's market





BILL & MELINDA  
GATES foundation

## About Karandaaz

Karandaaz Pakistan is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through the financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:



### Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and medium enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.



### Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.



### Karandaaz Innovation

Manages the Innovation Challenge Fund and Women Ventures, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.



### Karandaaz Knowledge

Supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions.

Karandaaz Pakistan has received funding from the United Kingdom's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation (BMGF).

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