
InfraCo Asia Investments and Karandaaz establish first-of-its-kind infrastructure credit enhancement facility InfraZamin Pakistan

9 November 2020 - Islamabad, Pakistan: InfraZamin Pakistan is an innovative, for-profit credit enhancement facility funded with equity capital from InfraCo Asia Investments and Karandaaz Pakistan, provided by the United Kingdom's Foreign, Commonwealth and Development Office (FCDO). InfraCo Asia, via its subsidiary Indus Guarantees Pte Ltd, and Karandaaz held a signing ceremony for the shareholders agreement on 5 November 2020, setting into motion the operationalisation of the facility.

As an initiative of the Private Infrastructure Development Group (PIDG) InfraZamin aims to fill current gaps in the local credit markets, in order to catalyse greater private sector participation in long-term, local currency financing of infrastructure in Pakistan. InfraZamin will do so by providing guarantees to enhance the credit quality of local currency debt instruments to finance creditworthy infrastructure projects in Pakistan.

The first-of-its-kind in Pakistan, InfraZamin was conceived and designed after extensive market study and engagement with the Securities & Exchange Commission of Pakistan and follows on from GuarantCo's experience with the successful creation and operationalisation of a similar facility in Nigeria, InfraCredit Nigeria. InfraZamin leverages the prior experience of InfraCo Asia and GuarantCo in supporting infrastructure projects in Pakistan, as well as Karandaaz's local market knowledge and track record of investments focused on supporting financial inclusion.

Incorporated as a private limited company, InfraZamin will operate on a commercial basis guided by international best practices and local governance standards. Its Board of Directors will include representatives of InfraCo Asia (through Indus Guarantees), Karandaaz, and GuarantCo.

On the potential of InfraZamin Pakistan, Allard Nooy, CEO of InfraCo Asia and prospective Chair of the InfraZamin Board said *"As a specialised credit enhancement facility focused on infrastructure in Pakistan, we see significant potential for InfraZamin to 'crowd-in' underused pockets of liquidity in Pakistan's financial markets. PIDG Companies GuarantCo and InfraCo Asia bring with them deep expertise and significant infrastructure and credit enhancement capabilities that will help unlock these opportunities for InfraZamin."*

Speaking about InfraZamin Pakistan, Ali Sarfraz, CEO Karandaaz said, *"Pakistan spends only 2.1% of its GDP on infrastructure as opposed to 8%-10%, leading to widening infrastructure deficit. InfraZamin Pakistan will not only unlock capital thus boosting much needed investments in infrastructure but also add to the sophistication of Pakistan's financial architecture. The additional investments will support economic growth, create jobs, and ultimately reduce poverty besides invigorating Pakistan's capital markets through cutting edge financial instruments. We are delighted to partner with InfraCo Asia and GuarantCo in setting up this innovative structure and look forward to its success."*

Lasitha Perera, CEO of GuarantCo said: *"GuarantCo is proud to have developed the ground-breaking InfraZamin initiative and to be partnering with two highly experienced investors InfraCo Asia and Karandaaz in its operationalisation. The Islamic financing market has a growing appetite for safe asset*

classes which can act as an alternative to investing in sovereign securities. InfraZamin will be a game-changer for the country in the balanced development of Pakistan's capital markets and the wider economy."

Speaking about the UK's assistance for InfraZamin Pakistan, Annabel Gerry, Director of Development at FCDO UK in Pakistan said, *"I am very proud that UK is setting up the first market-based credit enhancement facility for infrastructure finance in Pakistan. It is an innovation in the market and will help unlock much needed infrastructure financing opportunities for a wide range of projects in the country. InfraZamin will create jobs, alleviate poverty and boost economic growth in the long run."*

Philippe Valahu, CEO of the Private Infrastructure Development Group said: *"PIDG is delighted to see this initiative established in Pakistan. InfraZamin presents a significant opportunity for Pakistan to finance the critical infrastructure needed to fuel economic growth, especially in view of the COVID-19 pandemic and its impacts."*

InfraZamin is expected to start operations in early 2021 based on a fully committed capital structure, with core equity provided by Indus Guarantees as 60% shareholder and Karandaaz as 40% shareholder, and GuarantCo providing a contingent capital facility. PIDG Technical Assistance has also provided a technical assistance grant for pre-operationalisation expenses in relation to InfraZamin.

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About InfraCo Asia Investments

InfraCo Asia Investments Pte Ltd (InfraCo Asia) is a commercially managed infrastructure investment company of the Private Infrastructure Development Group (PIDG), funded by the UK's Foreign, Commonwealth & Development Office (FCDO), a member of the PIDG.

Headquartered in Singapore, InfraCo Asia provides funding and development expertise for early-stage infrastructure projects in South and Southeast Asia, to realise socially responsible and commercially viable infrastructure that contributes to sustainable and inclusive economic growth.

For more information, visit www.infracoasia.com.

About Karandaaz Pakistan

Established in 2014, Karandaaz is a non-profit that promotes access to finance for micro, small and medium-sized businesses through a commercially directed investment platform, and financial inclusion for individuals by employing technology enabled solutions. Karandaaz is funded by the UK's Foreign, Commonwealth and Development Office (FCDO) and the Bill & Melinda Gates Foundation. The company has four verticals:

- Karandaaz Capital – wholesale structured credit and equity-linked direct capital investments to micro, small and mid-size enterprises
- Karandaaz Digital – focuses on expanding the poor's access to digital financial services in Pakistan
- Knowledge Management and Communications – supports the company's core financial inclusion goal by developing and disseminating evidence based insights and solutions
- Karandaaz Innovation – manages the Innovation Challenge Fund and Women Entrepreneurship Challenge, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.

For more information, visit www.karandaaz.com.pk

About GuarantCo

GuarantCo mobilises private sector local currency investment for infrastructure projects and supports the development of financial markets in lower income countries across Africa and Asia. GuarantCo is part of the Private Infrastructure Development Group (PIDG) and is funded by the governments of the United Kingdom, Switzerland, Australia and Sweden, through PIDG, and the Netherlands, through FMO and PIDG. GuarantCo is rated AA- by Fitch and A1 by Moody's. GuarantCo's activities are managed by GuarantCo Management Company which is part of Cardano Development. For more information, visit www.guarantco.com.

About PIDG and PIDG TA

The Private Infrastructure Development Group (PIDG) is an innovative infrastructure development and finance organisation which encourages and mobilises private investment in pioneering infrastructure in the frontier markets of sub-Saharan Africa and south and south-east Asia to promote economic development and combat poverty. PIDG delivers its ambition in line with its values of opportunity, accountability, safety, integrity and impact. Since 2002, PIDG has supported 157 infrastructure projects to financial close and provided 209 million people with access to new or improved infrastructure. PIDG is funded by six governments (the UK, the Netherlands, Switzerland, Australia, Sweden, Germany) and the IFC.



PIDG TA can provide technical assistance and capital grants to the PIDG companies to meet a range of needs associated with an infrastructure project's life-cycle. PIDG TA can also provide up-front viability gap funding grants to support PIDG projects that require concessional funding to make a project with strong development impact financeable. For more information, visit www.pidg.org.

