



Ministry of Foreign Affairs



# i2i Ventures

Lessons From The Women-Led  
Early-Stage Venture Capital Fund  
From Pakistan

Pakistan's entrepreneurial ecosystem, while relatively nascent, presents an immense investment opportunity, especially in the startup stage. i2i Ventures is an early-stage venture capital fund that provides pre-seed and seed capital to high-growth companies in Pakistan. i2i Ventures emerged thanks to the work of its sister company Invest2Innovate, which was one of the pioneers in the Pakistani startup ecosystem, and has been accelerating and supporting entrepreneurs since 2011. With the support of the DGGF Seed Capital and Business Development Facility, i2i Ventures developed into a first-time fund manager and the country's only women-led early-stage venture capital fund. This paper centres on identifying the primary success drivers of i2i Ventures and how the fund's strategies can inspire similar first-time early stage venture capital funds in different countries or regions.

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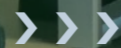
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## SECTION 1

# Pakistan's Dynamic Early-Stage Entrepreneurial And Financial Ecosystem

With over 220 million people, Pakistan has the fifth-largest population in the world. With a median age of 23, the country also boasts the fourth-largest Gen Z and younger population, and is home to the fourth-largest English-speaking populace. Pakistan's young, fast-growing and digitally-connected consumer base make it a dynamic market for innovative solutions and services. Key sectors, such as fintech, e-commerce, health tech, and edtech, are seeing substantial growth and creating many opportunities for emerging entrepreneurs. In this context, the startup climate in Pakistan is undergoing a remarkable transformation and is seeing a surge in venture capital investments, with the most significant investment potential in pre-seed and seed-stage startups. In 2022, Pakistan secured close to USD 315 million in VC funding, which was five times the amount raised in 2020. Nevertheless, the country is still lagging in terms of attracting investments when compared to some other regions.





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## Evolution From Accelerator To Early-Stage VC Fund

In 2011, Kalsoom Lakhani founded Invest2Innovate, an ecosystem enabler that launched Pakistan's first startup accelerator program. Over the years, this flagship program saw over 45 companies across eight cohorts graduate, while Invest2Innovate expanded its reach to train more than 300 entrepreneurs, along with over 40 incubators and accelerators in Pakistan and the wider region. Their research efforts<sup>1</sup>, spanning reports released since 2014, have made them a thought leader in entrepreneurship support and a respected authority in the Pakistan startup ecosystem.

Kalsoom's background as founder combined with her decade of experience in supporting founders, gave her unique insights into the Pakistani startup ecosystem and the funding constraints that many entrepreneurs face. This has provided her with the experience required to navigate the typical on the ground realities and changing economic conditions that affect Pakistani start-ups. Building on her experience with Invest2Innovate, in 2019 she founded the i2i Ventures fund to address the financing gap and provide pre-seed and seed capital to high-growth SMEs.



<sup>1</sup> <https://www.insightsi2i.com/reports>

## Find Catalytic Capital

In 2019, the Dutch Good Growth Fund's Seed Capital & Business Development Facility (SCBD) provided a pivotal early anchor investment in the form of a concessionary grant of USD 540,000 contingent on raising matching capital from HNWIs and investors. The concessionary grant acted as a catalyst, alleviating initial financial pressures and allowed i2i Ventures to concentrate on identifying and nurturing high-potential startups. This additional support was instrumental in helping i2i Ventures to navigate the challenges associated with launching a first-time VC fund, enabling the team to allocate resources strategically and contributing significantly to the fund's early success. The concessionary grant serves as a noteworthy example of how targeted financial assistance can be a catalyst for innovation and sustainable growth in the dynamic landscape of early-stage venture capital.

The matching fund structure not only helped i2i Ventures to access much-needed initial capital, but also showcased their investment strategy to potential investors. This was a critical element in building the investor confidence necessary for the fund's long-term success, ultimately helping to secure an additional USD 1.26 million for initial operations and investments in a BV structure domiciled in the Netherlands. This strong start enabled i2i Ventures to build its initial track record and put together an initial portfolio of eight investee companies.

i2i Ventures key figures	
Current fund size	USD 8,500,000
Target fund size	USD 11,500,000
Capital deployed	USD 5,860,000
Deal size range	USD 250,000 – USD 500,000
Number of deals	21
Active investments	14

**Table 1 – i2i Ventures key figures**

Subsequently, the company successfully raised a total of USD 7 million by March 2022, with continued commitments amounting to over USD 8.5 million (over 15.7x SCBD's commitment). These commitments originated predominantly from HNWIs, including members of the Pakistani Diaspora, as well as family offices and funds with varied backgrounds and interests. This diverse investor base reflects growing confidence in i2i Ventures' mission to support and invest in Pakistan's entrepreneurial landscape. The i2i Ventures Fund I is aiming for a final close at USD 11.5 million by the end of 2023. i2i Ventures currently has an active portfolio of 14 active investments, six of which have received follow-on investments.

In the following paragraphs, we will highlight a number of key success factors that i2i Ventures has employed to successfully transition from an accelerator to an early-stage VC fund.



## Find Partners With Complementary Skills

Kalsoom Lakhani recognized the value of collaboration early in the inception of i2i Ventures. Given her experiences as a solo founder of Invest2Innovate and her determination to drive the growth of Pakistan's startup ecosystem, she concluded that she did not want to embark on this journey alone. Kalsoom understood that a co-founder with significant first-hand investing experience could provide the complementary skills and fresh perspectives needed to succeed.

Misbah Naqvi had been involved with Invest2Innovate in an advisory capacity and her background in finance, her hands-on experience in direct investments and the startup ecosystem were invaluable. She is well-connected within Pakistan's financial sector and has an excellent understanding of the local financial landscape and regulatory nuances. It became clear that Misbah was the ideal partner to complement Kalsoom's entrepreneurial vision. Kalsoom and Misbah approached tasks and deals from distinct angles, giving the fund a range of perspectives. The differences in their

approaches and viewpoints proved to be a strength that enabled them to evaluate startups thoroughly and enhanced their decision-making processes.

The co-founders' mutual respect for each other's expertise and dedication was fundamental to the establishment of i2i Ventures. They are not merely value aligned, but have also worked hard to create a truly collaborative partnership. According to both Kalsoom and Misbah, one of the crucial steps in achieving that goal has been the assistance of a shared coach, who has helped the co-founders to foster mutual understanding, enhance their collaborative efforts, and refine their communication skills. As part of their commitment to shared decision-making, they adopted a rule: both co-founders must be wholeheartedly on board with a deal before they proceed. This rule ensured that investments were thoroughly vetted and aligned with their shared vision, further underscoring the significance of their partnership in the success of i2i Ventures.

## Capitalize On Complementary Initiatives

From the total capital of USD 8.5 million that was raised, i2i Ventures has so far invested USD 5.86 million in 15 startups. i2i Ventures and Invest2Innovate are separate entities. Since the inception of i2i Ventures, Kalsoom has stepped down as CEO of Invest2Innovate in order to focus fully on setting up i2i Ventures. The two entities operate collaboratively and aim to reinforce each other's efforts to strengthen the startup ecosystem in Pakistan. Invest2Innovate plays an important role in the pipeline generation for i2i Ventures, as this collaboration also provides them with early exposure to a potential pipeline through the Invest2Innovate programs.

This collaboration has proved even more useful since 2021, when Pakistan saw a surge in foreign investment capital, like many other emerging markets. Venture capital funds from the United States and Europe saw a boost in liquidity and heightened risk appetites, prompting increased capital deployment across these emerging markets, leading to inflated valuations and competition on deals. i2i Ventures responded to these developments by pivoting towards more pre-seed deals. These early-stage investments were especially attractive because at this stage valuations were still relatively low. Moreover, while adapting their due diligence process to maintain its rigor, the team improved the efficiency of

its processes, making quicker decision-making possible without compromising on the quality of their investments. This strategic pivot enabled i2i Ventures to remain agile in a fiercely competitive environment and to continue to support the growth of Pakistan's startup ecosystem.

i2i Ventures is aligned with 2X criteria and approaches investments with a gender lens, yet is not limited to women-led companies. The fund is also part of the ScaleX cohort funded by the IFC, which has provided technical assistance to help them build and implement their gender-smart strategy. This approach builds upon the gender angle that was already embedded in Invest2Innovate. i2i Ventures is the only women-owned venture capital fund active in Pakistan. Currently, 30% of its portfolio companies have female (co-) founders, and approximately 50% have women in C-suite leadership positions. Recognizing the need to go beyond passive commitments, i2i Ventures collaborates closely with Invest2Innovate to support women-led enterprises. The fund has mentoring and coaching programs for female founders and constantly assesses the diversity within its pipeline. As it moves forward, i2i Ventures intends to measure diversity within portfolio companies' workforces more explicitly and improve these metrics as part of its ongoing commitment.



## Invest In Talent Development

i2i Ventures stands out thanks to its unique and high-touch approach to supporting and nurturing talent within their portfolio companies. In the early days of i2i Ventures, this support was provided on an ad-hoc basis and required significant involvement from both co-founders. As the fund portfolio grew, i2i Ventures had to rethink this approach to support in order to remain viable. This is why i2i Ventures has adopted more of a VC Platform model, in which they provide insights, talent support, access to experts, and network connections to help their investee companies.

The key critical area of support that i2i Ventures provides is talent development and hiring assistance, addressing a significant challenge in the Pakistani market. i2i Ventures investees are given access to a job board, and a database of potential candidates. In addition, and most importantly, i2i Ventures have partnered with Atomic Talent to provide services like the Predictive Index, offering access to a range of services, including hiring ability assessments, personality tests, and job modelling for hiring decisions and talent optimization. Hiring the right talent is a make-or-break factor for many startups,

and i2i Ventures recognizes this challenge by offering practical solutions through its partnerships.

Another key distinguishing factor in i2i Ventures' approach is the pro bono support their investees receive. Professionals generously contribute their time and expertise, as part of the fund's aim for a lean and efficient approach. This hands-on approach is essential in an ecosystem where startups often require guidance, mentorship and resources to grow. i2i Ventures leverages their extensive network by offering monthly "ask me anything" sessions, providing the founders of its investees with invaluable guidance and insights. On top of this, the fund offers a library of documentation freely accessible to investees, empowering them by providing resources and knowledge.

The fund's proactive approach to supporting the founders of its investees has enabled it to be competitive in the market and maintain a robust pipeline. This has proven especially important from 2021 onwards, when the Pakistani market saw a dramatic influx of investment capital, leading to high valuations and increased competition on deals.

*"The most common thing our founders say is that we punch way above our weight in terms of engagement and hands-on support with investees. This approach has allowed us to get in on a number of very competitive deals."*

Quote by Kalsoom Lakhani

## SECTION 2

# Navigating Constraints For First-Time Fund Managers

In addition to the key success factors mentioned in the section above, i2i Ventures also encountered a number of challenges and constraints that they needed to address or mitigate. In this section, we spotlight several of these issues and what lessons other VC funds can extract from these experiences.





## Leverage Hybrid Fund Structures

Initially established as a Dutch private limited company (Besloten Vennootschap or BV) in the Netherlands, the fund operated as a Special Purpose Vehicle (SPV). The decision to take this route was rooted in Pakistan's complex regulatory framework, which made a Pakistani fund structure appear unfeasible due to its heavy regulatory burden. Given the anchor investment of DGGF, domiciling the fund in the Netherlands was a logical

alternative. The BV structure, acting as a bridge entity, enabled the fund to promptly commence investments and build an initial portfolio with the intent to transition into a full fund set-up at a later stage.

As i2i Ventures' fundraising journey unfolded, it became increasingly apparent that the Netherlands might not be the most optimal choice for its domicile. A

pivotal factor in this revelation was the geography of potential investors in the fund, with a substantial portion being based in North America. It became clear that the regulatory environment in North America, especially for smaller venture capital funds that often need to outsource various functions, was more conducive.

This shift in focus and investor geography prompted the desire to transition from

the BV structure in the Netherlands to a full-fledged fund entity domiciled in the USA. However, this transition proved to be more complex and challenging than initially anticipated. i2i Ventures learned that a well-thought-out approach to fund domiciliation, taking into account tax jurisdictions, investor locations and regulatory landscapes from the beginning, can significantly impact the fund's operational efficiency and success.





## Pro-Actively Handle Gender Bias

One of the central challenges confronting i2i Ventures is the evolving nature of fundraising in Pakistan. The fund's struggle to secure capital is not unique to its circumstances, as emerging fund managers worldwide often face an uphill battle in attracting investors. In addition to this, i2i Ventures is led by first-time fund managers who also happen to be women. This unique combination exposed the fund to gender bias in the fundraising process. Studies, such as the one led by Dana Kanze at the London Business School<sup>2</sup>, have revealed a significant gender gap in fundraising dynamics. Female founders often face a disproportionate number of prevention (risk-related) questions, while their male counterparts are more likely to receive promotion (aspirational) questions. The impact of these biases is substantial, as data shows that female founders are less likely to successfully secure funding.

Unfortunately, i2i Ventures has encountered similar biases during its own fundraising efforts, despite its founders' unparalleled experience in investment in the Pakistan market and the development of the startup ecosystem. This has required exceptional tenacity and determination from its founders.

The fundraising challenge is also exacerbated by the specific conditions in Pakistan. The private funds legislation in Pakistan presents an unattractive landscape for local fund entities. As a result, most venture capital funds focusing on Pakistan choose to register outside the country. While this approach is advantageous in terms of raising capital from international sources, it creates hurdles for tapping into domestic sources due to the complexities associated with transferring money in and out of Pakistan. This issue is exacerbated by Pakistan's economic instability and its Financial Action Task Force (FATF) ranking.

<sup>2</sup> <https://www.science.org/doi/10.1126/sciadv.abd7664>

## Embed Yourself In The Local Ecosystem

As an emerging entrepreneurial ecosystem with limited success stories and an increasingly turbulent economic and political environment, fundraising has become progressively more demanding as macroeconomic conditions in the country have worsened. The co-founders of i2i Ventures recognized the importance of partnerships and the need for players in the ecosystem to collaborate and jointly

advocate for the likes of more favorable regulations. To this end, they have taken the initiative to revive the mostly dormant Venture Capital Association of Pakistan. This organization has now been rejuvenated and is in the process of a dynamic relaunch. Notably, it boasts members from international venture capital funds.



## SECTION 3

# Key Lessons

Despite operating in challenging market conditions, the case of i2i Ventures highlights the importance of support structures and the need for early access to funding, especially for first-time fund managers taking on an important role in building nascent ecosystems in challenging market conditions. Nine key lessons, drawn from i2i Ventures' experiences, can serve as valuable guidance for first-time venture capital fund managers active in challenging market conditions:

- 1 **Find Catalytic Capital:** In the early stages of fund management, when balancing first-round fundraising and proving your fund's concept through deals, catalytic capital can be a game-changer. It provides the necessary fuel to kickstart your venture capital journey.
- 2 **Capitalize on Complementary Initiatives:** Recognize and utilize the strategic synergies between accelerators and incubators and early-stage VC fund initiatives. Separating these entities enables them to remain independent and focused on their core objectives, while collaboration ensures that the initiatives reinforce each other, giving them a comprehensive approach and ensuring early access to and insights into high-potential investees for VC fund managers. This can be especially important in a competitive investment environment.
- 3 **Find Partners with Complementary Skills:** First-time VC fund managers often have very relevant skills and experience but tend to lack much-needed first hand investment experience. Being aware of missing hard and soft skills, and achieving complementarity in the GP team is a key success factor for the evolution from accelerator to VC fund.

- 4 **Invest in Talent Development:** Prioritize talent development and support as a cornerstone of your ecosystem-building efforts. This not only adds value to your portfolio companies but also contributes to the growth of startups in your region. As high-touch fund managers, investing in a robust support system can help shape your reputation and open doors to preferential treatment in highly competitive deals.
- 5 **Thoroughly Research the Optimal Fund Structure:** Take the time to thoroughly research the regulatory landscape, especially related to taxes, before setting up your fund. Establishing the right fund entity early on can save you time and resources in the long run.
- 6 **Leverage Hybrid Fund structures:** Embrace hybrid fund structures to enhance flexibility and adaptability. This approach allows you to initially operate as an SPV, building a track record before transitioning to a full fund setup. The experience of i2i Ventures illustrates the significance of choosing the right domiciliation and fund structure from the outset to optimize fundraising and long-term success.
- 7 **Adapt Your Fund Strategy:** Flexibility is paramount. Be prepared to adjust your fund strategy in response to changes in the funding landscape, evolving requirements from anchor investors, or shifts in the investment landscape. i2i Ventures successfully navigated this challenge by shifting from seed to pre-seed deals in a fiercely competitive environment.
- 8 **Pro-actively Handle Gender Bias:** Acknowledge the existence of negative bias towards female fund managers, particularly in a male-dominated industry. Awareness and resilience are key when facing such biases.
- 9 **Embed Yourself in the Local Ecosystem:** To thrive in challenging markets, embedding in the local entrepreneurial ecosystem is essential. By actively participating, collaborating, and advocating for more favorable regulations, you can foster a more conducive environment for venture capital.

# i2i Ventures

## Lessons From The Women-Led Early-Stage Venture Capital Fund From Pakistan

### **Commissioned on behalf of:**

The Dutch Good Growth Fund is part of Investment funds for local Small and Medium Enterprises (SMEs), a “fund of funds” investment initiative from the Dutch Ministry of Foreign Affairs. The initiative aims to improve financing for the “missing middle” – i.e. entrepreneurs who have outgrown microfinance but do not yet have access to regular financial services. The Seed Capital and Business Development (SC&BD) program was established to increase the impact of the DGGF by providing technical assistance, seed capital and business support services to intermediary investment funds and local SMEs. The program incorporates a knowledge development and sharing component that supports research, tests assumptions and shares insights into financing SMEs in developing countries and emerging markets - fostering industry-wide knowledge exchange.

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