



Acumen Fund

Spring 2008

Dear Friends of Acumen Fund,

I've been thinking a great deal lately about the global food crisis and its connection to the high (and rising) price of oil, and a shift in agricultural production to meet an increasing demand for ethanol and for meat from the growing middle class. How will it affect our work? And how might Acumen Fund contribute to the larger global conversation?

My understanding deepened on a recent trip to Pakistan. Our Country Director, Aun Rahman, and I visited the Thar desert, just on the border of India, with Dr. Sono Khangarani, who runs the [Thardeep Rural Development Program \(TRDP\)](#) and will co-own, with Acumen Fund, [Micro Drip](#), a new for-profit company focused on selling drip irrigation to poor farmers across the country. We drove for more than eight hours from Karachi in 40°C heat (105°F) across vast lands where all we could see at times were sand, sky and a few stray camels and goats searching for water or shade. I began to understand at a more visceral level what smallholder farmers in the desert face.

The rains are now scarce, so they have no access to water. Wealthier farmers used to be able to afford diesel to drill deep wells for the valuable resource, but with oil at \$120 a barrel, diesel is outside their reach. With no water, the farmers leave their homes in the dry season and must walk two days or so to an area near canals where they might be lucky to work as day laborers for a pittance and try to support their families. The price of food has skyrocketed in Pakistan, so a higher percentage of family income is allocated to buying food. And of course, this migration means children do not attend schools. I thought of all the farmers I've met in this region, and felt sick at the thought of how severe their level of poverty could become as a result of this confluence of global warming, high oil prices, lack of water and a growing food crisis.



Smart subsidy and investment in infrastructure can release the entrepreneurial energies of the poorest to change their lives.

Micro Drip has been experimenting with selling drip irrigation to the farmers and is currently testing its impact. To remind you, Acumen Fund helped facilitate a technology transfer from [IDE India](#) where Amitabha Sadangi and Suresh Subramanian designed and sold more than 100,000 drip irrigation systems to poor farmers, most of whom tripled their income levels. Dr. Sono studied the IDE India model, and recognized its power while also understanding the limitations of an area like drought-prone Thar. He negotiated with Pakistan's Poverty Alleviation Fund and secured support to install large solar panels that could power local wells (each one provides enough energy and water to irrigate ten acres of land); and he lent financial support to eighty farmers – "early adopters" who were willing to risk everything on a new technology. Dr. Sono's team along with the Micro Drip team, with additional support from Unilever Pakistan, also provided significant technical assistance.

Toward the end of our eight-hour drive, I saw a line of bright yellow in the horizon, slicing the browns and grays and reds of the desert. As we got closer, we realized we were looking at eight acres of sunflowers more than seven feet tall! The farmer, Rajan, told us that he couldn't believe this prosperity, and that the first thing he would do with his profits was educate his children. He included his daughters in this, he said, "because I don't want them to be discriminated against; and I don't want them to discriminate against others." In a single harvest, Rajan has earned enough to repay his investment and dramatically increase his income, feed his family and sell the surplus. It's the way change should work.

I start this quarter's update with this story for several reasons. First, the story of sunflowers in Thar is a reminder that solid infrastructure is needed to enable entrepreneurs to flourish. The farmers in Thar cannot afford the high cost of solar power, especially not in the short-run, but they are willing to take the risk to borrow for the drip irrigation system itself. Smart subsidy thus can release the entrepreneurial energies of the poorest to change their lives. I also realize this experiment is a small step forward. To create lasting impact, we need to find ways to grow this innovation – at the lowest level of subsidy possible – to reach millions of farmers through the market. We know it will require public-private partnerships – and we know that understanding the fundamentals of selling affordable irrigation systems to poor, smallholder farmers will provide valuable insights to increasing productivity along the supply chain. And this is one key element in solving the food crisis. We'll need your help on many levels and we're committed to doing – and learning – what we can.

You can read more about my trip to Pakistan in my [journal](#). Following are updates on our portfolios.

Housing Portfolio

As of 3/31/08, we have \$4 million in committed investments that are focused on affordable home ownership and housing finance.

Housing Portfolio Manager Helen Ng is currently in Kenya, where she's witnessing the growth of Jamii Bora's new town development at Kaputiei. [Jamii Bora](#) now has 705 homes, of which 476 have roofs. A number of mini-enterprises are sprouting up throughout Kaputiei, many from the local population who are either joining the construction efforts or creating support businesses for the more than 400 construction workers on site. Once they have part of the sewerage systems in place, they hope to begin issuing home loans and allow families to at last move in – hopefully by next quarter.



Jamii Bora united people from across ethnic groups to rebuild Toi Market, an economic center of the Kibera community.

(Image courtesy of Gabriel Kadidi)

Jamii Bora has displayed a remarkable resilience and strength of human spirit amid Kenya's recent socio-political disruptions. In addition to assisting with emergency needs, Jamii Bora began the process of rebuilding the community. One of the more devastating events was the burning of Toi Market, a popular and bustling second-hand clothing trading area of the Kibera slum. Ingrid Munro, Trustee of Jamii Bora, had the foresight to see that reviving income-generating opportunities in the heart of Kibera would be essential for the

stability and future of its inhabitants. So Jamii Bora set about rebuilding Toi Market. Within a short time, the organization united people from across ethnic groups, as well as victimizers and victims, and held hands to galvanize Nairobi's poorest. As a result of this display of unity, hope and resourcefulness, many who had run away were encouraged to move back into the community. Many also eagerly signed up to become members of Jamii Bora during this period, at the rate of 100 new members a day in Kibera alone. Today, the Jamii Bora Kibera branch is one of the most popular branches – and today, Toi Market is back in action.

Water Portfolio

As at the end of March, we have \$4.8 million in committed investments that are focused on improving access to high-quality drinking water, sanitation and low-cost drip irrigation.

Acumen Fund has made a \$60K equity investment in [Environment Planning Group Limited \(EPGL\)](#), a for-profit company based in Ahmedabad, Gujarat, which has developed affordable reverse osmosis systems for the treatment of water. Currently, EPGL operates 8 self-sustaining water filtration plants; with Acumen Fund's investment, EPGL will scale up its services, initially targeting an additional 23 rural communities in Gujarat and 2 communities in an urban slum area of Delhi. Each system will have the capacity to meet the daily needs of 500 households, together serving over 60,000 people. To accelerate the growth of EPGL, we funded a local management consultant to help the organization improve their operations as they scale.



Our investment in EPGL will allow it to scale its services to reach communities in Gujarat and Delhi with safe drinking water.

We have also made additional investments in community water systems through a \$1.4 million loan guarantee for [WaterHealth International \(WHI\)](#) operations in India, which installs water purification models to deliver potable water affordably to Indian villages. Since 2006, Acumen has been providing a loan guarantee to help entrepreneurs finance local systems, which are yielding sufficient revenues for WHI to cover a first loan from ICICI Bank. With this initial success, Acumen has provided a follow-on guarantee to allow WHI to grow this pilot financing program. These investments will help WHI accelerate their growth and increase the growing recognition that their team has built a blueprint for delivering clean water to underserved rural areas in an economically viable way.

Energy Portfolio

As at the end of the first quarter, we had \$1.1 million in approved and closed energy investments. The last quarter has been very exciting, as our portfolio is really taking off with two newly approved energy investments.

We are in advanced stages of closing an investment in a firm that has considerable experience building hydro-electric power plants in the Himalayan belt of northern India. The

company is promoting an alternative for villages located in challenging terrain where, despite grid access, electricity supply is unreliable at best. Our capital, along with government incentives, will enable the entrepreneur to build and operate a series of small scale hydro electricity systems that provide power to villages in the mountainous region. Hydro power of this size provides clean, carbon-free energy where it's needed most, with little disruption to the local environment.

We also approved an investment in a for-profit solar products distribution and wholesale company in East Africa. Currently serving the middle income market, the company sees the potential to reach over 1 million low-income consumers in the region with an affordable solar-powered LED (light-emitting diode) lighting product that will displace harmful kerosene lamps used by a majority of this market. They are in the midst of running a pilot of the new product with extremely promising initial reports.

Health Portfolio

As of the end of the quarter, we have \$21.4 million in approved investments focused on a diverse set of health challenges, including basic healthcare access in rural areas and treatment for malaria and HIV/AIDS.

This quarter, we finalized two investments in hospitals that will expand access to quality health care services in India. The first is an investment of \$1.9 million in [LifeSpring](#), a network of low cost maternal and child healthcare hospitals. A joint venture between Acumen Fund and Hindustan Latex Ltd, a public enterprise in India, LifeSpring started with one hospital in Hyderabad providing high-quality low-cost care to people living in low-income neighborhoods, and is now rapidly scaling the model to build similar small hospitals in other cities across the country. The rates charged by LifeSpring Hospitals for general ward patients are less than one-third the market rate for normal births and half the rate for caesarian deliveries.



Acumen Fund's investments in hospitals in India will expand access to affordable, high-quality health care services.

We also made an investment of \$1.1 million in Kerala First Healthcare Services, a company that has pioneered a replicable and scalable model of AyurVAID hospitals, which integrate classical Ayurveda with modern medicine to treat chronic medical conditions. [AyurVAID Hospitals](#) are the only Ayurveda hospitals currently accredited by 12 of India's leading medical insurance service providers. AyurVAID's protocol and process-driven healthcare delivery model for chronic illnesses can be positioned across the value spectrum ranging from low-income patients to high-end patients, thus allowing cross subsidization.

In addition to these new investments, [Advanced Bio-Extracts \(ABE\)](#) in Kenya, a company that cultivates and extracts artemisinin for use in anti-malarial pharmaceuticals, closed its current round of financing, with Acumen investing a total of \$2.25 million.

Our Community

As you know, Acumen Fund has been focused on strengthening all parts of the organization over the past eighteen months. I'm happy to announce the addition of two new [board members](#): Joseph Stiglitz, Nobel Laureate, Columbia University professor and Executive Director of the Initiative for Policy Dialogue; and Robert Niehaus, founder of Greenhill Capital Partners. We also feel honored to have added Fareed Zakaria, David Keller and Ashraf Ghani to our [Advisory Council](#), as well as to have Zubyr Soomro chair our Advisory Council in Pakistan. The level of commitment we're seeing among all members of the community has been extraordinary. Our Council and Board meetings last month were a great success and we're grateful to all who attended.

Acumen Fund has selected its [third class of fellows](#)! This impressive group of young people will begin their fellowship with the team in September. They are a global group, and we're excited to welcome them. We're also considering what it might look like to establish local affiliates or self-organized groups of supporters around the world. So many of you live outside the United States and are interested in learning more from the work, as well as giving more. Know we're working on it!

We've been fans of [NextBillion.net](#) since its launch in 2005 and visit regularly for the latest "base of the pyramid" news and analysis. Given its coverage of issues that matter to Acumen Fund, we're thrilled to be partnering in NextBillion to help make it an even more valuable resource for the sector. And we continue to be a part of GOOD Magazine's Choose GOOD Campaign toward a goal of raising \$100,000 – you can [help us get there](#).

Today's World

With all of the challenges facing the world today, there is no room for cynicism. The good news is that the next generation of young people brings extraordinary passion, energy and a powerful mix of idealism and enthusiasm. In recruiting Acumen Fellows, summer interns and new staff members, we've been overwhelmed by the quality of the many highly skilled twenty- and thirty-somethings who want to make a real difference in the world by building sustainable, market-oriented solutions. We're also seeing a growing number of mid-career professionals who are ready for a second career investing in social enterprises and helping them grow. How the world taps into this creative, thoughtful and skilled energy is a major question – for scaling the kind of work that we do at Acumen Fund requires top talent more than any other resource.

Thanks, as always, for being part of our community and for your support.



Jacqueline