

# BLUE • CHIP

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JACQUELINE NOVOGRATZ



Transforming lives

INSIDE



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Hussain Tejany



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Published by  
Humayun Gauhar  
from  
2, Street 19, Sector F-7/2,  
Islamabad, Pakistan  
Phones:  
051-265 3242-3  
051-265 3160-1  
Fax: 051-265 3316

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Letters: [bluechip\\_04@yahoo.com](mailto:bluechip_04@yahoo.com)

Editor's link: [editor@bluechipmag.com](mailto:editor@bluechipmag.com)

## Foreword

The grinding poverty Jacqueline Novogratz witnessed on her travels while working in a premiere financial institution left a lasting impact on her. She questioned why despite the interventions of lofty multilateral institutions, people remained crushed by poverty.

After spending time with poverty-stricken communities, Jacqueline quickly recognized the entrepreneurial brilliance, integrity and potential of people mired in abject poverty. Determined to transform the lives of the destitute, Jacqueline left her exceedingly comfortable job to set up Acumen Fund, a non-profit global venture fund which applies an entrepreneurial approach to solving the problems of poverty across the globe. Over the years, Acumen has financed financing projects aimed at alleviating poverty such as housing, microfinance and irrigation projects.

The 1298 ambulance project launched in Mumbai is just one example of Acumen Fund's transformational projects. 1298 ambulance services provide reliable emergency medical service to the residents of Mumbai 24 hours a day, seven days a week. Its innovative business model uses a sliding price scale driven by ability to pay, which is determined by the kind of hospital to which patients choose to be taken. 1298 has recently begun to experiment with the innovative use of solar panels to help generate and save valuable energy needed to power the onboard equipment of its ambulances.

Deeply charismatic and refreshingly down to earth, Jacqueline talks to *Blue Chip* about the phenomenal success of Acumen Fund, her experience in Pakistan and her vision for the future.

In today's troubled times with financial worries and economic recession, the words of the great poet and philosopher Kahlil Gibran provide an interesting perspective on giving and charity:

"These are the believers in life and the bounty of life, and their coffer is never empty. There are those who give with joy and that joy is their reward. There are those who give with pain, and that pain is their baptism. And there are those who give and know not pain in giving, nor do they seek joy, nor give with mindfulness of virtue;

Through the hands of such as these God speaks...

All you shall have some day be given. Therefore give now, that the season of giving may be yours and not your inheritors.

They give and they may live, for to withhold is to perish",

Mashaal Gauhar  
Editor



Jacqueline Novogratz

## Jacqueline Novogratz — transforming lives

by Mashaal Gauhar & Mehreen Ajaz

**F**ounded in 2001 by Jacqueline Novogratz, Acumen Fund is a non-profit global venture capital fund that bridges the gap between grant-based philanthropy and traditional capital markets, investing in innovative enterprises that bring critical goods and services to low-income markets. Acumen conducts field research to determine what services are as yet unmet, and then invests in for-profit and non-profit companies that use innovative business models to deliver health, housing, water and energy services to low-income markets. As a non-profit organisation, Acumen Fund's goal is not monetary rewards. Instead, by investing at the grass roots level, the venture fund aims to directly tackle the issue of global poverty. As a venture capital fund, the company is operational in large part due to its 'investors,' who, in return for their participation are an integral part of the poverty alleviation process.

Acumen Fund's philosophy stems from Novogratz's experiences working with Chase Manhattan Bank. Disillusioned by the thousands of poverty-stricken people she saw every day in the slums of Brazil, none of whom had access to a bank, she decided to look into ways to give bank access to the lower income bracket. This optimistic decision, from a woman who truly believes in the potential within each and every human being, was the catalyst which gave rise to Acumen Fund, which today boasts investors like Google and the Bill & Melinda Gates Foundation.

As of July 2008, Acumen fund has over \$6.8 million in approved investments in Pakistan and an additional \$8 million in various stages of due diligence. *Blue Chip* talks to founder Jacqueline Novogratz about her experience with Acumen, her new book *The Blue Sweater*, which details these experiences, and her reflections on working in Pakistan.



Above and opposite: The Salban housing scheme

Since Acumen has been established, it has been overwhelmingly successful. Has the success surpassed your expectations?

Jacqueline Novogratz: "I never really think in terms of success, but the impact has surpassed my expectations. We started, saying we wanted to create those organisations which could be sustainable and reach a million customers at a time, but I didn't understand how quickly that could happen, particularly in countries like Pakistan and India, and even, ironically, in Tanzania; where we made a loan to do a technology transfer for a malaria bednet factory. To see that factory operate with 20 million nets per year is astonishing to me. It's the same with watching microfinance and what Roshaneh Zafar has been able to do with Kashf, to go from 12000 to, in the blink of an eye, 320,000 at a commercial bank. What is really interesting about Pakistan is not only the increasing impacts of the investments but the real engagement of the community."

**You come from a corporate background. You started**

**your career with Chase Manhattan Bank. Was there a defining moment that made you reassess your goals and made you want to pursue this vision?**

JN: "It's funny because when I was a little girl I always wanted to change the world. I've always been a believer that to whom much is given, much is expected. I came from the middle class, we didn't have a lot of money, and I had to pay for myself to get through university. I was so tired from working around the clock that I was going to take a year off when I got this job offer from Chase. I ended up taking the job although I was not really looking for it. But it was a banking job that was going to take me into four different countries in three years, so there was no way I was going to say no to it. So, the defining moment though was less about a desire to change the world and more about recognising some of the systemic failures in the world. In Brazil, I was working with Chase during the Latin American debt crisis of the early 1980s. As a very curious young person, I would work during the week in the bank writing off hundreds of millions of dollars of loans and on the weekend I'd wander into the slum



areas. I began to wonder why the people who were working so hard in the lower class had no access to the banks and wouldn't have the confidence or courage to walk in one. I thought that maybe the bank would do well to lend to lower-income people, but my boss thought I was too idealistic and naïve, and that was really the defining moment when I decided that I was interested in more ways for them to get access, than I was to spend my time writing off all these loans."

**Your pioneering investments in challenging sectors has been considered commercially untenable by the vast majority, and you've somehow managed to change popular misconceptions regarding the unfeasibility of people as legitimate and worthwhile clients.** JN: "Well, we're starting to. People ask, 'are you successful and what are you really trying to do?' For me, the real and ultimate goal is to create a world where we look at all human beings as truly equal. While that is something we say through so many religions of the world, we don't operate from that place. If we truly believed in the equality of every human life, we would recognise that inside every human being is unlimited potential.

Therefore, by treating people as customers and showing them that it's not a question of having to take care of them, but to remove the obstacles that are in their way, you can release infinite energy. That's the perception change. I was recently explaining what we do in housing in Kenya, in Pakistan to a group of people and I showed a picture of the housing project that was almost done, and a young, really good person came forward to say 'I want to help'. I said, 'no, the systems are set up, the people are employed'. And he said, 'but I want to help', and I said, 'you want to help, fine, you could have helped a long time ago, set up the financing and the training, but now, you're going to take away the last five percent of the most exciting part for their completion of this, and that is narcissistic and self-indulgent'. And, that's the perception we have to change. So much charity is well-intentioned from very deeply good people, but it's often given in such a way that it isn't useful."

**What do you think of countries that often resort to multilaterals like the IMF that impose inhumane conditions on countries for similar projects like irrigation, housing, and come with their own onerous conditions?**

JN: "That's a loaded question in that right now, I don't know enough, but I actually think that the stability that the IMF could be bringing to Pakistan right now could be a good thing. So, I think it's less about the imposing of a particular political agenda and much more trying to get an economy that's been untended back under control. I wouldn't finger point at any big institution specifically but I would say that too many big multilateral agencies come in with a top-down agenda, and there is too little accountability and too little reckoning of what worked and what didn't, and too little willingness to share lessons and insights from those lessons, and that leads to a deeply corrosive, and frankly, cynical system."

**Tasneem Siddiqui — you're working with him on the *Khuda Ki Basti* project which you said you wanted to replicate elsewhere in Pakistan. Can you tell us more about this and how you seek to expand?**

JN: "When we first met Tasneem six years ago, he had been working in *Khuda Ki Basti* for sixteen years. He had innovated, failed, innovated again, and really built out *Saiban* so that it was reaching 20,000 people in Karachi with his notion of incremental housing and providing low-income people the opportunity to move into new land as pioneers. Many of the first ones for years had no access to electricity or to safe water, but micro-businesses were built and over time, incrementally, those services were brought to the community so it could grow faster and faster; and now it's a real safe haven type of community. So, the first interaction we had was to understand the model, to enhance it slightly, and to learn from it. Over the next period, we together decided to see what it would take to replicate *Saiban* in another part of Pakistan, and looked at Lahore. At that time, there was so much land speculation and so little public land available for free, even for low-income communities, the decision was made to try and work on an even greater private-sector basis. So, Acumen Fund made a \$300,000 loan to *Saiban* for the purpose of purchasing that land. Now, it took a number of years to get through the bureaucracy but you learn by letting the market being a listening device. That's when Jawad Aslam came along and became an Acumen fellow and worked with Tasneem in *Saiban* Lahore. Today, there are 76 families living there, 165 families who have purchased homes, school,

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five shops. And Jawad, under the apprenticeship of Siddiqui is starting a new project that will be a for-profit, low-income housing development. Acumen Fund invested a million dollars in that."

**I understand that you intend to purchase land from the government?**

JN: "I think he's looking to get land wherever he can. I think it's from the government."

**You talk about investing for change. Can you elaborate on that?**

JN: "We used to tell our investors (we call our donor investors), 'we want you to take as seriously, in the creditable sector, the money you give, as the money you invest in financial accounts. Invest in Acumen Fund. We won't give you your money back, but we'll give you change. So, invest in change. We'll give you results, we'll give you accountability and we'll share with you our failures'.

The idea was that if we could invest in those enterprises that were effectively delivering affordable, quality health care and safe water and housing to low-income people, and we could treat the market as a listening device, it would be much more helpful than giving people something and asking them if they liked it. It's hard to say to a giver, 'the school you gave me does not work'. So, the market is a listening device and it isn't all that we need. We also learn what the limitations of the market are by using this approach. Investing for change is essentially, 'let's be full, let's be innovative, let's look at those entrepreneurs that care deeply about low-income people and are trying new ways to deliver those services. Let's also recognize that there is so much to learn and listen to and treating poor people as customers' and, as that grows, then sharing with government and larger corporations can bring about large-scale change. That's really the vision: start from the bottom, treat the poor as customers, build enterprises that work, share breakthrough insights with the larger community, and change the world."

**You've traveled widely across Pakistan. Can you share with us your reflections on Pakistan and your impressions?**

JN: "I've just written this book and I was thinking, how

"It's been so extraordinary for me over the last seven years because I've fallen in love with the Pakistani people; I've learned so much personally about generosity and warmth that has affected me as a person. Acumen Fund as an institution has really thrived on many levels because there are such incredible social entrepreneurs in this country that have seen possibilities where other people see hope."

do I introduce the chapter on Pakistan. First, I talked about the reason we got into Pakistan was that after 9/11 we wanted to contribute to strategic parts in the Muslim world in a way that helped build civil society and institutions, and showed the world what was possible — people helping themselves to make change. But, I didn't know Pakistan and frankly I wasn't sure that our approach would work when we first got here. It's been so extraordinary for me over the last seven years because I've fallen in love with the Pakistani people, I've learned so much personally about generosity and warmth that has affected me as a person. Acumen Fund as an institution has really thrived on many levels because there are such incredible social entrepreneurs in this country that have seen possibilities where other people see hopelessness. Now, they're showing us what's possible. And then, rallied around them is our team of young professionals who could be doing anything in the world, but have chosen to give back to their country. And then, they are surrounded by advisors who not only give themselves financially but give of their time and their skills. You've got ecosystem, a community that goes from entrepreneurs, to young people, to the successful generation, who are all working for a common goal. That is where the potential for Pakistan lies, in recognising that there is one people that is part of a bigger global community that is also one people. For me, this has been a remarkable journey, and a remarkable place."

**Can you tell me your plans for the future with Acumen?**

JN: "Acumen on a global level, for the short-term future, has very specific goals; which is to increase our investment portfolio from 40 million to a 100 million over the next 3-5 years in Pakistan, India, Kenya, Tanzania in the areas of healthcare and clean water, housing alternative energy, with the expectation that that it will influence and provide services to tens of millions of people. We're looking for 5-7 major systemic changes in terms of perceptions. How do you deliver clean water? How do you



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build healthcare franchises for maternal care? How do you have an ambulance system that actually works, and that is accessible to all people? For that, long-term, we hope to influence the entire world about the fact that dignity is more important to the human spirit than wealth, and we must create a world where all people have access to what they need to change their lives. We can do it, and if we can do it, we have to do it."

**You highlighted the challenges that you've faced in Pakistan. What keeps you inspired?**

JN: "I'm so inspired every day. I'm inspired by the possibility of change, and one of the joys of working with Acumen is seeing change on the ground in a fairly short time period. I'm inspired by the young people with whom I get to work with every single day. I'm inspired by the older people who have full careers but still manage to give 10 or 15 hours a week. I'm frankly inspired by the beauty and joy that we see in the work that we do and feel that one of the reasons we're good at doing it is because we look for and therefore find the beauty in the people we serve."

#### Tell me about your book.

JN: "I wrote a book called *The Blue Sweater*, which launches on March 3rd. It's essentially my story of leaving Chase Manhattan to go save the world and discovering that most people don't want saving and that there are, in fact, much better ways of creating the world that we'd all like to see. Part of the Acumen Fund approach traces back to the experiences that I had in Rwanda when I was 25. I had to start the first microfinance bank for women, and I worked with a small group of Rwandan women to do it. In 1994, when the genocide took place, the women with whom I started the bank played out every conceivable role, including [being] the major perpetrators. Our first executive director is currently on trial as the highest ranking Rwandan official inside Rwanda for crimes of genocide. So, in the book, I have two chapters dedicated to four of the five women; the fifth woman was killed on the first night of the genocide. I tell the story of a woman who was the lone adult survivor in her neighbourhood on Bloody Sunday, who, because of her faith in God, managed to forgive her attackers and surrendered herself to her lord, and between these acts of forgiveness and surrender, managed to keep about sixteen surviving children hidden all night. It goes back to this idea that inside us is the potential for good or evil.

When I was 12 years old, my uncle gave me a blue sweater with zebras across the front and mountains across the chest, and I loved it and wore it all the time. Then, when I was a freshman in high school and suddenly had adolescent curves, I was talking to this cute boy and my nemesis shouted out that the boys didn't have to go to the mountains to ski, they could just go on the mountains on my chest. I was so embarrassed by it and

ran home and yelled at my mom for letting me wear it. That was it.

Then, my first year in Rwanda twelve years later, I'm jogging down the street and I see this little boy and he's wearing the sweater. It was mine; it had my name on it. That's the first story of the book.

It's always been a metaphor for me. We have no idea what our actions mean to people. All of this, whether for good or for bad, means more now than it has ever meant in history. It means more now than in 1986 when I saw the boy in the blue sweater, but that's really the crux of, certainly, my life's philosophy, and Acumen is one way of showing the world that level of interconnectedness. It's not the only way but it comes from that place of the deeper spirituality that we are all part of an interconnected web, and all we can do is love each other. The irony of Acumen has such a top approach, using a market as a

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tool, but it's based on the optimistic philosophy of human capability. Another Rwandan woman once said to me, 'you have to show them that you care; if you're easy you're just showing that you don't care enough'. That's part of the Acumen approach; that we're making a loan based on what we believe is the capability of this organisation based on what it believes is the capability of these people, because we care. We're going to do everything we can to make this work. I think that's something important, as a world, to be thinking of; different ways that business can be used as a tool for good.

But it's not going to do it alone; it needs philanthropic and government support.

I think the young generation more than mine really sees the hardships and the scary parts that are also in front of us, so why have a life that's just about making more money? People want to use their lives to make a better world.

The media can also play a pivotal role, can make you very self-obsessed, and you live in a state of blissful oblivion.

I want to help create an alternative career track, where we show the world that we need a different metric for success, because again, this great irony that it is the richer life, the life of service, not blind service, but service where you can see the impact you're making in the world. And that's what's so thrilling to me, and why I want Acumen Fund to grow." □