

Dear Friend of Acumen Fund,

In the first years of Acumen Fund's existence, the two most challenging questions we faced were "Can this scale?" and "Will you ever exit?" As I wrote in my [last letter](#) to you, we're seeing significant scale in our investments ranging from maternal health, to public toilets and solar energy. Of course, the more we find answers, the deeper our questions become. Regarding scale, we're now doing more intense dives into understanding the trade-offs. On one hand, how do our investees avoid corruption in partnering with government; and on the other, how do they avoid being pushed to serve a wealthier clientele by more traditional investors focused more on profitability than on serving the poor?

Regarding exits, the news is good. Indeed, we exited two investments this quarter and hope to exit a third in the coming months. Most exciting is [Jamii Bora](#), the affordable housing development outside Nairobi, Kenya, which has fully repaid its \$250,000 loan! Three years ago, we lent this money so that Jamii Bora could build a housing development for low-income slum dwellers who had proven their ability to repay, but would never qualify for a traditional bank mortgage. I remember standing on the open land an hour outside Nairobi's slums, listening to the inimitable Ingrid Munro, Jamii Bora's founder, laying out her vision: the organization would build 2,000 houses, each equipped with an indoor kitchen and bathroom, a garden and a place for laundry; they would use solar energy, and create an efficient water system so that the water could be treated and recycled; and they would eventually see a town of 12,000 people flourishing.

Recently, I visited a development with 750 constructed houses along with thriving shops and a full-fledged school. More than 240 families - or about 1,300 individuals - have moved in, and many have painted the trim on their block houses, and planted gardens in backyards. Most thrilling to me was visiting Jane's home, for I had spent time with her a year ago in her temporary dwelling in the Mathare Valley slum (here's [my TED talk](#) on her journey). Her house was beautiful: trimmed in orange and green with sunflowers touching the roofline, it seemed a palace compared to the shanty where Jane had spent her life.



Jane's dream home.

The most extraordinary moment occurred as we stood in her new indoor bathroom which contained a toilet, sink and shower. “In Mathare,” she said, “the water is dirty and the children are always sick. The little ones especially are always suffering with diarrhea and it is too far to go to the toilets and too dirty and expensive as well. My only option was flying toilets, but the diarrhea could be so bad that the children would soil the floor. But now, the toilet is right here in your house.”

She then demonstrated the ease of using a toilet and flushing waste away. Nothing has ever reminded me of the indignity of defecating in bags and then throwing the waste on rooftops like the sight of Jane and her new toilet. More than 1.5 billion people have no access to good sanitation. It needn't be that way.

Never before have I understood in a spiritual sense the potential of *patient capital*. Capital can be used to draw us close or to distance us from one another. Traditional societies that forbid usury want to ensure the group stays together and supports one another. The sub-prime debt phenomenon, on the other hand, is a powerful example of using capital in a way that distances. Wall Street investors had no stake in whether homeowners repaid their mortgages as they thought they were “safe” up to a certain default rate. Borrowers had no relationship with a traditional banker. The system was bankrupt of values and accountability.

In an increasingly interdependent world, we must think of ourselves as a single tribe. In a world with so much excess wealth on one hand and poverty on the other, we need a new asset class. Patient capital is money invested not for undue profit but to support opportunities for disadvantaged communities. Money earned is used to invest in others and not for personal gain; and investors provide management support for the sake of the others' success. In return, the investee is accountable to repay as a member of that same community.

Patient capital can be a cornerstone of a new social contract and a more nuanced type of capitalism for our 21st century world. Acumen invested a quarter million dollars in an organization focused on slum dwellers to build an affordable housing development – an investment banks would not make. Today, a hopeful, diverse community exists. Jamii Bora has repaid Acumen, and we can now invest in other organizations focused on bringing life sustaining services to the poor. Finally, Jane's joy in what she has herself accomplished is a joy shared by every Partner and team member of Acumen. She did it herself, of course, but it was the brilliant vision and execution of Jamii Bora and the patient capital financing from Acumen and others that enabled her to realize her dream.

The week in Kenya was one of the most extraordinary I've experienced: I've detailed it in a fairly long [journal](#). [Ecotact](#) toilets now serve nearly 15,000 people a day; [Insta](#) is producing more than 15 million packets of protein-fortified porridge and is on its way to creating a retail market; and we are engaging in an exciting new agricultural investment focused on hybrid seed production and distribution.

Finally, on a personal level, thanks to Acumen Fellow Suraj Sudakhar, over 90 people in the Kenyan slums have joined seven self-organized book clubs to read *The Blue Sweater*, (which comes out in paperback today)! He and seven young men from the slums organized a gathering for nearly 100 people in Kibera to discuss the ideas in the book while I was there (an event I recount in the [Huffington Post](#).) The quality of the questions was incredible. People asked about balancing family and leadership, about financing existing projects, and about what individuals there could do to help bridge the gap between rich and poor. It was truly one of the most moving evenings of my life and I thank every one of those young men for giving so much of themselves to make it happen.



Nearly 100 participants turned out for The Blue Sweater book club in Kibera.

It has taken me a few weeks to understand what happened that night. First, I was struck by the generosity and organizational efficiency of the young men who encouraged people to come from five different slums, some of them traveling more than 90 minutes on buses. Second, though everyone spoke about the corruption and challenges to those living in the slums, no one put themselves into the category of being “poor.” Rather, they hungered for what they could do to overcome challenges and help others as well. Ultimately, the individuals in that room seemed to transcend a feeling of *Us* and *Them*, and moved to a place of *We*. It is on this shared sense that I feel an ever-deepening commitment to this work and everything that it promises.

It will take each and every one of us, rich and poor alike, to build the world we dare to imagine. But that night in the Kibera slum, for one powerful moment, I got a glimpse of what is truly possible.

I wish all of you everything that the world has to offer,

A handwritten signature in black ink, reading "Jacqueline". The signature is written in a cursive, flowing style.

Jacqueline Novogratz

P.S. As I wrote above, the paperback version of *The Blue Sweater* comes out today! You can help get the word out by buying books for your friends, writing reviews on [Amazon](#) or [Barnes and Noble](#), and checking www.thebluesweater.com for promotions and supplementary materials. I'm giving all profits to Acumen and other social issues and so appreciate your support.