

India Journal

January 15-21, 2007



Monday, January 15
Mumbai

I arrived last night around midnight to a steamy city still alive with people and cars and the salty-sour smell that will always remind me of this extraordinary metropolis. The trip was easy and I'm glad to be here. This is the first time the board is holding a meeting in a country where we work on the ground. We are all sad, however, that Angela Blackwell had to cancel at the last minute due to a family emergency. She brings such depth and human understanding to any situation and we will miss her. We're lucky to have this board of individuals who have shown commitment and a deep caring to this work and to Acumen Fund as an institution.

My expectations? To consolidate our understanding of the work, to reinforce the board's capacities as ambassadors and to strengthen ourselves as a global institution—for the board will meet with our investees, our financial partners and contributors, our team, people here who are interested in the work. I'm looking forward to the week and think about the times I first came here when starting Acumen Fund, our first Acumen Partners trip to India nearly three years ago and now, this time. We're coming to a new India, and an improved Acumen Fund, too.

Early morning run. The sky is black at six, but already people are walking along Marine Drive. In fact, there are runners as well this morning, some carrying iPods. In the past year, I have seen such a shift in who moves along the drive for their morning constitutionals—in a city like Mumbai, trends move like wildfire and I can only imagine how crowded the drive will be in a year or two.

The wet blanket of a sky seems to rise slowly like a giant curtain over the earth, allowing light to seep onto the sea and over the horizon. Images of people and buildings reveal themselves slowly—silhouettes and shadows in the morning mist. A woman in pink sits on the wall petting her dog, just a few meters down from a group of women singing in prayer. Black crows hop along the broken concrete in areas where humans choose to use the actual road instead of the walkway. It is good to be here again in this place of so much life.

Nachiket Mor, Deputy Managing Director, ICICI Bank

The board meets in the hotel lobby and we make our way through the chaotic morning Mumbai traffic, outside the center of town, over a bridge populated by shanties and into an emerging financial center where ICICI Bank's skyscraper stands. The floors of the cavernous lobby are marble, all polished clean, and employees hustle and bustle across it, but the kind woman at reception nonetheless knows exactly who we are and directs us immediately to the 11th floor to meet with the bank's deputy managing director, Mr. Nachiket Mor. If only New York City's companies would pay attention to this kind of welcome, this kind of service. Instead, New Yorkers have to pull out IDs for grumpy security people who keep us waiting and feeling small. We have a lot to learn.

ICICI is a key partner in our Indian Non-Banking Financial Corporation, the entity that will allow us to make direct loans in India, and Nachiket is kind enough to allow us to use the bank's boardroom all day long. Nachiket joins us first thing to discuss the partnership and his extraordinary vision for bringing financial services to the masses. Nachiket is green-eyed, slight of frame with an infectious energy. Today he wears a suit and a green tie that matches his eyes, and his hands move with an intensity that fits his capacious intelligence and excitement about the future's possibilities.

For Nachiket, the Bottom of the Pyramid is neither new nor is it something apart: instead, it is the bank's core market: Eighty-five percent of Indians earn less than \$3-4 a day. Nachiket understands that if ICICI can successfully meet the needs of people at the lower end of the economic spectrum, they will be able to reach an even broader population more effectively. Currently, sixty percent of Indians have no access to banking services at all, so ICICI has a huge potential marketplace if it can find innovative—and sustainable—ways to penetrate it.

ICICI's strategy is three-pronged. To reach the poorest people, the bank has created partnerships with nearly 150 microfinance institutions. The bank identifies its partners based on their geographic footprints, as well as those with strong roots in communities, such as groups working with sex workers and also police constables (for how do you enforce collections on police constables? You need the help of community players who really know and understand specific constituencies).

The bank is finding that the majority of new customers are women, despite the fact that they've not specifically targeted them (though most microfinance institutions do tend to focus on women). One potential reason for this might be that the bank typically uses group lending to reach the rural areas and women are much more comfortable forming groups to access credit than men, who prefer to act as individuals (but it is likely that the men make use of their wives' loans).

Second, the bank is introducing biometric smart cards and will ultimately issue them to every customer to lower transaction costs and reduce the need for cash at the consumer level. One reason for this is increased regulation around "knowing your customer," especially in rural areas—and the difficulties of establishing adequate documentation given the lack of electricity, phone bills or other proof of residence. Women, moreover, typically have no documentation at all, not even the identification cards issued when parents register their children (most only register their boys). A biometric card can provide visibility—and status. There will obviously be unintended consequences and costs, and it is something that needs to be watched closely.

Once microfinance helps the very poor move to the next step of the ladder—typically at a starting point of earning \$1-1.20 a day—then ICICI can really start functioning as a bank. This is where the partnership with Acumen Fund is relevant. Nachiket believes that this level requires a much deeper set of interventions around the infrastructure needed for people to really lift themselves out of poverty. According to Nachiket, it is up to the private sector to build viable models, especially in the areas of clean water and healthcare.

The duality of raising incomes and providing critical, affordable goods and services is essential, but too often ignored by both policymakers and nonprofits focused just on one segment. But the links are clear and mutually supportive. People need to have ways of increasing their incomes from desperation status to above \$1 a day, and they also need the opportunity to gain access to clean water, housing and healthcare so that they can begin to take more action in their own lives—and begin to see themselves as important to society. Those with power must take a step toward seeing and making poor communities visible.

ICICI is also looking to us to see whether we can make models work so they can help us scale them. ICICI has recently launched IFMR (Institute of Financial Management & Research) Trust in Chennai—a sort of action-oriented think tank with academics from Harvard and MIT. The nonprofit organization will start in education, researching what certification of high performing schools should require and then allowing schools to pay a fee to be evaluated and certified. Once certification is obtained, the bank would make loans accessible to the schools.

Most interesting to me was his idea of creating a training/certification center that turns vocational education on its head. The Trust starts by identifying major labor gaps in industry and then provide the training needed to fill them. A country moving as quickly as India (and with its size) provides ample opportunities: the hotel industry alone requires one million low-skilled workers. On one hand, the Trust could train individuals and guarantee them jobs, and on the other, guarantee the hotels adequately prepared staff. As a broker, the Trust could charge a fee on both sides and ultimately create a very viable business.

Finally, ICICI is working with partners to develop complementary infrastructure (e.g., roads) to enable local economies to function. The answer is not always the same and so there is a need for more thoughtful analysis and understanding of the poor—Nachiket also sees Acumen Fund playing a role in bringing forth these insights.

We continue our board meeting through the day, focusing on Acumen Fund's continuing growth and strategy for moving out of the start-up phase and into building an enduring institution. In the evening, Varun Sahni, Acumen Fund's country manager, hosts a cocktail reception at the Saltwater Grill, an extraordinary restaurant on Marine Drive overlooking the sea. It is thrilling to meet so many Indians who feel part of the Acumen Fund community and who support us in numerous ways. The night is long and our first day in India was, as usual, rich and exhausting—and, ultimately, inspiring.

Tuesday, January 16 Mumbai

Four a.m. wake-up. Being here always stimulates my senses and steals my sleep. Still, I feel a deep sense of gratitude for this work and for this place, especially on this trip with the board.

Six-thirty and I run again along Marine Drive. Yesterday our NYC office was closed for Martin Luther King, Jr. day. Each year I read his "Letter from Birmingham Jail," but I didn't even realize the holiday was yesterday until I saw that my email flow was lighter than normal. This morning, I think instead about his impact on the world beyond the U.S. I remember being here in India about ten years ago with a group from The Rockefeller Foundation's Philanthropy Workshop. We had traveled for a couple hours outside Calcutta on a day that must have neared 125 degrees, in a bus with no air-conditioning, and stopped in the middle of nowhere.

In the distance, I could see a ribbon of gold seeming to flow above the cracked ground. We walked toward it and found instead

two rows of women waiting to greet our group. They sang and ululated, throwing marigolds over us, and the yellow of the flowers mixed with our sweat and dripped all over our faces and clothes. After treating us to cool coconut milk, the women danced for us and sang a song. We talked about their programs organizing the poor to care for themselves and fight for their rights. And then they asked us to return the favor of singing. We couldn't say no, although it isn't typically an American thing to sing spontaneously at meetings. I was thinking of Martin Luther King, Jr.'s fight for human rights and equality as I sat among those extraordinarily generous women and suggested we sing We Shall Overcome.

We started somewhat tentatively, and then an extraordinary thing happened. The Indian women's group starting singing with us in Hindi and in local dialects. We all formed a circle and held hands and kept singing, each of us in our native language, each of us understanding the spirit and hope of what the world could be. My heart felt like it was going to burst. This morning, I looked into the faces of the beggars and people sitting along the drive as wealthier folks walked in their smart clothes and reminded myself again how much work there is to do. The means toward Dr. King's dream have changed. Maybe we've even gotten smarter about change, though there are times I worry that we live in a world where it can be easy to deceive ourselves about the good we are doing. May we continue at Acumen Fund to ask ourselves the hard questions and to hold ourselves accountable, to be honest about what is working and what isn't. This is my hope on MLK, Jr.'s day.

Parts of the walkway along Marine Drive are under renovation, rendering them inaccessible. A few cranes and earthmovers work slowly, and plywood board walls block off the worst parts, forcing walkers and runners into the streets. Today, many policemen stand along the road, pushing pedestrians back onto the walkway. Later, I hear that a car had killed three walkers the previous morning in New Mumbai, so I guess the city wasn't taking any chances.

A quick breakfast and then the board drives to South Mumbai to visit a housing project built by the Slum Rehabilitation Association (SRA), under the leadership of Adolph Tragler. Adolph, a Fred Astaire look-alike, came to India in 1962 as a young man from Germany, then came again in 1970 and never left. He became a priest and about a decade ago, finally left the priesthood, believing he could do more good for the world as a secular man focused directly on helping the poor change their own lives. He started working with SRA nine years ago in this community of 500 families, with the idea that they would move out of their slum dwellings and collectively develop an apartment building to provide a better lifestyle. He focused on organizing individual households, encouraging savings and, at the same time, negotiating with the state for land and affordable financing that would make the project achievable.

The people lived in a rather contained slum, if you can call any slum "contained." This one is not like Kibera, not like Mathare Valley in Kenya, with makeshift structures falling over one another and children sniffing glue on dirt roads with no sewers. Instead, it is more of a warren of permanent structures topped with corrugated tin roofs. You can see big pieces of blue and white plastic covering holes and cracks, and I can only imagine how noisy and wet the monsoon seasons could be. If you look closely, you can see a little church and a temple and a commercial laundry enterprise—hundreds of bright white sheets hung in neat rows in the middle of the box houses. The image of such whiteness in a slum: a reminder of how clean people in all classes keep their homes, their precious homes, for what else do we have?



Change is slow. It took Adolph all nine years to assist the community to embrace the vision of collective ownership. This was not a desperate slum—indeed, most people were earning \$2 or \$3 a day and so are not the poorest of the poor. The solid structures were built side by side along the narrowest of alleys, where everyone knew one another and there was a certain security in the community support combined with individual living and all that goes with it. But this is the class of people where one sickness or turn of events can throw the entire family back into the depths of poverty—and it is so much easier to fall back than it is to move forward. Taking risks to move from what had always been known as home to develop a large building understandably seemed a bad idea to many.

Over time, everyone (miraculously) agreed to the plan. They would construct three buildings and each family could purchase an apartment on an installment basis. The community would raise 20 percent of the project (\$500 per family) and the cooperative as a whole would borrow from HDFC, another one of Acumen Fund's esteemed partners, the Housing Development Finance Corporation. Each family would pay the cooperative monthly (each family took on \$1,000) and the cooperative in turn would service the overall loan.

We walk all seven floors of the first building constructed, next to one in process. Most striking to me is the individual care that went into both the apartments and the hallways, which are decorated with colorful prayer flags on the ceilings and stenciled chalk designs on the floors. Most of the doors are open and a cool breeze flows through the place—so different from the

feeling of being in the slums. Some people have painted their doors pink or orange and every apartment that we see is clean and organized. My favorite is one inhabited by a clearly beloved daughter: stencils of Cinderella and another fairytale princess are painted brightly on yellow walls, just next to a television set.

Five people typically live in a two-room apartment—one for sleeping and daily living and the other for the kitchen and bathroom. There is electricity and water, but on this day, the building is doing a maintenance check on the water system and some of the residents don't hesitate to show their fury, arguing forcibly with Adolph that they need the water turned back on immediately. We also see a clean, happy preschool run by the community, filled with toddlers singing "Good Morning" and holding hands in a circle.

After the visit, we meet in Adolph's makeshift "office" on the ground floor—a garage strewn with engines and metal pipes on the floor and building materials stacked alongside the walls. In front is a giant, colorful billboard and a single light bulb hung from the ceiling. We sit in plastic chairs or on sacks of cement and drink sweet, milky tea in tiny glasses, as Adolph and his team explain some of the challenges of housing.



He sighs when he tells us that the government policy continues to be free housing for the poor, which means a lot of empty promises and rising mistrust among the indigent. At the same time, people hope against hope that the free housing will arrive, so it becomes difficult to convince them to contribute money to purchase a better home. On the other side, developers too often come in and negotiate with government to take over land where nonprofit developers have been working for years with slum dwellers, who then become displaced as the housing gets built for wealthier people. What kind of change is needed? Easier, faster access to title, less bureaucracy, more effective public-private partnerships. And more patient capital with political heft to support and protect pro-poor developers who understand the communities, can work effectively with them, but who don't have the kind of access to power and credit that is critical for housing to be developed on any real scale for poor people.

Still, another building is under construction as we speak. Massive piles of wooden stakes that look like narrow tree trunks flank the structure which, at the moment, is just one story high—and still has no walls—but is nonetheless a start. Young men crawl all over what looks, frankly, like a ragtag structure going nowhere, but all you have to do is look behind it to see what the future will be: daunting but exciting.

After a working lunch, we pile back into the cars to drive to another potential Acumen Fund investment, 1298. The city of Mumbai is so beautiful-ugly-rich-poor-sour-salty-modern-old, and I adore it. One day I will live here, at least for a while.

Shaffi Mather, CEO, 1298

Shaffi and his team greet us in the true generosity of Indian hospitality. Women bring incense and wreaths of marigolds and bless us each with a red tikka. All of us are transformed and feeling beautiful—or at least cared for and included. Here is another moment when I feel inspired to learn from these little graces, to be more thoughtful in my own life.

Shaffi speaks passionately and confidently. He wears a pale blue collared shirt and neatly pressed jeans. We all sit in his office and I find myself staring at his walls full of newspaper articles and awards. Andrea Soros Colombel points to a thank you card that I'd written to Shaffi: honor and care.

Shaffi tells the 1298 story. He and his three friends were working in corporations when two of them had incidences with ambulances—one near-death experience in Kerala where the ambulance never arrived; and one in New York City where an ambulance came right away and saved a person's life. The friends determined they could run a better ambulance business and so invested \$100 each to do a feasibility study and business plan. At that point, there were only nine ambulances in all of Mumbai. Today, there are 25 with life-saving equipment installed, ten of them owned by 1298. The city itself claims it has 1,300 ambulances, but the truth is that most of these are broken-down mini-vans that now call themselves ambulances. When all is said and done, the vehicles are worthless.

The business model is creative. The focus is service for all and the pricing model is based on the level of hospital to which one is taken. Those who go to "free hospitals"—who are ultimately poor—don't pay. And no one is asked to pay up-front. "We don't do a biopsy of the wallet before taking someone to hospital," Shaffi says. It is their focus on creating a viable, non-corrupt business, combined with a deep commitment to a socially equitable approach to a public service, which is enabling early success. Individuals are beginning to donate ambulances to the company as they see that, while profit-oriented (but not

profit-maximizing), 1298 is the most efficient and accountable way of serving the poor. The company is currently exploring the Indian diaspora for contributions to purchase additional ambulances and is establishing a trust to enable them to do this. I'm convinced we will see more and more of these models that combine nonprofit and for-profit activities to bring a powerful blend of services and sustainability to solving social problems.

1298 has also established a training program, essentially to develop its own emergency care doctors. They have a six-month and one-year training program, both of which are certified by the American Heart Association and New York Presbyterian Hospital. General practitioners can gain certification to ride in ambulances and serve patients, and thus far have proven their willingness to pay for the training.



There have been a number of cultural lessons requiring changes to be made, given who the customer is. For one thing, though the poor are not charged a fee for services, they've still not seen an instance where the poor don't pay: in other words, someone from the family will come to 1298 sometime after the patient has been delivered to the hospital and provide some kind of tip or thank you. The wealthy, however, tend to try to drive down the prices. Second, 1298 originally thought they could staff each ambulance with a driver and a doctor only; however, doctors are accorded high status in India and are therefore expected to behave in a certain way. When people saw the doctors lifting patients onto the ambulances, they assumed the doctors were of a low quality. Until attitudes change, 1298 decided to employ an assistant for each ambulance, primarily to do the lifting of patients with the driver and to support the doctor in his or her needs. This focus on paying attention also bodes well for the company's success.

The moral? You have to start where you can start, and then expand from there. This is a group that is constantly innovating, constantly asking itself the right questions, too. Already, 1298 is an important model for Mumbai and soon, we believe, part of our role will be to help bring the model to other cities not only in India but also around the world.

Wednesday, January 18 Mumbai

No sleep and I drag myself out of bed and onto Marine Drive at six in the morning, only because I want to see if the police are out there again to protect the lives of the citizens. It seems darker than normal though the crescent moon is still hanging in the midnight blue morning sky. There are far fewer runners—the Mumbai Marathon is taking place this Sunday so there had been many more people running than usual—but by now they are resting up for the big day. Apparently, the marathon isn't as strict as New York City or Boston: here you can participate, meaning you can choose to run six miles, thirteen miles or the full twenty-six. I meet three people who say they are running the marathon, but all three are actually doing six miles. I like the approach. As for the police, I don't see a single one: apparently, safety concerns have been quelled.

David Blood and I have breakfast with Mark Schwartz, who used to run George Soros' funds and is now starting a new company that will invest in Asia. A snapshot of today's world: we have to bump into one other in Mumbai to have the meeting we've been trying to schedule for months in New York. I also run into a business school classmate who is in Mumbai for the first time. A small elite now moves easily in a world where so many billions feel they have no room to maneuver. Those of us with connections, resources and lives that bring us to cities across the globe have an enormous obligation to give back. Mark is one of those people—he is a serious philanthropist, deeply knowledgeable and committed to working in the area of HIV/AIDS, and is always open to new ideas—and he agrees to join Acumen Fund as a partner.

Viraj Gandhi of Medicine Shoppe picks us all up at the hotel and we drive off to see the opening of the company's third health clinic/pharmacy in a low-income urban area. Our equity investment in the company is structured specifically to encourage Medicine Shoppe to expand operations into rural markets. Although Viraj was unsure at first, he became increasingly enthusiastic as he worked with our team on a business plan. Now, he is executing even more quickly than planned on establishing operations both in low-income urban areas and in rural areas as well.

We drive northeast out of Mumbai, past the industrial areas of the city, past women breaking up bricks and stones on the sides of the roads, boys on bicycles carrying enormous loads, grassroots manufacturing operations under the morning sun. The word Beanbags followed by a phone number is scrawled in graffiti on walls all along the way. It turns out to be guerilla

marketing—boys write messages on walls at night. In this case, Beanbags is code for call girls—for people in the know. After about an hour, we cross a bridge toward dusty hillsides interrupted by little trading centers. In one such area, a gigantic elephant saunters alongside our car. Women carry huge faggots of wood on their heads and one man sells mattresses right on the road.

We finally turn off the road to reach Kalyan, a small town where residents tend to earn toward the top of Acumen Fund's target market. With many people earning \$3 or \$4 a day. Today is the opening of Sehat (meaning health in Hindi—the brand name for Medicine Shoppe's low-income format) in the town, and we were eager to learn about interest and expectations. A few weeks ago, Medicine Shoppe had opened another center in a much lower-income area, affording the company the opportunity to learn more about different segments of the low-income population, their preferences and buying habits. As we drive down the main retail street of the town, we notice how many shops are dedicated to health in one way or another: pharmacy shops, doctors' practices and the like. In the center, under a bright orange awning, hundreds of people stand in front of the new Sehat store, all waiting for our arrival for the official opening. We walk through the crowd and our board chair, Margo Alexander, cuts the red ribbon to the applause of everyone.

The store is well organized, brightly lit, stocked with essential pharmaceutical items. In back, an optometrist is testing people's eyes and recommending they buy reading glasses or prescription glasses, both of which were available. An older woman with gray hair neatly tied in a bun and wearing a fuchsia-and-orange sari sits in a chair with changing lenses over her eyes. She will walk out with a prescription that can be filled in a day, and tells me she is happy to have services brought to her neighborhood.



Next door is the clinic. A doctor and his assistant sit in back, seeing all the children who are in line for free check-ups. The children, dressed smartly and looking fresh, move from standing under the orange awning outside to sitting in a row of chairs and, amazingly, they all actually sit, though they giggle and wave when their photos are taken.

I can't see the same scene occurring in the US, where a group of five-, six- and seven-year olds would be asked to sit and wait for an hour or so. It isn't yet noon, but the clinic has already seen more than 150 youngsters and will give check-ups to nearly 500 by the day's end, despite the fact that the free clinic was scheduled to end at 1 p.m. Viraj smiles and shakes his head. They'd not expected such turnout and there is no way they can turn people away today.

The clinic is the cleanest and brightest I've ever seen in the developing world. There is a bed and sink behind a curtain in the back and the waiting room is welcoming. The idea is that the doctor's services will always be provided free-of-charge, and he or she will prescribe generic drugs that are available next store at the pharmacy. To ensure a high ethical approach to serving patients, however, the doctors have no financial incentive to prescribe medicines. The doctor's services are supplemented by regular "workshops" to provide diabetes examinations and training, for instance, or gynecological check-ups. In this way, the hub-and-spoke model can provide high quality, low-cost services to people who otherwise would have to travel far for services and, especially, drugs that they often cannot trust.

Medicine Shoppe has set up focus groups for us to speak directly with potential patients and customers, and we learn that this business model might need modifying in low-income urban and rural areas. We divide our group into two and each group visits a woman's house where she has gathered about 30 other women from the community. In the house I visit, we sit along the wall in a pink living room and most of the village women sit knee-to-knee on the floor. There was one elderly woman in the group and I insist that she sit with us on the bench, and she agrees with a shy smile.

She may have been the only shy person in the room. The rest of the women have powerful ideas and are unafraid to voice them. They don't like the idea of a free doctor (we assume again they perceive them to be of lower quality) but do want to see discounts on drugs, for this is something to which they are accustomed. They are very excited to see Americans and Europeans as backers of the venture because it gives them more trust in its validity and seriousness, they say, but they still want pricing done differently. They also tell us that because most of them have to travel to see their doctors, they would switch quickly to Sehat as long as its doctors provide quality services. In short, they want and appreciate services; and declare that if they are taken seriously, they would not be afraid to pay. Their biggest concerns are respiratory diseases among their children, diabetes, osteoporosis and viral fever. They love the idea of gynecological services but ask that Sehat send a woman doctor to provide these. I am impressed with their feistiness as well as with their concerns.

The big turnout is a testament to Viraj, to his staff and to our Acumen Fund fellow, Nadaa Taiyab. She and the Medicine Shoppe team have clearly done a lot of work to ensure a high attendance level; and the entire opening is a major success. There are still a lot of challenges, of course. Keeping turnover among doctors who need to take significant risks to do the work is one major hurdle. Providing consistently high-quality service, establishing the right pricing model and ensuring there is appropriate and effective outreach and messaging are also key risks associated with success. Viraj is on top of all of this and looks forward to the next three months of this pilot phase where Medicine Shoppe intends to have ten more Sehat pharmacies established (they now have a total of 120 pharmacies—and sales are 60% above what they were last year, so this is a company on the move). At that point, he and his team will step back and take stock; and then revise the plans accordingly. In the meantime, he's focused on expansion and bringing forth a truly viable model for bringing low-cost, effective healthcare to the masses.

We make the drive back to Mumbai, stop for lunch with Viraj and Nadaa, and go on to the airport for our flight to Hyderabad.

Thursday, January 18 Hyderabad

The day starts with a quick meeting of Scojo's leadership, including its director for international operations Neil Blumenthal and CEO of India operations, Arunesh Singh. Scojo sells low-cost reading glasses to India's poor who are suffering from presbyopia (aging-related reduced vision), which sets in for almost everyone over the age of 40—making the target market in India about 200 million people. Poor eyesight in many cases means the difference between earning a livelihood and not—especially for tailors, weavers, anybody doing detailed work. Providing affordable glasses, therefore, is critical to income generation besides being important just for quality of life (many people read the Bible or Koran daily).

Arunesh accompanies those of us on the bus (the others are in a jeep with Neil). He is serious and soft-spoken and has been working her for nearly a year now. Prior to Scojo, he worked in both the corporate and nonprofit sectors. Arunesh explains the changes they've made in operations. Since Acumen Fund's visit with Tim Brown of IDEO and Chris Anderson of TED in late 2005, we've worked together on developing piggyback distribution channels—using networks from Hindustan Lever and other organizations to sell the low-cost Scojo glasses. The most exciting to us, of course, is the Drishtee Dot Com relationship, given that it is one of our other investments. Scojo is giving every Drishtee franchisee the opportunity to become a Vision Entrepreneur—after a successful pilot study with 36 of the Drishtee entrepreneurs.

We could not be more thrilled about this—imagine selling low-cost glasses from Scojo through more than 1,250 Drishtee internet kiosks across India—especially since Drishtee is on track to grow to more than 10,000 kiosks in the coming years. Each franchisee currently sells about eight pairs monthly—and while that doesn't sound like a big number, it both enhances Scojo's overall revenues and supports Drishtee's entrepreneurs. Currently, Scojo is also negotiating with Aravind Hospital, another Acumen Fund investee, to sell Aravind's eye drops and add to the products that the Vision Entrepreneurs (VEs) will sell as well. From Acumen Fund's perspective, seeing the power of a mutually supportive and growing ecosystem of companies and distribution networks serving the poor is exhilarating—and vital to the opening of markets that were heretofore invisible.

Most striking to me is how quickly this ecosystem of Acumen Fund investees has developed. Our India team is largely responsible for this—as is the overall approach of Acumen Fund that stays focused on business models with a bias toward creating distribution and marketing companies and not on building new technologies.

All along the road in Hyderabad is new construction until we begin to leave town. This city is growing and changing at an incredible pace. At the same time, the rich are getting so rich so fast that the poor feel increasingly left behind—here and around the world. This is our challenge—and partners like Scojo and Medicine Shoppe and Drishtee are critical to helping us understand what it takes to improve livelihoods and build opportunity for poor people.

Arunesh's biggest lessons to date? Scojo learned they had to hire one person just to identify potential Vision Entrepreneurs and another person who would actually train them. They also realized the VEs work better in teams than alone. Third, Scojo realized the VEs could cover about 10 villages (or 10,000 individuals) and they would still earn as much as they had with larger coverage areas. It takes an entrepreneur about two years to cover and saturate all ten villages appropriately. I also believe that the model of piggybacking is where Scojo will see its most significant economic returns. At the same time, however, there are some distinct benefits along the lines of community organizing and awareness building from the door-to-door sales.



We stop at a village where a campaign is being held in a local government school. We meet the head of the village, a straight-talking farmer who welcomes us, though we learn later that he is actually the husband of the head of the village. The area of about 10,000 people has been assigned a slot for an elected female and the leader was impressive. She wears a Kelly green sari and gold earrings and necklace. Her brow is a straight line, in parallel with her straightforward mouth that connotes seriousness and business. I like her. She tells us she is impressed by Scojo, especially because they are backed by Americans. This external endorsement effect of providing brand is something we saw with Medicine Shoppe and with other organizations in dealing with Acumen Fund products. This love of things foreign so endemic to the developing world will hopefully change as India gains the confidence it deserves as one of the world's great civilizations and, as Varun reminds me, change the future as well.

People stream in all morning and sales are robust. Scojo has likely sold 50 pairs in the time we are there, and they will sell many more throughout the day. Women crack startled smiles when they realize they can thread a needle; and everyone spends long minutes checking themselves out in the mirror donning their new acquisitions: the rich have no monopoly on vanity.

Andrea and I sit on one of the wooden benches lined up in rows beneath a fabulous tent under a clear blue sky, where the waiting area has been established. The red, blue and yellow tent is covered in a flower design on its roof, with dark blue panels hanging around it like fringe on an old-fashioned lamp. Three old men sit in a row, all farmers in their white dhotis, seemingly there just to pass the time watching the comings and goings of the patients. An older farmer hobbles in on a leg horribly figured by elephantitis—a disease that has shamefully not been eradicated.

Cate has been exploring the school and found several all-girl classes. We visit one where 14-year-old girls are learning English. One of the pretty, young women recites a beautiful poem on bangles and their importance to women at different stages of their lives. Savitha, Acumen Fund's India portfolio associate, later tells me The Bangles Seller is one of India's most famous poems, one that all schoolchildren are required to learn:

Our shining loads to the temple fair...
Who will buy these delicate, bright
Rainbow-tinted circles of light?
Lustrous tokens of radiant lives,
For happy daughters and happy wives.

Some are meant for a maiden's wrist,
Silver and blue as the mountain mist,
Some are flushed like the buds that dream
On the tranquil brow of a woodland stream,
Some are aglow with the bloom that cleaves
To the limpid glory of new born leaves

Some are like fields of sunlit corn,
Meet for a bride on her bridal morn,
Some, like the flame of her marriage fire,
Or, rich with the hue of her heart's desire,
Tinkling, luminous, tender, and clear,
Like her bridal laughter and bridal tear.

Some are purple and gold flecked grey
For she who has journeyed through life midway,
Whose hands have cherished, whose love has blest,
And cradled fair sons on her faithful breast,
And serves her household in fruitful pride,
And worships the gods at her husband's side.

-- Sarojini Naidu

I ask the girls what they want to be in their own lives. One at a time, they stand up: “doctor,” “doctor,” “teacher,”... They could not be lovelier, all filled with dreams and intelligence. The final girl in the first row, wearing braids doubled on themselves with black ribbons on top, stands up and declares that she, too, wants to be a doctor. The teacher says that not only is she bright, but she also comes from a family of famous singers and he thinks she will become famous herself someday. We ask if she might sing something for us and she nods.

Her song starts slowly from a voice that seems almost surreal in its beauty, mature for a schoolgirl. As she moves through the verses, she comes upon a refrain and nearly sob through the words. Both Cate and I think we’ve been terribly unfair to make the young woman so nervous that she would cry, and just at the point when I am about to intervene, she moves back into a powerful, sonorous verse and the world feels stable again. It is shockingly emotional and I have a terrible urge to cry myself, though I’ve not a clue what the song is about.

When she finishes, everyone applauds and we ask the meaning of the song: it turns out to be about a dowry death. Why this 14-year old would choose that song is a mystery, but it powerfully demonstrates her strength as an artist who can reach into other hearts without a common language, standing in her schoolgirl’s uniform in front of an entire class of schoolmates.



We leave the campaign site and drive to a village where Scojo Vision Entrepreneurs are traveling door to door. Most interesting about this different approach is the ability of the VEs to attract other villagers just by serving one person outside their home. In this case, we start in the courtyard outside a lovely little home adorned with a big chalk drawing out front. The mother in the house is tested by a Scojo Vision Entrepreneur, dressed in her uniform of a light blue lab coat that doesn’t hide her hennaed hands and arms. I love how she loves her hands and wonder whether this sign of beauty makes any difference to the villagers interacting with her. The mother being tested chooses a gold-wire-framed pair of reading glasses—and then the other household members want to be tested, as do the neighbors. It is brilliant that the VEs all carry mirrors in their packets, for most people try three or four different pairs to find the one that makes them most handsome. Interestingly, the lowest cost but also less attractive style does not sell as well as the slightly higher priced but more attractive one.

We end up walking through the village and I am mesmerized by its beauty—bright blue doors framed with little diamonds of greens and yellows; laundry lines holding a rainbow of colors; little girls with ribbons atop their braids walking hand-in-hand down the streets; a tiny kiosk filled with bangles of all colors. It is the kind village where everyone has space and seems to know one another, too. It is a good village, one that makes you feel hopeful somehow. On one street, we meet the enterprising village head, who is a one-man demonstration of what political connections and savoir-faire can do in India. The town has a reverse osmosis water tank that is fairly new (and thus still working) and is about to see a small college established, all by the state. It is good to meet this man and see politics in action, and you have to give him credit for his advocacy—and to wonder what will happen to everything once he is gone.

The Scojo model is exciting; and the wholesale distribution approach is clearly at the center of a strategy to scale and make the organization sustainable. How the organization builds the opportunities for each VE to earn his or her own sustainable livelihood should be a targeted experiment for the organization in the next year. At the same time, Acumen Fund will continue to support the expansion of other channels like Drishtee and Medicine Shoppe in what we hope will be powerful ways.

Indian School of Business

Each time I visit ISB, I’m struck mostly by the energy, enthusiasm, intelligence and ambition of the young people. We meet first with professors and deans, all of whom are open to making ISB the best and most innovative business school on the planet. We then talk with a group of students, some of whom have been working directly on Acumen Fund projects, including research on water, housing and cold chain distribution for health products.

The students ask tough questions—what happens if you learn you aren’t making the difference you thought you were making? And the board and I did our best to answer them. It was a real give and take—and couldn’t have been more exciting. We are developing a real partnership and I look forward to finding ways to expanding and deepening it. ISB really does represent India’s future on so many levels and Acumen Fund wants to be a part of it—to contribute, to learn and to strengthen one another.

Friday, January 19
Vijayawada

We boarded the crowded blue train to Vijayawada last night near 11 o'clock—second class air-conditioned. Each area held eight beds—three on top of one another on two of the walls; and two on the third. Everyone kept a good sense of humor as we climbed over one another to get into our bunks and settled in for a short night. The ride was only about five hours so even those who were able to sleep could barely open their eyes in the morning (although Stuart thought it was a great night of sleep and managed to watch a movie in his hotel room during the next two hours). Still, every member of the board was a great sport and the spirit of camaraderie and of learning and experience never faltered.

We had booked a hotel so that people could rest for an hour or so before taking off for the villages. The hotel opened recently and apparently has been fully booked since its first day of operations. Apparently, it was often overbooked as well: the night before, two people had refused to check out of their rooms. The hotel was three rooms short, so we had to share. The bed was a nice one, though, the sleep, welcome.

The morning drive outside Vijayawada is magnificent. Mist sits above green-grey fields dotted with round bales of hay. Huge bullocks carry enormous bundles of sugar canes on wooden carts. Towering trucks tumble along the narrow roads alongside pushcarts holding bananas (India's best, we're told), coconuts, oranges, pots and pans. The land goes back and forth from rural to urban, always along the Krishna River. We stop for just a moment to look at two 400-year-old Banyan trees. Nearby, young women are washing their children.

WaterHealth International (WHI) has grown tremendously in the past year. When I was last in this area in September 2005, there was only one functioning community water system unit and another building built. Today, there are 30 functioning plants with another 20 built and soon to be operational. The units are generally serving 500 or so families each, representing approximately 2,500 individuals, so already we're looking at more than 75,000 people with regular clean water; and another 50,000 about to be served. The research on how this correlates directly with health and other quality of life indicators has begun, but we've not learned anything we can confirm as of yet. Priya, WHI's marketing director, says that anecdotally, the families see a dramatic change in their lives.

All along the river, women are washing their clothes. Young schoolgirls in green skirts and white blouses carry their books. White egrets sit atop the haystacks and cattle in the fields. Women walk in bright saris along the roadside with heavy metal pots of water balanced on their heads.

Andhra Pradesh is a rich agricultural area in the south of India, and there are pockets of both real wealth and of desperate poverty. The population still believes it should get water for free, but the south is changing more quickly than the north. Here, there is a growing awareness of the realities of what it will take to access affordable water on a regular basis, and there is a stronger community feeling of wanting to take care of themselves. We talk about the difference in innovation between north and south. It might have something to do with the different region's histories: the north was often under attack and the south was a source of trading, resulting in greater diversity—which is often correlated with innovation due to a larger mix of ideas and perspectives—in the latter.

WHI's approach in each community is the same. The community is responsible for contributing \$10k toward the cost of the \$50k system. In some villages, a wealthy individual will make the contribution on behalf of the community. At the first plant we visited, the building, sitting on the edge of a government-built pond, was graced with a picture of the benefactor, complete



with rosebuds around his portrait. An Acumen fellow worked with WHI a few years ago to do the redesign and it is exciting to see it in place. The new design is much more streamlined, easier to build, yet clearly branded. This particular unit holds three UV filtration tanks and could produce 60,000 liters of clean water daily.

Demand is high, even though January and February are the winter months. Fifty containers are already filled and ready to be delivered by one of the local delivery boys to nearby residents. Priya tells us she thinks the success of Coke and Pepsi in selling water to the rich is trickling down to growing demand among the poor as well. We speak to several customers who say that while they buy water daily, they tend to use only about two liters per person per day—for drinking and for cooking rice. One question is how to increase this consumption, recognizing that clean water is essential for bathing children, brushing one's teeth and myriad other activities that are essential to good health.

We drive another thirty minutes and reach a lower-income neighborhood that is still not yet rural. Ironically—and strategically—the WHI plant is situated in the shadow of a large government-sponsored water tank facility. The male customers at WHI say they don't trust the government water as it is green and slimy and contributes to serious levels of disease. They prefer the taste of the WHI water and like that it looks clear and clean. Again, most purchase the WHI water for drinking and cooking rice, and the dirty government water for other household purposes.

Although we've known for years now that men are replacing women in coming to the plants for water, the scene is truly striking for its gender specificity. All morning, we see only a single young woman, who rides one of the containers home on her bicycle. Otherwise, customers are exclusively male—and they represent all ages and different income levels as well.

There are three issues here: one is how to communicate to the panchayat (local government) that there is enough water to meet demand. Andrea found the level of paranoia—and therefore hoarding—fascinating. As humans, we frequently operate from a place of scarcity and not from abundance. One suggestion is that WHI put all the rules of operations on the external walls of the plant itself—like Tasneem Siddiqui did with Saiban's housing program in Pakistan. More communication with local leaders could also help.

Second, some of the men standing in line complain that the poorest people can't afford the water; in fact, they couldn't afford to pay any price at all, so why isn't the water free? Savitha calmly points to the government facility with the green, slimy water. "That water is free," she says. "We are at least trying to find a solution to bring clean water here that is affordable to the majority of people. Once we figure this out, we'll look for other solutions to reach the very poorest. But right now, there are no good solutions at any level and so let us start and learn and then we will go from there." I am proud of her forthrightness and lack of defensiveness, and the men have no retort.

Third is the design of the water containers themselves, which could be improved. Currently, WHI washes the containers and sells them primarily to men, who bring them home by hand or on the backs of bicycles or motor scooters—or else they hire a young delivery boy. The containers seem too heavy and cumbersome for women, and are difficult to clean and to stack. Acumen Fund is interested to work with WHI and others on developing a more appropriate design that meets both men's and women's needs.

We visit a final plant. None are fully rural, but these three still give us a sense of possibilities and potential for serving different geographies and income levels. This third plant sits at the edge of a beautiful lotus pond ringed by palm trees and little houses with thatched roofs.



Most of the people in the village work as laborers in the nearby rice mills or as farmers, earning between \$1 and \$3 a day. In the case of this WHI site, Lions Club had donated the initial plant and the community is responsible for running it as a viable business. The plant currently sells about 1,000 liters a day, though the manager tells us he believes he could double his output as needed and is looking forward to summer.

A customer with black eyes, a big mustache and an easy smile, dressed in a checked shirt and a baseball cap, walks up. He has a pair of reading glasses tucked into his front pocket. I ask him when he started buying water from WHI and he says he started on the first day of the plant's existence. Previously, he had to walk a fair distance to pay 20 rupees for 20 liters of water rather than 1 rupee for 12 liters. He likes the price and the proximity of WHI, and thinks this water tastes better as well.

I ask whether his life has changed since consuming this water. He nods, saying that the family experiences less diarrhea and other common diseases. He thinks the price is fair and service is good. I shake his hand and he takes his heavy container to his bike to ride home.

We leave to drive back to the airport. Along the road, the river narrows and we notice thin blue netting hovering over the water to prevent birds from attacking shrimp and fish production. We stop to see the largest freshwater pond in India, where beautiful migratory birds swoop above the water, and to get our lunchboxes for a quick bite in the car. The plane is late but we make it back to Hyderabad in time for a typical Hyderabad dinner.

Saturday, January 21
Hyderabad

Satyan Mishra, CEO, Drishtee Dot Com

Early morning flight—late again so our time with Satyan Mishra of Drishtee is truncated. Still, we visit the headquarters of Drishtee in NOIDA, one of the world's more successful enterprise zones. Even though it is Saturday, the office is bustling.

Satyan talks about Acumen Fund's equity investment and how it enabled Drishtee to build vertical product lines into its business. They are focused primarily on building "killer applications" that can be delivered not only through Drishtee kiosks but across other platforms as well. The long-term goal is also to increase income levels of individual villagers through products like microfinance and health-related goods and services. They stress the importance of health because such a large percentage of income is spent on health products, especially in rural areas.

Their approach is to build a revenue model system whereby each kiosk will have subscribers who will come to kiosks for check-ups and for access to pharmaceutical goods. The health package will also include insurance. The subscription price is 1,000 rupees per year for a family of four, and this includes 375 rupees for insurance. What excites me about Drishtee is that they are focused on preventive care and not just treatment.

I still question whether health insurance for the poor as currently structured in India will ultimately be sustainable. It may be a question of separating marketing costs from actual provision of healthcare, and one could argue that the social marketing should indeed be covered by government to help change attitudes. Drishtee is piloting this with 10,000 families. A specific kiosk operator can only start to offer these services after they sign up 20 families. The kiosk operators (KOs) are the ones who sell the health services, and there seems to be a correlation with their own confidence in running the kiosks and their ability to market these services to the communities.

There are currently 1,600 entrepreneurs in the Drishtee system—and of these, 1,250 are kiosk operators. The company has been growing at seven new entrepreneurs per day, but is trying to slow down to four per day. The most exciting development at Drishtee is its way of looking at the building of its business model according to a sort of pyramid design. Unskilled individuals—primarily young male farmers in rural areas—can start working with Drishtee as mobile phone entrepreneurs. It requires a \$250 investment on the part of the entrepreneurs and often this money is borrowed. The investment enables the telephone entrepreneurs access to a cell phone and the Drishtee product line. The sellers go from village to village with their phones and a book of photographs of Drishtee products, including crank torches, Scojo glasses, etc. There are currently 37 such entrepreneurs, each making about \$50 per month in income.

Starting with a lower financial investment and "testing" cell phone entrepreneurs in their sales abilities and accountability allows Drishtee to bring in lower-income villages that may lack power and access to other services. It also allows a distribution model with a higher concentration of services across geography. By March 15, Drishtee hopes to have 250 TSC entrepreneurs operating. While most of these currently are young male farmers because of their mobility, Satyan is looking at how to extend this opportunity to women as well, given that they have already proven they make the best kiosk operators.

The TSC entrepreneurs can then graduate to the kiosk level (women can borrow directly for this), where they must invest \$1,500 for a computer and a camera and access to the Drishtee platform. The entrepreneurs typically earn \$200 per month, though a number are now making in excess of \$500 per month. The highest potential villages have a market potential of about \$5,000 in goods and services. The kiosk operators sell matrimonial services, e-governance, photographs, etc. Drishtee has now created more than 2,500 jobs. This translates into significant wages and also brings needed services and products to people at affordable prices—and these prices don't even include the time saved because for the first time in their lives, poor rural people don't have to travel significant distances to purchase what they need.

This model is thrilling on many levels. First, Drishtee is approaching the villages as a whole mini-economy and helping to establish entrepreneurs who not only can tap into market potential but help create additional productivity as well. Rather than thinking of microfinance as a way of providing a small amount of incremental income to people trying to survive, Drishtee has created a stepping system whereby the most entrepreneurial people have a clear path to real success. Drishtee is also building a powerful distribution system for moving many different and essential services to people who otherwise would continue to be isolated from economic opportunities.

Satyan and I discuss partnership and what it means. He could not be more complimentary toward Acumen Fund, discussing the value-add in terms of introducing additional product lines, brokering strategic relationships, increasing the company's visibility, backing him for awards and speaking opportunities, and now providing a fellow, David Lehr. His main question is around what the limits of support are. I explain we are considering the same thing—in fact, this is part of Yasmina Zaidman's

new mandate as Director of Portfolio Strategies. Acumen Fund needs to create a process and a framework for management support, just as we created them for due diligence and investment approval. This will involve not only prioritizing our own services but also considering cost-sharing and other approaches to making us as effective and as fair as possible. We look forward to people like Satyan and organizations like Drishtee partnering with us to strengthen these operations and services.

After the visit to Drishtee, the board meets for lunch with David Lehr and another Acumen fellow, Adrien Couton, who has been working with IDE India (IDEI) and its drip irrigation company. Adrien has focused on developing a business plan for IDEI's exports, both to Pakistan (where we've been working with the Thar Rural Development Program for nearly a year now to help them partner with IDEI) and to Eastern Africa. This brings forth a discussion on how difficult development can be, how there is often a "lost year" when starting new programs and yet how much can ultimately be done with the right combination of perseverance, focus, business skills and relationships.

David and Adrien both talk about the transitions required to moving to a new country, working with socially oriented enterprises and focusing on a key set of deliverables. Their time is moving quickly and yet they both already have accomplished a great deal. Acumen Fund is set to help the fellows with outplacement and this will be something we discuss in detail when all the fellows meet in Oxford at the Skoll World Forum on Social Entrepreneurship in March.

Ultimately, it was a great week. We met our objectives of enabling the board to see our work on the ground, to get to know one another as well as Acumen Fund's work, and to strengthen all of our abilities as ambassadors. Board members found it valuable to be able to picture what it looks like for someone to earn \$1 per day as well as \$2, \$3 and \$4 a day. We gained deeper insight—into not only how difficult the work is—and this certainly was a common theme during the week; but also into how rich and varied the different business models are. Acumen Fund is at a jumping-off point now and we have to focus in a strategic way on lifting and sharing those lessons with the broader world. The board was also struck with the quality of Acumen Fund team members, of the fellows, of the entrepreneurs we are supporting; and of our advisors in the field. We reaffirmed our decision to move the center of operations to the field and recommitted ourselves to providing the right kind of support to build a truly global institution. We know we have our work cut out for us, but have no doubt that we will get there.

As for me, I could not feel more honored to be working with board members who would agree to devote a week of their lives, at significant financial cost to themselves, to come to India without their partners and dive into the work of Acumen Fund. They signed up for long days, with early starts and late-night dinners, a second-class sleeper on a five-hour train ride and a mix of food that ranged from divine to some fruit and nuts in the car. We could have neither better ambassadors nor better supporters than we do on this board, and I am deeply grateful to be able to work with them. I also feel great appreciation for the India team and send thanks to Varun, Savitha and Vikram for all the work put into this trip. When Varun fell ill with viral fever halfway through the trip, his team jumped in without missing a beat to play an important leadership role. All of us were thankful—and impressed—and, though we missed Varun, we were glad to have the opportunity to see the depth of the country team.

Onward and upward.

Jacqueline Novogratz



Attending Board Members (from left): Cate Muther; Hunter Boll; Stuart Davidson; Jacqueline Novogratz; Margo Alexander, Board Chair; David Blood; Andrea Soros Colombel