
10 THINGS WE'VE LEARNED ABOUT TACKLING GLOBAL POVERTY

Acumen Fund is working to create a world beyond poverty by investing in companies, leaders, and the spread of ideas. We invest patient capital in business models that deliver critical, affordable goods and services to the world's poor, improving the lives of millions. Since 2001, Acumen Fund has invested more than \$65 million in enterprises that provide access to water, health, alternative energy, housing and agricultural services for low-income customers in South Asia and Africa. We are building a global community of emerging leaders that believe in creating a more inclusive world through the tools of both business and philanthropy. We can create better systems to enable people to help themselves – and if we can, we must.

Nothing about this work is easy. We are proud of our accomplishments over the last ten years, but we've learned at least as much from our struggles along the way. While we know we don't have all the answers, there are some important truths we have discovered in doing this work. These truths will guide our work in the next decade and beyond.

HERE ARE 10 THINGS WE HAVE LEARNED TO BE TRUE.

1. Dignity is more important to the human spirit than wealth.
2. Neither grants nor markets alone will solve the problems of poverty.
3. Poverty is a description of someone's economic situation, it does not describe who someone is.
4. We won't succeed in the long term without cultivating local leaders, local money, and strong local communities.
5. Great people, every time, no exceptions.
6. Great technology alone is not the answer.
7. If failing is not an option, you've ruled out success as well.
8. Governments rarely invent solutions, but they can scale what works.
9. There is no currency like trust, and there are no shortcuts to earning it.
10. Patient capital investing is built upon a system of values; it is not a series of steps to be followed.

1. DIGNITY IS MORE IMPORTANT TO THE HUMAN SPIRIT THAN WEALTH.

“Poverty” is not just about money. What keeps people from realizing their full potential is lack of choice and opportunity. It is this choice – this dignity – that human beings crave. Over the last ten years we have learned that working towards this fundamental idea of dignity is inherently more difficult, complex, and messy than working on solving a single technical problem. It demands letting go of the notion of solving problems for poor people. It requires listening to the poor as agents who want to change their own lives. Most importantly, it requires that we unfailingly, uncompromisingly address people’s full humanity. This is where dignity starts for us all.

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2. NEITHER GRANTS NOR MARKETS ALONE WILL SOLVE THE PROBLEMS OF POVERTY

In traditional aid, the lack of real feedback loops to donors and donor agencies silences the voice of the customer. When this happens we lose a crucial instrument in designing solutions that really work for the poor. At the other end of the spectrum, traditional venture capital and private equity put investors’ demands first, even when this undermines customers’ needs or bypasses the poor altogether.

We are not going to solve the problems of poverty by just pouring money on them, nor can we sit back and let markets take their course and pretend that billions of poor people’s lives will be transformed by an invisible hand. This isn’t about “trade versus aid,” it’s about building systems that encourage – indeed demand – real, sustained, and honest engagement with low income people as active participants in their lives.

Patient capital makes markets work for the poor by balancing seemingly competing aims: it is an investing approach with long time horizons, because the companies we invest in build markets where they’ve never worked before; it focuses on financial sustainability but incorporates grants and smart subsidies; it uses markets not to maximize profits but as a listening device, because when someone has the choice to pay for a product (even at a subsidized price) she has the chance to have a say about what she desires, what she feels is worthwhile, what she does and does not want.

3. POVERTY IS A DESCRIPTION OF SOMEONE'S ECONOMIC SITUATION; IT DOES NOT DESCRIBE WHO SOMEONE IS.

Low-income people face a different set of constraints because of their economic situation, but they make decisions, like everyone, that are based on status and beauty and avoidance of risk, and not just “what’s good for them.”

We know that small-scale farmers are risk averse for very good reasons: every season they must risk everything they own to scratch out a barely sustainable wage (if they are lucky). We have seen that price matters, but sometimes charging too little – even in very low-income communities – can signal poor quality. We have watched wealthy people pretend they are poorer than they are to save money, and seen poor people pay more to be seen as wealthier, to save face, to bring extra care to their mother or child. We have seen that people will pay for convenience – to have safe water delivered – but they will not always pay for maintenance of something that belongs to the community.

All of this we have learned because we focus on the customer not as someone with a series of problems to be solved, but, every day and always, as a full human being.

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4. WE WON'T SUCCEED IN THE LONG TERM WITHOUT CULTIVATING LOCAL LEADERS, LOCAL MONEY, AND STRONG LOCAL COMMUNITIES

Institutions and leadership will always outlast the money spent on any particular program. Yet all too often, poverty alleviation programs are designed in conference rooms half a world away, with local buy-in bolted on all too late in the process. Worse, too often good programs are cut off after funds are spent, not for lack of success but because decisions are far removed from local realities, based on incentives that have nothing to do with needs on the ground.

Acumen Fund doesn't create the “next great idea” – we look for entrepreneurs with a powerful innovation and the drive and skills to make it happen. We build strong teams in the countries where we work and surround them with the support, intellect, and full investment of local business and thought leaders – including, increasingly, local funding.

This is what it takes to solve the toughest problems of poverty: robust local solutions whose long-term viability is based not on the decisions of a faraway funder but because they have deep, lasting support from local teams, local capital, and, most importantly, millions of local customers. This approach can take longer to execute, but it's the only one that lasts.

5. GREAT PEOPLE, EVERY TIME, NO EXCEPTIONS.

Great business ideas are just that – ideas. The real work is the drive and passion to execute in challenging environments.

Hundreds of business plans cross our desks every year, and we've learned that nothing comes close to mattering as much as the entrepreneur and her team. A business plan, an innovative product, money in the bank – these are all secondary.

We are looking for world-class leaders who break every mold and are willing to walk through walls to solve a pressing problem for their customers. These leaders are tough, disciplined and unrelenting; they are also empathetic, open-hearted and patient. They must have exceptional financial skills, operational skills and what we call moral imagination: the ability to put yourself in another's shoes and build solutions based on her perspective.

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These leaders are rare. And we know it. So we choose them carefully and consciously invest in them – in our portfolio companies, in our Global and Regional Fellows, and in the Acumen Fund team.

Too much development work assumes programs and policies matter more than leadership, but leadership matters most of all.

6. GREAT TECHNOLOGY ALONE IS NOT THE ANSWER

We often say, “Build it and they won't come.”

Our office is littered with “the next great technology” – water filters, cookstoves, you name it – that have gone nowhere. Occasionally a new product—like the Rotavirus vaccine or the long-lasting anti-malarial bednet—can truly move the needle, especially for large-scale problems that require a single, public intervention. Usually, though, technology isn't enough. No matter how great a new product is for the poor, it almost never sells itself. People buy services that they understand: they don't buy technologies alone.

Innovations in delivery – which require genuine input from customers, working partnerships with distributors, and getting economic incentives right – are often more important than elegant designs. No matter how great an invention is, the business has to function in the real world where dealers, distributors, business partners, employees, and especially customers must vote in favor of your product each and every day.

7. IF FAILING IS NOT AN OPTION, YOU'VE RULED OUT SUCCESS AS WELL

We won't pull tens of millions of people out of poverty with a comprehensive ten-point plan. Plans written by experts can crash and burn when faced with the shifting realities of the marketplace, and even the best interventions must be designed to evolve if they are to go from good to great.

At Acumen we invest in innovative models for tackling major social problems. Every investment we make is risky, and a number have failed or fallen short of their goals: a company with a promising technology that failed to build robust distribution and marketing systems; a pharmacy chain targeting the urban poor that failed to manage for growth and ran out of capital; an investment where we discovered - too late - that our values were not aligned, forcing us to exit.

Creating new blueprints for social change requires taking bets on innovative business models, on sometimes-untested entrepreneurs, and on emerging leaders. We reach far, and sometimes we come up short. What's important is learning from these failures and using them to get better at what we do. Openness to failing opens us up to the possibility of real, groundbreaking success.

8. GOVERNMENTS RARELY INVENT SOLUTIONS, BUT THEY CAN SCALE WHAT WORKS

Acumen Fund was created based on the belief that the public sector alone won't solve large-scale problems of poverty. We have always been big believers in the power of markets, and in the early years of Acumen we and our investees steered clear of major government partnerships.

Yet our thinking has changed as we've seen public agencies partner successfully with our investees without distorting the market: international NGOs serving as core customers of needed products - like bednets - that don't have a ready market but which provide outsized benefits when distributed for free; government ministries setting up innovative subsidy schemes that allow fledgling businesses to get off the ground; and state governments becoming major customers for some of our most successful companies, providing the capital needed to scale while maintaining the core innovation and quality of service upon which the company was founded.

We will often be disappointed if we expect governments to create new solutions. But the public sector is an integral partner when we look to scale what works.

9. THERE IS NO CURRENCY LIKE TRUST, AND THERE ARE NO SHORTCUTS TO EARNING IT.

Low-income communities are often understandably wary of outsiders coming in with “solutions to their problems.” Having been short-changed in the past, they expect to be short-changed again. Why bother trying something new when the old ways work well enough, when the new ways might cost more than you can afford, when trying something new means taking a risk that could mean not enough food on the table?

We thought if you offered the poor clean, affordable solar lights that raised incomes, people would flock to buy them. An Acumen Fund investee gave a woman a free solar lantern to use in her stall selling samosas on the street for a month to test it out. At the end of the month, she said she loved the lamp: it allowed her to save money by avoiding kerosene, earn more by staying open later, and have a light to walk home safely. Still, she refused to buy the light when offered, saying she couldn’t be sure of the product’s quality.

“Building trust takes time, and it can be destroyed in an instant.”

We thought if you offered safe, quality housing to renters in slums at comparable prices, people would line up to buy homes. But people had been fleeced by too many fly-by-night housing developers to risk uprooting their families. It took the entrepreneur personally showing up at the site after violence erupted to prove his seriousness about the project, and then building a home for himself at the development to gain lasting trust.

We thought if farmers saw their neighbors double their productivity using inexpensive drip irrigation systems, sales would explode simply through word of mouth. Yet we’ve learned that our investees’ field staff must show up again and again before new customers will sign up.

These examples make it all the more amazing that d.light has sold more than a half million solar lanterns; that Saiban has built a thriving community for more than 2,000 outside Lahore, Pakistan; that Global Easy Water Products has sold hundreds of thousands of drip irrigation systems.

Trust is the most precious commodity we can offer. Building it takes time, and it can be destroyed in an instant. It isn’t so much what we do most of the time, but how we do it that counts. We learn this over and over.

10. PATIENT CAPITAL INVESTING IS BUILT UPON A SYSTEM OF VALUES; IT IS NOT A SERIES OF STEPS TO BE FOLLOWED.

We've spent a decade building a new approach to fighting poverty, and we've learned that our most valuable skill is our ability to balance the values we hold dear: generosity and accountability, listening and leading, humility and audacity – all built on a foundation of integrity and respect. The work we do exists in the spaces in-between, the grey areas where the rules have yet to be written.

Every day we make hard, sometimes excruciating decisions – between profit and impact, efficiency and equality, short-term and long term – in a complex, imperfect world that craves quick, easy answers. This takes discipline, focus, and sacrifice, along with compassion and empathy. Effecting real change, in other words, is hard work. It requires nothing more and nothing less than the art of leadership.

Indeed Acumen Fund's greatest legacy may someday be the leaders we've had the honor to work with and support – our team, our investees, our Fellows, and our global community. This moment in history, filled with so much opportunity and so much distance between us, demands a new kind of leadership, one that starts by understanding problems from others' perspective, one that begins with listening but is not afraid to take a firm, moral position.

"This moment in history demands a new kind of leadership"

In ten years of doing this work, we have learned that none of us has all the answers, and that all of us are needed to find them. Our opportunity today is to deepen the questions we ask; to be audacious in our aspirations but humble in the way we walk through the world; and to work together to find solutions that create a world where the full dignity of each and every person can be expressed.

If not us, then who? If not now, then when?