Stanford SOCIAL INNOVATION REVIEW

Market-Minded Development

By Hima Batavia, Justin Chakma, Hassan Masum, & Peter Singer

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ACUMEN FUND was founded in 2001 as a nonprofit social venture capital firm that uses entrepreneurial approaches to tackle problems of poverty in developing countries. Almost a decade later, the fund's model has garnered attention, but can it change international aid?

BY HIMA BATAVIA, JUSTIN CHAKMA, HASSAN MASUM, & PETER SINGER

In 2002, Jacqueline Novogratz traveled to Arusha, Tanzania, to meet Anuj Shah, CEO of A to Z Textile Mills. A joint partnership between Sumitomo Chemical, ExxonMobil, and UNICEF had been forged to develop a long-lasting insecticide-treated bed net for malaria prevention. The trio had called on Acumen Fund—a nonprofit social venture capital firm founded by Novogratz—to identify an African partner capable of locally manufacturing and distributing the technology.

Novogratz was confident that the nets could revolutionize the prevention of malaria, a disease that disproportionately affects the poor, killing approximately 250 million people annually. Although bed nets have been a proven prevention method against malaria transmission, the dominant technology in the early 2000s required retreatment every three to six months. The long-lasting insecticide treatment would extend the nets' lifetime to five years.

A to Z was Acumen's prime candidate to make the nets, as it had been in operation for more than 25 years and employed more than 1,000 people. Instead of awarding A to Z a grant—the conventional form of financing in the global health field—Acumen provided a $325,000 three-year loan with a 6 percent annual interest rate. The initial financing contract stipulated a royalty-free technology transfer of the nets from Sumitomo Chemical, and helped A to Z purchase new, specialized bed net weaving machines. In 2005, an additional $675,000 of capital structured as partly debt and partly a grant was committed to test the viability of a retail market distribution strategy. "I remember thinking that if the company produced 150,000 nets a year, we would have made a major contribution," Novogratz recounted in her 2009 book *The Blue Sweater: Bridging the Gap Between Rich and Poor in an Interconnected World*.

Following the successful technology transfer, Sumitomo Chemical and A to Z each invested $7.5 million in follow-on financing to start a joint venture. By late 2010, A to Z was on target to produce 30 million nets—up 20 percent from 2009—and to sell them to international aid agencies for approximately $6 each. Its staff of 7,000, who are mostly women, has made the company one of the largest employers in Tanzania.

A to Z was Acumen's game changer. By 2006, the textile firm had repaid its first loan to Acumen, and it is on schedule to repay its second. Although the loans were small compared with A to Z's total financing, Acumen was the only partner willing to risk the initial capital to prove the company's capacity to produce the nets. And only after A to Z achieved a proof of concept was the follow-on financing raised. The investment showed that, with capable investees, social venture capital (SVC) can succeed financially and contribute to global health.

This was not always clear. In Acumen's start-up years, several of its investments in early-stage health technologies failed. The firm also faced skepticism, due to its limited size and unproven ability to scale up investments. Yet skepticism about Acumen has faded as interest in social enterprise and impact investing has grown. Acumen is now recognized as the SVC pioneer. In 2009 Novogratz was named one of *Foreign Policy*'s 100 Top Global Thinkers. And in 2010, U.S. Secretary of State Hillary Clinton hailed the fund for creating an "innovative approach [that combines] philanthropy and capitalism."

Over the past nine years, Acumen has deployed $48.6 million across 50 investments (35 of which are active) in the health, energy, housing, agriculture, and water industries in East Africa, India, and Pakistan. Its global health portfolio is the largest, accounting for roughly 55 percent of the fund. The nonprofit Acumen Fund also manages Acumen Capital Markets, a limited partnership launched in November 2009 that provides debt, convertible debt, equity, and quasi-equity financing for the more commercial investment opportunities from Acumen Fund's investment pipeline. Acumen Capital Markets has raised $15.9 million from limited partners and debt holders, including the Rockefeller and Skoll foundations, among others.

SVC's appeal also has grown as the recent global economic crisis prompts a search for more effective uses of scarce capital. "Nobody's giving charity away," says Biju Mohandas, Acumen's East Africa manager. "The idea of making investments in a business that will provide social good and give financial returns is like a utopian dream. Everybody wants to do it."

FINDING A NICHE

The idea for Acumen crystallized in 1999 while Novogratz was leading a workshop with the Rockefeller Foundation for wealthy individuals on effective philanthropy in Washington, D.C. Novogratz's past experiences at Chase Manhattan Bank, the African Development Bank, and the Rwandan nonprofit microfinance orga-

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Sara Shabani and Zainaru Ramaitani check Olyset mosquito nets in the A to Z Textile Factory in Arusha, Tanzania

PHOTOGRAPH BY MAGGIE HALLAHAN

nization Duterimbere had given her strong opinions about the power of the market and the limitations of charity and aid. She was convinced that a third way was possible—one that combined the discipline of the market and the ethical motivations of charity. "Markets reveal information, including where the market itself fails," Novogratz wrote in *The Blue Sweater*. "I would submit that this way of listening—if we really do that—could be extremely powerful as a way of teaching us how to effect real change."

After the workshop, Novogratz pitched the SVC model to her boss, Sir Gordon Conway, then president of Rockefeller Foundation. Conway was particularly interested in how Acumen would differentiate itself from foundations. "We wouldn't simply make grants," she told him. "We would invest in entrepreneurs who have vision and ability to solve local problems with market-driven ideas and approaches. We wouldn't focus on specific 'projects,' but instead direct our efforts toward building strong organizations that we would gradually help bring to financial sustainability."

Convinced of the model's merits, the Rockefeller Foundation along with Cisco Systems Foundation and three Silicon Valley philanthropists committed $8 million in seed funding. In April 2001, the Acumen Fund was registered as a 501(c)(3). Novogratz's decision to pursue a nonprofit structure gave the firm the flexibility to pursue risky investments that demonstrated the potential for social impact and financial sustainability, without the pressure of attaining traditional venture capital (VC) returns. Although this meant Acumen would need to fundraise to sustain itself as a nonprofit organization, room for experimentation with new business models was worth the trade-off. "When we started in 2001, it was a pretty uncrowded field. We were pretty much one of the only—well, maybe the *only* player at the very beginning," said Novogratz in a March 2009 *McKinsey Quarterly* article.

Acumen's first investments focused on early-stage health technologies that could deliver a global health impact. "In the first few months, we sifted through more than 700 possible leads from around the world," says Novogratz. "Most fell short, either because we could see no path to long-term sustainability or because they had little chance of serving more than a few thousand people." Feeling discouraged, Novogratz sought advice from a friend and CEO in the health care sector. "Just start," he told her. "Don't wait for perfection. Just start and let the work teach you."

In 2002, Acumen provided a $425,000 grant for a low-cost point-of-care diagnostic for dengue fever that was being developed by Dr. Eva Harris and her colleagues at the University of California, Berkeley. With the World Health Organization estimating that 2.5 billion people were at risk of contracting dengue fever, the tool passed the test for market potential and global health impact. Harris proposed the idea of a "socially responsible license," which would grant the nonprofit Sustainable Sciences Institute royalty-free rights to the technology in developing countries, while UC

Berkeley retained the rights in developed countries. Although the idea was a radical departure from traditional intellectual property management methods, the university accepted the proposal. The license has since been used in roughly 15 similar agreements, setting a precedent for UC Berkeley to consider both social and financial returns in its valuation process.

But shortly after the investment was made, Acumen found that the academic team was unable to commit sufficient development time to field tests. This led to milestone slippages and cost overruns. Ultimately, the prototype never reached the field. "It became apparent very quickly that you don't just come up with products—you also need to have a full value chain, including marketing and distribution, and a team behind you," says Omer Imtiazuddin, Acumen's health portfolio manager. Traditional investments in early-stage health technologies require long timelines (i.e., 12 to 15 years) and deep pockets, two things Acumen didn't have.

"We were learning," says Novogratz. "By the end of the first year, we had modified our approach." Acumen shifted to late-stage enterprises in health delivery and manufacturing—enterprises facing business execution challenges, such as inefficient distribution, ineffective supply chains, inadequate pricing models, and an absence of economies of scale. The firm also recognized that grants were not as effective as disciplined investment structures, such as debt and equity. Awarding grants meant no expectation of repayment, hindering the ability of the fund to recycle financial returns into new investments.

This novel style of investing was termed "patient capital" by Novogratz. Moving forward, Acumen's investments would typically exceed the four- to six-year timeline set by many traditional funds, because of complexities of enterprises operating at the base of the pyramid. The idea was that being patient with capital improved the chances for social and financial returns as well as breakthrough business models suitable for scale and replication. The question remaining was where to find compatible investments.

DEAL OR NO DEAL

Good investment opportunities—ones that met Acumen's criteria of reaching at least 1 million people and being both financially sustainable and scalable—were difficult to find in developing countries. "For a while we had more capital than investment opportunities," says Imtiazuddin. To overcome this barrier, Acumen opened country offices in India and Pakistan in 2006, followed by East Africa in 2007. Local offices began to identify enterprises and submit them for evaluation against Acumen's Best Available Charitable Option (BACO) method. BACO measures the cost effectiveness of a potential investment by comparing the projected output with a similar charitable option. For example, when the impact of investing $325,000 in A to Z was compared with purchasing $325,000 worth of nets for distribution, Acumen found that the former option was 24 times more cost effective than the latter. This method, however, is limited to quantifiable outputs, and may not capture the long-term health outcomes and systemic changes potentially stimulated by an investment. Acumen also assesses the abilities of individuals. "We realize from a portfolio side that the most important thing we're investing in isn't necessarily the business plan, it's the actual entrepreneur," says Imtiazuddin.

Shortlisted investments are passed on to the next stage of the investment process, where a member of the health portfolio presents the deal to the entire team. An associate from another portfolio is designated the SKW, or Shaitan Ka Wakil (Urdu for "devil's advocate"), to enable cross-portfolio feedback on potential risks and investment synergies. Acumen's team then conducts conventional financial and legal due diligence to seek low-cost, high-quality business models. Acumen favors models that use sliding price scales and cross-subsidies to make health services and products more affordable to the poor. "Our aim is not profit maximization, but profitability," says Varun Sahni, former country director of Acumen Fund India.

Deals are often structured as traditional debt, convertible debt, or equity in the form of fully voting common or nonvoting preferred shares, typically for a minority stake of 10 percent to 33 percent. Unlike traditional VC firms, Acumen does not have a minimum acceptable rate of return below which it will not invest. "We look upon [returns] as a sliding scale," says Imtiazuddin. "The greater the social impact, the lower the financial return we'd be willing to accept. The lowest return would still get our capital back."

Acumen's decision to invest debt or equity capital begins with an assessment of the company's financing needs and the stage of its development. Equity investments are better suited for enterprises with a limited operating history and that require financing for business model refinement and scale. Debt is more appropriate for companies with a proven business model and healthy cash flows that require financing to achieve a specific growth objective. In 2005, for example, Acumen invested $500,000 of debt into VisionSpring, a four-year-old eyeglass social venture, to fund management support from external consultants to conduct supply and distribution modeling.

By the end of June 2010, approximately 70 percent of Acumen's health investment portfolio was equity and about 30 percent was debt, illustrating the firm's efforts to diversify the risk of its portfolio. Equity investments offer greater potential for financial return, but are far riskier propositions, since exit opportunities for social enterprises are often unclear. Debt does not provide as much financial return, but is less risky. Still, Acumen has found that it must remain flexible when structuring deals. Government regulations in India, for example, have restrained access to debt financing for entrepreneurial ventures, leading the fund to invest in equity and royalties instead.

Despite taking a minority stake in most of its investments, Acumen's hands-on management support is costly. Management support accounts for more than 10 percent of Acumen's annual expenditures. This has led Acumen Capital Markets, the for-profit fund, to charge a 3 percent management fee, which is higher than

CASE STUDY QUESTIONS

What role can social venture capital firms play in global health?

How should social venture capital firms support investees?

What challenges do social venture capital firms experience when scaling up investees?

the 2 percent partners at VC firms typically charge and which will likely raise flags for investors new to the SVC model.

To deal with its high management costs, Acumen is shifting toward making larger investments, ranging from $500,000 to $3 million. The fund believes that this approach will fill the gap between microfinance (up to $10,000) and commercial financing (often $2,000,000 or more) found in developing countries. "Most financiers will not touch these investments," says Nthenya Mule, Acumen's former East Africa manager. "We're willing to walk with the entrepreneurs as they grow and develop."

FUNDER AND FRIEND

Following the closing of an investment, Acumen's focus shifts to defining metrics that measure social impact and to identifying a business's weaknesses. The idea is to "set the bar high with strict goals, while providing the management support to help these enterprises achieve their objectives," says Imtiazuddin.

In 2007, when the firm invested $1.9 million of equity in LifeSpring Hospitals, an Indian maternal and pediatric care hospital network, the goal was to scale the established model from six locations to 30 by 2012. The clinics are small, holding only 20 to 25 beds, and new locations open at a cost of $100,000. LifeSpring's "no frills" model has lowered the price of maternal health services by as much as one half compared with the average private health clinic in India. It does this by employing 180 standardized clinical and operational processes, purchasing equipment and materials in high volumes, and employing auxiliary nurse midwives instead of graduate nurse midwives. In addition, the hospital's staff is equipped to handle only regular pregnancies, referring more costly, high-risk pregnancies to partner hospitals. In a country where antenatal care coverage and institutional deliveries comprise less than 40 percent of the population, creating additional capacity for standard maternal health treatment was a no-brainer.

Acumen decided the primary evaluation metric of the company would be women who delivered their second child at LifeSpring and whose first child was delivered at home. "That would give us an idea of how much of a shift has happened from home delivery to institutional delivery," says Mohandas. Then, in 2008, LifeSpring's expansion plans were stalled by difficulties in recruiting qualified staff. "Funding isn't the primary challenge for entrepreneurs of these ventures," says Brian Trelstad, Acumen's chief investment officer. "It's that they can't get enough of the right people to grow their ventures." To assist with operations, Acumen Fund Fellow Tricia Morente was sent to LifeSpring's head office in Hyderabad, India. Morente, a former management consultant and graduate of Columbia University's Graduate School of Business and School of International and Public Affairs, helped LifeSpring open two new locations, and then signed on as a full-time employee.

The Acumen Fund Fellows program has become one of its most valuable assets. Launched in 2006 with support from Google.org and Katzenbach Partners LLC, the 2010 program attracted more than 600 applications from 60 countries for 10 spots. The fellowship involves eight weeks of leadership training at Acumen's New York City headquarters and 10 months in the field with an Acumen investee to tackle a critical business issue. "They become the eyes and ears on the ground. They're able to flag for us and bring attention to areas that need shoring up," says Mule.

In September 2009, LifeSpring opened its ninth location in Chilkalguda, Hyderabad, and in the first quarter of 2010 the company reported 70,000 mothers served and 5,000 babies delivered. Currently, it is in discussions with the Indian ministry of health to expand to 500 districts in the country. As LifeSpring expands, the potential for exit opportunities will become clearer. "I cannot understand why any conventional venture capital or private equity firm would not be interested in LifeSpring when it reaches 30 hospitals," says Imtiazuddin.

POWER NETWORK

Acumen's fund may be small, but its network of investors, directors, and advisors is powerful. The group draws from philanthropy, finance, and high tech; it forms a veritable who's who of the global health and private equity sectors. Acumen's network includes investors like the Bill & Melinda Gates Foundation ($13 million donated), board members such as Nobel Prize winner Joseph E. Stiglitz, advisors such as IDEO President Tim Brown and best-selling author and entrepreneur Seth Godin, and co-investors like the International Finance Corporation. Recently, the firm forged a partnership with Italian fashion company Salvatore Ferragamo to donate a portion of its profits to Acumen.

Acumen donors (called "partners") contribute tax-deductible capital to the nonprofit fund, and board members reportedly finance 100 percent of Acumen's administration and fundraising costs. Acumen's network is also drawn on for financial investment, management support, and potential co-investor, supplier, or customer partnerships. For instance, in 2008 when the Kenya-based enterprise Botanical Extracts EPZ (BEEPZ) was on the verge of running out of money to produce antimalarial medicine ingredients, Acumen invested $2.25 million in bridge financing. It then tapped into its network to attract co-investors, including the International Finance Corporation, the German Development Bank, and Industrial Promotion Services (the private equity arm of the Aga Khan Foundation).

Acumen has brought SVC into the mainstream. Novogratz and Acumen's successful investees have been the subject of high-profile newspaper and magazine articles as well as documentaries and television shows. And the fund has launched chapters in more than 10 cities to raise awareness and money. But some criticize Acumen's positive press as misleading. Ted London of the William Davidson Institute argued in a May 2009 *Harvard Business Review* article that although anecdotes capture our imagination, using them as evidence of impact is akin to manipulating balance sheets to present better financial results. Imtiazuddin argues that the publicity of Acumen's investments encourages replication in other geographies. "In this way," he says, "we can reach a much larger number of people than would be possible from Acumen investing alone."

A LAB FOR HEALTH SYSTEM DESIGN

Trends in global health increasingly favor developing national health systems as opposed to disease-specific initiatives. But many experts contend that developing such systems requires extensive innovation and experimentation. Meanwhile, governments and large nonprofits are generally risk averse. Acumen is trying to fill this gap by investing in risky but potentially rewarding experiments. The fund expects 30 percent of its investments to fail, as a result of an investee company folding or Acumen divesting because of conflicting values.

Acumen's strategy includes investing in enterprises across a typical national health system, and testing which models optimize health care delivery. (See "Acumen Fund's Health Portfolio" on p. 71.) One such model is AyurVAID, a low-cost hospital group in India specializing in the integration of traditional Indian medicine with modern practice to treat chronic illnesses. Through cross-subsidization and partnerships with 12 leading insurance companies, the AyurVAID network of six hospitals with a combined capacity of 120 beds is increasing access to familiar treatment options.

Acumen's joint equity investment in First Microinsurance Agency (FMiA) with the Aga Khan Agency for Microfinance is another example of a potentially replicable model. FMiA has collaborated with New Jubilee Life Insurance to develop affordable microinsurance policies for Pakistanis earning between $80 and $180 a month. "Being able to provide health insurance to low-income consumers is going to be a key part of the battle to improve health outcomes in all BoP countries," says Imtiazuddin. By early 2009, FMiA issued microinsurance health policies to 11,000 people in Karachi and 9,000 people in northern Pakistan.

Failed investments also have proved valuable. In 2008, Acumen invested approximately $200,000 in Sehat First, a tele-health service providing health care information and pharmaceutical services in Pakistan. Sehat First's business was premised on the idea that connecting doctors to patients by telephone could help overcome a shortage of publicly funded health centers and medical professionals in Pakistan. The aim was to set up 200 clinics by 2010—but challenges, including unstable telecommunications connectivity in less urban areas, proved insurmountable. The approach was ultimately abandoned, providing a cautionary lesson for future tele-health investments and initiatives.

FALLING SHORT

Critics of Acumen argue that its model expands the private health care sector in developing countries—a controversial subject, since charging the poor for health care can arguably lead to further impoverishment, and weak stewardship of the private sector has led to inconsistent health care quality and an increase in fraudulent practices. But opponents of this view argue that private sector health care is a fact in poor countries, and increasing its efficiency and effectiveness is a financial and moral imperative. Sixty percent of the $16.7 billion spent on health care in Africa is paid directly by patients to the health care providers, mostly by the poor, according to a November 2008 *PLoS Medicine* article by Kara Hanson. In India and Afghanistan, this figure jumps to 80 percent.

The consensus seems to be that neither the public nor private health care model is superior. "There are going to be people who can't afford the most basic services," says Imtiazuddin. "It's unrealistic to expect that people who can pay will be provided services free, and that we'll manage to have enough funding in the public health space to make that work over the long run. Both models are necessary."

Since 2007, Acumen has seen its investees' innovations influence public sector development. When investee Dial 1298 for Ambulance launched in Mumbai, India, with privatized emergency medical response services (EMRS), another company quickly replicated the model and contracted its services to the Indian government for triple the cost. Unwilling to tolerate favoritism, Dial 1298 founder Shaffi Mather successfully lobbied for the development of a transparent bidding process for public sector EMRS in India. The company also showed the potential benefits of states instituting EMRS, when it rescued more than 125 injured people as the first responder during the 2008 Mumbai terrorist attacks.

Dial 1298 now operates more than 241 ambulances in Mumbai, Kerala, Patna, Bihar, and Rajasthan, divided between 199 subsidized public sector services and 42 pay-per-use patient transport services. The company recently secured government contracts across India totaling $80 million, which will put about 1,000 ambulances on the road over the next two years. This projected growth has caught the attention of large Western emergency service companies, one of which is likely to invest in or buy 1298. "Ten years from now, India will have a fairly robust emergency services system, partly due to the efforts of Dial 1298 for Ambulance," speculates Imtiazuddin.

The enterprise's mounting success is largely due to Acumen's $1.5 million equity investment in 2007, says Sweta Mangal, Dial 1298's chief executive. "A normal VC would not understand a free or subsidized service. That kind of mindset is not there."

LOOKING FORWARD

Among Acumen's health sector investments, three have grown to be quite large, A to Z, BEEPZ, and Insta Products. A to Z expects to manufacture 30 million bed nets in 2010. BEEPZ is capable of producing 50 million regimens of Artemisinin-based combination therapies for malaria treatment at full capacity. And Insta Products in Kenya is set to make 12,600 metric tons of its micronutrient-rich porridge.

Other investees are facing hurdles. Partnering with local governments can mean accepting corrupt practices. Seeking new or traditional investors can lead to higher profitability, but perhaps at the expense of serving the poor. In Dial 1298's case, its public sector expansion has been challenged by weak usage. "People see only dead bodies in the ambulance, so they refuse to use the service," says Mather. "It's naive to think that affordability is the only indicator that people use to make decisions," says Novogratz. "Trust is a huge factor."

Although Acumen has not achieved sustainability and only profitably exited one investment in its health portfolio (A to Z), it is aiming for a financial return of 1 to 1.5 times on its investments. Achieving a return of 1.5 times would make Acumen sustainable; less than that would force the fund to find new investors. It is still too early to assess exit strategies from portfolio companies in which Acumen has invested, because most investments were made between 2007 and 2009. But Imtiazuddin says the most likely exit options will be to sell equity stakes back to investees, sell companies to multinationals or local governments, or attract commercial follow-on financing. Selling shares of the company to the public, in an initial public offering, is doubtful.

Acumen Fund's Health Portfolio

COMPANY	COUNTRY/AREA	HEALTH SYSTEM	SERVICE OR PRODUCT	INVESTMENT ($USD)
Botanical Extracts EPZ	East Africa	Manufacturing	Drugs for malaria treatment	$625,000 equity (2006) $1.625 million equity (2006) $400,000 debt (2009)
Voxiva	East Africa	Distribution	Interactive mobile health information services	$768,000 equity (2006) $134,000 equity (2006) $500,000 equity (2008)
Insta Products	Kenya	Manufacturing	Micronutrient porridge	$1 million debt (2008)
Sustainable Health-care Foundation	Kenya	Primary care	Low-cost pharmacy and medical clinics	$125,000 debt (2005)
Upper Hill Eye & Laser Centre	Kenya	Tertiary care	Mobile eye care	$300,000 debt (2009)
Books of Hope	South Africa	Health education	Interactive health care educational materials	$150,000 debt (2007)
BroadReach Healthcare	South Africa	Distribution	HIV/AIDS treatment access in hospitals	$1.75 million equity (2005)
DART	South Africa	Manufacturing	Antimalarial wall linings	$252,000 equity (2007)
AyurVAID	India	Secondary care	Low-cost hospitals for chronic illness using traditional Indian health practices	$1.1 million equity (2008)
Dial 1298 for Ambulance	India	Primary care	Emergency medical response services	$1.6 million equity (2006) $118,000 debt (2009) $1 million equity (2009)
Drishtee	India	Distribution	Internet kiosks for health services	$1.01 million equity (2005) $233,000 debt (2006) $25,000 grant (2007) $661,000 equity (2007) $1.5 million debt (2008)
LifeSpring	India	Secondary care	Maternity and pediatric hospital	$1.8 million equity (2007) $100,000 grant (2009)
Pushpagiri Eye Institute	India	Tertiary care	Advanced eye care	$2 million equity (2009)
VisionSpring	India	Distribution	Affordable reading glasses	$500,000 debt (2005)
First Microinsurance Agency	Pakistan	Health finance	Health microinsurance	$500,000 equity (2008) $900,000 debt (2008)

Note: In addition to the active investments listed above, Acumen has exited its investment in seven other health organizations: A to Z Textile Mills, Aravind Eye Hospital, Meridian Medical Centre, Project Impact, SATELLIFE, Sehat, Sehat First, and SSI.

Over the past nine years, Acumen claims to have improved the lives of 36 million people in developing countries. Yet this claim is based more on anecdote and measurable outputs than on data-driven evidence that buyers, customers, and patients of its investments in health services and products are better off. Until health outcomes can be better assessed, it is difficult to quantify Acumen's true impact—a challenge common to a large portion of the global health sector.

Acumen intends to grow the size of its funds to $250 million in the next five years, and to expand into new geographies and sectors. Achieving a balance between scale and the nimbleness to make quick decisions will be important. "Right now we have the ability to convene our investment committee and make a call on an investment of less than $750,000 in three days' time, and that is not something that our peers who are larger can do," says Trelstad. "When we think about scale, it is not just how big our portfolio is," or what Acumen's financial return can be, says Novogratz. "It also is increasingly important to consider the level of influence we are having in the world."

Acumen now has competition from an emerging SVC sector. In June 2009, a $57 million Africa Health Fund was launched by the London-based private equity firm Aureos Capital, with backing from the International Finance Corporation, the African Development Bank, DFG, and the Bill & Melinda Gates Foundation. The fund made its first investment in February 2010, investing $2.66 million of quasi-equity in the Nairobi Women's Hospital to buy out management and build three more locations. Going forward, investments will focus on late-stage health delivery enterprises in Africa that have the potential to achieve a 10 percent to 15 percent annual return. Other SVC funds, such as the Tandem Fund, Venturesome Fund, Bridges Ventures, and Gray Ghost Ventures, share some similarities with Acumen, but differ in geographical and industry focus and range widely in terms of social and financial returns.

Despite broadening into more commercial financing activities with the launch of the for-profit Acumen Capital Markets fund, Acumen remains committed to social impact and philanthropy. "Once you're driven just by profit, you're likely to make different decisions about, say, what income levels you need to serve," says Imtiazuddin. Acumen has considered a more decentralized model, in which country offices would operate and fundraise more independently, but there are no plans to transition completely to a for-profit enterprise.

Novogratz believes social venture capital is here to stay. "I could talk about reducing the price of malaria nets," she says, "but I think we need to get away from '$10 will save a life' and other slogans that fit on a T-shirt. Instead, we need to build lasting solutions that fundamentally change the system, so that everyone can thrive without having to be dependent forever on charity." Novogratz is confident that her firm is "building companies that will help the poor—and bring in far more resources than we invest—long after we are gone."

There is no doubt that Acumen is an innovator. But so far its achievements have been small in scale, and primarily in the design of new business models for health manufacturing and delivery. Whether these business models reach significant scale or inspire governments, multilateral health organizations, and commercial financiers to reinvent health systems will determine social venture capital's future role in global health. ■