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**Poverty Alleviation: Knowledge is Power:  
Using Technology to Get Ahead  
2006 Clinton Global Initiative Annual Meeting  
September 21, 2006**

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**GAIL:** Ladies and gentleman, please welcome our next panelists. Majura Carter [misspelled?], Executive Director Sustainable South Bronx; Andrew Nastacio [misspelled?], Professor of Diplomacy, Georgetown University; Dr. Androsi Auchonjur...

**FEMALE SPEAKER 1:** Whoa, whoa, whoa! Hold!

**GAIL:** Excuse me.

**FEMALE SPEAKER 1:** I'm sorry. We just had a panel on technology and sometimes in technology things get like flipped around automatically by machines and not people and that's this afternoon. And we need the voice of God [laughter] for Nick Moon...

**GAIL:** Yes. [Laughter]

**FEMALE SPEAKER 1:** Please voice of God.

**GAIL:** Do it again?

**FEMALE SPEAKER 1:** Yes. You were on 3.1, apologies to all.

**GAIL:** Excuse us.

**FEMALE SPEAKER 1:** Okay, I have an announcement. I am the voice of God and God is a woman. [Laughter] Ladies and gentleman, [applause]

**GAIL:** And I half fooled you.

**FEMALE SPEAKER 1:** Can you please, I'm the head of the [inaudible]. Can you please welcome to the stage Nick Moon of Kickstart International [applause], Jacqueline Novogratz of the Acumen Fund [applause], and the honorable Ernesto Zedillo of the Yale Center for Globalization, the former President of Mexico

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[applause], and our rock moderator Charlayne Hunter-Gault, thank you.

**CHARLAYNE HUNTER-GAULT:** Thank you Gail. Am I on? I'm always on, but can you hear me. [Laughter]. I'm glad to see that they made that change because I wanted to hear the voice of God being a woman.

At any rate, you've heard our panel introduced so I don't have to go back over that. As we say in South Africa, all protocols observed.

We spent a good portion of the morning talking about initiatives to bring about poverty elimination. And they were all stunning as you heard.

We are now going to talk about how to bring the benefits of technology to scale, a large scale, so that we can address poverty, which is on a large scale in the world.

And our first panelist is Nick Moon who has brought his props to tell us about Kickstart. Nick, what is it? How does it work, and how is it going to benefit people on a large scale?

**NICK MOON:** Thank you Charlayne. Well I would like to make if I may, with your permission, some sort of five points. And the first one really is just to remind us of what the basic fact, it's the economy.

I think that President Clinton, when he was first campaigning for the presidency, did remind us of that, and he used a term of endearment which I don't think I know you well enough to use myself here.

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It is the economy. It's really all about the money. Folks in developing countries, just as much as you and I, need money for food, for fuel, for education, for health, and everything else.

Now I think that we were reminded yesterday, several times, that we must concentrate especially on the rural poor in developing countries, who for the most part are small scale farmers living on one or two acres of land and that is their, pretty much their one and only asset.

How is it that we can help them to create value or create wealth and add value to that one and only asset. And I think a number of people reminded us also that irrigation certainly was one way.

Because with irrigation, you can grow crops all year round. You can grow high-value crops. You can take them to market or make sure they're ready for market at the time when the prices are high and so on.

So Kickstart, we operate incidentally in East Africa, in Kenya and in Tanzania, and of late we've opened up a program in Mali in West Africa. We look at small-scale farmers and think about what it is that they've already got. They have the land. They have the skills. They have the energy. And most of all they have this really powerful, powerful motivation to use what they have in whatever way they can to look after their families and help get ahead.

That is an enormously valuable piece of capital, largely

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non-financial, but capital nonetheless and we're trying to find ways of mobilizing that capital.

So what Kickstart does is we develop technologies, hardware, that allows them to do that. And then we ensure that it is manufactured to a very, very high quality and that it is distributed out through value and supply chains, and that we market it and promote it as much as possible using the media and physical and public demonstrations so that people will buy it, use it and with it they can make money.

On average what we've found so far is people multiply their incomes by a factor of ten when they buy something like this machine that I've got here. If you'll let me just stand up and demonstrate it for you for a second.

This we call the money-maker pump. It is a \$35 piece of capital equipment and that is what we're offering as the investment opportunity for a small-scale farmer.

This pump is pretty simple to operate. You drop a tube, a pipe down into the water source, which might be hand-dug well or a river or a dam or some kind of shallow or ground water surface, and then you pull it up and down like this.

If you do that for about an hour and half in any given day, you'll be able to irrigate up to an acre of land quite successfully. So that's the theory. If you'll give me a chance to tell a quick story about one of our investors.

A woman called Milka, and her husband lives in the Green Hills of Central Kenya. They have an acre of land. That's all

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that they have. They were barely able to subsist and to look after their family on that one acre.

The husband decided, well he'd better go and seek for his fortune in town. So off he went to Nairobi to look for jobs, which he didn't really find, and left Milka with the six kids back at home.

She struggled enormously with a bucket and a rope or a watering can to water a few rows of cabbages and things and had to take her kids out of school in order for them to help her on this small plot.

And they managed by [inaudible] an enormous amount of hard work to generate about \$150, \$180 a year and that's all.

So you can imagine that their life was extremely difficult, subsistence level only. One day, in around 2004, they saw a demonstration of, not actually this pump, a somewhat larger pump that cost \$90 that we call a super moneymaker.

[Laughter] And she thought, well hey, if I had one of these I could really do something with it. Now it took her and her husband some five to six months to scrimp and save and get the money together in order to make this investment.

She finally bought it. She started to use it. And she now makes somewhere between \$16 to \$1700 a year. Now that is a pretty big leap and gets her well on the way to joining the local middle class.

She was able to tell me the other day that, you know, now I can feed my children properly. Now, I can send them to school.

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Now, if we get sick, I can buy the medicine that we need.

And this year I'm going to go buy a cell phone. I'm going to buy a solar panel, and next year I'm going to buy shares on the Nairobi stock exchange. [Laughter]

**CHARLAYNE HUNTER-GAULT:** Nick, how much does the pump cost?

**NICK MOON:** This particular one sells to somebody like Milka, retails for \$35. We have a \$35 pump. We have a \$65 pump, and we have the super money maker \$95.

**CHARLAYNE HUNTER-GAULT:** And does this generate jobs? I mean does it extend beyond just the family?

**NICK MOON:** Oh yes. Milka actually employs three laborers on her farm now. They're not great jobs, but they're real jobs. It puts real cash in their pocket.

But of course the principal advantage is she now has the purchasing power to be able to turn her basic needs into market demands and that's the important thing.

**CHARLAYNE HUNTER-GAULT:** Well I'm sure they're going to be some good questions for you from the audience. But thank you for that for now.

And let's move on to Jacqueline Novogratz who is with the Acumen Fund and who's going to tell us how that came about, what it is, and what it does.

**JACQUELINE NOVOGRATZ:** Nick, I have one quick question for you. How long does it take for a farmer to repay once he's purchased his \$35 pump?

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**NICK MOON:** Small-scale farmers throughout the developing world are used to making investments by putting money into the ground and expecting a return within three or four months.

What we've discovered with these pumps is you return your investment within five to six weeks and then start making money.

**JACQUELINE NOVOGRATZ:** Great, thanks. I needed that for part of what I wanted to say, because I didn't know the answer.

I'm Jacqueline Novogratz and to Charlanye's question, what Acumen Fund is, is a social venture fund essentially that is demonstrating that small amounts of philanthropic capital combined with large doses of business Acumen can build thriving enterprises that serve poor people in a scaleable way.

We think that that's the best way to build businesses that enable the poor to take themselves out of poverty. And in the spirit of what was said this morning around the moral imagination and the need for us all to be part of one another, I think that the way we will move the world from a place of too much [inaudible] insecurity is for individuals to take greater hold of their own destinies by having the goods and services that they can afford.

We essentially raise charitable dollars and we turn around and invest only equity and loans in companies that deliver water, healthcare, and housing, and with the Clinton Commitment, energy to people making one, two, three, sometimes \$4 a day. And we work in Pakistan, India and Eastern and Southern Africa.

To give an idea of just the scope, it's been five years.

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By the end of this year we'll have about \$20 million in active investments that we manage in these areas. And that money has allowed us to bring in millions of other dollars of capital into underserved markets showing viability over time as well as creating over 5,000 jobs and doing a number of technology transfers.

And so we've learned a lot. And what I really want to talk to you about today is some of the lessons because there are so many people in our community in this room and I would love to have a conversation with you.

But if there are three take-aways around how you move technology to just scale, one is recognizing as Sanchun [misspelled?] said yesterday, that technology is really about inputs that increase individual productivity and that while knowledge is one important part of the technological transfer, it's only one part.

Technology also exists in agriculture and health, in energy. And so the technology is a piece of it but as important, if not more important, is the business model for how we actually deliver the technologies to poor people.

Related to that is something that also came out of this morning and trying to create consistency through the day, and that is the importance of listening. That if we really want to build systems and products for poor people, we've got to listen and understand who they are, start from their perspective. And the best listening device that we can think of is the

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marketplace.

Markets, prices, tell us a lot about preference, tell us a lot about what people want and do not want rather than what we think they should want and should need. And so Acumen's whole model is based on markets.

In terms of the business model, there are four different fundamentals that we look at, design, price, marketing, and distribution. So how do you design.

I think Nick did an extraordinary job here. If you're designing a good or service for poor people, the thing that we've learned most important is that it should be inexpensive. It should have a quick return on investment, and it should be infinitely expandable.

This little device here, \$35, has a five week return on investment. And once the farmer is successful in doing one acre, with the \$1500 as you heard, she can actually upgrade to the next and increase her income over time.

Maria Tara [misspelled?], I don't know if she's in the room, but has learned that with microfinance as well. Those are the three principals that we've seen in design.

In terms of pricing, we're starting to experiment on two different levels. One is bundling prices and the other is sliding scale pricing.

So what we're finding is most useful and efficient in terms of bundling starts with again recognizing what [inaudible] poor people really want to pay for it.

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And Suchan, who spoke yesterday about the telekiosks that he's extending across India, right now there are a thousand. We're trying to help work with them to move it to 10,000 and then 30,000.

Recognizing that while we really wanted to move health and education into the rural areas using technological information sharing, what people really want to pay for are matrimonials or dating services, photography, and e-governance, licenses, things that they really need. And so that's what [inaudible] sells.

Having that distribution in place, however, then allows them to move education, move healthcare through a system at prices that are either free or subsidized by the other products. So we're developing ecosystems or enterprises that in and of themselves can cover their costs.

And the sliding scale, which is starting to be really interesting and I think also shows the sea change of where people are, is best exemplified by an ambulance company into which we're looking to invest, which has the ethos of service for all because the government is not providing these services.

Private initiative is starting to by allowing people to pay what they can, poor pay nothing, the middle pay closer to market price, the rich pay a premium.

And they way they figure it out is not by you telling them whether your poor, middle, or upper but it is connected to the hospital that the ambulance takes you to.

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So again you've got an ecosystem that allows different people to pay at capacity and can cover price in the most efficient way.

In terms of marketing, the biggest thing we've learned is that people are people, and we make decisions based on beauty and status and comfort and desire. The rich do not hold a monopoly on any of those.

And so as we're thinking about whether it is health products or whether it's energy, are we delivering services that people will really want, that they will really desire and we have lots of examples.

Certainly the malaria bed nets that we have been manufacturing in Arusha right now, this company employs 3,000 women and is learning through private marketing that sometimes where you don't have the right colors, we don't have the right sizes, but it is through trying to negotiate price with women that we actually learn what they do want.

And then finally the Holy Grail of distribution. Too often in the non-profit sector we think we've got something really important to distribute and so we want to create an entire distribution system for something as inexpensive as a toothbrush.

It doesn't make sense. So where are those companies that we could piggyback on? We're talking to Unilever, other fast moving consumer good companies that can help us and also the social franchising models, learning that women can be some of our best social franchisers and finding a way to extend credit to

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them.

Finally wrapping around all of that is people, management. And this is where the two worlds really can start to intersect in a way that I think 10 years ago we couldn't have.

One of the things that we've seen with all of our organizations is the need for deeper management capacity and in a very small way we've started something called the Acumen Fellows Program.

And just to give an indication of how much hunger there is in the world we gave people three weeks essentially to work with us for year in these countries at very subsidized income levels and got 600 applications from 52 countries.

Not kids right out of school, people from McKenzie [misspelled?] and Goldman Sachs, Rhodes Scholars, three who had climbed Everest who want to use their capabilities.

And so the conversation yesterday of an MBA enterprise that came up is so important to scale and go beyond seven people because, that we have at Acumen because it's so important. I'll wrap it with that just to say that we spent so much time in poverty conversations talking about what doesn't work and what can't work. We are actually starting to find real solutions that do work.

If we're smarter about the way that we use our capital and recognize that there's real flexibility that goes from philanthropic all the way into the financial markets and use our own skills and resources better.

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But really starting with this notion that we're connected to each other, we have to listen better to who one another is and real change can happen. So thank you. [Applause]

**CHARLAYNE HUNTER-GAULT:** Earlier we talked a little bit about risks and you didn't talk much about that. Are there risks that people need to take into consideration and can you talk about how you climb up over them?

**JACQUELINE NOVOGRATZ:** Well, everyone's taking risks in this game. And we sometimes joke at Acumen Fund when we're looking at how we leverage money from the capital markets that we're the high risk, low return fund. [Laughter]

The risks are obviously geopolitical risks. We work in Pakistan. We work in high risk areas and so there's a lot of political risk that we think long term the world will mitigate only by making those areas more secure.

The actual financial risk is quite interesting. Whether you're looking at the micro-level, and certainly microfinance has shown us that the poor pay.

And even with the ambulance company the thought was the poor wouldn't pay and the rich would pay so much. And what we've actually found is that even when the poor are delivered to the hospitals free of charge, they always insist on making a tip.

And it's actually the rich that try to convince them to give it to them for free. [Laughter]. So and not a single one of our investments has not paid a payment.

Initially we'll get about \$700,000 back. So financially

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actually, we wonder if we're taking enough risk, but the individual risk obviously are quite great.

**CHARLAYNE HUNTER-GAULT:** Thank you so much. We're going to move now to the former President of Mexico, Ernesto Zedillo who has confronted many of the challenges facing developing countries that we've been discussing today, and also used technologies and imagination and creativity to get him and his countries arms around those issues. And he's going to talk to us about that now and spur you on.

**ERNESTO ZEDILLO:** Is this on, no?

**CHARLAYNE HUNTER-GAULT:** Just talk. I think it'll come.

**ERNESTO ZEDILLO:** Speaking about technology I have to rely on the expert. [Laughter] I would like to start by posing again the question of what it means to bring something scale.

Speaking about technology or other kinds of interventions that we might want to consider to not only alleviate but indeed overcome poverty. I think this is a very important question.

Being a macro guy, [inaudible] guy, I would say, well something is really brought to a scale when you can make a difference in the big numbers, in the big numbers of employment, in the big numbers of reduction of poverty, in the big numbers of education, in the big numbers of health.

I would like to think that when we speak about a scale, that is what we mean. Well if you accept at least for a moment this interpretation, then I can raise the next question.

When do you achieve that? There are great ideas in the

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world. There are great initiatives. Some of them are funded properly.

But the question is when all of that really is brought to that scale in a way that affects the big numbers, either at the regional or at the national level.

And let me be perhaps aggressively simplistic by giving an answer. And I would say that happens when these good ideas, usually after a big effort become entrenched into institutions.

In a way, I want to suggest that the isolated efforts undertaken by civil society organizations are not making a difference. I think they are making a difference all over the world.

But if we really want to think about the big numbers, then we have to think about a step forward. And that is when those initiatives, those behaviors, those things that have succeeded and even those things that have failed are taken into account in the design, in the construction, in the execution of institutions.

I think this is a fundamental point. And I have seen this in many experiences, of course. Let me take a rather extreme case and I take it because I was part of it.

In Mexico at the beginning of my administration, I took a strong commitment to put together with congress, with the other institutions, a program to fight poverty in Mexico.

And it took us a long time to study what had worked right, what had failed. We had to conduct a very extensive, and I

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would say even expensive research in the field to make sure that we would put together the right incentives.

And we created this progressive program and now baptized by the [inaudible] administration as the Oportunidades Program.

But from day one what we were trying to envision, it was not only the right interventions but also the kind of institutions that we would need the program to perform.

And it took us a long time, well not a long time. It took us one year to think about it and research it, and about one more year to start putting it in place.

But once we did it as an institution, the program it started to be extremely successful. And for me this as many other experience I have known about Mexico and many other countries are very revealing.

And I think this should be very suggestive to civil society organizations, particularly now that in many regions of the world where democracy used to be the exception of the rule and now is the rule, because before there were very good reasons not to get close to government institutions. Because usually those institutions didn't have any legitimacy and in fact were working for the wrong causes and for the wrong interests.

But now the picture has changed.

And I think civil society organizations have a responsibility to contribute toward the strengthening of those institutions if they really have an interest to take the efforts, great efforts to a scale that can make a big difference in the

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numbers.

The other picture or the other side of this story is that in many countries conditions are not yet right to work with institutions. There are no institutions. There is no capacity to assimilate this experience, and I am afraid that you will have to continue working alone. But you will have to keep doing it for humanitarian reasons.

**CHARLAYNE HUNTER-GAULT:** Thank you very much. Nick let me get you to respond, both of you, Nick and Jacqueline to respond to that sensible point that what you're doing is really important but you need to be hooked into an institution in order to make it work on a grand scale.

**NICK MOON:** Yes, I couldn't agree more actually with that point. I told what I had hoped was a nice heartwarming story about Milka just now. I forgot to mention incidentally that her husband came home and they now work together and that's one of the advantages that she's seen from this investment.

But it is absolutely all [inaudible] in the numbers. Nice heartwarming stories are simply not enough. In our particular case, we do have some 45,000 small enterprises using our equipment and they are collectively generating in Kenya the equivalent of [inaudible] .5-percent of the country's official GDP. And in Tanzania it's [inaudible] .25-percent thus far.

We're also seeing somewhere between 750 and 900 enterprises starting up every single month right now. So that gives, I hope, some indication of our move towards those big

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numbers.

There's still a long way to go. And again, I couldn't agree more that it's absolutely essential that we work with and through existing institutions.

In Kenya and in Tanzania, and in Mali we haven't created any brand new institutions. We work with the existing local private sector.

The people who make the pumps, the people who transport and distribute them, the people who stock them, and demonstrate them and promote them, they are all existing generally small scale private sector companies.

**CHARLAYNE HUNTER-GAULT:** What about NGO companies. NGO's like Care which has a great microfinancing project in Tanzania and elsewhere on the continent. Do you work with other organizations that are doing other things?

**NICK MOON:** Sure. Well, certainly that's one of our target markets too. I mean there are a great many civil society organizations like Care, like Action Aid who we spoke of previously, who if in the context of their rural or urban development programs find that the application of technologies like these make good sense. Well they're a legitimate customer for us and we sell to them.

**CHARLAYNE HUNTER-GAULT:** Sorry, I didn't mean to cut you off, but let me just ask Jacqueline quickly. What do you do when they aren't, as the President said, when there are no institutions in countries that you can work through or do you

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have to have that as a precondition to make a big difference?

**JACQUELINE NOVOGRATZ:** Right, well, first of all I would actually like to answer it in a more qualified way, because on one hand I absolutely agree with you when there is an institution that can be influenced, in Pakistan for instance. When you look at what the microfinance organizations have done, which is extraordinary, they still have about 100,000 clients. National Bank of Pakistan has 10 million depositors and hardly any borrowers.

And so there's a real opportunity to help influence a national bank, partly government supported to actually build a whole new client base on the borrowing side.

And so we took \$1 million of charitable capital to borrow \$4 million against it to put up a \$5 million guarantee so that National Bank would lend \$50 million of its own money into poor communities.

And so it starts to get to scale because it's the first mortgage product of its kind in the country and people start noticing.

Until now a total of \$800,000 in mortgages has been given to people in this target group. It's a country of 140 million people.

**CHARLAYNE HUNTER-GAULT:** Okay, so we've got 30 seconds left.

**JACQUELINE NOVOGRATZ:** Okay, so sometimes, yes if there aren't institutions like that, just like we saw with

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entrepreneurs in Silicon Valley, there's extraordinary room for real innovation.

And frankly some of the sectors in which we operate, particularly water and health, are highly corrupt industries, hard to work through, and by creating enterprises and lifting the lessons from them and then finding ways to communicate more effectively, I actually think we will be able to influence policy in a way because we'll actually have concrete facts on the ground.

**CHARLAYNE HUNTER-GAULT:** Right, listen, we are going to have an opportunity for more questions and probably better than mine from this audience. And as you know from now our dress rehearsal, which was highly successful, we're going to have comments now from Gail and have your questions prepared that we will use to speak again with the panel after your deliberations of the next few minutes. Gail?

**GAIL:** Thank you Charlayne and thank you to all of our panelists. I like the way this one when like this where we were talking about what is on the ground and what is working.

[Laughter] You sir are this. [Laughter].

Thank you all very much for coming. [Laughter]. No, no but seriously, Nick talks about a technology on the ground and the impact that it's had.

Jacqueline talks about how you meet, if you will, in the middle to catalyze. I hate that word catalyze, but there's no better word, the kinds of changes and investments that can

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replicate that.

And I think Mr. President, you raised some really big questions that we've got to answer in this about how we work together and what works and what doesn't.

Because I think just like we can often think technology's a silver bullet, we all think because we all get along it's all working and we can all do this and there's some serious obstacles.

So what we would like to ask you to consider at your tables is, you've got a piece of technology on your table, a cell phone, a computer, a pump.

And if our goal is to get it out to as many people as possible affordably and accessible, what are the key constraints? What are the key obstacles in our way, whether it is the economy, whether it is risk, whether it is the strengths and weaknesses of government and civil society and the relations between those two are policy, and what are we going to do about it.

You're not allowed to just come up with obstacles and then expect us to ask our panelists to fix them in the few minutes they'll have left.

So the question on the table is how do you get those technology out? What are the key obstacles we face, and what would you do to propose to solve them.

Thank you very much and we'll reconvene our panel as soon as you're finished.

[END RECORDING - PART 2]

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[START RECORDING - PART 3]

**MALE SPEAKER 1:** - please wrap up while our panelists return to the stage. Please wrap up. Ladies and gentleman, Charlayne Hunter-Gault.

**CHARLAYNE HUNTER-GAULT:** Thank you. Where's that other voice of God. I liked her better. No, I like you too, but [Laughter] since, well anyway we'll just move right along.

President Zedillo may I remind you, these questions I'm about to ask are not mine. They are questions from you in the audience, things that have been on your mind as you've listened to these panelists.

So President Zedillo first of all, what institutions did the Mexican government put in place to support the antipoverty program?

I think it's on. Maybe speak? No, it's not working. The technology we're talking about is for the developing world, not for here so don't be put off by this. [Laughter].

**ERNESTO ZEDILLO:** I think President Chavez is boycotting my participation [Laughter] because we think differently. [Laughter] Well, the, as I said the design of the program was carefully planned based both on historical experience, and I would say mainly about the things that had failed in Mexico.

That was point number one in my list. Tell me what hasn't worked here and then tell me what kind of incentives could work.

I must admit that at the beginning, the design of the

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program was very much of an intellectual exercise. Yes, indeed taken into account lots of information that we were gathering all over.

Once we designed the program and decided what were the most successful interventions, we created a unit within the Ministry of Social Development that will be overlooking the program. We gave it certain autonomy, because I didn't want it to be overwhelmed by the bureaucracy of the whole ministry.

And then I make sure that the Education Ministry as well as the Health Ministry will be willing and somehow I have the way to ensure that they will be cooperative with the instrument.

We created incentives so that they would be cooperative and supportive of the program. So I would say we created a specific a unit designed from zero but then we put it into the institutional structure of the Federal Government.

**CHARLAYNE HUNTER-GAULT:** Thank you. And to you—

**ERNESTO ZEDILLO:** Let me mention one point, because this is very important about incentives. And this is something that was not, did not make me very popular with the main population in Mexico.

One of the key aspects of this program is that the money and the food that is given to poor families so that they commit to take their children to school, we give that to the woman in the house, not to the men.

And of course at the beginning this was like an uproar in a macho country culture. This was a bit of a strange thing to

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do. So the first time I went out to the countryside to speak about the program with people, and there were men there, I could feel the cold and the [laughter] animosity towards me.

Well after a few months it was generally accepted that women were doing a much better job. So I would say part of this institutional design was to explicitly, deliberately, formally give our core center role to women in the community to manage the program.

**CHARLAYNE HUNTER-GAULT:** Thank you. Jacqueline, you spoke about the risk challenges of risk investment. What are some strategies for risk management that entrepreneurs should, no actually I think that, I guess I'd better ask that one. Answer this one quickly because I have another one for you. [Laughter], that entrepreneurs should implement?

**JACQUELINE NOVOGRATZ:** From our perspective the biggest challenge in front of a lot of the entrepreneurs with whom we interact is the failure to really have a strong business plan in place, and so it goes back again to the importance of people.

That we go through a six month due diligence process helping the entrepreneurs look at all the different risks that they will be dealing with and finding ways of mitigating them.

I don't want to frustrate people, but it always depends on the sector. It depends on the geography. It depends on where they are in their business cycle.

But it's really trying to get people clearer on what problem they're trying to solve and what they're doing to

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actually solve it and then work from there.

**CHARLAYNE HUNTER-GAULT:** Great. I didn't mean to diss that question, I think it's really good question. So whoever asked it, don't be upset.

But there's another one that I think is especially relevant to this audience, and that is, and maybe each of you would like to look at this. How do we do a better job of mobilizing the pools of capital represented by institutional investors?

**JACQUELINE NOVOGRATZ:** Well whoever did ask that question I would love to talk to you after because we need help. It is, there is so much money out there looking for something smart to do, and something that we're working on is two things.

One, what we're calling affectionately the road show on philanthropic capital, trying to get individuals and philanthropists to think differently about how they give their charity.

And instead of saying what I want to do is give for one specific project, if you actually look at institutions and how we build them, and to President Zedillo's point, how we actually scale them.

And so our hope is that by creating a professional term sheet if you will, and going to institutional investors on the philanthropic side as well as in the financial market side we will do a better job of really mobilizing capital.

Part of the onus is on us to show that these portfolios

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emerge over time. That when they're first getting started, it's really charity that is going to help them build, and when Nick talks about the marketing costs that he needs to help create a company that can really reach farmers in the beginning stages.

And the second stage, we're seeing real viability and that's really where you get that high risk, low return level.

Third stage, some of our companies are actually very powerful and very good risks that we can now take into the capital markets.

It's just beginning. But I think we're going to be seeing a real sea change in this whole sector, in large part built on the shoulders of all the good work that's been done in microfinance.

But what we're looking at are individual investments closer to \$1 million each.

**CHARLAYNE HUNTER-GAULT:** Thank you. Nick this is a question for you. How did you first introduce your, I think you talked about this a little bit, how you first introduced your product to market through NGO's, advertisements, demonstrations, projects, just briefly.

**NICK MOON:** Yes, well I'm a strong believer in the market. Really what we've done is worked with local partners, existing local institutions, by which I mean existing private sector outfits.

There are engineering companies. There are transporters. There are distributors. There are retailers, and they're all

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local and they're already there and they're already in business.

We catalyze their investment by not quite underwriting or guaranteeing but giving them a very strong assurance that if they got involved, because we were going to do the subsidized marketing and promotion of the product, that they would definitely can look forward to pretty good increasing level of business.

In the very early days when we introduced these products, people were quite suspicious. Well what is this thing and how do we know that it's going to sell? Why should we invest in mass production of it? Why should we give it shelf space, and so on and so forth?

But we've now got over that, certainly in the Kenyan and Tanzanian markets to the point where people are now calling us up and saying we want to be distributors, we want to be dealers, et cetera.

**CHARLAYNE HUNTER-GAULT:** And you make the profit.

**NICK MOON:** Well, we're generating revenue certainly. Everybody, [laughter] bear with me a minute. [Laughter] We're a social enterprise and what we're interested in is creating that economic and social value.

So certainly for every dollar that I spend, I can create \$15 to \$20 worth of economic value, down at the end, among the Milkas.

But everybody in the supply chain, the manufacturer and so on, all the way down to the end, they must have a commercial

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interest otherwise it's not going to be sustainable. They've got to have their legitimate markups.

Now the reason that this sort of product is especially attractive or becoming more attractive to them now is because it creates wealth down at the Milka end. And Milka now starts coming back and demanding more and more different products and services which those same people can supply.

So somebody who spends \$90 on a pump like this and who used to spend only \$20 at the local store buying seeds and fertilizers, now spends \$500 to \$1000 a year on those seeds and fertilizers. So this is how it gathers pace and fills up to scale.

**CHARLAYNE HUNTER-GAULT:** Great. We have several more really good questions but we are on a bit of a time clock because there are more interesting, increasingly more interesting things to come not only in this room but outside. So we now we now want to call on Gail to bring us our summaries.

**GAIL:** Thank you and thank you all for your contributions. And let me remind you, we do our best to capture most of them here and to combine them so that we can get as broad a representations and discussions as possible.

We're also capturing them by other means and there will be a much more detailed report this year on TGI than we saw last year. So again, we'll capture all of these.

We asked you to think about what some of the key constraints are and how we would concretely eliminate them. One

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was obviously a price constraint and a lot of you focused on there being power in numbers and aggregating buying power to increase demand.

I can't overstate the importance of this. This is something we'll focus on again this afternoon, on how do you really bring the big money to the table.

It means making the market work to create that buying power where it doesn't exist now in the way that Nick just described.

Satellite and solar, use nontraditional delivery systems to build capacity in the rural areas. The one thing that I'm struck by is that in the developing world they actually have the advantage of leap-frogging over some of our terrific mistakes with an extensive, I think someone called it oil addiction, that can impede development. And I think it's a really very strong recommendation that we use these new non-traditional systems to build the capacity.

The third is bundling services to maximize the use of existing transportation and distribution networks, Jacqueline talked about that a bit.

It is remarkable if you look around the developing world and it's certainly more so in our country here. The singularity of every step of the distribution chain.

You see trucks going from point A to point B that are carrying only one thing when they could be carrying many others.

And on the government side a very important point of

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encouraging the deregulation of critical markets.

But only when there is that room created by removing some of the regulatory constraints and having the right policy framework, by the way can you allow the entrepreneurialism to flourish?

A couple of things in the gem category, one is piggyback distribution. Again, this builds on the bundling services. But given the excess capacity on particularly some of the transport services that exist in the developing world how can we use those to push some of these technologies we've heard about out?

And dialing dollars, given the amount of capital that flows through remittances, this is fun, interesting one using cell phones. So pay remittances with low transaction costs.

A very good idea. With that, Charlayne, I will turn it over to you and the panel for you final remarks and thank you all very much.

**CHARLAYNE HUNTER-GAULT:** Thank you, Premal, what do you think about this one? Encouraging deregulation in critical markets? Get the right one,  
[Interposing] [Laughter].

**PREMAL SHAH:** Thank you. Well, I think that's a critical issue. At the end of the day, the most powerful instrument to overcome poverty is economic growth.

Over and over in history we have seen that. And we have seen that dramatically so in the last few years because 15 years as a Mexican song says is nothing.

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And we have seen that in China, in India, in other countries. And the key to that success of lifting hundreds of millions of people out of poverty is the development of a market economy.

But you cannot develop a market economy if you have all these obstacles, all these obstructions, all these over regulations that inhibit the freedom of people to be entrepreneurial, to buy, to sell, to hire, to be hired.

**CHARLAYNE HUNTER-GAULT:** So how do you encourage those governments to eliminate those constraints?

**PREMAL SHAH:** Well, one way is by voting for other people that don't believe in that. That's a recipe number one. But sometimes it's not enough.

I think there must be a movement within civil society, which goes beyond the simple notion that we want to cap a market economy. I think this is about freedom, fundamental economic freedom. So I think the message is let me be free to participate in a market economy. I think this is not only economic but it's a fundamental, political, aspect.

**CHARLAYNE HUNTER-GAULT:** Jacqueline, do you have any comments on any of these constraints that you think are particularly relevant to your point of entry into this?

**JACQUELINE NOVOGRATZ:** I think a lot of them are, actually. There are so many of them. I think that certainly the piggybacking of distribution, I talked about that before.

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Finding ways to aggregate buying power is clearly something that we as a world can do a lot better job of.

And some of the most interesting work that's being done now that Acumen Fund is looking into is also protecting, insurance, finding ways to aggregate buying power and ability to ensure people, farmers whether it's for droughts, whether it's for medical care.

Because at the end of the day that's really, for the people who are most likely to fall off, we can do better in creating a financial system that will allow us to help them keep themselves in.

**CHARLAYNE HUNTER-GAULT:** Nick?

**NICK MOON:** Sure, I think all of these ideas are good ideas. The trick, of course, is to operationalize them, and that's some thing that I don't think we have time to address just right now. But I do want to make one very, what I think is very important point, and it's around that some what loaded phrase, the base of the pyramid.

We've heard in the past about how big business, multi nationals can look for opening up new markets based on the pyramid and they're approaching that base pyramid as an untapped consumer market.

And I think actually we should look at it the other way around. This is an non-tapped investor market, that the 80-percent of people who live in developing countries of \$2 a day or less, etcetera.

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Actually, in aggregate they have an enormous amount of wealth and not only must we recognize it legally and regulate for that as, I think Mr. DeSoto says.

But we must provide practical opportunities through the market for people to actually make the investments of that social and financial capital in a way that's accessible and affordable to them and then they'll go ahead and do it.

And they'll create that wealth and contribute there-by to the economic growth we're talking about.

**CHARLAYNE HUNTER-GAULT:** Thank you. We have a little less than three minutes left. I was hoping I would have a minute for each of you, but we have less than a minute for each.

But we talked about marching orders earlier in the panel. One marching order you'd like to give to this very receptive room. Starting with you, Nick.

**NICK MOON:** A marching order?

**CHARLAYNE HUNTER-GAULT:** Yes. What do you want them to do?

**NICK MOON:** Well, I can be very blunt about that.

**CHARLAYNE HUNTER-GAULT:** You want them to buy pumps, right?

**NICK MOON:** Yes, you know, capital investments designed specifically in order to excite and release, if you like that base of the pyramid capital and let it express itself.

So, so important. It's a mind shift. It's an attitude shift that I think people at the base of the pyramid are not

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victims. They are not people who require social welfare, bleeding heart approaches.

They are people who simply require opportunities offered to them through the market place. They'll take them, flip them with both hands, and run with them.

If we can invest a lot more time and money into developing products and services which recognize and exploit that reality, I think we can go far.

**CHARLAYNE HUNTER-GAULT:** Okay, Jacqueline?

**JACQUELINE NOVOGRATZ:** I would say learn more, go out, try to understand more. Look at different ways of trying to use capital.

We're trying to raise \$100 million to move into the developing world. Think about getting more involved in organizations, go into the field and see what life is like there, because it's quite extraordinary.

And whoever wants to work on that MBA enterprise corp. I really do think it's a—it should be a marching order not only for MBAs but for young people across the country.

It's time for a new type of Peace Corp that is more business focused and results oriented.

**CHARLAYNE HUNTER-GAULT:** Excellent. President Zedillo?

**ERNESTO ZEDILLO:** Well it's been almost six years since I don't give marching orders to any body. [Laughter], not even to my children because they can react in a more—not very favorable way to me.

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But I would go back to my initial point. You all are doing great, but you were to find a way to work more within situations either to support them and in some cases to create institutions.

Then be assured that the effects of your initiative, of your imagination, your generosity will really be lasting and will make a big difference in the numbers of talent.

**CHARLAYNE HUNTER-GAULT:** Thank you so much to the panel. And thanks so much to this wonderfully attentive and constructive audience. I think just once again I said all I needed to say earlier today.

But the point is that we really are all family. We're not talking about some poor people in Africa or Asia or Latin America. We're talking about members of our family and we want you to care about them as you care about your own children. Even when you can't give them marching orders. Thank you so much. Gail?

**GAIL:** Thank you and- [Interposing]

**MALE SPEAKER 1:** Ladies and gentlemen, thank you for coming. This afternoon we resume at 2:30 pm. Our-

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