

## SOCIAL BUSINESS SOLUTIONS

VillageReach saves lives and improves wellbeing in low-income countries by developing social businesses that address gaps in community infrastructure. The VillageReach model is designed to strengthen health systems in low-resource countries, particularly for remote, underserved communities.

Demand for infrastructure exists in low-resource countries. As a consequence of market fragmentation and structural problems, however, reliable, cost-effective services and supporting investment capital remain elusive. Absent a common infrastructure, each health program must build its own infrastructure to support its activities, compounding the problem. VillageReach has developed a model that efficiently scales critical and sustainable infrastructure services. Relieved of the burden of building and operating non-core activities, public and private health systems can devote their resources to the provision of healthcare.

### SOCIAL BUSINESS COMPLEMENT PROGRAMS

VillageReach partners with ministries of health and other public and private sector organizations to deliver two interconnected parts of the model:

1. **Programs** that strengthen logistics and infrastructure support services to expand access and enable healthcare at the last mile.
2. **Social businesses** that are created and managed to develop infrastructure critical to the performance of the health system.

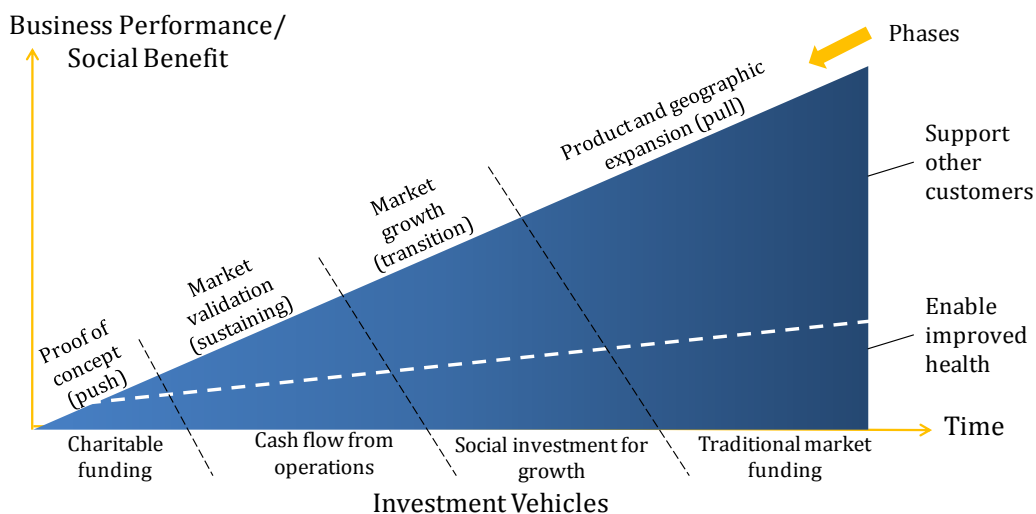
In addition to supporting its own health system strengthening programs, VillageReach social businesses serve other organizations with health programs; sponsors of those programs, including private corporations and multilateral aid agencies; and investors seeking compelling investment opportunities that maximize social benefit.

Businesses and individuals often require many of the same services as the health system. In low-income countries, broad demand exists for these services, however, local resources (e.g., financial, management and physical assets) needed to launch these businesses can be challenging to source.

### INFRASTRUCTURE DEVELOPMENT

The social business model focuses on three key infrastructure sectors: transport and logistics, communications and information technology, and energy supply. Significant gaps in these sectors, typical in many low-income countries, severely limit not only health system performance, but also prevent other elements of community and regional economies from functioning adequately to support their populations.

VillageReach evaluates these gaps to assess opportunities for new social businesses that can develop a broad customer base beyond the health system and lower the overall cost of service. The goal is to leave behind a legacy of successfully developed, profitable businesses that are market competitive and socially beneficial.



By leveraging existing program activities and resources, VillageReach's social business model addresses these requirements with low-cost access to capital, patient investment horizons and an ability to assume risk. With the health system serving as an anchor customer, a social business can expand its base of customers allowing it to reduce the overall cost of service and build a profitable, sustainable business. Services to the health system and the social benefits that flow from those services are protected through long-term contractual relationships and other methods.

## VILLAGEREACH'S VALUE AND APPROACH – TOOLS AND SERVICES

VillageReach utilizes a set of proven tools and services to strengthen support for health and development programs that serve under-privileged communities.

- A **Market Demand Assessment** provides a demand-side analysis by evaluating potential for organic growth potential and new market development opportunities.
- A **Market Supply Assessment** estimates the landscape of existing supply alternatives - potential competitors and partners.
- **Solutions Response Options** define ideal solutions alternatives, new paths to market, demand driven scenarios, and determines scenarios for displacement of legacy energy options.
- **Resource Development Requirements** provide a framework and specific estimates of requirements to develop the business: capital investment, financial requirements, management leadership, procurement/supply estimates, strategic partners, and go-to-market needs.
- A **Strategic Management Overview** summarizes the business opportunity, supply options, required resources and strategic response to develop the market opportunity. The overview provides the basis for the business plan to be developed once management has been assigned.

VillageReach engages through consulting services, outsourcing and creation of its own social businesses.

### VIDAGAS – A SOCIAL BUSINESS PROVIDING ENERGY INFRASTRUCTURE FOR MOZAMBIQUE

In 2002, VillageReach and its local partner, Foundation for Community Development (FDC), established VidaGas to provide critical propane fuel services to the Mozambique Ministry of Health. VidaGas was created in support a larger initiative to strengthen health systems program in the northern part of the country. The program focused on interventions specific to the needs of the health system: a health logistics platform, cold chain, delivery of vaccines and other medical commodities, and health worker education and supervision. VidaGas addressed the requirement for safe, clean, affordable energy with broad market appeal.



#### **VidaGas Results**

- Largest volume propane provider in northern Mozambique: annual delivery of ~300 tons
- Supplies more than 260 remote health centers supporting a population of approximately 5 million
- A reliable and profitable market supplier, reaching an expanding customer base of households and businesses covering hospitality, tourism and light industry, as well as the public health system
- An internationally recognized social business: World Bank Development Marketplace, UNDP World Business Award
- Social equity investment in process to support market development and greater social benefit

#### **Bottom of the Pyramid Strategy for Growth**

VidaGas was structured as a business rather than a health intervention program to serve consumers beyond the Ministry of Health. An evaluation was conducted to assess broader market demand for the fuel and found a strong interest from the hospitality, tourism and restaurant sectors. These businesses were eager to switch from charcoal to propane, but were concerned about supply reliability from existing small retailers.

VidaGas' strategy was to build a customer base from its anchor customer, the Ministry of Health. The same products and services provided to rural health centers were needed by the hospitality sector, which was growing rapidly because of large investments in hotels, resorts, and other tourism-related infrastructure. Unlike its competitors, VidaGas built a filling plant in the north to receive bulk shipments of propane, lower prices, and improve supply reliability. VidaGas is also unique in its provision of value-added services, such as equipment procurement and installation and ongoing after-sales support (e.g., spare parts, maintenance, and repairs). By developing a turn-key solution for the Ministry of Health, VidaGas positioned itself to meet the stringent requirements of its other customers. Strong demand from the health system and businesses enables VidaGas to offer lower prices and consumer finance (micro credit) to households.

**Contact: John Beale, Strategic Development Director, 1.206.925.5203 or [john@villagereach.org](mailto:john@villagereach.org)  
Craig Nakagawa, Social Business Director, 1.206.925.5210, or [craig@villagereach.org](mailto:craig@villagereach.org)**

**[WWW.VILLAGEREACH.ORG](http://WWW.VILLAGEREACH.ORG)**

601 NORTH 34<sup>TH</sup> STREET SEATTLE, WA 98103 USA TEL 1.206.925.5200 FAX 206.925.5201