



VILLAGE REACH

VillageReach is a nonprofit organization with a hybrid, interdisciplinary approach to improve access to healthcare for remote, underserved communities around the world. Our model combines the creation of social businesses that address infrastructure gaps with health system strengthening programs that benefit communities at the last mile. We create businesses that are sustainable and socially beneficial. Our social business model focuses on three key infrastructure sectors: transport and logistics, energy supply, and communication and information technology. Significant gaps in these sectors, typical in many developing countries, severely limit not only health system performance, but also the development of local economies in general.

VIDAGAS STORY

VidaGas was founded in 2002 by VillageReach and the Mozambique Foundation for Community Development (FDC) to provide liquefied petroleum gas (propane) fuel service to rural health centers operated by the Mozambique Ministry of Health. VillageReach developed VidaGas as a social business to support its health system strengthening program by filling a severe gap in local energy infrastructure in Cabo Delgado province. VidaGas' success was a key component in the impact VillageReach achieved in Cabo Delgado. Health centers have propane fueled refrigerators, lamps and stoves that enable vital health services including child vaccinations, childbirth, and general care.



RESULTS

- Largest volume propane provider in northern Mozambique with an annual delivery of approximately 300 tons
- Supplies more than 260 remote health centers supporting a population of approximately 5 million
- A trusted market supplier reaching an expanding customer base of households and businesses such as hospitality, tourism and light industry
- Recognized by the World Bank Development Marketplace and UNDP World Business Award

SUCCESS

VidaGas has built a customer base well beyond its anchor customer, the Ministry of Health. Local businesses including the hospitality, tourism, and restaurant sectors were eager to switch from charcoal to propane but were concerned about supply reliability from existing retailers. To ensure supply reliability and reduce costs, VidaGas built a filling plant in northern Mozambique to receive bulk shipments of propane. VidaGas further differentiated itself by providing value-added services including equipment procurement and installation and ongoing after-sales support such as spare parts, maintenance and repairs. By working first with 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 lower prices to households, which are a price sensitive but highly valued customer for development and social purposes.



FUTURE EXPANSION

To ensure continued growth and profitability, VidaGas is expanding the scope and scale of its activities to include a larger number of residential households. Currently, small businesses and health centers make up the majority of VidaGas' customers. However, there is a large potential market of households that could switch from wood and charcoal to propane as their primary fuel. In Mozambique, an estimated 80% of the population uses charcoal or wood for cooking. This consumption causes rapid rates of deforestation as well as health risks for consumers.

VillageReach will conduct a market development program for Nampula City, the largest city in northern Mozambique, with 100,000 households. The program objective is for VidaGas to reach approximately 2,200 new households - more than 10,000 people - and supply a total of 12.0 tons of propane over a period of 12 months.

BENEFITS OF SWITCHING TO PROPANE FUEL

- **Lower cost:** The typical Nampula family could decrease their energy expenditures in half by switching to propane gas. The startup costs of purchasing a cooking kit and cylinder deposit would be recovered in less than three months.
- **Reduced use of biomass fuels:** each one kg of propane sold effectively reduces charcoal consumption by 7.25 kg, reducing deforestation and destruction of mangroves
- **Time-savings for women:** Cooking with propane is less time consuming and increases women's opportunities to be engaged in economically productive activities.
- **Improved in-door air quality:** various forms of respiratory infections are attributed to biomass fuels. Propane is a clean-burning alternative.



EXPANSION STRATEGY

The strategies VillageReach uses to reach the market focus on the following key areas:

- **Supply reliability:** Partner with the only wholesale provider of propane, VidaGas, in northern Mozambique
- **Promotional events:** Lead large-scale promotional events to create general awareness and demand
- **Peer marketing:** Leverage the strength of women networks to promote and generate demand for propane
- **Retail distribution:** Establish a network of retailers that will provide convenient access for families throughout residential districts
- **Affordability:** Partner with MFIs to reduce the upfront capital costs for retailers and households



SCALABILITY

The model of market development for Nampula City can be scaled to the any of the five other major urban/periurban centers in northern Mozambique which represent an additional 150,000 households. Ultimately, the principles and interventions developed and refined in this program will be adapted to improve market access for other energy products and other consumer-use goods of high social value in base-of-the-pyramid countries similar to Mozambique.

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