

Allen Wilcox Presentation for US-Africa Business Summit

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In the next few minutes, I would like to explain VillageReach's mission, a little about the model we have developed, provide two examples of our work, and close with a few general principles that I hope you'll find useful to your work in Africa.

VillageReach is a non-profit social entrepreneur. We work to improve access to quality healthcare for remote, underserved communities. Many of you have heard of the term "social entrepreneur." I suspect the people in this room represent a mix from both the public and private sectors. Normally we're in one group or the other. If you find yourself in both groups, then you may be a social entrepreneur. But being a social entrepreneur goes beyond just using business techniques to achieve a social mission. Scale and sustainability are defining goals. In VillageReach's case, we have developed a model for improving healthcare at the last mile that uses for-profit businesses to scale and sustain the health system.

The vision for VillageReach began in 1999, when Mozambique suffered from a number of severe floods. The international community rallied to bring in relief supplies, but those who needed help the most, the rural poor, could not get aid. The supplies were stuck in the capital city due to inadequate logistics and supporting infrastructure. VillageReach was established to address that problem.

We began work in northern Mozambique by working with the Ministry of Health to redesign the public health system's vaccine supply chain from the provincial capital down

to the health center. At the time only 68% of the children under five years of age were being vaccinated. One of the key reasons for this low number was an unreliable supply of vaccines to the health centers. Mothers typically walk for many hours to bring their children to a health center for vaccination. If there are no vaccines, they are told to come back another time. After that happens a few times, people give up on the system.

So VillageReach helped the government put a systematic distribution process in place along with a management information system to track and continuously improve performance. Second, vaccines are temperature sensitive and must flow through a cold chain, but there was no reliable source of energy to run the refrigerators. Propane was available in the south, where the capital city is located, but not in northern Mozambique, over 1,000 miles away. VillageReach could have used the donations it raised to build a propane distribution network just for the government. That would have solved the problem for awhile, but not provide a solution that could be sustained without raising more donations. We looked at this social need as a market problem. We invested the charitable dollars into a newly-formed, for-profit company. That company, called VidaGas, used the money to build the propane distribution network. At first, VidaGas' only customer was the government, but it quickly began to sell propane to restaurants, hotels, light industry and households, all who wanted to use propane instead of wood and charcoal.

So what are the results from this first example? First, an independent evaluation showed the new vaccination distribution system was responsible for increasing the vaccination coverage rate from 68 to 95%, a figure that rivals the United States. A cost study was also conducted. It found the new system costs less for the government to run

than its prior system. Second, VidaGas has expanded to become the largest distributor of propane in northern Mozambique. The public health system represents only 14% of its customer base. The capital market has recognized VidaGas as a significant growth business. VidaGas recently secured a large equity investment from a private social investment fund to continue its expansion. We're pleased that all of the charitable dollars put into the company are reflected in its valuation. In effect, VidaGas has provided years of social benefits by supporting the public health system without spending any of the donated money. It did this by providing value as a competitive service to a broad base of customers beyond the government.

We're applying the model in similar situations. A large drug company has hired VillageReach to help it launch and showcase a new last mile distribution system. This company distributes its products in low-income countries through government-run distribution channels. It has recognized that while it doesn't operate those channels, its business is dependent upon them. Not only are people suffering because of the inadequacy of the distribution channels, but growth of the company's business is held back. The seriousness of the problem is becoming even more pressing as the company introduces new products. These products could make an even greater impact in improving the health of poor communities, but only if they can get through the distribution channels.

On this project, the drug company's business unit and its corporate social responsibility group are working with local government officials to design a new distribution system. The results are not in yet, but we believe blending the private and public sectors together will produce a strong outcome.

We see many other opportunities to blend private and public objectives in the form of social enterprise. Health systems are often weak because business services are not available. The health system is forced to do everything on its own, an approach that is inefficient and often ineffective.

In closing, I would like to highlight a few principles for you to consider:

First, the opportunities for public-private partnerships in Africa are huge. Most emerging healthcare opportunities in Africa will probably require some blending of the private and public sectors. These deals can be a challenge for both sides. They require an open mind and perseverance.

Second, innovation seldom strikes when we do the same old thing. Much of the innovation in healthcare in Africa is the result of people with very different disciplines coming together to solve a problem.

Finally, getting started in Africa can be a challenge, particularly in remote areas where infrastructure is poor. Operating alone, the public sector and civil society will keep working but make slow progress; the private sector will be slow to invest or perhaps never invest. Each sector should look for opportunities to leverage the other. We often find that what's good for one sector is good for the other.

I believe with this approach, we can make incremental progress that over time becomes scalable and sustainable. Thank you.