

A Charitable Investment

A venture philanthropist looks for an unusual return

Delivering vaccines to children in remote African villages is a worthwhile venture to Craig Nakagawa, '97.

Making sure they can be delivered year after year will take every skill he ever learned at the GSB.

“When you build a business in the U.S., you take a lot for granted—phones, electricity, roads,” said Nakagawa. “In northern Mozambique, you’re building from the ground up.” As director of planning for VillageReach, that experience comes with the territory.

An example of venture philanthropy, VillageReach runs a for-profit propane business to support a charitable vaccine distribution program in Mozambique. Nakagawa was one of the founders, but his career didn’t begin in Africa. After a stint teaching English in Asia, he worked at Lehman before and after business school in equity research and later in derivative sales in New York. In 1999 he joined Craig McCaw’s satellite venture, Teledesic, where a colleague, Blaise Judja-Sato, was developing a vaccine delivery program for Mozambique. Nakagawa joined him and they created VillageReach.

“Blaise had support from the Gates Children’s Vaccination Program and Graça Machel, Nelson Mandela’s wife, but he needed help developing a business plan. We spent our off-hours poring over maps of Mozambique and vaccine schedules,” he said. “I had no experience in health care, but I did have experience with the standard process of how you look at new ventures. Only the details change.”

In April 2001, Nakagawa joined VillageReach full-time. “Telecommunications was taking a dive, and Blaise needed me in Mozambique,” he said. Nakagawa, Judja-Sato, and Lionel Pierre, VillageReach’s logistics expert, drove 4x4’s to remote clinics, where they found broken equipment, unusable vaccines, and contaminated needles everywhere. “Children were dying for lack of vaccines because a refrigerator was missing a minor spare part. The situation was terrible, and we were determined to do something about it.”

Raising \$1.4 million in start-up funds was like asking any

venture capitalist for money, he said. “Investors are still looking for a return. While you’re not looking for a 30 percent return, you’ve got to show a societal benefit—lives being saved, children being vaccinated.”

In March 2002, VillageReach signed a five-year agreement with Mozambique’s Ministry of Health (MoH) and delivered its first vaccines in June. The organization is the first example in the developing world of a completely outsourced health care logistics system, including transport management, equipment maintenance, and distribution of vaccines, medicines, syringes, and fuel. VillageReach must cover a large part of operating costs through for-profit activities. For example, VillageReach distributes propane, which powers refrigerators, lights, and incinerators at health clinics but is also used in households and businesses. The MoH is paying for VillageReach’s services, an almost unheard-of concept in countries accustomed to only receiving aid.

VillageReach expects considerable additional support from backers if its model proves successful, and plans are already being made to expand further into Africa. VillageReach’s outsourcing model is being monitored by the Bill & Melinda Gates Foundation, which focuses on health care access problems in countries with chronically weak infrastructures. To maintain support from such organizations, VillageReach must show results. “You’ve got to be sustainable,” Nakagawa said. “That’s the hard part.”

The challenges of the program are what motivates Nakagawa. “There are definitely days when you’re baking under the noonday sun and dreaming of a cold beer and a flush toilet, but we’re doing good things and it’s an incredible adventure,” Nakagawa said. “What more could you ask for in a job?”—P.B.

Kevin Weinstein

