



FINANCING AGENCY FOR
Social **ENTREPRENEURSHIP**



Success study Healthy Entrepreneurs

Scaling and financing
a social innovation

May 2023



**Healthy
Entrepreneurs**



Content



 **Kompetenzzentrum
für Soziale Innovationen**
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Summary: Basic healthcare for all

The social problem:

- More than **600 million people** in Sub-Saharan Africa do not have access to basic health care and affordable health products.
- Getting health information and care can be expensive: high costs of transportation to the nearest health centers, expenses for consultations and care not covered by insurance, and the widespread presence of falsified or substandard medication.

The solution:

- Healthy Entrepreneurs ('HE') engage rural community health workers in a **sustainable micro-business** that allows them to improve access to health information and products in their communities while generating income for themselves and their families.

Proof of Concept:

- Healthy Entrepreneurs is working today with more than **18,000 micro-entrepreneurs in 7 countries**, reaching around **18 million people** in rural areas across Africa.

Scaling:

- To scale operations in **Kenia and Uganda**, the social enterprise was looking for growth capital in 2019/2020.
- Through a combination of different forms of financing (**hybrid financing model**), HE successfully attracted fresh capital for its expansion with support from FASE and meanwhile closed a second round in 2022.





Healthy Entrepreneurs

envisions a world where everyone in Sub-Saharan Africa has access to basic health products and services

Major recent successes

- Healthy Entrepreneurs developed and tested a new key solution: **Telehealth and eDispensing**. The first version includes standard treatment packages for Hypertension, diabetes, sickle cell, and arthritis. On top comes a **mobile laboratory** for follow-up testing. The new offering makes the company the sole provider of a complete holistic solution for Non-Communicable Diseases in East Africa.
- At the end of 2022, the company successfully raised a **second hybrid financing round**: EUR 2.5 million in equity came from Philips Foundation and Madiro. The Dutch Good Growth Fund (now: Invest International) provided a follow-up senior loan of EUR 4.5 million. ([press release](#)). In addition, the Dutch Postcode Lottery disbursed a second grant of EUR 1 million in 2023 to support the setup of Healthy Entrepreneur's new e-health solutions
- **Expansion**: Currently, the company is active in 7 countries - Uganda, Tanzania, Kenya, Burundi, and Burkina Faso - and has recently added Nigeria and the Democratic Republic of the Congo. **18,000 Community Health Entrepreneurs ("CHE")** are now empowered to serve their communities through Healthy Entrepreneurs, with an increase to 23,000 CHE expected by the end of 2023.



Market challenge: lack of access to basic health services in rural areas

In large parts of the world, people living in rural communities often lack trusted information on health-promoting practices and cannot access affordable health products and services:

Lack of awareness:

- Poor knowledge of causes/symptoms, leading to avoidable infectious diseases such as Zika, Mers, and Ebola. Also low adherence to treatment of chronic diseases such as hypertension and diabetes.

Poor access to health:

- Low availability of health centers and high travel costs to the nearest ones, lead to substantial costs.
- For every US\$100 spent on care, 45% is spent on transportation.
- Available consultations and care can be challenging to afford, especially since expenses are generally not covered by insurance.
- There is a high dependency on the local black market for medicines, leading to the use of cheaper but counterfeit medicines (30-60% of all available medication).
- Poor health often leads to substantial costs and time burdens on women, families, and low-income populations in general.



The solution: a franchise model for basic health services



Company

- Identifies qualified health workers
- Enables them to become micro-entrepreneurs (franchise model)
- Gives training, start-up credit, equipment
- Manages full supply chain



Community Health Entrepreneur

- Receives basket of health products and information
- Empowered to serve the community from which they typically come
- Receives opportunity for income and self-determined life



Beneficiary

- Receives high-quality and affordable health products and information
- Provided in their own village: no need to travel anymore
- Substantial savings in health and travel costs

The Community Health Entrepreneurs

- Target Profile: Preferably women, 30+, mother, literate, commercial experience, and existing health worker background
- Model: B2B Franchise
- Become **Community Health Entrepreneurs'** (CHEs)
- Service: door-2-door business combining health education, counseling, and sales of essential products
- Receive solar tablet with essential functionality

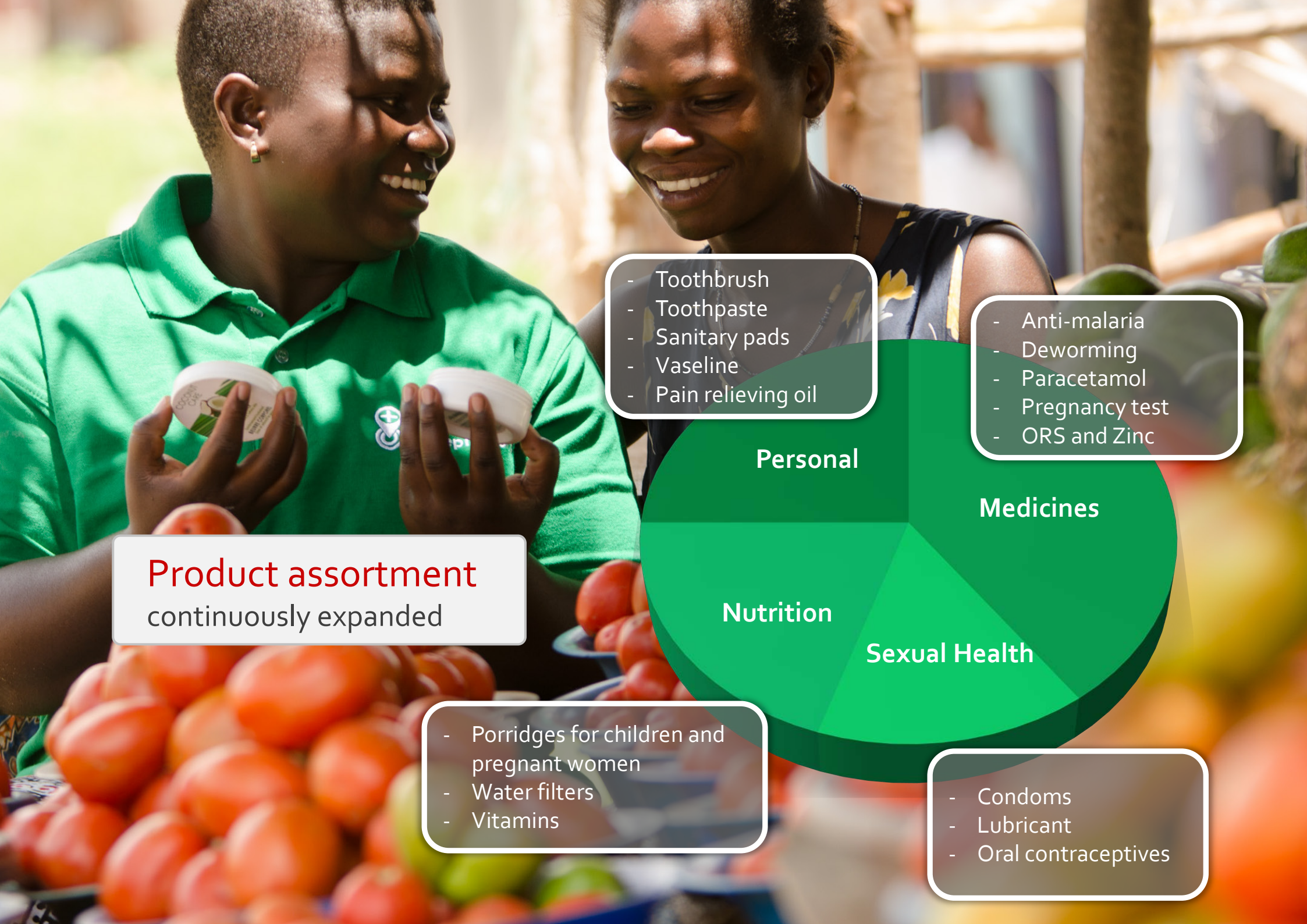


Teddy, 33 years old
Kikoma, Uganda

The Beneficiaries

- HE's beneficiaries are families living in remote villages in one-room houses, earning less than US\$2 per day
- The nearest health center is on average 75 minutes walking distance, or at US\$2 costs by transport
- HE targets families with an average of 5 members, including a child < 5 years, 1 adolescent
- Families that need basic health commodities and services close to their homes





- Toothbrush
- Toothpaste
- Sanitary pads
- Vaseline
- Pain relieving oil

- Anti-malaria
- Deworming
- Paracetamol
- Pregnancy test
- ORS and Zinc

Personal

Medicines

Nutrition

Sexual Health

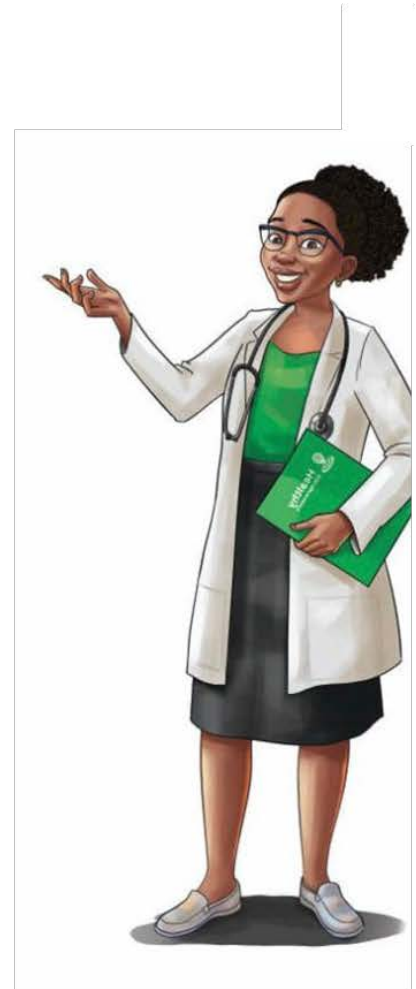
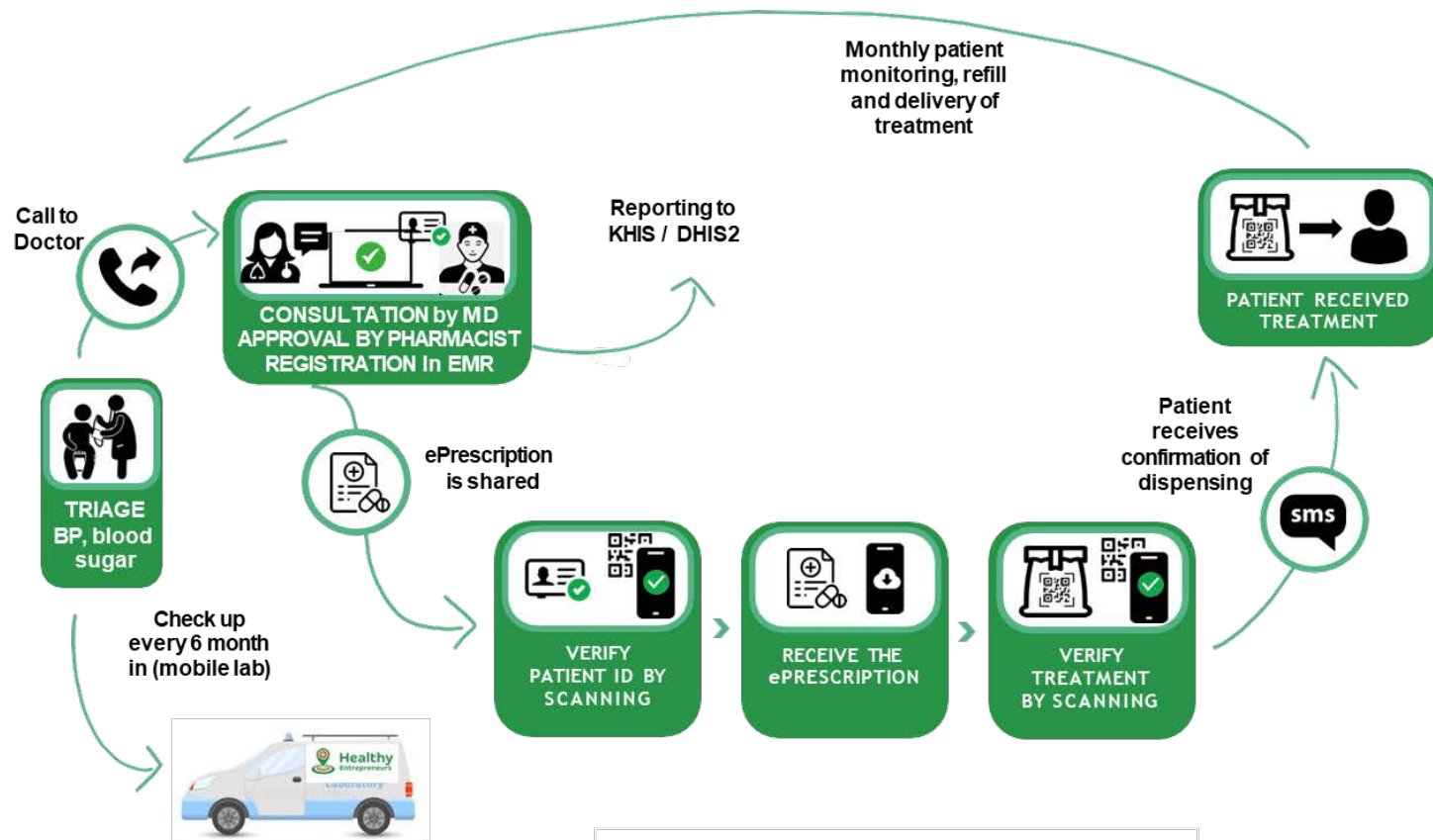
Product assortment
continuously expanded

- Porridges for children and pregnant women
- Water filters
- Vitamins

- Condoms
- Lubricant
- Oral contraceptives

New key offering: Telehealth and eDispensing

Home-based care using Telehealth and eDispensing



The social entrepreneur

“Our mission is to train men and women to become Healthy Entrepreneurs or independent health care providers to their communities”



Joost van Engen

Master in Business Administration,
20+ years of working experience in
sales and distribution in Africa.

Inception of HE

2011

Motivation

Realizing that simple food commodities reached areas where people do not have access to basic health commodities, Healthy Entrepreneurs was created to make a difference ([video: personal story](#))

Progress to Date

- Elected as an Ashoka Fellow in 2016
- Network of 18,000+ micro-entrepreneurs spread over 7 countries
- Value-added solutions to access health experts at a distance, new: telehealth offering
- Supporting national health systems

The business case

The credit is repaid based on 12 months repayment scheme

1

The Community Health Entrepreneur invests US\$40

2

Receives tablet + 5 days of training

3

Receives max US\$70 products on credit
pay-back time is 1 year

4

Orders monthly and receives deliveries + receives regular courses

The impact results: early evidence (2018)

Compared to regular Community Health Workers, the Community Health Entrepreneurs (CHEs) achieved the following results:

- Referred twice as many patients
- Spent significantly more time on health work
- Followed more refresher training

And after six months:

- Have significantly higher availability of essential medicines
- Doubled their overall income
- Showed an increased self-esteem

Source: Erasmus University research by M.O Kok (2018)



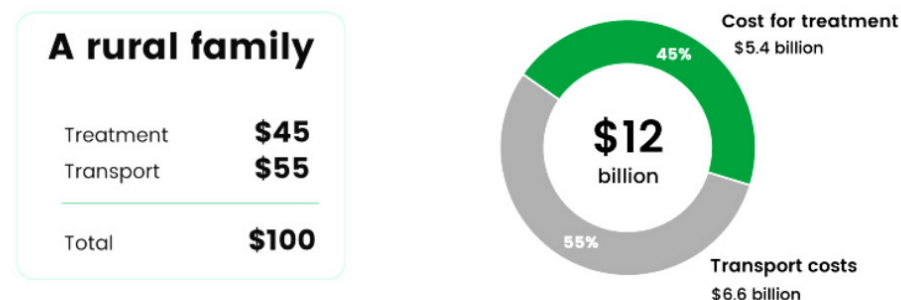
The impact results: the social business case today

Substantial benefits through intervention for sexual and reproductive health, maternal health, children's health, water, sanitation and hygiene, and nutrition in the most challenging areas:

- Doubled CHE's income
- 55% cost savings in health expenditure for rural families by reducing transport costs to health services and access to lower-cost health products.
- Timely detection and treatment prevent further development, spreading, and high cost.
- HE ensures a constant supply of generic medicines.
- The HE model contributes to essential employment in rural and remote areas. The CHEs earn a sustainable income by running their own businesses.
- Empowering effect, especially on female entrepreneurs.
- Systems change by "proving that it can be done".

A burden or a market opportunity

Expenditure on basic health of rural families in sub Saharan Africa

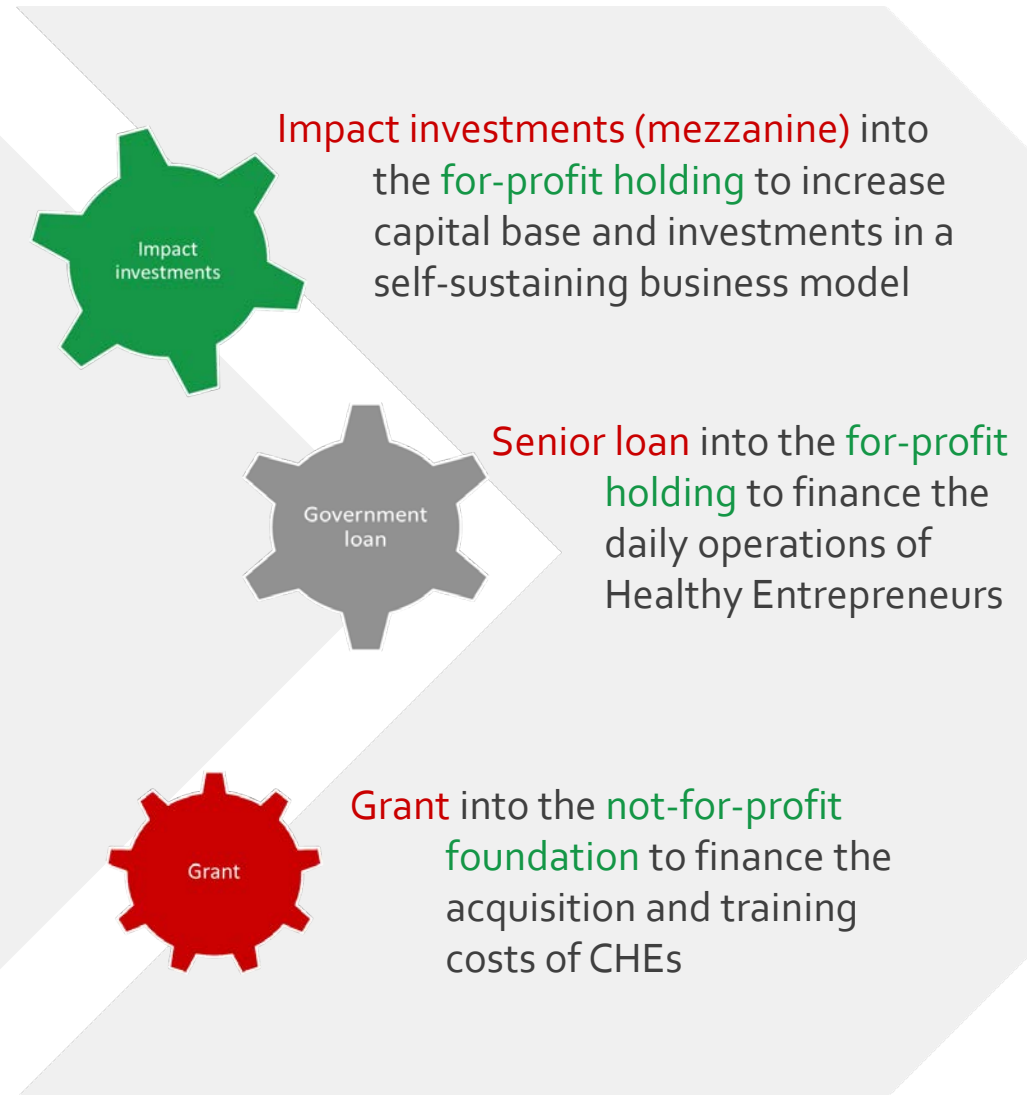


Potential savings OR estimated market size of \$6.6 billion

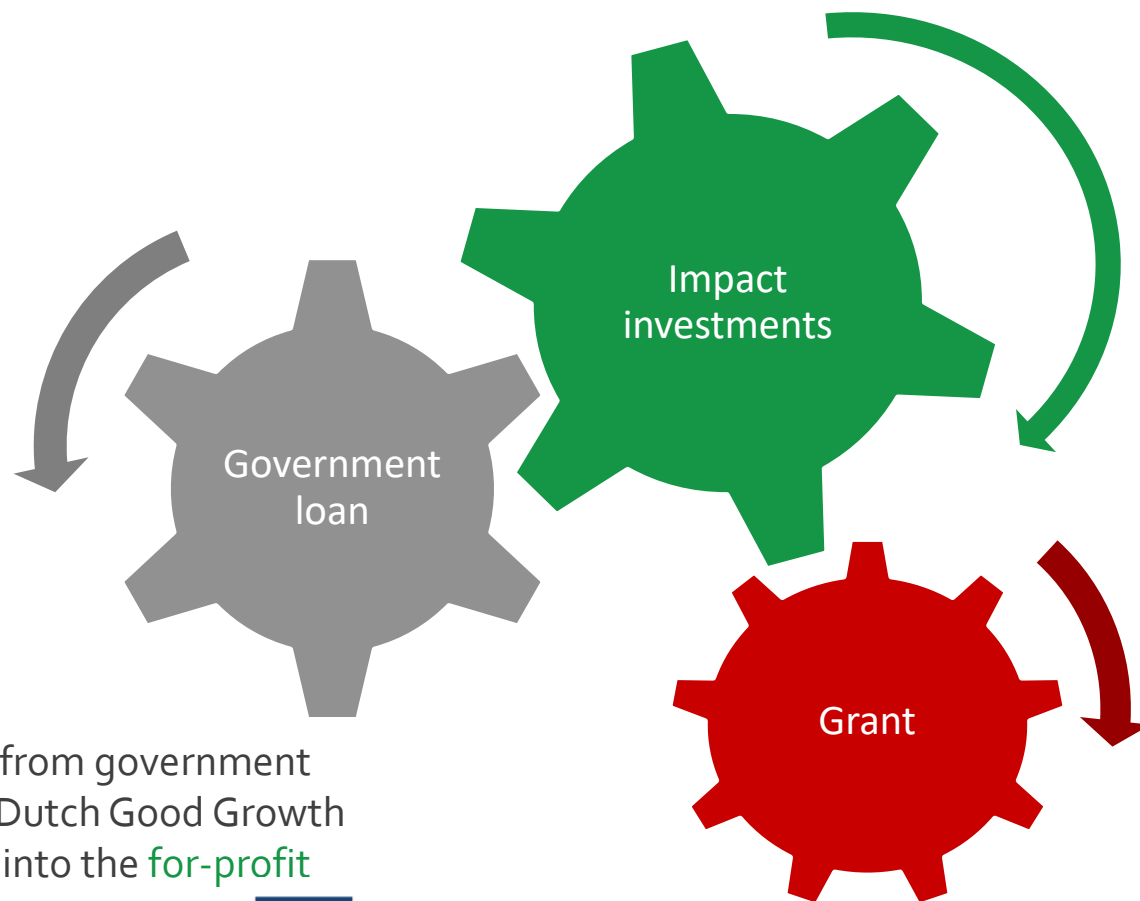
Source: Healthy Entrepreneurs, [Annual Report 2021](#)

The hybrid financing model (2020)

- Healthy Entrepreneurs is organized as a “structural hybrid”: The social enterprise consists of (1) a non-profit foundation and (2) a for-profit limited (BV), both registered in the Netherlands.
- The foundation in the Netherlands is responsible for program management, fundraising, and investing donations in new entrepreneurs.
- The for-profit limited is the holding and handles the purchase of goods, operational management, IT services, product innovation, reporting, and business management. The business supports the country offices by expanding their network of entrepreneurs.
- The money flow is managed according to a written agreement between both entities. This arrangement allows to extract all profit from the business and invest it into the foundation for new entrepreneurs.



First financing round 2020: structure & investors



Senior loan from government fund Dutch Good Growth Fund into the for-profit holding



Dutch Good Growth Fund

Impact investments (mezzanine) from 3 business angels and GLS Treuhand into the for-profit holding



Grant into the not-for-profit foundation by the Nationale Postcode Loterij



First financing round 2020: terms & conditions

Structure

Fixed return

Performance-based return

Maturity

Investor rights

Mezzanine combined with senior loan

- Mezzanine with optional conversion into equity
- Senior loan

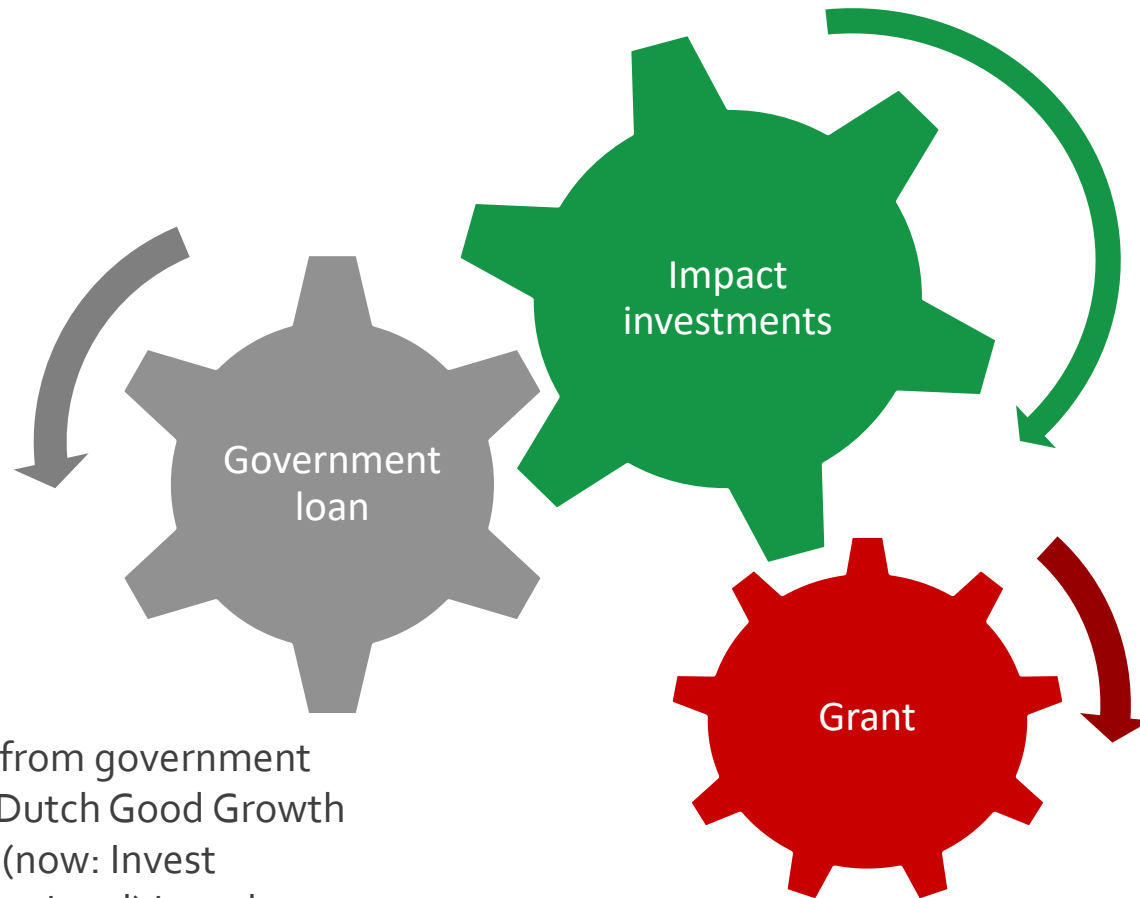
- Mezzanine (subordinated loan): 3% p.a. + annual step up after breakeven up to 6% p.a.
- Senior loan: Fixed interest rate at 3% p.a.

- Unless the junior loan is converted into shares, an additional one-off performance-related interest of 6% IRR will be paid for the entire duration of the loan (target return)

- 6 years maturity, with the option to convert into shares during a next financing round

- Information-, participation-, approval- and transfer rights

Second financing round 2022/2023: structure & investors



Senior loan from government fund Dutch Good Growth Fund (now: Invest International) into the for-profit holding

Impact investments (equity) from Philips Foundation and Madiro into the for-profit holding



Grant into the not-for-profit foundation by the Nationale Postcode Loterij



InvestInternational

The hybrid finance experience



Raising the first hybrid financing round with support from FASE was crucial for us to scale - money makes money. It enabled us to learn and secure the second round.

Public and commercial funding can go very well together. Blending both provides a good fit for impactful business cases in the health sector, but it's also well-suited for other fields in the sustainability space.

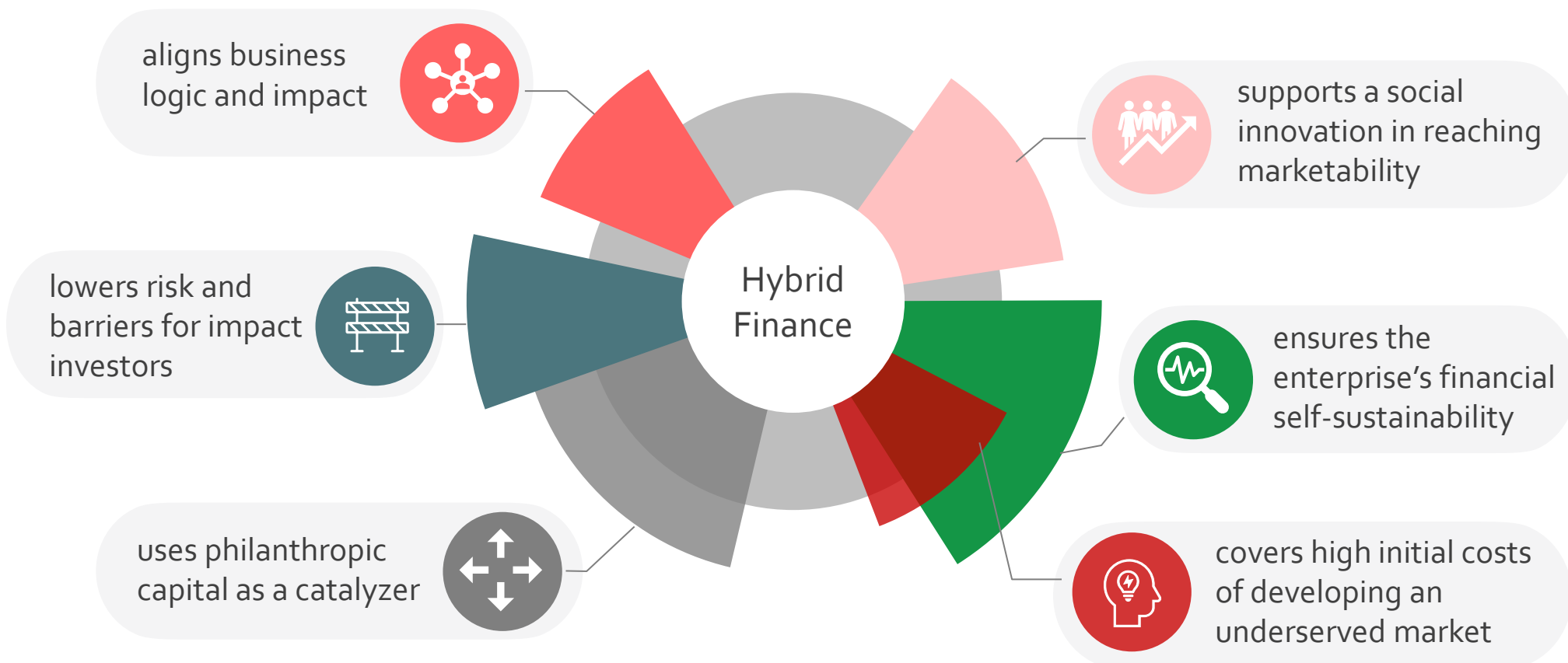
My advice to other entrepreneurs: ensure a visible and tangible proof of concept. Having people actually see what's happening will facilitate the funding process.

Joost van Engen



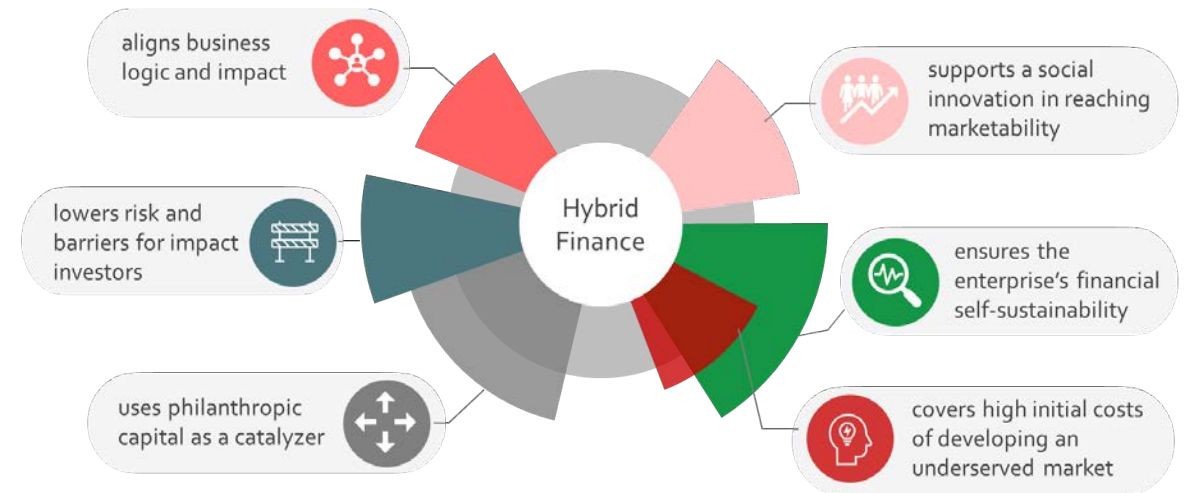
Main insights: how hybrid finance supports business and impact

A **hybrid financing model** can crowd-in different types of funders and features smart combinations of different financing instruments. It can also include incentives for impact achieved. In addition, such a model....



Main insights: how hybrid finance inspires others to follow

- **Healthy Entrepreneurs** are now considered to be an inspiring case in **hybrid finance**. The management team is frequently requested as a speaker on the subject, e.g., for a congress by Invest International in July 2023, or as a panelist for an event by the Dutch Ministry of Foreign Affairs.
- The Dutch government was inspired to start working on a **blended finance fund**, based on the experiences with Healthy Entrepreneurs.
- Philips is now collaborating more intensively with the government, to co-finance cases in which hybrid/blended finance is ideal.



Hybrid finance and **blended finance** are related approaches and are sometimes used interchangeably in the market. [EVPA](#) defines hybrid finance as “the allocation of financial resources to impact-oriented investments combining different types of financial instruments and different types of risk/return/impact profiles of capital providers.”

[Convergence](#) defines blended finance as a structuring approach that “uses catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.”

Both approaches have in common that they strive to mobilize more capital towards impactful projects by either (a) reducing the risk or (b) increasing the returns of the project through a smart combination of public, philanthropic and private capital.

Would you like to learn more?



The Financing Agency for Social Entrepreneurship GmbH (FASE) was launched by Ashoka to support social enterprises in raising growth capital to scale their impact.

FASE's mission is to help create a thriving Pan-European ecosystem for social innovation by building coalitions between different types of investors and by developing innovative financing models specifically tailored to the needs of social enterprises.

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