



INNOVATION COUNCIL

Spotlight:

7 Questions for Villgro Africa

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How did Villgro Africa get its start?

During the early 2010s, Villgro was thinking of expanding outside of India. I (Wilfred Njagi) was fortunate to do a one-year fellowship with Villgro in 2013/14 after which I took up the challenge of scaling Villgro to Africa. With the team from Villgro India, I started looking at what African countries were similarly situated in terms of their need for support for social enterprises – Nigeria, South Africa, Kenya, Ghana. We found there is growing low to middle class with increasing ability to consume, but also social development challenges that need attention. It was a time that other impact investors were coming to Kenya. I quickly identified two co-founders (Dr. Robert Karanja and Rob Beyer) and we set up shop in Nairobi.

Grand Challenges Canada approached us in 2014 just after we had launched in Kenya. They had been focusing on a maternal-child health call in East Africa, and they wanted to see if Villgro could be their eyes and ears on the ground. They asked us to conduct rapid assessment on some of their grantees and quickly evaluate how they were progressing were, to assess which grantees had a viable business model and the potential to scale. They wanted us to recommend the companies that should get follow-on funding. This is how we ended up focusing on healthcare – which is where we've been for the past five years.

In addition, the Lemelson Foundation provided a grant, having funded Villgro in India for the past decade. Their mandate is to support inventors.

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What was the moment when you knew that Villgro Africa was on track for a successful future?

When we started, we had no money to give seed funding. We focused on coaching and mentorship, but without giving money. Then a USAID PACE grant changed this. This was a partnership to accelerate access to funding for startups in Kenya. This enabled us to start giving money (up to \$40/50K USD in grant funding to incubatees). We got a half million and could do ten sizeable grants. Then the word spread that we were investing not just incubating which meant that more pipeline started coming our way. It ceased being a problem to get good investable deals. To disburse funding, we created milestones – with further funding contingent on meeting those milestones. Then we got another big funding push from Argidius, which enabled us to do equity investments in the startups. This blended finance approach allowed us to blend grant money with equity funding coupled with technical assistance. Last year, we became known as one of the most active investors in East Africa.

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Name some factors behind Villgro's success to date.

I can think of three:

First, support from Villgro in India. They shared their templates, and Paul Basil, the founder came regularly to help us get started so we did not have to reinvent the wheel. Also, they seconded some key team members to spend a few months with Villgro in Kenya as part of the knowledge transfer. This helped strengthen our due diligence & portfolio management. The Villgro brand also helped us network with downstream investors & other funders, that knew about our work in India. From our impact report – it's evident what we've achieved in five years – is no small feat. This is thanks in part to this early support and the proven methodology.

Second, being in the right ecosystem. Kenya was good choice for the first country of replication.

Third, we have the right team. Dr Robert Karanja comes from biotech R&D, molecular biology. Then we have Rob Beyer, a businessman with over twenty years' experience. Then I had a tech background as well as an MBA. We aimed to create a multi-disciplinary team. We encourage the incubatees be diverse in their leadership teams.

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What is the role of innovation at Villgro Africa? How much does collaboration matter for your work?

I was recently on a panel about open innovation with speakers from industry and government organized by Resonance Global. We were talking about how nobody can compete on internal knowledge alone, and this resonated with me. It is very true in my experience. Knowledge transfer from Villgro India was critical to our success. Today we are doing the same – training other incubators across the continent on our proven incubation approach. We are empowering and sharing with others. We are always on the lookout for joint programs, pipeline sharing, sharing of best practices and expertise, and other novel collaborations. Innovation comes from knowledge and by sharing it, we can broaden the possibilities for everyone. At the incubator level and also at the level of the incubatees – it is important to share what you've learned with others trying to walk a similar path. We convene multi-stakeholder meetings in Kenya to think more broadly about ecosystem gaps and how to deal with them. India is ahead of Kenya in the area of med tech so there is much to learn about the path. We seek to learn from those lessons and to build a better ecosystem in Kenya together with others. Three levels of collaboration are relevant in our work: incubatees, other incubators, and triple helix at ecosystem level.

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What can governments do to foster innovation and entrepreneurship?

The Kenya startup bill has been very helpful; it looks at how you create supportive ecosystems for start-ups. Also, senior political engagement makes a difference. The President clearly laid out manufacturing and universal healthcare as part of his top four priorities for his administration. This has really helped to create some momentum around local innovation and manufacturing. Much more can be done, though, especially around tax incentives to support local innovators. Prioritizing emerging innovators in government procurement can be useful. Many local innovators struggle to access public healthcare system procurement and that is the key actor in many developing countries. Also, the public system can be a sandbox to experiment with new interventions and tools; instead the reality is that in many places, public procurement officials will ask “where has this already worked?” Part of the solution lies with us. There is a lot more engagement with government needed by the local innovator community to explore new policy actions and ideas.

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Has your organization interacted with the intellectual property rights system?

We encourage incubatees to use IPRs. Commercialization of a med tech or a healthcare invention can be a 5–7-year journey and companies need IP protection on their way. They can start by working with local IP counsel, and often Villgro will even pay for those services. For patented innovations, we encourage PCT filings. Even as protect innovations we are cognizant there is a place for IP waivers & licensing out. We believe that the common good should be taken into account by innovators when licensing their inventions. We will increasingly be faced with situations like the pandemic in the future, and we need to consider that already right now.

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What are the most important lessons that your team at Villgro has learned so far?

There are quite a number of lessons. Africa is still a developing economy in its nascent years. Often entrepreneurs don't have a safety net. There is very little room for failure since this could have long term effect on one's career and even livelihood. This survival mode leads to entrepreneurs having a side hustle mentality that leads to parallel entrepreneurship as opposed to serial entrepreneurship. There is need for investors coming from outside to recalibrate and set expectations right knowing that full time commitment by entrepreneurs will only come after their enterprise starts gaining substantial traction.

Ecosystems take a while to mature. We have seen tremendous growth in the Kenyan ecosystem both in deal flow and number of equity transactions over the last 5 years. Any investor entering a new market should have a long-term strategy. A few investors exited the market 6 years ago as we were launching citing poor deal flow. Today the scenario is different. More investors are setting shop in Kenya. Last year alone, Kenyan startups attracted 305million US dollars in venture funding.

Lingo (Investor dialect) is not universal. We have seen the need to train especially local entrepreneurs to speak in the investor's language. This lack of jargon and bravado causes a lot of good investable local founder teams to miss out on investment opportunities while expat led startups take a lion share of the investment deals. Villgro Africa is nowadays very intentional in making sure local entrepreneurs get proportionate funding through our investment readiness support and regular investor showcase events. We encourage local founders not to underplay success and ensure their stories get the limelight they deserve.



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