

## Healthy Households Initiative: Honduras

Improving access, affordability, and use of preventative health products through strengthened supply chains and innovative financing schemes

### HEALTHY HOUSEHOLDS INITIATIVE MODEL

PATH's Healthy Household Initiative (HHI) seeks to reduce the prevalence of diarrheal diseases and acute respiratory infections in children under five years old and their families by improving household and environmental living conditions.

The core model of the initiative seeks to increase the accessibility, affordability, and use of preventative health products for low-income households. Upfront cash liquidity and affordability issues are addressed by working with established microfinance institutions and rural community-based savings and loan groups to develop low-interest consumer loans for product purchase. In parallel, we work to strengthen the capacity of social entrepreneurs—those who sell the products—and other supply chain actors who manufacture, source, and distribute products. Working with those market actors expands the reach of their goods, increasing access for households that are currently not within reach of markets. Finally, continued and correct use is increased through promotion and visits by the social entrepreneur to households.

Successfully implemented by PATH in India and Cambodia, the HHI model has shown that (1) consumer loans unlock demand for health products, (2) targeted capacity-building and support to men and women entrepreneurs significantly increase monthly incomes, and (3) a streamlined microfinance process with microloans not only resulted in zero percent default rate but also a positive net margin for the microfinance partner. Building on this evidence and momentum, a similar approach is now being implemented in Honduras.

### PROJECT OVERVIEW

With funding from the Inter-American Development Bank Multilateral Investment Fund, Global Brigades and PATH successfully launched a revised version of the HHI model in Honduras in March 2015.

The primary objectives of the three-year project are to (1) increase household purchases and use of HHI products (latrines, clean cook stoves, water filters, solar products); (2) increase access to consumer finance for the purchase of HHI products; (3) strengthen the capacity of supply chain

and financial actors; and (4) disseminate results, lessons learned, and best practices.

Global Brigades, the world's largest student-led global health and sustainable development organization, is leading the implementation of the project in four departments of Honduras—Valle, Choluteca, Francisco Morazán, and El Paraíso—in low-income, rural communities. PATH is providing technical assistance in product development, selection, and evaluation; development and continual refinement of the sales, financing, and distribution models; and development and execution of monitoring and evaluation systems.

### KEY PROJECT TARGETS

- 15,000 individuals self-reporting a reduction in rates of diarrhea and pneumonia rates in the last 15 days
- 3,000 households purchasing a bundled product combo of at least two products
- 50 sales entrepreneurs recruited and trained
- 50 community savings and loan groups established and trained



Four departments (Francisco Morazán, Valle, Choluteca and El Paraíso) where the HHI project is being implemented in Honduras.

## ABOUT THE MODELS

Global Brigades and PATH seek to test two variations of the HHI model in Honduras.

### **Model 1: *Modelo Brigadas Salud Pública***

The first model will leverage several key elements of the Global Brigades core vision and programming approach—a holistic product-ownership vision, student-financed loan capital, and service of student volunteers.

Model objective: incentivize the purchase and household use of HHI products through consumer loans and product subsidies.

Long-term objective: ensure that every household within project communities acquire all HHI products offered by Global Brigades (latrine, cookstove, water filter, cement sink) to be considered “holistic communities.”

Actors involved:

- Local entrepreneur
- Community savings and loan group
- Mason (to construct latrine and cookstove)
- Product distributors
- Student Public Health Brigades (to support the installation of the latrine and cookstove)
- Student Water Brigades (to support the installation of the cement sink)

Financing mechanism: Under this model, any single product can be purchased with cash. To access consumer loans, households need to purchase a combination of two products (listed below). Capital for the four products offered under this model is provided through Global Brigades Public Health student contributions. A portion of those funds is used as loan capital for households to purchase one of the product combinations. The other percentage of the funds is used to subsidize the cost of the remaining products not purchased.

Product combinations:

- Two-product combo (latrine, cookstove, water filter, solar product)

### **Model 2: *Modelo Viviendas Rurales Saludables***

The second model focuses on working more closely with market actors and principles to stimulate demand.

Model objective: incentivize the purchase and household use of HHI products through consumer loans. No product subsidies will be offered under this model.

Long-term objective: establish incentive-based sales, financing, and distribution mechanisms that allow families to access and afford HHI products, while developing a

strong relationship with communities for future Global Brigades activities and programs.

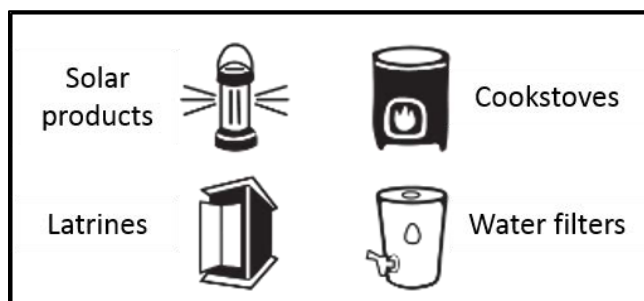
Actors involved:

- Local entrepreneur
- Community savings and loan group
- Mason (to construct latrine and cookstove)
- Student Medical Brigades (to support the installation of cookstoves and water filters)

Financing mechanism: Under this model, any single product can be purchased with cash. To access consumer loans, households need to purchase a combination of two products (listed below). Capital for the HHI products offered under this model will be provided through independent financing sources (such as Kiva), existing funds available within the community savings and loan group, or through Medical Brigade student contributions.

Product combinations:

- Two-product combo (latrine, cookstove, water filter, solar product)



*Products available for purchase.*

## KEY DIFFERENCES WITH PAST MODELS

### *Financing mechanism*

Previous versions of the HHI model have relied on established microfinance institutions (MFIs) to provide the needed capital for consumer loans. Our approach in Honduras seeks to extend financial inclusivity beyond the reach of the typical MFI, by engaging directly with community savings and loans groups (CSLG) as the principal finance partner. This approach has several advantages: 1) given the location and members of the CSLG, households can more easily and cost-effectively access financial resources and products; 2) smaller-size consumer loans can be offered by the CSLG due to lower administrative costs to manage those loans; 3) interest generated on the HHI loans remains within the CSLG, allowing them to reinvest those profits back into their community; 4) financial acumen and management capacity are increased for CSLGs and their members through trainings and workshops facilitated by the project. This approach does carry certain risks; however, the novel HHI pilot approach is expected to yield a wealth of lessons

learned, which could catalyze larger future investments in this model.

#### *Reorienting a highly subsidized vision to a market-based approach*

The HHI model provides Global Brigades (GB) with new, alternative programmatic approaches to holistic community development. By leveraging GB's existing and expansive community presence in Honduras, the HHI project has been able to access a large rural consumer segment that trusts and recognizes GB. By leveraging this existing network, the project is able to streamline consumer acquisition logistics, costs, and target area growth plans. Furthermore, the increased focus on cost-recovery approaches will allow GB to more effectively invest and stretch its investments, ultimately reaching more families, as well as establish and support local-level economic actors, systems, and supply chains.

### **INTERIM RESULTS**

#### *Baseline results*

A baseline evaluation was conducted in July 2016, reaching a total of 1,061 households, 4 focus groups, 24 savings and loan groups, and 260 entrepreneurs. Data showed 10.4 percent of children under five in households sampled having diarrhea in the past 15 days, and 13.1 percent of households reported a child under five years old with symptoms of acute respiratory infection (cough accompanied with rapid and shallow breaths and difficulty breathing) in the same time period...

In addition, while coverage of latrines remained high (72 percent), existence of cookstoves, water filters, and solar products (25 percent, 11 percent, and 0.8 percent, respectively) remains very low. Reported household interest in purchasing one of the products ranged from 25 to 41 percent; however, 80 percent of those respondents noted a desire to purchase a combination of products using consumer financing rather than a single product with cash.

We also found households have limited experience with financial products and accounts (13 percent), particularly with using savings and loan groups (accounts only, 4 percent) as a finance institution. Most households who had previously taken out a loan had used those funds for income generation purposes and supporting business ventures, rather than consumer goods or health needs. Finally, discussions with entrepreneurs showed nearly all had gained sales experience through informal ventures (i.e., were not technically trained).



*Mitchel Benitez of Global Brigades shows Don Bruno and Doña Adela how to use the water filter. Photo credit: PATH/Adam Drolet.*

#### *Sales & financing data*

The following data represents sales through July 2016:

##### Sales

- A total of 301 product combinations have been sold.
- All product combinations have included a water filter.
- The water filter and cookstove combo comprise 85 percent of product combinations sales.
- No solar products have been sold.

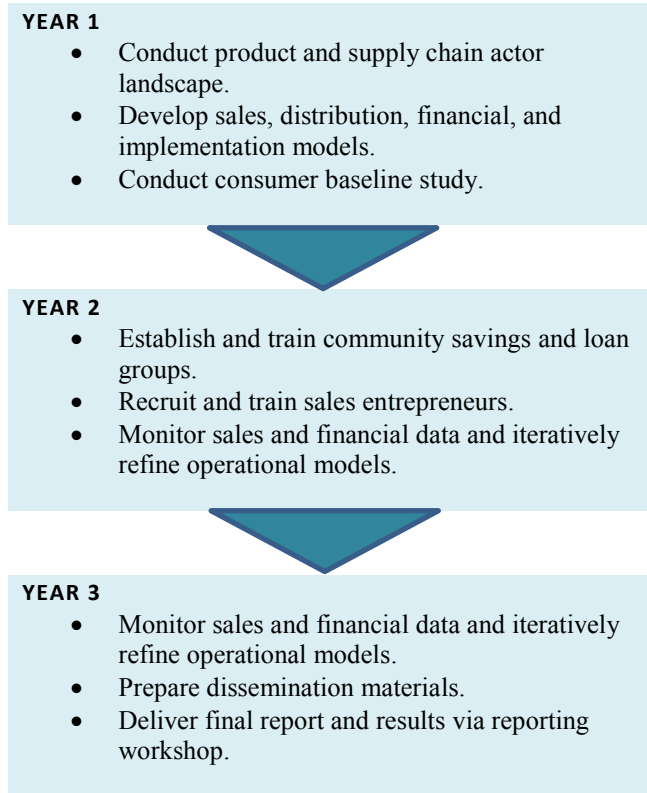
##### Finance

- 93 percent of sales have been made using consumer finance.
- A total sum of 753,843 Lempiras (US\$32,811) has been disbursed through consumer loans to purchase HHI products.
- Women comprise 57 percent of consumers taking out a loan to purchase products.
- More than half (54 percent) of consumers fall in the bottom three wealth quintiles in Honduras.
- Average loan amount is 2,718 Lempiras and average repayment term is 20 months (ranges from 6 to 24 months).

## NEXT STEPS

In Year 2, we will roll out the two models in a growing number of communities. Next steps are listed in Figure 1.

**Figure 1. Review of HHI in Honduras phase priorities.**



The successes with the HHI model in Cambodia, India, and Honduras show this approach is applicable to a wide variety of markets, settings, and cultures. Future application of the model will seek to address and leverage gaps in markets and catalyze the connectivity and growth between user needs and market suppliers.

## CONTACT

Adam Drolet  
Program Officer  
PATH  
[adrolet@path.org](mailto:adrolet@path.org)

Benjamin Erker  
Director of Impact & Evaluation  
Global Brigades, Inc.  
[benerker@globalbrigades.org](mailto:benerker@globalbrigades.org)



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**STREET ADDRESS**  
2201 Westlake Avenue  
Suite 200  
Seattle, WA 98121 USA

**MAILING ADDRESS**  
PO Box 900922  
Seattle, WA 98109 USA