A conversation with Christopher Purdy and Rory Harrington, June 23, 2017

Participants

- Christopher Purdy – President and Chief Executive Officer, DKT International
- Rory Harrington – Country Director for Ethiopia, DKT International
- Josh Rosenberg – Senior Research Analyst, GiveWell
- Chelsea Tabart – Research Analyst, GiveWell

Note: These notes were compiled by GiveWell and give an overview of the major points made by Mr. Christopher Purdy and Mr. Rory Harrington.

Summary

GiveWell spoke with Mr. Purdy and Mr. Harrington of DKT International (http://www.dktinternational.org) as part of its investigation into potential family planning giving opportunities. Conversation topics included DKT's activities, funding, and monitoring and evaluation, with a focus on its Ethiopia program.

DKT International

Founded in 1989, DKT International's core mission is to improve access to safe and affordable options for family planning and HIV/AIDS prevention, primarily through social marketing.

DKT now has 21 programs across Africa, Asia, and Latin America, but its Ethiopia program probably has the highest quality monitoring data. It is the longest-standing non-governmental organization (NGO) in that country, having operated there for 27 years.

Program activities

The Ethiopia program focuses on reproductive health, and independent estimates suggest it is responsible for at least 40% of the country's contraception prevalence. Most of its impact is attributable to social marketing, but it also runs a network of clinics.

Social marketing

About 70-75% of staff time is spent on the logistical management of importing, testing, warehousing, sales, marketing, and distribution of reproductive health commodities. It is a vertically integrated operation, covering all elements of the supply chain except manufacturing.

DKT's 23 product lines account for the vast majority of private sector family planning commodities in the country. Around 42,000 vendors stock these items, including small, rural drug sellers as well as formal pharmacies. Distribution is handled by a fleet of 80 vehicles. DKT's marketing uses a variety of approaches,

including standard behavior change and commercial marketing campaigns, in both mass media and targeted media.

DKT does not give contraceptives away, though they are often sold at significantly subsidized prices. According to a well-established formula, the cost of contraceptives should be no more than 0.25% of per capita gross national income (GNI), adjusted for purchasing power parity. In some countries – including Ethiopia, Mozambique, and the Democratic Republic of the Congo – this does not allow DKT to charge enough to cover costs.

While DKT is not the only NGO working on family planning in Ethiopia, all or most of the other NGOs obtain their commodities from DKT. No private companies import significant quantities of contraceptives.

Clinics

The remaining 25-30% of staff time is mostly spent on building a partner clinic network. Ethiopian clinics are classified as lower, middle, or upper clinics, depending on the services available. DKT now works exclusively with upper clinics, which have a doctor present and are mostly located in urban areas. They are all pre-existing businesses and DKT does not take over their management, but the program provides various kinds of support, including:

- Procurement of reproductive health commodities at very preferential rates.
- Branding, both internal and external. Clinics are given a uniform look and streetside signage to attract customers.
- National marketing campaigns on radio and TV.
- Training in basic business skills, if needed.
- Clinical training, such as in counseling and HIV testing, following a skills gap analysis.

Budget

DKT's Ethiopia program spends around $16.3 million (m) per year. The main expenses are:

- Commodities: ~$7 m
- Administration and operating costs: ~$6.8 m
- Social marketing: ~$2.4 m

Despite being the ninth poorest country in the world (by GNI per capita), Ethiopia's sales revenues are around $6 m per year. Donors have already committed an additional ~$7 m for 2018, which leaves a funding gap of around $3.3 m.

The program used to have as much funding as it could spend, much of which came from the UK's Department for International Development (DfID) and the Embassy of the Kingdom of the Netherlands, but levels of support have declined substantially in the last two years.

Use of additional funds

Additional funding would be used primarily to procure commodities. Current donors are covering most long-acting contraception, so the focus would be on short-term oral, injectable, and emergency methods. These tend to be the most expensive and therefore the most heavily subsidized. There is a lot of unmet need in this market.

Sayana Press, a self-administered injectable contraceptive, is unlikely to become a major product in Ethiopia in the foreseeable future. The Ministry of Health has not been encouraging its use and it would also be too expensive: DKT sells around four million doses of three-monthly injectables in the country each year, and would have to subsidize each dose of Sayana Press by around $0.80 to make it affordable for users (the total cost of a dose of Sayana Press is about $1.20).

Priorities vary among the countries in which DKT works. For example, in Nigeria incomes tend to be higher so users can cover most of the commodity costs, but there is greater need for demand generation activities.

Monitoring and evaluation

Data collection

DKT is a very data-driven organization. It uses three primary metrics to evaluate its activities:

- Couple-years of protection (CYPs) – the number of years of protection against conception. This is the main impact metric.
- Cost per CYP. This is used to measure efficiency.
- Absolute revenue from sales.

In addition, the program gathers data on:

- All major aspects of business, such as quarterly and annual sales broken down by product line, catchment area, salesperson, etc.
- Family planning uptake in the clinics.
- Patient footfall in the clinics after, and up to one year before, joining DKT's network.
- Product sales in clinics.

There is a paucity of good quality data on family planning in Ethiopia, but sources of information on unmet need include:

- DKT's annual gap analyses.
- Demographic and Health Surveys (DHS), most recently from 2016.
- Surveys by FPwatch (funded by the Bill & Melinda Gates Foundation), which provide reasonably accurate data on the size of the private and public sector contributions to contraception prevalence, affordability limits, etc.

Counterfactual

Because the program operates at a national level, there are no data from "control" areas. However, there are reasons to believe that DKT has a counterfactual impact, including:

- Public sector clinics cannot meet any more demand. There is a general consensus among the various family planning actors – including the Ethiopian government – that growth has to come from the private sector.
- There is a significant increase in patient footfall and contraceptive uptake after clinics partner with DKT, and around 54% of all patients in partner clinics are new users.

DKT has systematically raised prices on its commodities over the last three years, doubling sales revenue from about $3 million in 2014 to about $6 million in 2016. DKT believes that in all product categories it is now charging as much as it can without negatively affecting sales and distribution. Because DKT believes the market cannot absorb even higher pricing, it sees a funding gap that will lead to reduced distribution of core family planning commodities unless it is filled.

All GiveWell conversations are available at http://www.givewell.org/conversations