

Inside Philanthropy

Inside a Global NGO's Quest for Financial Sustainability

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So many of the world's problems have roots in overpopulation and a lack of reproductive choices for women. A cost-effective approach to the issue is through family planning organizations like DKT International, a large NGO founded 25 years ago that now has a worldwide presence. "We're about 3000 employees around the world, in 20 odd countries," Christopher H. Purdy the president and CEO of DKT told *Inside Philanthropy*. "Those countries cover about 60 percent of the world's people, but we don't have a huge fundraising machine."

Still, DKT has some powerful friends with very deep pockets, including the William and Flora Hewlett Foundation, the Bill & Melinda Gates Foundation, and—maybe most important of all—the Susan Thompson Buffett Foundation, one of the biggest funders of family planning services worldwide and a huge backer of DKT. The organization is also backed by the Children's Investment Fund Foundation.

Purdy doesn't share many of the complaints we often hear about top foundations being slow and bureaucratic. Quite the opposite: "One of the joys of working with foundations is that they tend to be a lot more flexible, their appetite for risk is much higher and they tend to be fairly practical in what they need in order to make decisions. The turnaround in decision making is very, very fast," Purdy said. "We do receive a small amount of money from individual donors, but we haven't really set ourselves up that way. Occasionally, we would angle for some UNFPA (United Nations Population Fund) funds or Global Fund money, but there tend to be a lot more moving parts, so it's a lot more work to go after that money."

Purdy certainly has a point about the ease of working with private foundations compared to bilateral or international agencies.

"Government donors tend to be the ones that impose the greatest structural barriers on advances in my field, which is family planning," Purdy said. "It is probably true in other sectors as well. They are more risk-averse. They are more process-oriented, and it takes a lot longer to get anything done. They tend to be fearful of things like sex. It's hard to talk about family planning unless you're willing to talk about sex," Purdy said.

Purdy added a more general point: "Some of those constraints are placed upon us by the whole nature of philanthropy and the conservative nature of philanthropists and donors. We're sometimes beholden to their political interest, especially if they're bilateral donors."

The good news is that DKT International has become a lot less dependent on donors than it once was, a shift that Purdy traces back to 2005. "That was the year revenue from the sale of contraceptive products and services was greater than the amount of money that we received from donors. We've never looked back. Last year, about 70 percent of our total operating budget, which was about \$180 million, came from sales to customers, so in essence, customers who go and buy a condom or go and have an IUD inserted are our biggest contributors to our operating budget."

How does a charity like DKT justify this revenue model? Purdy explained: "The way we've done this historically is we actually work backwards from what our consumers are able to pay. In some markets like Indonesia and Brazil and the Philippines, they can pay a little bit more, because per capita incomes have gone up, especially in the past 10 years, around the world, as much as 40 to 50 percent, while the actual cost of procuring family planning products has remained stable or even gone down. That's led us to this wonderful place where we can, in some markets, not only recover costs, but actually make a little bit of margin." In turn, these gains subsidize services in other markets.

"In some countries like D.R. Congo, Mozambique or Ethiopia, where per capita incomes are still relatively pretty low, we actually subsidize the prices, so we might buy a cycle of all contraceptives—say, for 25 cents, and sell it for 15 cents. That variance gets covered either by donor inputs or cross-subsidization. We might take either internal cross-subsidization—that is, within a country, you might have some products that are making a little bit of money and some that are

losing a little bit of money—and it all comes out in the wash. Or we might have some countries that are throwing off surplus cash, and we use that surplus cash to offset the subsidies in other countries."

"This has been a very exciting development for us, because it obviously provides a great deal of independence. We're able to take risks and do things because it is our money. It really makes us focus on results—not only results in terms of volume, but the health impact we are generating from sales of these services and products. There's no point in subsidizing a product in a country where the subsidy is not needed. You might as well try to recover as much cost as you can to create true, genuine, financial sustainability," Purdy said.

Still, DKT is a long way from being completely independent of donors. So what changes would Purdy like to see donors make? Being more open to risk taking is on the top of his list:

"People are afraid of taking risks because they're afraid of failing, so we often end up doing the same things over and over again—kind of repackaging them and giving them different names, but essentially doing the same things, hoping for different results. The great opportunities out there would be for donors to say, 'Here's some mad money. Go do something totally crazy that has a low chance of succeeding but a very high impact if it succeeds.' We don't have enough donors who are willing to do that kind of thing."

