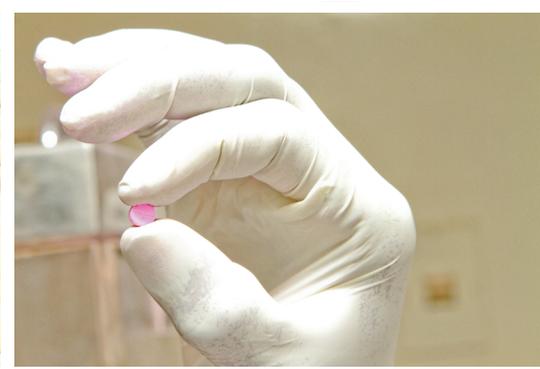


The Economic and Public Health Impact of Local Pharmaceutical Manufacturing

Evidence from the East African Community



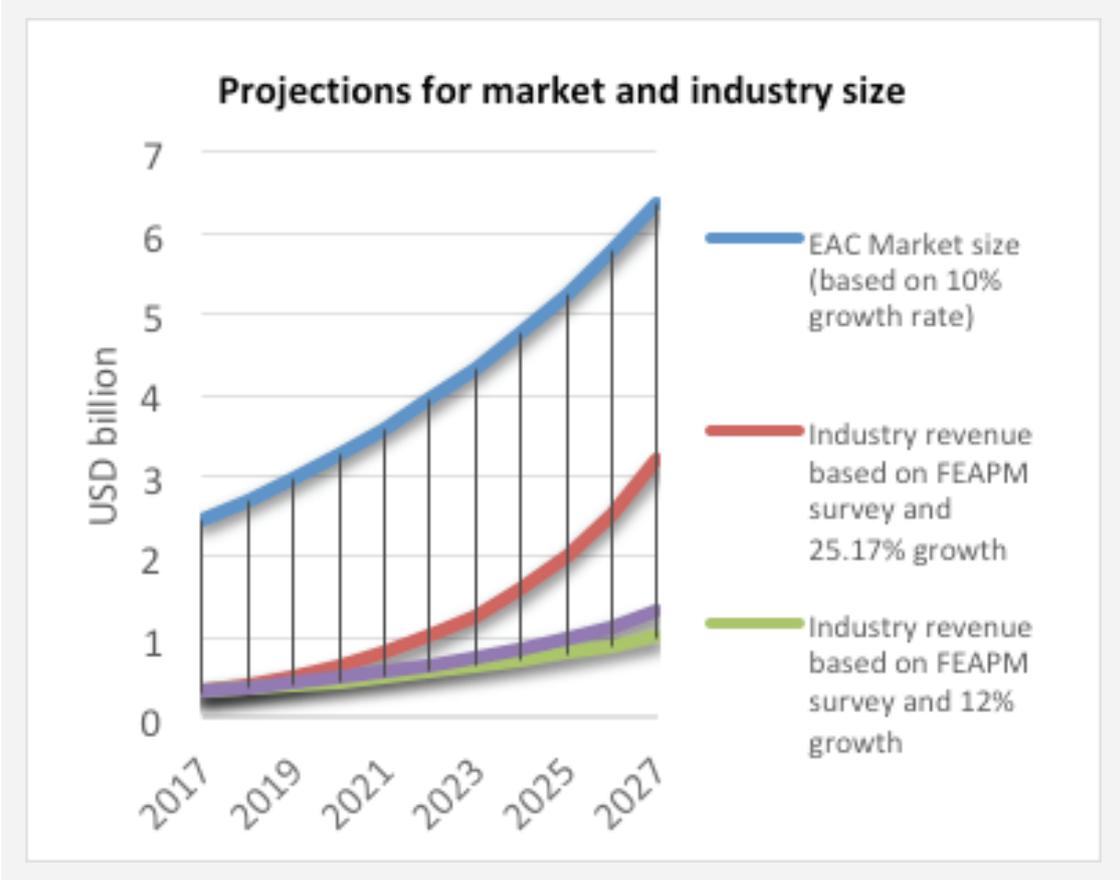
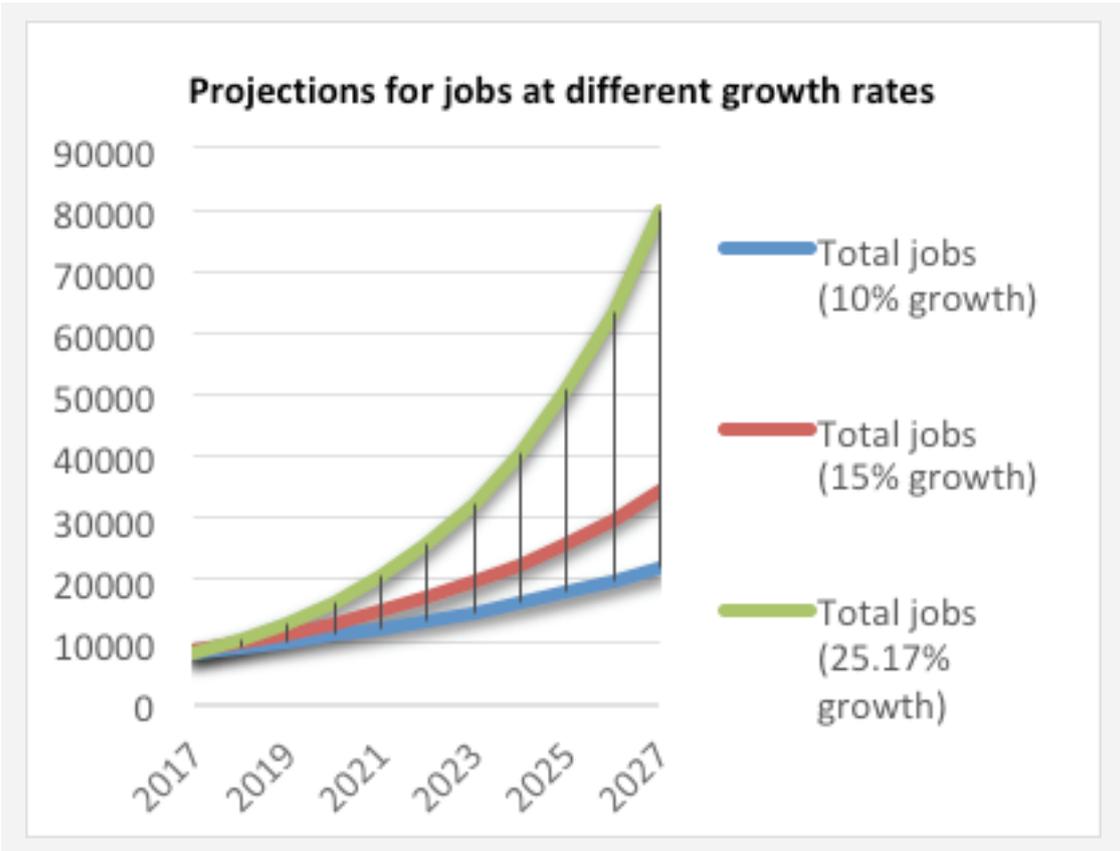
17TH NOVEMBER, 2018
ARUSHA, UNITED REPUBLIC OF TANZANIA

Background

Local pharmaceutical manufacturing is high on the agenda in the East African Community (EAC) and throughout the continent. While there are positive developments with regards to industry growth, political support and increasing demand by international and local procurement, doubts remain whether local manufacturers can produce at sufficient quality and capacity and are able to compete with imported medicines on price. However, this study based on a survey among members of the Federation of East African Pharmaceutical Manufacturers (FEAPM) and local distributors, as well as on a wide literature review shows that the contrary is true. There is evidence that local pharmaceutical manufacturing already has a strong positive impact on economic development and public health alike. With the right support, this effect is projected to grow substantially within the timeline of the Regional Pharmaceutical Manufacturing Plan of Action 2017-2027

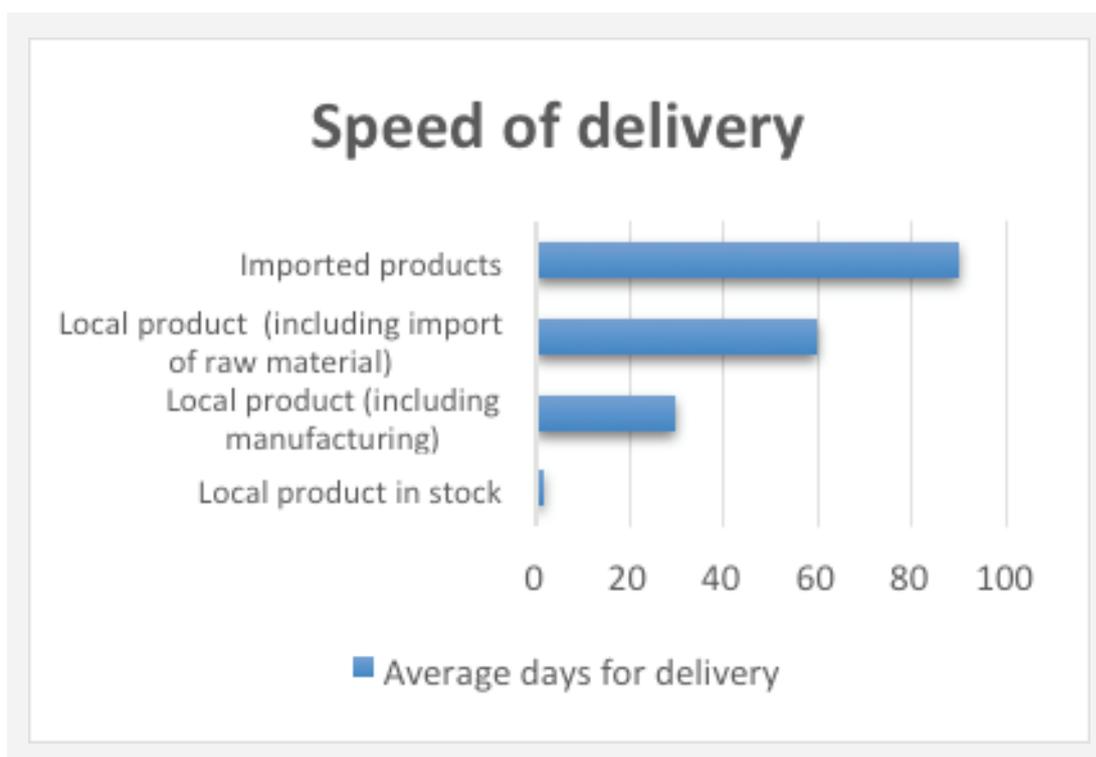
Economic benefit of local pharmaceutical manufacturing

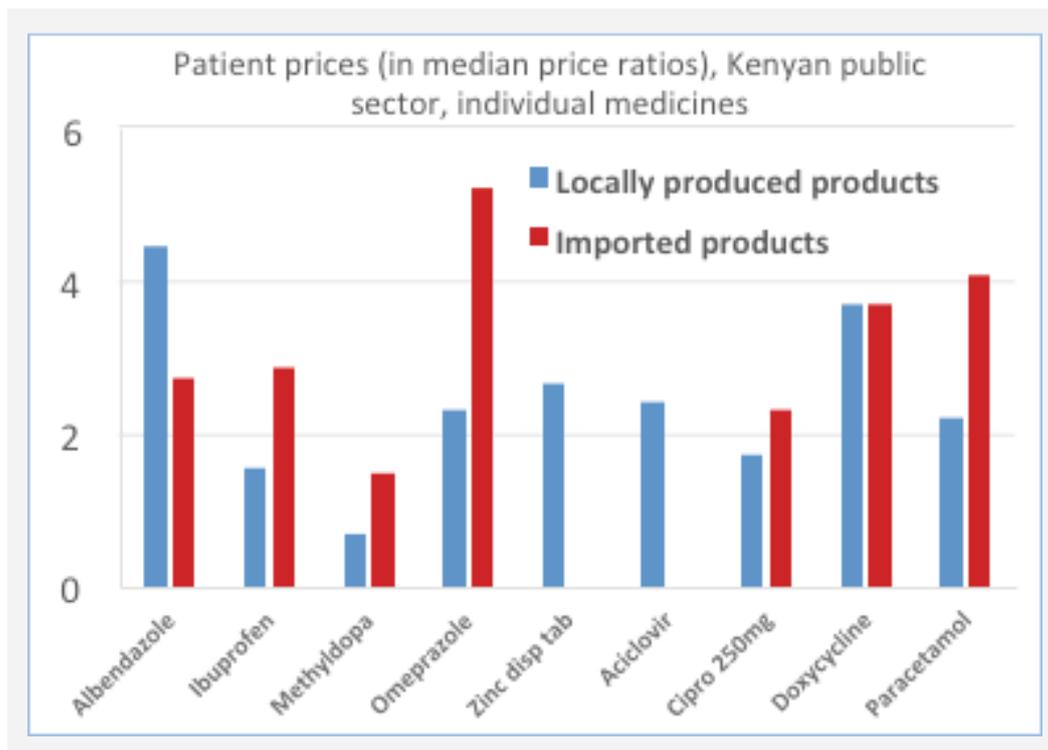
Revenue and potential for growth	<ul style="list-style-type: none">• 2017 total EAC industry revenue: USD 323 million• Projected 2027 industry size and market share:<ul style="list-style-type: none">* growth rate of 12% (2014 estimates): USD 1 bn (16.49% market share)* growth rate of 15 % (industry estimates): USD 1.3 bn (20.58% share)* growth rate of 25.17% (RPMPOA target): USD 3.18 bn (50% share)
Employment	<ul style="list-style-type: none">• 2017 employment EAC total: 8456 jobs (29% university graduates)• Projections for 2027<ul style="list-style-type: none">* at 12% growth: 21933 jobs* at 15% growth: 34210 jobs* at 25.17 % growth: 79834 jobs• Annual training of ~800 students and interns
Attraction of investment	<ul style="list-style-type: none">• FDI implemented and schedule since 2010: > USD 130 mio• Planned investment of local industry until 2023: ~USD 140 mio
Trade benefits	<ul style="list-style-type: none">• Total EAC Exports 2017: USD 140.49 mio (~300% increase since 2006)• Total EAC medicine imports decreased by 10% from 2015-2017
Spill-overs and value-chain effects	<ul style="list-style-type: none">• 2017: USD 91.29 mio spill-over from pharma industry to EAC value chain.• Salaries made up about USD 45.52 mio



Public health benefits of local pharmaceutical manufacturing

Medicine prices	<ul style="list-style-type: none"> • Price comparisons vary immensely from product to product and between manufacturers. • Two Kenyan studies show that if local products exist, procurement prices are lower on average than for imports • KEMSA tender data shows that local manufacturers have become more competitive • Tanzanian study finds that locally made products are cheaper on average than imports
Better quality of medicines	<ul style="list-style-type: none"> • Quality assurance of local products through regulators is very strict. • No major difference observed in quality of imports versus locally-made medicines.
Higher availability and health security	<ul style="list-style-type: none"> • Lead times of local manufacturers <ul style="list-style-type: none"> * If in stock: 1-2 days * If raw material in stock: 1-4 weeks * If raw material not in stock: 1-2 months • Delivery time for imported medicines: 2-3 months • Survey: 88% of distributors have used local manufacturers to respond to stock-outs in emergencies
Local adaptation of medicines	<ul style="list-style-type: none"> • Adaptations of formulas (e.g. reformulation for rural consumption) • Adaptation of packaging (e.g. information in Kiswahili) • Product development cooperation in international partnerships (e.g. DNDI or CHAI)





Policy recommendations for EAC level

1. Introduce a 25% import tariff on a list of selected medicines, for which sufficient and high-quality local production capacity exists. For a suggestion of a list, see Chapter VI.
2. Remove all duties on imports of raw and packaging material, pharmaceutical manufacturing related equipment as well as spare parts for the equipment.
3. Introduce a universal price preference margin of 20% for all pharmaceutical products manufactured in the EAC in all public tenders and remove similar preferences for local importers.
4. Enforce Article 35 of the Common Market Protocol, treating all manufacturers within the EAC as equal with respect to national incentives and preferences in procurement.
5. Harmonise medicine registration procedures within the EAC Partner States.
6. Streamline the implementation of pharmaceutical sector support in an East African Community Pharmaceuticals Management Bill.