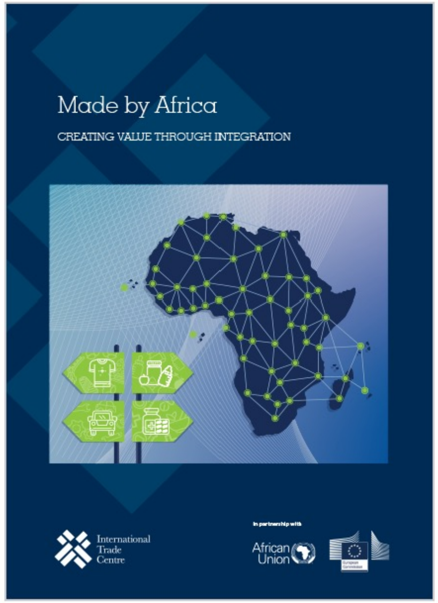
International Trade Centre

Made By Africa:

Developing a continental pharmaceutical value chain

Insights from the ITC value chain diagnostics for Africa

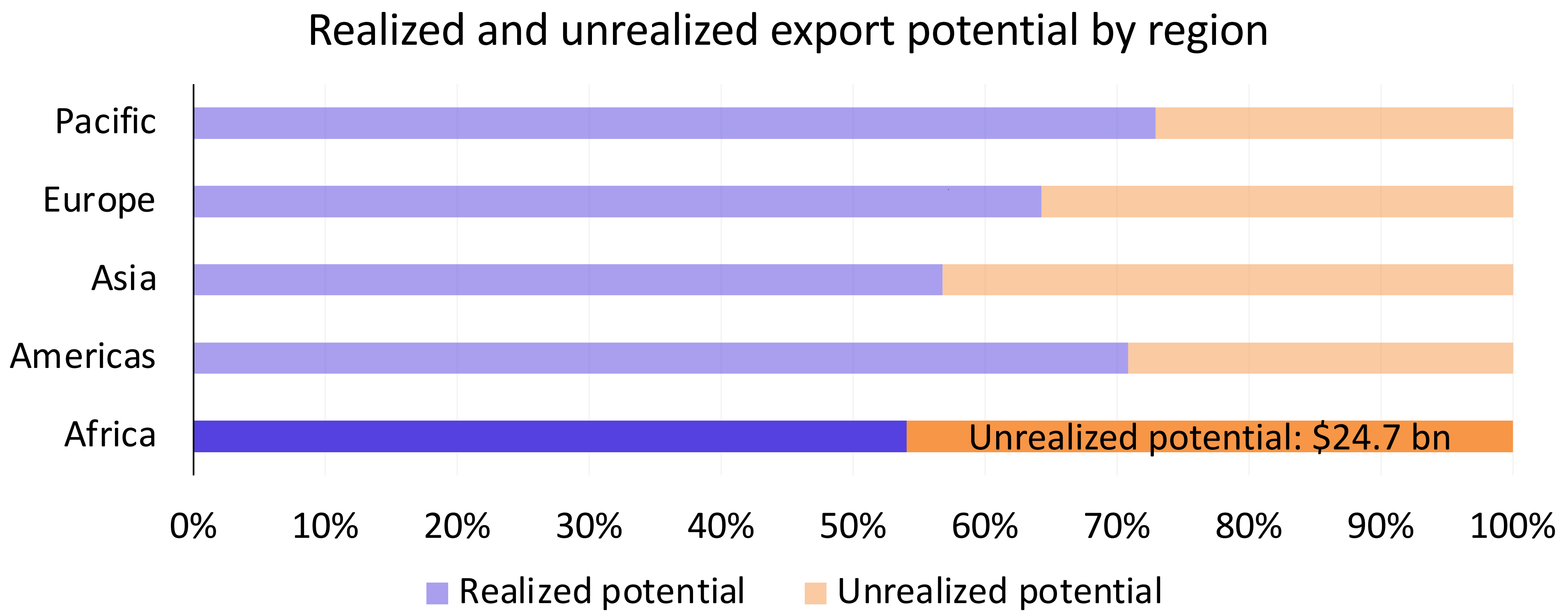


Ursula Hermelink

Head, Non-tariff measures programme

Accra, 03 July 2024

AfCFTA: a tool to unlock a significant potential

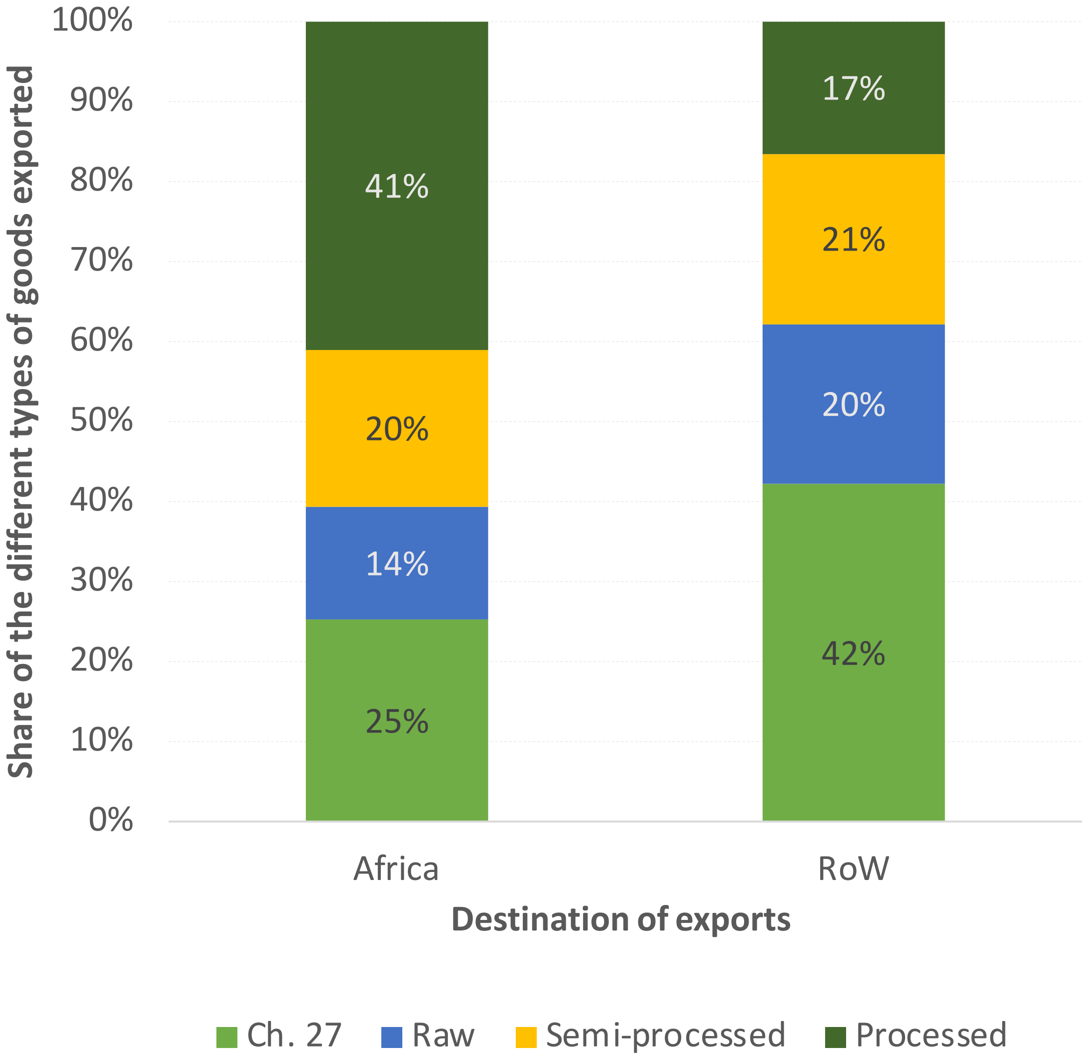


Unrealized export potential in Africa amounts to $24.7 billion, this is a higher share of unrealized potential than in any other region of the world.

Source: ITC calculations based on the ITC export potential analysis methodology.

In intra-regional trade, the level of processing his higher

(as compared to trade with the rest of the world)



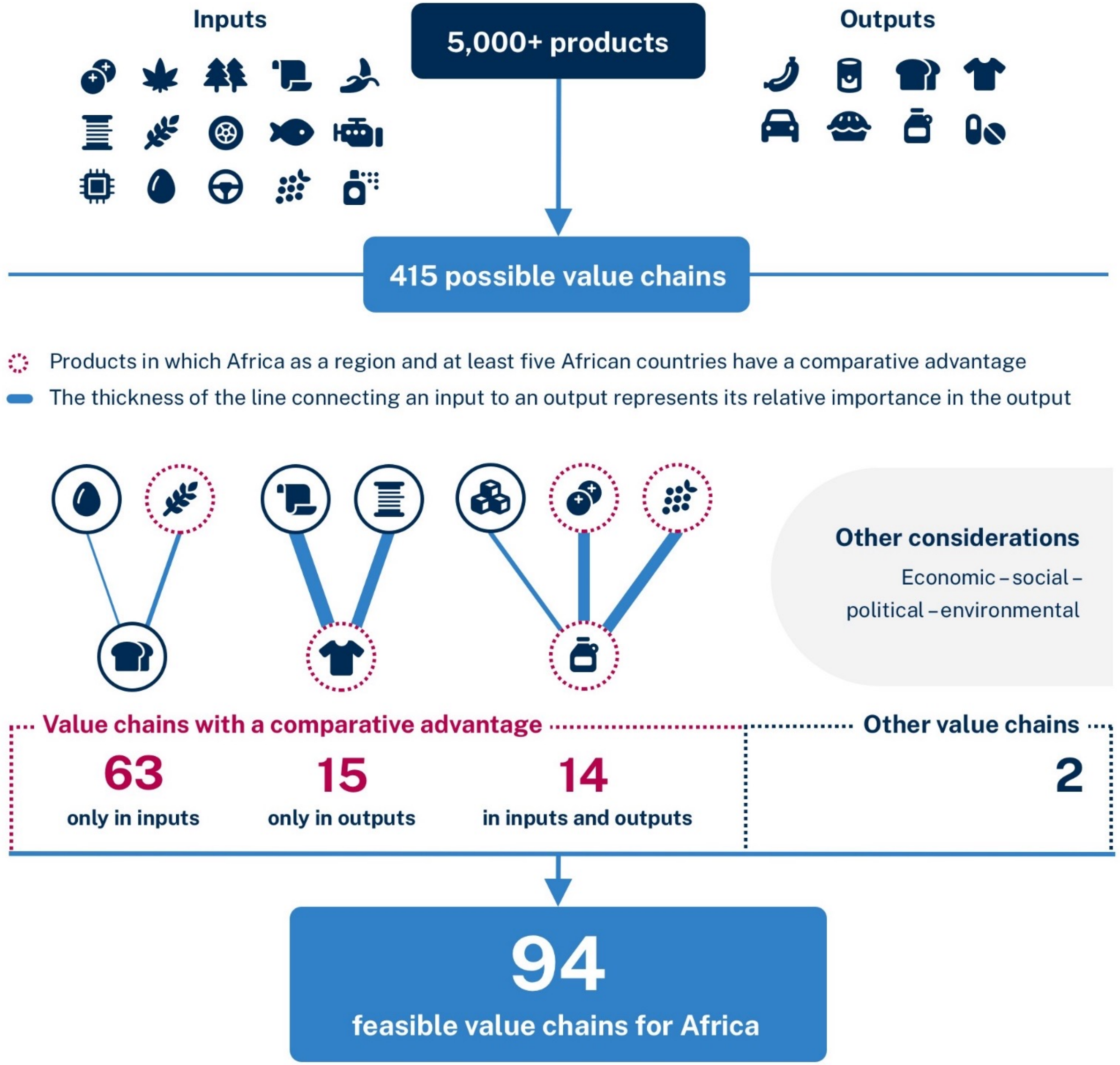
Source: ITC Trade Map

Made By Africa initiative

In a 2022 value chain diagnostics exercise commissioned by the African Union and the European Commission, ITC identified **94 value chains with high potential for continental integration and African value addition**

Currently, further work is underway to establish operational roadmaps for **sub-value chains in three sectors**:

- Pharmaceuticals
- Automotives
- Formulated complementary food (infant food)



Value chain overview: **Pharmaceuticals**

International Trade Centre

Africa imports 57% of pharma and chemical **inputs from Asia; intra-regional** imports account for only **3%**

Africa runs a **-$16.1 bn trade deficit for pharmaceuticals**

Africa imports 57% of medicines from Europe; **intra-regional** imports account for only **3.5%**

….. an opportunity to **make Africa self-sufficient in essential drugs and more resilient to external shocks**

Africa's import demand for medicine stands at $17.3 bn, **projected increase to $28.9 bn by 2027**

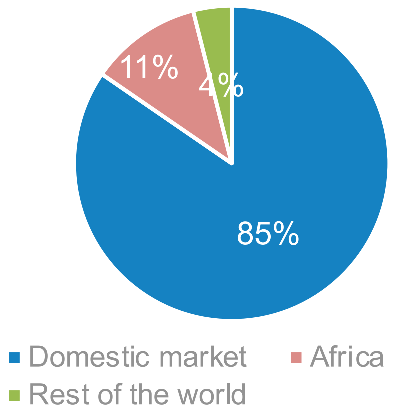
African healthcare budgets and markets are rapidly expanding

Global pharma companies are increasingly interested in investing in Africa

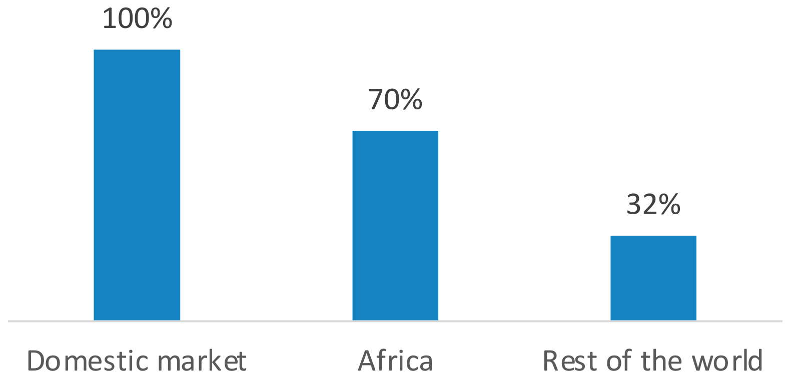
Pharmaceuticals

Some insights from the survey of value chain participants in Africa

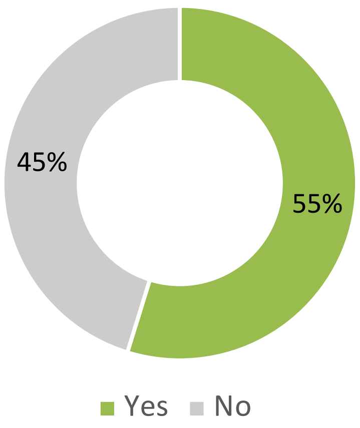
Share of company sales



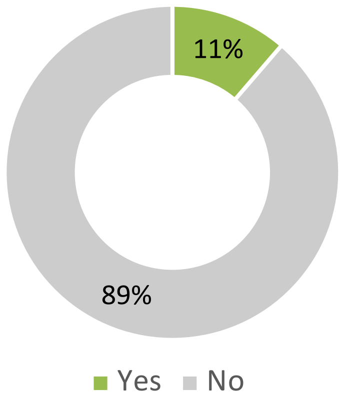
Share of companies selling to the domestic and international markets



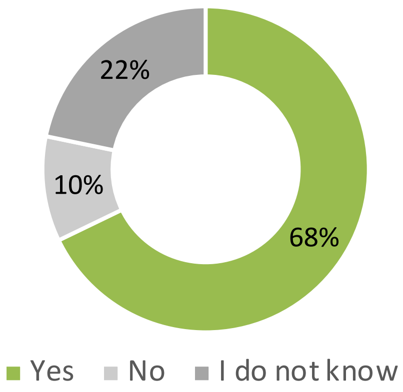
Awareness of AFCFTA



Participation in AfCFTA consultations



Benefits expected of a continental trade agreement



Source: ITC (2022) – Made by Africa: Creating Value through Integration

Pharmaceuticals

Value chain-specific challenges*

High cost of production but low purchasing power on the continent

Strong formal competition with suppliers from Asia and strong informal competition from the counterfeit and expired drug markets

Absence of local production of APIs and of quality transformation of raw products

Inadequate waste management systems, including for water waste and expired drugs

Regulatory and procedural barriers, particularly related to product registrations

Lack of transparency of public tenders and related processes

*In addition to the cross-cutting challenges relevant for all sectors

Source: ITC (2022) – Made by Africa: Creating Value through Integration

Pharmaceuticals: enabling factors

Selected points for action

Reformulate a vision and strategy, building on the lessons learnt from implementing the Pharmaceutical Manufacturing Plan for Africa

Improve the **transparency of public tenders**

Enforce regulatory oversight of **counterfeit and expired drugs**

Ensure a strong mandate and role for the **African Medicines Agency** in driving **regulatory convergence** and strengthening the financial, technical and human resources available to **national medicines regulatory agencies**

Review **taxation** systems and related incentives, notably the cost and benefits of value-added tax (VAT) levied on inputs for pharmaceutical production

Skills development

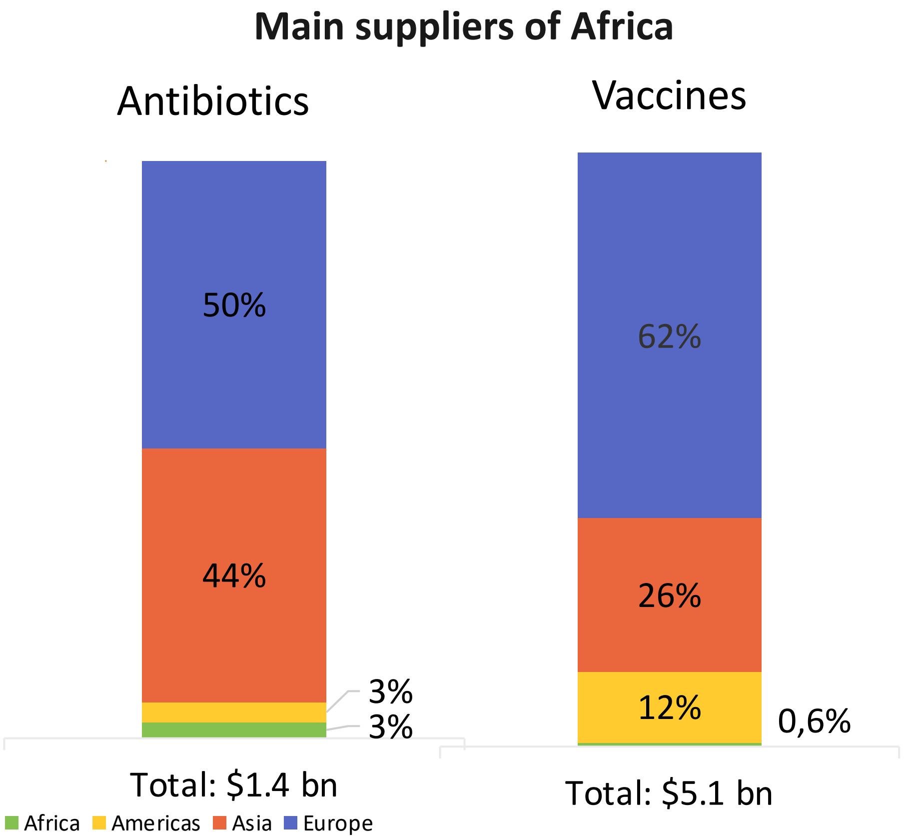
Source: ITC (2022) – Made by Africa: Creating Value through Integration

Zooming in on routine vaccines and antibiotics

- Only **3% of antibiotics** and less than **1% of vaccines** currently imported by Africa are sourced from the continent, with **South Africa**, **Morocco** and **Kenya** being the main intra-regional suppliers

- Africa is reliant on few countries for its pharmaceutical imports: **half of the continent's antibiotic and vaccine imports come from 3 countries** (India, China and France for antibiotics; Belgium, USA and China for vaccines)

- An estimated half of the African population lack access to essential medicines (WHO). Africa receives less than 2% of world vaccines and 7% of world antibiotics (ITC Trade Map) but represent one sixth of the global population



Source: ITC Trade Map (2024)

Most countries currently focus mainly on the downstream part of the pharmaceutical value chain

Upstream | Midstream | Downstream

Level of complexity: High → Low

First transformation step

Raw material → **Active ingredient manufacturing** → **Formulation into final drug products** → **Fill and finish** → **Packaging and labelling**

Most challenging and **technologically** intensive stage.

→ Requires sophisticated **equipment** and **high-skilled labour**, **compliance with regulatory standards**

Combination of APIs with excipients to create tablets, capsules, injectables.

→ Requires stringent **quality control** and **regulatory compliance**

Many African countries focus on this stage due to **lower technological and financial barriers**

Existing initiatives in the sector aim to bridge these gaps by scaling up both upstream and downstream activities to reduce dependency on imports and enhance local production capabilities, which could ensure sustainable healthcare for a fast-growing population

ITC

Vaccines and antibiotics: high potential for greater local value addition

Pharmaceuticals
2 value chains: routine vaccines & antibiotics in tablets

Products at HS-6 digit level related to the value chain

97
inputs

Key inputs

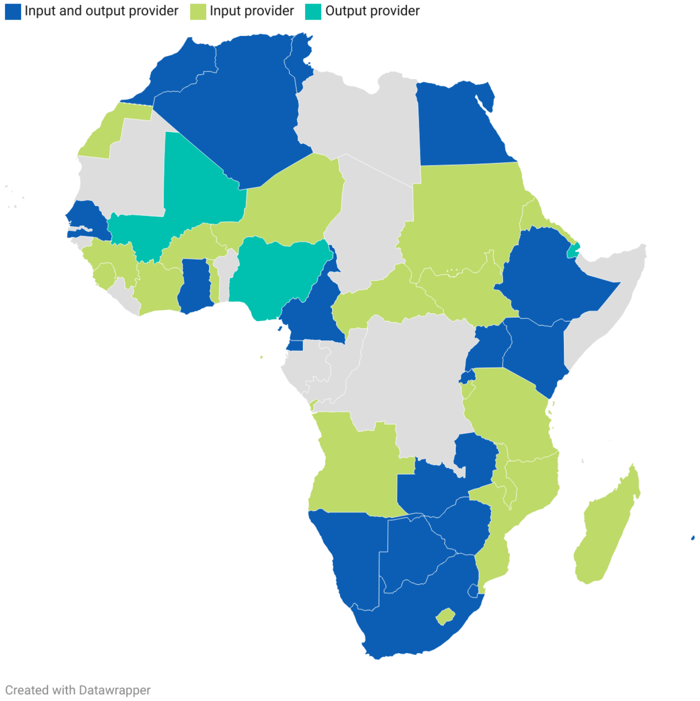
- Penicillins, streptomycins, tetracyclins, erythromycins ...
- Toxins
- Adjuvants
- Stabilizers
- Preservatives
- Packaging and consumables

...

5 Sub-regions with potential

38 Countries as potential **input** providers

22 Countries as potential **output** providers



HS stands for Harmonized System, which is an international trade classification of goods

Availability of inputs and transformative capacities

Value chain name	Number of available inputs in Africa (a)	At least one country can provide the output (b)
Antibiotics	Active ingredients: 0 (d) Inactive ingredients: 8 (out of 9) Synthesis ingredients: 4 (out of 4) Packaging: 3 (out of 3)	✔ Egypt, South Africa, Morocco, Kenya, Tunisia, Zimbabwe, Mali, Djibouti, Equatorial Guinea, Algeria, Mauritius, Botswana, Cameroon, Senegal, Ghana
Vaccines	Active ingredients: 0 (d) Inactive ingredients: 5 (out of 8) Packaging and consumables: 5 (out of 5)	✔ **South Africa*, Uganda*, Eswatini (c), Kenya*,** Mauritius, Morocco*, Equatorial Guinea, Egypt*, Mali, Tunisia*, Senegal*, Rwanda*, Namibia, Botswana*, Algeria*, Zambia, Ghana*, Ethiopia*, Nigeria*

(a) A country can provide an antibiotics or vaccine ingredient if it has a comparative advantage. A country can provide packaging if it has a comparative advantage or positive trade balance.

(b) A country can provide the output if it either has a comparative advantage, projected exports > US$300'000 (assessed at the HS6 level) or if facilities exist or are planned (lit. review). Countries highlighted in bold have projected exports of the output > US$10 million. Morocco additionally is already a competitive exporter of antibiotics. Countries marked with an asterisk have existing or planned vaccine facilities. Ghana, Ethiopia and Nigeria have vaccine facilities, but do not (yet) have significant exports.

(c) Eswatini is identified as a potential vaccines provider due to mirror reports of projected exports of US$17 million. However, there are currently no known vaccine manufacturing facilities within the country.

(d) While limited, South Africa produces active ingredients for its local pharma value chain.

What's next? Operational roadmap for the routine vaccines and antibiotics value chains in pilot countries

Stage 1: Map out the sub-value chains, their inputs, outputs and contributing countries and assess their current and potential performance and regional connection

1.1
- Sub-value chains screening

1.2
- Validation of sub-value chains

1.3
- **Identification of businesses and potential investors**

1.4
- **Assessment of market access conditions and economic/social/environmental implications**

Stage 2: Preparing for pilot projects – providing the necessary evidence base for the design of operational roadmaps for the development of pilot projects

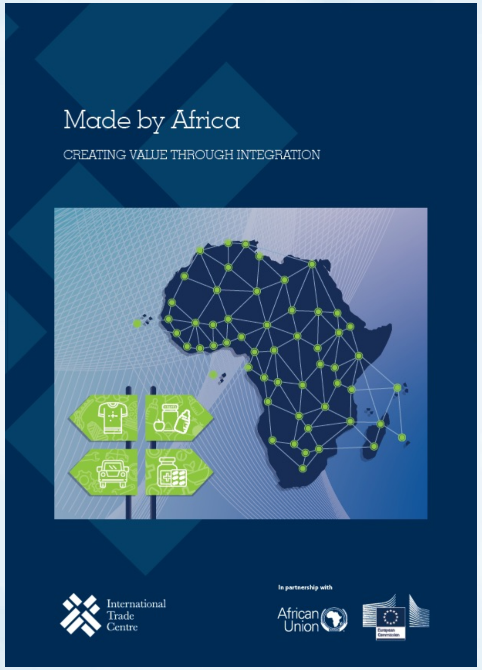
2.1
- **Business needs and challenges**

2.2
- **Mapping of the business environment and support infrastructure**

2.3
- **Mapping of relevant policies, strategies and existing initiatives**

Development of operational roadmaps and the design of projects / initiatives to support the development of the value chains

THANK YOU



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