

Balancing RISK AND REWARD IN NIGERIA

By Kim Ribbink

As the largest African economy by GDP and with a democratic government, Nigeria offers many exciting opportunities for the pharmaceutical industry, but these must be weighed against challenges such as infrastructure and corruption.

As the largest economy in West Africa based on gross domestic product (GDP), Nigeria is emerging as an exciting market for all industries. According to 2013 figures, Nigeria's GDP is around \$500 billion, stronger even than South Africa with a GDP of around \$350 billion. Today, Nigeria is the 26th largest economy in the world.

"Nigeria has had a democratic government since the early 2000s and has enjoyed stable, steady economic growth, which makes it attractive for industry," says Jennifer Dent, president BIO Ventures for Global Health.

While Nigeria is probably best known for its huge oil reserve, it's strong across other sectors of the economy, boasts a highly educated workforce, and has a large base of R&D institutions, Ms. Dent says.

Pharma Advantages

Compared with other emerging markets, Nigeria's pharmaceutical market is smaller and less developed, says Tania Holt, associate principal at McKinsey. However, she notes that it is fast-growing and arguably has significant long-term potential driven by strong socio-economic factors.

Ms. Holt says compared with other emerging markets, Nigeria is underpenetrated on a

per capita basis, with less than \$10 spent per capita on pharmaceuticals in 2010 compared with more than \$100 per capita for Brazil, South Africa, and Russia.

"Nigeria also has a less developed domestic industry with just four local companies certified with GMP at the end of 2014, which means the country relies heavily on imports and it is not unlikely that the pharmaceutical trade balance could reach \$1 billion by 2020," Ms. Holt points out.

She adds, however, that Nigeria outpaces all BRIC nations in terms of pharmaceutical growth, citing BMI Research figures of about 13% growth in spending between 2011 and 2016. Nigeria also boasts about 5.5% GDP growth, which is competitive among its BRIC peers and about 3% population growth, more than two times that any other BRIC country.

"The momentum is strong, and the market dynamics are shifting in such a way that Nigeria presents one of the most compelling opportunities in Africa, and increasingly in the context of all emerging markets," Ms. Holt says. "Other emerging markets illustrate some important lessons that can help Nigeria achieve similar success: strong regulation, an emphasis on quality and affordability for patients, and policy-based protection of the industry, as well as a strong local industry."

Ms. Dent says with close to 150 universities, Nigeria is the leading country in Africa for qualified professionals in healthcare, engineering, and other sectors. In terms of a major pharmaceutical presence, a number of large pharma companies have set up offices and manufacturing plants in the country, for example GSK and Sanofi have both been in Nigeria for many years, she says.

"GSK has been in Nigeria for 40 years and has a manufacturing plant in the Ogun state and an office in Lagos; Sanofi also has been in the country for decades," she notes. "Procter & Gamble has an office in Lagos and two manufacturing plants in Nigeria. Roche has an office in Lagos and is planning to expand programs in Nigeria. I think we'll see more large pharma companies moving into Nigeria over the next five years or so."

Logistically, Ms. Dent says it would probably make sense for companies seeking to set up in Nigeria to start in Lagos state, which is the smallest in size, but with a large, urban and wealthier population. Moreover, since 50% of Nigeria's 180 million people live in cities, companies are in a position to build their businesses in a more efficient manner since reaching an urban population is more straightforward. The Nigerian government, with the goal to boost local production of medicines, has set up structures such as the Pharmaceutical Development Fund (NPDF) to support the local pharma industry.

"The NAFDAC — National Agency for

Food and Drug Administration and Control — has a well-publicized collaboration with the WHO to increase the likelihood of local manufacturers receiving pre-qualification for GMP certification. This initiative has been successful thus far, with four manufacturers having achieved this by the end of 2014,” she says.

R&D and Clinical Trials

A number of the Nigerian universities that BIO Ventures for Global Health has worked with are undertaking fairly sophisticated R&D projects, including the University of Lagos, University of Ibadan, and Redeemer’s University.

In addition, the Nigerian National Institute of Pharmaceutical Research and Development (NIPRID), a government-funded organization, is working to drive innovative research and product development.

A number of R&D companies are emerging in Lagos state and around Abuja that are seeking to build partnerships with industry, Ms. Dent says.

She says the clinical research space is also busier than many realize. Clinical studies are being conducted at centers that are affiliated with hospitals; for example, the University of

Success for global pharma companies in Nigeria means taking an active part in shaping the broader healthcare system, such as developing local talent and taking the time to become familiar with local realities.

TANIA HOLT
McKinsey & Company



Ibadan conducts a number of studies across several disease states.

“These centers are known for their research in HIV/AIDS and malaria, but they also do work in oncology,” Ms. Dent says. “In fact, there are many sites in Nigeria that can run clinical studies across dis-



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What makes Nigeria so interesting as a pharmaceutical market — and for other industries — is its financial and economic strengths.

JENNIFER DENT
BIO Ventures for Global Health

eases, such as diabetes, endocrine and cardiovascular diseases, as well as infectious diseases.”

Market Challenges

One of the biggest challenges for companies doing business in Nigeria is the reputation it has for corruption. Transparency International, a database that measures countries based on how corrupt a public sector is perceived to be, rates Nigeria 27 out of 100 (with 0 being highly corrupt and 100 very clean).

Ms. Dent says, however, that President Muhammadu Buhari has made it his mandate to tackle corruption. Soon after coming to office, he appointed an advisory committee to investigate effective ways to tackle corruption and reform the legal system.

Another problem with many sub-Saharan African countries is weak infrastructure issues, including irregular electric supply and poor transportation services. These challenges both lower the availability of quality medical products/services and serve as barriers to access.

Availability of advanced medical equipment in Nigeria lags eight to 20 times below India, a greater gap separating the nation from South Africa and China, Ms. Holt says.

“Pharmaceutical companies are most likely



Pharma Market Snapshot

NIGERIA COMPARED WITH BRIC COUNTRIES

Nigeria	\$2 billion
South Africa	\$4 billion, with just 30% of Nigeria's population and a smaller economy
India	\$16 billion
Russia	\$22 billion, with just 85% of Nigeria's population
Brazil	\$27 billion, with a population just 1.2 times larger than Nigeria's
China	\$82 billion

Source: BMI, based on 2012 data. For more information, visit bmiresearch.com/pharma.

to face supply chain challenges during import and at the point between wholesale and retail, particularly where a cold chain is involved and other strict quality measures are needed,” Ms. Holt says. “Further, there are considerable mark-ups, especially given the lack of strong price regulation, increasing the final cost of drugs.”

Ms. Holt adds that the pharma industry can look to learn from fast-moving consumer goods companies.

“The real differentiating factor is that these companies take a route-to-market approach, whereby they carefully identify who their customers are and define several distribution channels to best reach and serve them — often using different distributors for different channels,” she says.

Regulatory Landscape

Nigeria has two main regulatory bodies, the National Agency for Food & Drug Administration & Control (NAFDAC) and the Department of Food and Drug Services, says Sherif Shafick, general manager – Middle East & Africa, for Kantar Health.

NAFDAC is responsible for regulating and controlling the manufacture, importation, exportation, distribution, advertisement, sale, and use of regulated products, including drugs and medical devices.

“Registration of a product does not automatically confer an advertising permit,” Mr. Shafick says. “A separate approval by the agency is required if the product is to be advertised.”

NAFDAC has begun to champion quality and safety, and has been central in reducing the circulation of counterfeit drugs in recent years via a series of preventive measures, including more stringent requirements with regard to domestic labeling, Ms. Holt says.

The Department of Food and Drug Services is responsible for national and international policy matters and responsible for the production of some essential medicines (Federal Pharmaceutical Manufacturing Laboratory) and for drug management/logistics, which includes technical support in forecasting selection quantification, procurement warehousing and distribution of essential drugs and other health products for all health programs, Mr. Shafick says.

The regulatory environment has presented some challenges for companies seeking to access the market, Ms. Holt says. The registration process has historically been lengthy — as long as three years in some cases — but it appears to be improving.

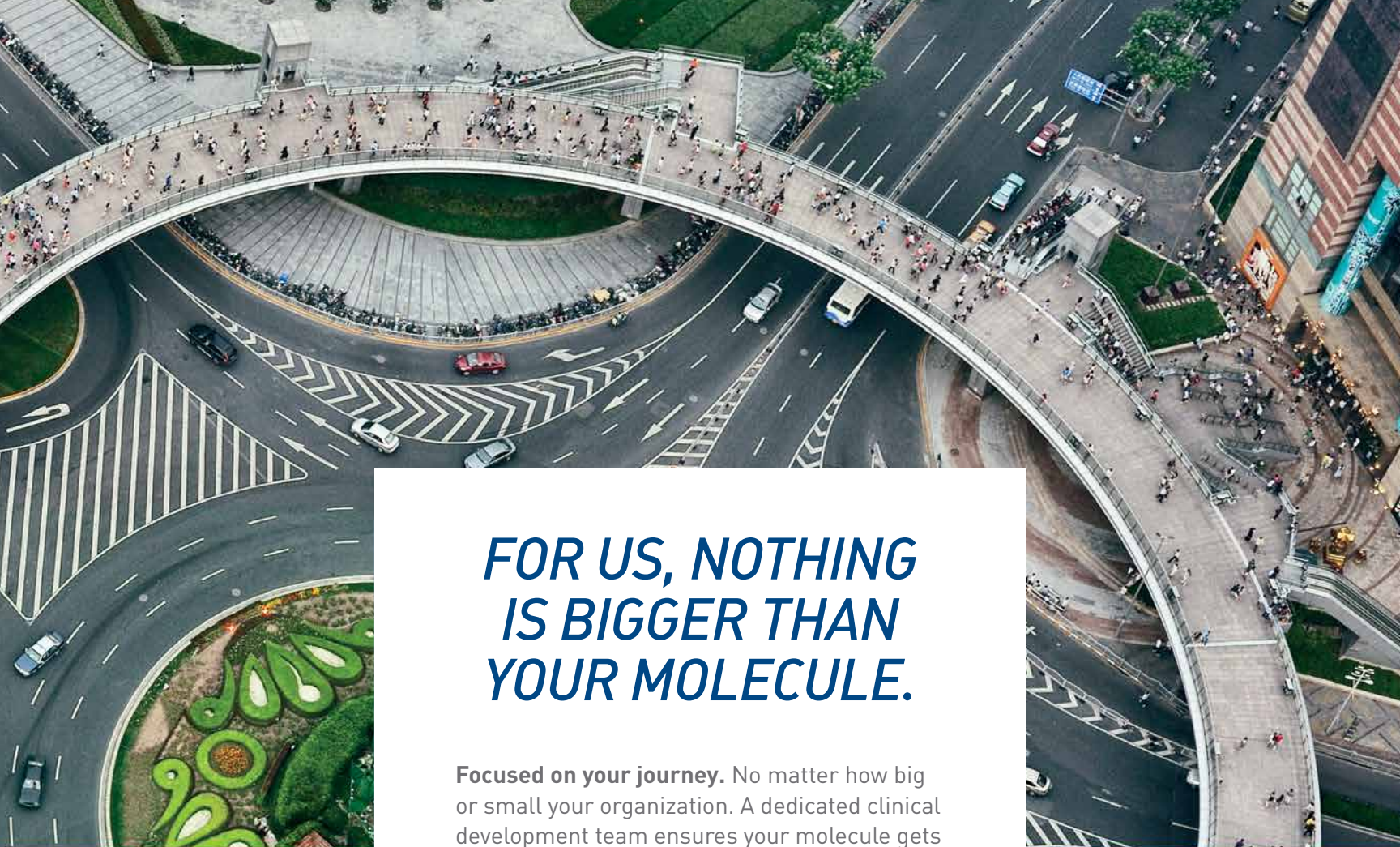
“It’s an area of huge interest and importance not only to the pharmaceutical industry, but also for the broader global public health community for whom Nigeria is a major priority,” Ms. Holt says.

Ms. Holt says the pharma industry would do well to get actively involved with ongoing discussions about harmonizing the drug regulation agencies across the West African region as it could reduce the complexities. ^{PV}



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Accessing Healthcare in Nigeria

By Kim Ribbink

The public health sector is run by the three levels of government with federal, state, and local, sharing responsibility for tertiary hospitals, general hospitals, and primary healthcare centers.

One of the biggest distinguishing factors in Nigeria's health system is the sharp division between the private and public channels of accessing healthcare, says Tania Holt, associate principal at McKinsey.

There are three levels of government that run the public health sector, with federal, state, and local government having responsibility for tertiary hospitals, general hospitals, and primary healthcare centers, respectively, Ms. Holt says. Patients first interact with the system at the lower levels — primary health care centers and general hospitals, with access to tertiary hospitals requiring referrals. Expenditures are primarily out of pocket, although government spending has increased relative to both private and overall spending in recent years.

"The private sector is largely heterogeneous, and quality can vary greatly," she says. "The sector is dominated by small clinics, with the majority of private facilities owned and

operated by an individual. The cost of care is significantly higher than the public sector, and many of these costs are borne out of pocket, given the immaturity of the private insurance market."

According to Sherif Shafick, general manager – Middle East & Africa, Kantar Health, payment is either out of pocket or through community-based funding, which poses a huge challenge on patient access to medicine.

"Even in public facilities, patients need to pay for treatment," he says. "This is unlike other healthcare systems, even within the emerging markets. In Iran, Iraq and Algeria, for instance, although all of these are emerging markets, coverage for healthcare is almost at 100% for all disease areas and for all treatment options. Even in a country like Egypt, which is a poor emerging market, diseases such as cancer or hepatitis C are fully covered by the public sector. In Nigeria, however, some of the diseases that have the highest prevalence in the world are still not covered."

Cost and Availability

Further challenges for patients include the prohibitive cost of drugs at the point of use and the fact that the insurance system has not yet matured to the point of offering a comprehensive financial safety net, Ms. Holt says.

"The high prices are caused by free pricing and further compounded by unregulated mark-ups added by wholesalers and distributors as the product finds its way to the retail outlets," she says. "The result is that the price a consumer faces can vary hugely across the country."

She adds that access is further restricted by availability, in part due to the fact that not all of the latest and greatest innovative medicines are registered in Nigeria.

"In addition to the financial barriers to access, the current shortage of doctors in the healthcare system often prevents patients from consulting with trained professionals who prescribe the medicines in a timely manner," she

Who are the Healthcare Payers?

GOVERNMENT

Represents 36% of healthcare financing.
Allocations from federal, state and local government.
The Department of procurement at the Federal MOH & its key functions;

- ▶ Needs assessment
- ▶ Aggregates various departmental work plan
- ▶ Prepare procurement plan

DONORS

(These are companies that conduct corporate social responsibility activities in Nigeria)

- ▶ Represents 9% of healthcare financing.

PRIVATE SECTOR

By 2010, private health expenditure accounted for 62% of the total health expenditure. Further analysis showed that private households' out-of-pocket payments accounted for 90% to 94% of private payments, while prepaid and risk pooling constituted only 2.4% to 6.7% with minimal changes by 2012.

NHIS

- ▶ The Scheme established under Act 35 of 1999 by the Federal Government of Nigeria.
- ▶ Federally funded, designed to facilitate fair financing of healthcare costs through risk pooling and cost-sharing arrangements for individuals.
- ▶ They cover 5 million people, which equals 3% of the population.

Source: Kantar Health

says, adding that the logistics system further complicates access to products for patients in many parts of the country.

Efforts have been made to improve access to healthcare.

The National Health Insurance Scheme was established under Act 35 of 1999 by the federal government, Mr. Shafick says. The federally funded scheme is designed to facilitate fair financing of healthcare costs through risk pooling and cost-sharing arrangements for individuals. However it covers just 5 million people – around 3% of the population, Mr. Shafick says.

Ms. Holt says NHIS funds care through HMOs; patients or their employers pay premiums to the HMOs, and therefore avoid paying at the point of service.

“Efforts to expand coverage first target federal and state level civil servants, followed by employees of the formal private sector,” she says. “The informal sector, which is a significant group in Nigeria, is at risk of being ignored, as it overlaps both with the lower-income groups and the groups least likely to be covered by employee-based health insurance.”

In terms of demographics, the rule of

thumb is that those who can afford it favor private care, and those who can't resort to the public sector or other means, Ms. Holt says.

“A proportion of the population also seeks medical care abroad, especially for tertiary care: more than \$500 million to \$700 million is spent each year on medical tourism, with \$200 million to \$300 million of this being spent in India alone,” she notes.

According to Jennifer Dent, president BIO Ventures for Global Health, in 2010 the government launched a national strategic health development plan (NSHDP), with input across the health sector, and covering a number of priority areas of focus, such as investing in leadership and governance for health, looking at health services delivery, human resources for health, and even how health should be financed.

“The government invested quite a bit into the plan, although progress has been slow,” she says. “Regardless, the fact it was launched at all shows an important commitment to healthcare and recognition of the need to have more people covered by a national healthcare plan,” she says.

In addition, Ms. Dent notes that President

Muhammadu Buhari, who came to power in March this year, has made several key commitments to healthcare, including ensuring a basic level of care for all Nigerians, providing insurance for both urban and rural populations and working with state governments to achieve this goal.

From a coverage point of view, Ms. Holt points to several avenues that could be explored to improve accessibility, including: an innovative pricing scheme to increase affordability, which could take the form of a large-scale partnership with governments to make up for reduced prices through the large volume in the market; a partnership with the growing public and private health insurance industry to ensure listing on reimbursement lists; exploring opportunities to reduce the cost of serving the market by engaging in local production (at least in the later stages of packaging); considering smaller packages to attract patients with cash-flow constraints — this is a tactic that the fast-moving consumer goods industry has been very successful with; and devoting energy to improving the current logistics system, such as assessing different distribution channels to best reach and serve customers. **PV**

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