Vaccine inequality makes a case for African pharma opportunities

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Africa's Covid-19 vaccine challenges have been a bitter pill for many governments to swallow as they watch developed countries race ahead with their vaccination programmes.

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In the United Kingdom, almost 70% of the total population had received at least one dose of a Covid-19 vaccine by 20 July 2021, and the comparable figure for the United States was just over 55%, according to the University of Oxford's My World in Data tracker.

The picture in Africa is starkly different. Except for Mauritius, where over 50% of the island's (admittedly tiny) population has had at least one Covid-19 jab, most countries are not even close to the 10% mark. Botswana is the nearest, at just over 8%, followed by South Africa, hovering just under 8%, and Rwanda, at 3%.

The rest, including Ethiopia, Kenya, Nigeria, Uganda and Zambia, are still inching slowly towards 2% – amid warnings by the World Health Organization (WHO) that the pandemic will not be eradicated globally until greater vaccine equitability is achieved.

Protecting the 'lucky few'

'Vaccines are powerful and essential tools. But the world has not used them well. Instead of being deployed widely to quell the pandemic on all fronts, they have been concentrated in the hands and arms of the lucky few, deployed to protect the world's most privileged people … while the most vulnerable remain unprotected,' said World Health Organisation (WHO) director general, Dr Tedros Adhanom Ghebreyesus, delivering the keynote address at the 138th International Olympic Committee Session on 21 July 2021.

He observed that 75% of the 3,5-billion vaccine doses administered to date had been used in 10 countries, while only 1% of people in low-income countries have received at least one dose.

In Africa, the vaccine rate is estimated at four doses per 100 people, compared to the global average of 43 doses per 100 people.

It has taken a global health emergency to hammer home how severely disadvantaged Africa is when it comes to accessing vaccines and, by extension, other vital medicines and pharmaceuticals as well. Consider the World Bank's estimate that each month of delay in the provision of Covid-19 vaccines could cost Africa $14bn in lost GPD.

Few countries on the continent have their own pharmaceutical industries and many import the bulk of their medicines and healthcare products. Imports account for 85% of the Ethiopian market and 70% of the Nigerian market, for example.

Even Kenya, which has a rapidly growing pharmaceutical industry and supplies about 50% of the Common Market of Esatern and Southern Africa (Comesa) region's pharmaceuticals, still imports about 70% of the drugs used in its own public hospitals.

Why Kenyan companies limit themselves

In Kenya, this anomaly can be ascribed to the different standards that apply for medicines and pharmaceuticals destined for the regional export market and for those used in Kenya's public hospital system.

Suppliers to Kenyan public hospitals must be WHO pre-qualified, which is a stringent and expensive process. Prequalification involves the WHO clearing a drug for standards of quality, safety and efficacy. The rationale for this requirement is that most of the drugs used in the public health system are procured with donor funding and have a critical public health function in combating endemic diseases such as malaria and tuberculosis.

Products for the regional export market, on the other hand, do not necessarily face compliance requirements such as WHO accreditation. While WHO prequalification is not unreasonably burdensome, local companies may not have the financial resources to ensure compliance with the requirements.

This is why most of Kenya's approximately 40 local pharmaceutical manufacturers prefer to focus on products for export, leaving government medicine contracts to the big players, mainly foreign companies.

Still, the challenges faced by local drug companies in participating in government tenders limits their growth, and there may come a time when they wish to scale up, most likely by attracting investor funding.

As such, partnering with local companies to manufacture export-quality products represents a real business opportunity for international investors that already have WHO accreditation, particularly as the regulator, the Kenya Pharmacy and Poisons Board, is supportive of local manufacturing. Other than registration requirements for manufacturers and their products, there are no significant barriers to entry and no local ownership requirements for international investors.

Potential investors do need to be cautious about which local companies they select as partners to ensure they do not engage in counterfeiting or are non-compliant with the applicable laws. Intense price pressures in the Kenyan pharmaceutical market have driven prices down, and some companies may be tempted to cut corners. Counterfeiting is not uncommon in the Kenyan pharmaceutical market and investors need to be sure that target companies are reputable and meet the regulatory requirements.

Ethiopia rolls out the welcome mat

Meanwhile, in Ethiopia, the government is making a determined effort to build the country's fledgling pharmaceutical industry, which is one of seven priority sectors earmarked for fast-tracked development.

Ethiopia has a population of more than 100 million people, 70% of whom are younger than 29. The total size of the pharmaceutical and healthcare market currently stands at USD 1 billion and is forecast to grow to $3.6bn by 2026.

As much as 85% of Ethiopia's medicines and pharmaceuticals are imported and three quarters of this is procured directly by the government. Anxious to reverse the outflow of much-needed foreign exchange, it is incentivising local and international pharmaceutical companies to enter the market.

The Ethiopian Investment Commission has built a 280-hectare industrial park exclusively for pharmaceutical investors, using foreign funding. There are no local ownership or control requirements for pharmaceutical investors, which also stand to benefit from corporate tax holidays of up to 14 years, along with duty-free imports of raw materials, 25% price preference for locally-manufactured products and fast-tracked registration processes.

The flipside is a severe shortage of raw materials and skilled human capital in Ethiopia, which can further impact the already complex process of setting up pharmaceutical manufacturing facility (the world over, not only in Africa).

From the queries that have been forthcoming about opportunities in Ethiopia, it is clear that potential investors are studying the lie of the land but are not yet following through. Currently, Ethiopia has only two TMP-certified pharmaceutical manufacturers.

Shot in the arm for South African vaccines

Then there is South Africa, which has the largest pharmaceutical industry in sub-Saharan Africa (SSA) and is one of very few SSA countries with any vaccine-production capacity (another being Senegal).

However, this capacity has for the past 20 years been used almost exclusively, and on a small scale, for 'fill and finish' purposes (in which imported vaccines are placed into vials, labelled, packaged and distributed).

The outbreak of the Covid-19 pandemic has galvanised the government and the industry into action, resulting in several shots in the arm for South Africa's vaccine production prospects.

These include the R10.1bn long-term debt financing package provided to South Africa's largest pharmaceutical manufacturer, Aspen Pharmacare. The financing package, from a consortium of development financiers led by the World Bank's International Finance Corporation, is intended to support the development of vaccine manufacturing capacity in Africa.

This follows other vaccine-boosting developments such as Aspen's opening of a new R3,4bn private sector sterile facility in the Eastern Cape and the selection of Biovac as a manufacturing partner for a United States company's Covid-19 vaccine candidate. In addition, Dr Patrick Soon-Shiong, South African-born, US-based transplant surgeon and bioscientific entrepreneur, has pledged a R3bn initiative to transfer vaccine technology to South Africa.

Biovac to manufacture Pfizer Covid-19 vaccine for Africa
21 Jul 2021

Another huge potential boost for vaccine production capacity generally is US President Joe Biden’s expressed support for the waiver of patent protection for Covid-19 vaccines. South Africa and India have been at the forefront of this push.

These developments, as well as those in Kenya, Ethiopia and other African countries wanting to reduce their reliance on imports, will not bear fruit overnight. The pharmaceutical and vaccine industries are tough markets and take time, capital, skills, regulatory predictability and political will to crack.

Yet alongside the challenges, there are opportunities. Like many aspects of doing business in Africa, it is those with the patience and a longer-term outlook who are most likely to reap the rewards.

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