Are manufacturers in Tanzania losing out in an expanding health sector market? If so, what can be done? Findings and recommendations.

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Consultative Policy Dialogue

25th November 2014, , Hyatt Regency Hotel, Dar es Salaam

The Open University

The research project: Industrial productivity and health sector performance

Collaborative DFID/ESRC (UK)-funded independent research project between:

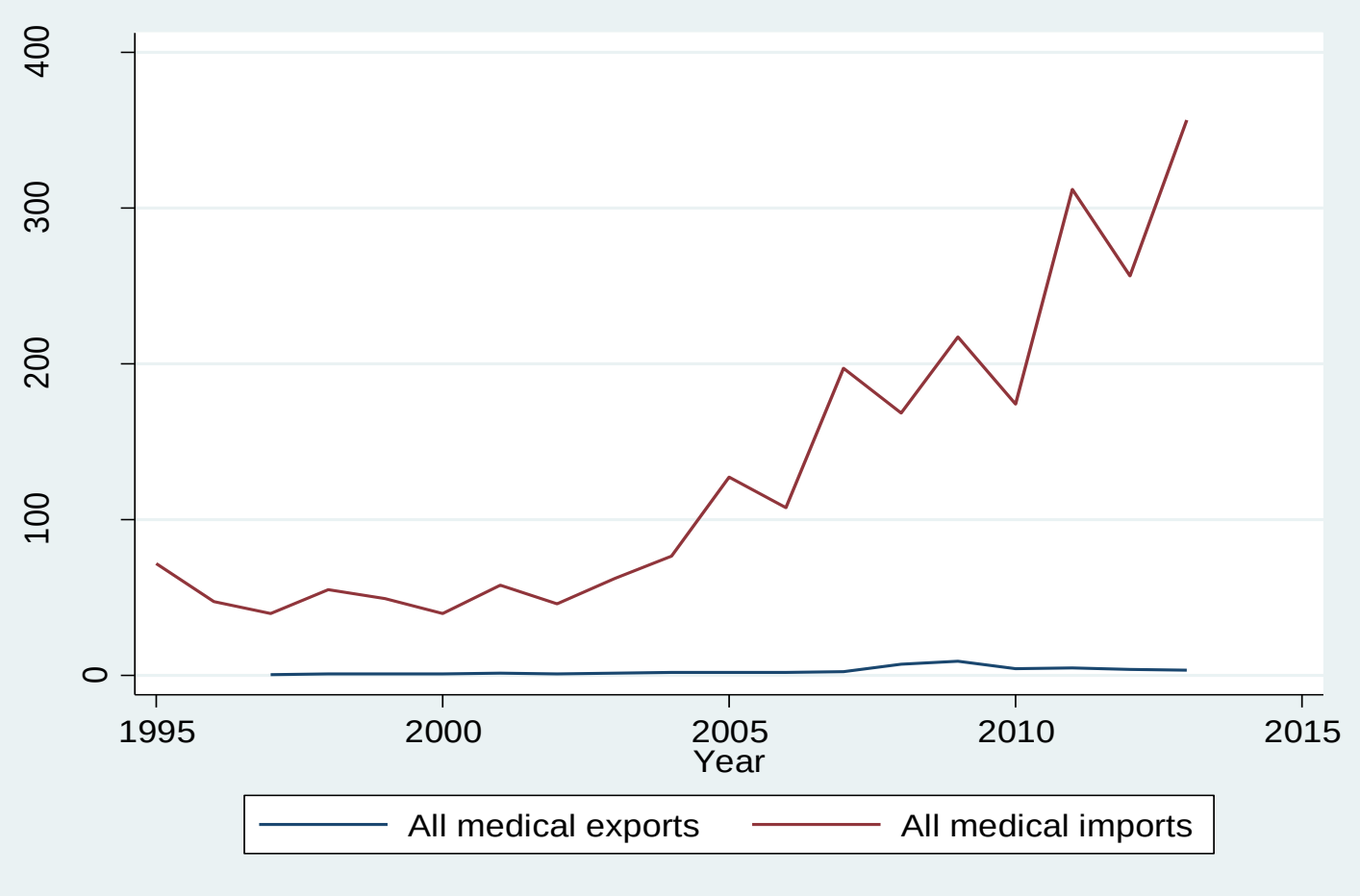
- REPOA, Tanzania
- African Centre for Technology Studies (ACTS), Kenya
- The Open University (OU), UK

Research question:

Can improved local supply of medicines and other health sector requirements strengthen health system performance while contributing to industrial development?

The Tanzanian health sector market opportunity

Sharply rising demand that is currently being met increasingly by imports. Can local manufacturing raise its share?



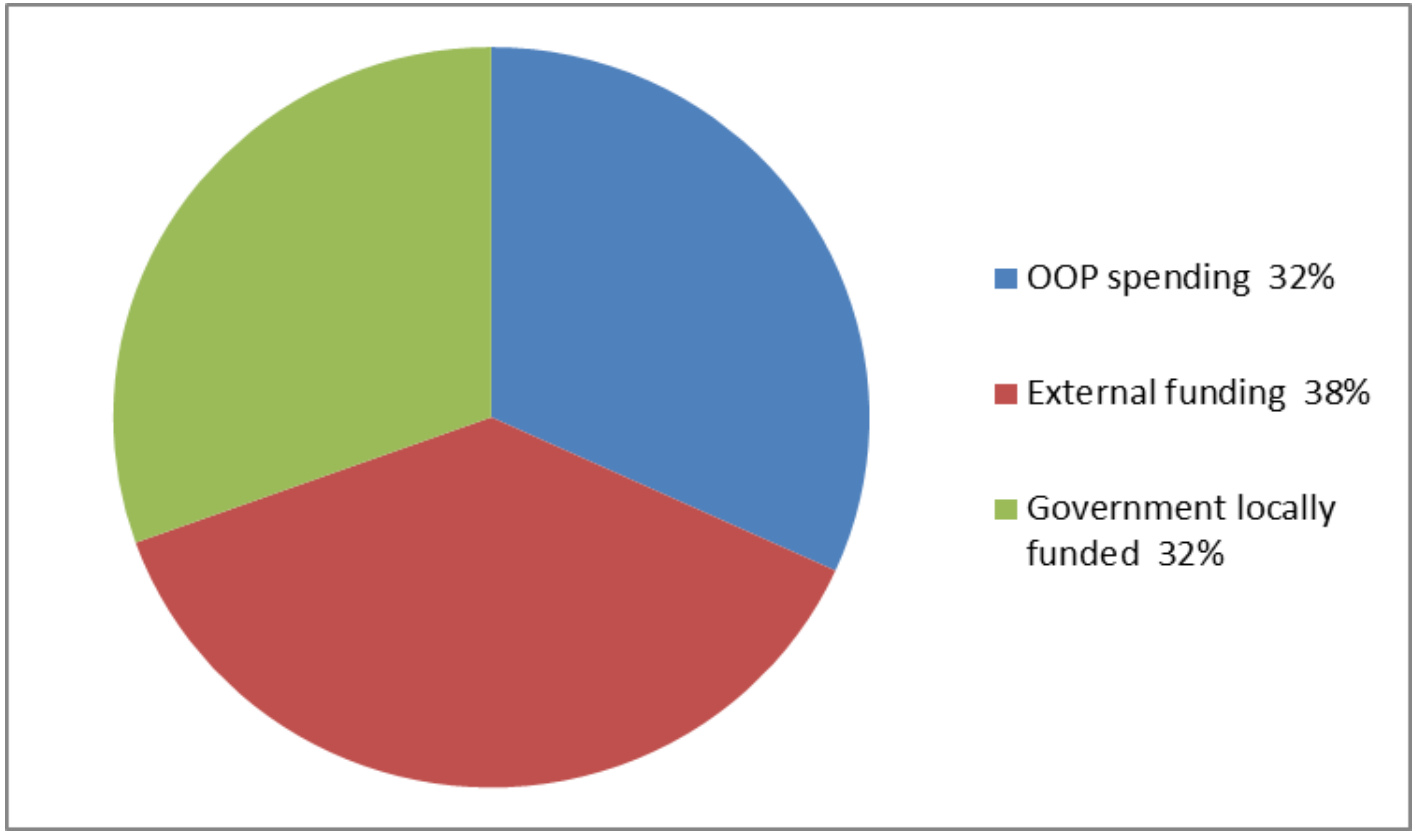
Source: Comtrade http://comtrade.un.org/data/

Key points of the presentation

- The Tanzanian market for health care supplies is large and expanding – and increasingly supplied by imports;
- There is severe unmet need for supplies, and reliance of out of pocket payment, affecting health sector performance;
- Procurement requires better integration with local suppliers' capabilities;
- Local manufacturers are rapidly losing out to import competition, despite major efforts at upgrading and improving quality and local supply chains;
- Policies can become more supportive of local manufacturing suppliers;
- Government-manufacturer collaboration can promote manufacturing improvement for health benefit.

Total health spending of almost $2bn. in 2012 Tanzanian medicines market estimate $250 million.

Donor and OOP total health spending both weighted towards medicines. Government procurement, partly donor-funded, buys perhaps 50% of supplies market.



Clinicians confirm increasing availability of supplies on the private market (2013)

"Yes, more supplies are available nowadays. Many countries are producing various types of supplies. In the past we used to buy supplies from India. Nowadays we buy from different countries including Tanzania…" [Private dispensary, Ilala]

"These changes in medical items supply has not brought any change to this [government] dispensary... but it has been a very good opportunity for patients. They are able to get medical items from private pharmacies and drug shops if they are able to [pay]. This is a good thing." [Public dispensary, Meru]

Public/FBO hospital availability of 'tracer' medicines and supplies quite high (2013) (% of all tracer medicines)

Facility/shop sector	Availability			Total
	Available	On order	Never ordered	
Public	86	7	7	100
Faith-based	85	2	13	100
Private	67	8	25	100
Total	83	6	11	100

Unmet need remains: in public health centres and dispensaries, availability of essential medicines was lower 2013 (% of all tracer medicines)

Facility/shop sector	Availability			Total
	Available	On order	Never ordered	
Public	58	9	32	100
Faith-based	72	7	22	100
Private	63	6	31	100
Total	62	8	26	100

The public dispensaries did not order, or were waiting for, a number of essential medicines

- The items ‘never ordered’ by >50% of lower level public sector facilities included most of the chronic conditions and mental illness medicines: atenolol (hypertension), omeprazole (ulcers), amitriptyline (depression), metformin (diabetes), glibenclamide (diabetes).
- One tracer was oxytocin injectable (for post-partum bleeding): 38% of lower level facilities were either waiting for supplies or did not stock it (all sectors).

Supplies 'never ordered' in lower level public facilities were *not* inessential (2013)

- Nearly half of public health centres had no glucometer to test for diabetes, and a majority had never had glucometer strips ;
- one had never had microscope slides;
- nearly half had no sharps box;
- a quarter had never had bed nets;
- a majority had never ordered hydrogen peroxide for wound cleaning;
- one had never had a weighing scale for paediatrics.
- A majority of public dispensaries lacked a microscope – and even more lacked the slides for it;
- however all the public facilities had surgical gloves when visited.

An important policy issue: supply gaps damage patients: can local suppliers help to reduce delays and gaps?

"Look: our September request order was brought on 14 November 2012, very late" [In-charge, Public health centre, District 2]

"Medicines … do not come on time, for example at our centre, the batch that was to be delivered in December 2012 was delivered on 01/02/2013, there was no medicine at this centre the whole of January ..." [In-charge, public dispensary, District 3].

"Delays [are] … challenging because we are dealing with human beings whose lives we need to save. " [Hospital pharmacist, Public hospital, District 1]

" It has been over a year we are [repeatedly] ordering ORS but we have not got it yet, yet the main disease affecting children in this area is diarrhoea." [In-charge, public dispensary, District 4]

"Sometimes up to 45% of the order is reported missing… "out of stock"" [Hospital pharmacist, public hospital, District 3]

Clinicians and patients suffer the effects.

Patients do not get treatment in a timely manner

> "For example, many patients suffer from malaria, and when I receive the consignment [of medicines] without even a single anti-malarial, it affects my patients and I am also affected since I am not able to serve them… For example, currently the first line anti-malaria is *Mseto* [ALu in Kiswahili], but I get quarterly supplies without it, not even the second line drug [for malaria]." [In-charge, public health centre, District 4].

People may die because of lack of treatment:

> "As delays for medicine continue for a long time, patients' illnesses get chronic and sometimes they do not recover at all. Most of the patients in our location have low income and they do not have alternative sources to obtain medicine. Many children in our villages have died from pneumonia." [In-charge, public health centre, District 2]

Can local manufacturers help? And also grow their businesses?

Health sector demand includes :

- Medicines and other pharmaceutical items such as diagnostic test kits;
- Medical supplies, such as syringes and needles, gloves and cotton wool, infection control items;
- Medical equipment such as microscopes, blood pressure machines, glucometers.
- Laboratory supplies such as reagents and slides
- Basics: infection control items such as disinfectants; bed nets, bed sheets and medical furniture.

Currently local supplies are mainly essential medicines and basic supplies such as cleaning materials; also treated nets.

Can manufacturers step up to more complex medicines and supplies?

Health benefits from more local industrial supply can include better rural access to medicines

Local suppliers of medicines are known to distribute more effectively than importers in Tanzanian rural areas.

2006: probability of finding a Tanzanian medicine the same in rural and urban areas, while the probability of finding an imported medicine much higher in urban areas.

2006	Tanzanian manufactures	Kenyan imports	Other imports
Rural	0.17	0.05	**0.16**
Urban	0.16	0.09	**0.38**

Local firms' market share falling in a fast-expanding market

2009 : pharmaceuticals alone:

- Imports : USD 99.4 million
- Exports : USD 7.9 million
- Local production: of pharmaceuticals: USD 48.5 million
- **Local share** of domestic market = local production / (imports + local production – exports) = **approx. 35%**

2013 : pharmaceuticals, medical supplies and equipment, medical furniture

- Imports : over USD 350 million;
- Exports : USD 3.3 million

(No industrial survey available yet after 2009.)

Exports have fallen sharply.

Estimated local share of market **now less than 20%.**

WHO/HAI survey data confirms fall in local market share of pharmaceuticals

Year	Percent of sample medicines available, by country of origin			
	Tanzania	Kenya	Other	Total
2006	33	14	53	100
2009	21	13	66	100
2012	12	11	78	100

Data supplied by Mary Justin-Temu.

2007, 8 firms producing medicines in Tanzania;
2014, 5 firms .
2009 75% of amoxicillin tablets locally produced;
2012 13%.

Why the declining local share of the medicines market?

- Rising barriers to market entry for local firms
- Increasing import price competition
- Worsening power and infrastructure constraints
- A tightening skills constraint
- Duties and tariffs incentivise imports
- Continuing registration delays
- Local procurement relationships weakening
- Lack of the active public sector support available in competing countries

“Government policy is totally unfriendly to pharmaceutical manufacturing .” (Experienced Tanzanian manufacturer)

Suppliers of medicines and other supplies face common challenges

Suppliers are technologically diverse, but all face:

- Importance of quality standards for market access;
- Constant upgrading required to meet competitive and regulatory standards;
- Price-based competition from imports, some subsidised in country of origin;
- Staff with low education, competition for skilled staff;
- Low quality and availability of locally made inputs;
- Tax/duty regime exempting final products from tax, while not all inputs are tax-free;
- Public procurement regime that is import-focused;
- Private wholesale market with strong import focus;
- Mixed public perceptions of local product quality.

Constructing a sector-specific and active industrial policy for the health sector

Requires sector-specific industrial support for:

- Final suppliers of pharmaceuticals, medical and laboratory supplies and basic essentials
- Upstream suppliers of inputs such as cardboard and plastic packaging, plastic and glass bottles, other plastics, textile inputs.

Working with:

- Procurement agents;
- Industrial associations;
- Donors and external advisers.

Key policies include:

Strengthening this industrial cluster of suppliers by:

- Increased awareness by procurement agents and policy makers of local firms' current capabilities;
- More activity by industrial associations to market members' capabilities to government;
- Better relevant technical expertise in government;
- Linking procurement interactively to industrial improvement;
- Involving donors in debating and supporting procurement reform.

Practical government support to health sector suppliers could include:

- Improved access to technical information, advice and support for upgrading products and processes;
- Active support for upgrading of input suppliers upstream;
- Support for sector-specific technical skills training, in institutes and firms;
- Active encouragement of new investments, e.g. in labour intensive assembly-type operations, as a basis for future technological learning and upgrading;
- Changed public procurement and tax regimes to support local suppliers;
- Consideration of a “negative list” of products for local supply only, and improved anti-dumping action;
- Speeding up imports of inputs, product approvals, and licensing.

A more active industrial policy can generate mutual health and industrial benefits.

Requires organisational change in industrial, finance, health, procurement and educational policies – and a vision to target the sector.

The payoffs can be:

- Better productivity and product diversity
- Higher employment
- Greater security of supply and access to medicines
- Higher quality care through better access to supplies
- Sustainably cheaper basic essentials
- Reliable quality through local regulatory oversight
- Adaptation of products by suppliers to local needs
- More exports to the wider region.

Acknowledgements, disclaimer, further reading

Project website: iphsp.acts-net.org

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UKaid from the British people

Research jointly supported by the ESRC and DFID

The findings and interpretations, expressed are those of the authors and do not reflect the views of DFID or the UK ESRC, whose financial support is gratefully acknowledged.

THANK YOU