



# Towards an Active Industrial Policy for the Health Sector in Tanzania

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High-level Policy Roundtable : *Improving Health Sector Performance in Kenya and Tanzania: Is There a Future for the Local Manufacturing Industry?*

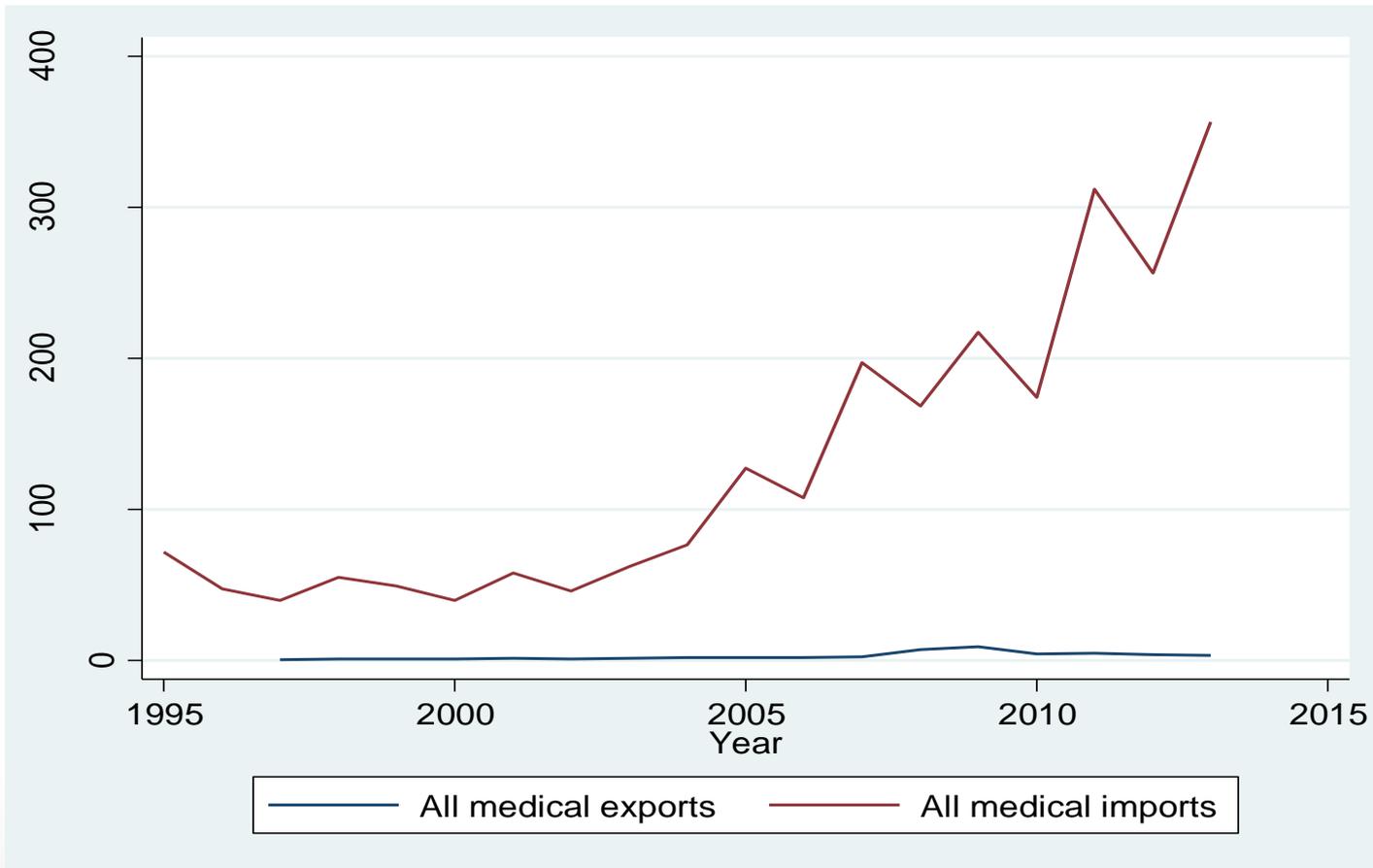
Hosted by ACTS, Nairobi, 17<sup>th</sup> September 2014

# Overview

1. The health market offers a large and expanding market opportunity for manufacturers in Tanzania.
2. At present the local firms' market share is falling, but there are also successes.
3. Suppliers to the health sector face many common challenges.
4. An active sector-specific industrial policy can raise market share and also improve health sector supplies and performance.

# (1) The Health Sector Market Opportunity

Sharply rising demand is currently being met by imports.



# Local Manufacturers Can Supply More

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 basics.

## (2) Market Share and Scope for Local Expansion

2013 : pharmaceuticals, medical supplies and equipment, medical furniture

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

(No industrial survey available after 2009.)

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%**

Local market share of pharmaceuticals has been falling since 2009, but successful developments include local supply of insecticide-treated bed nets.

### **(3) Suppliers to the Health Sector: Facing 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.

## **(4) An Active Industrial Policy for the Health Sector (i)**

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.

# An Active Industrial Policy for the Health Sector (ii)

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.

# An Active Industrial Policy for the Health Sector (iii)

Provide for industrial suppliers to health care:

- 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;
- Speeding up imports of inputs, product approvals, and licensing.

# Health Benefits from More Local Industrial Supply

Industrial improvement, in productivity, product diversity and employment, can provide for the health sector:

- Greater security of supply.
- Better rural supplies particularly, through local firms' distribution systems.
- Sustainably cheaper basic essentials.
- Reliable quality through local regulatory oversight
- Clear understanding by suppliers of local needs.