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Industrial development and access to medicines: Identifying and creating mutual interests

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Based on work led by REPOA in Tanzania, ACTS in Kenya, and collaborative writing and publication of evidence from seven African countries, India and Brazil.

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Supporting Access to Medicines and Industrial Development in Africa: Investing in Domestic
Pharmaceutical Manufacturing*

Effective and coherent policy requires more than health and industrial policy makers talking to each other...

More health-industry policy debate is certainly needed. How can that be focused on practical systemic improvements?

The core challenges are innovation and transformation in both health and industrial sectors, to identify and to generate shared interests and compatible incentives.

Three examples of achievable systemic change:

1. A shared focus on sustaining competitive supply of, and access to off-patent basic essential medicines;
2. Cultural and procedural changes towards collaborative design of public, donor and non-profit procurement;
3. Innovation and upgrading support to address local market needs and ensure market access.

A shared focus on sustaining competitive supply of, and access to off-patent basic essential medicines

- Local producers have been shown (in Tanzania) to achieve more effective rural distribution of basic medicines than importers/distributors;
- These basic medicines including broad spectrum antibiotics are generally low price and low margin, external competition having driven down prices and reduced local supply;
- Protection of this market – e.g. by negative lists – can sustain local manufacturers' cash flow in competitive domestic markets;
- This in turn supports local firms' investment and innovation capability where external finance is tight and expensive;
- It also sustains firms' incentives to maintain wide domestic distribution networks that support access to medicines via shops and facilities.

Cultural and procedural change towards collaborative design of public, donor and non-profit procurement

- Donor funding has improved medicines access, but procurement rules have raised market access barriers for local firms;
- Local firms report that public and donor-funded procurement carries increasing business risk;
- Approaches used by some non-profit wholesalers illustrate the scope for collaborative working with local firms to strengthen local supply chains;
- Improvements to build competitive domestic suppliers can include:
 - Local tenders and smaller, more accessible tender sizes;
 - Call-off and longer contracts with accredited local suppliers to support suppliers' investment;
 - Regular local supplier meetings to share information, resolve problems and identify opportunities;
 - Trade credit for local as well as overseas suppliers;
 - Ensuring tax, duty and procurement rules do not favour importers over local manufacturers;
 - Stabilisation of donor and government procurement funding;
 - Linking funding and technical support for upgrading to procurement commitments.

Innovation and upgrading support to address local market needs and ensure market access

- The local pharmaceutical sector is under constant regulatory and competitive pressure to upgrade;
- Firms need technical and financial support to invest, train and learn to sustain competitiveness, and they need market access while upgrading;
- External support can come from e.g.:
 - PPPs such as DNDi, investing in one-off technological upgrading and GMP improvement;
 - Joint ventures, such as A-Z textiles with Sumitomo to produce insecticide treated nets, or the Sino-Ethiopian joint venture to produce hard capsule shells;
 - Technical improvement support from *Kaizen* initiatives, or from machinery producers/installers.
- When it goes wrong it is often from lack of market access, e.g. the Brazil-Mozambique joint venture to produce HIV medicines.
- Government can work with firms and external bodies to ensure that market access and regulatory effectiveness are in place to sustain upgrading initiatives.

Further reading

For evidence and frameworks of thought behind these very brief remarks, see:

Mackintosh, M. Banda, G. Tibandebage, P. Wamae, W. (eds.) (2016) *Making Medicines in Africa: the Political Economy of Industrializing for Local Health*. Palgrave Macmillan, open-access under a creative commons licence, freely downloadable at <http://www.palgraveconnect.com/pc/doi/10.1057/9781137546470>

Mackintosh, M. Kale, D. Orsenigo, L. Simonetti R. (2016) Evidence submitted to the UN Secretary General's High Level Panel on Access to Medicines <http://oro.open.ac.uk/46403/>

Project website (policy briefs and working papers): <http://iphsp.acts-net.org/>

Collaborating research institutions websites: <http://www.open.ac.uk/ikd/>
<http://www.repoa.or.tz/> <http://www.acts-net.org/>

Srinivas, S. (2012) *Market Menagerie: Health and Development in Late Industrial States* Stanford University Press.