

# AUDA-NEPAD COVID-19 RESPONSE WEBINAR SERIES

OPPORTUNITIES FOR IMPROVED MARKET ACCESS FOR  
LOCAL PHARMACEUTICAL MANUFACTURERS IN AFRICA –  
IMPLICATIONS OF THE AFRICAN CONTINENTAL FREE TRADE  
AGREEMENT (AfCFTA)



HOSTED BY:



POST WEBINAR REPORT  
16TH JULY 2020

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# EXECUTIVE SUMMARY



The AUDA-NEPAD COVID-19 response webinars are designed to facilitate conversations on galvanising African manufacturers to supply pharmaceutical and medical products required to combat the COVID-19 pandemic. The webinar presentations focused on how the AfCFTA would lead to increased opportunities for market access for local pharmaceutical manufacturers in Africa.

In her welcome remarks, Dr. Janet Byaruhanga, Senior Programme Officer, Public Health at AUDA-NEPAD stated that AfCFTA is a significant step that can be mutually reinforcing with the local production agenda. The boost to intra-regional trade between AU member states addresses the challenge of the fragmentation of markets which has been a challenge to local production. The AfCFTA will

not only contribute to promotion of local production but combined with the coordinated regulation processes will catalyse the attainment of the long-term vision of mutual economic development of AU member states. She concluded by saying, it is evident that the PMPA and the AfCFTA are mutually reinforcing the vision to improve trade amongst African countries thereby galvanising the African manufacturing industry to continue to supply essential pharmaceutical products on the continent.

The keynote address by Dr. David Luke, Coordinator, Africa Trade Policy Centre, at the United Nations Economic Commission for Africa (UNECA) stressed the need for these series of webinars to facilitate concrete actions by African governments, regional economic communities and private sector players on the continent to develop and use Africa's pharmaceutical sector as a catalyst to development of solutions and best practises to combat COVID-19 in Africa. He further stressed the need to consciously build a competitive and resilient African pharmaceutical value chain through the African Continental Free Trade Area. His speech focused on three critical issues that must be addressed in order for Africa to leverage its pharmaceutical industry to produce critical pharmaceutical and medical supplies to combat COVID-19, future pandemics and to build a sustainable pharmaceutical and industrial base.

The key areas of his discussion are:

1. Pharmaceutical trends in Africa,
2. Impact of COVID-19 on pharma value chains and
3. Leveraging AfCFTA to develop Africa's pharmaceutical industry



While discussing the pharmaceutical trends in Africa, Dr. David Luke stated that Africa's trade in pharmaceuticals (medicines and equipment combined) increased steadily over the past two decades. During this period Africa's total exports increased from US\$ 0.2 billion in 1998 to US\$ 1.4 billion in 2018, while Africa's total imports jumped from \$4.2 billion in 1998 to over \$20 billion in 2018. This imbalance between Africa's imports and exports lead to a significant trade deficit for the continent. Hence data from 2019 and 2020 suggests that almost all Africa's pharmaceuticals imports originate from outside the continent. 97% of Africa's total imports (average period 2016-2018) originate from outside Africa, about 51% of which is sourced from the EU alone, while China and India are responsible for the remaining 46% of Africa's imports.



Dr. David Luke further stated that according to data from the system of national accounts (SNA), Africa largely imports pharmaceuticals for final consumption (60.6%), followed by intermediates (27.7%) and capital goods (11.7%). The proportion of intermediates (vs. consumption vs. capital goods) is relatively lower in intra-African imports (19.1% vs. 69.8% vs. 11.1%) compared to Africa's imports from the rest of the world (28.0% vs. 60.3% vs. 11.7%). This trend indicates a reliance of Africa on outside partners for intermediates, which are subsequently used in the production of pharmaceuticals. Thus, the composition of exports of pharmaceuticals in terms of intermediates vs. consumption goods vs. capital goods is relatively similar to that of imports which shows substantial trade deficit.

As regards the impact of COVID-19 on pharma value chains, Dr. Luke stated that the pandemic caused African countries to struggle in their ability to procure medical products from global suppliers, hence this led to a positive shift from global supply chains towards more regionalized and local supply chains. This demonstrates that there is potential for African industries to respond to demand. He further praised the role of African institutions such as the ECA and AFREXIMBANK who are



supporting manufacturers in Africa to scale up the manufacturing of medical supplies that can be produced in Africa and sent across borders. This regional approach enhances comparative advantage and economies of scale.

Dr. Luke concluded his keynote address by advocating for the pharma sector to be brought to the heart of the AfCFTA. He argues that business opportunities in Africa's healthcare and wellness sector are estimated to be worth US\$259 billion by the year 2030, with potential to create 16 million jobs. Considering the fact that 14% of all business opportunities in the healthcare and wellness sector globally are estimated to be in Africa; therefore, there are numerous opportunities for the private sector to invest in laboratory and diagnostics,



pharmaceuticals, skills development, research and capacity building, and digital health innovations in Africa.

AfCFTA offers the perfect platform for businesses to tap into these opportunities. The AfCFTA agreement creates an environment conducive for establishing regional value chains and champions in the pharmaceutical sector, which can be leveraged as a springboard for nurturing African multinationals.

Dr. Luke cautioned that, the AfCFTA will not provide a panacea to Africa's over-reliance on pharmaceuticals without a targeted framework that integrates an awareness of the multiple ways in which trade can impact on health systems. He said creative thinking is now required on how the AfCFTA can be reconfigured to elevate the pharmaceutical sector as the heart of the AfCFTA Agreement.

In conclusion, Dr. Luke proposed solutions to AfCFTA's approach to Trade in goods and Trade in services. Here are his 5-points on Trade in goods:

1. Pharmaceutical and medical products should not be included in the sensitive item or exclusion lists of State Parties' tariff schedules
2. The timeframe of 5 years for liberalization of pharmaceutical goods should be reduced in order to speed up the development of African value chains in anticipation of future shocks
3. An AU directive would help to support compliance with these proposals
4. The finalization of rules of origin should be prioritized for pharma products and textile and apparel covering PPE and masks
5. Fast track digitization of systems of origin certification

Here are his 4-points on Trade in services:

1. Member states should consider adding health and education services to the priority list of services sectors for the first round of services negotiations
2. Alternatively, the liberalization of professional services under the overall business services sector, could extend to cover medical services personnel
3. Complementary efforts needed to facilitate international movement of critical health and technical experts in a safe manner
4. Ensuring equivalency of accreditation for health-related degrees and programmes is crucial to facilitate quick health responses, including movement of workers.



## BACKGROUND AND OVERVIEW

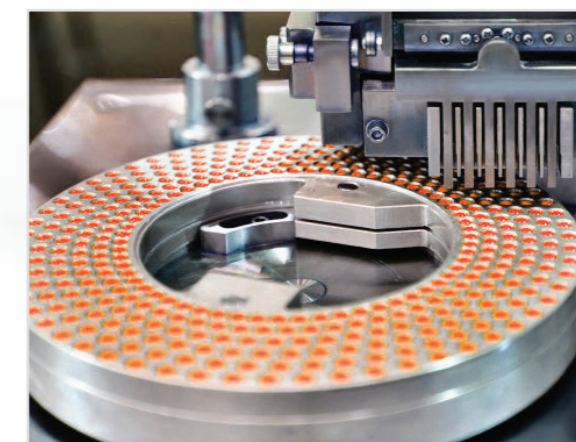


The continent is experiencing shortages in supply of medical products used in the response to COVID-19. These includes Personal Protective Equipment (PPE) that is, gloves, gowns, surgical and respirator masks among others. There is also a critical shortage of the diagnostic capability, both Point of Care serology tests for screening and real-time RT-PCR for diagnosis. Africa also has a limited supply of mechanical ventilators and many essential medicines needed to deal with the pandemic and its complications.

COVID-19 has led to the shutdown of the global supply chain; hence India, has banned the exportation of all these priority medicines to Africa. Likewise, many European countries and Russia, have formally prohibited the exportation of many medical technologies and priority medicines in order to cater to nationalistic concerns.

To this end, Africa needs local solutions otherwise COVID-19 will overwhelm Africa's health systems. The shutdown of the global supply chain should look inward and embrace local manufacture of pharmaceutical products in order to make sure African have access to essential medicines and in turn make the African pharmaceutical sector sustainable.

The 7-point recommendations from the inaugural webinar as stated below, serve as the framework for subsequent webinars organised under specific themes.





**WEBINAR 7-POINT RECOMMENDATIONS**

<p>1 WHO to identify the priority essential medical products needed to address the demand;</p>	<p>2 AUDA-NEPAD in collaboration with member states and RECs as well as relevant partners to drive a continental / regional mechanism for procurement of essential medical products and identify credible local manufacturers from whom to procure;</p>
<p>3 AUDA-NEPAD in collaboration with relevant stakeholders to define the appropriate supply management mechanism that would increase the viability of local pharmaceutical production;</p>	<p>4 Africa CDC in collaboration with the African Society of Laboratory Sciences to develop a continental strategy for strengthening laboratory capacity to respond to COVID-19 in the immediate, and long term be able to meet the continent's need;</p>
<p>5 AMRH Secretariat to fast-track the adoption and implementation of harmonised guidelines for the clinical development, manufacture, marketing and distribution of needed essential medical products and supplies;</p>	<p>6 AfDB and Afrexim in collaboration with relevant stakeholders to urgently define and accelerate its strategy for access to affordable financing, detailing how to access it, and how it supports the development and growth of the African pharmaceutical industry;</p>
<p>7 AUDA-NEPAD with the support of the Federation of African Pharmaceutical Manufacturers and other relevant partners assess current status and develop a strategy to boost the current capacity of the local pharmaceutical industry to supply the much-needed essential medical products. This might involve generally increasing the industrial capacity or re-purposing existing production lines to meet the demand for priority products.</p>	

**WELCOME ADDRESS**



*Dr. Janet Byaruhanga - Senior Programme Officer, Public Health at AUDA-NEPAD*

The **Senior Programme Officer, Public Health at AUDA-NEPAD, Dr. Janet Byaruhanga**, delivered the welcome address at the webinar. Here is a transcript of her opening remarks:

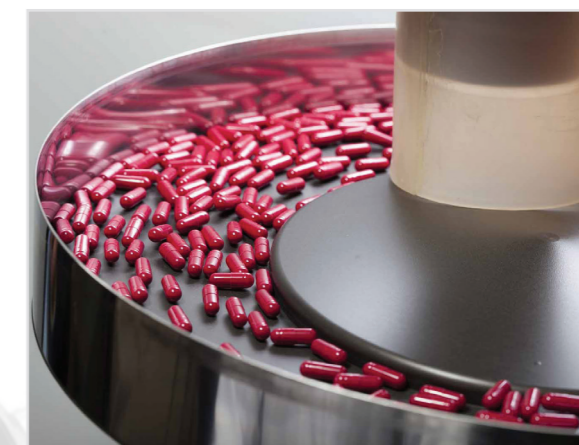
As part of AUDA-NEPAD's response to the COVID-19 pandemic a series of webinars aimed at galvanising Africa's local industry to step up to supply the much-needed PPE, medicines and other medical supplies have been scheduled to take place for the next couple of months.

On behalf of the AUDA-NEPAD and our partners DFS Africa we wish to thank those of you who have continued to attend these webinars and for your contributions. The thoughts and recommendations you provide us have created a wealth of knowledge.

The vision of the PMPA goes beyond that of merely ensuring local production of pharmaceuticals but importantly also includes guarding a secure access to quality assured medicines as well as the capacity of to promptly deploy developed technology to addressing the urgent needs of the continent. These objectives are indispensable should the continent seek to ensure its security and autonomy.

The AfCFTA is a significant step that can be mutually reinforcing with the local production agenda. The boost to intra-regional trade between AU member states addressed the challenge of the fragmentation of markets which has been a challenge to local production, just as a promotion of local production and the coordinated regulation processes catalyses the attainment of the long-term vision of mutual economic development of AU member states.

Evidently the PMPA and the AfCFTA are mutually reinforcing vision on the African continent.





## THE PRESENTATIONS

### PRESENTATION 1 - BUILDING COMPETITIVE AND RESILIENT AFRICAN PHARMACEUTICAL VALUE CHAINS THROUGH THE AFRICAN CONTINENTAL FREE TRADE AREA

Speaker: Dr. David Luke UNECA – Coordinator of the African Trade Policy Centre at the UN Economic Commission for Africa



Dr. David Luke - UNECA Coordinator of the African Trade Policy Centre at the UN Economic Commission for Africa

#### Problem Statement

Dr. David Luke started on a positive note stating that the Africa's trade in pharmaceuticals (medicines and equipment combined) has increased steadily over the past two decades with:

- Africa's total exports increasing from US\$ 0.2 billion in 1998 to US\$ 1.4 billion in 2018
- Its total imports increased from \$4.2 billion in 1998 to over \$20 billion in 2018

While this points to a significant increase in trade deficit for pharmaceuticals as evidenced by the sheer proportion of imports (97% of Africa's total imports (average period 2016-2018) originate from outside Africa and about 51% of it is sourced from the EU alone) a **substantial share of Africa's pharmaceutical exports are directed towards the continent itself.**

#### He noted that:

- Intra-African pharmaceuticals exports account for 40.6% of Africa's total pharmaceutical exports
- Senegal, Tanzania, Zimbabwe, Zambia, Sudan and Uganda are important main destinations, each receiving at least 5% of Africa's pharmaceutical exports to Africa
- South Africa, Kenya, Ghana and Egypt are the main exporters, supplying 26.6%, 18.7%, 12.7% and 10.9% of Africa's total exports to Africa, respectively
- Outside the continent, EU remains the leading destination for African exports (43.4% of African exports to the rest of the world)

On a closer look, however, we begin to see cracks that has been amplified with the present pandemic. These are evidenced with the following observation which he addressed along three lines.

**In terms of composition of traded goods**, Medicines (including antibiotics) represent the bulk of Africa's total pharmaceuticals trade:

**Imports:** the shares of medicines vs. equipment are relatively comparable between intra-African imports (82.6% for medicines vs. 17.4% for equip.) and Africa's imports from the ROW (81.4% vs. 18.6%)

**Exports:** there is a more pronounced difference in the shares of medicines vs. equipment between intra-African exports (82.6% for medicines vs. 17.4% for equip.) and Africa's exports to the ROW (65.1% vs. 34.9%)

**While Pharmaceutical equipment**, which accounts for a higher share of Africa's exports to rest of world vs. within Africa, typically embeds higher value-added content than medicines

**In terms of SNA (System of national accounts) end uses**, Africa largely imports pharmaceuticals for final consumption (60.6%), followed by intermediates (27.7%) and capital goods (11.7%)

The proportion of intermediates (vs. consumption vs. capital goods) is relatively lower in intra-African imports (19.1% vs. 69.8% vs. 11.1%) compared to Africa's imports from the rest of the world (28.0% vs. 60.3% vs. 11.7%) indicating a reliance of Africa on outside partners for intermediates, which are subsequently used in the production of pharmaceuticals

**However, in terms of import tariffs** (only), those tend to be higher (regardless of the origin) and requiring greater attention (including in AfCFTA context) for:

- A few countries (e.g. Djibouti, Ghana, Algeria, DRC, Ethiopia, Sudan);
- A few products (e.g. optical equipment and medical instruments such as thermometers and hydrometers).

He further reiterates the effect of COVID-19 on the pharma value chains along three lines:

- Access: Lockdowns, Export Restrictions and Border disruptions continues to cause massive problem for the present pharmaceutical Value chain
- Price: Dependence on China and India for API's has caused a drastic increase in the price





of finished products, the usual reliance on normal air freights for logistics which has been impacted by the lockdown has also added to the cause of rising prices.

- Supply: In a positive he noted that the disruption of global supply chains has seen some pivoting to regional supply chains

### Solution: Leveraging AfCFTA to Develop Africa's Pharmaceutical Industry

Dr. David Luke opined that, bringing the pharma sector to the heart of the AfCFTA would be the only way to go so as to leverage on:



- Business opportunities in Africa's healthcare and wellness sector that are estimated to be worth US\$259 billion by the year 2030, with potential to create 16 million jobs
  - 14 per cent of all business opportunities in the healthcare and wellness sector globally are estimated to be in Africa
  - There are numerous opportunities for the private sector to invest in laboratory and diagnostics, pharmaceuticals, skills development, research and capacity building, and digital health innovations
- The platform AfCFTA offers for businesses to tap into these opportunities
  - The Agreement will create an environment conducive for establishing regional value chains and champions in the pharmaceutical sector, which can be leveraged as a springboard for nurturing African multinationals
  - Yet it will not provide a panacea to Africa's over-reliance on pharmaceuticals without a targeted framework that integrates an awareness of the multiple ways in which trade can impact on health systems
- Delay to start of trading (brought about by COVID-19), as it offers a window of opportunity
  - Creative thinking is now required on how the AfCFTA can be reconfigured to elevate the pharmaceutical sector as the heart of the AfCFTA Agreement

### Approach (Practical Steps)

He advocated practically for four Priority 'pharma' actions for the AfCFTA:

#### 1. Trade in Goods

- a. Pharmaceutical and medical products should **not be included in the sensitive item or exclusion lists** of State Parties' tariff schedules



- b. The **timeframe of 5 years** for liberalization of pharmaceutical goods should be **reduced** in order to speed up the development of African value chains in anticipation of future shocks
- c. An **AU directive** would help to support compliance with these proposals
- d. The finalization of **rules of origin** should be **prioritized for pharma products** and textile and apparel covering PPE and masks
- e. **Fast track digitization** of systems of origin certification



#### 2. Trade in Services

- a. Member states should consider **adding health and education services** to the priority list of services sectors for the first round of services negotiations
- b. Alternatively, the liberalization of professional services under the overall business services sector, could **extend to cover medical services personnel**
- c. Complementary efforts needed to facilitate international movement of critical health and technical experts in a **safe manner**
- d. Ensuring **equivalency of accreditation** for health-related degrees and programmes is crucial to facilitate quick health responses, including movement of workers

#### 3. Non-tariff Measures

- a. Implementation of the **already finalized** NTB Mechanism and AfCFTA trade facilitation, customs cooperation and transit trade annexes should be **fast-tracked**
- b. These annexes must be implemented in a manner that is **cognizant of the risks** of unregulated movements of pathogens and hazardous goods
- c. State Parties should prioritize the harmonization of **standards for medical and pharmaceutical products**
- d. The AfCFTA should be used as a platform for **African standards bodies** to pool and **share resources** to provide expedited testing and safety approval for new production of medical equipment in Africa.



#### 4. Intellectual Property Rights

- a. The **pharmaceutical sector should be central** to the second phase AfCFTA intellectual property rights negotiations
- b. Through supporting Africa to negotiate as a coherent bloc, AfCFTA should be used to



strengthen the continent's ability to **ensure TRIPS flexibilities** are fully utilized in efforts to enable local production and access to essential medicines

- c. When a COVID-19 **vaccine** becomes available, a coordinated African notification to the WTO of the use of TRIPS flexibilities will be crucial

In his concluding statement, Dr Luke noted that, to **overcome Africa's reliance on imported pharmaceuticals**, ECA has launched the **AfCFTA-anchored pharmaceutical initiative to ensure access to efficacious, safe, and affordable medicines and supplies to address maternal health in the IGAD region.**



- The initiative is expected to support intra-African trade in pharmaceuticals under the AfCFTA, and operationalization of the African Medicines Agency (AMA)
- The AfCFTA-anchored pharma Project will be piloted in ten African countries (with support from IGAD): Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, and Sudan
- Priority area : reproductive health

**The initiative adopts a three-pronged approach:**

- Localized production
- Pooled procurement
- Harmonized regulatory and quality frameworks

**And Progress has already been made to support African pharmaceutical production:**

- Continental based pharmaceutical manufacturers have been identified and shortlisted
- Quality standards for scaling-up production have been ascertained.

## PRESENTATION 2 - OPPORTUNITIES FOR IMPROVED MARKET ACCESS FOR LOCAL PHARMACEUTICAL MANUFACTURERS IN AFRICA – IMPLICATIONS OF THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT (AfCFTA)

Speaker: Mr. Silver Ojakol - Chief of Staff (On behalf of SG) AfCFTA Secretariat



Mr. Silver Ojakol - Chief of Staff (On behalf of SG) AfCFTA Secretariat

**Problem Statement**

Mr. Silver Ojakol started by noting that the trade among African countries is still low at about 12% of their trade compared with the rest of the world. This is because African markets are small and fragmented. As such, these markets cannot exploit advantages of scale economies and hence cannot attract large scale investments. Moreover, owing to the small size of the economies, their revenue base is insufficient to meet public sector expenditure requirements. As a result, they raise multiple tax and non-tax barriers to trade with each other and with the rest of the world. These small and balkanised markets foster minimal economic development.

He further highlighted challenges that amplifies the problem. Challenges such as:

- Low healthcare expenditure, on average \$30 per capita in Africa compared to the world average about \$610 per capita.
- Low research and development capacities (equipment, funding )
- High Domestic taxation, even though the customs tariff is reduced in accordance with the AfCFTA, the State Parties should address the domestic taxes such as VAT and other charges.
- The fees for inspection, registration, certification by the regulators may need to be rationalized.
- Substandard products in some regions.
- Reliance on development partners to fund some areas of healthcare.

In summarizing the problems, he opined that these challenges, and others, have to be addressed to complement the AfCFTA, and foster a conducive trade and investment environment.



**Solution: The Agreement Establishing the African Continental Free Trade Area (AfCFTA)**

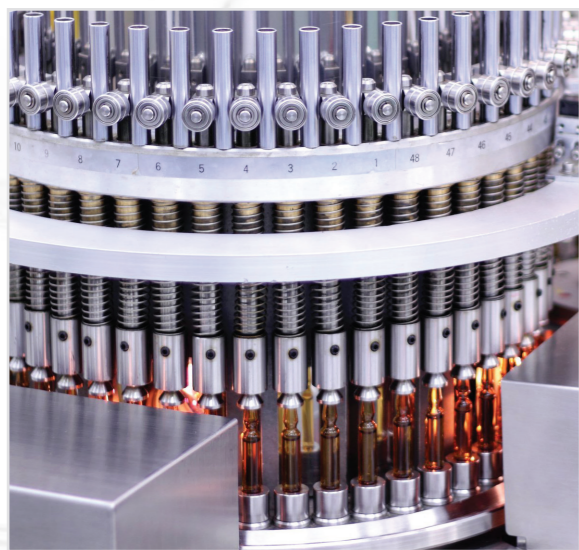
Mr. Ojakol noted that AfCFTA is a welcome development. Following the negotiations for the Free Trade Area, which kicked off in 2016, the Agreement establishing the African Continental Free Trade Area was finalized and adopted, during the 10th Extra-Ordinary Assembly of the African Union Heads of State and Government, in Kigali, on 21st March 2018. The Agreement, once adopted, was opened for signature and eventually ratification by the Member States. Thus far 54 countries have signed, and 28 countries have ratified the Agreement. Legally the Agreement came into force in May 2019, 30 days after the deposit of the 22nd instrument of ratification.



The AfCFTA will involve all the 55 Member States of Africa, with 1.3 billion people, and combined Gross Domestic Product of \$2.4 trillion. This is therefore world's largest free-trade area, by number of countries.

He further stressed that the implementation of the AfCFTA is one of the vehicles to catalyse the development of African countries. Few countries in history, if any, have achieved significant economic development without trade. In order to develop, African countries will need to trade more, both with one another and with the rest of the world. By breaking down trade barriers between African countries, the AfCFTA will significantly boost trade and lead to harnessing of resources in the continent.

Large markets support more trade in goods, services and assets, generate income, support the exploitation of economic gains along the value chain, lead to specialisation and efficiency and create jobs. As one of the flagship projects, the AfCFTA will contribute to meeting public policy objectives and aspirations embedded in Agenda 2063.



The general objective of the AfCFTA is to create a single market for goods and services and the movement of business persons in accordance with agenda 2063. It lays a foundation for the establishment, in future, of a Continental Customs Union thus resolving the challenges of overlapping membership in multiple Regional Economic Communities (RECs); promote industrial development; sustainable and inclusive socio-economic growth

This is to be attained through the progressive liberalisation of tariffs and non-tariff barriers; efficiency in customs clearance and trade facilitation; cooperation in investment, intellectual



property and competition policy; the establishment of a dispute settlement mechanism and to establish and maintain an institutional structure for the implementation of the AfCFTA.

He ended his solution submission on a high, noting that it is estimated that on implementation of the AfCFTA, intra-Africa trade will increase by about \$35 billion annually. This in our view is a conservative estimate as it is considering the current trade portfolio, mainly primary products, of many of the Member States. This

projection could be higher with the attainment of the objective of exploitation of the value chains which in our view would considerably improve trade performance.

**Opportunities in the AfCFTA for Pharmaceutical Industry**

The ultimate goal of the AfCFTA is to achieve 100% trade liberalization. During the negotiations, it was agreed that customs duties on 90% of tariff lines will be progressively liberalised upon entry into force of the AfCFTA Agreement. The 90% tariff reduction will be linear over 5 years for non-LDCs and 10 years for LDCs.

The remaining tariff lines 10% are to be divided between exclusion and sensitive products. The exclusion products are not subject to liberalisation but will be reviewed every 5 years. The sensitive products are to be liberalised over 3-5 years.

The Agreement opens up opportunities for existing and future African pharmaceutical manufacturers to supply the AfCFTA State Parties at preferential duty rates. However, this will depend on the scheduling of pharmaceutical products in the tariff offers and the current trade policies of state parties in relation to pharmaceutical products.

The AfCFTA now unifies a market of 1.3 billion people and projected to be 2.5 billion by 2050. It is to be noted that it is also a market characterised by a high disease burden on account of geographical factors and low level of development.

Owing to little manufacturing capacity, Africa currently is a net importer of pharmaceutical products. There is opportunity for investment rendered more urgent by the COVID-19 which disrupted global supply chains with negative impact on net importers. The development of the Regional Value Chains (RVCs) as envisaged in the objectives of the AfCFTA Agreement could be a starting point. There are provisions in the AfCFTA Agreement that can be specifically exploited for investment (e.g. on infant industries and on Special Economic Zones).

It is known that a number of African countries export plant based pharmaceutical raw material, which could possibly form the initial basis for the RVCs.





## Conclusion

The AfCFTA presents a unified African market for pharmaceutical products currently valued at over \$15 Bn. It also opens opportunities for investment to produce for the continental market. There are some specific provisions in the agreement, such as on infant industries and special economic Zones that can be exploited for investment. In addition, complementary sectoral policies for specific sectors need to be drawn-up to address some of the challenges.



## CONTRIBUTIONS FROM PANELISTS

### Mr. Prudence Sebahizi - Chief Technical Advisor on the African Continental Free Trade at AUC

Mr. Sebahizi began his remarks by saying that the COVID-19 pandemic presents a number of opportunities to pharmaceutical manufacturers firstly by providing products and solutions that have arisen due to a shortfall caused by disruptions in the supply chain of products and secondly that there are opportunities now offered by market available on a continent-wide level. So many African countries such as Nigeria, South Africa, Kenya, Ghana, Ethiopia, Senegal etc are now initiating plans to increase local production, not just in response to the pandemic but as a response to the AU's policy and plan for industrial development.



*Mr. Prudence Sebahizi - Chief Technical Advisor on the African Continental Free Trade at AUC*

The overall objective of the **African Continental Free Trade Agreement (AfCFTA)** is to boost intra African trade which is currently about 18% of total trade amongst African countries. This means about 82% trade is with rest of the world. Of course, we have to also look at the composition of these trades as African countries' trade with the rest of the world is mostly based on trading primary products and importing sophisticated products. This creates a trade in-balance and it means we spend so much on import than we generate from export. Mr. Sebahizi went further to then highlight the vision and objectives of the AfCFTA some of which are:

1. Add value to production. Trade more with African countries and change the composition of trade with the rest of the world to ensure more value is added to products before leaving Africa.
2. Seek to enhance trade facilitation policies on the continent by enhancing efficiencies at borders looking more into trade corridors. The AfCFTA contains annexes on trade facilitation, customs cooperation, and transit that, if implemented, would require member states to put in place infrastructure to facilitate cross-border trade, on the basis of which trade corridors could easily be established. Furthermore, the AfCFTA envisions the establishment of a sub-Committee on Trade Facilitation, Customs Cooperation and Transit, which would be able to oversee implementation and facilitate coordination of customs processes, including for expedient delivery of essential products across the continent.
3. Enhance production capacity on the continent. You can only trade when you produce enough. The potential dynamic benefits of the AfCFTA are particularly important. Larger integrated markets will be more attractive to investors and with new investment comes technology transfer that could boost productive capacity.
4. Ensuring quality so that consumers can make a choice for local products over imported products. The AfCFTA looks at quality infrastructure and creates a policy framework that will enhance standards
5. Reduce tariffs on products produced on the continent using the AfCFTA rules of origin (the criteria needed to determine the nationality of a product).



- a. By granting each other trade preferences, AfCFTA member countries would source more intermediate and final goods among themselves rather than import from abroad.
- b. By doing so, more trade would be created within the AfCFTA, serving as a base to support the development of regional value chains and the building of manufacturing capacities in Africa.
- c. Trade and industrialization are closely intertwined, as spurring regional integration is likely to boost domestic and regional value addition.
- d. By supporting intra-African trade, the AfCFTA would also advance Africa's industrialization agenda through regional value-chain development, reduce Africa's dependence on commodities and generate the jobs needed to harness Africa's demographic dividend.



Mr. Sebahizi also addressed the issue of Non-Tariff Barriers (NTBs) which refer to a wide range of restrictive regulations and procedures, imposed by government authorities, that make importation or exportation of products difficult and/or costly. NTBs can arise from

- Import bans
- General or product-specific quotas
- Complex/discriminatory Rules of Origin
- Unjustified quality requirements imposed by the importing country
- State subsidies
- Export subsidies
- Inadequate product classification or customs valuation
- Seasonal import regimes
- Restrictive customs procedures etc



However, on July 7 2020 during the commemoration of African Integration Day, an online platform [www.tradebarriers.africa](http://www.tradebarriers.africa) was launched to address NTBs. The AfCFTA online NTBs for reporting, monitoring and eliminating mechanism will enhance transparency, easy follow-up and resolution of reported and identified NTBs.

In closing, Mr. Sebahizi thanked AUDA-NEPAD and DFS Africa for organising these webinars and noted that policy makers will continue to take lessons from the challenges shared by speakers today especially FAPMA.

In implementing the AfCFTA, there will also be more engagement with the private sector as it is very important to make investors aware that the business environment in Africa will change for the better to facilitate intra Africa trade. "The time is now for the private sector to start investing because the future is bright for Africa", he concluded.

#### Mr. Nazeem Mohamed - Board Member FAPMA

Mr. Mohamed began his remarks in response to a question posed by the moderator on how the disruption in the supply chain has affected manufacturers. He highlighted key issues such as prices of raw materials going up, factories working at lower capacity and the issue of countries banning products that are deemed required in-country such as chloroquine etc.



*Mr. Nazeem Mohamed - Board Member FAPMA*

In order to optimise the industry at this critical time, it is important for the Africa Union to help the industry to narrow down the 3 or 4 drugs that are mostly needed to fight the pandemic so that local manufacturers can use this guidance in deploying their limited resources.

Furthermore, for the AfCFTA to be successful, we have to make sure every product that leaves our facilities are of the highest standard and attention need to be paid to the following that will ensure a resilient local pharmaceutical industry:

1. Finance - Quality in pharmaceutical manufacturing comes at a very high price. FAPMA has been in discussion with the African Development Bank (AfDB) on the need to set up a specific fund that will allow local manufacturers improve their facility which is proving more difficult to fund with commercial loans at high interest of about 25% in most countries.
2. Regulatory Harmonisation – regulators need more training about the industry to ensure approvals do not take forever. It could take 1.5 years even in regions like East Africa that has made significant progress on regulatory harmonisation
3. The African Medicines Agency
4. Education – the fundamental problem in higher education with a lot of graduates having no industry experience need to be addressed. While this is not part of the AfCFTA, member states should provide resources and policy framework that enables the school system to 'catch up' with industry needs.
5. Partnerships that enable tech transfer

Despite all the issues that the COVID-19 pandemic has presented, it has created an amazing opportunity to reduce reliance on imported products. FAPMA will continue to work with the AU, AUDA-NEPAD, UNECA and other partners to implement the policies that will help us to build a strong pharmaceutical sector in Africa.





**Dr. Janet Byaruhanga - Senior Programme Officer, Public Health at AUDA-NEPAD**

In her response to questions and comments from the speakers, Dr. Janet Byaruhanga made the following remarks

1. We have so far 17 countries that have signed to AMA treaty out of which only three have ratified. The treaty requires at least 15 countries to ratify before it can be operational. AUDA-NEPAD has continued to advocate for the ratification of the treaty by engaging all continent platforms, WHO, UN agencies and the private sector.
2. AU heads of state in 2016 adopted the AU Model Law on medical products regulation that provides a legislative framework for the regulatory harmonisation and strengthening of the regulatory systems both at national and regional level while supporting the effective operations of the AMA.
3. While most local manufacturers do not have the capability to manufacture vaccines, organisations like the Africa Vaccine Manufacturers initiative (AVMI) are working with African and global partners to advocate for the establishment of sustainable vaccine development and manufacturing capacity in Africa. This involves bringing together interested parties, from politicians, policy makers and funders to manufacturers, scientists and medical experts, to action this drive on the continent.
4. As regards the Pharmaceutical Fund, a technical committee has been set up to look at the framework for the fund and how it can be operationalised and AUDA-NEPAD will continue to engage and mobilise the relevant stakeholders to support the establishment of the Fund for African Pharmaceutical sector Development (FAP-D).



*Dr. Janet Byaruhanga - Senior Programme Officer, Public Health at AUDA-NEPAD*

In her concluding statements, Dr. Byaruhanga highlighted 5 key takeaways from today's webinar:

1. The AfCFTA is a tremendous opportunity to expand the market for pharmaceuticals
2. Access to finance will help local pharmaceutical manufacturers to meet quality standards required to compete with imported products
3. Access to technology transfer and know-how will enable the advancement of Africa's local pharmaceutical sector
4. Policy Coherence is critical to creating and enabling environment and attract investments into the sector.
5. Business to Business linkages and collaboration will boost local pharmaceutical manufacturing capacities of the SMEs in the sector.



## CLOSING REMARKS

In his closing remarks, Mr. Olukayode Yemi Afolabi - Executive Director & COO for DFS Africa thanked the moderator and all speakers for their insightful contribution to this very important topic.

Here's a transcript of his full remarks:

We've covered the challenges, the opportunities and key ideas to make the opportunities afforded by AfCFTA a reality.

COVID-19 is the challenge of our generation and as a generation of Africans we are determined to meet the challenges of our time on our own terms through our deliberate actions, we will defeat the pandemic. We hope our audience has been adequately informed on the Opportunities for improved market access for local pharmaceutical manufacturers in Africa and how the African Continental Free Trade Agreement (AfCFTA) is a critical enabler for growing the sector and the whole value chain of production,



*Mr. Olukayode Yemi Afolabi - Executive Director & COO for DFS Africa*

The implementation of the AfCFTA is one of the vehicles to catalyse the development of African countries. We know that Few countries in history, if any, have achieved significant economic development without trade. In order to develop, African countries will need to trade more, both with one another and with the rest of the world. By breaking down trade barriers between African countries, the AfCFTA will significantly boost trade and lead to harnessing of resources in the continent.

We have the market, the demographics to create a productive workforce and there is now increased political will to make AfCFTA a reality and UNECA's 3-pronged approach of focusing on Localized Production, Pooled Procurement, Harmonised Regulatory & quality framework is something all relevant stakeholders should get behind.

Please permit me to thank all our distinguished speakers for their wonderful presentations and responses. to the participants from across the continent and beyond, it has been a pleasure having you. the questions you raised and contributions as well as recommendations are much appreciated.

In the next few days we will be sending you a recording of this webinar and a post-webinar report that succinctly captures today's event. we look forward to having you on July 28, 2020 for the 7th webinar in our COVID-19 response series where we will be discussing **"Strengthening the Pharmaceutical Market Intelligence Systems in Africa"**

Thank you again and goodbye!



## WEBINAR IN NUMBERS

### OVERALL



740

Registered Delegates



5

Speakers

### COUNTRY PARTICIPANTS



36

African Countries



12

Other Countries



4

Continents Represented

### DELEGATE ROLES



355

Local Pharma & Medical Supplies



271

Members of the Public



30

Academics & Researchers



27

Multilaterals & Development Agencies



20

Government officials



20

NGOs and Civil Societies



12

Investors & DFIs



5

Media & Press

## PARTNER APPRECIATION



*Thank You!*



AfCFTA Secretariat



World Health Organization



United Nations Economic Commission for Africa

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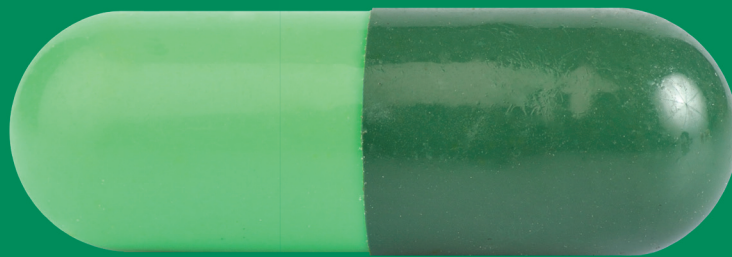
THE MEDICINES, TECHNOLOGIES, AND PHARMACEUTICAL SERVICES (MTaPS) PROGRAM



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## creating synergy



‘The task of ensuring reliable and sustainable manufacturing of medicines and other health technologies is a complex undertaking that requires highly accountable and strategic partnerships. [...] The AUC’s PMPA Business Plan, as well as its Roadmap on Shared Responsibility and Solidarity, provide excellent platforms around which international partners [...] can contribute’<sup>1</sup>

<sup>1</sup>Commodities for better health in Africa - time to invest locally, Michel Sidibé, Li Yong and Margaret Chan. Bulletin of the World Health Organization 2014;92:387-387A - doi: <http://dx.doi.org/10.2471/BLT.14.140566>