Value chain overview: Pharmaceuticals

Africa imports 57% of pharmaceutical and chemical inputs from Asia; intra-regional imports account for only 3%.

... an opportunity to make Africa self-sufficient in essential drugs and more resilient to external shocks.

Africa runs a -$16.1 bn trade deficit for pharmaceuticals.

Africa imports 57% of medicines from Europe; intra-regional imports account for only 3.5%.

Africa’s import demand for medicine stands at $17.3 bn, projected increase to $28.9 bn by 2027.

Global pharma companies are increasingly interested in investing in Africa.

African healthcare budgets and markets are rapidly expanding.
Mapping the **pharmaceuticals** value chain

The pharmaceutical value chain brings together...

- ✓ 3 sub-regions with potential
- ✓ 7 competitive exporters of the output, among them 1 LDCs
- ✓ 2 competitive exporters of the inputs

...and encompasses

- ✓ 125 inputs, including...

  - Vitamins
  - Hormones
  - Antibiotics
  - Alkaloids
  - Other chemical inputs
Pharmaceuticals
Selected insights from the survey of value chain participants in Africa

Most of the company’s sales are in the domestic market

85% Domestic market
11% Africa
4% Rest of the world

All companies sell at their domestic markets, most also export to Africa

100% Domestic market
70% Africa
32% ROW

Majority of the companies are aware of AfCFTA

45% Unaware of AfCFTA
55% Aware of AfCFTA

Only a fraction of companies have participated in AfCFTA related consultations

11% Companies that have participated in AfCFTA consultations.
89% have not participated in any.

Large majority expect benefits from the continental trade agreement

68% Positive expectation
10% Negative expectations
22% Not sure
A third of the companies have foreign presence

Companies with foreign affiliates or production plants

35% 

65% are entirely domestic based

Half of the companies plan to expand production in African countries

Companies planning to expand production in other African countries

50% 

Most firms are fully locally owned, but significant number of firms with foreign ownership

Fully locally owned

58%

Up to 50% owned by foreign partner(s)

9%

Full foreign ownership

23%

More than 50% but not full ownership by foreign partner(s)

6%

Employment in the sector is fairly gender balanced (compared to other sectors)

Less than a third of business are women-led

Yes: My company is directed by a woman

22%

Yes: My company is owned and directed by a woman

70%

Yes: My company is owned by a woman

5%

No

1%
Pharmaceuticals – Value chain-specific challenges*

- High cost of production but low purchasing power on the continent
- Absence of local production of APIs and of quality transformation of raw products
- Regulatory and procedural barriers, particularly related to product registrations
- Inadequate waste management systems, including for water waste and expired drugs
- Strong formal competition with suppliers from Asia and strong informal competition from the counterfeit and expired drug markets
- Lack of transparency of public tenders and related processes

*In addition to the cross-cutting challenges relevant for all sectors
The main challenge in Africa is infiltration of counterfeit and substandard products. If this is not addressed and harmonized across the continent, it will be difficult to achieve self-reliance in raw material production.

Firms are concerned about the lack of clarity of regulations on how to deal with contaminated and hazardous waste and the often inadequate systems to treat such waste so that it does not harm the environment or human health.

Strong formal competition with suppliers from Asia and strong informal competition from the counterfeit and expired drug markets.

Inadequate waste management systems, including for water waste and expired drugs.
Pharmaceuticals VC – what needs to change?
Selected value chain specific recommendations*

Reformulate a vision and strategy, building on the lessons learnt from implementing the Pharmaceutical Manufacturing Plan for Africa:

• Develop a specific strategy for investment priorities to support local production of APIs and essential medicines, and to develop new treatments based on traditional medicines and the unique medicinal plants in Africa

Step up investments in research on traditional medicines

Improve the transparency of public tenders

Ensure a strong mandate and role for the African Medicines Agency in driving regulatory convergence and strengthening the financial, technical and human resources available to national medicines regulatory agencies

Enforce regulatory oversight of counterfeit and expired drugs

Review taxation systems and related incentives, notably the cost and benefits of value-added tax (VAT) levied on inputs for pharmaceutical production.

*In addition to the cross-cutting recommendations relevant for all sectors