



# FEAPM Position Paper

## The EA Pharma Policy Incentive Package

### Proposed Policy for the Growth of the East African Pharmaceutical Manufacturing Sector

#### Background

This Policy Incentive Package is based on the successful experience of other countries in supporting local pharmaceutical manufacturing. Countries such as Ghana, Bangladesh and India have managed to develop a very healthy local industry which has reduced the reliance on imports and the prevalence of sub-standard and counterfeit medicines in the market.

Research clearly indicates that well balanced and flexible policy measures can lower prices, reduce donor and import dependencies, eliminate sub-standard and counterfeit medicines as well as tackle stock-outs and expirations in the supply chain.

#### Policy Measures

Measures applied in successful pharmaceutical policy packages in other LDCs and DCs include: preferential price margins for domestic manufacturers, price ceilings for selected medicines, tax and import duty exemptions, import restrictions and bans, marketing/advertisement limitations for foreign based companies, utilization of TRIPS Flexibilities through approximation of national law, public investment, facilitation of technology transfer, reverse engineering and other R&D activities.

In addition, the EAC Common Market Protocol, in Art. 35, provides for a non-discrimination clause: The Partner States shall not discriminate against suppliers, products or services originating from other Partner States, for purposes of achieving the benefits of free competition in the field of public procurement. Full implementation can improve the competitiveness and economies of scale of the local industry by enabling access to a sizeable regional market.

#### Ghana's Policy Impact

In 20 years since the introduction of local pharma oriented policies, many positive effects have been achieved in Ghana:

- Increase of local companies from **9 to 39**
- Increase in employment from **150 to 6,500**
- Reduction of sub-standard and counterfeit medicines in the market from **40% to 3%**
- Improved trade balance:
  - medicine imports dropped from **90% to 70%**
  - medicine exports **increased**
- Local production of Active Pharmaceutical Ingredients (APIs)

#### Key Features of the EA Pharma Policy Incentive Package

##### EAC Common Market Protocol

Uniform regional implementation of the non-discrimination clause in public procurement of medicines according to Art. 35 of the EAC CMP

##### Price Preference

A preferential margin of 20% for all locally produced medicines and medical devices in national tenders

##### Tax Incentives

No duties on imports of raw and packing material, pharmaceutical manufacturing related equipment as well as spare parts for this equipment

##### Import Classification

Classification of medicines into those allowed for import with no tax, those allowed but taxed and those banned from import because they can be manufactured by more than one local company in the right quality and quantity required and at a fair price.

### Bangladesh's Policy Impact

- Prices decreased by **more than 50%** in real terms
- Local production of essential medicines increased from **30% to 80%**
- Substandard drugs fell from **36% to 9%**
- Import savings of USD 600 million
- Local API production
- Sector employs over **100,000 people**

### India's Policy Impact

- India is among the top 20 pharmaceutical exporting countries
- Exports have grown at around **19% p.a.** and Indian medicines are exported to around **200 countries**
- The industry currently employs about **450,000 people**
- Creation of a rich talent pool of pharmaceutical researchers, scientists and project managers

### Conclusion

Success stories like these can serve as best practice examples to support the development of a sustainable local pharmaceutical manufacturing industry in less developed economies. In addition, WTO trade agreements and the WTO TRIPS agreement are specifically designed to allow less developed countries to support upcoming industries through these kinds of policy measures, especially with regard to public health interests and the development of infant industries.

Through the adoption of the East African Community Regional Pharmaceutical Manufacturing Plan of Action (RPMPOA) and the EAC TRIPS the EAC and her Partner States have made progress in promoting local pharmaceutical production in the region.

These achievements, the lessons learnt from various country success stories and favourable international trade-related agreements, highly justify the introduction and enforcement of the EAC Pharma Policy Incentive Package. The EAC can significantly strengthen a sustainable and competitive local pharmaceutical industry in the region through regional policy measures regarding procurement, taxation and import of medicines. These measures must be uniform for the entire region and adjusted to changing context factors as required.

## FEAPM's Position 2016

- Full implementation and enforcement of Art. 35, EAC Common Market Protocol (non-discrimination clause in public procurement);
- Uniform price preference of 20% for local manufacturers registered in the EAC;
- Zero taxation of all raw materials (incl. packaging) and pharmaceutical manufacturing related equipment (incl. respective spare parts) acquired by local manufacturers registered in the EAC;
- Import classification for finished pharmaceutical products that can be produced locally, based on regional capacity and quality audits of local manufacturers.