Africa is the third fastest growing region in the world after Emerging Asia and the Middle East. Africa has unfortunately been a victim of media myopia wherein people only see the images of poverty portrayed and the corruption and ineffective government.

However, due to previous regimes of political instability and governance, it has taken Africa some time to reach to where it is now. And it can only rise from here. Most multinationals and Asian Pharmaceuticals Manufacturing Companies have Africa in the sights of their expanding global footprint. Understanding the dynamics and underlying demographics will be key in ensuring a sustainable business model for the future.

By 2016, pharmaceutical spending in Africa is expected to reach US$ 30 billion. This value is driven by a 10.6% compound annual growth rate (CAGR) through 2016, second only to Asia Pacific (12.5%) and in line with Latin America (10.5%) during this period. Encouraged by a combination of demographic changes, increased wealth and healthcare investment, and rising demand for drugs to treat chronic diseases, this market potentially represents a US$ 45 billion opportunity by 2020.

The pharmaceutical growth is a reflection of economic strength accompanied by increasing healthcare spending. Sub-Saharan Africa (SSA), excluding South Africa, is notable in this regard: according to the Economist Intelligence Unit, its economies are growing faster than anywhere else in the world and this trend is expected to continue.¹

The prospects are a series of positive economic trends: greater political and fiscal stability and improvements in pre-business legislation have led the United Nations (UN) to forecast that Foreign Direct Investment (FDI) in Africa could more than double by 2014, despite speculative money leaving the continent following the collapse of Lehman Brothers, and the Arab Spring restricting investment in North Africa.² This FDI is fuelling macroeconomic growth and vastly improving access to new technology.

The recent boom in mobile subscribers reflects this trend: as of mid-2012, there were more than 600 million mobile subscribers on the continent, surpassing American and European figures. At the same time, major demographic shifts show an increasing number of working-age Africans, a rising middle class which accounts for 34% of the continent’s inhabitants, and an urban population expected to exceed that of China’s and India’s by 2050.³⁴

Alongside the increasing economic wealth is a notable rise in healthcare spending, which has grown at a CAGR of 9.5% since 2000 (across 49 African countries).⁵ Fuelled by government, non-government organizations (NGOs) and private sector investment, this has largely focused on strengthening health system infrastructure, capacity building, treatment provision and specialized services. Real gross domestic product (GDP) is expected to grow at 5% per annum through 2017 in SSA and this trend of rising healthcare spending is expected to continue.⁶ The changing economic profile of Africa is also linked to an increased demand for chronic care drugs, reflecting a marked shift in the burden of illness towards non communicable diseases (NCDs) and the continued impact of human-immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS) on the continent. The NCD proportional contribution to the healthcare burden is forecast to rise by 21% through 2030.⁷ While continuing to struggle with infectious and parasitic illnesses, Africa is expected to experience the largest increase in death rates from cardiovascular (CV) disease, cancer, respiratory disease and diabetes over the next ten years, resulting in greater demand for healthcare services and appropriate medicines.

The combination of economic strength and an expanding middle class is already driving a demand for medicines across Africa. For example, in Algeria, Morocco and Tunisia, a rise in wealth has triggered demand for chronic medicine consumption. In Algeria, the chronic medicine to essential medicine ratio increased by 72% from 2002 to 2011, accompanied by a total Gross National Income (GNI) increase of 70%.⁸ ⁹ A similar trend is likely to emerge in other countries, such as Kenya and Botswana, where NCDs have been declared a national priority at the ministerial level.

Notwithstanding its growth potential, Africa presents a complex, multifaceted set of markets, which are highly heterogeneous in terms of pharmaceutical growth, language and trading blocs (Figure 1).

Fig. 1 Africa is heterogeneous in terms of pharmaceutical growth, language and trading blocs

*Tanzania is in both the EAC and the SAARC; Source: IMS Health Market Prognosis, Sept 2012, excluding Gabon, Cameroon and The Republic of Congo which use the 2007-2011 CAGR of pharmaceutical import data - UN Comtrade - code 30.
Consequently, the opportunities they offer are also quite variable. Understanding the degrees and navigating the challenges are key in establishing successful and sustainable operations.

In the Pharmaceutical Marketing, three types of pharmaceutical industry players have a track record of success, defined as sustainable revenue-generating business operation: multinational companies (MNCs), Asian, mainly Indian and Chinese pharmaceutical companies, and local manufacturers in Northern and South Africa.

- MNCs in Africa
  - Most of the major pharmaceutical MNCs have had a presence in Africa for a number of years. e.g. Abbott (South Africa, 1938), Sanofi-Aventis (Morocco, 1953), Novartis (Egypt, 1962), Pfizer (Morocco, 1963) and GSK (Nigeria, 1971).11
  - MNCs have predominantly focused on and succeeded in marketing, branded innovative and generics drugs to the private sector in urban areas.
  - Products have typically targeted in-demand therapy areas, such as vaccines, anti-infectives and anti-diabetics, with sales mainly concentrated in Northern and South Africa.
  - Few opportunities have been realized in the public sector although MNCs have had some success through tendering, particularly in the more established markets such as South Africa.
  - Success strongly correlates with linguistic and economic links, where existing business ties stem from colonial history.
  - French companies, for example, have typically performed best in predominantly Francophone North and West Africa.
  - Companies from the UK and former British colonies see the healthiest revenues in predominantly Anglophone East and Southern Africa.
  - Sanofi is the most successful MNC in Africa to date (MAT sales of US$1.29 billion in 2012).
  - Sanofi has built its success on three areas of focus:
    - emphasis on major population centers and cities,
    - the establishment of longstanding business relationships with the French West African nations, and
    - a broad portfolio spanning multiple therapy areas (both non-communicable and communicable) with a high degree of relevance in the countries.
  - As the company has emphasized in reporting on its activities in Africa, “Sanofi is a real partner, working hand in hand with health authorities and healthcare professionals to ensure that the right solutions reach those most in need.” This strategy has seen Sanofi past double-digit growth in Africa for the last ten years, reaching MAT sales of US$1.29 billion in Q2 2012.12

- Local manufacturers in Africa:
  - The success of local pharmaceutical companies is frequently contingent on their ability to attract MNCs into research and development (R&D) licensing arrangements, a strategy which endorses their production capabilities.
  - Local companies have been leaders in their domestic markets. e.g. Aspen (South Africa), Adcock Ingram (South Africa), EIPICO (Egypt), Sicaid (Algeria) and Cipla Medpro (South Africa)
  - Few of them have combined licensed originator brands and their own branded generic products.
  - Aspen is now Africa’s largest domestic pharmaceutical company with a strong reputation for quality products.
  - Aspen’s maturity in the domestic market resulted from a strong partnership with GSK which included product licensing arrangements as well as skills and equity transfer.

- Asians (Indian & Chinese) pharmaceuticals companies in Africa
  - The expanding presence of Asian manufacturers in Africa has seen the proportion of pharmaceuticals being imported from India and China more than double in value terms in recent years.

- According to global import and export data, India accounted for 17.7% of African pharmaceutical imports in 2011 (up from 8.5% in 2002), and China for 4.1% (up from around 2.0% in 2002).15
  - Indian and Chinese manufacturers have gained market share primarily through competitive prices and simultaneously targeting different markets in the generics space.
  - These manufacturers differ across five areas: mode of entry, countries, use of local talent, target players and brand image.
  - Chinese firms succeed in markets with low ease of doing business ratings, where they sell or gift medicines such as anti-malarials to governments through procurement contracts.16
  - Chinese companies build health infrastructure with funds from the government which come from loans secured against resource extraction, common in countries such as Zambia and Angola.6
  - For example, in Zambia, where Chinese companies run some of the country’s copper mines, the Jiangau International Economic Technical Cooperation Corporation, a construction company that also sells pharmaceuticals and nutritional products, built the Lusaka General Hospital with a grant from the Chinese government. The hospital was then supplied with Chinese-made medical devices and pharmaceuticals, presumably from the same company.
  - In such local operations, Chinese manufacturers have a weak record on skills transfer and local capacity building relative to their Indian counterparts and a poor reputation for medicine quality.17
  - In contrast, Indian manufacturers primarily sell medicines through NGOs and government tenders in regulated markets. e.g. Cipla, Ranbaxy, the Serum Institute and Dr Reddy’s, have strong market presence, particularly in East Africa.
  - Indian companies have a reputation for integrating local talent into their operations and are known for the quality of their medicines, with many having achieved WHO pre-qualification.
  - Indians are best known for selling affordable HIV medicines in Africa, they are rapidly broadening their medicine range across therapy areas.
Majority have struggled to compete for two reasons.

- Firstly, the high costs of active pharmaceutical ingredients (APIs) in Africa has left most unable to compete on price with Asian generic manufacturers and unable to access the most in-demand therapy areas.
- Secondly, domestic manufacturers have struggled to implement good manufacturing practices (GMP) and ensure quality production. As a result, few companies have WHO prequalification status.

- NGOs, the prime procurers of medicines on the continent, have refused to buy essential medicines (e.g., anti-infectives) from domestic manufacturers.
- Additionally, poor GMPs have been barriers for the International Finance Corporation (IFC), part of the World Bank Group, in its search to identify viable investment opportunities in the domestic industry market.

Pharmaceutical companies need to understand the similarities and differences across the continent that hinge on geographic, economic and cultural attributes. (Article has been adapted from IMS Health; Africa: A Ripe Opportunity)

References

4. United Nations, Department of Economic and Social Affairs, Population Division (2011) [online database].
10. IMS Health (2012) MIDAS Data. Countries include only retail panels.
11. Company websites and IMS analysis.

Profile of Mr. Sanjeev Kumar Sarkar

Mr. Sanjeev Kumar Sarkar, a Pharmacy graduate (with rank in University) and Master in Business Administration with Marketing specialization, has 20 years of experience in Pharmaceutical Industry in India, Africa & South and Asian markets. Mr. Sarkar also did his PG Diploma in Training & development and PG Diploma in Advertising & Public Relations.

Mr. Sanjeev Kumar Sarkar is currently working as President – International Business with MedLife Formulations Pvt. Ltd. He has been associated with renowned companies like Bangalore Pharmaceuticals & Research Lab. (BPRL), Camlin Limited (Pharma Division), Shelys Pharmaceuticals Limited (Tanzania), Dawa Limited (Kenya), Regal Pharmaceuticals Limited (Kenya). He also served Centaur Pharmaceuticals as Vice President – International Business.

Having lived and spent half of his professional career in Africa, Mr. Sarkar has handled Ethicals, OTC, Veterinary and Medical products, and has worked in all major cities/towns of East, Central, Southern & West African markets. He was also an editorial member of the official magazine (Info-Pharma) of the Pharmaceutical Society of Tanzania (PST) during the year 2003 and was also a member for the Chathamhouse Institute of Healthcare (CII), Kenya Branch in year 2012.