# Continent is a goldmine for API companies

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INDIAN pharma companies are casting eyes over Africa and use South Africa as its launch pad. With two-thirds of the overall global burden for HIV/AIIDS and a growing threat of chronic diseases, such as cancer, and lifestyle ailments like diabetes and obesity, Africa is truly clamoring for medicines to overcome the sticky tag of a continent having world's shortest life expectancy. Africa's abysmal health care sector offers good business potential for pharmaceutical companies like us. It is also because the pharmaceutical manufacturing sector, especially in South Africa is in crisis, thanks to declining investment and legislative & regulatory pandemonium.

According to global estimates, there are over 35 million people living with HIV/AIDS. Over two-third of these population subsist in sub-Saharan Africa, making it the most worrying region worldwide. The forecast of people infected with HIV improved substantially since 80s, by and large due to the advent of antiretroviral drugs. However, barely 30% of those needing antiretroviral therapy are in receipt of it, which makes it more alarming.

Today, Africa which carries 25% of the world's diseases and has been perennially dependent on foreign funds and medical aids, imports over 75% of its pharma needs from Indian and China.

Currently, the global pharma market is pegged around US$310 billion, which is twice the South African GDP. The market is growing in volume terms at 8-9% annually, with the generic sector surging ahead even faster. This has helped in constantly increasing its share of the pharma pie.

A primary market survey conducted by OSCL revealed that apart from the general attractiveness of the global pharmaceutical market, South Africa is a well-developed pharma sector, particularly at the formulation level. Pharma imports in 2010-11 stood at US$12.97 billion, which outstripped pharma exports at US$1.38 billion. The top five countries from which South Africa imports medicines are Germany, the USA, France, India and the UK. Interestingly, India and China rank fourth among the exporters.

The market in South Africa is dotted by multinationals, which account for three-quarters of sales by value. The market is highly fragmented; with no one company controlling over five per cent of the overall market. However, dominance exists in specific therapeutic categories.

**Current scenario**

The size of the total pharma market in South Africa is not accurately known, but it is estimated to be at US$12 billion in 2010-11 at the manufacturing level, which excludes Active Pharmaceutical Ingredients (APIs). A decade ago, the South African market accounted for over one per cent of the world market, but is around 0.6% of the global market. Despite this, the South African pharma market is larger than that of most EU Nordic States and makes up about one-third of all pharma sales in Africa. With the opening up of the South African economy there has been an increase in imported drugs into the market. Wholly imported drugs now account for around 35% of the local market, up from 15 % a decade ago.

More than half of pharma by volume in both private and public sector markets are generics, which account for only about 20% by value. Ironically, API manufacture does exist in South Africa or is extremely limited as they have few linkages with formulated drug manufacturers in the country. South Africa's API's is pegged around US$ 20 million, which stands about 0.08% of the global figure of US$ 25 billion. Local manufacturers thus import most of their API requirements from India and China. However, whilst the development of the API sector may be desirable for a variety of reasons, the cost of establishment of these facilities is extremely high and investment decisions need to be done on a careful, in-depth evaluation basis.

The region of Sub-Saharan Africa (SSA) accounts for 30% of the global burden of disease and represents less than 1% of global health expenditures. Nearly 50% of SSA's total health expenditures are being financed by the patients. According to World Health Survey, the average share of medicines in out-of pocket health payments in SSA (14 countries) stood at 37%, while at the country level, this share varied from 11% in Chad to 62.2 % in Burkina Faso. In 2009-10, the pharma market in SSA was valued at US$ 4.2 billion. In SSA, 37 out of 44 countries have some pharmaceutical production and local manufacturer account for 25-30% of local demand. However, pharmaceutical production is highly concentrated among a few countries.

Similarly, the local production or manufacturing of generic versions of patented medicines is a key issue for many policy makers in Africa. Certainly the ability of a country to maintain local production of essentially needed medicines is a desired objective. However there are a number of considerations to be taken into account. The available technological, production and human resource capacities would be key factors in determining the domestic manufacturing capacity.

Another important factor is the economic viability of such local production, particularly where such production is undertaken by private entrepreneurs as a commercial venture. Whether the production will be sustainable would depend on factors such as the size of the market and the demand for the produced medicine, as well as the ability to export such medicines.

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# Ethiopia and Nigeria hint at huge potential

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**Local challenges**

- Fragile National Regulatory Authority (NRA)
- Lack of trained human resources
- Difficulty in procuring Active Pharmaceutical Ingredients (APIs)

Africa has all the necessary ingredients for setting up industry. Although it fizzes with challenges, such as infrastructure gap, poor agriculture and shortage of skill labors, entrepreneurialism is a necessity.

A handful of countries, particularly South Africa, have vibrant indigenous companies developing medicines and manufacturing generics and patented drugs under licence. It's just that most of the big pharmaceutical groups have tended to give the continent a wide berth. Any distribution strategy has to unpick small, national markets rather than big regional ones, cash-strapped governments have limited spending power and the private market is tiny.

Things are starting to change, however. Statistics suggest that a growing middle class in countries such as Nigeria, Ghana and Kenya will fork out on healthcare once they have the money. Huge populations in Ethiopia - where Chinese pharmaceutical groups have made inroads - and Nigeria hint at a potential that is hard to ignore. In another trend, donor funding is flattening out, giving the private sector new impetus and pushing governments to nurture their own industries. It all adds up to a shot in the arm for the pharmaceutical sector.

**Grapevine**

Five years ago, India seldom featured among the top 10 pharma exporters into South Africa. Surprisingly, it is number one now. India's biggest generic drug producers want to establish bases where they can manufacture medicine in countries that aren't bound by some of the world's patent rules that many emerging economies now have to adhere to following pressure from the Western drugs companies lobbying via World Trade Organisation (WTO).

Mere manufacturing pharma products won't create an industry in Africa nor will manufacturing in Africa make medicines cheaper as it needs to be supported with distribution and supply chains, followed by competent wholesale dealers and licensed retailers. As generic drug producers are globalising, Africa is in their sights. Once they manufacture in volume, the pharma players will capitalise on reduced transport, customs costs and price to tap Africa—the neediest market in the world.

We see a good opportunity in the African market for our products. OSCL all set to foray into North African market with supply of anti-HIV/AIDS drugs. We have undertaken research work for manufacture anti-HIV Drugs through innovative routes of synthesis. Our efforts in this direction have been well appreciated by Harvard University, USA. The anti-HIV drugs will mainly marketed in the African subcontinent by sometime next year. ❍

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