

FINANCING INSTRUMENTS TO SUPPORT AFRICAN MANUFACTURERS TO CATALYSE MANUFACTURING CAPABILITIES

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CONTEXT

- As of 10th April, 2020, Africa has recorded over 12,300 covid-19 cases with 632 deaths in 52 countries
- The COVID-19 pandemic is already having catastrophic impact on African countries in the areas of health, humanitarian and general economy
- The continent is estimated to **lose about 5-10% of its GDP** as commodity prices and revenues from tourism, trade and remittances continues to shrink
- Given the severity of this pandemic, the World Health Organization (WHO) has called on the international community including Development Finance institutions to support Africa in **containing, mitigating and properly responding to COVID-19**

CONTEXT cont....

- The WHO and Africa Centre for Disease Control (CDC) are already leading preparedness and response initiatives on the continent
- However, **the strength of their capacity is not enough** to battle the severity of this pandemic
- We know that across the globe, there is a **huge supply gap of medical products that are** critical to respond to the COVID-19 outbreak
- This situation has caused many countries to look inward and rely on their local manufacturers to bridge the supply gap
- Meanwhile, the manufacturing capacity of Africa's pharmaceutical companies **remain weak and fragile** to appropriately bridge the shortage gap

DIAGNOSIS OF THE AFRICAN PHARMACEUTICAL INDUSTRY

- We have seen that Africa's pharmaceutical market is currently achieving significantly high growth
- The value of the industry rose from USD 5.5 billion in 2007 to USD 28.56 billion in 2017.
- Yet local production of medicine remains weak and limited because the Industrial base of Africa is weak.
- Local manufacturers produce **only 25 to 30%** of pharmaceuticals and **less than 10% of medical supplies** that are on the African market.
- Practically, this is not enough to meet the growing demand of medical supplies in the wake of this outbreak.
- This is why the Bank is stepping in to **roll up financing instruments aimed at boosting local production of medical supplies in response to the outbreak on the continent.**

ADB'S OVERALL RESPONSE TO THE COVID19 CRISES ACROSS THE CONTINENT

The Bank's overall response mechanism to this pandemic is consolidated into three separate strategies

1. Ensure the supply of emergency materials-- **Immediate term response (April – June 2020)**
2. Boost local production of essential supplies- **Short-term response (June to December 2020)**
3. Develop Africa Health Defense System- **Medium to long term, High 5#5 Strategy (2020-2025)**

For the purpose of this presentation, I am going to elaborate on the 2nd approach which is boosting local production of essential supplies

INCENTIVIZE THE PRIVATE SECTOR TO BOOST AFRICA'S MEDICAL SUPPLY CHAINS

- While the ongoing crisis has exposed the continent's fragile health systems that are totally dependent on imports for medical supplies, it equally presents a tremendous opportunity to correct the course
- The Bank is moving beyond the immediate emergency operation to take the right steps in incentivizing Africa's manufacturing SMEs and Pharmaceutical companies to boost Africa's medical supply chains
- This approach is taking three different dimensions.

INCENTIVIZE THE PRIVATE SECTOR TO BOOST AFRICA'S MEDICAL SUPPLY CHAINS cont.....

- **Firstly:** The Bank will **support ten eligible and viable local SME manufacturers** in each region (North, South, East, Central, West Africa and Nigeria) to swiftly transform their manufacturing capabilities to produce simple products (e.g. medical masks, alcohol-based sanitizers)
- The support will be through financing, creation of enabling environments, and coordinating off-take agreements with governments. Through an effective “One Bank” approach, Sectors will work closely with Country offices and Regional Hubs in developing these fast-tracked non-sovereign operations (NSOs).
- **Secondly:** The Bank will work with existing Private Equity (PE) clients **to channel up to 25% of the already committed ADB's financing into viable healthcare and pharmaceutical companies.**
- The Bank has active financing in private equity funds that are investing nearly UA 20 million in 16 Pharmaceutical companies across all regions of the continent.
- The Bank will negotiate with Fund Managers the financial implications of increasing private equity funding into these viable companies. The financial gap will be covered from CRF resources earmarked for NSOs.
- **Thirdly:** The Bank will **negotiate with Financial Intermediaries (FIs) to enhance their on-lending from ADB's committed Lines of Credit (LoC), trade finance and guarantees to small and medium sized pharmaceutical and medical supplies companies.**

FINANCING INSTRUMENTS FOR BOOSTING AFRICA'S MEDICAL SUPPLY CHAINS

- Under the CRF, UA 1.0 billion of ADB non-sovereign resources available in 2020 will be dedicated to fighting the COVID-19 crisis
- This will be used to assist existing private sector clients through reprofiling their debts and loans of existing clients, emergency liquidity facilities, trade finance and guarantees.
- In addition, UA 0.5 billion is available to support other non-Sovereign projects not directly linked to the CRF. However, most of these resources (UA 430 million) has been earmarked to a prioritized set of non-sovereign operations that were pre-planned for approvals in 2020.
- **Therefore, the Bank will seek to mobilize additional financing to boost SMEs production of medical supplies in the short term. The Bank would also encourage RMCs to channel some of the sovereign funds for budget support to support their SMEs in the pharmaceutical sector.**

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OPERATIONS

- Supporting the consolidation of pharmaceutical firms through the establishment and financing of four African Regional Health Hubs (AHHs)
- Facilitating four continental Distribution Notes (DNs) for the production and distribution of medicines and other medical products with the capacity and capability to meet a large portion of the continent's demand. The four RPCs will be located in North Africa (Egypt); Southern Africa (South Africa); East Africa (Kenya); and West Africa (Nigeria), where a large concentration of manufacturing activity exists
- Facilitating access to low interest loans to (i) pharmaceutical manufacturers and to (ii) the wider pharmaceutical ecosystem through the financing of SME and pharmaceutical companies toward improvement of their facilities to achieve international standards of good manufacturing practices (GMP), for building capacity and for working



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