



The AFRICAN DEVELOPMENT BANK GROUP

PHARMACEUTICAL INDUSTRY FORUM

A new collaborative approach
in
business development

Cairo
OCTOBER 2023
Concept Note

AFDB'S PHARMACEUTICAL ACTION PLAN AND BUSINESS DEVELOPMENT

The AfDB developed the 2030 Continental Pharmaceutical and Vaccine Manufacturing Vision and Action Plan, which guide its strategic interventions for the next 10 years under a strategic pillar and 4 enablers.

Strategic pillar: Increase the maturity of the industry by supporting the development of local production capacities

Enabler 1: Enable regional logistic integration to foster intra-African trade and the creation of trade hubs, Enabler 2: Help the implementation of quality industry standards for the African continent,
 Enabler 3: Seed the creation of R&D capacities focusing on Africa specific diseases and needs.
 Enabler 4: Pave the way for increased vaccines manufacturing on the continent

An overall envelope of \$111 billion would be needed for investments from all active players, through to 2030. \$11 billion of this would be dedicated to the development of the pharmaceutical industry, while the lion's share - \$100 billion is required for infrastructure development, to enable regional logistic integration.

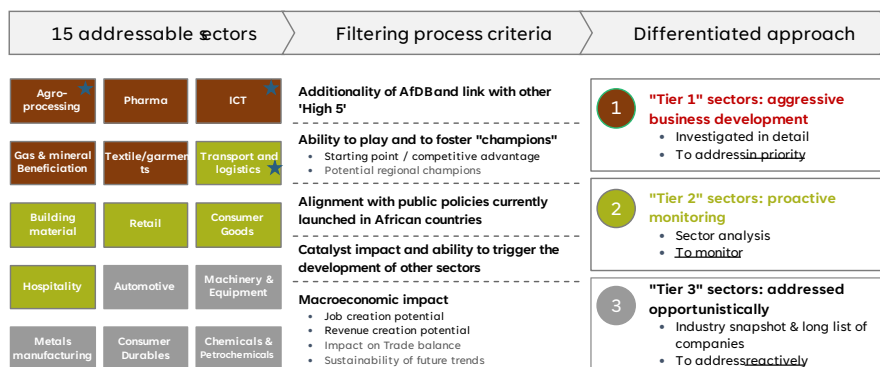
AfDB is considering investing up to \$3.1 billion through to 2030 in support of the vision. AfDB is seeking to mobilize approximately \$100 million per year to finance the development of the pharmaceutical industry directly and allocating about a further \$200 million annually to support infrastructure development.

AfDB is following key principles to the prioritization of its pharmaceutical interventions. (i) Channel its support mostly through the development of the private sector. (ii) Leverage its comparative advantage in developing African infrastructure to support transformative projects in the pharmaceutical sector. (iii) Capitalize on its institutional capacities to foster a robust policy dialogue. (iv) Be highly selective to maximize the value added by its resources by prioritizing projects and initiatives with high and cross-cutting impact potential. (v) Focus resources on unique and transformative projects and initiatives and avoid duplicating projects or initiatives already initiated by other financial or development institutions.

According to a well-established filtering criterion, such as Additionality of AfDB and link with other 'High 5'; Ability to play and to foster "champions"; Alignment with public policies currently launched in African countries; Catalyst impact and ability to trigger the development of other sectors; and macroeconomic impact, **the pharmaceutical industry sector is highly prioritized** as "Tier 1" sectors where business development is conducted in an aggressive manner and investigated in detail.



Prioritization: sectors with highest impact
 Differentiated approach with 3 tiers



★ Sectors in which AfDB will have a systemic approach -including through sectoral reform.

EGYPTIAN PHARMACEUTICAL PRIVATE SECTOR

Egypt is the largest producer and consumer of pharmaceuticals in the MENA region, holding a market value estimated at \$ 56.6 billion. It is a significant player in the global supply chains of pharmaceutical products recording exports of \$ 400 million signifying the strength and importance of the sector to the Egyptian economy. Currently, Egypt's pharmaceutical industry is import-dominated, with around 90% of the raw materials used in production being imported. From a micro-economic perspective, because the pharmaceutical sector has a relatively high level of average complexity, Egypt has ample opportunities to upgrade its economic complexity through the pharmaceuticals sector.

Egypt's pharmaceutical industry is a generic-driven market. Despite few state-of-the-art manufacturers, the industry has a low competitive advantage when it comes to quality and level of production, which is considered to be below the general standards required by the European and US markets. Egypt has been able to export a large number of pharmaceutical products; however, it has yet to develop comparative advantage in specific products. Experience showed that financing the Egypt's Pharmaceutical industry has challenges to surmount and opportunities to leverage and build towards its potential of becoming a regional/continental pharmaceutical hub.

OPPORTUNITIES AND AREAS FOR FINANCE AND SUPPORT

Egyptian pharmaceutical products have huge market access opportunities. In addition to a dynamic local market of 109 Million consumers in Egypt, the country has access to approximately Two Billion consumers around the globe through Suez Canal economic zone as it benefits from several free trade agreements Egypt has signed with a number of countries and blocks namely The African Continental Free Trade Agreement (AfCFTA) - The General Agreement of Tariffs and Trade (GATT) - The General Agreement on Trade in Services (GATS) - The European Union-Egypt Free Trade Agreement (Association Agreement) - The Free Trade Agreement with EFTA States; Turkey_Egypt Free Trade Agreement The Greater Arab Free Trade Agreement - Agadir Free Trade Agreement signed between Egypt, Morocco, Tunisia and Jordan & The Mercosur Free Trade Agreement with Latin American countries. Egypt has been invited to join the BRICS commencing January 2024. Egyptian pharmaceutical products have huge market access opportunities.

Egypt's pharmaceutical industry is undergoing aggressive and positive change. Egypt is one of the four African countries alongside Ghana, Nigeria and Tanzania that have recently achieved Maturity Level 3 that enables the export of vaccines. The Egyptian Drug Authority (EDA) is proactively establishing bilateral and regional harmonization agreement, the most recent of which has been with Zimbabwe and South Africa, where the drug authorities agree to accept vaccines and drugs that are made in the other countries without registration and other limitations.

Following export and marketing strategies, Egyptian manufacturers have shown bold African investment strategies with several mergers and greenfield projects in neighboring countries.

Several companies have an integral focus on R&D and the production of Drug Substance, and this will support the growth, sustainability and competitiveness of the Egyptian pharmaceutical industry.

However, challenges hindering the export of Egyptian pharmaceutical goods include: (i) the length of drug registration processes; (ii) fragmented representation of Egyptian pharmaceuticals companies and the absence of a united medical cluster in international tenders; (iii) scarcity of market intelligence; (iv) lack of possibilities for local sourcing of raw materials; and (v) limited export support in the context of high costs when it comes to internal transport and customs imposed on raw materials. In the case of Africa, there is limited accessibility and high transportation costs; lack of export guarantees; limited market exposure for local pharmaceutical companies; and the imposition of strict conditions by other countries in product registration.

RATIONALE OF FORUM

There is a potential here for AfDB's strategic collaboration and lending to enable a competitive and sustainable industry as it leverages these opportunities. Through a partnership approach, aligning co-financing with Commercial banks and other players, the Bank is exploring the financing of transformative and impactful pharmaceutical industry programs in Egypt through the provision of financing, high level advisory on market access in Africa and technical assistance for preparation of "bankable" projects.

OBJECTIVES OF THE FORUM

The AfDB, in collaboration with partners including, Egyptian African Businessmen Association, and participation of Islamic Development Bank, is inviting the top 30 – 35 Egyptian Pharmaceutical companies to participate at the exclusive "Pharmaceutical Investment Forum" on 9th October 2023 at Waldorf Astoria, Heliopolis.

The Forum will provide the opportunity for the companies to

- Discuss recent market trends and the steps taken for the Egyptian Pharmaceutical Industry to become a pharmaceutical hub.
- Learn the AfDB's Pharmaceutical Action Plan and Financing tools offered by the Bank and other partners.
- Engage in B2B meetings and networking with key players and other financiers interested in supporting expansion and export plans.