

Template for proposals for Jobs Summit

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1 Problem statement

The South African pharmaceutical market is valued at R 47.8 billion, with the market growing at 10.3%. The country's demand for pharmaceuticals is growing rapidly, driven in part by quadruple burden of diseases driven by HIV /AIDS, Tuberculosis (TB), non-communicable diseases (NCDs) and trauma for example, South Africa has the largest ART treatment programme in the world, and today 25% of all the people on ARV therapy in the world are in South Africa, consequently, the South Africa's government ARV tender is the largest ever in the world. Yet, despite these huge numbers, and the resultant huge and global market leadership which gives South Africa the scale and to become globally competitive and assume a leadership position in ARV supply, South Africa imports more than 90.0% of its raw materials, and almost 70% of all finished formulations.

The pharmaceutical industry is one of the leading drivers of the current account deficit in South Africa, and according to Quantec, the pharmaceutical trade deficit totalled R 230.3 billion between 1993 and 2017. This situation has not improved and today, the country produces around 35% of the volume of pharmaceuticals consumed locally, with 65% imported, mainly from India, and this dependence on imported products is already evident and being felt through an inordinately high incidence of medicine stock-outs in public health facilities, and a disturbingly high level of off-tender buy-outs and medicines stock outs that affect the health of our citizenry.

2 Jobs impact

The South African Pharmaceutical Industry contributes a meagre 35% of all the medicines that are consumed in the country using a workforce of about 9500 people. A modest improvement of products that are manufactured locally from 35% to 50% would result in at least 4000 additional jobs in the mainstream industry. If the downstream industries such as producers of packing materials, logistics, engineering, retail etc is also taken into consideration a further 1000 jobs could also be created if the local production of pharmaceuticals was to be increased by a modest 15%.

The pharmaceutical industry is a knowledge economy as it requires input from a variety of high end skills such as pharmacy, chemistry, microbiology, engineering etc which will ensure the employment of our university graduates. On the other hand, the industry does also absorb a number of labour with limited set of skills and levels of education, essentially matric.

3 Theory of change

South Africa suffers a quadruple burden of disease related to having the highest rate of human immune-virus (HIV) in the world, non-communicable diseases, incidences of trauma (e.g. injuries) and tuberculosis (TB). With respect to the HIV, South Africa holds the record of awarding the biggest tender for antiretrovirals (ARVs) in the world. However, 85% of the ARVs that are procured by the state are imported from abroad. Secondly, the implementation of the national health insurance (NHI) by the national government is imminent. The NHI is set to improve access to healthcare including medicines and by so doing increase the demand for medicines.

Both our high consumption of the ARVs and the implementation of the NHI are excellent opportunities for the country to leverage to increase its levels of local production of pharmaceuticals from the current low levels. Doing so will provide opportunities on multiple fronts:

- Building new factories to do local production of pharmaceuticals. The construction industry will benefit in this regard.
- Producing medicines locally will improve the security of supply of medicines and thus ensure that the incidents of medicines stock outs are minimized on critical medicines such as ARVs. This will help improve the health of South Africans.
- The government will increase its tax base from a corporate tax point of view. This will enable the state to improve its service delivery to benefit the citizenry.
- Job creation of both low skilled and highly skilled employees.
- Opportunity to effect transformation of the sector as currently pharmaceutical manufacturing in terms of ownership of factories and plants in South Africa is virtually in the hands of the white people.

4 Existing initiatives/experience

The proposal is not about the introduction of a new concept where piloting will be required in order to learn lessons ahead of full scale implementation. The country already has an experience of pharmaceutical manufacturing and what is needed is to ramp up the levels of manufacturing to meet the needs of the country and its people.

5 Constituency participation in implementation

The following constituencies are the prospective participants:

- Funders such Industrial Development Corporation
- Entrepreneurs particularly from previously disadvantage fraternity
- Labour
- Sector Education and Training Authority (SETAs)

- Departments of governments such as the Department of Trade and Industry (dti), Department of Health (DOH), Department of Economic Development (DEC), Department of Science Technology etc
- Statutory authorities: South African Pharmacy Council, South African Health Products Regulatory Authority (SAHPRA)

6 Benefits

Group	Job creation	Other benefits	Time frame for success
Youth	Employment	Opportunity to develop skills	6-12 months
Science Graduates	Skilled jobs	Absorption of skilled labour to drive the knowledge economy	6-12 months
Government	Indirect job creation by creating a conducive environment for business	Grown the tax base for service delivery and looking after the poor	6-12 months
Entrepreneurs particularly those from disadvantaged backgrounds	Job creation minimize inequality	Effect transformation	6-12 months

Group	Job creation	Other benefits	Time frame for success
Labour		Increase its support base and continue playing a critical role of advocating for the emancipation of the working class and the overcoming of poverty, inequality and unemployment	6-12 months

7 Cost and potential sources of funding

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact
Entrepreneurs Labour	≥ ZAR 300 Million To be build a new medium size pharmaceutical plant	Industrial Development Corporation (IDC)	6-12 months
Entrepreneurs Labour	≥ ZAR 300 Million To be build a new medium size pharmaceutical plant	Public Investment Corporation (PIC)	6-12 months
Entrepreneurs Labour	≥ ZAR 300 Million To be build a new medium size pharmaceutical plant	Commercial Banks	6-12 months
Entrepreneurs Labour	≥ ZAR 300 Million To be build a new medium size pharmaceutical plant	Investment Funders	6-12 months
Entrepreneurs Labour	≥ ZAR 300 Million To be build a new medium size pharmaceutical plant	dti's Black Industrialists Programme	6-12 months

8 Risks

- Failing to recognise that the country is vulnerable to medicines' stockouts on critical medicines which puts the health of the South Africans at risk as we do not have a security of supply of medicines due to our dependence on imports.
- Failure to capitalise on our high consumption of medicines and convert that into economic benefits that will advance the growth trajectory of the country towards realising its ideals as set out in the National Development Plan (NDP).

9 Risk mitigation

A consultative stakeholder meeting ought to be convened to ponder on the action items and a comprehensive strategy for execution to effect positive change that will bring about large-scale employment opportunities and improve the health of the citizenry.

10 Additional comments

The Black Pharmaceutical Industry (BPIA) are well positioned to champion both the agendas of local production of pharmaceuticals and transformation.