Prospects for the Tanzanian pharmaceutical industry

The dilemma

Should Tanzania develop its own pharmaceutical industry? Some argue that dependence on other countries make supplies unreliable; and that local production would make it easier to control quality. Others argue that if enhancing access to medicines is the objective then rather than promoting local production, Tanzania should import drugs from other countries which can produce drugs more efficiently.

Current situation

There are 8 manufacturers of pharmaceuticals in Tanzania. But they do not produce APIs (active pharmaceutical ingredients) or more technologically sophisticated products such as IV fluids, injectables, higher-level antibiotics and many other essential drugs. The Tanzanian manufacturers mainly produce simple antibiotics, cough and cold preparations, analgesics and antipyretics, sedatives, neutraceuticals, anthelmintics and antimalarials. Some manufacturers are producing fixed dose combinations of first line ARVs, and there are plans by one company to produce a second-line ARV (saquinavir), with technical expertise provided by Roche.

Most of these manufacturers sell only in the domestic market. The pharmaceutical market in 2004-5 was estimated to be worth about $110 million of which $78 million (71 per cent) were supplied from imported and the remainer from local production. Out of the 3388 drugs registered for sale in Tanzania only 269 products (about 8%) are from Tanzanian local manufacturers. India is the biggest supplier to the market.

All of the Tanzanian companies are under financial pressure – there is a lack of working capital and access to long-term credit. The wage rate of unskilled workers is often lower than in other developing countries, but productivity is also lower. The country suffers from a lack of technical expertise, which is often imported from India. Electricity costs are high, and water supply is eratic in Tanzania.

Local manufacturers do receive price preferences in international tenders made by the government's Medical Stores Department, gaining a 15 per cent price advantage. There is a 10 per cent import duty on pharmaceutical formulations (except on drugs for HIV/AIDS, malaria and TB). There is no import duty on raw materials, components and machinery and no VAT or excise for domestic formulations.

Tanzania's National Drug Policy of 1991 remains in force. It "supports the gradual development of self-sufficiency in the production of intermediary and raw materials on such chemical entities where Tanzania has a comparative advantage in production. … It will provide the necessary protection until the industries have matured to full competitiveness". The government is considering produce a "negative list" of drugs whose import is banned – this has happened in Ghana and Nigeria already. The government has suggested that imports of some technologically simple products are prohibited where there is local production capacity which is not adequately utilized.

Tanzanian pharmaceutical manufacturers face intense competition from Indian generic producers who sell in the Tanzanian market, and they often undercut aggressively on price. Some of these Indian manufacturers produce good quality medicines. Others do not. There are frequent newspaper reports about fake medicines. The Tanzanian Food and Drug Administration is overstretched and cannot regulate properly. Only about 400 retail drugs shops are supervised by trained pharmacists. There are 6000 other non-prescription shops.

The TRIPS agreement, signed under the auspices of the WTO, has been widely argued to have negative effects for access to medicines in developing countries because it enforces strict patenting rules on all countries. But TRIPS allows actions such as compulsory licensing, parallel imports and 'early working', which could be used by the Tanzanian government to promote access and local production. As a Least Developed Country Tanzania has also been granted a special transition period under the TRIPS (to 2016) only after which must it introduce the patent protection laws. Some have argued that it should suspend product patents whilst it still can.

Do you think it is desirable and feasible for the Tanzanian government to support more local production of pharmaceuticals?

Information in this case study is taken from: Chaudhuri S (2008). Indian generic companies, affordability of drugs and local production capacity in Africa, with special reference to Tanzania. IKD Working Paper No. 37. Milton Keynes, The Open University. Available at: http://www.open.ac.uk/ikd/documents/working-papers/ikd-working-paper-37.pdf