

# Bloomberg Invest: Focus on Africa

Public Health: The Path to Self Reliance

**Mallika Kapur:** Thank you for being with us. This is just a reality of the world we live in. We were hoping to have a guest join us via a Zoom from Senegal but we've had some technical difficulties. I apologize he isn't able to join us. That's just the world we live in now. Thank you so much for being with us. I really want to take the next few minutes to talk about how we can build up the pharmaceutical sector within Africa, the domestic pharmaceutical sector.

I came across one statistic when I was prepping for this session honestly which startled me. I wanted to share that with you all. If you look at Africa, India, and China, we're talking about populations of over a billion people, 1.2, 1.4 billion people. India has 10,000 drug manufacturers for its 1.2, 1.3 billion people. China has 5,000. Obviously, I'm going to say Africa is a lot less.

Any idea how many drug manufacturers there are in Africa to serve over a billion people? Sorry, how many? A 100, you're really pessimistic. Anybody else? Any idea? You want to throw out a number? Show off hands below 5,000 or above 5,000? Below 3000? Below 3000? Below 1000? Okay, 375. That's really, really, really low. There's a lot of work to be done. It's no wonder then that you think Africa imports most of its medicines and depending which part of Africa we are importing is anywhere between 70 to 90% of the medicines are imported into Africa. Against this backdrop, Steve, let me begin with you. What do you think has been the biggest learning for Africa from the pandemic?

**Steve Murigi:** The biggest learning, first of all, thank you for having us. The biggest learning for us in Africa is you need to have your own supplies to be responsive to be able to plan. The biggest lesson is if you're overly reliant on other countries, other partners, for your vaccines, you're always at the back of the queue. As you said a population of 1.2 billion to be importing upto 99% of your vaccines, it's very difficult for you to assure your populations of health security. You can't have the health security that other parts of the world enjoy.

**Mallika Kapur:** Absolutely. Sarmad, do you want to add to that? What from your point of view from Standard Chartered, which of course, is one of the sponsors of this event. From Standard Chartered's point of view, what was your biggest lesson on learning from the pandemic?

**Sarmad Lone:** Thank you, Mallika. To start with, I'm an optimist. There are some green shoots over there. I'm sure you and some of the other colleagues in the room will be familiar with some good work being done by South African pharma company Aspen, with Johnson's, limited in scope and didn't take off as widely as prolific as Pfizer and Moderna but good beginning. The data you mentioned in starting the conversation is startling. I saw the same data and I was shocked. I'll come to the work Standard Chartered has done. I'll briefly touch upon it.

I think the overall challenge specific to this point which feeds into some of the other points when you talk about the trade corridors Africa has with the world and the

Africa Free Trade Agreement, we'll come to that, is the same challenge where Africa is reliant on importing from abroad in the most remarkable and significant way. That has been manifest in this crisis now. Thank God, the pandemic didn't affect Africa as badly as affected some of the other parts of the world. We're quite blessed with that, and may it remain that way. The challenge is the infrastructure. In terms of technology, healthcare support base in Africa is really weak. The backbone to support that infrastructure is not there. Commenting very briefly on Standard Chartered, we were part of a number of concessional financing facility. One was specific to vaccine procurement, acquisition, and distribution where we partnered up with Afrexim and DFI in Africa. The other one was a global program where we came up with a billion-dollar concessional financing and overall Africa Middle East contribution from that facility was around 300 million dollars where we went out and gave out concession funding at our cost to companies and businesses who were helping with the pandemic with PPE, with vaccination, with all kinds of the pandemic support infrastructure.

**Mallika Kapur:** One thing you mentioned, and again that surprised me, and we talked about this yesterday briefly. The Aspen Pharma Care facility that's opened in South Africa which is to manufacture Johnson & Johnson vaccines. I've been reading reports. You said it hasn't taken off. I've been reading reports there hasn't been a single order. Why Steve, why do you think that might be the case?

**Steve Murigi:** I think it would be difficult to answer the why without speculating. I'll try not to speculate, but I think just two things I'd want to mention is we would want to see partners support manufacturers within the continent, especially the partners that are supplying the same vaccines to the continent. That's the first thing. The second thing is the ecosystem. We have to look at manufacturing as part of a wider health ecosystem.

**Mallika Kapur:** Correct.

**Steve Murigi:** The science is just the beginning. You need to be able to move the science to the people that need it the most.

**Mallika Kapur:** The ecosystem, what you said, the backbone, we need that. What do you think needs to be the first thing to address? There are so many things. You said science is just the beginning. From your point of view, what's the first stepping stone?

**Sarmad Lone:** A couple of things, Mallika, in no particular order, and the order I state may not be the right order, but for me, technology transfer-- When you look at Africa, the challenge today is Africa exports a lot of raw products and imports finished goods. That's the backbone of the challenge where they're exporting crude and importing refined products. They're exporting copper and they're importing finished products from cars to everything else or cables, and that is to me the Genesis basic core ingredient which needs fixing. Now, there are good steps in terms of the Africa Free Trade Agreement, and if you look at just to throw out some of the numbers, 2019 data, Africa imported roughly 600 billion thereabouts across the continent. 12% of that import was Intra-Africa. That's the other thing.

**Mallika Kapur:** Intra-Africa, okay.

**Sarmad Lone:** Intra-Africa, only 12%. One country, the biggest country or one sector, the biggest sector, the car, after oil and gas, the biggest importation was cars. Africa imported cars worth \$20 billion, 4 billion in the case of Nigeria alone. The local component was 3%.

**Mallika Kapur:** Really?

**Sarmad Lone:** Yes. This is what I'm talking about. You pick out any country, I can give a number of examples. Oil is being exported out by a number of oil-exporting countries, raw crude oil, and refined finished products are importing in. A number of countries, not to name names, are not seeing the upside that we have seen in oil and gas prices over the last couple of years to the same dimension, because the big spike is in the refined products and that not getting the upside, or to the extent, they're getting the upside.

In the crude product export, they have to pay back most, if not all, if not more than all in the case of when they import back the refined product. That is the challenge that needs to be addressed. I think a couple of other points and stop me if you think I'm speaking too long. I think, technology transfer, which was my first point. The second is Intra-Africa trade. Now, the components for Intra-Africa trade to flourish, and there are bureaucratic components and there are actual concerns.

A lot of the African governments take tariffs from trade, so they should, but on margin, the system needs to evolve and develop to a level where the bleed out from the import compensates for the tariffs that they're getting. That requires cooperation. That requires trust. That requires working together with the partners across the 50, 51 African countries and the global trade partners. The third component is the one where we as a bank, Standard Chartered, are quite active is the infrastructure bid. For technology transfer, you need help from the developed countries, the G7, G20 plus India, China, the most sophisticated economies, whether you're talking pharma, whether you're talking power, you are talking sustainable energy, whatever else you have. There is the technology transfer component which you cannot deny, but in addition to their technology transfer, you need power on the ground.

**Mallika Kapur:** Yes, of course.

**Sarmad Lone:** To run these industry, you need a digital backbone, infrastructure, wifi, telecom, sophistication tool to connect to the cloud, to connect to the global centers. That requires investment dollars and that requires infrastructure investment. We are delighted. We are contributing and playing our share, but that needs to multiply a [unintelligible 00:10:52] to the [unintelligible 00:10:53] in my view.

The third thing is, and there are good examples. We are delighted that Dangote Refinery as in when it comes online towards the end of this year or early next year, whenever the timeline is will address the first point I was mentioning that Africa exports crude and imports refined, so once you have Dangote Refinery up and running, they will be refining their own crude and not only using in the domestic market, which is the biggest market in Nigeria but exporting to other countries across. The last point, and I'll finish over there is that the infrastructure to move goods across borders needs to be developed. The flight connectivity from one

country to another needs to improve in some cases, not all the cases. You need to go to a third hub, and then come back to a neighboring country.

**Mallika Kapur:** Correct.

**Sarmad Lone:** A number of examples, more than one I can quote. Those would be the kind of things when you talk about the broader infrastructure ecosystem would be power, would be digital communications and would be the road network, the bridges, the rails, and the safety and security to be able to use that infrastructure safely, securely.

**Mallika Kapur:** Correct. It all creates that ecosystem. Steve, yesterday, when we chatted, you said something very interesting. You said, for Africa to not be at the behest of the West, we have to make our own medicines. You wish during the pandemic that one of the Western companies had perhaps shared their recipe so that you all could make your own vaccines.

**Steve Murigi:** Absolutely.

**Mallika Kapur:** Without this infrastructure in place that Sarmad has just pointed out, would Africa have actually been able to make those vaccines even if you were given the recipe?

**Steve Murigi:** Absolutely. If you just look in the last few months, the information that's coming out of South Africa and the research work that's been done by researchers in South Africa to replicate Moderna's mRNA vaccine, it shows that the capacity and capabilities is there. The question is, are partners willing to help accelerate that process? This is why for a long time we've been calling for companies and the West to share IPs and to share the know-how and technology to give Africa a chance to be self-sustaining.

To answer your question, 1000%, I think Africa is in a position to do so. Africa needs the support and the conversation has already progressed. If you look at what the AU has put together as a strategy to produce up to 60% of its own vaccine needs within the continent, the framework is there. It means more investment in R&D, more investment in capabilities, better regulation, better sharing across the countries, as you say, better trade policies. It's all there. The bigger question is, are partners who've partnered with us for many years going to come on board and help accelerate that process? That's the fundamental piece.

The second piece to add to the points that were being made just now is a wider ecosystem. You've got infrastructure. You've got the supply chain, but you also need the health workforce. You need health workers that are trained, that are capacitated, that are supported, that are incentivized to administer the vaccines. You also need communities that are mobilized and have the information so that they present themselves when these supplies are available. I think it's a challenge to look at manufacturing in isolation. I think we need to take a step back and evaluate the entire ecosystem.

**Mallika Kapur:** You are saying that even if you had got the recipe from the West or from other companies, you all would've been able to make the vaccines in Africa.

You're 1000% sure you would've been able to do that. The next question would be if you didn't get the recipe, you need to reach a stage where you can create the recipe yourself. You're not dependent on other countries to share the secret sauce. What do you need for that? Are we looking at huge investments in R&D, education, prevent the brain drain, so talk to me about that.

**Steve Murigi:** Absolutely. Again, to your previous question, my optimism is driven by, the evidence. We've seen the work that's happened in South Africa, being able to replicate Moderna's vaccine. If that's possible, without Moderna's involvement, then that demonstrates that actually with a bit of support, if collectively, that process can be accelerated. What was the question you just asked?

**Mallika Kapur:** Just saying that we need to reach the stage where you can create the recipe yourself. When looking at we need more investment in R&D, in research?

[crosstalk]

**Steve Murigi:** Absolutely. I think, ultimately, it's also a supply and demand question. You do have players that want to come into the space, but perhaps a slightly cautious about the return on investment. Research and R&D is expensive. We want to invest in these areas, but we need to make sure that the market is there. We need to provide collectively as Africa, that assurance to manufacturers that if you make this investment, there is a market for you. That means pooling procurement mechanism, but it also means partners that supply largely the continent with vaccines and medicines to really tap into that African market as well.

**Mallika Kapur:** Sarmad, I want to talk to you about human capital. Obviously, a healthier population means, and we're not just talking about medicines and vaccines for COVID. We're talking about the pharmaceutical industry as a whole. A healthier population means a healthier workforce which then, of course, will have a trigger effect and help economic output. Talk to me about the importance of human capital and how developing a local pharmaceutical industry can actually help the GDP.

**Sarmad Lone:** Listen, I think, Mallika, it is existential in my view. Also, if I would to expand the scope of the question, I think it goes beyond the pharmaceutical industry into every facet of human life. It's all about human capital, my business, our business, the business of banking, the business of trade, finance, government, everything. Everything, it's existential, to have the right framework. It's as important as safety and security, and education. The next one is to have the right ingredients to have develop people who are healthy, who are secure, and who have the right technical educational background to be able to support the growth of the economies and contribute to every segment, every facet of the country of the economy they're in.

**Mallika Kapur:** Just want to quickly go back to free trade. It's been on my mind. You spoke about it, and I think that's absolutely important. From your point of view, how much of a game-changer will that be to allow smaller pharmaceutical companies manufacturing medicines in Africa by having that Free Trade Agreement? How much of a game-changer will that be for those companies who want to achieve scale, because it's not worth it if you're not going to have a chance to achieve scale.

**Steve Murigi:** Exactly, but I think you've touched on it. It is an incentive. It's an incentive because it means the environment is enabling. Ultimately, what he tells them is, if there's a market for your product, but not only that, it means that the regulation and the policies will be conducive for you to do business. It's a compelling case for manufacturers that perhaps have been discouraged previously, and this is why we also call on partners that supply the vaccines and medicines to the continent largely to tap into that market. I think that's a significant part of it because you do have countries that are still reliant on these donations, whether you're thinking Gavi as a Vaccine Alliance. If Gavi taps into that market, it's really encouraging for the players within the continent.

**Mallika Kapur:** This awareness and realization that Africa needs to be manufacturing its own medicines. This isn't new. We've been talking about this actually for decades, but do you think the pandemic is a turning point, and do you think we are actually going to see a difference being made now? Steve, I'll go to you first and Sarmad, I'll come to you for the last word after this.

**Steve Murigi:** Absolutely. I think what the last two and a half years have shown Africa is that you cannot have political security, economic security without health security. I think that's been significantly clear. I think it's also been very clear that you cannot be over-reliant on partners on goodwill for you to deliver on health security. I think that is a turning point. We've seen a lot of players and stakeholders and governments collaborate and come together and really develop a framework that's clear that stipulates this is where we want to go. We want to be able to produce at least 60% of our own vaccines by this year.

This is how we get there. This is what we expect from our other partners and stakeholders. What we've seen as Amref, an African led organization that works across many African communities to address the barriers that keep communities from accessing good health is also the idea that you do need to have a resilient health system. You do need to have that supported workforce. You need to have all these things in place for your science to be effective.

**Mallika Kapur:** Sarmad, last word from you. From what you're hearing and seeing on the ground in Africa, are we at a turning point? Is this as a pandemic going to be what it takes to actually really create that change in Africa and really give the pharmaceutical industry the impetus to change?

**Sarmad Lone:** Most certainly, I think, and I would again add to the comment which I said before on a couple of themes. I think the entire world, Mallika, is in quite a unique place in terms of lessons from the pandemic. We have seen over the last two and a half years developments which are black swan events. Honestly, no one of us imagined, I didn't, that you will see the backlogs that we have seen in the last two and a half years. The shortages you have seen in the last two and a half years, the lump up or backlog and delay at the boats you have seen. I think it's a lesson for the entire world. In every sector, in every segment, pharmaceutical is existential from a healthcare perspective, so absolutely there are lesson to be learned by everybody.

**Mallika Kapur:** It's a wake-up call.

**Sarmad Lone:** It's a wake-up call. I see a lot of green shoots, a lot of positive takeaways. We've passed through a very tough two and a half years. The world is coming out and with a lot of good lessons.

**Mallika Kapur:** That's a good note to end on, green shoots of recovery all around.

**Sarmad Lone:** Thank you.

[crosstalk]

**Mallika Kapur:** Thank you very much.

**[00:23:12] [END OF AUDIO]**