

The Pharmaceutical Sector:* **CHALLENGES OF CHANGING TIMES AND NEEDS

by

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It is difficult to imagine a time in the modern history of this country when the whole fabric of society was being challenged as it is today. The stability we enjoyed of old, the wealth which propelled us to the pinnacle of economic power in Africa has been dissipated. The confidence we felt in ourselves has been eroded.

It is not my purpose to review the generality of what has gone wrong, many eminent groups of people have publicly and privately debated this and indeed published recipes of solutions.

The problems to be addressed at this conference are very specific to our profession and industry and it is here that I shall devote my discourse. If during it I stray from the specific to the general it is because I have really little option as the problem probably is a symptom of the general malaise affecting the country as a whole.

Let me pick out a few unchallengeable facts about our industry and then ask the questions:-

Why is it so?

Do we wish to change it?

How will it benefit us?

What do we have to do?

Fact: Fake medicines, smuggled medicines, adulterated medicines, are all around us despite the problem having been clearly identified several years ago and legislation introduced for the purpose of curing the disease.

Fact: Ten multinational pharmaceutical companies have disposed of their equity interest or sold their facilities.

Fact: It is cheaper to import medicines than to make them here, thus undermining an industry employing 10,000 people.

Fact: Interaction between government and the profession is at a far higher level than it was five years ago, but still, confrontation rather than problem

solving, reactivity rather than pro activity, is the style of trying to do business with bureaucrats.

There are many other issues to be faced but to review them all would be counter productive, boring and impossible in twenty minutes, so I propose to deal with these four only and one at a time.

Fakes

Fake medicines are the products of sick minds, determined to make easy money by copying or stealing someone's invention, or by adulteration of good medicines, or by reducing the quantity of active ingredients or presenting a medicine with no active ingredient at all, in the full knowledge that consumers at best are being cheated and at worst their well being is being threatened.

Fakers flourish because of ignorance of consumers or pharmacy operators, or because they know they can make money out of their trade because they will not be detected or prosecuted or can buy their way out of trouble.

Government efforts have been directed at identification of fake products and tracking back to attempt to identify the perpetrator, or by limited education through advertising.

They have failed because of lack of resources provided to the fake medicine task forces, or frustration of their efforts through market forces. How many successful prosecutions have taken place since the new laws came into effect?

The problem has not got to be resolved and our profession has to do more to support government efforts.

We have to change because the reputation of the country and the reputation of pharmacy is at stake.

Many will recall the infamous statement that half the medicines in the country were fakes, which was a direct contributor to the ban on the import of medicines of Nigerian origin into other West African countries.

The efforts of this society through the "Made in Nigeria Exhibition" was a brave attempt to correct the impression but the stain is still there.

Those who suffer are not the people at whom the ban was directed, the fakers and smugglers, but the legitimate manufacturers. Those whom our own research indicates have sufficient installed capacity to make three times the paracetamol, aspirin, and chloroquine they can currently produce and comfortably supply the entire demand of the country and have capacity left over for export.

We as a National Society, have to make the eradication of fakes a crusade.

Results can only be achieved by a direct attempt to educate the market.

In every State of the Federation we need to have a task force comprising the existing local government team, the policy and a team from the local Pharmaceutical Society branch and representatives of manufacturers.

The effort must be funded by commitment of resources from each partner and disbursed according to a planned programme of advertising, public meetings, visits to markets and any other efforts which will assist the objective of making consumers, prescribers, and health care workers more aware of the simple rules to be observed in checking medicines before they are used or purchased, to detect whether they are genuine or not.

Only consistent efforts by public spirited people acting in concert with Government and the Police to educate the population, in other words tackling the problem at the consumer end will bring a lasting solution to this scourge.

Using the existing laws in a sporadic way as has been done in the past is doomed to failure.

These changing times challenge the conscience of the nation to recognise and reject fakes whether they be medicines or people.

Multi National Companies

Multi nationals do not in general enjoy a good reputation in many countries, particularly those countries which are going into the initial decades of industrialisation. The fault often lies with the public relations of the companies themselves, yet the truth of the matter is that, they are an essential component in the process of building sustainable industries.

This is because:

(a) They are truly international and can to a large

degree, invest where they like and go away if they don't like.

(b) Their businesses operate at the leading edge of technology. Those who don't will not survive in an Internationally competitive environment.

(c) Once committed to a country, they tend to stay for a long time.

(d) They are committed to the community and to fostering good neighbourliness.

(e) They train their work forces endlessly.

(f) They often sponsor local Research and Development.

(g) They are usually wealthy! Multinational track record of investment in free markets is far in excess of investments by Government and far more successful.

The fact that ten companies who all contributed in some way to the benefits listed above have left the country, and some of these companies had been around for 30 years, should be a cause of great concern to us all. What prompted them to go?

Multinational managements do not make decisions quickly on a whim or caprice, they take a long term view, decide on whether their investment is going to yield an adequate return for the financial and human resources deployed and behave accordingly.

It is a fact that companies who invested in Nigeria during the 1980's have witnessed the value of their investments decimated by the 33 fold devaluation of the official Naira.

They have witnessed the size of their businesses diminish in volume and in financial terms at constant exchange rates.

They have witnessed Government piling on taxes, education levy, development levy, son of NPF levy, in addition to corporation tax, VAT, customs duty and excise duty.

The pharmaceutical industry is potentially one of the most valuable industries in the country in relationship to its technology, discipline of manufacture, skill requirements, export potential, and opportunity for research and should be nurtured, not protected.

Of the multinationals who have operated in Nigeria for thirty years, at least two have changed their ownership because their factories no longer met the ever increasing standards of Good Pharmaceutical Manufacturing Practice and the technical partner was not prepared to invest to reach compliance.

If the country wants a vibrant Pharmaceutical Industry an essential component of which is multinational investment, the managers of those industries must be

ready when the time comes to do all in their power to influence government to follow policies which have been proven to appropriate all over the world in developed and developing countries alike, and these are essentially about stability and include:-

- (a) Floating Exchange Rate [or realistically managed].
- (b) Control of government spending in relation to the size and growth of the economy.
- (c) Honesty, integrity and public spiritedness in the interest of the entire population, and suppression of self interest.

There are people in this room today who have been in government or who have the potential to be so. How prepared are you to sacrifice self interest in the interests of the Pharmaceutical Industry of Nigeria?

These changing times challenge the Industry and its captains to recognise that a vast International resource with much goodwill towards embryonic industries is available and should not be allowed to go away. Some £15 billion p.a. is being spent on pharmaceutical research world-wide and Nigeria has very free access to its fruits through the multinationals here present.

Importation vs Manufacture

Over the long term, manufacturing industries succeed because they are able to supply goods into the market place at prices which are lower than those of competitors which may include other local manufacturers or importers. There may be occasions when this is not true for example a fashion for a garment, a child's toy, a very expensive niche product such as a medicine or specialist motor car, but these are short time markets, in the long term all manufacturing businesses compete on cost.

Consider the position of the pharmaceutical manufacturer in Nigeria who has invested in a high tech. factory with a carefully temperature and humidity controlled atmosphere, in high quality machines for producing tablets, liquid preparations, capsuling machines, automated packaging equipment, in high quality staff, and in a QA department as the industry is one of the most regulated in the world.

He or she is about to embark on a business whose raw materials will take 4-6 months from date of order to arrive in the warehouse.

In this time, using useless money on deposit with the Central Bank on which interest of 20% p.a. is being paid, he may have been lucky enough to open

an LC, the goods will have been inspected and shipped though the negotiable documents may well arrive after the ship.

The customs officials may challenge the valuation or duty rate applied by the inspection agency and there is redress but it takes an eternity which our business cannot afford to wait for.

The manufacturer may well pay 30% duty on his raw materials, 7.5% port charges and 5% VAT.

He also knows that his competitor down the coast in Abidjan only waits for three weeks before his raw materials arrive as he does not have to put up with these importation "Toll Gates".

Consider now the trader importer.

His lead times are very different, he operates in the unofficial foreign exchange market, he can afford to do so as he turns his money over so much faster.

He orders his paracetamol by the container load each holding 200,000 packs of 100's or 20 million tablets.

His time from order to receipt into the market place is somewhat less than the manufacturer takes to get his raw materials.

The Trader can freely import finished medicines from companies whose markets are global and far larger than the estimated 10 million out of the entire population of around 100 million who have access to modern health care in Nigeria.

How can the manufacturer compete in such an environment? The answer is that in the long term he cannot.

As a start, the customs duty is a tax to encourage the illegal importer and to discourage the legitimate manufacturer and should for certain important industries be minimal.

This Pharmaceutical Group has previously argued that a time bound ban on the importation of paracetamol, aspirin and chloroquine tablets either in loose or finished form should be put in place immediately to give local manufacturers the change to build up volumes to a level where they are profitable enough to sustain their businesses and with the objective of introducing primary manufacture of active ingredients into the private sector as soon as economically justified. The nation consumes about 2,000 tonnes of paracetamol per year all of which is imported.

These changing times challenge the pharmaceutical manufacturers of Nigeria to develop a "National Corporate Plan" related to the common medicines

which account for 85% by volume of the nation's needs, which will be a "blue print for the development of the industry, not to beg government for help but to sell the idea of assisting certain industries through preferential tax treatment for a limited time until these industries are self-sustaining in an internationally competitive sense.

At last an area where progress can be reported. When the Pharmaceutical Manufacturers Group was set up in 1985, there was no formal dialogue, rather each company did its best to lobby government in its own interests, but as the Group became stronger, a greater trend towards collective action became apparent. This was often borne out of the herd instinct of self preservation rather than the desire to present a united front when presenting an industry case to the ministry.

The chopping and changing from one policy to another has done incalculable damage to industry. EDL came in and my company had to destroy over 4 million of material bought with the countries scarce foreign exchange resources and lost over 20 million of sales. Now we are talking of EDL in again!

The EDL cannot be properly administered as proper resources are not available, its benefit from all international accounts is questionable, in any case it is flouted by the traders and smugglers.

This is a prime example of legislation which appears fine in theory but cannot operate in practice until more fundamental changes have taken place in society. It is marginal legislation which should wait for more appropriate times.

Duty came down to 5% for SAP relief, then after two years went back to 25-30%. Why! Has something changed, have the Government finances deteriorated so badly in two years that it must have this extra revenue from the legitimate private sector who were just getting used to playing the game against the smugglers and other non-duty paying importers on a level playing field?

There is still a lot to talk about, many issues to be raised affecting our industry and profession. Hopefully in future these discussions will be before the event rather than after laws have been created.

It is again in my view a question of breaking the dialogue of the deaf, by getting an understanding of other peoples point of view and having an open mind.

As I said at the closing dinner of this august body in 1988 I think, when playing against Government you cannot win, you only lose or draw.

The challenge for us all in the Pharmaceutical Society is to create situations where there are no

legislative surprises any longer as consultation, debate, argument has taken place well before legislation. Where we approach Government with professionally prepared cases, having researched all the angles so that honourable draws become the norm. I believe that many senior Ministry officials have never seen the inside of a Pharmaceutical Plant never mind having worked in one.

The offer has been made in public before and is being made again, come and join us in industry, take a sabbatical and let us show you the problems we face so that your decisions about the shape of Health Care may be better informed.

Much progress has been made in recent time but a lot more has to be done so that the Society, the Industry and the Government become true partners in progress with a common purpose which should be to provide safe, effective, and value for money medicines to a much larger selection of the population than we serve at present.

Summary

I have attempted to portray just a small selection of the troubles we face in our attempts to make and market medicines throughout the country.

I am well aware of the challenge that is facing the majority of the people of this country both economically and in the political arena. These problems are almost overwhelming in relation to those of our industry and indeed any other manufacturing industry and have to be solved before the country can return, as return it will, to the growth of the 1970's.

We have to continue to do our best to influence the opinion leaders or creators of opinion as to the right course for this profession and industry in the best interests of the customers of our products and services.

We should not get despondent and give up as the more noise we make the more we shall be heard provided what we say is evidently the truth.

Each Pharmaceutical Society Group in each State should ensure it has chair persons who will lead rather than be figureheads, each State Group should have an active programme for fund raising, for advertising itself and for doing good works and at the same time disseminating the messages of the challenges facing the Pharmaceutical Society of Nigeria and its associated Industries so that eventually it will be universally acknowledged that this Society has done something serious to influence change for the better.

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