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Local Production

Nigeria has around 115 pharmaceutical firms that produce analgesics, antimalarials, antibiotics, anti-retroviral drugs and vitamins for use in the domestic market, as well as for neighbouring countries. However, local production accounts for a relatively small share of domestic consumption, and exports comprise a comparatively minor portion of total output.

The need for increased local production capacity came to the fore with the onset of the Covid-19 pandemic. Nigeria is reliant on China and India, in particular, for the majority of its imports of active pharmaceutical ingredients (APIs), the raw materials needed for drug manufacturing. Pandemic-induced supply chain disruptions exposed the vulnerability of the Nigerian pharmaceutical industry to external trade disturbances, even for drugs and other products assembled locally.

The government is therefore focused on encouraging more local production, particularly of essential medicines. The Five Plus Five-Year Validity (Migration to Local Production) policy, launched by the National Agency for Food and Drug Administration and Control (NAFDAC) in 2019, aims to address this gap. The programme gives newly registered imported products a maximum of 10 years to shift to local production. This can be achieved either by partnering with a Nigerian company, or by establishing a local manufacturing unit to produce finished goods, APIs, packaging materials or other key inputs. Although hurdles to local production remain – the reliability and cost of electricity, and foreign exchange rate risk, for example – this policy is expected to increase strategic tie-ups between multinationals and Nigerian manufacturers. For example, after the Five Plus Five-Year Validity announcement, GSK disclosed that it would halt operations at its manufacturing plant in Agbara in Ogun State and instead partner with Fidson as a local manufacturer.

While there remain significant structural barriers to overcome, there are some encouraging metrics on local pharmaceutical production in the face of growing domestic demand. Even as the broader manufacturing sector posted a 2.8% contraction in 2020, the chemicals and pharmaceuticals segment grew by 2.5%, according to the National Bureau of Statistics. By 2025 NAFDAC aims to cut pharmaceutical imports from 70% of the total to 30%.

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Case Study

Codix

Lagos-headquartered Codix Pharma was founded on the principle of developing more accurate diagnostics tools for cardiometabolic health care, which often sees misdiagnoses. While Codix Pharma set out to address "silent killers" – illnesses characterised by subtle symptoms that often go undiagnosed – its mission to improve the health of Nigerians has matured into a broader portfolio. The company focuses 75% of its resources on medical devices such as rapid diagnostic test kits and 25% on medicines, with offices in Lagos; Accra, Ghana; Freetown, Sierra Leone; and London. The Covid-19 pandemic posed challenges for the health care sector and highlighted the lack of contract manufacturing opportunities for pharmaceutical providers, as well as the dearth of greenfield projects. "Nigeria needs good factories with quality manufacturing practices that importers can turn to for a fairly priced product – particularly after the pandemic," Sammy Ogunjimi, CEO of Codix Pharma, told OBG. "The price of locally manufactured medicines should ideally be less than Indian or Chinese imports because there are no direct import duties or other clearing charges, lower logistics costs and fewer middle men." A national contract manufacturing strategy would not only create jobs, but also alleviate stress on the naira as products would be paid for locally. "One silver lining of the pandemic is that there are now more investments in health care thanks to renewed recognition of its importance," Ogunjimi added.