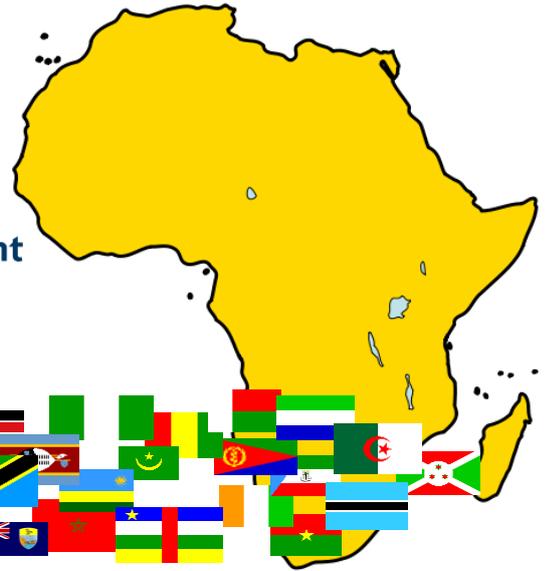


# VEDP

Virginia  
Economic  
Development  
Partnership



## Industry Report

### Africa – Healthcare / Life Sciences

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# EXECUTIVE SUMMARY

As the Southern Africa Global Network Consultant to the Virginia Economic Development Partnership (VEDP), Zurcom International was commissioned to prepare an in-depth industry report on the **Healthcare sector in Africa**.

This report is intended to provide Virginian exporters with a general overview of African healthcare and life sciences sectors, as well as offer specific insights into the current trends in Africa's healthcare industry specifically focusing on recent developments and opportunities. This report will offer specific insights into the healthcare sector of two African countries: South Africa and Tanzania.

We encourage any Virginian companies with questions or enquiries to contact VEDP for further information.

We look forward to continuing to assist VEDP and Virginian exporters in the African market.

*Pretoria, June 2020*

# INTRODUCTION

## AFRICA ECONOMIC OVERVIEW

Africa's economic position is set to advance in the coming years as African economies are growing at a rate higher than the global average. Africa is home to six of the world's fastest growing economies: Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania, and Benin. According to the 2020 African Economic Outlook (AEO) Africa's real GDP growth, estimated at 3.4 % for 2019, is projected to accelerate to 3.9 % in 2020 and to 4.1 % in 2021.

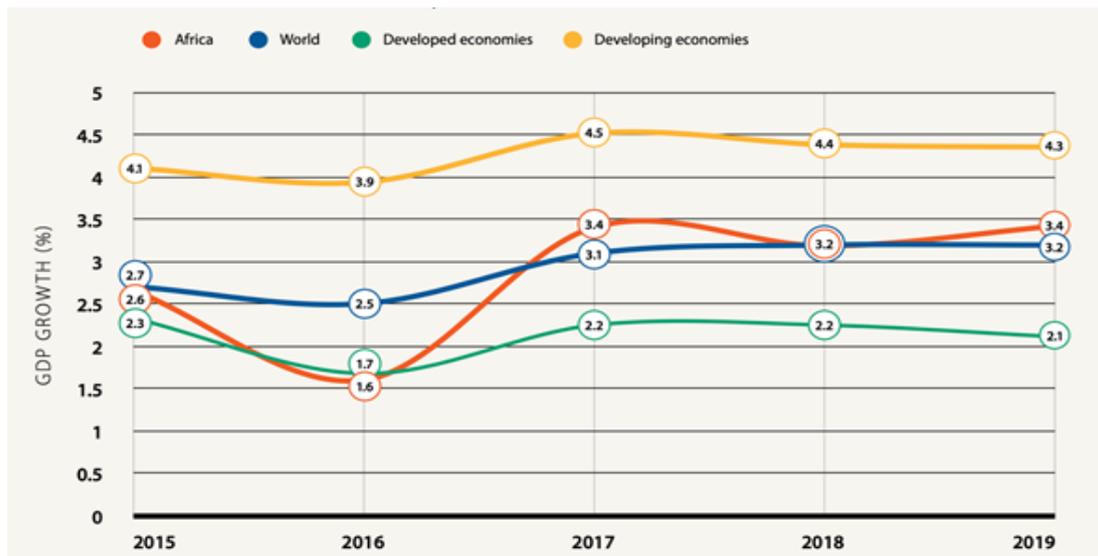


Figure 1: Global Economic Growth, 2015 -2019/ Source: The United Nations Economic Commission for Africa

Africa's GDP growth is driven by a number of factors, with the largest being private consumption and the least being its net exports (Figure 2). According to the United Nations Economic Commission for Africa, in order to eradicate poverty on the continent, Africa needs to boost its productivity output.

Africa is at a critical point in its development trajectory and in 2015 a number of African countries signed the global 2030 Sustainable Development Goals (SDG) agreement, an agenda with a set of development goals to achieve a better and more sustainable future for all. Included in the SDGs was the goal of significantly raising industry's share of employment and gross domestic product by 2030. However, there is a long road ahead in order to reach this goal, Africa will need to raise an estimated 11% of GDP per year for the next 10 years to close the financing gap. Much needs to be done by the public and private sectors to increase Africa's economic productivity and while policy solutions are likely to differ from country to country, it is clear manufacturing and industrial development will be a key factor in Africa's ability to meet its development goals.

## Commercial in Confidence

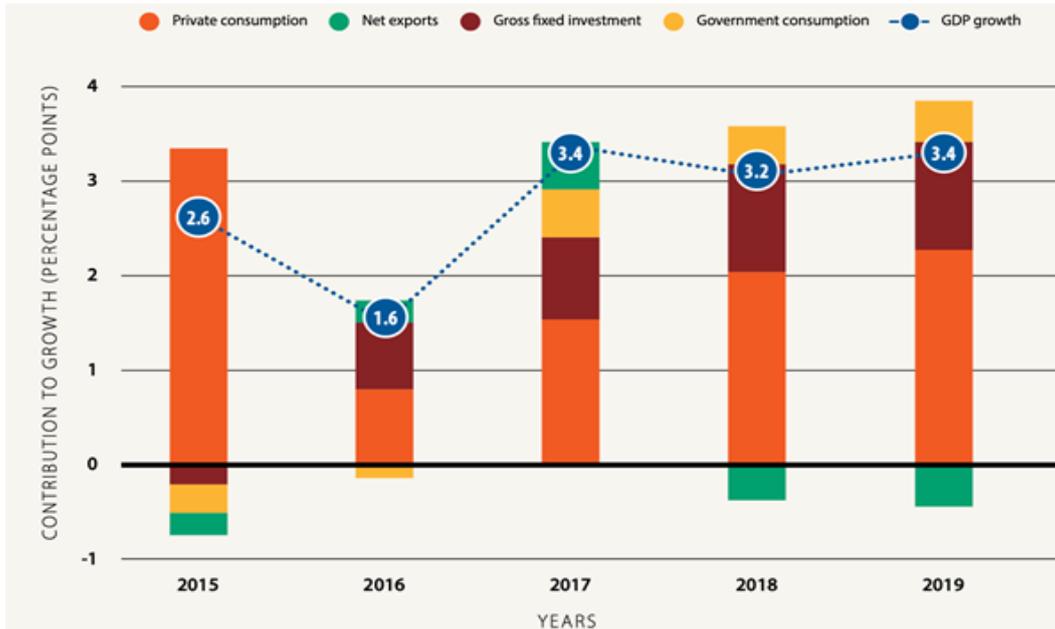


Figure 2: Components of Economic Growth in Africa, 2015 -2019/ Source: [The UNECA](#)

### South Africa economic overview

South Africa is the 34th largest export economy in the world and the 47th most complex economy according to the Economic Complexity Index (ECI). After Nigeria, South Africa is the 2nd biggest economy in Africa and according to data from the World Bank, South Africa's economy grew by 1.3% in 2017 and 0.8% in 2018. The World Bank projected 2019 growth at 1.3%, and further to 1.7% in 2020. A country of 58 million people, South Africa enjoys relative macroeconomic stability and a largely pro-business environment. It is an attractive option for U.S. companies seeking to enter the Sub-Saharan Africa marketplace.

According to official data from the World Bank and Projections from Trading Economics, the Gross Domestic Product (GDP) in South Africa was worth 350 billion US dollars in 2019. The GDP value of South Africa represents 0.29 % of the world economy.

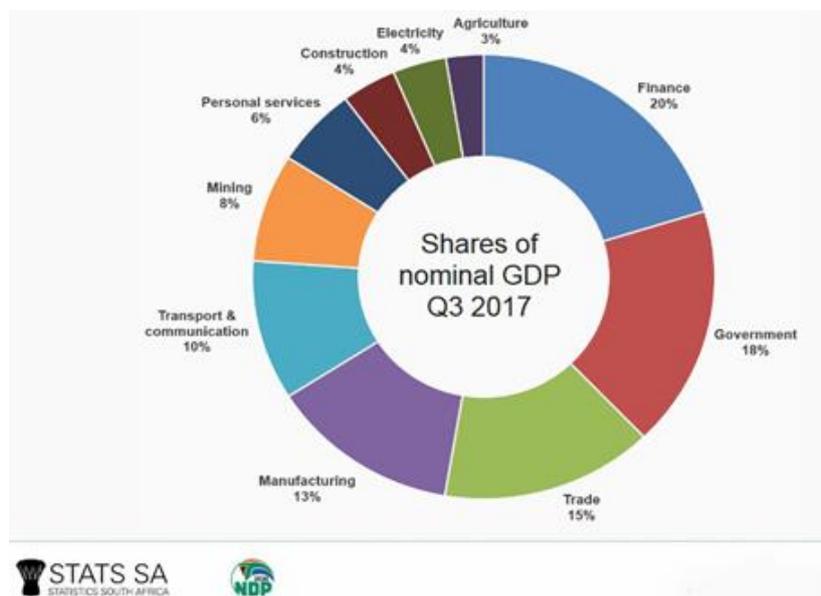


Figure 3: Contribution per sector to the South Africa's gross domestic product/ [Source Stats SA](#)

Further, in 2019, the Republic of South Africa imported USD 88.1 billion worth of goods. That dollar value reflects a 3.1% increase over the 5-year period starting in 2015 but a 5.7% decline from [2018 to 2019](#).

Approximately 45% of South Africa's total imports by value in 2019 were purchased from Asian countries. European trade partners supplied 31.5% of imports, while about 12% worth originated from fellow African nations. North American exporters accounted for 7.6% of South Africa's imports, with 2.3% coming from Latin America (excluding Mexico) plus the Caribbean and 1.3% shipped from Oceania led by Australia.

The following product groups represent the highest dollar value in South Africa's import purchases during 2019. Also shown is the percentage share each product category represents in terms of overall imports into South Africa, according to [World's Top Exports](#).

- Mineral fuels including oil: USD 14.8 billion (16.8% of total imports)
- Machinery including computers: USD 11.2 billion (12.7%)
- Electrical machinery, equipment: USD 8.6 billion (9.7%)
- Vehicles: USD 7 billion (8%)
- Plastics, plastic articles: USD 2.5 billion (2.8%)
- Pharmaceuticals: USD 2.4 billion (2.7%)
- Optical, technical, medical apparatus: USD 2.2 billion (2.5%)
- Other chemical goods: USD 1.6 billion (1.8%)
- Organic chemicals: USD 1.4 billion (1.6%)
- Books, newspapers, pictures: USD 1.3 billion (1.5%)

South Africa's top 10 imports accounted for three-fifths (60.7%) of the overall value of its product purchases from other countries.

## Tanzania economic overview

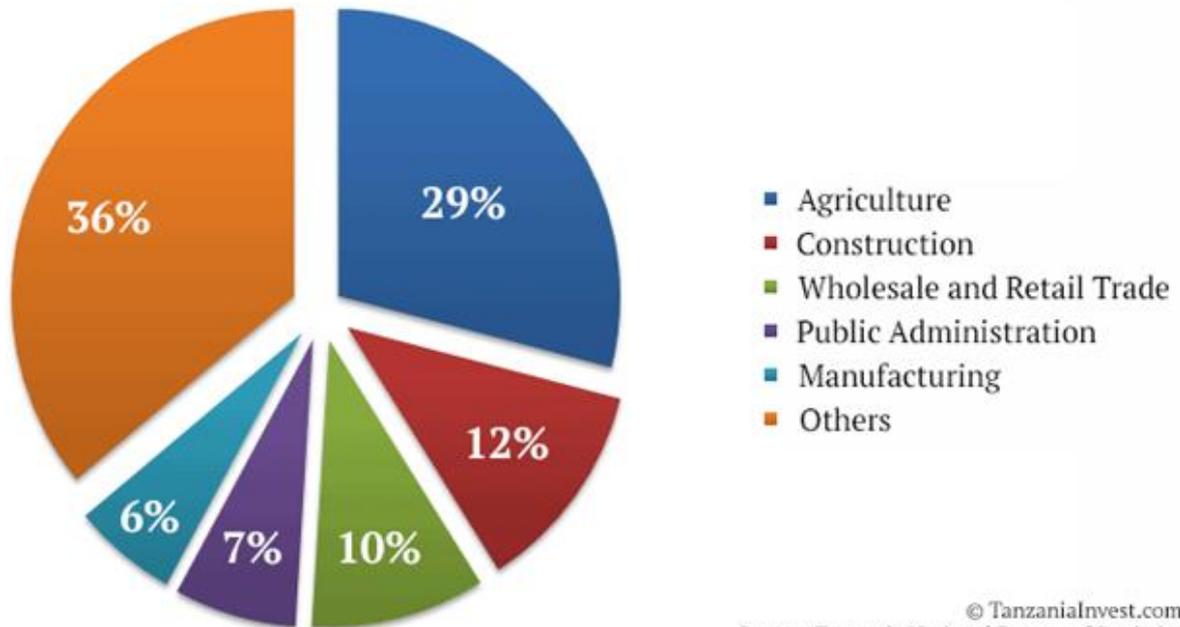
Tanzania's economic performance showcases a high rate of growth and a low rate of inflation over the past five years. Today, agriculture is the main contributor to the value of Tanzania's economy, while tourism is the leading sector in terms of foreign exchange earnings.

Tanzania's economic potential comes from the Mining and Energy sector which draws increasing amounts of global investments due to the country's position as a net exporter of gold and its recent discoveries of natural gas reserves. The Gross Domestic Product (GDP) in Tanzania was worth USD 59 billion in 2019, according to official data from the World Bank and projections from Trading Economics. Tanzania's annual GDP growth rate averaged 7% over the past 5 years, making it one of the 20 fastest growing economies in the world and beating the Sub-Saharan Africa's average GDP growth rate of 4.4% during the same period.

Real GDP growth was estimated at 6.8% in 2019, down slightly from 7% in 2018. A markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth, and an upturn in exports underpinned the positive outlook. Tourism, Mining, Services, Construction, Agriculture, and Manufacturing are notable sectors. African Development Bank Group projects growth to be broadly stable at 6.4% in

2020 and 6.6% in 2021, subject to favorable weather, prudent fiscal management, mitigation of financial sector vulnerabilities, and implementation of reforms to improve the business environment.

## Tanzania GDP Composition



© TanzaniaInvest.com  
Source: Tanzania National Bureau of Statistics  
Figure 4: Tanzania GDP Composition

## WHY AFRICA?

As a continent of 54 countries and abundant resources, Africa holds immense promise and untapped opportunities as a trading partner for Virginian exporters. As the continent with the world's youngest population, Africa's youth is one of its largest resources and can offer enormous potential in the form of a large and skilled workforce if mobilized properly. Coupled with the growth of Africa's middle class, there is a new generation of consumers in the form of young, educated, and urban African professionals ready to consume and inject revenue into their economies.

With regards to healthcare, expected growth means that African countries provide an ideal growth environment for healthcare companies and forging of strategic partnerships. The African healthcare sector is poised to become the second largest, after North America, valued at USD 259 billion by 2030. It provides opportunities in various subsectors, ranging from pharmaceuticals and medical devices, to digital health, health services and infrastructure, and skills development and training.

# AFRICAN OUTLOOK PRESENT AND POST COVID-19

Africa will emerge out of the Covid-19 pandemic relatively stronger. The continent has been on an ascendant rise in the past two decades, but trending better with several national economies in the 6 – 9 % growth range prior to the pandemic: Cote d'Ivoire, Ghana Kenya, Rwanda, Tanzania and others. Demographics, business culture, competition among other powers for market share and a generally buoyant economy are key to Covid-19 recovery and future trends. Businesses in sectors such as healthcare and life sciences, information technologies, manufacturing technologies as well as mining and agriculture will be able to find immediate interest in some specific instances and an expanded general interest once the pandemic passes.

Covid-19 risk load in Africa as of June 2020 appears relatively low against other global regions. This may be due to several factors including relative isolation from air traffic coming from previously infected regions. Most of South Africa's early infections were from Europe for example, so the travel patterns and infection timing mitigated the virus hitting most parts of Africa. Secondly, the amount of people traveling relative to population was lower than other regions' air traffic to key infected zones – a case where less development may be considered a good thing. Thirdly, and importantly, lock-downs and airport closures were done very early – many countries closing their borders with no known Covid cases. Lock-downs, where they happened, were done concurrently with most of the rest of the world meaning that Africa had a lower base-load of infections prior to the lock-down and hence lower transmissions afterward. Africa, though, seems to be facing an increasing wave as cases continue to peak while other regions of the world are decreasing their daily newly reported rates and lock-downs are lifted.

Demographics figure importantly in how Africa will rebound from the pandemic. With an average age of just less than 20 years old, Africa is the youngest large global region. Of its total population of approximately 1.3 billion, only 43 million are 65 years and older. Covid-19 puts those with co-morbidities and elderly, particularly those over 75, at the very highest risk. Seeing this, very few will be affected by the pandemic directly. Africa does have several co-morbidity issues such as HIV/AIDS and Tuberculosis and non-communicable diseases are on the ascendency. These will not outweigh the demographic differences in term of Covid deaths. One estimate puts Covid-19 maximum deaths at 83,000 to 190,000 if no precautions are taken ("Covid-19 in Africa: The long game", Economist May 16, 2020). Given the knowledge about Covid-19 at present, the absolute number of deaths will be relatively low compared to other regions such as North America, Europe and/or parts of Asia. These deaths also represent a small ratio due to other causes.

As of writing this in late June 2020, enforced isolations are being lessened around the world. In Africa, this is likewise happening. Absolute morbidity from Covid will be lower than other diseases. In fact, one South Africa study created by a group of actuaries indicated that deaths relating to lock-down that were not Covid related would be 29 times more deadly than Covid itself ("Lockdown disaster dwarfs Covid-19, say SA actuaries" [www.businesslive.co.za](http://www.businesslive.co.za) 5 May 2020) making the medicine possibly worse than the cure. African countries will open up eagerly once it becomes the accepted norm in the rest of the world. Countries will deal with the Covid response as they will with the larger threats from other diseases in the background ecology.

## Commercial in Confidence

Africa's entrepreneurial business culture is critically important to resilience in the pandemic era. While most of the developed world is several generations removed from high childhood morbidity rates, Africa is only now coming to a point where people can easily expect to live to old age. Culture can only be measured indirectly in economics but it remains possibly the key ingredient to what a response will look like. African culture is very family-based, very stoic and resilient to hardship. The youth culture is dynamically entrepreneurial, and tends toward merit over the collectivist thinking of previous generations, while retaining a very strong linkage to family and faith communities. All this to say that many in Africa have come to look at any new situation as an opportunity through the recent decades of radical change.

Sectors hit by Covid-19 include energy, particularly crude oil production as global demand has decreased. African countries that have oil based revenues, such as Nigeria, Angola and Gabon, will have harder hills to climb in recovery. Countries such as Kenya, Rwanda, South Africa, Tanzania and Cote d'Ivoire are net energy importers and will benefit from lower fuel prices. Mining remains relatively strong as metals prices have remained high although logistics have created issues for output to reach markets. Agriculture, food processing, and healthcare will remain strong sectors due to the impressive middle class growth demand that is occurring across the continent. The healthcare economy tracks roughly double the GDP growth in many African countries indicating that life sciences will remain robust during and after the Covid event.

Competition amongst powers over Africa's resources will likely benefit economic growth. China, having reached a high point after becoming Africa's largest trading and investment partner may be on the relative decline. Other powers, particularly the USA, India, UK, EU, Japan and Korea all see Africa as a natural partner in trade and are eager to compete for a share of the market in the region. More competition will allow for greater choices and optimal outcomes in some ways. African economies will have more suitors as the curtain rises in a post-Covid world although we are already seeing a geo-strategic realignment in recent months that will benefit Africa.

Overall, Africa will come out of the pandemic not unscarred but resilient and resume a good economic growth pattern. Africa's growth will depend on an energetic youthful business culture which is and will be looking for new business opportunities.

# KEY FINDINGS

- ✓ **African healthcare market is estimated to be worth USD 259 billion.** It is expected to become the second biggest market after the US by 2030.
- ✓ Africa **imports roughly 70% of pharmaceuticals** from outside the continent (USD 14.5 billion).
- ✓ Access to quality healthcare for all is constrained by **limited public resources**. Out-of-pocket expenditures account for almost 36% of all expenditure on average, making healthcare expensive for many people. There is a **USD 66 billion per year financing gap**.
- ✓ Private sector can leverage the **African Continental Free Trade Area (AfCTA)**.
- ✓ Africa has the lowest density of skilled health professionals in the world. There is a need for **training and capacity building support**.
- ✓ **Africa's population** is growing and **expected to double to reach 2,5 billion** people from 2015 to 2050.
- ✓ **Non-communicable diseases are rising** around Africa.

# HEALTHCARE OVERVIEW

## HEALTHCARE IN AFRICA

Healthcare is a vital sector for the wellbeing and prosperity of African, as other, societies. Healthcare also contributes to sustainable economic development. Especially now, in light of the COVID-19 crisis, a renewed focus on healthcare, quality service delivery and innovation has the potential to energize an already growing and important sector.

It is estimated that the **African healthcare market will be worth [USD 259 billion by 2030](#)**. Africa will present 14% of health and wellbeing business opportunities, only second to North America holding 21% of the opportunities. The market is growing due to population growth, the changing nature of burden of disease, and the need to decrease the gap between demand for and access to quality healthcare for all.

Currently, although the continent accounts for approximately 17% of the world's population, it accounts for 25% of the world's burden of disease. This will be further affected by the fact that **Africa's population** is growing and is **expected to double to reach 2,5 billion** people from 2015 to 2050. Simultaneously, the number of people aged 60 years and older is projected to reach 67 million by 2025 and 163 million by 2050. Thus an increasing number of people are living with chronic diseases and disability, increasing the demand for a variety of health services.

Africa's burden of disease has historically been related to **communicable diseases**, which account for **two thirds of the total disease burden**. The biggest share of the disease burden comes from **HIV/AIDS** (70% of people living with HIV are in Africa) and Southern Africa remains disproportionately affected.

However, **non-communicable diseases are rising** around Africa. This is taking place in parallel to an increasing rate of urbanization (from 27% in 1950 to 40% in 2015 and projected to reach 60% by [2050](#)) and subsequent lifestyle changes. These changes are associated with rising risk factors such as **hypertension, diabetes and obesity**, as well as **mental and neurological disorders**. A World Bank report estimates that by 2030 non-communicable diseases will cause more deaths in Africa than communicable diseases.

This double burden means that the already stretched healthcare resources need to prepare themselves to respond to the evolving needs of African populations. Currently, more than half of Africa's population [lacks access to essential health services](#). Part of the reason for this limited access to healthcare is **limited public resources**. Based on calculations from World Bank data from 2017, African countries spend on average 5,43% of their GDP on healthcare, yet it is not enough to cover the healthcare needs and far below the Abuja Declaration's recommended 15%. In 2015, global healthcare spending was approximately USD 9.7 trillion. [Africa accounted for only 2%](#) of that expenditure. Out-of-pocket expenditures account for almost 36% of all expenditure on average, making healthcare expensive for many people. There is a **USD 66 billion financing gap** per year in Africa. The IFC estimated that by 2022, [Africa will need USD 25 billion – USD 30 billion in investment in physical healthcare assets alone](#), including hospitals and clinics.

In addition to the lack of financing, Africa also has the **lowest density of skilled health professionals** in the world, with 13 out of the 47 countries for which data is available having less than 5 health professionals per 10,000 people.

Another significant challenge is that the hospitals, health facilities and services tend to be concentrated in urban areas, further limiting access to a large number of people. This makes it difficult to identify and respond to public health concerns, placing the burden on more resource-intensive treatment rather than prevention and health promotion.

In response to these challenges, the African Union (AU) members, using the United Nations 2030 Development Agenda and specifically [SDG 3](#) (Good Health and Wellbeing) concerning healthcare, have pledged to try and achieve [universal health coverage by 2030](#). The AU has also launched a [health financing initiative](#) in 2019, pledging up to USD 200 million to help end epidemics and bring universal health coverage to all.

In order to facilitate greater access to healthcare, there is a need for increased and innovative public and private sector involvement in addressing these challenges. The role of the private sector should complement the public sector efforts in the delivery of quality healthcare to the existing and projected demands. Some of the measures governments are pursuing to improve the complementarity between public and private efforts are:

- Improving the ease of doing business
- Developing health insurance systems
- Issuance of health bonds
- Public-private partnerships

## HEALTHCARE IN SOUTH AFRICA

South Africa has one of the biggest healthcare markets in Africa. The total South African healthcare market is projected to reach a value of **USD 37 billion by 2022 and USD 47.1 billion by 2027**. Yet, healthcare in South Africa is faced by serious challenges presenting an opportunity for constructive engagement by companies delivering healthcare products and services.

South Africa faces a **quadruple burden of disease**: communicable diseases such as HIV/AIDS, TB, typhoid fever and hepatitis; maternal and child mortality; NCDs such as hypertension and cardiovascular diseases, diabetes, cancer, mental illnesses and chronic lung diseases like asthma; as well as injury and trauma. The country has the highest number of people afflicted with HIV in the world, and the fourth-highest adult HIV prevalence rate.

## What causes the most deaths?

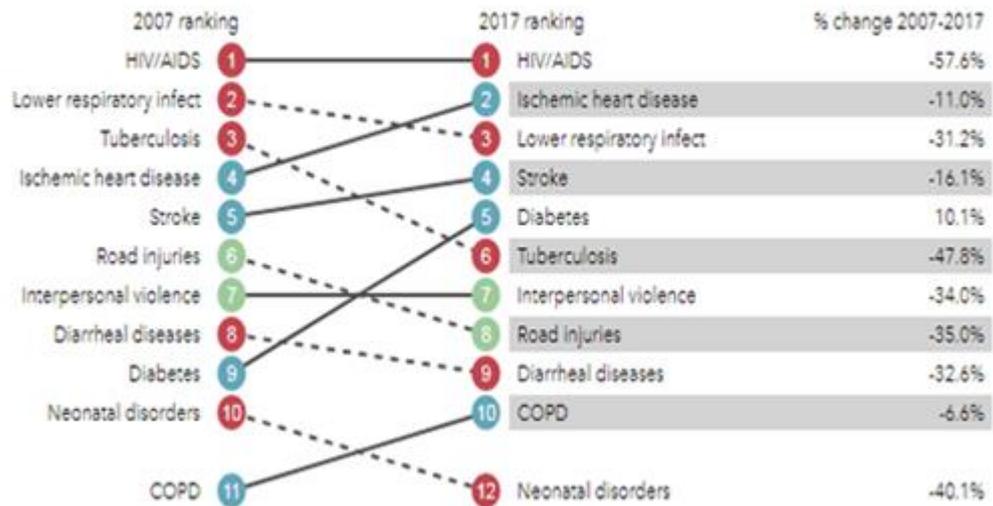


Figure 5: Causes of deaths in South Africa / Source: [Institute for Health Metrics and Evaluation](#)

Total healthcare spending in South Africa was USD 31.1 billion in 2017 (9% of GDP). Despite this level of spending, access to quality healthcare is limited. This is partly explained by the unequal two-tier healthcare system. The public sector provides healthcare for 80% of the population and accounts for approx. 48% of total health care spending. The private sector provides healthcare for 20% of the population and accounts for approx. 50% of total healthcare spending, while the remaining 2% is provided by non-governmental organisations.

South Africa has a referral-system of healthcare and public health services in South Africa are delivered across three levels of government: national, provincial and local. There are currently more than 3800 public health facilities, including 400 public hospitals, which have over 48000 beds in South Africa. The public sector suffers from understaffing, especially in rural areas, as many medical professionals are bled out to the private sector or work overseas.

The [National Development Plan 2030](#) adopted by the SA government has been a driving force behind the transformation efforts of public healthcare infrastructure. The Department of Health plans to spend approximately [USD 1.35 billion from 2019 - 2022](#) on the revitalisation of public hospitals and other health facilities. This will go to fund around 15 000 infrastructure projects, the national health insurance, and the planning and construction of an academic hospital in Polokwane, as well as improvements to the nearby Pietersburg and Mankweng hospitals.

The government is also rolling out the [National Health Insurance](#) (NHI), providing universal coverage to citizens and long-term residents. The NHI will buy services both from the public and private sectors, and will promote the provision of primary healthcare. This will have a significant impact on the growth of sub-sectors such as pharmaceuticals, medical devices, the need to train more healthcare professionals and others.

The private sector delivers high quality healthcare, but is also some of the most expensive in the world. The [Health Market Inquiry Final Findings and Recommendations Report](#) found that the

private healthcare sector was not very competitive and that there is an overutilisation of services. There are around 314 private hospitals and day clinics which have over 34,000 beds in South Africa. The private healthcare sector presents opportunities for high-tech healthcare products and services. Private healthcare is dominated by three healthcare groups: Mediclinic Southern Africa, Life Healthcare and Netcare Group.

## HEALTHCARE IN TANZANIA

The [Tanzania Development Vision 2025](#) document identifies health as one of the priority sectors contributing to a higher-quality livelihood for all Tanzanians and to [economic development](#). According to the [World Bank](#), Tanzania's Human Capital Index (HCI) was estimated to be 0.40 in 2019, meaning that children and youth could reach only 40% of the earnings that could have attained with full health and education. As such, Tanzania is trying to industrialise its economy and healthcare is a target in these efforts, especially through the industrialisation and development of the pharmaceutical sector.

Communicable diseases are the main concern in Tanzania with the country facing a "mature" generalized HIV epidemic (1.4 million people living with HIV/AIDS, 70.5% are 25 to 49 years old, and 15% are 15–24 years). Malaria also remains an issue with 14% prevalence in 2015, whilst tuberculosis is also present with 327/100,000 new cases recorded in 2014.

Tanzania has seen an increase of non-communicable diseases due to lifestyle changes of the population and increasing urbanisation. The disease by contribution to causes of death include: cancer, ischemic heart disease and stroke. The double burden of disease is causing a strain to the already fragile health system.

### What causes the most deaths?

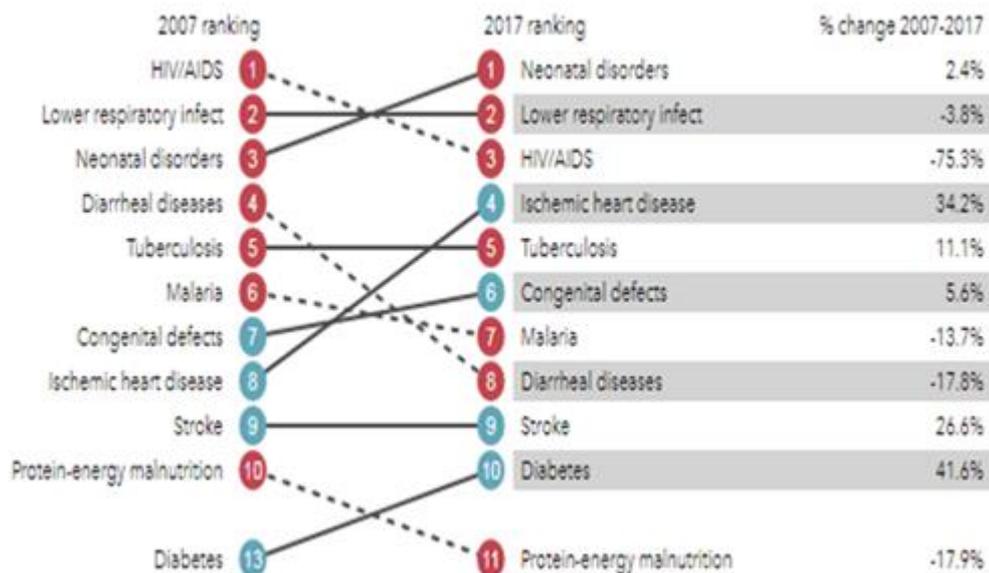


Figure 6: Causes of deaths in Tanzania / Source: [Institute for Health Metrics and Evaluation](#)

## Commercial in Confidence

Human health and social work activity contributed [1.4% to GDP in 2017](#). Spending on healthcare is estimated to be 1.8% of GDP, according to World Bank data from 2017. The Ministry of Health planned to spend USD 246.2 million as part of its 2018/2019 development budget, which will help the government to implement its health-improving initiatives. Although this budget was less than the previous year (influenced by a large decrease in donor money), local contributions increased by an estimated 12%. The government total budget for medicine and supplies increased from USD 108.6 million in 2016/17 to USD 116.2 million in 2017/18.

Tanzania has a National Health Insurance Fund (NHIF). As of December 2019, [NHIF's](#) membership coverage stood at 4,856,062 beneficiaries which is equivalent to 9% of the total Tanzanian population.

Healthcare in Tanzania is provided through public, faith-based and private health facilities, as well as by private shops. The number of health facilities [increased by 5.7% from 2017 to reach 8,119 in 2018](#). Of those, 71% were owned by the government, 12% by religious organisations, 3% by parastatals and 15% by the private sector. A total of 62,203 beds were spread across public, private and religious health facilities in 2018.

Type of facility	2018			
	Private	Government	Religious	Total
<b>Dispensaries</b>	986	5055	659	<b>6700</b>
<b>Health centres</b>	127	551	156	<b>834</b>
<b>Hospitals</b>	50	127	108	<b>285</b>
<b>Other</b>	225	21		<b>246</b>
<b>Maternity / nursing homes</b>	52	2		<b>54</b>

Source: Ministry of Health and Population

One of the big challenges to providing quality access to healthcare is that Tanzania has some of the lowest coverage rates of health personnel in the world. There were an estimated [14,5 health professionals per 10,000 people in 2014](#).

There is also limited local production of pharmaceuticals and medical devices, therefore most are imported. They are procured either by public healthcare providers, the public Medical Stores Department, or through private wholesalers.

Some of the drivers of healthcare market growth are the rollout of universal healthcare in Tanzania and population growth. Consequently, it is expected that there will be a solid demand for pharmaceuticals, especially generics.

# RECENT DEVELOPMENTS

## RECENT DEVELOPMENTS IN AFRICA

### [African Continental Free Trade Area \(AfCFTA\)](#)

The African Union brokered the AfCFTA which was signed in 2018 and came into effect on 30 May 2019. The agreement has been signed and ratified by 22 African countries. The United Nations Economic Commission for Africa estimates that the agreement will boost intra-African trade by 52% by 2022. The Agreement seeks to create a single market of 1.27 billion consumers with an aggregate GDP between USD 2.1 and 3.4 trillion according to the International Trade Centre. It is also a fast-growing market, as consumer numbers are expected to increase to 1.7 billion by 2030. The AfCFTA market has a growing middle class as well, currently standing at 350 million and expected to rise to 600 million by 2030. The agreement provides an attractive opportunity for the private sector, including Virginia companies, to boost intra-African trade in pharmaceuticals, health services, achieve economies of scale in health infrastructure, expand employment opportunities.

### [Africa Growth and Opportunity Act \(AGOA\)](#)

In May 18, 2000, the US Congress signed the [African Growth and Opportunity Act](#), commonly known as AGOA, into law. AGOA is the cornerstone of U.S. economic engagement with the countries of sub-Saharan Africa and is meant to establish stronger commercial ties between the two regions. The agreement provides duty-free access to the U.S. market and establishes a preferential trade agreement between the U.S. and selected countries in the sub-Saharan region. Initially approved for fifteen years, AGOA was reauthorized for ten years on June 25, 2015, by the Obama administration. In its current form AGOA will last until September 30, 2025. AGOA has succeeded in helping eligible nations grow, diversify their exports to the United States, and create employment and inclusive economic growth. Under AGOA, eligible countries can export products, including value-added manufactured items such as textiles, to the United States duty-free.

## RECENT DEVELOPMENTS IN SOUTH AFRICA

### [South Africa National Strategic Plan 2015 - 2019](#)

In 2015, the South African health department released a strategic 5-year national strategic plan with the objective to improve the health status of the country, spending approximately ZAR 80 billion (~USD4.58 billion) in three years (2015 to 2018) on 6 new programmes, including:

✓ **Hospitals, Tertiary Health Services and Human Resource Development Programme:**

52.1% of the budget is allocated to this programme, which includes the maintenance of 2,452 facilities and construction or revitalization of 44 hospitals. By the end of 2017, 503 facilities have been maintained, repaired or refurbished with an estimation to add 400 more facilities by the end of 2021. Furthermore, 154 hospitals, clinics and community health centers have been constructed or revitalised with an estimation of reaching 87 more health institutions by the end of 2020/21, investing additional ZAR 271.052 million (~ USD15.5 million)

✓ **HIV and AIDS, Tuberculosis, and Maternal and Child Health:** ZAR 48.417 billion (~ USD2.74 billion) in three years. The programme aims to screen 924,000 community members for TB by

2020, improve access to TB treatment, reduce the under-five mortality rates, and provide appropriate treatment to 80% of HIV positive people (7.5 million people by 2020). By the end of 2017, ZAR 42.962 billion was been invested in the programme, and it is estimated to cost ZAR 43.618 billion (~ USD2.49 billion) more between 2018 and 2021;

✓ **Primary Health Care Services (PHC):** ZAR 716.1 million (~USD41 million) in three years.

This programme aims to strengthen South Africa's response to communicable diseases (eg. provide 1,288,000 individuals with seasonal influenza vaccination) and non-communicable disease (eg. screening 8 million people for high blood pressure or blood glucose levels annually). The programme is expected to cost ZAR 94.675 million (~ USD5.4 million) less than expected by the end of 2021; and

**National Health Insurance, Health Planning and Systems Enablement:** ZAR 1.84 billion (~ USD105 million). This aims to improve procurement and supply of medicines for 1.5 million patients by 2020, and to prepare the medicine supply contracts 8 weeks before the expiration of the existing [ones](#). By the end of 2017, 1,100,000 patients were enrolled for receiving medicine through the [CCMDD programme](#). It is expected that additional ZAR 9.985 billion (~ USD 0.57 billion) will be spent on the programme between 2018 and 2021.

### South African eHealth Strategy 2019 - 2024

South Africa adopted the [eHealth Strategy](#) 2019 - 2024, which will contribute towards the South African National Development Plan Vision 2030 of "Information and Communications Technology (ICT) that underpins the development of a dynamic and connected information society and a vibrant knowledge economy that is more inclusive and prosperous". The strategy aims to strengthen digital health governance structures, create robust integrated platforms for development of information systems and establish the requisite broadband network infrastructure in conjunction with other government departments.

## RECENT DEVELOPMENTS IN TANZANIA

### Tanzania Health Sector Strategic Plan 2015 - 2020

In 2015, Tanzania adopted the 5-year [health sector strategic plan for 2015-2020](#) (HSSP IV) with the aim to further prevent communicable and non-communicable disease using a strong collaboration between ministries, agencies and NGOs. The HSSP IV is estimated to cost TZS 21,945 billion (~USD 9.5billion) spread across various programmes:

✓ **HIV, TB and Leprosy:** TZS 1,179 billion (~USD 510.27million) to increase case detection (increase from 56% in 2013 to 71% in 2020 for TB) and improve treatment;

✓ **Maternal, newborn, and reproductive health:** TZS 365 billion (~USD157.97 million) to provide postnatal care for 68% of live births in 2020 (56% in 2015) and to improve services for pregnant women and improve early detection of diseases that may be transferred to newborns.

✓ **NCDs and mental health:** TZS 79 billion (~USD34.19 million) to combat issues such as high blood pressure, diabetes and cervical cancer.

✓ **Infrastructure:** TZS 254 billion (~USD109.93 million) for construction of 834 new health facilities by 2020.

## Tanzanian National Digital Health Strategy 2019 - 2024

The [National Digital Health Strategy 2019–2024](#) is in line with the Tanzania Development Vision 2025 and the Health Sector Strategic Plan 2015–2020, emphasising provision of high-quality health care to all households. The strategic goals of the strategy are:

1. Strengthened digital health governance and leadership
2. Improved client experience through efficient provision of high-quality health services
3. Empowered health care providers and managers to take evidence-based actions
4. Sustained availability of health resources
5. Standardised information exchange

## Tanzanian Digital Health Investment Roadmap

The government of Tanzania, in partnership with the Bill & Melinda Gates Foundation, published the [Digital Health Investment Road Map](#) 2017 - 2023, which aims to expand and improve the use of ICTs to strengthen the efficiency and effectiveness of its public health services. The roadmap provides 17 investment recommendations, as portrayed in the figure below:

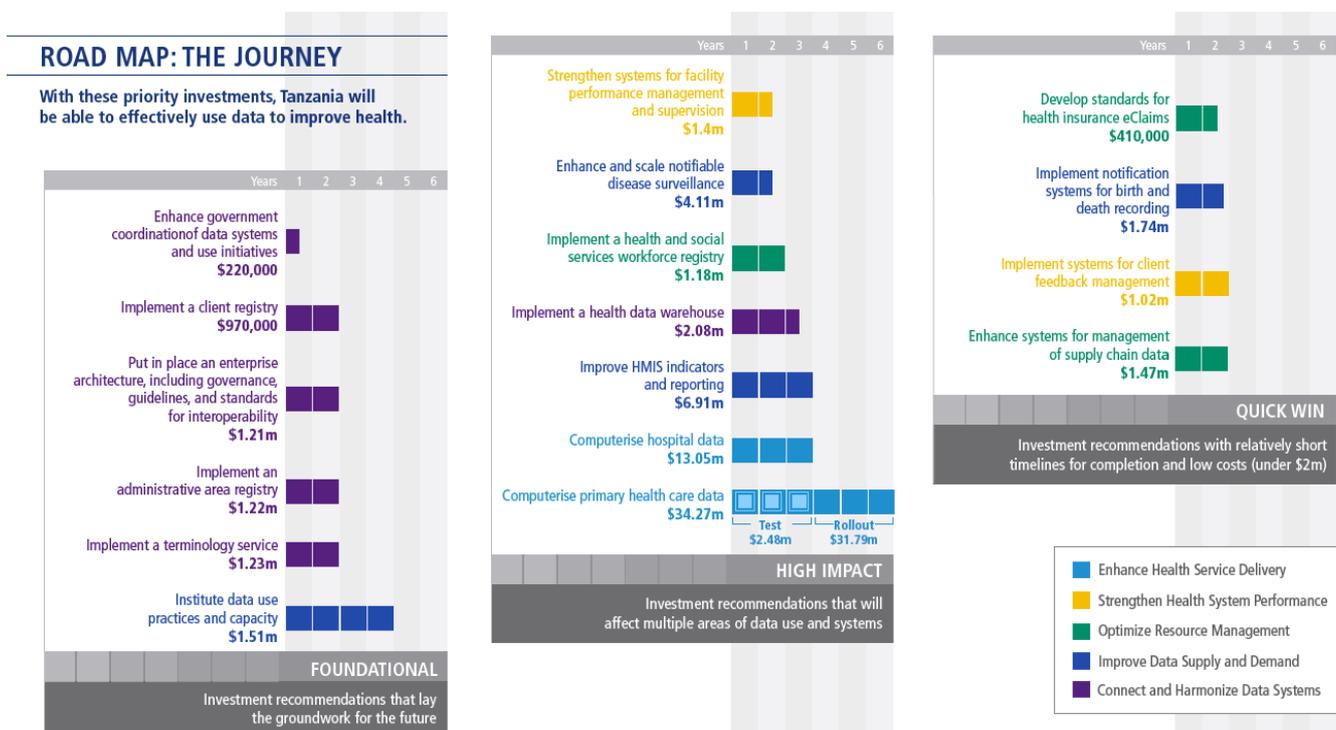


Figure 7: [Tanzania Digital Health Investment Road Map](#)

The cost of implementing all the recommendations of the Road Map will amount to USD 74 million. This cost will be borne in large part by the Tanzanian Government. The Bill & Melinda Gates Foundation has also donated USD 15 million to fund seven of the highest priority projects. The investment recommendations are designed to enhance service delivery; strengthen health system performance; optimise resource management; improve data supply and demand; and connect and harmonize data systems.

# INDUSTRY OPPORTUNITIES

## MEDICAL DEVICES

The African medical devices market is expected to reach [USD 7069.61 million by 2023](#), up from USD 4900 million in 2017. Between 2017 and 2030, medical device market is expected to grow at a compound rate of 12.1%. South Africa and Egypt account for 40% of the market, and Nigeria, Algeria and Morocco follow as large markets. There is limited local manufacturing of medical devices on the continent, with imports accounting for approximately 90% of all medical devices. Chinese suppliers dominate the market. The large reliance on imports, the low purchasing power of many of the countries and currency fluctuations mean that pricing plays an important part when choosing importers.

Drivers of growth in medical devices are the rising cost of healthcare, which stimulate development of innovative connected products such as wearable medical devices, growing number of lifestyle diseases, demand for early detection and noninvasive therapies, growing awareness and spread of information technology, and development of user friendly devices.

### South Africa

Projections for 2019 show that that the South African medical device market will grow at around 6.7% in US dollar terms, amounting to **USD 1.8 billion by 2023**. South Africa imports an estimated 90% of its medical devices. US manufacturers dominate the South African medical devices market, particularly in orthopedics, prosthetics, patient aids, other devices and consumables. However, South African distributors are increasingly turning towards Asian manufacturers due to lower prices.

Most South African manufacturers focus on producing basic medical equipment and supplies, such as bandages and dressings, medical furniture and low technology items. Local production was valued at [USD 200 - 300 million](#), and more than half of the locally manufactured medical devices are exported (mainly to African countries).

A growing private sector is one of the key features of the South African medical device market. The private healthcare sector is very sophisticated with world class facilities and healthcare provision, and offers a good prospect for advanced technology and equipment.

The drivers of growth in this segment are the government's NHI program, public-private partnerships to develop/refurbish hospitals and clinics, and [an ageing population](#).

Medical devices and in vitro diagnostic (IVD) devices are regulated by the [South African Health Products Regulatory Authority](#) (SAHPRA).

### Tanzania

Access to medical equipment and devices is concentrated in urban areas. There is a general shortage of medical supplies and equipment in both public and private health centres and dispensaries. Some of the challenges are the lengthy supply chains (especially affecting

remote areas).

Most medical equipment was imported to Tanzania from high income countries (HICs) (often donated), with a share from China and India; laboratory supplies were similarly from HICs, along with over 40% of medical supplies. These figures are from 2012.

The few medical device manufacturers in Tanzania mainly made textiles, white spirit, and cleaning items. The challenges to local production are increasing import competition; problems in sustaining manufacturing competitiveness through upgrading and cost reduction; procurement practices in all sectors that create barriers to market entry for local firms.

Medical devices are regulated by the [Tanzania Medicines and Medical Devices Authority](#).

## PHARMACEUTICAL INDUSTRY

Africa's pharmaceutical market has been growing steadily, its value rising from USD 5.5 billion in 2007 to USD 28.56 billion in 2017, and it is expected to be worth **USD 70 billion by 2030**. Between 2017 and 2030, prescription drugs are forecast to grow at a compound annual growth rate of 6.5%, generics at 10%, over-the-counter medicines at 7.1%.

Pharmaceutical manufacturing in Africa does not cover the pharmaceutical market's needs. The continent overall has roughly [375 drug makers](#), mostly concentrated in North Africa, South Africa, Kenya and Nigeria, to serve a current population of around 1.3 billion people which is expected to double by 2050.

Imported drugs comprise around 70% of drugs consumed in sub-Saharan Africa. Nearly two-thirds of the USD 14.5 billion worth of total pharmaceuticals imports into Africa in 2017 were to South Africa, Egypt, Algeria, Morocco, Ethiopia, Kenya, Tunisia, Cameroon, Tanzania and the Democratic Republic of Congo. India and China accounted for 17.7% and 4.1% of imports in 2011.

As national insurance programs expand and more people gain access to health care, demand for generics will rise. Many governments are showing strong support for generics through laws requiring pharmacists to inform patients about generic alternatives when they purchase prescription drugs, according to [McKinsey](#).

### **South Africa**

South Africa has the biggest pharmaceutical market in Africa and it was worth [USD 3.19 billion in sales in 2016](#). Generics comprise approximately 60% of allocated market share by volume and 33% of market value in 2016. As with the healthcare sector, the pharmaceutical sector is also a two-tier sector. The public sector is characterized by high-demand and low-prices, whereas the private sector prices are comparable to those in developed countries.

There are [174 manufacturers in South Africa](#), 95 of which supply exclusively to the private sector, 15 exclusively to the public sector and 64 to both sectors. Local manufacturing was valued at approx. USD 270 million in 2015. The South-African Aspen Group, the fruit of a joint venture with GSK, is the Continent's biggest drug manufacturer.

Government reforms have encouraged the manufacture and use of generic drugs as a tool to limit drug expenditure and provide low-cost effective public healthcare. The combination of government healthcare policies and numerous active generic manufacturing companies points to an [increased generic market share](#).

Pharmaceuticals in South Africa are regulated by [The South African Health Products Regulatory Authority](#).

### **Tanzania**

Tanzania's pharmaceutical market is valued at [USD 496 million](#), with per-capita drug expenditure at just over USD 8.7 in 2017. Forecast show that it would reach USD730 million by 2022 with a CAGR of 8%. [Tanzania's pharmaceutical industry](#) growth is driven by a high rate of population growth and urbanization, creating opportunities for drug makers. As there is low per-capita spending on medicines, Tanzania's pharmaceutical sector is likely to remain dominated by generic drug makers.

A total of 397 different suppliers imported pharmaceuticals in Tanzania mainland from 2013 to 2016 fiscal years. In the 2013–2014 fiscal year, the private sector suppliers imported pharmaceutical worth USD 216 million. [India dominated imports](#), holding a 54% cumulative market share of total imports from 2013–2016, followed by Egypt (11.7%), Switzerland and USA (4.1%). By 2020–2021 fiscal years, imported pharmaceuticals are forecasted to reach a total value of [USD 906 million](#).

Local pharmaceutical production has been decreasing. One of the contributing factors has been that donor purchases have favoured international pharmaceutical producers.

Pharmaceuticals in Tanzania are regulated by [Tanzania Medicines and Medical Devices Authority](#).

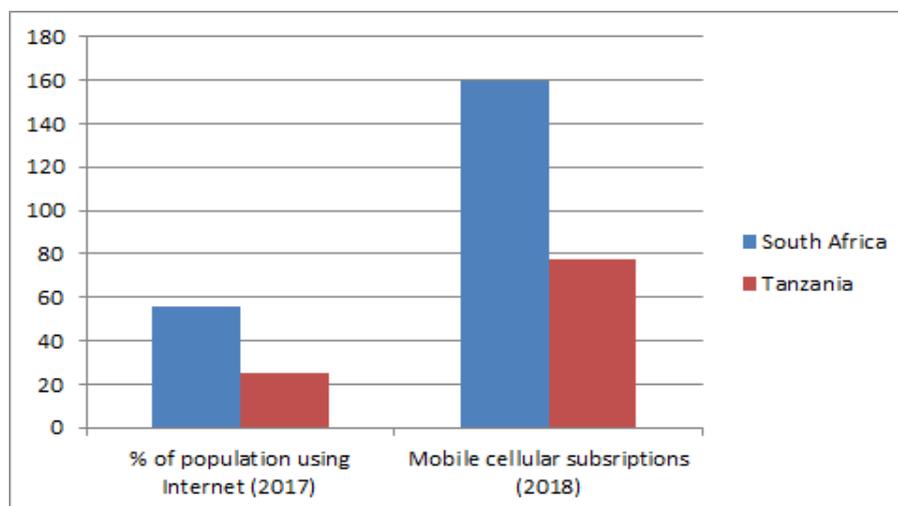
## DIGITAL HEALTH

Digital health is becoming an increasingly prominent sector in the healthcare industry, especially now with its potential to make healthcare more resilient in light of situations such as COVID-19. Its potential to address some pressing issues, such as the urban/rural inequality in terms of access to healthcare, the low ratio of health professionals to population and others, is significant and there are already innovative projects, undertaken both by public and private sectors, to digitise health. Many countries in Africa have already achieved a high level of mobile penetration and internet penetration is also on the rise. Eastern Africa has emerged as a growing hub for ICT innovation.

The main opportunities within digital health are **telemedicine, mHealth, administration & management services, eLearning and public health surveillance & disaster preparedness**. Major digital health projects include the Telemedicine Network for Francophone African Countries (RAFT), HINARI Access to Research in Health Programme, ePortuguese Network and Pan-African e-Network Project. Key drivers of innovation in healthcare are standardisation, task shifting and remote-care.

The challenges facing digital health in many African countries are the lack of an enabling policy environment; weak leadership and coordination; weak ICT infrastructure and services; inadequate financial resources; and weak monitoring and evaluation systems.

South Africa and Tanzania have adopted digital health strategies, and Tanzania had adopted a digital health investment roadmap. These measures provide a favourable framework for digital health innovation.



Source: [ITU](#)

## SKILLS DEVELOPMENT & TRAINING

African countries generally have a very low medical professional to population ratio, with a general ratio of 2.3 healthcare workers per 1000 population, compared with the Americas, which have 24.8 healthcare workers per 1000 population. The [WHO](#) reported in 2016 that of the 57 countries identified with a critical health worker shortage, 36 were in Africa. In addition to the shortage of health professionals, a disproportionate number of health workers are located in urban areas. Only

## Commercial in Confidence

25% of the doctors and 40% of the nurses are based in rural areas, while approximately 45% of the population resides there.

Some of the causes of the acute shortage of health professionals are the low number of medical schools and graduates. There were approx. [169 medical schools in Sub-Saharan Africa](#) in 2011. About a quarter of graduates migrated internationally within 5 years of graduating. The main challenges to increasing the number and quality of graduates are related to infrastructure and faculty limitations.

There is a growing understanding among educators and medical practitioners that [ICT](#) has the potential to revolutionize the way health-care professionals are trained, and to boost their performance on the job. ICTs provide the potential to fill the training gap and make healthcare education more accessible to people from rural areas.

### **South Africa**

The public sector suffers from a shortage of doctors and of nurses. Many nurses emigrate and many doctors prefer to work for the private sector, with close to 70% of the medical practitioners working in the private sector. The need for more health professionals will be increased by the expansion of access to healthcare facilitated by the NHI.

The training of medical staff falls within the mandate of the NDOH. The South African National Health Act (2003) indicates the need to reorient health-care training so that there is a strong focus on disease prevention and health promotion. There are 8 Schools of Public Health, the [biggest of which in terms of number of graduates](#) is the Medical University of Southern Africa.

There is a need for the training of nurses, with a focus on the various regions and rural areas in South Africa. Other opportunities lie in the refurbishment of existing and development of new training facilities and infrastructure.

### **Tanzania**

Tanzania is among the 57 countries identified by the [WHO](#) as having a critical health professional shortage. Marked inequalities in the distribution of health workers are documented in Tanzania in terms of per capita distribution and urban/rural imbalances. It is estimated that Tanzania is only able to [meet about 35% of its health care staffing needs](#).

Tanzania has public and private Medical Schools. Private schools started to emerge in the early 2000s. With increased training institutions the annual number of graduate medical doctors in the country has increased from less than 100 in late 2000 to above 400 in 2010.

The Tanzanian government developed a human resource for health and social welfare (HRH&SW) [strategic plan 2014 – 2019](#), with the aim to creating an enabling environment and to promote participation of key Human Resource for Health and Social Welfare stakeholders in addressing the human resource crisis in the health sector.

# KEY PLAYERS

## REGIONAL GOVERNMENT AGENCIES / NETWORKS

### AU Division of Health, Nutrition and Population

<https://au.int/en/sa/dhnp>



The African Union Division of Health, Nutrition and Population responds to vital generic health issues related to health policy and delivery systems, nutrition and other related public health issues and challenges that require a concerted and coordinated approach at a continental level. The Division works closely with the Division of AIDS, TB, Malaria and Other Infectious Diseases (OIDs) and supports the harmonisation and coordination of public health and strengthening of health systems including human resources for health, medicines, e-health and traditional medicine as well as population, reproductive health and nutrition issues.

### West African Health Organization (WAHO)

[www.wahooas.org](http://www.wahooas.org)



The objective of the West African Health Organisation is to attain the highest possible standard and protection of health of the peoples in the sub-region through the harmonisation of the policies of the Member States, pooling of resources, and cooperation. WAHO areas of focus: Maternal, Child & Adolescent Health; Quality Standards & Centres of Excellence; Pharmaceuticals (medicines & vaccines); Prevention & Control of Communicable and non-Communicable Diseases; Health Information.

### Africa Regional Network

[www.healthsystemsglobal.org/regional-network](http://www.healthsystemsglobal.org/regional-network)



The Africa Regional Network is a group of Africa-based HPSR networks, connecting for the purposes of learning what each is doing in the field, building synergies, increasing the profile of African Health Policy and Systems Research (HPSR), and seeking ways in which the region can shape and influence the wider Health Systems Global (HSG) society.

### WHO Regional Office for Africa

[www.afro.who.int](http://www.afro.who.int)



The WHO Regional Office for Africa is one of WHO's 6 regional offices around the world. It serves the WHO African Region, which comprises 47 Member States with the Regional Office in Brazzaville, Republic of Congo. Its work involves translation of global health initiatives into regional plans that respond to the specific needs and challenges of countries in the Region. It supports countries to achieve better health outcomes through technical and policy advice, development of norms and standards, generation and sharing of knowledge and convening health partners. Together with countries, they attain health objectives by supporting national health policies and strategies.

## NATIONAL GOVERNMENT AGENCIES & NETWORKS

### The Council for Medical Schemes (South Africa)

[www.medicalschemes.com](http://www.medicalschemes.com)

The Council for Medical Schemes is a statutory body established by the Medical Schemes Act (131 of 1998) to provide regulatory supervision of private health financing through medical schemes. The governance of the Council is vested in a board appointed by the Minister of Health, consisting of a Non-executive Chairman, Deputy Chairman and 13 members. The Executive Head of the Council is the Registrar, also appointed by the Minister. The Council determines overall policy, but day to day decisions and management of staff are the responsibility of the Registrar and the Executive Managers. The Council for Medical Schemes supervises an industry of more than 80 medical schemes registered in the country.



### South African Health Products Regulatory Authority

[www.sahpra.org.za](http://www.sahpra.org.za)



SAHPRA is an entity of the National Department of Health (NDoH). SAHPRA assumed the roles of both the Medicines Control Council (MCC) as well as the Directorate of Radiation Control (DRC). Subsequently, SAHPRA was constituted as an independent entity that reports to the National Minister of Health through its Board. SAHPRA is tasked with regulating (monitoring, evaluating, investigating, inspecting and registering) all health products. This includes clinical trials, complementary medicines, medical devices and in vitro diagnostics (IVDs). Furthermore, SAHPRA has the added responsibility of overseeing radiation control in South Africa. SAHPRA's mandate is outlined in the Medicines and Related Substances Act (Act No 101 of 1965 as amended) as well as the Hazardous Substances Act (Act No 15 of 1973).

### DGP Health Tanzania

[www.tzdpdg.or.tz](http://www.tzdpdg.or.tz)



The Development Partners Group for Health (DPG Health) is a collection of 19 bilateral and multilateral agencies supporting the health sector in Tanzania. DPG Health is organized through a troika chairing structure (an incoming, present and outgoing chairing arrangement). These act as the lead of the DPG Health, with other DPs either active or delegating members. DPG Health is supported by a secretariat housed in the World Health Organisation. The work in the group is conducted knowing that private sector development is important in generating sustainable growth and poverty reduction in Tanzania.

### Health Data Collaborative (Tanzania)

[www.healthdatacollaborative.org](http://www.healthdatacollaborative.org)



In order to improve the quality of health data for evidence-based decision making and to strengthen capacity to track progress towards the health-related SDGs, the Government launched the Tanzania Health Data Collaborative in Dar es Salaam on the 11th September 2017. This is a collaboration of Government of Tanzania, represented by Ministry of Health, Community Development, Gender, Elderly and Children (MOHCDGEC) and the President's Office Regional Administration and Local Government (PORALG); Health Sector Stakeholders; and Global Partners. The Tanzania HDC also integrates the Digital Health Investment Roadmap supported by BMGF and PATH.

## INDUSTRY ASSOCIATIONS

### South African Medical Technology Industry Association



<http://samed.org.za/>

The South African Medical Technology Industry Association was founded in 1985 and is the voice of the South African medical technology and in-vitro diagnostics industry. SAMED is committed to ensuring a sustainable medical technology industry that enhances patient access to innovative solutions. SAMED has grown considerably over the last few years. Their members are companies - local and multinational - who are involved in the manufacture, import, selling, marketing and distribution of medical technologies in South Africa.

### Innovative Pharmaceutical Association of South Africa



<https://ipasa.co.za/>

The Innovative Pharmaceutical association South Africa (IPASA) was established in April 2013. Spanning the entire pharmaceutical value chain – from development, to manufacturing and distribution – IPASA supports initiatives in both the public and private healthcare sectors to help develop practical solutions to address the country's most pressing healthcare challenges. IPASA currently represents approx. 43% of the pharmaceutical private sector in the country.

### Association of Private Health Facilities in Tanzania



<https://www.aphfta.org/>

APHFTA is an Umbrella Organization of the Private Health Sector in Tanzania established in 1994. It currently has 552 members. It serves as a public forum for the private health sector and provides advocacy, administrative, knowledge-sharing, and networking products and services. Members are located throughout Tanzania and include hospitals, health centers, dispensaries, clinics, laboratories, pharmacies / accredited drug dispensing outlets and maternity homes. APHFTA engages the private health sector in delivery of public health goods as per the Ministry of Health Community Development, Gender, Elderly and Children guidelines.

### Africa Healthcare Federation

<http://africahf.com/>



The inaugural Africa Health Business Symposium hosted in Nairobi, Kenya during 5th to 7th October, 2016 witnessed the unification of the five regional healthcare federations of Africa to launch the Africa Healthcare Federation which will advocate, mentor, collaborate and unify the private health sector of Africa so as to ensure the scaling up and strengthening of health systems, spurring greater investments as well as development of affordable, accessible and quality healthcare delivery across the continent, thereby rising Africa to global standards.

### Hospital Association South Africa

<https://hasa.co.za/>



The Hospital Association of South Africa represents the owners and managers of the majority of private sector hospital beds in the country. HASA engages with various stakeholders to inform the legislative and regulatory environment, by advocating for quality healthcare for all, and by contributing collaboratively to debates and discussions concerning healthcare reform, improvement, and expansion.

## RESEARCH CENTRES

### Council for Scientific and Industrial Research (South Africa)



<https://www.csir.co.za/>

The Council for Scientific and Industrial Research (CSIR) is a leading scientific and technology research organisation that researches, develops, localises and diffuses technologies to accelerate socio-economic prosperity in South Africa. The CSIR was established through an Act of Parliament in 1945 and the organisation's executive authority is the Minister of Higher Education, Science and Technology. The organisation plays a key role in supporting public and private sectors through directed research.

### South African Medical Research Council



<https://www.samrc.ac.za/>

The South African Medical Research Council (SAMRC) was established in 1969 with a mandate to improve the health of the country's population, through research, development and technology transfer. The scope of the organisation's research projects includes tuberculosis, HIV/AIDS, cardiovascular and non-communicable diseases, gender and health, and alcohol and other drug abuse. With a strategic objective to help strengthen the health systems of the country – in line with that of the NDoH, SAMRC constantly identifies the main causes of death in South Africa.

### Ifakara Health Institute (Tanzania)



<https://ihi.or.tz/>

Ifakara Health Institute (IHI) is a health research organization. IHI's work follows the full research lifecycle from basic science to policy and translation. IHI is organized as follows: 3 research departments (environmental health & ecological sciences; interventions & clinical trials; health systems, impact evaluation & policy); 6 research units (grants & contracts; training & capacity building; laboratories; data systems & platforms; vector control product testing; chronic diseases clinics); and 7 technical units (internal audit; knowledge management & communications; finance management; HR; procurement management; branch management & ICT).

### Kenya Medical Research Institute



<https://www.kemri.org/>

The Kenya Medical Research Institute (KEMRI) is a state corporation established through the Science and Technology (Amendment) Act of 1979, which has since been amended to Science, Technology and Innovation Act 2013 as the national body responsible for carrying out health research in Kenya. KEMRI provides advice to the Ministry on various aspects of healthcare and delivery. They have 7 regional clusters that serve 47 counties. They conduct national diseases surveillance and rapid response capacity for major disease outbreaks (Cholera, Chikungunya Virus, H1N1 Flu, Yellow Fever, Rift Valley Fever, Ebola, Aflatoxicosis etc).

# MARKET ENTRY STRATEGY

## Recommendations

Virginian companies interested in exploring opportunities in the South African and Tanzanian healthcare sectors are encouraged to undertake the following key steps:

- ✓ **Understand the market and customer demand;**
- ✓ **Select the most suitable partner and/or establish an office / local presence; and**
- ✓ **Provide ongoing support in the market.**

## Understanding Market & Customer Demand

In order to gain a deeper understanding of demand in the South African and Tanzanian markets for a specific product or service, Virginian companies are encouraged to:

- ✓ Engage with key **industry associations** for healthcare and subscribe to **industry publications** to stay up to date on recent developments and current issues (see following section for details).
- ✓ Participate in a **market visit** in order to gather additional market intelligence and meet with prospective partners in person. This visit could be undertaken individually, or as part of a group trade mission, such as the VEDP Trade Mission to South Africa and Tanzania in November 2020.

## Establishing a Presence in the African Market

Virginian companies wishing to establish a presence in the South African and Tanzanian markets following an initial market visit are encouraged to explore the following potential options.

- ✓ **Setting up a local office or branch** offers customers a reassurance of your company's commitment to the local market, provision of after-sales services, as well as more control of the business operations and marketing. Some drawbacks include higher risk and set up capital, initial lack of business contacts, and lack of established reputation in the markets.
- ✓ **Appointing a local agent / distributor** offering similar or complementary products offers the benefits of lower initial investment, established local contacts, availability of after-sales services and a faster time frame for market entry. Some drawbacks include trust issues (regarding liability), lack of control of business operations and possible performance issues if no sales milestones are set in place. In South Africa, there is a legal distinction between an agent and a distributor. The agent orders the product on an ad-hoc basis and generally works on a commission basis. The distributor will usually have a larger stocking capacity and enters into a formal agreement with the manufacturer/supplier.
- ✓ **Acquiring a local company** – May take less time to access and penetrate the market as the company would have an existing distribution network in place. The drawback would be a **large capital investment**, and possible slower post-merger integration.
- ✓ **Setting up a Foreign Joint Venture/Strategic Alliance** – Virginian companies could also consider forming a joint venture, or strategic alliance with a local South African or Tanzanian company. The advantage would be possible faster market entry. However, potential risks could be differing on goals and objectives and also lack of total control of management.

- ✓ **Direct sales to a local customer** - Virginian companies may find a significant client to directly sell their products/services to. The potential advantages are that the company may already then benefit from an alliance with a major healthcare player, avoid large capital investments and have a guaranteed sales objective. The disadvantages are that it may limit access to other potential clients, and potential degradation of the relationship leaving the Virginia company with no other market presence.

The decision of which market entry route to undertake will ultimately come down to the short, medium and long-term business objectives of the specific company. Our general recommendation for Virginian companies wishing to explore opportunities in the South African and Tanzanian healthcare sectors is to **appoint a local distributor / agent**. Ideally, the local partner should have established relationships with key stakeholders in public and private sectors, as well as the capacity to invest time into growing a brand in South Africa and Tanzania and provide ongoing support to potential end customers.

## Supplying to Public Sectors

The procurement process may vary considerably within different industries, as well as between the private and public sectors. The process of supplying healthcare products and services will differ if potential end customers are in the public sector or the private sector.

### South Africa

Most public procurement is conducted through a competitive bidding process. Tenders are published on the [State Tender Bulletin](#) website, on the [Department of Health](#) website and sometimes in leading newspapers. Procurement is done at the national, provincial and local levels of government.

International competitors can participate in the bidding processes, however they should have a local agent or partner. The Central Supplier Database (CSD) maintains a database of organizations, institutions, and individuals who can provide goods and services to the South African Government.

The South African government and parastatals take into consideration whether their supplier companies have Black Economic Empowerment (BEE) certification. This is important to consider when choosing a local partner. This policy aims to empower previously disadvantaged groups of people. Another important consideration in tender processes and when choosing local partners is that some tenders have local content requirements.

### Tanzania

The Government of Tanzania issues public tenders at the beginning of each calendar year, or sometimes at other periods as needs arise. The public procurement system has been decentralised from the central to the local government level. Tender notices in the healthcare sector are published on the [Medical Store Department](#) website. The [Public Procurement Regulatory Authority](#) oversees the procurement activities carried out by all public bodies in Tanzania.

International companies can participate in public tenders, although in some cases there are local content requirements whereby international bidders should form a joint venture with a local partner.

## Public-Private Partnerships (PPPs)

A review of current PPP cases in Africa revealed that two-thirds are located in Eastern and West Africa. Central Africa, with the poorest health outcomes, has less than 10% of the PPPs. Moreover over half of the reviewed 178 PPP cases were located in just 10 African countries.

### South Africa

South Africa has a developed legal and regulatory framework for PPPs and has published a [manual](#) for PPP practitioners. PPPs are administered by the South African [Government Technical Advisory Centre](#), under the Department of Treasury. PPPs in healthcare in South Africa have taken on both infrastructure projects and services, such as the creation and management of a completely paperless environment at the [Inkosi Albert Luthuli hospital](#).

### Tanzania

PPPs in Tanzania can be initiated by public or private sector actors. The PPP Unit is located in the Office of the Prime Minister, and it has an office in the Ministry of Finance. Any ministry, government department or agency, or statutory corporation may act as PPP procuring authority. [PPPs in Tanzania healthcare](#) have been noted in training programs, resource sharing, joint treatment, supply of pharmaceuticals and medical supplies and equipment, and planning.

For more information, the PPP Knowledge Lab provides a useful [benchmarking report](#).

# INDUSTRY PUBLICATIONS

## Africa Health

<https://africa-health.com/>

Africa Health is a review journal and does not publish original articles. The journal seeks to cover a wide range of subjects ranging from clinical care topics to health management, education, and CPD programme structure.



## Africa Healthcare IT News

[africahealthitnews.com](http://africahealthitnews.com)

Africa Health-IT News (AHIT) is a UK -based non-profit organization dedicated to the promotion of the use of technology in Africa's healthcare. Africa Health IT News (AHIT) is primarily focused on the needs of health practitioners and other stakeholders in Africa.



## Medical Brief

[www.medicalbrief.co.za](http://www.medicalbrief.co.za)

Medical Brief is Africa's authoritative weekly digest of medical matters, both on the continent and around the world. It provides succinct summaries of the latest developments, both in news and research, with links to the original material.



## Health 24

[www.health24.com](http://www.health24.com)

Health24 content is educational, relevant, and medically reviewed. The site covers a wide range of topics, such as in-depth information on common medical conditions, diet, fitness, pregnancy, parenting, mind health – even pet health.



## Radiant Health Magazine

[www.radianthealthmag.com/](http://www.radianthealthmag.com/)

Radiant Health is a bi-annual print and digital magazine dedicated to the African woman and her journey to wellness through health, beauty and culture.



## Medpharm Publications

[www.medpharm.co.za](http://www.medpharm.co.za)

Medpharm Publications was founded in 1988 and has established itself as the largest medical and pharmaceutical journal publisher in South Africa. It has over ten titles (over fifty journal editions). Medpharm Publications reach more than 40 000 healthcare workers countrywide with printed editions, and has established a global audience with the online editions.



# INDUSTRY EVENTS

## Africa Health Exhibition

[www.africahealthexhibition.com](http://www.africahealthexhibition.com)

Dates: 13 – 15 October, 2020

Location: Midrand, Johannesburg, South Africa

Africa Health has been harnessing the strengths of healthcare providers and innovators along with medical academia to make real progress in the ever-changing world of human health. Ten years on, progress has seen the event grow into an industry platform that enables deeper learning, foster relationships and promote decision making which all leads to further collaboration, knowledge exchange and more business completed.



## Medical Expo Tanzania

[www.expogr.com/tanzania/medexpo](http://www.expogr.com/tanzania/medexpo)

Dates: 9 – 11 September, 2020

Location: Dar es Salaam, Tanzania

Expogroup began its operations in 1996 starting with export-oriented International Trade Exhibitions in the Middle East & Africa. Since then, it has been organizing annual trade fairs in 14 countries within the region itself. Apart from that, Expogroup has presented several other events in emerging markets such as the CIS, Australia, Latin America & India.

## Medical Expo Morocco

[www.medicalexpo.ma](http://www.medicalexpo.ma)

Dates: 25 – 28 June, 2020

Location: The International Fair of Casablanca

The Office of Fairs and Exhibitions of Casablanca organizes in partnership with Atelier vita, the 21th edition of the International Medical Exhibition MEDICAL EXPO 2020. This is the largest African event that brings together national and international health professionals.



## Medic West Africa

[www.medicwestafrica.com](http://www.medicwestafrica.com)

Dates: 22 – 26 June, 2020

Location: Eko Hotel Convention Centre

Medic West Africa serves as the platform to source medical equipment and technology on a global level, providing visitors the access to the widest range of medical devices, products and supplies in the West African region.

