

**Minute of the Consultative Meeting and 2007 1st Quarter Performance
Evaluation of the Joint Forum between Local Pharmaceutical Manufacturers
and Pharmaceuticals Fund and Supply Agency (PFSA)**



Partial view of participants (photo: PFSA PR office)

Ethiopia Hotel, Addis Ababa

November 14, 2014

1. Introduction

Ethiopia, Africa's oldest independent state and located in The Horn of Africa, is now a days one of the world's fastest growing economies. Recent data from different sources show that the economy has been sustainably growing by more than 10% in the past 10 years. With its current growth rate sustained, it is expected to achieve middle income economy by 2025.

As part of this fast economic growth, the public demand and access to health care services has been significantly increasing. Ministry of Health (MOH) is executing lots of efforts in the health care system to improve access to and quality of health care services by placing and implementing effective policies and strategic plans. One of such effective policies, which was initiated in 2006, is establishing a comprehensive pharmaceuticals supply chain system which emphasizes integration of all products into one supply chain system. The Pharmaceutical Logistics Master Plan (PLMP) was approved in 2006, and following this, the Pharmaceuticals Fund and Supply Agency (PFSA) was established by proclamation in 2007 (Proclamation number 553/2007).

The Agency is mandated to “avail affordable and quality pharmaceuticals sustainably to all public health facilities and ensure their rational use”. The Agency began active implementation of its mandates early in 2009. PFSA supplies essential pharmaceuticals to public health facilities by procuring from local and international markets. To go in line with the goals set for the pharmaceutical sector in the GTP to earn at least 20 million USD from the export of pharmaceuticals and cover 50% of the local pharmaceuticals demand from local production by 2025, the Agency is working closely with local pharmaceutical manufacturers through their Association.

In this regard, the Agency is facilitating and implementing various benefit packages that can favor and strengthen local pharmaceutical manufacturers. These includes restricted tender for local manufacturers only got the supply of pharmaceuticals identified to be procured from local manufacturers, 25% price preference during international tender, 30% advance payment, and 70% bank loan. As per its Procurement Guidelines, the Agency has identified the pharmaceuticals to be procured from local manufacturers and has been working in line with that.

There is a Memorandum of Understanding (MOU) signed between PFSA and Ethiopian Pharmaceuticals and Medical Supplies Manufacturing Sectoral Association. The MOU aims to achieve a number of objectives, including:

- Identifying enabling conditions where local manufacturers could produce and supply essential medicines of assured quality at a price that the public could afford
- Boosting the financial capacity of local manufacturers
- Promoting the locally manufactured medicines and medical supplies to the public
- Establishing a monitoring and evaluation system to accomplish plans effectively and thereby identify challenges and address them.

As per the MOU, the two parties have been having quarterly meetings so as to evaluate performance and discuss on the way forward. First meeting of the 2007 budget year was conducted on 14th November, 2014 at Ethiopia Hotel, Addis Ababa. Details of the issues discussed in the meeting are included in this Minute.

2. Objectives

The objectives of the joint consultative meeting were:

- To evaluate the delivery performance of individual manufacturers during the first quarter
- To identify and discuss on the challenges faced by manufacturers and PFSA
- To discuss on the way forward so as to alleviate those challenges

3. Proceedings of the Meeting

The meeting was organized by Pharmaceuticals Fund and Supply Agency (PFSA) in collaboration with Pharmaceuticals and Medical Supplies Manufacturing Industries Sectoral Association. The meeting was started by Mr. Yared's introduction of objectives and agenda of the meeting. Objectives of the meetings were to evaluate performance of 1st quarter supply of pharmaceuticals, discuss on the challenges faced during the quarter and on what to do in the

future for better performance. A total of 15 company managers and PFSA higher officials have attended the meeting. Details of the participants is annexed (Annex I).

This was followed by welcoming address by Mr. Asmelash Gebre (Secretary, Ethiopian Pharmaceuticals and Medical Supplies Manufacturing Industries Sectoral Association, EPMSISA) and opening remark of Mr. Meskele Lera (Director General, PFSA).



On his welcoming address, Mr. Asmelash appreciated the support the government is providing to local pharmaceutical manufacturers like tax free import of raw materials, 25% preference in international tender, 30% advance loan. He raised issues that require joint discussion like the actual implementation of the benefit packages, storage problem at PFSA to receive supplies according to breakdown. He has also stated that there are lots of upcoming activities the Association will be involving which will contribute a lot for the advancement of the sector such as the IGAD Conference that will focus on exploring export potential. He finally requested PFSA to be with the Association in its upcoming activities.

On his opening remark, Mr. Meskele Lera witnessed the good progress made by local pharmaceutical manufacturing sector of the country of the country, especially during the last 3 years. The purchase of pharmaceuticals from local manufacturers has increased significantly.

According to him, though there is progress in the sector, the sector needs to progress more so as to achieve the goals set on the GTP – 50% coverage of local pharmaceutical need by local manufacturing, and generate 20 million USD from export of pharmaceuticals. The number of health facilities and diversity of the service they provide is increasing from time to time. The country is about to start health insurance which has identified a total of about 700 pharmaceuticals. All of these require diversifying the type and increasing the quantity of pharmaceuticals to be supplied. The supply should be based on defined demand that should come from health facilities through RHBs. Regional demand for pharmaceuticals need to be aggregated by RHBs based on which each RHB should enter into agreement with PFSA for their supply. That is very important to improve the supply of RDF pharmaceuticals. The quantification being done currently for RDF pharmaceuticals cannot be considered as a perfect one – it is having many problems that are contributing for the current erratic supply of pharmaceuticals. PFSA's focus areas will be on improving access to essential pharmaceuticals, wastage reduction and improving infrastructure.

He also informed participants that as per the direction given by the Agency's Board, there will be an assessment that will be conducted to assess performance of the pharmaceutical supply system so as to identify and resolve the problems. This assessment is expected to contribute a lot to boost the sector's performance leading to increase in access to quality pharmaceuticals and achieve GTP goals.

3.1 Delivery performance

As per the schedule, the next session was dedicated for presentation on 2007 budget year 1st quarter pharmaceuticals delivery performance. Most of the manufacturers were allowed to present their performance during the 1st quarter along with the challenges they faced and their future new production plan. Accordingly, representatives of Addis Pharmaceuticals Factory (APF), Ethiopian Pharmaceutical Manufacturing Share Company (EPHARM), Cadila Pharmaceuticals Manufacturing, Julphar Pharmaceuticals PLC, East Africa Pharmaceutical Manufacturing, Dana Trading, and Pharmacure have presented their performance.

The last presentation was made by PFSA. Issues on each company's delivery performance during the first quarter, challenges and way forward were covered in this presentation. Following the presentations, general discussion was held. Various issues were raised and discussed during these sessions which are included in the 'Challenges' and 'Way Forward' parts below.



Challenges

The issues raised as challenges by manufacturers and PFSA during presentation and general discussion were the following:

A) Challenges raised by manufacturers

- Shortage of raw materials
- Internal storage problem
- Storage problem at PFSA
- Machine maintenance problem (APF)
- Difficulty to deliver too small quantities of products to hubs (transportation cost)
- Hard currency problem
- Unavailability of Packaging materials in local market
- Priority being given for imported products at warehouses to receive local products
- Lateness of tenders
- Long lead time to get marketing authorization (Julphar)

- Production interruption due to transition of ownership (EPHARM)
- Mismatch between delivery schedule of PFSA and the production plan of manufacturers
- Mentioning overstocking as a reason for not receiving stock
- Lack of information on national demand of locally produced pharmaceuticals so as to plan production accordingly.
- Working capital problem
- Lack of system to transfer the breakdown of companies who failed to delivery to other companies who have the capacity to do so (FEWS and CADILA).

B) Challenges raised by PFSA

- Overall week delivery performance in the first quarter
- Delivering a product with many batch numbers at a time
- Product quality problem, e.g. alcohol
- Failure to mention PO number on delivery invoice
- Packaging problems, especially IV fluids, and laboratory chemicals and reagents.
- Packing two or more products in one package
- Using same or similar packaging material for different products
- Poor labeling, such as handwritten labels
- Poor communication
- Weak adherence to delivery schedule i.e. under & over supply
- Failure to deliver some items at all
- Items delivered before the schedule →→ over stock and expiry
- Duplication of items produced by local manufacturers
- Selling products at lower price for the private sector
- The demand of some Antibiotics →→ not be covered from local manufacturers
- Lack of accurate data on pharmaceuticals requirement from health facilities.

3.2 Ways Forward

The manufacturers and PFSA have agreed to work on their assignments separately and jointly so as to resolve the implementation challenges identified.

- PFSA will provide forecast data for the coming years to manufacturers
- PFSA will share previous pharmaceuticals consumption data to the manufacturers
- Manufacturers will work for better quality (product, package, label)

- Manufacturers will communicate the list of new products that they will produce
- Manufacturers will discuss among themselves on how to handle the delivery of small quantities of items to PFSA Hubs, like collaboration among manufacturers to pick and deliver these small packs from all manufacturers to Hubs.
- Local Pharmaceutical manufacturers will collaborate with PFSA in undertaking national survey to identify the challenges, perspectives and way outs in pharmaceutical supply in the country to improve the supply of pharmaceuticals.
- PFSA will consider the problems associated with the delivery of small quantities to Hubs and other issues as part of its system revision which is currently under progress.
- PFSA will make its modern warehouses ready soon.

The half-day meeting was officially closed by Mr. Mekele Lera who appreciated the manufacturers for the open discussion held and the valuable inputs they provided. He has promised that PFSA will not wait for meetings to act on the issues raised. Rather, it will start working on its assignment soon.

Annex I: List of Participants by organization

S.N	Participant Name	Organization & position	Tel. No	e-mail address
1	Ato Meskele Lera	PFSA, Director General		
2	Ato Mulugeta Getaneh	PFSA, Storage & distribution directorate director	0913739214	betelhemmulugeta31@yahoo.com
3	Ato Yariied Yigezu	PFSA, Forecasting & capacity building directorate director	0911503078	yaredzp@gmail.com
4	Ato Tsegaye Mebrahtu	PFSA, Plan & program directorate director	0911503040	tsegmeb@gmail.com
5	Ato Asmelash Gebru	PMSMISA, secretary & Asmi Industry Manager	0911276443	
6	Ato Yonas G/tsadik	APF, Deputy General Director	0914303394	
7	Ferede Yitbarek	EPHARM, General Manager	0911230123	feredeyt@yahoo.com
8	S.T. Gopart	Cadilla, General Manager	0911200713	kbethiopia@gmail.com
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13	Kasaye Girma	Fawes, General Manager	0911235083	emaise@ethionet.et
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