



SOUTH
AFRICA

Factsheet
2020

Investing in South Africa's Pharmaceutical and Medical Devices Sector



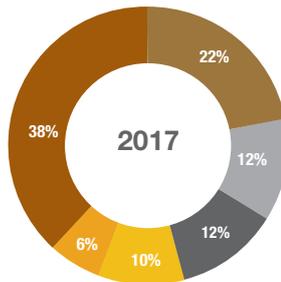
the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

investSA

Pharmaceuticals & Medical Devices in South Africa

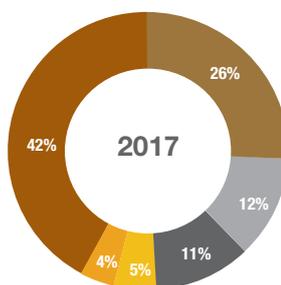
- South Africa's pharmaceutical and medical device sectors are the largest and most advanced in sub-Saharan Africa. Pharmaceutical and medical device sales have more than doubled in the last 10 years and are expected to reach R48bn and R19bn, respectively in 2019.
- Pharmaceutical and medical device imports are concentrated among a small number of countries. For both sectors, the top five country sources of imports account for about 60% of all imports. Imports account for more than two-thirds of pharmaceutical sales.
- The private health sector absorbs about two-thirds of pharmaceutical output, while the public health sector accounts for the remaining one-third.
- Of the 265 South African pharmaceutical manufacturers, more than half exclusively supply the private sector, 10% exclusively supply the public health sector and the remaining companies supply both sectors.
- Within medical device sales, consumables and diagnostic imaging devices are the largest segments.

Pharmaceutical imports by source



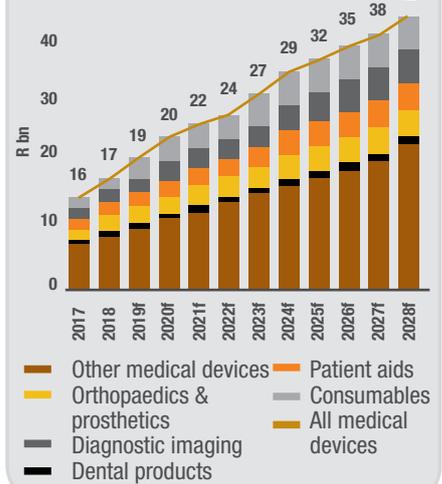
- India
- US
- France
- Ireland
- Germany
- Rest of world

Medical device imports by source

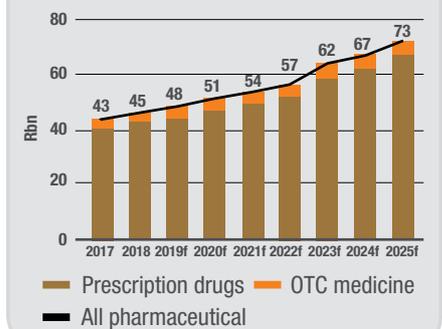


- US
- Switzerland
- Germany
- UK
- China
- Rest of world

Medical device sales (Rbn), 2015-25f



Pharmaceutical sales (Rbn), 2015-25f



Why invest?

World-class manufacturing capabilities

South Africa has advanced manufacturing capabilities, including biotechnology manufacturing facilities, as well as strong R&D capabilities in the medical industry.

Gateway to the region

South Africa is the only SADC member country that meets the World Health Organisation's Good Manufacturing Practice standards. This positions South Africa as a gateway to the Southern African market for manufacturers of pharmaceutical products.



1st
and only
SADC country
to meet WHO
standard

ARV treatment programme

South Africa accounts for 20% of all people on antiretroviral (ARV) treatment worldwide. Nearly half of infected persons in SA are under the treatment regime.



SA has the
world's largest
ARV treatment
programme

Policy-led preferences

Due to policy-led preferences, low-cost generic drugs, which account for close to 40% of the pharmaceutical market, have seen a rapid sales increase in recent years. Generics will remain the fastest growing category, with sales growing twice as fast as those of patented drugs. It is expected that sales of generics will overtake patented drug sales by 2027.

40%

Market share
of generic
drugs



40%
increase
in next
5 years

Robust market growth

It is forecasted that pharmaceutical sales will increase by about 40% in the next five years. This is partly driven by the increase in lifestyle-related diseases including hypertension, obesity, diabetes and cancer.

Where to invest?

- > The South African pharmaceutical and medical device industry is concentrated in Gauteng, KwaZulu-Natal and the Western Cape, with emerging activities in the Eastern Cape.
- > Pharmaceutical research and development (R&D) is concentrated in Gauteng and Western Cape.

- Major cities
- Pharma/medical devices-related clusters/SEZs

GAUTENG

- Administration and manufacturing facilities of pharmaceuticals
- Regional headquarters of international companies



WESTERN CAPE

- Manufacturing facilities of pharmaceuticals
- Manufacturing hub for medical devices
- Focus on R&D

KWAZULU-NATAL

- Manufacturing facilities of pharmaceuticals

1st in 1972:
South African physicist invents the first Computed Axial Tomography (CAT) scan.



What support exists?

- > South Africa has committed to creating a competitive environment in the pharmaceutical and medical devices industry. Government support has been focused on programmes that promote and support domestic manufacturing and R&D.
- > The South African government and industry stakeholders continuously support the pharmaceutical and medical devices industry through several incentive programmes.



Financial support

The Chemical Products and Pharmaceuticals Strategic Business Unit of the Industrial Development Corporation (IDC) offers funding and industry and project development support to businesses developing pharmaceuticals products and medical devices.

The dti provides funding for R&D through the Technology and Human Resources for Industry Programme (THRIP) and Support Programme for Industrial Innovation (SPII) incentives.



South African Health Products Regulatory Authority

The South African Health Products Regulatory Authority, a recently established industry regulator, is mandated to accelerate product approval times and manufacturing facilities certification.



R&D Support

The Strategic Health Innovation Partnership, a partnership between the South African Medical Research Council and the Department of Science and Technology, funds and manages R&D projects for new drugs and medical devices.

The Council for Scientific and Industrial Research (CSIR) provides technical support (including testing facilities) to SMMEs for the development of medical products.



Industry Cluster Initiative

Two industry clusters have been established to improve the sector's competitiveness and attractiveness. These include the Western Cape Medical Device Cluster – an initiative of the dti, Wesgro (provincial government agency), the Western Cape Government and industry stakeholders. Another pharmaceutical cluster has been established at the Dube TradePort in KwaZulu-Natal.

What are the opportunities?

- > South Africa's high dependency on imported pharmaceuticals and medical devices combined with strong market growth provides attractive opportunities for investors to onshore production of pharmaceuticals and medical equipment.
- > The African Continental Free Trade Area (AfCFTA) is expected to unlock the African market for companies from the pharmaceutical and medical devices sectors.

Investment opportunities include:

- **Manufacturing** and supply of **medicinal drugs** for diseases such as HIV/AIDS, malaria, cancer, tuberculosis, diabetes and other lifestyle diseases
- Development and manufacturing of active **pharmaceutical ingredients**
- Development and manufacturing of **generics**
- Supply of **tele-medical applications**
- Servicing and **maintenance of medical devices**
- **Biotechnology** and **nanotechnology**
- Supply of niche pharmaceuticals such as **alternative healing methods**
- Manufacturing of **biological-based drugs** and **bio-therapeutics**
- Manufacturing of **medical consumables**
- Development and supply of innovative **medical technology**
- Manufacturing and processing of **cannabis oil**

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ • Decide on geographic location most suitable for investment
- ✓ • Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ • Conduct site visits of suitable locations

- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers

- Determine corporate structure
- ✓ • Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ • Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- Conduct interviews, hire staff
- ✓ • Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems
- ✓ • Register company
- ✓ • Apply for licenses and permits
- ✓ • Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

1st in 2003:
South Africa's Aspen developed and manufactured Africa's first generic antiretroviral (ARV) drug.



Key contacts for more information

InvestSA

☎ +27 861 843 384

@ Investsa@thedti.gov.za

🌐 <http://www.investsa.gov.za/>

the dti

@ contactus@thedti.gov.za

🌐 <http://www.thedti.gov.za/>

Rashmee Ragaven

Director: Advanced Manufacturing

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 5929

@ RRagaven@thedti.gov.za

Amukelani Rikhotso

Assistant Director: Pharmaceuticals

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 3802

@ ARikhotso@thedti.gov.za

Information sources

Invest SA 2018; the dti, various years; UNAIDS, 2018; Who Owns Whom, various years; BMI, various years; Helen Suzman Foundation, 2018; South African Medical Research Council, various years; IDC, various years; Dube TradePort Corporation, 2017; UNCTAD, various years

Research partner | **Deloitte.**



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

investSA