Let me start with what the country has for the investors.

Tanzania has quite robust **investment and Industrial** policies; it has a **health** policy**, medicines regulatory** policy, **trade & trade facilitation** policies, as well as **public procurement** policies in place that are necessary to **stimulate the private-sector growth & investment**. But there is no **sector-specific strategy** existing in the country. Then, there is a substantial pharmaceutical market, which exists in the country.

Tanzania is receiving on an average nearly $2 billion per year in **official development assistance** from a variety of bilateral and multilateral donors. The country has had **impressive GDP growth** over the past decade averaging about 7% and has **strong economic indicators**.

To **attract industrial investments**, the country has established Export Processing Zones, Special Economic Zones as well as Tanzania Investment Centre that provide a variety of **tax benefits and incentives** to the investors.

The public procurement system is governed by **PPRA** that ensures that procurement is conducted in a fair, open, transparent, accountable and competitive manner.

In all we have **6 pharmaceutical manufacturers** in Tanzania that are producing medicines for human consumption. The industries are **as old as** Mansoor Daya that started more than 5 decades back and Prince Pharma that is just 2 years old. The no. of industries declined from 10 to 6.

The **industry has grown** quiet well over the last decade. It was just around 100 million USD in the year 2007 and is believed to have grown to almost half a billion USD in year 2015. The domestic production also increased from about 25 million USD to almost 50 million USD from 2007 – 2015.

Despite this growth in the industry, the sale by the domestic manufacturers over the last five years to MSD **has ALARMINGLY declined**. From almost 12 million USD in 2007 it came down to as low as a million dollars worth in 2015.

Not only MSD, **even in the private market**, the market share of locally produced products has come down from 33% in 2006 to almost 12% in 2012 as per a survey conducted by WHO where as the imported products went up from 53% to a whopping 78% for the same period.

The reasons for this decline are very obvious.

1. The strong competition from the imported products

The exporting countries provide **export incentives** to the exporting companies

There are these **dumping policies** employed by the companies, and excess produced products are exported at prices much lower than their home countries.

Restrained **economies of scale**

2. Policy incoherence and inconsistent tax policies

You see, the minister of health and minister of industry want the pharmaceutical industry to be promoted, but the minister of finance, in his endeavor to generate high revenues starts taxing the industry.

I'll just innumerate the tax changes over last few years.

2007 – Import duty on finished formulations

2008 – Removal of import duty on finished formulations

2010 - VAT of 18% was imposed on packaging materials for manufacturers

2013 – VAT of 9.9% was imposed on raw materials for manufacturers

2015 - Zero rating for pharmaceutical products was removed along with VAT refund on inputs used for pharmaceutical manufacturing

So, the inputs were subjected to full taxation of VAT (18%) for manufacturers (No VAT on imported finished formulations).

Between the 5 local manufacturers, we lost about a **million dollars** that were paid as VAT between the months of July-Nov 2015, which was never reimbursed by the govt.

Because of all these **inconsistencies** the manufacturers can't even plan for **long-term investments** into business or even GMP up-gradation, as they don't even know if they would be able to **recover** these investments back.

That brings me to the third point.

3. High costs of finance

Continuous upgrading requires large investments in modern equipment and staff training and maintaining the high standards of GMP to produce high quality products.

High costs of finance, access to technology, employing expatriate staff, keeps our domestic firms at a disadvantage compared to importers. AT times, it doesn't make any business sense and that is why the manufacturers just maintain the status quo.

4. Diminishing support from Public Procurement:

A **price preference** of 15% is given by MSD to domestic manufacturers but it is insufficient due to high costs of production.

Foreign companies are being paid by L/C but no such facilities for domestic manufacturers. In fact, they have to quote in TShs that puts them at a financial risk due to delays and devaluation of Tshs against USDs.

There have been **delays** in payments by the MSD.

Due to all these reasons the domestic manufacturers are **shying away** from supplying to MSD.

This situation has changed with the **new government** and we see the **willingness of MSD** to procure from the local manufacturers and the **payments** are also being done **on time** of late, which is a good sign for local manufacturers.

I'm not touching upon the infrastructure, support systems, utilities, scarcity of skilled workers, delays in product registrations, etc. as we can clearly see the efforts being directed into and improvement in these areas and services.

In conclusion, I would only like to say that we as local manufacturers just need three things from our governments to achieve our true economic growth potential :

- **Guaranteed access to the market** by limiting or restricting the imports of the products for which local manufacturers have sufficient capacities to produce locally.

- **Consistent policies** – lets have the same tax structure for the next 5-10 years so we can plan our investments in expansion of our product lines and capacities, as well as in up-gradation of GMP levels.
- **Support from public procurement –** by way of special tenders, preferential pricing and suitable payment mechanisms for local manufacturers**.**