



Making Medicines in East Africa: Foreign Aid in the Fight Against HIV/AIDS and For Local Industrialization

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What good does foreign aid do? Can we make it better? Many people, from economists and journalists to foreign aid professionals and laypersons, are skeptical. But my study of local pharmaceutical production in Kenya, Uganda and Tanzania leads me to conclude that foreign aid can be effective. First, foreign aid can help not only in supporting the delivery of services and commodities—the current focus of foreign aid—but even in supporting industrial production. Second, the likelihood of foreign aid to make lasting interventions increases if aid agencies work together with government agencies rather than the current tendency to work in parallel to them. These arguments go against those, like Professor William Easterly of New York University, who oppose foreign aid precisely on the grounds that foreign aid cannot compensate for deficiencies of domestic governments. But they also go beyond those defending foreign aid, like Professor Jeffrey Sachs of Columbia University, who focus on the provision of direct services or commodities, not on supporting an industry that would provide those commodities, and who pay surprisingly little attention to local governments.

The pharmaceutical sectors in Kenya, Tanzania and Uganda are not an obvious choice for foreign aid. The first local drug companies in these countries were established in the 1980s, and while they have a reasonable presence in the local markets, these are mostly small, privately-owned companies. Indeed, while an international interest in local pharmaceutical production in the late 1970s triggered the establishment of the first pharmaceutical companies in the region, the sectors were relatively neglected since then—both by international donors and by their own governments.

Then AIDS spread in sub-Saharan Africa and globally. AIDS led to the further devastation of an already vulnerable sub-continent, but unlike other conditions that inflict poor countries, AIDS could be contained, with anti-retroviral drugs (ARVs). The extremely high price of ARVs, combined with patent protection that initially prevented sales of generic copies of the drugs, led to bitter and still-ongoing debates. One way to address the inability of many governments to afford ARVs and related medicines was the donation of these drugs by rich countries. Drug donation, like the distribution of anti-mosquito bed-nets, is compatible with Sachs' vision of effective foreign aid. Thanks to donations, mostly handled by the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the US President's Emergency Plan for AIDS Relief (PEPFAR),



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60-70% of people who live with HIV/AIDS in East Africa do have access to the medication they need. What is interesting to us here is the fact that these donations also triggered local manufacturers to start producing drugs they hadn't produced before, and to produce them following much higher quality standards.

Three factors contributed to local drug manufacturers' change of practices in response to drugs donations. The first was that Global Fund tenders for the donated drugs were open to any manufacturer, as long as the drugs were of sufficiently high quality. Local manufacturers got excited by this opportunity, and learned how to produce drugs of interest to the Global Fund. The second factor was that the Global Fund's condition of high quality was effectively monitored. Only drugs certified under the World Health Organization (WHO) Prequalification Program could participate in Global Fund tenders, and to get prequalification, careful inspection was conducted by experienced inspectors, who evaluated the quality, safety and efficacy of the medical products following relatively stringent standards. The third factor contributing to change of practices was that of technology transfer to help local companies reach the required quality standards. In a number of cases this was achieved through joint ventures with foreign companies. More often, technical know-how was provided by international or bilateral development agencies. The crucial role played by foreign aid is unmistakable. A market for good drugs was made possible thanks to the Global Fund; monitoring is on the shoulders of the WHO; and access to technology was largely facilitated by development agencies.

But reaching high standards is arguably the easy part. More challenging still is the need to sustain those standards. We often hear stories of promising foreign aid endeavors ending up having no effect at all, or worse. One damning article recently described, for example, how donated anti-malarial bed-nets have been used as fishing nets. The question is, then, how to sustain investment in quality manufacturing. Since most East African pharmaceutical companies are not yet exposed to market pressures in regard to quality standards, the only way to maintain the achievements of foreign aid is through effective state regulation and enforcement. State regulation and enforcement, in turn, also benefited from foreign aid, in the form of technical assistance. The WHO, for example, publishes detailed guidelines regarding registration, inspection, procurement, market surveillance and so on; and in Tanzania, the WHO helped with the prequalification of a quality control laboratory. Global Fund representatives, in turn, acted as procurement officers and in that role also provided training and helped rationalize existing government practices.

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Both William Easterly and Jeffrey Sachs are suspicious of the state. In contrast, I suggest that foreign aid matters, but unless we can envision perpetual foreign support rather than temporary interventions, what is needed for the achievements of foreign aid to hold over time is for foreign aid not to bypass the state but work to strengthen the state. While still limited, the technical assistance provided to government agencies in East Africa has been instrumental in improving the functioning of these agencies. In the longer run, this might contribute to the sustainability of foreign aid interventions more than we currently want to believe.

The billions of dollars spent every year on medicines to those most in need have also helped with the goal of self-sufficiency, desired by both recipients and donors. For success in the longer term, however, investment needs to be made also in supporting the state agencies responsible for regulating market actors.



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