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Insights From Africa's Covid-19 Response: Repurposing Manufacturing

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Summary

Many African countries have struggled with an acute shortage of PPE due to global supply disruptions, exacerbated by Africa's heavy reliance on imports for essential medical equipment. At the same time, lockdowns and more limited purchasing power have led to decreased demand in many traditional manufacturing sectors. In response, governments and the private sector have sought to seize an opportunity to pivot and repurpose manufacturing capabilities to meet national demand for essential medical items, and keep the economy and local businesses afloat. While much of this adaptation may be temporary, it raises the question whether this could be the beginning of a shift towards greater self-reliance in pharmaceutical and medical supply production and another way to support the much-needed industrialisation of the continent. This could be critical given that industrialisation is key to withstanding future shocks, including pandemics.

Manufacturing Disruptions in Africa

From early in the outbreak, it was clear that the scarcity of global medical supplies would disproportionately affect African nations. In March, WHO estimates indicated that, globally, 89 million medical masks, 76 million examination gloves and 1.6 million pairs of goggles would be needed to fight Covid-19 each month, and that to meet this rising global demand the manufacturing industry needed to increase its outputs by 40 per cent.¹ The ensuing panic led countries, mostly in the Global North and Asia, to begin stockpiling PPE, testing equipment, therapeutics and other supplies for their own needs. This created unprecedented shortages and, eventually, export bans from critical supplier countries.

In July, the Africa Centres for Disease Control warned that most African countries would soon face an “acute shortage” of PPE due to disruption in the global supply.² Several countries, including Uganda,³ Malawi⁴ and Nigeria,⁵ quickly faced critical supply constraints. With limited purchasing power to order in bulk quantities, most African countries found themselves at the back of queues as suppliers prioritised large orders and buyers that were willing to pay higher rates. Moreover, several African government officials noted that, even when supplies were available, procurement and logistical arrangements on global platforms did not always make placing orders quick or easy.⁶

Part of the reason why African countries faced acute medical supplies shortages was due to the continent’s heavy reliance on imports at a time when many countries introduced export controls. The World Trade Organisation reported that 76 countries introduced export controls on 80 different types of essential medical supplies by April 2020, restricting the global availability of medical equipment.⁷ For instance, in early March, the EU imposed restrictions on PPE that prohibited export licences, except in exceptional circumstances.⁸ These controls particularly impacted several African countries, including those like Niger that have historically been reliant on EU member states for their imports. In 2018, Niger imported over 70 per cent of its medical mouth and nose protection equipment as well as protective spectacles and visors from EU member countries.⁹ While the EU’s restrictions were a temporary measure, partially lifted in April and fully lifted by May, it contributed to global scarcity at a critical time. Covid-19 thus demonstrated to many governments that a heavy reliance on importing essential items cannot stand up in times of high demand and that a more sustainable strategy may be needed.

As such, several African governments responded to the growing gap between supply and demand by looking to find alternatives to meet their needs and encourage local manufacturing of PPE, sanitisers, testing kits and – in the case of South Africa, Ghana and Ethiopia – ventilators and assisted breathing apparatus. By encouraging and facilitating the repurposing of existing manufacturing facilities, governments have been able to, by varying degrees, introduce a greater element of self-reliance, avoid

the costs and lengthy delays associated with importing, and have greater control over supply. At the same time, these efforts also supported local economies to maintain productivity and sustain or create employment opportunities.

Repurposing initiatives emerged in some of the larger economies in Africa, including Ghana, Ethiopia and Kenya, as a result of two main factors. First, companies had a need to utilise the resources they had on hand as they faced a decrease in demand for their regular outputs. Second, governments were also keen to encourage repurposing to meet shortfalls in essential supplies and sustain national economies. Through a six-country study conducted by The Tony Blair Institute for Global Change (TBI) across West and East Africa in May, we found that more than 70 companies had repurposed their manufacturing to produce Covid-19 supplies.¹⁰ Textile companies, beverage companies and educational institutions emerged as key sectors for repurposing initiatives at varying scales.¹¹ Here are some key insights from three of the six countries that we studied.

Case Study: Ghana

Ghana was one of the fastest to act in terms of facilitating repurposing efforts, notably by exempting from lockdown restrictions manufacturers with the capacity to produce essential medical supplies such as sanitising products and PPE. Early on, the government of Ghana engaged local garment manufacturers to reorganise and reposition their production lines for PPE manufacturing. President Akufo-Addo has been at the forefront of this campaign, calling on local manufacturers to join national efforts. According to the Ministry of Trade and Industry, by the end of June about 6.2 million (cloth) face masks had been produced locally as a result of the government's initiative to utilise existing local industries in the fight to combat Covid-19.¹²

The government also provided favourable loan terms to small and medium enterprises (SMEs) which needed to expand in order to meet the growing demand for Covid-19 essential items. Among them, four existing local garment manufacturers received a \$10 million loan through the Ghana Exim Bank to start producing PPE.¹³ With this support, the companies were expected to produce a combined 280,000 face masks per day for both the local market as well as for export to other West African countries, paving the way for further regional trade and collaboration. Nigeria and Liberia are among those to have already placed orders.¹⁴

Case Study: Ethiopia

In response to the pandemic, Ethiopia's garment industry installed capacity to produce and supply a significant portion of its domestic mask demand. TBI's research found that at least 36 companies repurposed their manufacturing to produce surgical masks, coveralls and sanitisers. The private sector's desire to pivot to producing essential equipment has come partially from necessity as many of these companies were primarily exporters. However, due to logistical disruptions caused by Covid-19, there has been decreased demands for their usual products. As these companies looked for alternatives to stay afloat and continue operations during this period, the government responded by facilitating a number of financial and non-financial initiatives to support local manufacturing of essential supplies. Measures included temporary licences for local production of face masks and sanitisers, which were issued in April. In addition, the Ethiopian government established a Manufacturing Task Force to provide targeted support for manufacturers that were willing to repurpose their operations. This assistance included links to suppliers, facilitating procurement of raw materials, technical advice and employee training.¹⁵

The government also issued tax incentives to make manufacturing of essential equipment more viable. The 60 per cent excise tax usually levied on technical alcohol was lifted to encourage the availability of raw materials for sanitiser manufacturers. While this does not ensure self-reliance throughout the value chain, it is a commendable move to provide essential medical supplies and enable the private sector to gauge opportunities and challenges for future production. In addition, manufacturers of PPE and sanitisers were given priority access when making foreign exchange requests to enable them to import raw materials that could not be domestically sourced. Guyya Textile Manufacturing is among the 36 companies that shifted from garment production to making medical supplies. In September, the company stated that once operational it will have the capacity to produce approximately 1 million surgical masks per day, and once local demand has been satisfied it will commence exporting.¹⁶

Case Study: Kenya

The government of Kenya adjusted procedures to support local manufacturing, and by June had issued licenses to produce masks and sanitisers to at least 25 companies.¹⁷ The government also mobilised the private sector to repurpose manufacturing with targeted support to local business associations, including the Kenya Association of Manufacturers and the Kenya Private Sector Alliance. Among those organisations to respond was Bedi Investments, a garment and textile manufacturer that primarily exported its products to the US and UK before the pandemic. The drop in apparel orders for export and the president's call to meet local demand led the company to reconfigure its operations to produce face masks and surgical gowns, using locally available materials. Now that production has been redirected, it is currently selling 80 per cent of its products to the local market.¹⁸ This trend and growing demand has led two multinational firms based in Kenya – Unilever and Diageo – to pledge to repurpose their supply chains, production and distribution channels to enable local production of hand sanitisers.¹⁹ While in some cases this pivot is likely to be a temporary measure, it has shed light on the local demand for PPE and led some companies, such as Hela Industries, to consider a long-term strategy for the production of N95 masks in their Kenya operations.²⁰

The Future of Medical Manufacturing in Africa

Fortuitously, Covid-19 has created an incentive for the public and private sector to work together to address a gap in local manufacturing of medical supplies. In doing so, governments have started to see benefits in terms of reduced costs, more certain supply chains, and opportunities as a burgeoning local market opens and expands to meet regional demand. This pivot to local manufacturing begs the question of whether Covid-19 has created a window of opportunity for longer-term self-reliance when it comes to the supply of medical equipment in Africa, and another step towards further industrialisation across the continent. With increased and targeted government support and the private sector's adaptability when it comes to re-engineering resources, it may be that there is potential to bridge the supply and demand gap in Africa.

Footnotes

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