LOCAL CONTENT POLICY FOR HEALTH CARE INDUSTRY: A STRATEGIC IMPERATIVE FOR NIGERIA

A POLICY DISCUSSION PAPER BY DR FRANCIS OHANYIDO
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BACKGROUND:

Sometime in August 2020 Yinka Olatunbosun wrote an agenda-setting article in the World Economic Forum (WEF) titled “Why COVID-19 could mean a new dawn for Nigeria's manufacturing sector”¹, which provides food for thought for any development-minded actor, especially Nigerian policymakers working to improve the Nigerian health sector and also looking ahead for a generally improved competitiveness of the country’s manufacturing sector in the global marketplace.

The article did not really posit anything that most industry watchers did not already know about the potential capacity of Nigeria to lead the “Africa Rising” economic rebound, but it did argue for the importance of approaching the the COVID-19 pandemic from a point of opportunity by looking at the big picture. This is because the pandemic has impacted on the global oil economy and by so doing, also hit Nigeria’s oil accounts for around 10% of Nigeria’s GDP within the milieu of the price war between Saudi Arabia and Russia which sent shocks to the Nigerian economy as oil ended up being sold below the $30-per-barrel mark.²³ The article also pointed to an equally interesting output by a Nigerian-based market research organisation known as SBM Intelligence, which had also published a list of industries that would bear the brunt or be positively impacted by the pandemic and health was among the latter group.⁴ The SBM analytics pointed strongly to the advantages on the side of locally produced items in the response to COVID-19.

The point here is that COVID-19 is a global disruptor that can clearly show our actions and inactions and can be related to a metaphor of a black swan moment in history that has created the opportunity for country to build back strongly by strategically creating the needed bulwark to shore up our national policies to run with the disruption and grow the health industry value-chain which includes drugs and equipment and many other related goods and services areas. However, this can only be successfully done through putting in place the appropriate policy frameworks around local content and qualitative regulatory approaches in a sector heavily donor-dependent in its posture to procurement and programme designing for offshore outsourcing.

Currently, the Government of Nigeria is working with local manufacturers in its response to COVID-19 needs through producing Personal protective equipment (PPE) and medical equipment for the COVID-19 response, which was more a matter of providence from the disruption of global supply chains than an articulated policy shift that should offer significant growth opportunity for Nigeria's manufacturers within the sector. The country needs to review the health industry landscape within the attendant political economy using COVID-19 as a rest button to identify the key policy gaps to shore up our national manufacturing assets so as to stimulate the sector by ensuring that a local content policy that will further incentivize it is brought into existence.

**STRATEGIC ISSUES:**

In consideration of local content policy for the health industry in Nigeria, it is important to identify the key justifications and strategic imperatives to pursue that course.

1. **BEYOND AID MOVEMENT:**
   In the last decade, there has been a blossoming movement in international development and among activists that are concerned that aid has not been effective and some have gone as far as referring to it as ‘dead aid’, ‘debt aid’ and ‘neocolonialism’ among others. This has led to watersheds like the Paris declaration on aid effectiveness and the rise of civil society discussions like the Kampala Initiative and so forth. What is important is that the future of aid is uncertain and the consequence of COVID-19 on the global aid complex in the long-run cannot be predicted for sure as some of the major donor economies have been devastated by the pandemic.

For example, in a written evidence is submitted by the Center for Global Development (CGD), an independent, non-partisan think tank to UK policy makers in 2014, it had in in a memorandum stated policymakers should pay more attention to “beyond aid” policies for development and gave three reasons as

a. “The benefits to poor people that can be brought about by even quite modest ‘beyond aid’ policy changes are much larger than can be brought about through aid

b. “Beyond aid’ policies mainly address the underlying causes of poverty, while aid is most likely to be spent well when it addresses the symptoms of poverty and meets immediate humanitarian needs”.

c. “As well as being beneficial for development, most of these ‘beyond aid’ policies would be good for the UK in the short run as well as in the long run. Aid, in contrast, costs the
average British household about £430 a year: so the long run benefits come at a substantial short-term cost.”

2. LOCAL CONTENT MOVEMENT:
The movement for local content in Nigeria has been synonymous with the oil and gas industry of the petroleum sector that activists within the sector had pushed for “Local content is the development of local skills, oil and gas technology transfer, and use of local manpower and local manufacturing. For a more practical definition, one could say that local content is building a workforce that is skilled and building a competitive supplier base (Oil and Gas, 2010).” However, the tenth anniversary of the enactment of the Nigerian Oil and Gas Industry Content Development Act (the Local Content Act) was on the 22nd of April 2020, which was quite auspicious due to the impact of COVID-19 across sectors as the country reflected on the economy’s dependence on oil. However, in December, 2019, a group of 9 representatives of of the people at the National Assembly, among them Rt. Hon. Femi Gbajabiamila, the current speaker of the House of Representatives, had come together to sponsor a bill for legislative consideration which when enacted into law, would repeal the Local Content Act and pass a new statute called the "Nigerian Content Development and Enforcement Act" (the Bill) which would have expanded the Local Content Act of 2010.

Similarly, in the last week of May 2020, The Senate had commenced amendment of the same Act following the deliberation of a bill seeking to enhance local content and strengthen the nation’s economy titled the Nigerian Oil and Gas Industry Content Development Bill 2020, which had then scaled second reading.

The movement to enact the new law in both chambers of the National Assembly have in addition to recommending new requirements and regulations that would further increase and back indigenous participation in the petroleum sector, the Bill aspires to undertake like statutory reforms for other industries like the Information Communication Technology (ICT), Nigerian mining, construction and power sectors. More recently, key figures in the House like the Chair of the Health Committee Hon. Dr Yusuf Tanko Sununu and Hon. Henry Nwawuba had started galvanizing their colleagues to view the reforms from an “Health in All Policy” perspective, especially pointing to the fact that it would appear ironical in the extraordinary era of COVID-19 which had impacted on their deliberations not to factor it as a key area for intervention.

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5 Why Beyond Aid Matters - Center for Global Development www.cgdev.org › sites › default › files › Why Beyond ...

6 Local Content Act https://www.ncdmb.gov.ng/images/GUIDELINES/NCACT.pdf
POLICY IMPLICATIONS:

The policy implications are to expand the local content to support Nigeria in realizing its ambition to be one of the top twenty economies by 2030 which is also the terminal mark for the era of the sustainable development goals. This vision 2030 cannot be achieved without health as a cornerstone of the process of repositioning Nigeria now and in the post COVID era. Now is the time to act to review the minimum target level for Nigerian content set in a schedule for the health sector and to entrench research to strengthen local production for the Nigeria health market and beyond.

OPPORTUNITIES:

1. Nigeria’s rapidly growing population projected above 200 million requires will require that the government working with private sector strategically creates employment opportunities through creating the right enabling environment for health industries to flourish
2. The African Continental Free Trade Area (AfCFTA) which Nigeria is a signatory to was created by the African Continental Free Trade Agreement among 54 of the 55 African Union nations and endorsed the Action Plan on Boosting Intra-Africa Trade (BIAT) which identifies seven areas of cooperation namely trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration provides a springboard for local content growth in health industry if the country kick starts its industries early enough. Nigeria can take the initiative fully to develop its strategy with the goal of aggregating West Africa's small countries into one large regional market area for health industry that deliver economies of scale, depending on what each can produce efficiently and at a quality that can compete in the global market.
3. Health diplomacy efforts to advance international cooperation on health can benefit from a COVID-19 engendered advantages across countries and may help in growing manufacturing and dynamic forward-looking low- and middle-income countries. This action could have substantial payoffs in developing a more stable and prosperous world.
4. The rise of open source technologies, open-source medical products, trade for social impact have become more pronounced in the COVID-19 response and have given rise to small scale enterprises that will need to thrive post COVID-19. More sophisticated

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7 AFRICAN CONTINENTAL FREE TRADE AREA: Policy and Negotiation Options for Trade in Goods
systems such as gene editing, biotechnology, and others are being used for manufacturing stages of a medicine, which may now be located in different countries, and a medicine may often be distributed in multiple regions.8

5. There is opportunity to shape this process beyond the local content legislation by early engagement of nonstate actors such as CSOs and private sectors to granulate the issues and plan the best approaches.

Nigeria can lead an “Africa Rising” by implementing a local content policy for health care industry and the current COVID-19 era developments, including significantly decreased demands and the current oil crisis, the slump in petrodollar earnings promote meaningful feasibility reflections for other industries like health and placing them in the right place in Nigerian economic outlook. It behooves policymakers and those interested in Nigeria’s development to appreciate the ever increasing risk which the oil economy which currently accounts for approximately 60% of government revenue and 90% of foreign exchange earnings portends. These factors need an comprehensive economic and legislative attention on how best to push the local content agenda for the health sector, and Civil society and community organisations have an important role to play in the development and implementation of the changes for such a statute when passed for the immediate and long-term.

RECOMMENDATIONS:

To strengthen the move towards localization of the health sector in Nigeria, there are a couple of actions that need to be taken, namely:

1. The Local Content Act should be reviewed and expanded to provide a framework, for increased Nigerian participation beyond the Oil and Gas Industry to other critical sectors like health. This is particularly important as many local firms that manufacture health care materials are mostly overlooked during procurements, despite having met quality assurance standards of the regulatory bodies.
2. There is need to institute a scoping review of the health sector with the purpose of assessing the status of the local content productive and technical capacity.
3. Where needed, the productive capacity can be driven by a concerted multi-stakeholder effort that stimulates market-shaping processes across the system.
4. The outcome of the scoping review should provide the anchor for the development of a national local content for health implementation plan.

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FURTHER READING:

1. Taxaide: COVID-19, the Saudi Russia oil war and the Nigerian oil economy

2. KPMG: COVID-19: A Private Enterprise Business Disruptor Emerges

3. Devex: Opinion: COVID-19 is a game-changer for health financing in Nigeria