



Elements of Sustainable Financing for Local Pharmaceutical Production

WHO Local Production and Assistance Unit and the WHO
Regional Office for the Western Pacific
Holistic Training Workshop on Key Enablers for Sustainable
Local Production of Health
Products in Western Pacific Region, Kuala Lumpur,
Malaysia, November 19-21, 2024

Prof. Frederick Abbott

Chair – WHO Technical Advisory Group on Local Production and
Technology Transfer

Policy Options for Sustainable Business



Local production of health products is dependent on sustainable demand



Policy options for governments to promote local production include direct and indirect subsidies, tax incentives, tariff adjustments and the establishment of pharmaceutical production zones



Demand is significantly affected by government procurement that in turn is influenced by the characteristics of the national healthcare system. In many countries procurement is a function of the health ministry and related institutions.



Carefully designed price preferences in favor of locally produced pharmaceuticals may stimulate demand and help level the playing field with imported products.

Local Production Procurement Preferences

Two constraints on procurement pricing preferences:

Compliance with international trading obligations that may be applicable from the multilateral or regional trading arrangement level

- Depends in part on the way the internal pharmaceutical distribution system is organized
- Relevant elements of WTO law include rules on government procurement (Art. III:8(a), GATT) and plurilateral Government Procurement Agreement and non-discrimination (Art. III:4, GATT)
- One key is establishing purchase “by governmental agencies ... for governmental purposes and not with a view to commercial resale”
 - Contrast WTO rejection of Turkey’s claim to a government procurement exception (Turkey – Certain Measures Concerning the Production, Importation and Marketing of Pharmaceutical Products (Panel 2022, and Arbitration 2022)(Complaint by EU)

Local Production Policy Sustainability Options

- Panel: “The foregoing analysis leads the Panel to conclude that, in the context of the phrase "procurement by governmental agencies of products purchased for governmental purposes" in Article III:8(a), a product is "purchased" by a government only if the government acquires ownership of that product through some kind of payment.” (para. 7.74)
- There are other potential WTO-consistent routes for justifying procurement price preferences, but these should be worked out in design of system.

2. Assuming that preferences in favor of locally produced products are adopted, it is important that they not be materially out of line with world market prices, such as might result in a burden on consumers, result in inefficient industry and limit export opportunities.

Local Production Policy Sustainability Options

- Compliance with stricter GMP standards is important both to assure quality of goods on the local market, but also to allow exports to higher income markets in particular
 - Purchases by international agencies and foundations depend on stringent GMP compliance
- Sustainable demand depends upon offering products that have advantages as against potentially competing products. This ties into the element of technology transfer discussed earlier. Pharmaceutical production process and product technology is continuously evolving and improving
- Maintain a network of technology partners
- Sustainable financing requires different approaches for different categories of pharmaceutical products. Each pharmaceutical product category has its own characteristics and its own market, and sustainable demand must address those specific market characteristics.