

Tanzania Investment Center

Business Plan

for the Pharmaceutical Production of Medical Reagents and the Construction and Running of Pharmaceutical Warehouse and Hospital Laboratory Services in Tanzania

action medeor International Healthcare in Tanzania

Preamble

This feasibility study presents the investment and sustainability concept of a strategic investment in new **Pharmaceutical Production of Medical Reagents**, pharmaceutical warehouses, a hospital laboratory workshop and skills lab and the required administration and quality assurance located in Kibaha, Tanzania. The aim is capacity strengthening and enhancing the access to affordable and high-quality pharmaceutical products in Tanzania and the neighbouring countries.

As a result of globalization and an increased capacity of pharmaceutical production in some developing countries the procurement of medicines solely on the European market does not seem to be economic and cost-effective anymore.

Furthermore, the introduction of national drug policies and drug legislations in developing countries - initiated and endorsed by WHO since the early 1990s - regulates and limits the import of medicines into these countries.

For that reason, action medeor e.V. Germany initiated the establishment of a subsidiary company in Germany - action medeor International Healthcare gGmbH (charitable limited company) - which for its part aims to establish branches in different parts of the developing world as decentralized medical supplies procurement and distribution units, in accordance with action medeor's policy to promote structural capacity building in partner countries.

1. Introduction

action medeor e.V. Germany has been maintaining supportive links and relations to partners in Tanzania for many years, in particular through the provision of essential medicines and medical equipment to mission hospitals and church affiliated health facilities.

Therefore, the first branch of action medeor International Healthcare gGmbH - as a procurement and distribution centre for medicines and medical supplies - was established as a pilot project in Tanzania at the beginning of 2005 and was named action medeor International Healthcare Tanzania, registered under Certificate of Compliance number 51690 (2nd of March 2005).

action medeor Tanzania operates exclusively as a charitable, non-for-profit organization for the non-commercial public health sector and is considered as a complementary supply system to already existing institutions in the country, such as:

- the governmental Medical Stores Department (MSD)
- and MEMS, a procurement centre unit for the supply of medicines of the Central Social Services Commission (CSSC).

action medeor International Healthcare Tanzania works in a spirit of co-operation for the benefit of

the customers and patients. The Ministry of Health welcomed the initiative of action medeor and recommended the establishment of alternative, competitive, non-for-profit supply channels for medicines for the public and non-for-profit health sector in Tanzania.

During the past 18 years action medeor International Healthcare Tanzania has gradually grown and developed into a sound organisation. action medeor International Healthcare Tanzania has become known among church-based hospitals & health facilities, governmental institutions and national and international NGOs in Tanzania for reliable and efficient provision of medicines and medical supplies.

2. Vision, Goal and Objectives

The vision of action medeor International Healthcare Tanzania

Establish a sustainable and financially viable medical supplies procurement and distribution centre for Tanzania and neighboring countries at affordable cost. For this purpose, a warehouse situated in Kibaha will be built so that we will be able to supply our outlets in Tanzania but also to deliver high quality medicines and medical supplies in neighbouring countries such as Malawi, Burundi and Rwanda.

The goal of action medeor International Healthcare Tanzania

Ensure the availability and affordability of safe, effective and high-quality medicines and medical supplies for the non-for-profit health sector and thus contributing to the improvement of health.

The objectives of action medeor International Healthcare Tanzania

Ensure the managerial, structural and physical development and quality management of the organization in line with the growth of activities

- Establish the manufacturing of high-quality medical reagents including
 - Importing, storing, and testing of starting materials and reagents needed for quality control
 - production of various reagents
 - quality control of finished products
 - storing and distribution of finished products
- Ensure quality pharmaceutical management
 - rational *selection* of medicines and supplies
 - best *procurement* management
 - proper warehouse and *inventory* management
 - customer friendly and efficient *sales and distribution* management
- Ensure transparent finance and accounting
- Ensure human capacity building and human resource development
- Ensure technical advisory services and training
- Ensure liaison and cooperation with partners of the health and pharmaceutical sector
- Establish a safe and healthy work environment for all staff (including the provision of staff housing, SOPs on work safety, etc.)

Key component of investment: Manufacturing of Reagents in Tanzania

All manufacturer of Hematology Analyzers are based in Asia, North America or Europe. The majority of consumable reagents is transported by sea, only minor quantities are transported by airfreight. This creates challenges for the supply of reagents. Especially in COVID-19 pandemic the air transport was temporarily discontinued, and ship transport was exorbitantly expensive. This effected the availability of medical products including consumables and reagents. In Tanzania and Malawi are no manufacturers of Hematology Reagents, this means that the entire demand must be imported and this leads to the corresponding bottlenecks, which are observed during COVID-19 pandemic.

The production of reagents in one's own country or region would counteract such bottlenecks and secure the supply of essential reagents.

3. Locations and legal registration of action medeor International Healthcare Tanzania

The Headquarter is located in Germany under the following name and address:

action medeor International Healthcare gGmbH
St. Töniser Str. 21
47918 Tönisvorst Germany
No of employees: 4

The branch office is registered under the following name and address:

action medeor International Healthcare gGmbH
CCT-WAMA Compound, Plot 13 "D" Uhuru Street
(near old Anglican Cemetery) PO Box 72305
Dar Es Salaam Tanzania

No of employees: 20

The Masasi outlet is registered under the following name and address:

action medeor International Healthcare gGmbH
RC Church Main Road Plot
PO Box 306
Masasi - Mtwara Tanzania

No of employees: 4

The Makambako outlet is registered under the following name and address:

action medeor International Healthcare gGmbH
Lutheran Centre opposite Makambako Tazara railway station Makambako
Ubena Plot
PO Box 999
Makambako Township
Tanzania

No of employees: 4

The new warehouse, object of this feasibility study, would be located as follow:

Kibaha

Darajani - Pangani Area
Coastal Region
Property No. 654, Block A Kibaha
Municipality Tanzania
Plot size: 10,000 square meters

action medeor International Healthcare gGmbH currently engages in total 32 employees.

4. Investment

action medeor International Healthcare gGmbH aims to construct a production site and logistic hub including:

- 3 Pharmaceutical warehouses, each with a footprint of 800 to 1000sqm
- Production site for medical reagents (construction already existing at Kibaha)
- a 350 square meters office block (footprint) with office space of around 700 – 800 sqm
- staff housing for approximately 20 staff

situated in the city of Kibaha (approx. 35 km North-West from Dar Es Salaam). This investment will include the creation of 11 additional employment positions and the transfer of 20 of current employees from our Dar Es Salaam warehouse.

The current Dar Es Salaam location will be kept and redesigned as a third Sales Representation Office (Sales Outlet) like Masasi and Makambako ones with 2 remaining employees.

We plan to be in position of starting the warehouse construction for the first warehouse and the administration block as per the third quarter of 2023 and our financial hypotheses are based on a full operational warehouse as per July 1st 2024. In parallel staff houses will be established on a plot which must be bought.

In a second phase, the warehouse space is supposed to be expanded from 1,000 square meters to 3,000 square meters.

5. Social, Quality and Financial benefits from our Kibaha's investment

Impact on international donors

Sufficient high quality medical products domestically manufactured, warehousing and distribution, well-trained and adequate staffing and quality approved medicines and medical equipment's together with the laboratory and maintenance services will enhance donor's attraction and enable even export. The new production and warehousing according to internationally expected standards (GDP and ISO) will permit the prequalification by international NGOs (e.g. USAID, DFID, Global Fund) and thus increase domestic production in Tanzania through international fundings.

Quality Impact

The new production and warehouse will allow us to improve the production standard (ISO 13485), good storage practices (GSP) and good distribution practices (GDP), in line with national legislation enforced by TMDA.

Job creation:

Thanks to this investment, 15 new positions will be created and proposed to local employees as shown in the following table.

Functions	Number of recruitments required
Project Management	1
Accountant	1
Production and Warehouse Worker	1
Quality Manager	1
Laboratory Technician	2
Seconded Laboratory Technician	5
Technical Coordinator	1
IT expert	2
Driver / Logistics / Stockmanager	1
Total new positions	15

Impact on cost structure:

The new warehouse will allow us to store pharmaceutical products and medical equipment in far larger quantities than in our current Dar Es Salaam warehouse (approximate 320 square meters). We then intend to buy from our suppliers larger product quantities allowing us to reduce our procurement cost. Being able to order standard quantities in big bulk via sea containers, we assume a positive impact in reducing our procurement cost of approximately 15% (scale savings, clearing and transport).

The local production of reagents will be new unique selling point for action medeor. The domestic production will reduce the procurement price by 70% in comparison to the same goods airlifted to Tanzania and by 25% if sent by sea.

Savings in procurement cost will allow us to **reduce our sales prices and thus widens affordability and accessibility for the needed population in Tanzania.**

The entire project will therefore contribute to the Tanzanian social economic development.

Our total investment amounts to 3,500,000,000 TZS to be totally paid in years 2023 and 2024.

Warehouse
Administration
Staff houses

The total investment will be financed through a 15 year loan in EURO currency (at 2-4% interest rate) from action medeor e.V. to action medeor International Healthcare gGmbH .

Investment plan

Description Warehouse and Admin	Details	CAPEX
Warehouse Kibaha	800 sqm high quality pharmaceutical warehouse	785,000,000 TSH
Administration Kibaha	480 sqm modern office block for approx. 30 employees	820,000,000 TSH
Auxiliary Buildings	Car park etc	88,000,000 TSH
Other costs related to construction		162,000,000 TSH
Furniture and Equipment	Warehouse racks, fork lifter etc.	490,000,000 TSH
TOTAL WAREHOUSE AND ADMIN		2,345,000,000 TSH

Description Staff houses	Details	CAPEX
Staff House 1-bedroom	4 units	
Staff house 2-bedroom	2 units	
Staff house 3-bedroom	2 units	
Staff house 4-bedroom	1 unit	
TOTAL Staff houses		1,155,000,000 TSH

Total CAPEX 3,500,000,000 TSH for the years 2023 – 2025.

Annexes of this Document:

- 04.1_Financial annual accounts 2019
- 04.2_Financial annual accounts 2020
- 04.3_Financial annual accounts 2021
- 04.4_Budget Kibaha forecast 5 years_TIC
- 04.5_Hematology Reagents Feasibility Study Report_TIC 2022
- 04.6_Kibaha CAPEX staff houses finance model_TIC_2022
- 04.7_Kibaha CAPEX Warehouse and Admin_TIC_2022

We remain at disposal for any further inquiry you might have. For this purpose, you may please contact:

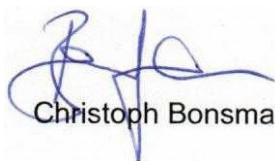
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Signatures


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