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BMZ/GIZ Program Cooperation for Enhancement of SADC Regional Economic Integration

Concept Note:

Supporting local production of Covid-19-relevant items in SADC

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 Joint Action “Support towards Industrialisation and the Productive Sectors in the SADC region (SIPS)”

1.1. Task and Background

On 2nd April 2020, the EU Delegation Botswana informed GIZ Botswana that all ongoing programs are under review to identify opportunities to re-direct funds to assist the partner countries in facing the COVID crisis. Having considered that one of the focus areas of the Joint Action “Support towards Industrialisation and the Productive Sectors in the SADC region (SIPS)” is the development of the pharmaceutical value chain, the EU requested GIZ to investigate the possibility to widen the scope of SIPS towards supporting the fight against the pandemic in the region and to identify possible areas of interventions. This approach is shared by the German Government through BMZ. To implement this Covid-reaction within SIPS, the EU foresees the use of approx. 1 Mio. EUR of the funds that already form part of the Joint Action. The Government of Germany announced to pledge additional funds of up 5 Mio. EUR.

This concept note summarizes the initial assessment which was conducted in April and May 2020 and provides an outlook on the way forward. The EU Delegation, the SADC Secretariat and SIPS agreed to concentrate the initial assessment on local manufacturers in SADC producing relevant items to combat Covid-19, such as personal protective equipment (masks, gloves, etc.), sanitizers, ventilators, oxygen bottles, etc.

It is important to note that at this point the usage of SIPS funds is not foreseen for the direct procurement of final products relevant to fight Covid-19 by the EU Delegation. Instead, local production of relevant items is envisioned to be strengthened and at best increased during and after the crisis. Any increased production is therefore foreseen to help mitigate possible shortages of Covid-19 related items in SADC member states and thus contribute to infection prevention. In the medium term, the support shall help companies to gain a permanent foothold in their relevant markets thereby reducing the region’s reliability on imports and contributing to economic growth. To be able to have impact already during the Covid-19 crisis, the joint action as well as GIZ are required to deliver rapidly and in an impactful manner in the very

short term. To do so, the following strategy was proposed and discussed with the EU delegation and then used as basis for this assessment.

Table 1:

Strategy to identify and support relevant private sector companies in SADC during Covid-19 crisis

| | |
|--------------------------|---|
| 1. Low Tech | Concentrate assessment on producers of low-tech but high-quality certified items to be able to identify private sector partners in various SADC member states (e.g. face masks, hand sanitizers). |
| 2. Potentiate potentials | Support companies already producing relevant items to be able to continue to produce during the crisis and, ideally, to produce higher quantities. |
| 3. Direct subsidies | Support companies with grants to directly subsidize their core business allowing them to sustain or increase production quickly. |

It is important to note that supporting companies with financial grants will allow local companies suffering from pandemic-related liquidity stress and reduced access to bank loans to invest in urgently needed production materials right now. Companies will be supported to enter a regional/ global market with high anticipated demand (due to increased global awareness and procedures for infection prevention), which will also create long-term economic growth after the pandemic. Furthermore, direct subsidies will allow companies to sustain a moderate end-consumer pricing of Covid-19 related products despite the currently increased purchasing costs of raw materials due to worldwide demand. This is especially important as the institutional purchasing power for the Covid-19 related products is estimated to be low in the region due to the small number of private and public health insurance providers which results in direct catering of those products to the general population.

In 2021 and 2022, the Joint Action will continue supporting the identified companies and sub-sectors to further strengthen their capacities. The support will focus on ensuring sustainability. There will be a gradual shift from direct financial support towards companies to strengthening of selected sub-sectors relevant to combat Covid-19 and similar pandemics. With this tiered approach, the project strives to achieve positive effects on both, a rapid Covid-response and a lasting positive impact on the industrial capacities of the region. In supporting diversification of the industry, the project contributes to the objectives of the SADC Industrialization Strategy 2015-2063¹ (SISR). The selected areas of support correspond (due to the novelty of Covid-19 are not equal though) to the product groups listed in the “Pharmaceutical products and preparations cluster” and the “Manufacturing: Consumer Goods Cluster” of the SADC Costed Action Plan for SADC Industrialization Strategy and Roadmap. The Joint Action will therefore contribute to the fulfillment of several Key Performance Indicators listed in the Plan².

¹ Cf. chapter 3.4, „Frontloading industrialization should be a function of diversification – enterprises breaking into new industries, utilizing new processes and producing new and better quality products for domestic and foreign markets.”

² “Value/volume of value added products and services”; “No. of local/regional SMEs capacitated”; “No. of RVCs and GVCs supplied by SADC SMEs”; “No. of innovative products and services” and others.

1.2. Methods

The capacity of companies in SADC Member States to produce Covid-19 relevant items is assessed here, whereas the individual needs of SADC Member States to procure these items has not been analyzed. Based on the current situation in Europe and in the US, it can however be reasonably assumed that the need for these products will constantly rise as the Covid-19 pandemic progresses. Furthermore, the WHO has published a “WHO COVID-19 Essential Supplies Forecasting Tool (ESFT)” on their “[Coronavirus disease \(COVID-19\) technical guidance: Essential resource planning](#)”³ webpage which is designed to help a country estimate the quantities of the essential supplies they will need to effectively combat Covid-19. The ESFT provides not only a list of which materials will be most needed but also an indication of what level of local production of these materials will have a meaningful impact at a national or regional level. In addition, it is assumed that infection prevention will be strongly considered by governments and demanded by the population after the Covid-19 pandemic, resulting in a constant elevation of demand for these products.

For this assessment, manufacturers of products relevant for Covid-19 infection prevention and treatment have been identified (personal protective equipment (PPE), sanitizers and disinfectants and hospital equipment). However, in the course of the pandemic, potential producers of relevant pharmaceutical products, such as upcoming Anti-Covid-19 drugs and/ or vaccines, and related associations will play a pivotal role. Established contacts and linkages to producers of antiretroviral drugs and pharma associations have been used in this assessment (e.g. for possible production of hand sanitizers and collection of first ideas) and will be broadened during the project.

Companies producing Covid-19-relevant items were identified either by internet research of the GIZ SIPS Covid-19 team or by contacting SADC networks, ministries and organizations. This activity is still ongoing and up to now the following institutions were contacted: SADC Secretariat resource persons, NEPAD Business Foundation as the secretariat of the SADC Business Council, 14 national private sector associations, 4 specialized private sector associations (e.g. medical technology associations, pharma association, cosmetic association), 15 WHO offices in member states, 10 Ministries of Health (MoH), 3 GIZ health programs, 7 EU delegations in member states and others (universities, UNDP Malawi, specialized NGOs, medical focal point GIZ Botswana). Thus, information has been gathered from different sources to allow a more holistic picture of the producer landscape in SADC to be obtained. However, as many of the partners, ministries and organizations first needed to mobilize their networks, some answers and lists of possibly relevant companies are still being compiled and could not be included in this assessment yet. Unfortunately, possibly due to the workload during the crisis, the majority of WHO offices and MoHs did not answer this request yet and will need to be contacted again.

Once contact details of relevant companies were obtained the GIZ SIPS Covid-19 team established contact and conducted a first interview with each company. Companies were questioned about 1) requirements to increase production, 2) the required budget to increase production (and to which level) 3) possibilities of program support/ intervention, 4) existing export channels of the company within SADC and 5) the impact of the Covid-19 crisis on supply chains and export. However, not all companies have been reached and some are still in the process of gathering/ exchanging information and need to be contacted again.

The assessment was naturally affected by following Covid-19 related limitations: 1) all analyzing personnel were grounded in their homes due to curfews and/ or contact restrictions 2) availability of colleagues was

³ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/technical-guidance/covid-19-critical-items>

reduced due to necessary curfew preparations/ stocking in Botswana as well as adaptation to home office-based work 3) mobile network limitations in Botswana resulting from extensive network usage hindered team communication 4) no site/ partner visits possible due to Covid-19 crisis 5) significant time limitations of partners/ possible beneficiaries (private sector) due to work load in Covid-19 crisis resulted in reduced answering rates, general delays in communication and even no communication in some cases.

1.3. Preliminary results of assessment

1.3.1 General considerations

The Covid-19 relevant products analyzed for this assessment could mainly be grouped into the following categories: personal protective equipment (PPE), sanitizers and disinfectants and hospital equipment. For these items small scale distributors exist in SADC member countries, mainly importing from China but also from South Africa. The number of specialized local manufacturers, especially for high-tech or “higher-tech” items such as FFP2 masks and ventilators, was found here to be very low or not existent before Covid-19 in most member states. Currently, local manufacturing in most member countries is primarily focused on low-tech products, such as face masks and hand sanitizers. Because of Covid-19, the field is on the move due to the anticipated high demand and many companies are entering the market for these low-tech items e.g. by shifting from standard textile production. However, questions that require further consideration include whether new players entering the market generally possess adequate production capacities to satisfy the market demand, and whether they can meet the required quality standards and consequently obtain relevant certification to sell their products. Because of the anticipated need for all these products, in some cases local universities have been specially mandated by governments to produce the above-mentioned high-tech products (as well as other missing relevant Covid-19 relevant products). Similarly, NGO-led initiatives are coming up to satisfy the demand for high-tech products quickly.

The identified local manufacturers of low-tech products are currently heavily affected by trade restrictions, export bans and lockdowns imposed due to the Covid-19 crisis. For all categories mentioned above, the following overarching problems and demands have been identified:

- 1) Financial constraints to increase production:
 - To increase production capacities, new machines and raw materials can be procured if financially supported;
 - One economic implication of the Covid-19 crisis is the drastic rise of prices for raw materials and production machinery due to significantly increased worldwide demand for the end products. This also allows suppliers of raw materials to demand up-front payments and increases possibilities of fraud, e.g. by incomplete or no deliveries;
 - In some instances, access to hard currency and the possibility to remain liquid becomes critical for producers.

- 2) Implications of the Covid-19-related political restrictions
 - Supply chains are cut due to imposed trade restrictions and export bans which limits the access to raw materials (e.g. Ethanol and Carbomer for hand sanitizer production);
 - Additional permits required for workers to be allowed to work during curfew (e.g. Botswana, Mauritius).

1.3.2 Personal Protective Equipment (PPE): Face masks, FFP2 masks, Gloves, Face shields, Medical gowns

The number of established PPE producers in SADC member states other than South Africa who were already producing PPE before the Covid-19 crisis appears to be very low according to this assessment. In fact, for more elaborate products (“higher tech”) being used in hospitals (FFP2 filter masks, Gloves, Face Shields) no established production facilities outside of South Africa have been identified yet except one producer of Face Shields and Safety Goggles in Mauritius. To address this lack of essential items during the Covid-19 crisis, universities in many countries are stepping up, designing products and starting to produce them. Here we could identify 6 universities aiming for production of relevant PPE. For instance, the University of Botswana is running a Face Shield Design and Production Project (support requirement: 120K USD for raw materials and production machinery), Central University of Technology, Free State, is running a Face shield and FFP2 mask (support requirement: Funding for production machinery, expedite license amendment), Great Zimbabwe University (support requirement: 100K USD for production machinery).

Face masks, which are currently in discussion in many countries to become obligatory for infection prevention in public places, can be divided into two major groups: disposable surgical masks (as used in hospitals) and reusable cotton masks (self-made or professionally tailored masks). Similarly, for medical gowns there are disposable medical suits and reusable medical scrubs. Here, no established producer of disposable surgical masks could be identified in member states other than South Africa yet, however a company that already has the technical expertise to produce dust masks could be identified in Botswana. In contrast, 54 companies from different SADC member states producing or willing to produce cotton-based medical masks and/or medical gowns have been identified. Most of these companies are SMEs or SSMEs in the textile industry who are willing to change production to Covid-19 relevant materials. Importantly, many companies appear to be complete newcomers in the sector and/ or are too small to quickly produce larger quantities. Companies thus do not possess the expertise to produce medical items yet and can in most cases be expected to manufacture a lower quality product, as compared to established companies. In addition, the resulting products are not currently certified within the producing country or in SADC members states. It can be assumed that enhancing technical expertise for sewing/ producing high quality cloth masks as well as regarding medical product certification could be beneficial for companies. The contacted companies willing to produce cotton masks usually requested support to procure production machinery (sewing machines, machinery to produce disposable surgical masks) and raw materials. The requested budgets range between 10K-100K USD with an estimated mean of 50K USD.

1.3.3 Hand sanitizers and hospital disinfectants

The team has identified 51 companies in the SADC region which are currently producing hand sanitizers or are in the process of setting up hand sanitizer production. One of the 51 identified companies is a distillery changing operation towards the manufacturing of hand sanitizers and addressing the problem of lack of raw materials (mainly ethanol) in the whole region. The hand sanitizer category appears to have a lot of new players in the market. Therefore, possible quality constraints, production lines and capacities are still unclear and need to be assessed accordingly. Most of the new products have not been certified yet, but some of the companies are working towards certification in their respective countries, which is

not only a requirement for larger procurement but also for intra-SADC trade. Effectiveness testing of the products is required in control laboratories. The major constraint for production reported by the companies was the access to raw materials such as Ethanol and Carbomer which are currently hard to find in the SADC region, due not only on the high demand worldwide but also due to trade restrictions and export bans from South Africa. This opens opportunities for local production of Ethanol which is envisioned by some companies. To support the local production of Ethanol it is also important to explore the cooperation with local distilleries.

The companies requested financial support to invest into production machinery (e.g. larger tanks, filling machinery) as well as production space and more employees to increase production capacity and to meet the high demand of hand sanitizers. Additionally, financial assistance is needed to either procure raw materials which are priced higher than normal due to the high demand on the world market, or for the local production of the raw materials. Furthermore, technical support was requested in the area of trade facilitation of goods and raw materials. The requested budgets of the companies ranged from 15K-1000K USD with an estimated mean of 100 K USD.

1.3.3 Hospital equipment: Focus ventilators

Despite being a high-tech product, the possibility of local ventilator production has been assessed here due to the assumed high and sustained demand for ventilators during an extended period of the Covid-19 pandemic. So far, no established production facilities for ventilators have been identified in SADC member states. In South Africa, the German company Drägerwerke is manufacturing products but as of now, this doesn't include production of ventilators which are instead only distributed through the local subsidiary. However, to address this situation, national initiatives and university projects have been set up and identified in South Africa and Zimbabwe.

- 1) The South African Government has established the National Ventilator Project and put out a tender for local manufacturers for 11.000 Continuous Airway Pressure (CPAP) devices and requested proposals to supply 1500 CPAP devices during May and 10.000 during June 2020. The South African Solidarity Fund will pay for the devices, but only after their delivery. As a result, up to 12 ventilator projects have so far been established.
- 2) SAVE-P (South African Ventilator Emergency Project), which functions as a not-for-profit company, is one of the projects that was shortlisted for the tender and presented their final detailed costing on 15 April. SAVE-P has been founded by Justin Corbett (CEO Rand York Castings) and Dr Greg Ash (Plastic Surgeon). They put together a team of doctors, engineers and companies to identify a ventilator design that can be entirely manufactured in SA, using existing skills as imports are not available. The company Penlon Nuffield from the UK provided the blueprint for the ventilator. The team is divided into the CPAP team, which is responsible for manufacturing the device and a financing and fundraising team. The CPAP team also includes subsidiaries of multinational companies, e.g. Bosch, and logistic companies such as DHL are involved in supply chain management in South Africa but also the Southern African region. The EU is currently trying to support SAVE-P as well. Importantly, SAVE-P is looking for short term financial support of 5 Mio Rand (265.000 USD). This will be used to produce the devices and to pay sub-component suppliers, since the South African government will only pay after delivery and SAVE-P cannot cover the time lag alone. Production costs of each device equal roughly 14 250 Rand.
- 3) Other ventilator projects in SA have been contacted, e.g. a project coordinated by Agile Solution, but further information needs to be collected.
- 4) Harare Institute of Technology has started a ventilator project and wishes to obtain funding for production machinery and raw materials to increase production capacities. Further information needs to be collected.

1.3.4 Relevant Pharmaceutical products

There are three main opportunities for local pharmaceutical production:

- 1) An immediate role for pharmaceutical companies to play in the supply of Covid-19 materials is in the production of hand sanitizer. Many pharmaceutical companies in the region are already making liquid and semi-solid (i.e. creams, gels, and ointments) and thus have the equipment available to produce both liquid and gel hand sanitizers. Furthermore, as many of these companies are also familiar with rigorous product formulation and quality testing measures, they are very likely to produce highly

effective sanitizers. Currently, raw materials such as industrial grade alcohol and the carbomer jelling agent used to produce sanitizer gels are in short supply or are only available at highly elevated prices.

- 2) Another immediate and uniquely specialized role for the local pharmaceutical industry is in the production of essential medicines recommended by WHO for Covid-19 management. Products such as paracetamol, which is required to lower fevers, are produced in various forms (i.e., solid tablets, child-friendly syrups, etc.) by many local manufacturers already. However, most of these APIs are in short supply as they are mainly imported from India, which is still under lockdown and in addition tightly controlling exports of these products.
- 3) The availability and accessibility of a Covid-19 drug and/ or a Covid-19 vaccine in SADC and worldwide will be crucial to fighting the disease. Pharmaceutical companies can be strengthened and involved in this process.

Currently many candidates for effective Covid-19 treatment are being investigated by WHO, among them Remdesivir, Hydroxychloroquine and Kaletra (Lopinavir/ Ritonavir). These medical studies need to be followed closely to monitor the possibility of an opportunity for the local pharma sector. Importantly, the above-mentioned drugs need to be proven effective or production needs to be mandated by WHO to ensure stocking. Once an effective Anti-Covid-19 drug and/or vaccine becomes available the production capacities worldwide will need to be increased to meet the demand. At the same time licensing questions will need to be addressed to ensure simultaneous worldwide production. This time point might open a huge possibility for the African pharma sector. Therefore, the situation needs to be assessed continuously and the joint action needs to be connected well to relevant stakeholders such as WHO Afro. In the meanwhile, preparational studies to evaluate how best to ensure adequate supplies of these products will be available for SADC member countries need to be conducted. Availability within SADC could be achieved either through local manufacturing after licensing of these products to companies in the region or through supply agreements with global licensees.

Thus, the long-term cooperation of SIPS with the pharmaceutical sector in the Covid-19 crisis needs to be assessed and developed in the coming months. Due to the relatively high levels of capital requirements, government regulation, and reliance on government as a primary purchaser, the pharmaceutical industry requires support in several areas to realize its potential to assist in the local Covid-19 response to the fullest extent. While nothing on this list is entirely exclusive to the pharmaceutical industry, the following are well understood and long-known possible inhibitors for local pharmaceutical production:

- Need for government incentives such as import duty and corporate tax relaxation or waivers;
- Requirement for guaranteed government purchases and speedy regulatory approval for Covid-19 medicines produced;
- Regional or national efforts to pool procurement of required API backed by diplomatic interventions to acquire these products when necessary;
- Appropriate access to government or private institution finance with preferential terms;
- Support from global stakeholders if voluntary licensing or removal of other IP barriers to novel technologies is necessary to assure access to life-saving medicines or vaccines.

1.4. Possible implementation cooperation

1) Possible Cooperation between SIPS, SEDA and EDSE:

Small Enterprise Development Agency (SEDA) is mandated to: 1) implement the South African government's small business strategy; 2) design and implement a standard and common national delivery network for small enterprise development; and 3) integrate government-funded small enterprise support agencies across all tiers of government. With regards to the Covid-19 crisis, SEDA has the same key interest as the indicated for SIPS in this concept note; to support local manufacturers working to produce PPE and other medical equipment needed for the Covid-19 response for use in South Africa and eventually the whole SADC region. SEDA has indicated they have a validated data base of local manufacturers as well as an online portal with the potential of adding a specific channel for relevant enterprises which could prove valuable to the SIPS project. In addition, SEDA has indicated they have expertise in certification, regulatory standards and guidelines of production for PPE. Furthermore, the close ties to the South African government could make SEDA an important partner to work on trade facilitation. This could be important to overcome trade obstacles such as export bans and help to expand the trade of medical equipment from South Africa to rest of the SADC region.

The Ecosystem Development for Small Enterprises (EDSE) program, which is funded by the EU, aims to improve the operating environment for SMME's and manages large stakeholder networks by organizing public policy dialogues (e.g. South African SMMEs in the regional and international context: Finding solutions to the Covid-19 crisis). The EDSE program can thus provide expertise as well as contacts to important stakeholders and government organizations who are relevant for the SIPS project. Working with EDSE and SEDA is of interest for the SIPS project in terms of exchange of expertise and contacts to find synergies as well as to coordinate efforts to avoid double interventions.

1.5 Next steps and planned activities:

To narrow down the identified local manufacturers and production projects, and to select the most promising of them to support, a Prioritization and Decision Matrix will be developed and harmonized with the SADC Secretariat. The resulting selection process will involve scoring each project's ability to fulfill the carefully chosen criteria. The projects with the highest scores will then be considered for support after a more detailed evaluation and due diligence procedure. The Prioritization and Decision Matrix will consider the following criteria:

- 1) Company's general operational maturity and stability,
- 2) Project plan strength and clarity,
- 3) Impact of SIPS support on project's probability of success
- 4) Speed to implement project
- 5) Covid-19 related industrial development and health benefit
- 6) Company's level of relevant technical capability.

Based on Matrix, a detailed questionnaire will be developed and sent to identified relevant companies for completion. In addition, additional information from companies will be requested where required. Using the obtained information, companies will be ranked based on the developed matrix as well as the regional distribution within SADC. The resulting short list of companies will then be discussed and finalized with SADC technical personnel to confirm the credibility of selected companies.

In the next step, SIPS personnel will engage with the selected companies to discuss grant development and allocation. Grants will be based on the project proposal submitted by companies and allow direct subsidies as described in the strategy above, however they need to be aligned with financial possibilities detailed below. Individual grants for local companies are envisioned to range in the magnitude of 100K EUR but will be allowed to be smaller (minimum of 25K EUR) and in exceptional and well-founded cases larger (up to 200K EUR). Grants will need to comprise an element of social responsibility of the companies towards the community or region to account for the received financial aid. Details need to be negotiated with each individual grant; for example, this could relate to reduced prices of a percentage of the resulting production/ export obligations to other SADC member states/ delivery of product to hospitals etc. Grants with NGOs as well as technology and/ or university initiatives will be developed in a similar way: Here grants are envisioned to range in the magnitude of 200K EUR but will be allowed to be smaller (minimum of 100K EUR) and in exceptional and well-founded cases larger (up to 300K EUR). Appropriate grant usage will be followed up by robust monitoring & evaluation and continuous direct contact (including use of remote monitoring tools and/ or site visits if allowed by country authorities) with grant recipients. Independent financial audits will be conducted for Grants from 125.000 EUR. For smaller Grants, GIZ will ensure financial checks.

It is important to highlight that the development and implementation of a robust and reproducible monitoring process will help to maximize the impact that is obtained from the grants. It will also maximize the probability that they are utilized as agreed and expected. The monitoring system will be designed to ensure that this can be implemented remotely and at low cost, that is with minimal requirements for on-site visits and usage of online meeting and reporting tools etc. It will also be designed to allow equal application across SADC. It should not represent an unnecessary burden on company management and will also take into account the fact that smaller recipients do not have the same level of management reporting experience and infrastructure when compared to larger, established companies. If utilized effectively, the monitoring is expected to be beneficial to companies as it should highlight any clear deficiencies, issues or other significant challenges that prevent the recipient from effectively operating the grant-related portion of their business.

The provision of accompanying TA to grant recipients will depend on the feasibility and need-based relevance of such TA. The needs of companies will be assessed throughout the process mentioned above and in addition emerge from the monitoring and evaluation process. Needs arising for multiple companies will be highlighted and addressed preferably. This could for example comprise provision of TA with regards to achieving product certification in one SADC member state and thus involve hiring of relevant expertise through consultants and/ or local implementation/ cooperation partners. The feasibility and type of TA needs to be evaluated carefully on a case by case basis as clearing of many obstacles will possibly involve various stakeholders and required time. For example, lifting of Covid-19 related export bans can only be achieved with strong political backing of the SADC secretariat, SADC members states and the cooperation with development partners such as NEPAD Business Foundation.

To understand and, if possible, help defining a possible role for local Covid-19 vaccine and/ or drug production in 2021 and 2022, SIPS project management will connect to and engage with relevant international and regional stakeholders such as WHO, B&M Gates Foundation, CEPI etc. and of course relevant established human vaccine and/ or drug manufacturers in SADC, such as e.g. BioVac in South Africa. If required and agreed, a feasibility study considering technical and contractual opportunities/

constraints of a selected manufacturer as well as logistical and economical preconditions within SADC can be commissioned and/ or financially supported.

All proposed activities within this project would be strengthened significantly if accompanied by implementation of related and required political and administrative activities. These include among others 1) thorough analysis of the need for Covid-19-related products in SADC member states, 2) activation of SADC pooled procurement to allow larger orders from local companies, swift reactions to identified needs and economy of scale and 3) removal of Covid-19 trade restrictions. It is highly recommended to jointly identify possible scenarios to address implementation of these activities as soon as possible.

In parallel to the interventions described above, the measure will plan and align the concrete activities that will be implemented as part of the value chain on Medical Goods/Pharmaceuticals in 2021 and 2022. The planning process and nature of the measures foreseen are similar to those described in the SIPS Description of Action for the ARV and Leather value chains.

1.6 Risks

This paragraph summarizes identified general risks as well as those inherent to the chosen strategy of intervention. The risks need to be mitigated where possible or jointly agreed upon as acceptable, given the exceptional circumstances of the ongoing Covid-19 crisis, the resulting emergency situation and the need to act with urgency in order to reduce the economic, social and healthcare impact of the pandemic. Potential mitigation steps are italicized in this list.

- 1) Recipient of grant is not able to execute its plan due to usual business-related challenges. *Ensure careful selection of recipients to minimize risk; consider tranching of larger awards to reduce financial risk.*
- 2) Recipient does not use grant award as agreed. *Ensure reasonable level of due diligence especially regarding company management; consider tranching of larger awards to reduce financial exposure and release later tranche(s) when company performs in line with expectations. Ensure monitoring system in place.*
- 3) Support leads to production of falsified products – reputation risk. *Ensure reasonable level of due diligence conducted prior to grantee selection and sufficient monitoring of recipient post-award. Where applicable, ensure that recipient follows required local product registration with the relevant regulatory and/or certification bodies*
- 4) Support leads to production of low-quality products – reputation risk. *Ensure reasonable level of due diligence conducted prior to grantee selection and sufficient monitoring of recipient post-award. Where applicable, ensure that recipient follows required local product registration with the relevant regulatory and/or certification bodies*
- 5) Inability to implement expected manufacturing or other activity due to circumstances beyond control of recipient, related to the unpredictable situation caused by the pandemic, considering the world economy and demands for raw materials and production machinery, national curfews, strict trade restrictions, border closing etc. *Where feasible, provide information and/or training support to ensure companies are as best prepared as possible for unexpected circumstances.*
- 6) Risk of paying above market prices for raw materials and production machinery because of worldwide price inflation. *Considered as acceptable risk given current market dynamics resulting from Covid19*

pandemic; where possible support companies to minimize the risk that they procure at unreasonable prices.

- 7) Risk of double financing of projects/ companies because of the current attention to the subject from various donors. *Ensure clear, unambiguous agreement and understanding with recipient of exact use of proceeds, provide sufficient monitoring to maximize chances that grant is utilized as agreed. In the event of a double financing situation, work with company to make sure best use of any excess proceeds above requirements.*
- 8) Risk of market distortion through direct supporting / subsidizing of manufacturers in their core business. *Considered as acceptable potential consequence, given urgent need for PPE provision and consequences if it cannot be sufficiently sourced.*
- 9) Supporting one company but not the other – reputation risk to allow partisanship. *Where possible, balance grants across industries and countries to ensure support is as fairly spread as can be reasonably expected. Ensure communication strategy highlights national and regional benefits of improved supply, resulting from grants.*
- 10) Risk of leaving out the most vulnerable countries without significant production capacity when supporting companies in countries with greater existing production capacity. *Select companies from most vulnerable countries when possible, where feasible, consider making awards in companies and countries that offer greatest export potential; consider pre-agreed export quota for increased production resulting from awards only.*
- 11) Risk of time limitations in implementing the SIPS program. Due to Covid-19, the scope and amount of work of the Joint Action have been enlarged. At the same time, due to insecurity, travel restrictions etc., implementation speed (especially in the value chains ARV and Leather) has been lower than planned. There is a risk for the need of project prolongation. *Regular update on implementation process to SADC, EU and BMZ.*

1.6. Table 2: Indicative Staff concept

| Position | % of working time | Number of months | Type of contract | Function, Tasks and Responsibilities | Location |
|--|-------------------|------------------|------------------|--|---|
| Technical Advisor and Coordinator, Covid-19 related manufacturing | 100 % | 31 | Inter-national | Technical advisor and coordinator will be responsible for the overall management of SIPS activities towards Covid-19 related manufacturing | Home office as long as required due to Covid-19 pandemic, afterwards Gaborone, Botswana |
| 3 Technical Advisors, Covid-19 related manufacturing | 100 % each | 31 | regional | Each technical profile will relate to the three categories identified above: 1) personal protective equipment (PPE), 2) hand sanitizers and disinfectants and 3) hospital equipment. | Home office as long as required due to Covid-19 pandemic, afterwards Gaborone, Botswana |
| Finance and Administration Officer | 100 % | 25 | national | Support in all matters related to data management, grant | Gaborone, Botswana |

| Position | % of working time | Number of months | Type of contract | Function, Tasks and Responsibilities | Location |
|-----------------|--------------------------|-------------------------|-------------------------|--|-----------------|
| | | | | management, smaller procurement of goods and services etc., organisation of workshops etc. | |

1.7. Table 3: Required budget and planned usage of funds 08/2020-02/2023

| Activities | Indicative Cost per item | Indicative Amount | Indicative Budget* |
|--|--------------------------|-------------------|--------------------|
| Grants to companies | 100.000 | 19 | 1.900.000 |
| Grants to technology and university initiatives | 200.000 | 4 | 800.000 |
| Monitoring & Evaluation (M&E of issued grants, identification of possible TA needs, hiring of related STE, commissioning of setting up an online M&E system, Online Trainings, travel costs, etc.) | | | 150.000 |
| Technical assistance for companies, SADC Secretariat and Member States (Technical expertise, Tech Transfer, Company trainings, Workshops for companies and Member States, Studies, etc.) | | | 2.152.900 |
| Additional staff | | cf. chap. 1.6. | 997.100 |
| Total | | | 6.000.000 |

*Please note that all budget positions are gross amounts including administrative costs.

It is important to note that SIPS funds can and will be used in South Africa as well when used in line with the Anti-Covid-19 measures described in this concept note.

1.8. Summary:

In coordination with SADC Secretariat and the SADC Business Council, SIPS will provide direct subsidies as support to manufacturers and initiatives in the region producing relevant medical goods (especially personal protective equipment like surgical masks, FFP2 masks, hand sanitizer, perspective also medical equipment and pharmaceuticals). Activities will include granting financial contributions to enable companies to procure machinery and raw materials and hire staff, establishing of networks (international cooperation partners include NGOs, associations and universities), provide TA where required and possible, e.g. to support product certification. The described Covid-19 activity is foreseen to become part of the SIPS action. The activity will rely also on support by CESARE/TRADE and the SADC Secretariat in terms of removal of Covid-19 related trade barriers. From 2021, SIPS will continue supporting companies in the Medical Goods/Pharmaceuticals value chain. There will be a gradual shift from short-term financial support measures towards capacity development measures for companies. Where necessary and not covered by other programs, the work will comprise support for improvements of regional and Member State framework conditions relevant for the Medical Goods/Pharmaceuticals sub-sectors.