

Effects of Covid-19 Pandemic on the Private Pharmaceutical Importers in Ethiopia: Qualitative Study

Greenery Ancola*

Department of Pathology, University of state capital, Australia

Abstract

Purpose: To assess the effects of COVID-19 Pandemic on private pharmaceutical importers in Ethiopia.

Method: A cross-sectional exploratory study design with purposive sampling technique was conducted on 16 pharmaceutical importers from August- September 2021 by using semi-structured questionnaire.

Results: The study included sixteen participants. Emerged themes categorized under five categories; those categories are effect of COVID-19 on operation, availability, revenue, distribution and importation. The study finds that COVID 19 pandemic affects private pharmaceutical importer's operation, revenue, importation, distribution and availability of medicines, in Ethiopia.

Conclusion: COVID-19 pandemic has a negative impact on pharmaceutical importers' capacity to import.

Keywords: COVID-19; Supply chain; Pharmaceutical importers; Revenue; Market flow

Introduction

Supply chains that provide medicines, vaccines, and other health supplies are essential to the delivery of health services. Any good health system needs supply chains that can provide consistent availability of affordable, high-quality medicines, vaccines, and health items at all places where health care is delivered [1].

The pharmaceutical market in Ethiopia is composed of about 70% public sector and 30% private sector. The public sector is supplied by the Ethiopian pharmaceutical Supplies Agency (EPSA), formerly known as Pharmaceutical Funds and Supply Agency (PFSA), which was established in 2007 [2].

The COVID-19 pandemic has disturbed people's and businesses' daily lives around the world. This worldwide pandemic has highlighted pre-existing vulnerabilities within the supply chain's structure, putting people's lives in jeopardy. In this current health situation, drug demand is at least similar, if not higher. It can mean the difference between life and death for some people if corporations do not provide the right prescriptions to their clients [3]. It has also re-emphasized the importance of recognizing the risks of supply disruptions, both upstream and downstream. Global agencies that fund HIV/AIDS, tuberculosis, and malaria medications, as well as organizations that fund contraceptives, have launched new work streams to better evaluate the risks of supply disruptions [4].

Along with this, pharmaceutical industries are battling to retain natural market flow, as the recent pandemic has harmed access to critical medications at a reasonable cost, which is the primary goal of any pharmaceutical system [5].

Ethiopia imports the majority of its medical equipment and supplies from India and China [6] where Covid-19 impacts were much bigger and affected the drug supply system. The drug supply system was disrupted, causing numerous retailers, ranging from small neighborhood pharmacies to large medical chains, to run out of stock. Limited importation of items (medicines and medical supplies) from overseas (mainly China and India), panic buying among customers and some institutions in response to the epidemic, and avoiding possible health commodity shortages were the reasons [7].

According to the Ethiopian Food and Drug Authority's (EFDA) temporary Covid-19 medical product approval and import permit authorization directive, any governmental, non-governmental, or private organization engaged in non-medical service or business is eligible to import medical masks and alcohol-based hand sanitizers in sufficient quantities for their staffs or health facilities in response to the COVID-19 outbreak. Such a request must be made in writing by the organization's senior manager or director, accompanied with a free sale certificate or comparable document and a promise not to sell or distribute the products to anybody other than the organization's employees [6]. The effects of Covid-19, on the other hand, limit the effort because it has both short and long-term consequences [5].

Short-term effects of Covid-19 on the health market include demand shifts, supply shortages, panic buying and stocking, regulatory adjustments, and a shift in communication and promotion to remote contacts via technology and R&D process modifications [5].

Long-term effects of Covid-19 on the health and pharmaceutical market include approval delays, moving toward self-sufficiency in the pharmaceutical supply chain, industry growth slowing, and possibly trend shifts in consumption [5].

Methods

Study setting: The research was carried out in Addis Ababa. Ethiopia's capital city is Addis Ababa. In Ethiopia, there are around 800-900 private pharmaceutical importers. Almost all of the importers are based in Ethiopia's capital, Addis Ababa.

***Corresponding author:** Greenery Ancola, Department of Pathology, University of state capital, Australia

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Study design and period: An exploratory cross-sectional study design was employed to conduct a study on 16 private pharmaceutical importers of Ethiopia. The study was conducted from August – September 2021, in Addis Ababa, Ethiopia.

Sampling and sample size determination: purposive sampling technique was conducted on 16 pharmaceutical importers. The study's subjects were carefully picked. The importers who made up the study's sample were chosen for their years of experience in the industry. As a result, the essential information was investigated, and all types of importers, including those with decades of experience as well as those who were new to the industry, were addressed [8].

Data collection procedure: The data were collected from the importers by using the semi-structured questionnaire. The Principal investigator was responsible for the data collection. The data was collected through interview when it was suitable and by using email as per the will of the respondents.

Data analysis: After checking the data's completeness and consistency, the data was transcribed, translated and analyzed using thematic approach.

Results

From the total of 16 private pharmaceutical importers, 14 private pharmaceutical companies were private limited companies, one is a limited liability partnership, and the other is a sole proprietary company. 11 of the companies were founded between 2010 and 2019 GC, while 5 were founded between 1990 and 1999 GC. Additionally, 8 companies had 11-100 employees before Covid-19, 2 companies had 101-250 employees, and 6 companies had 1-10 employees before Covid-19 (Table 1).

Effect of COVID 19 pandemic on operations of pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021

Following the covid-19 pandemic, the government enforced various restrictions; nevertheless, restrictions on gatherings and meetings have been relaxed in several companies. With the exception of one company, where the restriction related to gatherings and meetings was not lifted until the completion of data collecting, the other companies replied as if the government had not imposed any restrictions; however restrictions were lifted and re-imposed in another company due to increased pandemic cases.

As most of our respondents stated that they would return to work fully onsite by complying with COVID protocols, there are companies that have totally, partially, and gradually restarted their activities

Table 1: General information about the Pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021.

Characteristics	Frequency	Percentage
Types of Ownership		
Private Limited Company	14	87.5 %
Limited Liability Partnership	1	6.25 %
Sole proprietorship	1	6.25 %
Year of establishment		
Between 1990 and 1999	5	15.4%
Between 2010 and 2019	11	84.6 %
Total number of employees before covid-19 hit		
1-10	6	37.5 %
11-100	8	50 %
101-250	2	12.5 %

following the easing of restrictions. Four companies answered because they would return to work in part by working on site and in part by using the telephone. One company answered by stating that they do not function or have closed their doors.

After the first COVID-related restriction imposed by the MOH, the majority of respondents claimed that they would return to work in less than 30 days, taking all necessary pre-cautions and the other majority stated that they would resume full operation within the next 60 days. However, one respondent stated that it took more than 3 months to resume their business (selling of pharmaceuticals) after the MOH imposed the initial COVID restriction.

When asked if they changed their business or service delivery, the majority of respondents stated that they did not.

Effect of COVID 19 pandemic on availability of pharmaceuticals and medical supplies in pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021

During the first 3-6 months, there was a surge in the flow of substandard and falsified products, posing a significant challenge to the pharmaceutical supply chain and resulting in the death of many people in the country. As a result of the COVID-induced demand change, the availability of medicines such as azithromycin, oral anti-glycemic drugs, Atenolol, and Metoprolol was reduced, resulting in a larger increase in the price of medications and other products such as hand sanitizers and face masks [9,10].

The biggest difficulty, according to the majority of responders, is an imbalance in the attention devoted to COVID 19 prevention and other disorders. They claimed that everyone, including the government, focuses solely on COVID 19 while ignoring other diseases' commodities. As a result, most businesses have adopted no special measures to address the issue.

According to one respondent, ophthalmic drugs were the most commonly unused products after being imported in big quantities. As a result, they were in a tough position to encourage the market to close the gap. Furthermore, it was stated that the imported face masks lacked buyers, and that they were afraid.

Later, some pharmaceutical importers attempted to open their own factory to produce hand sanitizers and face masks in order to meet the rising demand. Furthermore, the majority of companies who primarily import medications and medical supplies, including COVID-related products, allege that a lack of hard currency exacerbates the problem. As a result, the impact of other imports on the market had a significant part in raising tensions.

Effect of COVID 19 pandemic on distribution of pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021

The effects of COVID 19 on pharmaceutical importers' distribution practices differed from company to company. Almost half of the respondents stated that distribution was moderately hampered. With the exception of one respondent, all others indicated their company's distribution practices were unaffected. They stated that they distribute their goods on usual days, while the majority stated that the COVID19 pandemic has seriously hampered their company's distribution practices during the last year and a half.

When asked which components of their supply chain are most sensitive to COVID's effects, three respondents said regional or geographic concentration is the most vulnerable, while one company

added, "...single point dependencies and bottlenecks" are the most vulnerable aspects of their supply chain.

The majority of respondents say that poor planning for long- and short-term disruptions, as well as reliance on unstable or unreliable partners or governments, are the most vulnerable aspects of their supply chain, while one respondent says that a lack of understanding of inter-relationships within global supply chains is the most vulnerable aspect. Moreover, as their supply chain is disrupted at some point, it would also affect the distribution of the pharmaceuticals and medical supplies [11].

As a result, respondents said that modifications or changes to their supply chain had been made to modify the distribution of pharmaceuticals and medical supplies, with the exception of four organizations that have not made any changes to their supply chain. Some respondents suggest diversifying suppliers to reduce reliance on a single source and increase crisis modeling and contingency planning, while others suggest relocating for political stability and vertically integrating, which includes incorporating different stages of the production process and supply chain, such as materials, suppliers, manufacturing, and distribution, into the business.

Effect of COVID 19 pandemic on revenue of pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021

More than half of the respondents stated that their revenue for 2020 was less than half of what it was in previous years. While two respondents said that their revenue for the year 2020 was decreased by one third compared to previous years.

In contrary one respondent said their revenue for the year 2020 was increased by more than half compared to previous years. But few of the respondents mentioned they are unable to estimate their 2020 revenue.

Because of the negative impact on revenue, various measures to examine the company's costs were implemented. Some companies have taken cost-cutting measures, while others are planning to take a different approach. "...to cut our expenditures, we reduce and entirely freeze recruiting of new workers, dismiss employees, reduce operating costs, and reduce travel costs," one respondent said.

Other respondents said that they had taken actions such as lowering or delaying compensation increases or annual bonuses, as well as implementing mandatory leave or holidays.

In another company, it was said that the steps adopted were "to reduce borrowing costs." In addition, five respondents' state, "...my organization has not implemented cost-cutting initiatives."

Companies have utilized several techniques to raise income, such as offering new products or services, modifying supply chain agreements, forming collaborations with other businesses, or developing loyalty programs to reach out to additional customers. Diversifying markets, such as operating in other regions or with new clients, is another respondent's plan. Changing distribution channels (e.g., promoting delivery or online sales) and lowering the price of selected products or services are also strategies mentioned by two respondents.

When asked about customers' ability to pay, the majority of respondents said that customers' ability to pay has declined or is late than previously. One company said that consumers have a wonderful ability to pay, while Furthermore, one company stated in normal circumstances, our company gives consumers a two-month credit,

but after COVID, we boost it to three months credit.

Effect of COVID 19 pandemic on importation of pharmaceutical importers located in Addis Ababa, Ethiopia, August 2021

The majority of companies import pharmaceuticals as well as medical supplies. Some businesses, on the other hand, import medical supplies or equipment. Furthermore, the majority of businesses are involved in the importing of COVID-related commodities.

The effects of COVID 19 extend to the disruption of pharmaceuticals and medical supplies imports. Furthermore, the extent of COVID's effect depends on the location where the majority of items are imported from.

The majority of companies, as it was responded, import their items from China and India. Other companies import from the United States, Germany, and Turkey. With the exception of two companies that import once or twice per year, the majority of respondents stated that their companies import three or more times per year.

It was responded that most companies import their products from China and India. In addition, some other companies import from USA, Germany and Turkey. Exception to two companies that import once and twice per year, most of respondents mentioned that companies import three and more than three times per year.

Most companies import both drugs and medical supplies. Whereas, some companies imports either medical supplies or equipment. Moreover, above the average companies import COVID related items.

Other importers, particularly those who import mostly COVID-related things, may have an effect on other importers who import items other than COVID-related items.

The majority of enterprises say that other importers who have special permits for COVID-related goods like as gloves, face masks, sanitizer, zinc, and dexamethasone injection have a significant impact on them. "...Our facemasks aren't selling and are stockpiled at the store, resulting in a higher loss." One company reacted to the impact of other importers.

Discussion

COVID 19 has been in Ethiopia for almost a year and a half, posing its effect on the country as a whole and the pharmaceutical industry in particular.

Ethiopia's government, like the rest of the world, imposes restrictions to avoid disease spread. This restriction was given the highest level of authority to influence and change the business operation or service delivery of the company. Because of the restrictions, certain companies can only operate on a limited scale, while others can operate at full capacity. Some employers only allowed their employees to work via phone, while others compelled them to take unpaid leave.

According to a study conducted by Nayler, the biggest problem in companies that ran in partial capacity during COVID-19 was the absence of employers and employees owing to COVID-19 infection and fear of becoming infected with the virus, which harmed their company [12].

COVID 19 was considered to have an impact on the pharmaceutical business operation by the majority of respondents. Other than banning crowd gatherings and meetings, the government clearly imposed no particular restrictions on pharmaceutical businesses. COVID had an

impact on employer actions in the organization for a variety of reasons, which hampered business operations.

Following the relaxation of imposed limits, companies reacted in a variety of ways in order to resume their work at full capacity. After a period of time, most businesses resume work by following COVID 19 safety standards. However, several businesses have been forced to remain shuttered indefinitely, delaying their reopening.

An article by Kate, et al., stated that some claim executives in the pharmaceutical sector have a history of being hesitant to adapt to new circumstances. However, many in the industry were extremely responsive during the COVID-19 pandemic. Industry operations leaders have banded together to facilitate the cross-border supply of critical medications, manage labor safety, and deal with increasing government limitations, all while preparing for new vaccines and therapies. Most businesses have established crisis-response command centers to effectively manage and restore stability to an otherwise volatile situation.

This study also looks into the availability of various medications, reagents, and medical supplies used to prevent COVID-19 and other diseases, and it was discovered that there was an increase in the flow of substandard and falsified products during the first 3-6 months, posing a significant challenge to the pharmaceutical supply chain and resulting in the deaths of many people in the country. As a result of the COVID-induced demand change, the availability of pharmaceuticals such as azithromycin, oral anti-glycemic agents, Atenolol, and Metoprolol was decreased, resulting in a larger increase in the price of medications and other products such as hand sanitizers and face masks. Later, some pharmaceutical importers attempted to open their own factory to produce hand sanitizers and face masks in order to meet the rising demand.

Furthermore, the respondents noted that they encounter obstacles from non-business entities that import face masks and sanitizers and stock different items that don't sell, which prevents them from importing new products without selling what they have on hand right now. Respondents argue that those non-pharmaceutical firms maintained non-compliant warehouses and accumulated PPE, sanitizers, facemasks, and other medical equipment, which they then sold without an invoice.

An article by Gary Gereffi shows that pharmaceutical companies use strategies, (1) increase capacity in the home country to address security concerns for essential products; (2) increase the number of international production sites to avoid overreliance or dependence on one or two locations; (3) seek large and growing end markets that can be served from an international production network¹⁹; and (4) nurture production, research and marketing partnerships with firms in related industries [13]. However, most of respondents responded that they have no special strategies to be taken to increase the availability,

When evaluating the effects of COVID-19 on distribution, it hurt suppliers in a variety of ways, with most companies' suppliers being mildly hampered, with the exception of a few companies' suppliers who were substantially harmed.

To review and measure, the most vulnerable component of each company's supply chain faced enormous problems, according to respondents, regional or geographic concentrations with or without single point dependencies and bottlenecks are the most vulnerable to COVID attacks, prompting them to take drastic steps that result in the reduction or elimination of their employers.

Some businesses may have indicated how their reliance on unstable or unreliable partners or governments harmed their business, prompting them to shift their strategy to cooperating with secure and dependable partners. Companies utilized alterations or modifications in their supply chain to boost distribution depending on which supply chain of the organization is more vulnerable to COVID. Companies attempted to lessen reliance on a single source by diversifying suppliers, which they viewed as a somewhat effective shift.

Taking no alterations or changes to their supply chain was correlated with a low level of vulnerability to a COVID attack. Aside from that, different techniques are applied depending on the company's vulnerability [14,15].

This research also assessed the impact of the COVID 19 on the revenue of pharmaceuticals and medical supplies and reagents for 2020. According to pharmanews intelligence, Merck believed that the total impact of coronavirus on its revenue was negligible in the first quarter. However, executives expect a worse hit to sales in the following quarters, with predicted losses of \$1.7 billion in pharmaceuticals and \$400 million in animal health goods.

Nearly two-thirds of Merck's revenue originates from physician-administered medications, which are being impacted significantly by COVID-19-related social distancing measures, fewer well visits, and delays in elective procedures, according to Merck.

With the exception of one company described, revenue has increased to a particular level, while revenue has decreased to a given level in other companies. According to respondents, the company whose revenue increased during COVID was correlated with greater marketing of COVID-related products. When organizations with lower revenue were asked if they employed cost-cutting or other cost-cutting techniques, they tried to minimize costs by reducing or entirely freezing new hires, dismissing employees, lowering wage increases, and lowering borrowing costs. Respondents believed that by taking these steps, they would be able to balance the price implications of COVID. Furthermore, companies are considered to mitigate the sharp rise in the price of medicines by employing various strategies aimed at increasing revenue, which has an impact on the price of various items and offering new products, diversifying markets, and lowering the price of selected products and services. Furthermore, the paying capacity of their consumers had an impact on the pricing, as most companies responded late and customers' decreased paying capacity hampered the supply chain, forcing them to raise the price of various COVID-related and COVID nor-related products.

Article by Nayyereh Ayati shows that Potential shortages as a result of export bans in India and China, who are major producers of API and generics, have prompted governments in many countries to examine supply chain self-sufficiency and to issue legislation to prevent shortages in such a situation⁵. Because our country imports the majority of its pharmaceutical needs from other countries such as China and India, the level of their export sector response to COVID will have an impact on our ability to import medications, API for manufacturers, PPE, sanitizers, and other items. Because most businesses imported three times or more before the COVID epidemic, the impact of COVID limits the frequency of importation, resulting in supply shortages.

Furthermore, the majority of companies who primarily import medications and medical supplies, particularly COVID-related products, report that currency shortages exacerbate the problem. As a result, the impact of other imports on the market had a significant part in raising tensions.

Limitation of the study

There has been little research conducted on the subject in the country, making it impossible to predict future directions.

Conclusion

COVID-19 pandemic has an effect on pharmaceutical importers' ability to import. During the pandemic, the availability of COVID 19 protective equipment including face masks and hand sanitizer reduced. Aside from COVID-related items, the availability of medications used to treat chronic diseases such as hypertension and diabetes was harmed. COVID-related commodities and other medications' prices were also affected in various ways. In addition to this, the revenue of the pharmaceutical companies was decreased in variable amount. Though the government grants non-pharmaceutical importers a special importation license to import COVID 19-related commodities, the special permit has a negative impact on pharmaceutical importers.

Acknowledgement

I would like to extend my deepest gratitude for those individuals who participated in the study.

Ethical consideration

The ethical review committee of Addis Ababa University's School of Pharmacy gave their approval (Ref No). Only with the complete cooperation of officials from pharmaceutical importers was an interview conducted. Each responder was promised that the information he or she supplied would be kept private and used solely for research purposes. They were assured that if they did not feel comfortable, they may withdraw from the study.

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