KenInvest
PROMOTING INVESTMENTS IN KENYA
Kenya Investment Authority

PHARMACEUTICAL SECTOR INVESTMENT PROFILE SUMMARY

KENYA

KENYA: AN OVERVIEW

The Republic of Kenya is the biggest economy in the East African Community (EAC) region and hosts the regional headquarters of various international companies and organizations.

Key facts	
Capital city:	Nairobi
Area:	580,367 km^2
Population:	47.6 million (2019)
Population growth:	2.2% (2019)
Labour force:	19.6 million (2017 est.)
Literacy rate (15+ years):	Male: 81.1% (2015 est.) Female: 74.9% (2015 est.)
GDP (nominal):	$89 billion (2018)
GDP per capita (nominal):	$3,500 (2017 est.)
GDP growth:	6.3% (2018)
CPI:	4.7% (2018)
FDI flows:	$1.6 billion (2018 est.)
FDI inflow growth (2017/18):	33%
Exports:	$5.792 billion (2017 est.)
Imports:	$15.99 billion (2017 est.)
Govt. expenditure:	$19.24 billion (2017 est.)
Govt. revenue:	$13.95 billion (2017 est.)
Currency:	Kenyan shillings (KES)
Languages:	English, Kiswahili

Sources: CIA World Factbook, 2019 and Kenya National Bureau of Statistics (KNBS) Economic Survey, 2018.

Political context

Kenya has maintained remarkable political stability since independence in 1963. The current constitution, put into effect in 2010, creates a devolved system of government with national and county levels. This model separates powers between the legislature, judiciary and executive to ensure a system of checks and balances and also empowers local communities.

Industrial development overview

Kenya has an industrial development strategy aligned to Vision 2030, the national development blueprint, which aims to transform Kenya into a newly industrializing, middle-income country. The 2018–22 medium-term plan focuses on delivering the Big Four Agenda, which includes housing, food security, affordable healthcare and manufacturing. The pharmaceutical industry is a strategic sector as per the Kenya National Industrialization Policy and stands to benefit from this focus.

Pharmaceutical sector overview

The pharmaceutical manufacturing industry consists of 35 firms; the majority are in Nairobi and its outskirts. Ten manufacturers have upgraded their facilities to attain high Good Manufacturing Practices (GMP) standards. Two companies have achieved World Health Organization pre-qualification (WHO-PQ) certification and three are Pharmaceutical Inspection Co-operation Scheme (PIC/S) certified in 2004-08. The industry produces mainly non-sterile finished products, e.g. tablets, capsules, liquids and medicines for external use, which constitute approximately 30% of essential medicines need (the balance is covered by imports) at the current estimated value of $1 billion (2018).

WHY KENYA?

A strategic location

Kenya is a strategic gateway to Eastern and Central Africa, the Middle East, Asia, Europe and the rest of the world. The Port of Mombasa is the largest port in the region and provides direct connectivity to more than 80 ports worldwide. The geographic location makes Kenya ideal for partnerships aimed at enlarging regional and global market share.

A regional logistics and transport hub

Rail infrastructure

The newly built standard gauge railway (SGR) from Mombasa to Nairobi provides more capacity for cargo. The SGR line has also been extended to Naivasha, the next frontier for special economic zones investments.

Air transport

Kenya has robust aviation infrastructure in the EAC region that include five international airports. Nairobi's Jomo Kenyatta International Airport (JKIA) is one of the busiest airports in Africa, with destinations in more than 50 countries. The US Federal Aviation Administration has granted Kenya Category 1 rating, paving the way for direct flights to the United States of America.

Road networks

Kenya's road expansion programme has enhanced its position as a gateway to the East African region. The Lamu Port–South Sudan–Ethiopia Transport (LAPSSET) project is opening a transport corridor from Lamu in Kenya to Ethiopia and South Sudan, making regional interconnection a reality.

A modern labour system

Kenya has a large pool of youthful educated workforce with potential talent to work in the pharmaceutical industry. There are seven schools of pharmacy in Kenya, but expertise in specialized manufacturing skills is inadequate. This provides an opportunity for collaboration. Employment in Kenya is governed by the Employment Act of 2007, Labour Relations Act, Work Injury Act and Occupational Health and Safety Act.

Trademark and patent protection

Kenya's Industrial Property Act allows innovation and patent protection and meets the terms of the TRIPS Agreement.

Industrial zones strategy for investments

Industrial zones with necessary infrastructure and facilities are set up in Kenya to steer industrial growth. The industrial zones strategy clusters foreign investment in defined areas, with specified incentives including tax and duty exemptions.

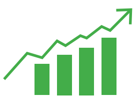
Two types of zones exist in Kenya: export promotion zones (EPZs) and special economic zones (SEZs). There are more than 40 gazetted EPZs in Nairobi, Voi, Athi River, Kerio Valley, Mombasa and Kilifi at various stages of development. The SEZs are in Mombasa, Lamu and Kisumu. Five pharmaceutical manufacturers are based in the SEZ/EPZ zones.

Pharmaceutical enabling policies

Kenya's Vision 2030, presidential Big Four Agenda, Health Policy, Pharmaceutical Policy and Industrialization Policy all encourage pharmaceutical production. Manufacturing is regulated by the Kenya Pharmacy and Poisons Board to ensure compliance with Good Manufacturing Practices (GMP) and product quality.

Thriving Economy

- Largest in EAC; ~40% of EAC GDP
- Good investment environment
- Second largest FDI recipient in EAC ($1.6 bn in 2018)

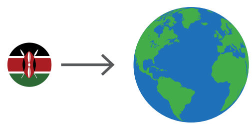


Inflation

- Sound monetary policy
- Stability in currency markets and inflation

Economic Trade Cooperation

- Signatory to bilateral, regional and internation agreements
- Includes EAC, COMESA, AGOA, AfCFTA and EU agreements



Business environment

The Kenyan Government has set policies to support economic development. Kenya has a very substantial private sector, including a significant number of foreign investors. The government and the private sector are partnering to develop the Kenyan economy. Government processes are automated across the country, providing efficient service delivery. A one-stop centre is provided by the Kenya Investment Authority to ensure an effective facilitation of investor processes.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INVESTMENT OPPORTUNITIES

Kenya offers excellent opportunities for investment across the whole pharmaceutical value chain, targeting the domestic market, the Common Market for Eastern and Southern Africa (COMESA) region and the rest of Africa.

Research and development partnerships

Kenya's Vision 2030 directs the manufacturing sector to increase the generation and usage of research and development (R&D) results and to ensure commercialized research through linkages with academia, research institutions, the manufacturing sector and investors. Kenya has numerous research institutions, for example, Kenya Medical Research Institute (KEMRI), which has demonstrated its ability in various potential commercial ventures such as diagnostic kits and biosimilar products.

Production of vaccines

Currently, there is no vaccine production in Africa. Immunization coverage in Kenya was 82% in 2018, the target being 100%. Vaccine production provides a glaring investment opportunity in Kenya. Discussions are underway between a Kenyan firm and Merck for a joint venture in vaccine production.


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Production of pharmaceutical inputs

There is opportunity to increase production of non-pharma grade raw materials such as sugar for syrups, common salt (sodium chloride) for oral rehydration salts and ethanol, which can be processed to pharmaceutical grade for use in the industry. Another opportunity is the production of hecogenin, a steroid precursor extracted from sisal plant grown on large-scale farms in Kenya.

Production of sterile products

There are only three manufacturers of sterile products in Kenya, making approximately 10% of the required sterile products. As such, there is room for investment. Notably, Kenya has designated special economic zones and export processing zones with requisite infrastructure and incentives for potential investors.

Production of cardiac and diabetic products

Kenya has acknowledged the increasing prevalence of non-communicable diseases (NCDs) in the country as a challenge considering that cardiovascular diseases, cancers and diabetes are among the top killers in Kenya and the EAC. Thus, an NCD national strategy for control is being implemented. The local industry does not produce most cardiovascular and anti-diabetics drugs; hence, an opportunity for investment.

Production of beta-lactam products

Communicable diseases remain the leading cause of death in Kenya and the EAC, even though there is a significant decline; hence, demand for anti-infectives, mostly β-lactam antibiotics, continues to be high. Few manufacturers produce these antibiotics due to their stringent GMP requirements. Investors could look at setting up factories for production of the whole range of beta-lactam products in Kenya.

Production of anti-cancer agents

Cancer was ranked 3rd as a cause of death in Kenya in 2017, indicating that there is demand for anti-cancer medicine in the country. No anti-cancer medicine is manufactured in Kenya. The National Cancer Control Strategy is under implementation. This strategy identifies local manufacturing of medicines among others as a contributor to reducing the impact of this disease. Tremendous opportunities exist in production of anti-cancer agents, especially through collaborative partnerships.

Herbal/alternative medicines

Approximately two-thirds of Kenyans seek alternative treatment for various ailments. Kenya has diverse flora and abundant basic knowledge on medicinal herbs. A policy and pharmacopoeia on herbal medicine exists in Kenya.

KEMRI and several local universities conduct research on alternative medicines and could partner to commercialize these herbal medicines.

Medical devices, diagnostics and dressings

The region imports all medical devices, including non-pharms. Some of these can be produced locally, for example, disposable surgical gloves, latex gloves, syringes, catheters, and gauzes.

Development of logistics and warehousing

Currently, manufacturers operate their own warehouses. However, this is not sufficient and points to a need for warehousing as a service. For instance, GMP-certified warehouses could serve as inventory holding for active pharmaceutical ingredients (APIs) and other excipients that may have longer lead times.

The opportunities enumerated above are not exhaustive but give potential investors a glimpse of the situation in Kenya today.

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