HEALTH SECTOR OPPORTUNITIES IN KENYA

FACT PACK

2017
Business Sweden in Nairobi
KENYA AIMS TO BE A MIDDLE-INCOME ECONOMY BY 2030

- Kenya has a long-term development plan named Vision 2030 which aims to transform the country into a middle-income economy by the year 2030
- The plan comprises three key pillars: economic, social and political development

**Economic Pillar**
Aims to achieve an average economic growth rate of 10% per annum until 2030

**Social Pillar**
Seeks to create just, cohesive and equitable social development in a clean and secure environment

**Political Pillar**
Aims to realise an issue-based, people-centred, result-oriented and accountable democratic system

**Enablers and Macro-Foundations**
Macroeconomic stability, infrastructural development, science, technology and innovation, land reforms, human resources development, security and public sector reforms

KENYA'S KEY ONGOING PROJECTS ARE GUIDED BY THIS VISION, WHICH IS AIMED AT GENERATING ECONOMIC GROWTH

SOURCE: KENYA VISION 2030
KENYA’S HEALTH SECTOR IS PREDOMINANTLY SERVED BY THE PUBLIC SECTOR

HEALTH SECTOR EXPENDITURE (2015)

100% = USD 3.5 billion

OVERVIEW OF THE SECTOR

- Kenya has a health policy in line with the country’s Vision 2030, with the main aim of maintaining a healthy workforce by providing equitable, affordable and quality healthcare to the entire country
- Healthcare in Kenya is provided through a network of over 4700 health facilities
- The public sector is dominating Kenya’s healthcare sector, but the quality is still varying across the country
  - Nairobi and the central province is best served, while the North-Eastern Province is the most underdeveloped
- The significance of the public sector reflects the fact that a large part of the population cannot afford private care
- Per capita expenditure increased by ~15% from USD 65 in 2012 to USD 75 in 2015 and is expected to grow further the coming years

SOURCE: WORLD BANK, BMI: KENYA PHARMACEUTICALS AND HEALTHCARE REPORT Q1 2017, KENYA VISION 2030
KENYA’S HEALTH SECTOR IS EXPECTED TO GROW AT A CAGR OF 10.8% THROUGH TO 2019

HEALTH SECTOR VALUE 2014-2019

USD Billion

2014 2015 2016e 2017e 2018e 2019e

2.2 2.3 2.5 2.7 2.9 3.1

CAGR* 10.8%

CHARACTERISTICS

- Kenya’s health sector value is USD 3.5 billion and contributes approximately 6% to the country’s GDP
- The sector is expected to grow at a faster rate than the overall economy
  - Growth is estimated to an average compound annual growth rate of 10.8% from 2014 to 2019
- Reasons for growth:
  - Increase in government contribution
  - A growing population: ~2.6% annual growth rate
  - Economic growth: estimated 7% GDP growth in 2016
  - Growing trends in non-communicable and communicable diseases
  - Increasing urbanisation
  - Awareness of preventative healthcare
  - Increase in life expectancy: increase of 6 years in the past 10 years

KEY GROWTH DRIVERS IN THE SECTOR WILL BE ECONOMIC GROWTH AND INCREASE IN THE COUNTRY’S DISEASE BURDEN

SOURCES: BMI KENYA PHARMACEUTICALS AND HEALTHCARE REPORT Q1 2017, OPEN CAPITAL ADVISORS 2012, WORLD BANK

* COMPOUND ANNUAL GROWTH RATE
THE HEALTH SECTOR COMPRIZES OF FIVE SEGMENTS

INDUSTRY SEGMENTATION

The Kenyan Health Sector

- Health facilities
  - Public ownership:
    - Hospitals
    - Dispensaries
    - Health centres
  - Private ownership:
    - Clinics
    - Nursing homes

- Pharmaceuticals
  - Local and international drug manufacturers
  - Drug distributors
  - Pharmacies

- Medical equipment supplies
  - International companies that supply medical equipment like X-Ray machines, ultra-sound scanners etc.

- Diagnostics
  - Laboratories that perform medical examinations and produce medical results

- Health Insurance companies
  - Private health insurance companies
  - NHIF – National Hospital Insurance Fund

THE VIBRANT AND DIVERSIFIED HEALTH SECTOR PROVIDES A BROAD RANGE OF BUSINESS OPPORTUNITIES

SOURCE: IMPROVEMENT OF HEALTH SECTOR IN KENYA 2014 HARADHAN KUMAR MOHAJAN
KEY SEGMENT PLAYERS HAVE LOCAL AND INTERNATIONAL PRESENCE

HOSPITALS
- The biggest government owned hospitals are:
  - Kenyatta National Hospital (KNH)
  - Moi Teaching and Referral Hospital (MTRH)
- The biggest private hospitals are:
  - The Nairobi Hospital
  - The Aga Khan University Hospital

PHARMACEUTICALS
- The pharmaceuticals industry is dominated by large international players and a few local players
- Biggest international pharmaceutical companies:
  - GlaxoSmithKline
  - Merck and Co.
  - Norvatis
  - Pfizer
- Biggest local pharmaceutical company:
  - Beta Healthcare

MEDICAL EQUIPMENT
- This segment is dominated by large international medical device manufacturing companies:
  - GE Africa
  - Philips
  - Guided Therapeutics

INSURANCE COMPANIES
- The biggest insurance companies are:
  - Jubilee Insurance
  - Britam Insurance
  - AIG
  - UAP Insurance

THE BUSINESS ENVIRONMENT ENABLES FOREIGN DIRECT INVESTMENT IN THE SECTOR

SOURCE: BUSINESS SWEDEN ANALYSIS, BMI KENYA PHARMACEUTICAL AND HEALTHCARE REPORT Q3 2015
RECENT KEY DEVELOPMENTS HAVE FOCUSED ON IMPROVEMENT OF EFFICIENCY AND ACCESS

- **Regulatory Framework**: New regulation was passed in an effort to ensure adequate service delivery in the sector. They include: waiver of maternity fees in all public hospitals, devolution of the sector to the 47 counties, legislation to enable public-private partnerships and a new healthcare policy framework.

- **Healthcare service investments**: In an effort to bring health services closer to the citizens integrated health facilities that provide quality healthcare, water and solar powered lighting services were launched in poorer urban areas.

- **Pharmaceutical Investments**: Drug manufacturers Astra-Zeneca, Merck KGaA and Astellas all launched long-term health programmes targeting hypertension, clinical diabetes and obstetric fistula respectively.

- **Medical Equipment Investments**: GE Healthcare partnered with the GoK in a flagship deal to provide USD 250 million worth of medical equipment that covers equipment lease, maintenance and a training programme over seven years. Guided therapeutics won a local Nairobi county contract to supply and install cancer screening equipment.

- **Healthcare ICT**: Kenya Medical Supplies Association (KEMSA) adopted Fintech: a mobile based medicine tracking system that will aid in the procurement, monitoring, warehousing and distribution of all medicines and devices for health programmes in the country.

 SOURCES: FINANCIAL TIMES, BMI KENYA PHARMACEUTICALS AND HEALTHCARE REPORT Q3 2015, ALL AFRICA: ASTRA ZENECA COMMITED TO TACKLING HYPERTENSION ACROSS AFRICA
THE PUBLIC SECTOR WILL PRESENT NUMEROUS BUSINESS OPPORTUNITIES IN THE NEAR FUTURE

<table>
<thead>
<tr>
<th>Health equipment investments</th>
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<tbody>
<tr>
<td>▶ There is a need for investments in medical equipment and diagnostics equipment to support the health sector</td>
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<tr>
<td>▶ The government plans to tender USD 600 million worth of contracts for the supply of health infrastructure equipment</td>
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<tr>
<td>▶ Good opportunity for Swedish companies that manufacture medical devices</td>
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<tr>
<th>Health technologies</th>
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<td>▶ There is a lack of health information systems and centralised health records</td>
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<td>▶ Significant investments are required in systems that can generate, validate and analyse health information</td>
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<td>▶ Good business opportunity for Swedish companies with expertise in ICT solutions for the health sector</td>
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<tr>
<td>▶ Increasing trends in communicable and non communicable diseases coupled with insufficient provision of vital health products like vaccines and vital medicines will create business opportunities for drug manufacturers</td>
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<td>▶ Good opportunity for life science and pharmaceutical companies</td>
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<th>Health sector financing</th>
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<td>▶ Government is undertaking massive infrastructural projects with plans to build 201 health centres and upgrade 80 hospitals</td>
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<td>▶ In addition, government is looking to increase its healthcare expenditure to 15%</td>
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<td>▶ Good opportunity for external sources of financing from philanthropic, bilateral and multilateral sources</td>
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SOURCES: BMI KENYA PHARMACEUTICALS AND HEALTHCARE REPORT Q3 2015, OPEN CAPITAL ADVISORS 2012, KENYA HSSP, OPPORTUNITIES FOR HEALTH BUSINESS IN AFRICA
BUSINESS SWEDEN IN EA CAN ASSIST YOU FURTHER
FROM STRATEGIC ADVICE TO HANDS-ON ESTABLISHMENT SUPPORT

Our team in Eastern Africa

- Business Sweden’s assignment is to facilitate for Swedish companies to grow internationally and for foreign investors to invest in Sweden
- We promote Sweden as an attractive, innovative and competitive business partner. An important part is to support Swedish companies in reaching export markets with their products and services
- We are jointly owned by the Swedish government and the private sector, represented by the Ministry for Foreign Affairs and the Swedish Foreign Trade Association
- Business Sweden offers a variety of consultancy services, for example the following:

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<th>Business Support</th>
<th>Visiting Programme</th>
<th>Recruitment</th>
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<tr>
<td>Deepen your knowledge on local market dynamics in your sector</td>
<td>We offer office space and administrative support on the ground</td>
<td>Searching and visiting relevant partners, e.g. distributors</td>
<td>We support in finding and recruiting the right local representatives</td>
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CONTACT US

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