

Health Sector Supply Chains in Kenya

Prospects for improving
performance



African Centre for Technology Studies
Policy dialogue workshop
17th September 2014



Research background:

“Industrial productivity, health sector performance and synergies for inclusive growth”

- Examines potential synergies between industrial and health policy
 - Health sector performance: strengthening supply chains
 - Local production: product and process up-grading, structural transformation
- Aim of the research
 - Identify opportunities for improved local supply of essential medical commodities to strengthen health systems performance



Health Sector
Supply Chains



Industrial
productivity

Main Research Questions

- ✓ What scope for improved competitiveness
 - higher productivity, higher output and employment, product and process innovation etc.
- ✓ How improved local supply chains can better strengthen health system performance
 - prices, quality, etc.
- ✓ Key challenges in exploitation of opportunities

We answered these questions using an in-depth analysis

Prospects for improving health sector performance through local production

Factors that affect the ability of local firms to improve production and adequately respond the health sector
(sector experts including local manufacturers)

Factors that shape the supply chains of pharmaceuticals and other medical products
(sector experts including distributors)

Examination of supply chains of essential medicines and medical equipment and supplies into the health facilities and pharmacies
(sector experts including health practionners)

- ✓ **Availability of essential medicines**
- ✓ **Pharmaceutical production in Kenya**
- ✓ **Synergies between local production and health systems performance**

Aavailability of essential medicines

sector	availability			Total
	1	2	3	
Public	205	69	134	408
	50.25	16.91	32.84	100.00
FBO/NGO	195	25	76	296
	65.88	8.45	25.68	100.00
Private	665	74	250	989
	67.24	7.48	25.28	100.00
Total	1,065	168	460	1,693
	62.91	9.92	27.17	100.00

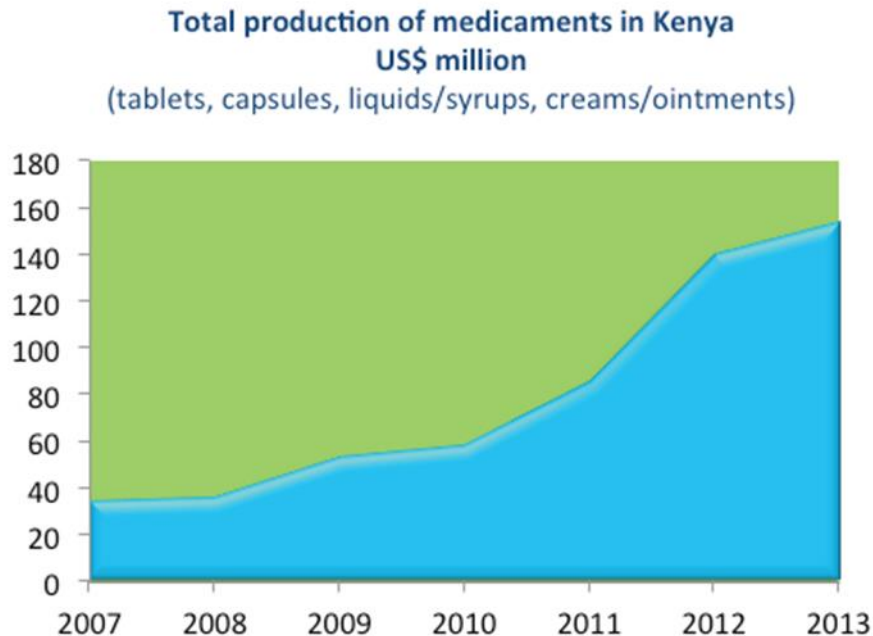


- About 50% availability of in public sector facilities (60% in hospitals and as low as 46% at the dispensary level)

Summary of observations – health facilities

- Availability is about 63% on average across all sectors and levels
- Local production is perceived as contributing to improving availability because it reduces delays
- Local production is particularly important in serving market in rural areas
- There is some confidence in the quality of the products and in some cases the benefit of more competitive prices
- Local production is viewed as facing tight competition from imports (market research, marketing/advertising and packaging)
- There is a general view that there is scope for increased local production to address the domestic market

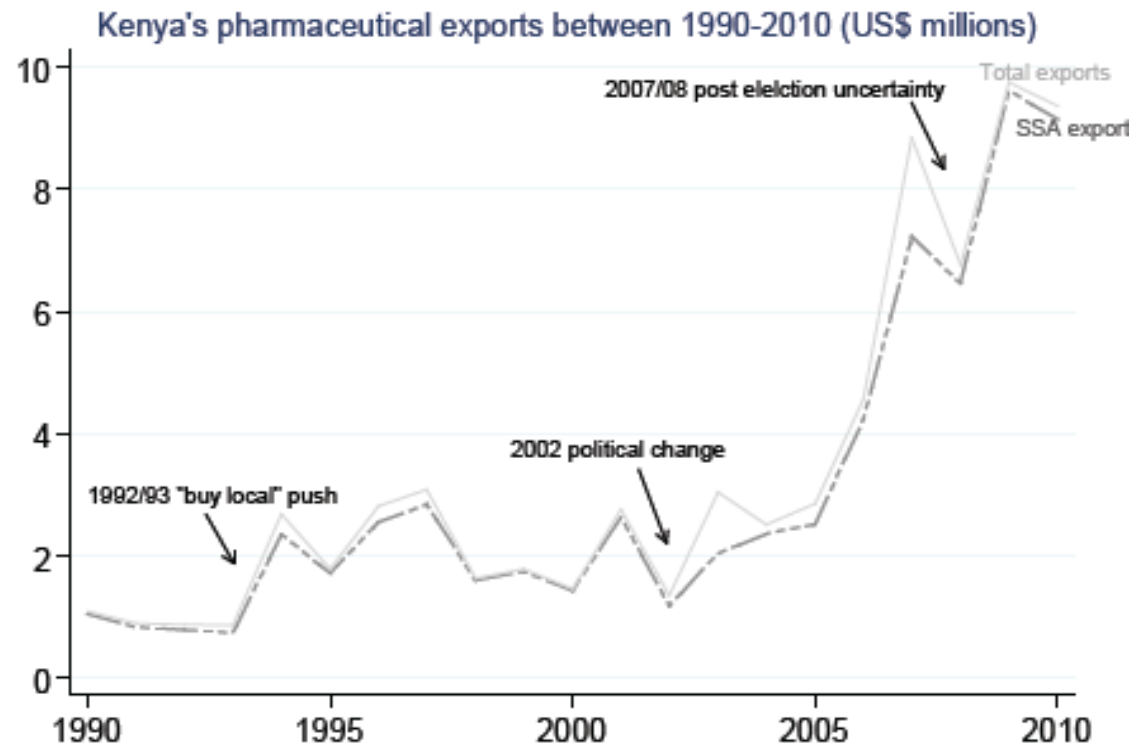
Pharmaceutical production in Kenya: key facts



- Average annual growth rate of 21% from 2007 to 2013
- Local production only about USD 200 million
- Pharmaceutical sales market worth about USD 720 million
- Much more could be done to expand local production to address domestic demand
 - Quantity
 - Product portfolio

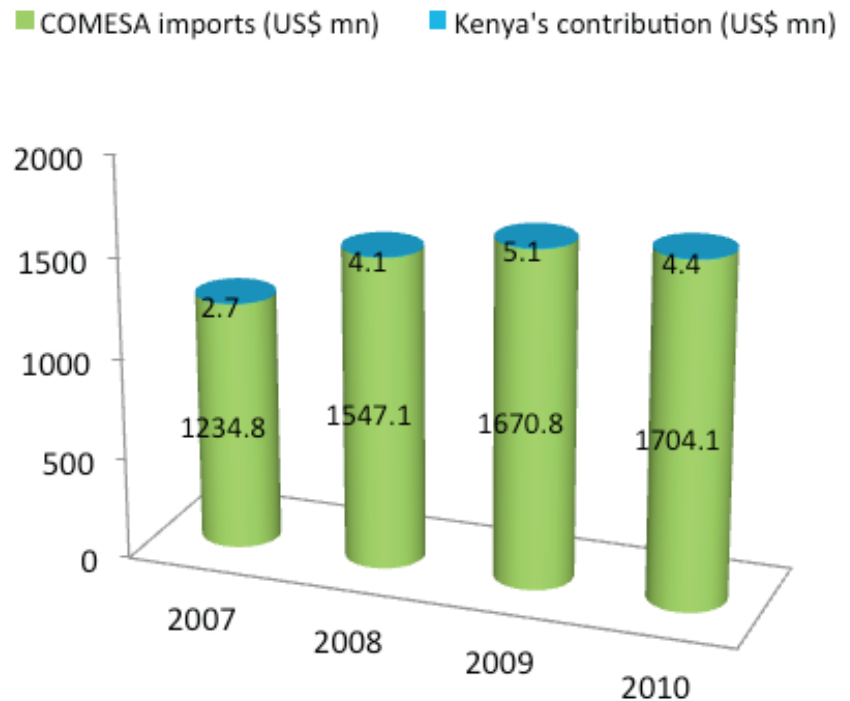
Pharmaceutical exports: key facts

- Export share of domestic production is 15% and 20%
- Driven by the sub-Saharan African market
- Uganda remains main importer of Kenya's pharmaceutical product, over decades
- Significant growth of Kenyan products in Somalia and Sudan



Pharmaceutical exports: key facts

- Kenya supplies about 50% of the region's production
- Kenya's exports contribute < 0.5% of COMESA's market
- In 2010 sales in COMESA were worth more than USD 1.7 billion
 - Kenya contributed only about USD 4.4 million
- Much more could be done to expand local production to address regional demand
 - Quantity
 - Product portfolio



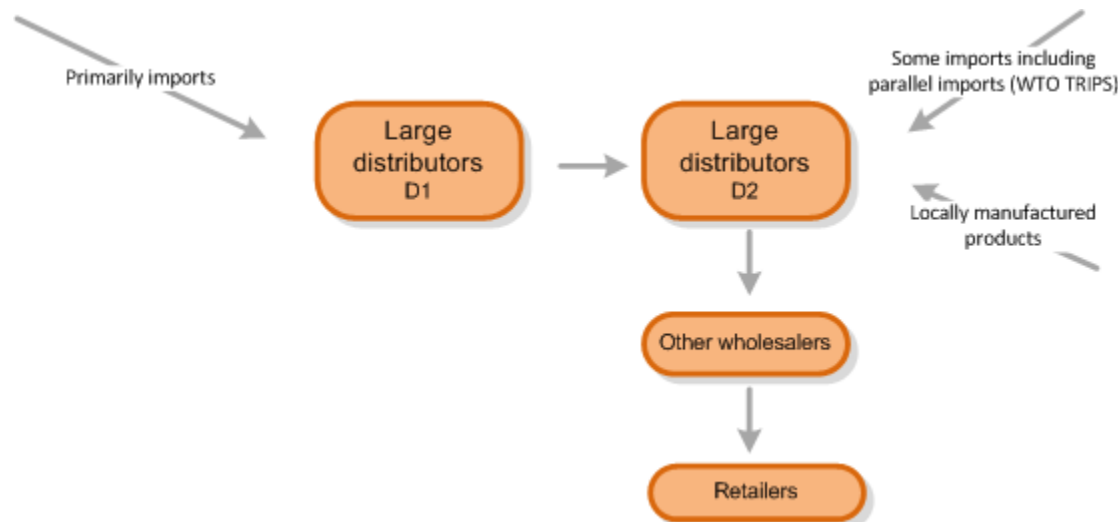
Summary points – local production

- 75% to 80% of local production is sold to the domestic market but it is only about $\frac{1}{4}$ of local sales
- Average annual capacity utilisation is only about 60% for most dosage forms
- Most firms are solely engaged in formulation activities i.e. converting bulk pharmaceutical substances into final usable forms
- The growth in local production is mainly attributed to growing markets in neighbouring countries

Is the local industry well positioned to improve Kenya's health sector?



Manufacturing



Distribution

Synergies between local production and health systems performance



- GMPs
- Affordability and availability
- Procurement
- Technological capabilities
 - Advanced manufacturing
- Many others
 - Ancillary sectors upstream and down stream (raw materials, pharmaceutical services etc.)

Policy coherence matters!



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Improving health
sector performance
through local
production



Policy
synergies

Knowledge
for better
livelihoods

