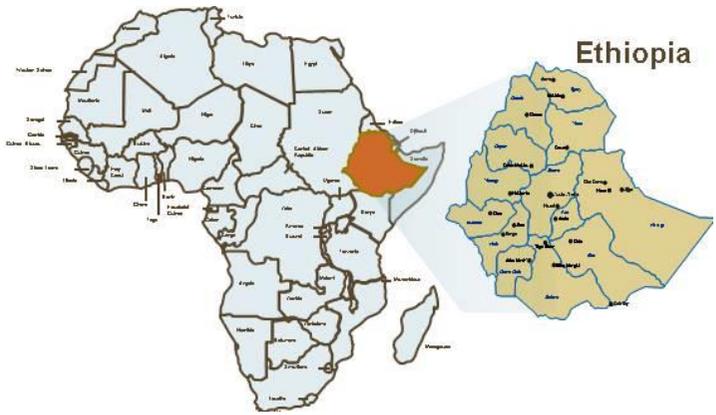




# Investing in Ethiopia: The future pharmaceutical hub of Africa

# Ethiopia has a clear vision for development, which builds off of its rapid growth in recent years and its strong track record in attracting FDI



<b>Population</b>	Total: 100m (est. 2017)
<b>Economics</b>	GDP/capita: \$739 (2015/16) FDI inflow: \$3.2bn (2016) FDI growth: 46% (2016)
<b>Health</b>	Health spend: \$2.7bn Health spend/capita: \$27 Health spend/GDP: 5% Availability of EDMs*: ~70%
<b>Literacy</b>	49% of total population

## Rapid economic growth

- One of the fastest growing economies in the world
  - 11% average growth over the past 13 years

## Favorable destination for FDI

- One of the top destinations for foreign direct investment (FDI)
  - Ethiopia accounts for 18.5% of all jobs created through FDI in Africa

## Young and productive population

- Second most populous country in Africa
  - >100 million people, growing at 2.3 million annually
- Young and productive age group accounts for 60% of the population

## Clear vision for development

- Vision 2025: become leading manufacturing hub in Africa
- Foreign investment is key focus of Prime Minister
- Wide-ranging incentives in priority sectors

Source: World Bank, IMF, WHO

# Ethiopia is building mega infrastructure projects to boost investment, which will capitalize on its existing geographic and market access advantages



- Electricity rate: 3 cents/kwh
- Massive investment in renewable energy generation
- Dedicated power sub-station in all industrial parks



- New electric railway connecting industrial parks to Djibouti port
  - 4-12 hour travel time



- Africa's aviation hub: over 100 international passenger, & 30 cargo destinations
- Ethiopian Airlines: World-class airline



- Industrial parks located in economic corridors
- 13 parks in total: 2 operational, 11 upcoming
- Specialized in priority sectors (including one upcoming pharmaceuticals park)
- Generous incentives

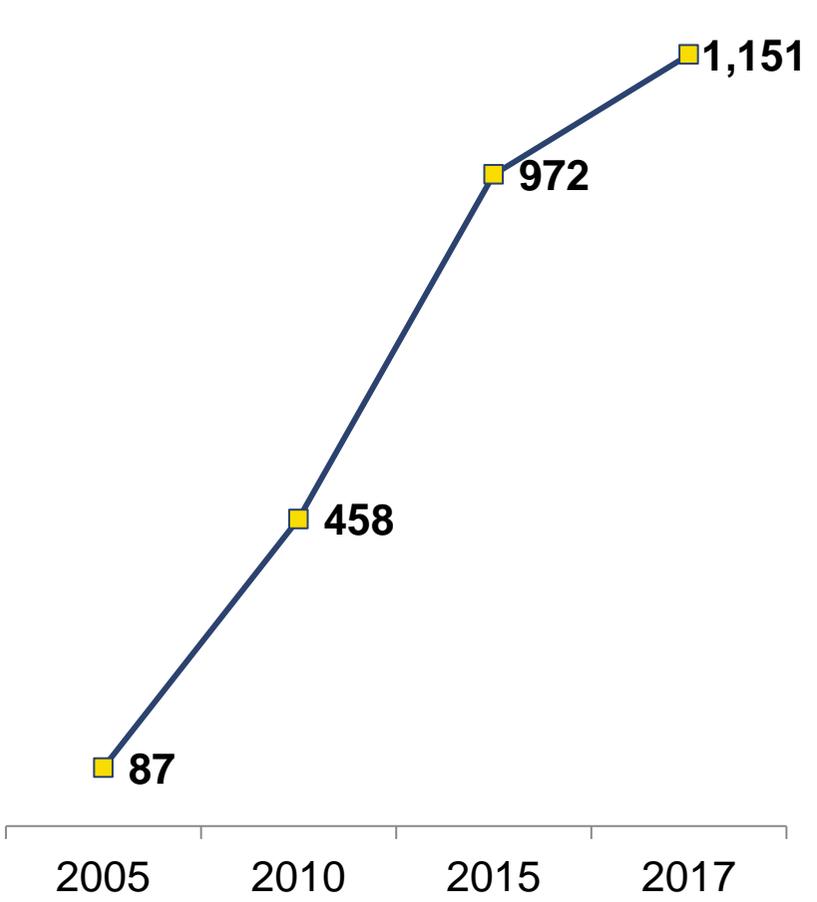
## Geographic and market access advantages

1. Proximity to European Union, U.S., Middle East, and Asia
2. Duty-free market access to U.S. and EU through AGOA and EBA, respectively
3. Preferential duty treatment to markets such as China, India, Japan, Canada, and Australia
4. IGAD and COMESA membership\* (~600 million people total)

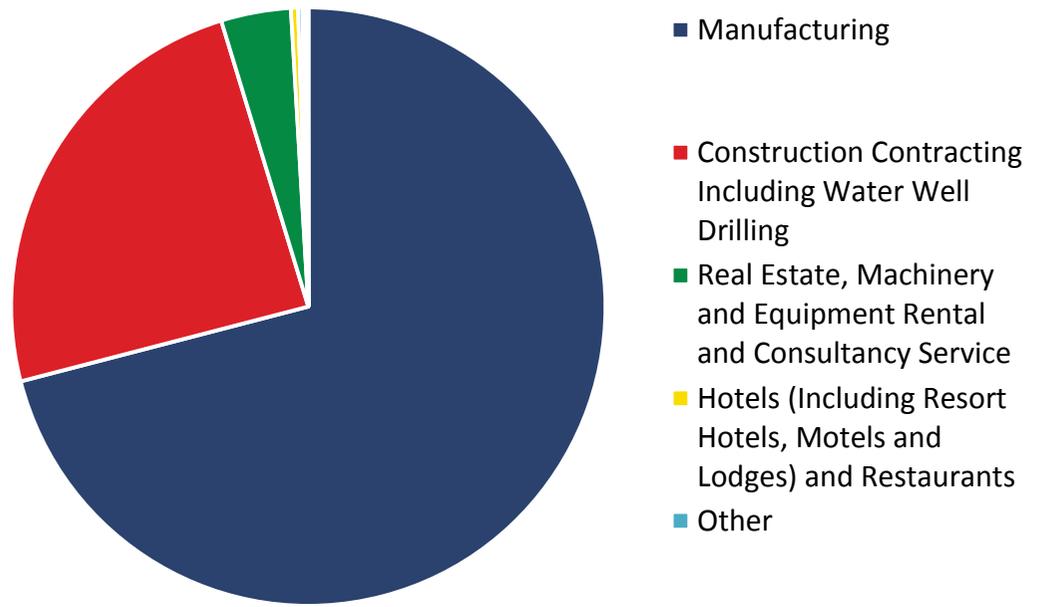
Note: \*IGAD is the Intergovernmental Authority on Development, an eight-country trade bloc in and around the Horn of Africa; COMESA is the Common Market for Eastern and Southern Africa, a free trade area consisting of nineteen member states in Africa.

# FDI inflow from China to Ethiopia has increased substantially over the past decade, with ~70% of it going to the manufacturing sector

Number of Chinese FDI projects in Ethiopia, cumulative



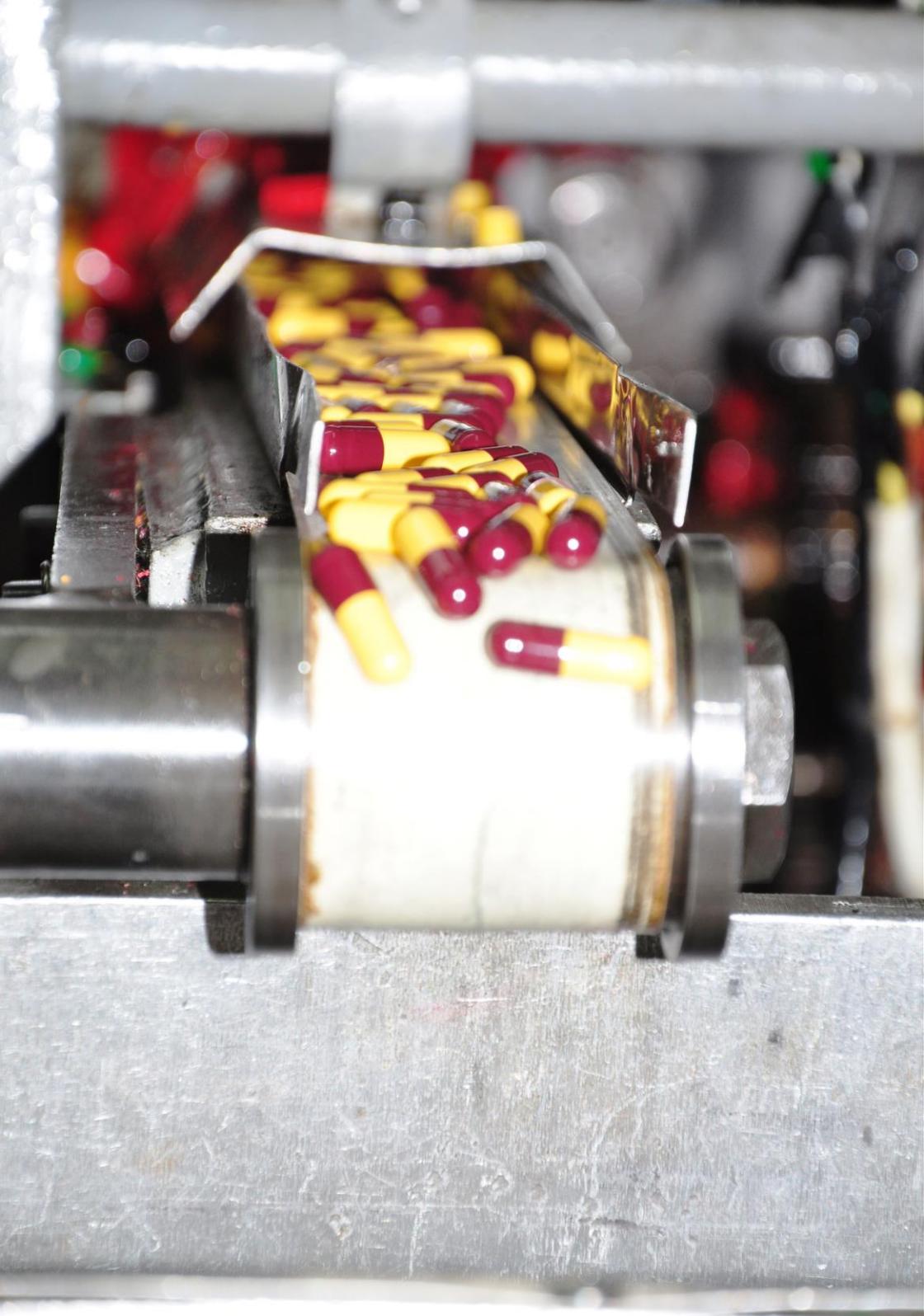
Sectoral distribution of Chinese FDI in Ethiopia (1998-2017), in terms of value



Total value of Chinese investment during this period is >\$1B.

### Chinese Pharmaceutical Manufacturers Operating in Ethiopia

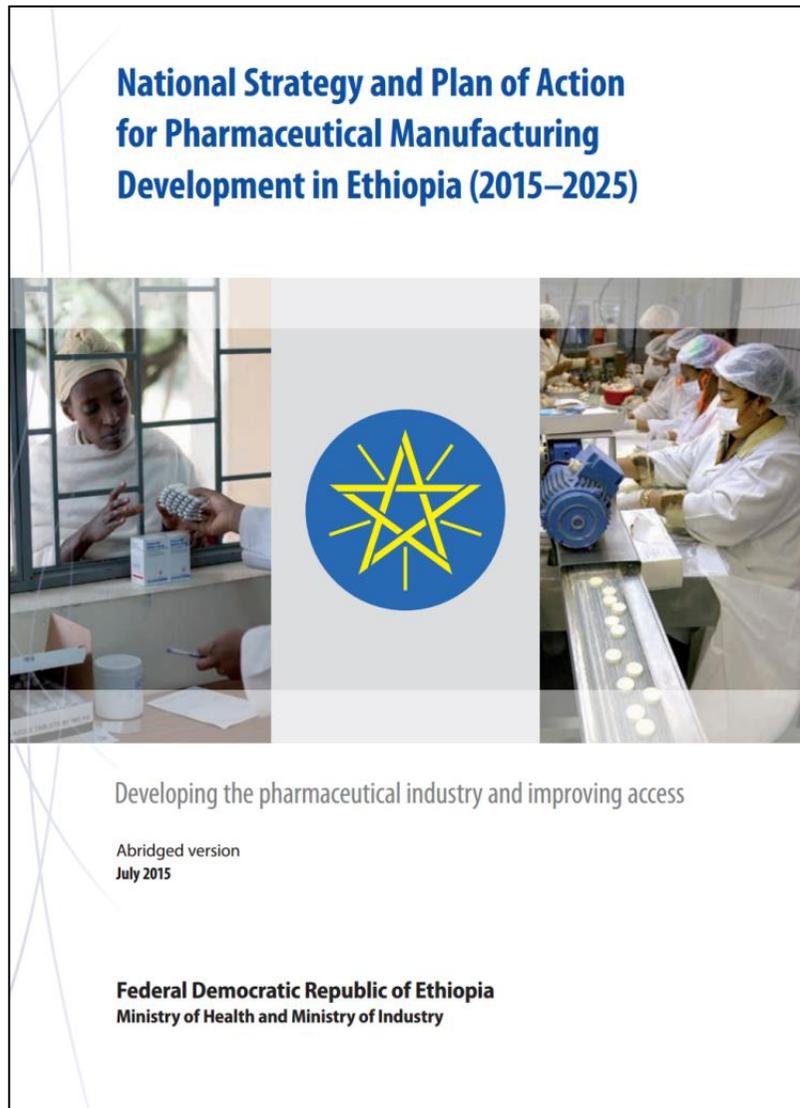
- Humanwell Pharmaceutical Ethiopia PLC
- Sino-Ethiopian Sunshine Pharmaceutical PLC
- Sansheng Pharmaceutical PLC



# Manufacturing pharmaceuticals in Ethiopia



# The Government of Ethiopia considers pharmaceutical manufacturing a priority for its economic growth strategy



- **Pharmaceutical manufacturing identified as priority sector** in the second Growth and Transformation Plan (GTP II)
  - Dual benefit of increasing access to medicines and promoting rapid industrialization of the country
- Ethiopia is **one of the first African countries to develop national strategy for pharmaceutical manufacturing**
  - *Strategy*: to grow exports in addition to substituting imports and improving access to medicines
- The Government will **develop state of the art Industrial Parks specialized in pharmaceutical manufacturing**

**Goal:**  
**To become a pharmaceutical manufacturing hub  
in Africa**

# The objectives on the National Strategy were updated to include creating hubs through industrial parks and export Facilitation

## Strategic Objectives of the NSPA

- 1 Improve access to medicines through quality local production (Implementation of the GMP Roadmap)
- 2 Strengthen the national medicine regulatory system
- 3 Create incentives designed to move along the value chain
- 4 Develop HR through relevant education and establishing Centers of Excellence
- 5 Developing pharmaceutical hubs through Industrial Parks
- 6 Developing APIs, Inputs and Other supportive industries
- 7 Create R&D platform
- 8 Attract FDI in the pharmaceutical sector
- 9 Exploit the LDC status to locally produce patented products
- 10 Encouraging exports

# Ethiopia offers regional market access, investor friendly policies, a trainable workforce, and a specialized industrial park

## Advantages of manufacturing pharmaceuticals in Ethiopia

### Accessible local and regional market

- Potential to serve as **export hub for the >\$20 billion pharmaceutical market in Africa**
- Regional economic communities (COMESA, IGAD) progressing towards **regulatory harmonization, thereby increasing the addressable market**

### Specialized industrial park for pharma

- **Kilinto Industrial Park** will be state-of-the-art and will specialize in pharmaceutical manufacturing, with all necessary infrastructure
- The land lease rate for Kilinto Industrial Park is 3.59 USD per m<sup>2</sup> per annum for the duration of 40 years on a cost recovery (not-for-profit) approach. Additional ETB 1 on a cost recovery (not-for-profit) approach will also be paid for the duration of the full lease period.

### Investor friendly policies focused on pharmaceuticals

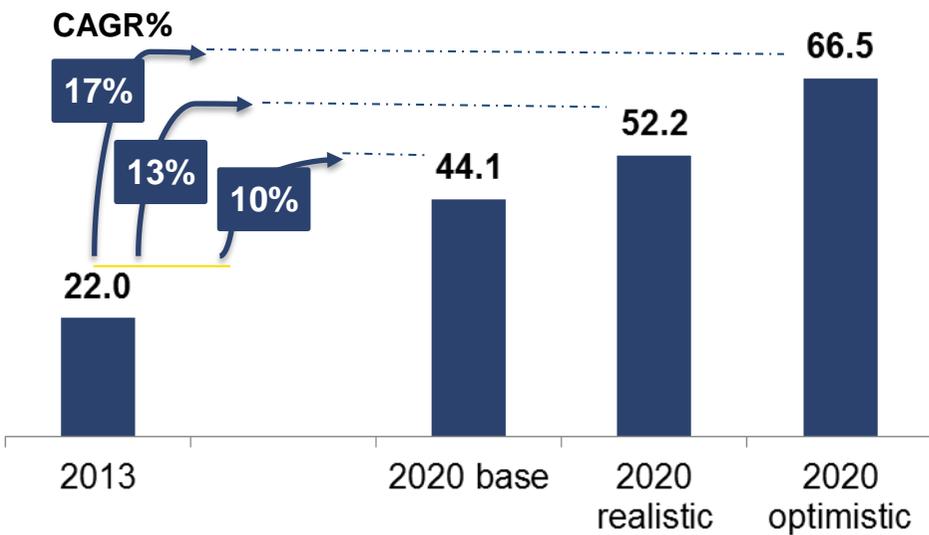
- **Strong investment policy focused on pharmaceuticals** (led by Prime Minister)
  - **Tax exemptions:** corporate income tax, personal income tax, duties, export taxes
  - **One-stop shop** for government services
  - **Price preference in public procurement**

### Trainable workforce with competitive wages

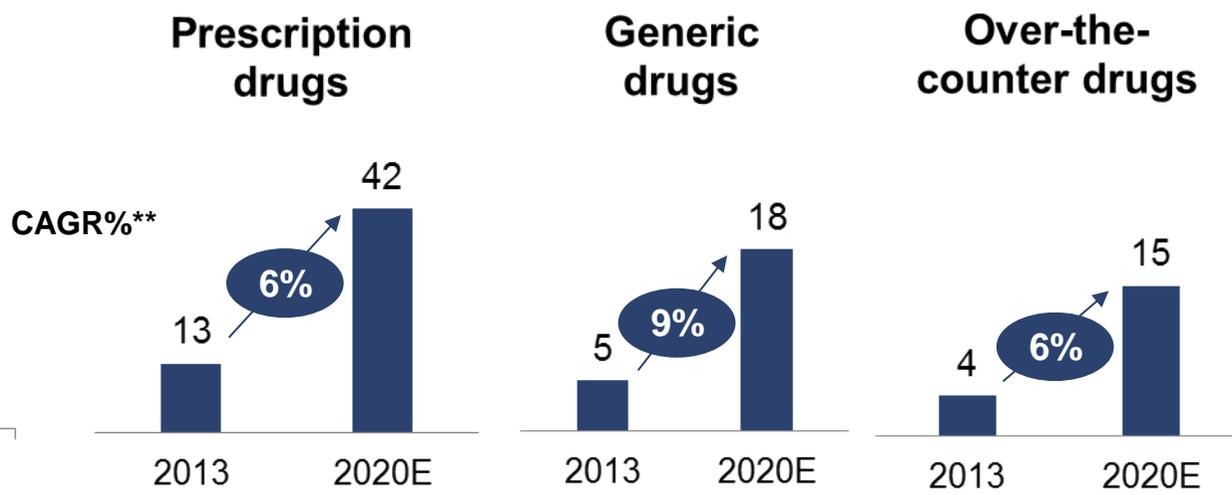
- More than **10 schools of pharmacy in Ethiopia**
- Programs will be expanded to **new areas of specialization** (e.g. industrial pharmacy, pharmaceutical analysis, etc.)
  - **Centres of Excellence** are being established to offer these specializations

# Ethiopia can be a hub for Africa, which is a frontier pharmaceutical market valued at >\$25B and where high growth is still achievable

The growth of pharmaceutical sales in Africa\* (2013-20E), \$US billion



Pharma segment growth in Africa (2013-20E), \$US billion

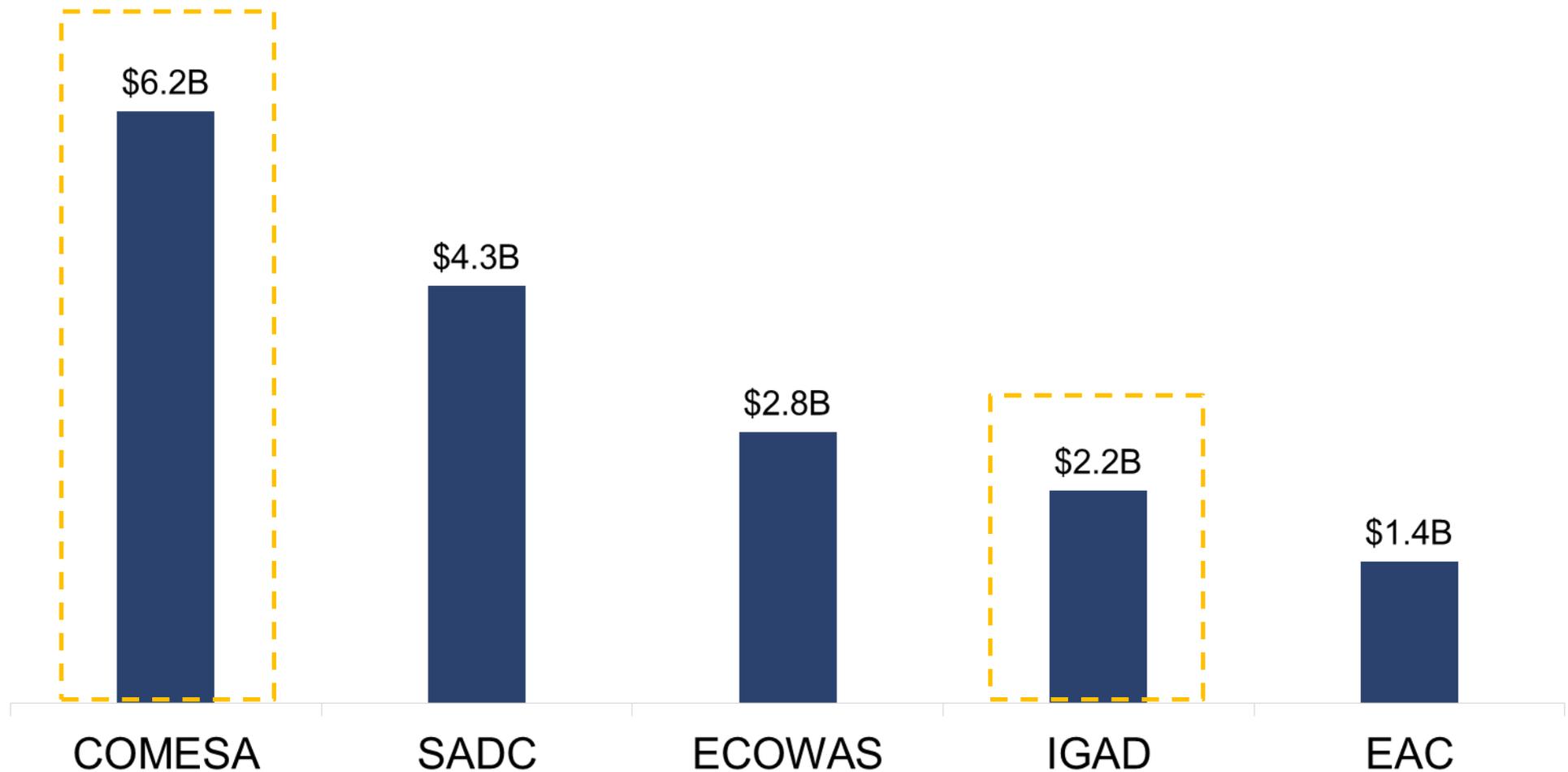


**As developed markets stagnate, Africa represents a promising source of growth for multinational pharmaceutical companies**

Note: \*2013 numbers are approximate; 2020 numbers are estimates; \*\*CAGR is for the top seven countries in Africa (Algeria, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa)  
 Source: McKinsey (2015) Africa: A Continent of Opportunity for Pharma

# COMESA represents a large export market—with an addressable market size of \$6.2B—while IGAD and EAC are also considerable in market size

Addressable market size, by region  
(*\$B, 2015 pharmaceutical imports*)



# Domestically, the disease burden, rising healthcare coverage, and population and economic growth make Ethiopia an attractive market

## Key drivers of pharmaceutical demand in Ethiopia

### Increased determination to address disease burden

- **Awareness, diagnosis and treatment of diseases are increasing** for both communicable and non-communicable diseases in Ethiopia
  - High burden of **communicable** diseases: malaria, HIV/AIDS, and TB
  - **Prevalence of non-communicable diseases**, such as diabetes, cancer, and hypertension, **is increasing**

### Rising healthcare coverage

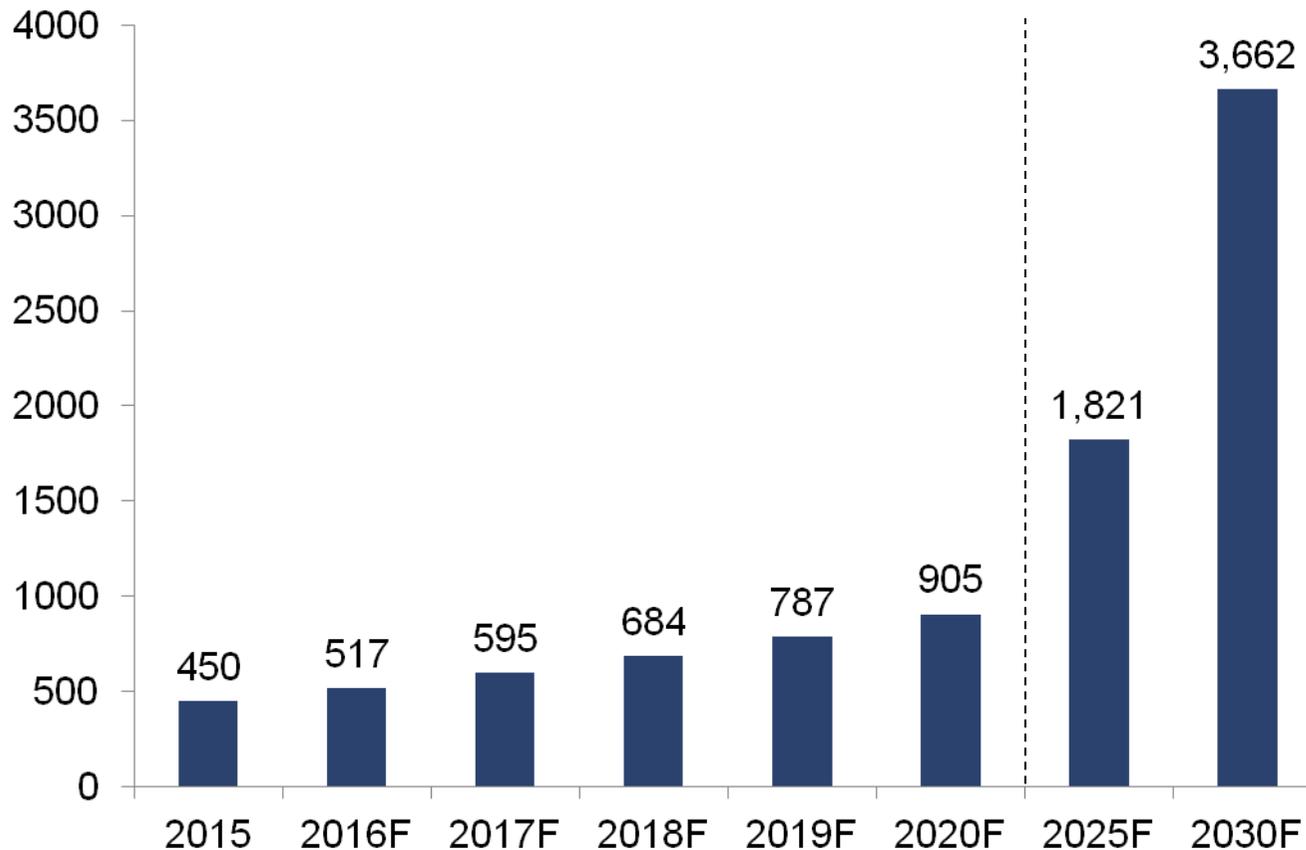
- Government is **increasing healthcare coverage** to its large rural population, thus promoting the need for increased access to pharmaceutical products
  - Primary health care service coverage reached 100% in 2015

### Progressive growth of the Ethiopian population and economy

- Ethiopia has **second-largest population in Africa** (>100M, ~8.5% of Africa's population); **growth of 2.3% per year** is expected
  - Increase in population size will result in an increase in the number of individuals requiring pharmaceutical products
- With average **economic growth of >10% per year**, increase in disposable income will influence spending on pharmaceutical products

# The Ethiopian pharmaceutical market is expected to grow at 15% per year to reach nearly \$1 billion by 2020

Pharmaceutical market in Ethiopia  
(2015-30F), US\$ million



- In 2015, the Ethiopian pharmaceutical market was estimated to be valued at **\$450M**
- It is expected to **grow at a CAGR of 15%** to reach an estimated value of USD 0.9 billion by 2020

# Kilinto Industrial Park will specialize in pharmaceutical manufacturing and will be opened in 2018

## Kilinto Industrial Park

### Overview

- Location: Southeast Addis Ababa
- Close proximity to top talent, Ethiopian Airlines, and Addis-Djibouti railway
- Land area: 279 hectares

### Infrastructure

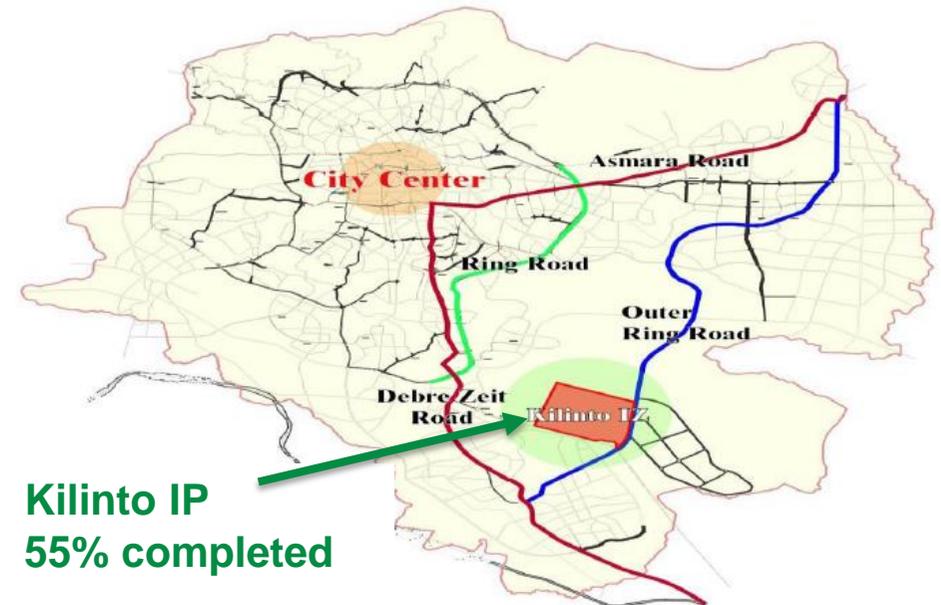
- Serviced land with common infrastructure:
  - Wastewater treatment plant
  - Regular water supply
  - Dedicated power substation
- Land available on a cost recovery (not-for-profit) basis
  - 3.59 USD per m<sup>2</sup> per annum for 40 year lease
  - Additional ETB 1 per m<sup>2</sup> per annum

### One-stop shop government service

- Relevant regulatory and supporting institutions will be located in the park to provide services, such as fast-track medicine registration

### Incentives

- Competitive tax and duty exemptions



# A comprehensive set of incentives and support measures for the sector were recently approved by the highest level of Government

**Comprehensive set of incentives and other support measures adopted by the Government (including approval by Prime Minister) in June 2017**

## **Incentives in industrial parks**

- **Corporate income tax exemptions**
  - *APIs*: up to 14 years
  - *Formulations/final medicines*: up to 12 years
  - *Pharmaceutical packaging*: up to 8 years
- **Personal income tax exemptions**
  - 5-10 years for expat employees (and long-term visas)
- **Duty and other tax exemptions** on inputs
- **Zero tax** on exports

## **Other support measures**

- **Public procurement**
  - 25% price preference and 30% prepayment for firms manufacturing in Ethiopia
  - Potential for long-term procurement guarantee
- **Export facilitation**
  - More accessible and competitive logistics
  - Information consolidation and market linkages
- **Regulatory system**
  - Fast-track medicine registration
  - Regional regulatory harmonization

**Government wants to partner with leading pharmaceutical manufacturers to develop the industry in Ethiopia**

THANK YOU!

