# Salim El Guermaï – CEO & Head Pharmacist, Galenica



***Our pharmaceutical roots and mastery of our craft contribute to the essence of our company***

19.10.2023

Tags: Morocco, Galenica, MEA, MENA, Manufacturing, Generics

*Salim El Guermaï of leading Moroccan generics manufacturer Galenica outlines how, in the past three years, the firm played a key role in Morocco's COVID-19 pandemic response, continued to serve Moroccan patients with essential medicines, and bolstered the country's standing as a pharmaceutical hub for the African continent.*

**Can you provide an overview of Galenica's activities and developments over the past three years, particularly focusing on the challenges faced during the COVID-19 pandemic and any changes or trends in the pharmaceutical industry?**

Over the past three years, Galenica has been actively engaged in the pharmaceutical sector, with a primary focus on addressing the challenges posed by the COVID-19 pandemic.

We've witnessed the critical role of local manufacturing in supporting a country's capacity to respond to health crises independently. Morocco, as a nation, performed admirably in this regard, highlighting the importance of self-reliance in such trying times. This period also served as a litmus test for the resilience of our organization, especially when facing market perturbations and supply chain disruptions.

During the COVID-19 pandemic, we observed substantial increases in the prices of raw materials, particularly for essential active pharmaceutical ingredients (APIs). This surge in production costs persisted even after the pandemic. Additionally, many individuals experienced a loss of purchasing

power, redirecting their priorities away from pharmaceuticals.

These market challenges put pharmaceutical companies to the test, forcing us to evaluate the reliability of our organizational structures, financial capacity, and supply strategies. We realized the importance of diversifying suppliers to mitigate potential disruptions in the future.

On the supply front, we demonstrated agility in adapting to changing circumstances, which underscored our ability to navigate dynamic situations effectively. We are grateful to have emerged from this period with our status intact, consistently ranking among the top 10 pharmaceutical companies in Morocco, with a strong history and track record.

Furthermore, we took pride in contributing to our country’s needs by maintaining a stable supply of essential medicines and offering free medications to those in need. Our solidarity and sense of citizenship played pivotal roles in this achievement, and it reflects positively on the entire pharmaceutical sector in Morocco.

This period highlighted the importance of effective communication between industry professionals, manufacturers, and health authorities during crises. Such collaboration can facilitate swift responses to challenges, fostering a sense of movement and progress.

We’ve noticed a growing interest in the Moroccan pharmaceutical market from international financial companies, recognizing its potential for substantial returns on investment. We observed a shift towards consolidation, with larger companies acquiring smaller ones. This trend is driven by the need for enhanced competitiveness in the global pharmaceutical market, which often results in the absorption of smaller players by industry giants.

Moroccan pharmaceuticals have gained recognition in Africa for their quality and reliability. This reputation stems from the collective efforts of health authorities in raising quality requirements and Moroccan companies’ commitment to investing in modern facilities, state-of-the-art equipment, knowledge management, and employee training.

Our positioning in Morocco also provides logistical advantages, making us a preferred choice for supplying pharmaceuticals to the African continent. This position has allowed us to play a pivotal role in fostering South-South cooperation within Africa, a trend that promotes collaborative growth and development among African nations.

It’s crucial to emphasize that this success is greatly attributed to the commendable efforts of His Majesty the King, who has played a pivotal role as an ambassador in actively advancing Moroccan industry on the global stage. His Majesty’s leadership has been instrumental in fostering balanced,

win-win relationships with the South, in contrast to the collaboration with the North, which has often tilted in favour of the Northern counterparts

In conclusion, Galenica’s journey over the past three years has been marked by resilience, adaptability, and a steadfast commitment to quality and integrity. We have weathered the challenges of the COVID-19 pandemic, maintained our prominence in the Moroccan pharmaceutical landscape, and contributed to our nation’s well-being and solidarity within the African pharmaceutical community. As the industry evolves, we remain dedicated to meeting the healthcare needs of our region and beyond.

**What are your thoughts on the trend of bringing production facilities closer to Europe, particularly in Morocco, and how this is seen as an opportunity to attract European investments?**

The trend of relocating production facilities closer to Europe, notably in Morocco, is gaining traction as an opportunity to attract European investments. This trend has been prompted by several factors.

Post-COVID-19, many actors have recognized the importance of bringing production facilities geographically closer to Europe. Morocco perceives this as an opportunity to entice various stakeholders. It’s not just Morocco advocating for this; European entities also see it as a viable option.

While we haven’t witnessed this shift in action yet, it is more than just an opportunity; it’s a necessity and an impending reality. I’ve had the privilege of engaging with high-ranking French officials, including ministers and former ministers, following the COVID-19 crisis. They observed that France had suffered significantly due to offshoring production to distant countries. This resulted in unprecedented stock shortages of medicines in France, where there were cultural and linguistic barriers, as well as extremely long lead times due to substantial distances and blocked ports. These stock shortages affected even common medications, which, nevertheless, form a crucial part of a nation’s healthcare assets. The pharmaceutical industry, in particular, has always been an integral part of France’s heritage. Witnessing such medication shortages due to overreliance on distant partners was a wake-up call. It underscored the strategic errors made in choosing distant partners for essential supply chains. High-ranking officials in France acknowledged these strategic missteps and called for a redirection of choices, emphasizing the importance of partnering with countries that share a common history, culture, language, and geographical

proximity.

This approach aligns with my personal belief, as I advocate for closer collaboration. We should seek greater proximity and openness to such partnerships. While there was once a degree of normative protectionism in place, I believe that, whether it’s Morocco, France, or Europe as a whole, we are fully capable of overcoming these barriers in the interest of common goals. I believe that we should draw closer to each other and work together. The era of protectionism should give way to shared interests, as it is in our mutual interest to do so.

**How has your portfolio strategy developed, especially in light of the challenges brought about by the COVID-19 pandemic and the need to adapt to changing market demands and conditions?**

Our portfolio strategy has undergone adjustments in response to the unique challenges posed by the COVID-19 pandemic and the evolving market dynamics. To understand this strategy comprehensively, it’s essential to consider the context within the Moroccan market.

The Moroccan market, although relatively small, is highly competitive. Its growth rate has typically ranged from around two and a half to three and a half percent, indicating limited fluctuations. This market is characterized by low purchasing power, significant inflation, and a cultural inclination towards traditional medicine and phytotherapy. As a result, any investment in this market demands meticulous consideration and strategic planning. While regulations ensure patient safety, they also impose significant burdens, making the pharmaceutical landscape somewhat challenging.

With this backdrop in mind, When the pandemic struck, we had to suspend certain aspects of our program to address immediate needs and changing market dynamics. Some products, such as vitamin C, corticosteroids, and paracetamol, experienced heightened demand but with reduced profit margins due to inflated prices of raw materials.

Simultaneously, preventive measures and reduced infections along with delayed medical procedures and surgeries, resulted in decreased demand for other products. This created a delicate balance, where certain products surged in demand while others faced a decline.

Overall, the COVID-19 pandemic had a more negative than positive impact on profitability. As we move into the post-COVID era, we are adapting our strategy accordingly. We have adjusted our development program, which had been delayed due to the pandemic. Some products that were once imported are now being considered for local production, aligning with our goal to rely on

domestic manufacturing.

It is essential that Morocco promote and facilitate local manufacturing within Morocco rather than relying extensively on imports. This entails considering more robust measures, which need not be import taxes. Instead, through regulatory or alternative mechanisms that stimulate and strengthen local manufacturing. The primary objective is not protective but supportive, contingent on maintaining competitiveness and generating employment, added value, and fiscal income

One of the key takeaways from the pandemic is the importance of adaptability and flexibility for any business. We must remain agile to respond to unforeseen challenges effectively.

In conclusion, our portfolio strategy is evolving to adapt to changing market dynamics and the lessons learned from the pandemic. We aim to capitalize on opportunities while maintaining a competitive edge in the Moroccan pharmaceutical landscape, prioritizing the growth and well-being of both our company and the nation.

**Continuing on the same topic, there is a growing focus on local manufacturing, but there's also the question of the state of advanced therapies, particularly biologics, both globally and in Morocco. What opportunities do you see in this field for the future?**

In the realm of advanced therapies, including biologics, I believe there are significant opportunities, both globally and within Morocco. Currently, many innovative products are being developed by small startup companies, specializing in highly specific and cutting-edge areas of research. Once these new medications are successfully developed, they are often acquired by larger pharmaceutical firms. This landscape marks a shift from the past, where major players held substantial research centres.

This transformation allows Morocco to potentially engage with these startups and explore opportunities for securing rights to these innovative products exclusively for the Moroccan market. Such collaborations could facilitate valuable technology transfers. Furthermore, I see potential in tapping into the expertise of Moroccans who have gained valuable skills abroad and could contribute to the advancement of therapeutic capabilities within the country.

However, it's important to note that the Moroccan market remains relatively small and less dynamic, posing a challenge. Expanding beyond our borders, perhaps regionally or continentally, could present new avenues for growth. Additionally, addressing the challenge of low healthcare spending by Moroccans remains critical, as does navigating the coexistence of traditional and

alternative medicine practices within the healthcare landscape.

**In light of the existing healthcare challenges, what measures do you propose to enhance the healthcare system?**

It’s commendable that the government has initiated several healthcare measures, expanding coverage and introducing the health card. However, I have reservations about the increasing prominence of large private clinic groups in the healthcare landscape, which seems to be leading to the privatization of medical services. This shift raises concerns about equitable access to healthcare and the erosion of the traditional public healthcare system.

Furthermore, there is a consistent push for reducing drug prices, which, in my view, contradicts the rising production costs. Manufacturing expenses have been on the rise due to factors like increasing wages, energy costs, quality management, and stringent regulatory standards. Simultaneously, there’s mounting pressure to lower medication prices. This situation could potentially lead to profitability issues for pharmaceutical companies, jeopardizing the availability of essential drugs. It’s crucial to strike a balance between affordability and sustaining the pharmaceutical industry’s ability to provide necessary medications, especially for economically vulnerable citizens.

**Can you provide insights into your international expansion strategy, including your presence in Russia and the Middle East?**

Certainly, international expansion is a crucial aspect of our business strategy. In Russia, we successfully obtained certification in 2017-2018, signalling our commitment to entering this significant market. However, due to the COVID-19 pandemic, our plans faced delays in product registration and partner agreements. Currently, we are diligently working to reestablish our connections and finalize partnerships in Russia, which holds promising potential for our products.

We maintain our focus on West Africa, they are our main partners. We’ve also been actively engaged in various countries in the Middle East, such as Iraq, Libya, and Yemen. Our approach involves collaborating with importers, distributors, wholesalers, and promotional agencies to ensure our products reach the intended markets effectively. We also cooperate with agencies exclusively to promote our offerings. However, it’s important to note that the Middle East presents unique challenges, including geopolitical instability, and we must adapt our strategies accordingly

to mitigate risks.

Moreover, we’re exploring opportunities in English-speaking countries, particularly those with well-structured markets. While these markets offer substantial potential, we exercise prudence and caution, given the prevailing security concerns and other uncertainties. Our commitment remains to adapt to the ever-changing dynamics of international markets and ensure that our products continue to contribute positively to healthcare systems across the globe.

**Among the numerous local pharmaceutical producers, how do you distinguish your company and convey your image?**

Our differentiation and image revolve around a few key principles. Firstly, trust is paramount to us, and we firmly believe that it’s something that must be earned. During the recent crisis we all faced, our company demonstrated its reliability by swiftly meeting the needs of countless patients. This, in itself, is a testament to the trustworthiness we’ve built.

Secondly, continuity is a significant factor. Our laboratory has been in operation since 1978. While we maintain a familial structure, we are also flexible and highly efficient. Our long-term vision is evident, with our presence spanning nearly three generations. Our history is shaped by pharmacists who uphold a strong sense of purpose, and we do not operate like financial entities focused solely on profitability ratios.

Our pharmaceutical roots and mastery of our craft contribute to the essence of our company. We believe that retaining this essence is vital, as becoming too large can lead to the loss of one’s soul, so to speak. Therefore, we prioritize retaining our core values and essence, which we believe is the key to enduring success. It’s a challenge, indeed, to safeguard one’s soul, but it’s one that we’re committed to. This authenticity, combined with our unwavering commitment to quality and excellence, ensures our place in the industry, both now and in the future.

**Is there anything else you’d like to add?**

Among the challenges we face in Morocco, one significant aspect to consider is taxation. While Morocco is supportive of investment, it also has substantial social ambitions that come at a cost. This cost can be managed through taxation. However, it’s essential to recognize that not all industrial sectors should be treated equally. Some sectors, such as healthcare, are more strategic

than others because a healthy citizen is an asset rather than a liability. Therefore, the pharmaceutical sector, as a driver of development, should benefit from a specific tax regime, especially concerning corporate taxes and, more importantly, labour taxation.

We have a high employee-to-employer ratio and relatively high salaries due to the skilled professionals we employ, including chemists, engineers, pharmacists, and medical doctors. The labour taxation in Morocco is cumbersome. It’s crucial to alleviate this tax burden to support pharma companies, retain talent, and ensure the stability of our workforce. Being a strategic sector should mean specific tax conditions from the government aiming to support and strengthen stability and development.

**See more interviews**