

# Interview: Khaled Mansour - Area Managing Director Middle East, West Asia and Africa, Janssen, Egypt

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*While growth forecasts for the MENA region remain high, falling oil prices and political instability are creating significant government budgetary challenges for the industry to adapt to. Janssen's area managing director Khaled Mansour explains how the pharmaceutical industry can work to support Middle Eastern healthcare systems during this challenging period for the region.*

## **As Janssen's Managing Director for the Middle East and North Africa, what are the key developments you are seeing take place at the regional level?**

Across the Middle East region demand for healthcare is rising which is strongly driving market growth for the healthcare and life science industries. Domestic consumption is growing rapidly across all categories including medicines, and access to medicine is quickly increasing from a low baseline. Moreover, investing in healthcare is a top priority for governments across the region, and they have shown that they are committed to maintaining healthcare spending despite economic difficulties. As such, the entire growth curve for pharmaceutical sales is shifting upwards though at a slower pace compared to previous periods.

At the same time, the nature of diseases for which there is the most treatment demand is shifting from communicable diseases to non-communicable and chronic diseases, a shift which multinationals are well prepared for given their global portfolios and current research objectives.

Now, we are facing two major challenges that are quite clear, and not specific to the healthcare sector. First, the fall in the price of oil has put significant pressure on governments' spending as many Middle Eastern countries rely on oil as a primary source of income, a development the healthcare sector is particularly aware of in markets where the government is the primary payer in the healthcare system. Secondly, political instability and security issues across the region have restricted access to significant portions of the market, and further affected government budgets; Libya, Syria and half of Iraq are significantly impacted, Egypt was quite shaken for a period but is now stable, and Saudi Arabia and the Gulf countries are investing significant funds in the war in Yemen.

**Looking back two or three years, do you feel that the pharmaceutical industry was overconfident in the region's growth potential?**

When I look back on conversations and plans two years ago, it's clear that we were overly optimistic. No one could have predicted the drop in oil prices and the extent of the political turmoil that arose. However, despite these difficulties, one of our strategic pillars at J&J is to manage our business for the long-term, so while we have to navigate through short to mid-term instability, our focus remains on our long-term impact and performance. Despite these challenges, all of the forecasts for the region still feature strong growth at a pace much faster than Europe, and the Middle East will continue to be a dynamic and high growth region for years to come.

**Has there been a pullback or delay in investments that has caused the region to lose ground against other regions on a global scale?**

I am not aware of any company that has made such a decision yet; right now most companies are in a period of 'wait and see'. For now everyone still remains firmly committed to the Middle East region and we are doing our best to support these countries through these challenging times. That said, a palpable sense of unease is emerging because the longer we wait, the more resources are directed to other regions that we effectively compete with for resources, and I believe most companies will be reluctant in making a major investment in the Middle East as long as this instability persists.

**You recently sat as a panelist PharmaCon Mena; what were the topics that generated the most interest amongst participants?**

The hottest topic right now is how the pharmaceutical industry can influence and shape regulatory environments across the region. Encouraging regulators to accelerate approval timelines is a key objective, as new products are usually registered in the Middle East at least one to two years after

they reach the market in the US and Europe, delaying patient access to innovative medicines. Reference pricing mechanisms were also discussed at length, as there is a lot diversity in terms of income per capita across countries in the Middle East, yet countries like those in the Gulf Cooperation Council (GCC) at the higher end of the spectrum are referencing prices in countries with significantly lower income levels; this has made it more difficult for us to introduce special access programs in lower income markets in the Middle East, and to adapt to the affordability needs of particular markets.

Clinical trials were another area of interest, as in general the pharmaceutical industry is committed to bringing more clinical trials to the region, which can serve as a decent source of direct foreign investments for many countries. Unfortunately, local laws, regulations and readiness levels are not yet supportive of such investments, although there has been some positive movement in that direction; so far the Saudi FDA and the UAE Ministry of Health have taken the clear lead, with Egypt and Algeria following closely.

Intellectual property rights were also discussed, however it must be noted that while many countries in the region do not have concrete laws in place to protect intellectual property, the number of violations that took place in practice are quite limited. This is a topic we are focused on and would like to see progress in.

When it comes to discussing these issues and trying to stimulate progress, we are lucky in this region because the authorities tend to have their doors open to the industry; if you go and meet regulators, you will find a welcoming atmosphere and leaders who are open to having a dialogue and collaborating with the industry. As such, our goal as an industry is to effectively communicate and collaborate with the authorities to understand and meet their needs as best we can. As such, at recent industry meetings we agreed that it should be a top priority to clearly identify the priorities and expectations of each regulatory authority in each country, as a first step of engaging in partnerships.

### **What is your assessment of Egypt as an investment opportunity within the portfolio of Middle Eastern and North African countries?**

Egypt is one of the top three markets in the region. As such, Egypt is not a country that can be missed when approaching the Middle East, not only due to its market potential, but also because Egypt is a major source of healthcare professionals and talent for the pharmaceutical industry at the regional level. This is particularly apparent in the GCC States, with Egyptian professionals working in multinational affiliates across the region. Moreover, there are not too many markets

worldwide that are consistently growing at double-digit rates the way Egypt currently is. Yes, the market is still between four and five billion USD, but at current growth rates it should reach a significant volume threshold in the next few years and continue to attract more and more investments. Thus, I would approach Egypt as a sizable opportunity and say I am moderately optimistic about the future of the market here, with the moderation stemming from some short-term challenges that we must work through before the full potential can be realized.

There are some significant challenges that persist, although over the last year the political and security situation has stabilized significantly under the new regime. Today the main risks exist within the economic and financial sphere, as there is limited hard currency availability and the Egyptian pound's value versus the dollar is unstable. Since multinationals are unable to repatriate their income, as the pound depreciates companies are effectively losing a portion of the value of the sales they already made. At the same time, pharmaceutical prices are fixed in Egypt, so we're seeing our margins on current sales continue to shrink as well.

The government is realizing this dilemma, and seems more willing than ever to discuss moving the prices of pharmaceutical products.

**Fighting hepatitis C is Egypt's top national healthcare priority, and this therapeutic area has become increasingly competitive following recent launches; what role do you see for Janssen to play with Olysio going forward?**

Since we launched Olysio, our approach has been to help as many patients as we can for as long as Olysio plays a role in the current treatment paradigm for HCV. We have dropped our prices significantly and conducted a local study to determine the efficacy of Olysio in the Egyptian patient population. We are still working to find ways to allow the ministry to help even more Egyptians to access HCV treatment within both the public and retail market sectors.

Extrapolating to the future, we have in the pipeline a promising combination – most likely to be launched in 2018 – that will shorten the treatment modality significantly. Now when it comes to treatment outcomes, you talk about 95 percent and above in terms of efficacy across several treatment options, efficacy is no longer the issue. The current challenge is in reducing the duration of treatment from 12 weeks to eight weeks, six weeks, and even potentially four weeks.

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