Osama Rostom – Deputy Head, Pharmaceutical Chamber, Federation of Egyptian Industries



The situation is still not perfect, as in any other country that relies heavily on importing APIs, but generally the circumstances in Egypt have improved drastically

19.03.2019

Tags: Egypt, Investment, FEI, Association

Dr Osama Rostom, deputy head of the Pharmaceutical Chamber of the Federation of Egyptian Industries (FEI), explains how the Egyptian healthcare ecosystem has improved during the last three years thanks to an intensive collaboration between the private and public side. He also provides solutions for accelerating pharma exports from Egypt into the region.

Dr Rostom, when we have met you in 2015, you mentioned that the industry was struggling with low drug prices set by the Ministry of Health. How has the situation developed since then?

2015 was a very difficult year due to the devaluation of our currency and the connected economic problems. As we import most of our APIs from abroad, the cost of manufacturing soared and, as a result, many companies have stopped manufacturing in Egypt, due to negative margins. Back then, I was in charge of holding negotiations with the Ministry of Health to highlight the impact of the economic situation on the availability and access of medicine in Egypt, as ultimately the patients will suffer from this. The government responded in May 2016 by increasing the product prices by 20 percent, which did not end drug shortages, so the prices have been raised again in January 2017 by 50 percent. Since then, things have improved as most drugs are obtainable again in Egypt and the availability of foreign currency has improved as well. The situation is still not perfect, as in

any other country that relies heavily on importing APIs, but generally the circumstances in Egypt have improved drastically. We are back now to the normal situation, as we had it before the revolution in 2011.

There has a change of mindset at the government level due to the pressure of the end user, complaining about the lack of availability for drugs. It was not about pharma companies making a big profit in these years, but simply about having enough medicine in the country. However, one cannot expect pharma companies to continue to provide drugs while making losses. We are not a charity but a private business, so we need a reasonable profit at the end of the day. The pharmaceutical industry is the only one in Egypt that is regulated by the government but not subsidized by the government, so any difference between cost and selling price is affecting the margins of companies directly.

Egypt is currently producing 30 percent all drugs consumed in the region, but only has pharma exports worth USD250mn, which is quite low considering its potential. What are the next steps to increase export activities of the Egyptian pharmaceutical sector?

A further change of mindset is needed, as the industry needs to build an image for exporting goods. It is not only a matter of being capable to export but also to have brand awareness for Egyptian products. As of now, most of our factories are not accredited by international bodies yet, and some companies are trying to use the same domestic strategy for export markets. However, this will not work, as clients will need to have trust in the quality and the image of the product, to be willing to buy. In my eyes, pricing does not play as much as a role in this regard as others might think. The Egyptian currency is very low, which is good for exports, but I do not see any advantages as a result of the devaluation of our own currency, as people in the country remain suffering. As there are 150 manufacturers in the country, the competition for exporting is very high, since every company needs foreign currency. EIPICO for example, imports raw materials worth USD 60mn, but only exports products worth USD 30mn, so there is a big gap, which needs to be filled. We should follow the example of Jordan; a country, which has only eight factories but the sevenfold amount of our exports. The reason for this is the organization and harmony within the industry. We should create a consortium of companies, taking two to three products with foreign approvals of each company and market them properly in foreign markets, which are attractive for exporting. Obviously, the costs for foreign approval for drugs are high, but a consortium will allow us to share costs. The key is to create a great image and provide excellent service to boost our exports.

Janet Heckman, regional director of the European Bank of Reconstruction and Development, said that Egyptian companies should start looking at the country's sub-Saharan neighbours, as they have a huge economic potential. Does this also apply to the pharmaceutical sector?

Egypt is both a part of the African and the Arab world, so African states are clearly a key partner for us. Sadly, in the second half of the 20th century our relationship with the rest of Africa has cooled off, but President El-Sisi has found the right way and is currently also heading the African Union, so I am very positive that we will strengthen our relationship with our African neighbours.

For the pharma industry, in particular, we have seen a strong push by the current Health Minister Hala Zayed to encourage exports to African states.

What are the key priorities of the FEI Pharmaceutical Chamber at present?

Our priority is to establish the Egyptian Drug Authority (EDA) and seeing it in action rather than only on paper, as it is now. The right steps have been made, with the parliament approving the decree, and for the first time a pharmacist being appointed as the Ministry Deputy of Health and Population with Dr Tamer Essam. He is handling all pharma issues and, due to its experience, he really understands the current issues of the industry. Currently, the average time for launching new medicine in Egypt is around three to four years, which is unacceptable. Other countries in the region need only four months to one year for the same process, so it is crucial to catch up in this area. Products approved by prestigious international drug authorities, like FDA or EMA, should be approved in Egypt as soon as possible.

We are aware that for the EDA to work properly, a transition period of around five years will be needed. While the law is already in place, now a plan to implement the law is required, which I have not seen yet. We are at a similar stage with introducing universal health insurance, where measures have been postponed. It was meant to be started in July 2018, but due to the complexity of the matter, it has now been pushed back. The current problem is the stigma attached to the reform, where people see the universal health act as insurance for poor people. Finding solutions to avoid the negative connotation is one of the key reasons why the implementation of the reform has been postponed.

The government highlighted the need for the private industry to play a leading role in its plan transforming Egypt's healthcare system. How is the FEI promoting these public-private partnerships and how can look they like?

Manufacturers need to create the image that their pharmaceutical products are as good as any other products in the private pharmacy. This means supplying health insurance with brands, not just generics. Prices cannot be exaggerated, which should be possible, considering no promotion or transport is needed, when selling to the insurance. A source of financing to the health insurance could be taking a certain percentage from each manufacturer, as a social contribution towards the implementation of the health insurance.

Where do you see the Egyptian pharma industry in the next five years?

This is the first time that I am quite optimistic, as we have seen a change of mindset on the government level and more understanding for the pharmaceutical industry. There is a lot of support for the issues the industry faces from the highest ranks of the government. We are working together now, which was not the case in the years before, as there was a lack of confidence. Healthcare is on the top of the agenda of the Ministry of Health and we now have monthly meetings with Minister of Health Hala Zayed to improve our collaboration and following up on the topics, which we have been discussing. She has been a great addition to the cabinet so far and we hope that she stays in this position for a long time.

You have been at the frontline in the role of the facilitator between government and industry for many years. What is your personal motivation?

My interest in convincing the authorities is based on my perception of the issues that need change, from the perspective of an Egyptian citizen. Egyptians are willing to pay a higher price if there is a guarantee for the product being available in turn. If there is a shortage of a certain product, people need to find an even more expensive alternative, so the government is doing nobody a favour by not raising the drug price. My motivation is to give back and create a better future for the Egyptian people and I do my best to convince people of what I believe in.

See more interviews