Maged George – Chairman, Export Council of Medical Industries, Egypt



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Dr Maged George, chairman of the Egyptian

Export Council of Medical Industries, highlights the obstacles that the Egyptian pharmaceutical industry is facing in the wake of the currency devaluation both locally and abroad. He also gives insights into Egypt's new consolidated approach of targeting other African countries for exports, uniting the Council's member companies under one roof.

Dr Maged, when we interviewed you last time in 2016, the Egyptian economy faced many challenges, mainly due to the devaluation of the local currency. How has the situation developed since then?

For the pharma industry, the devaluation of the currency brought up many challenges. As the prices for pharmaceutical products are regulated by the authorities and therefore fixed, the industry saw the value of their prices going down, due to the devaluation and higher production costs. The Ministry of Health has partly addressed this issue through raising the prices for certain products by 50 percent; however, this is clearly not enough to compensate for the devaluation, as USD1 was worth around EGP8 in 2015 and now is worth EGP17. Hence, the revenues of the products declined dramatically, which had serious consequences for the industry. In 2016, we faced many product shortages, not because there is a lack of production capacity, but because

they are suffering from the effects of the economic situation. The Export Council for Medical Industries is trying to help the local industry to find opportunities abroad to overcome the obstacles of the domestic economy.

Was the devaluation not beneficial for increasing exports from Egypt, as goods produced in Egypt are now cheaper than from other countries?

Theoretically this could be correct, but this was not the case for the Egyptian industry for a number of reasons. First, it has to be considered that the raw materials and APIs used for production are imported and hence the devaluation also led to a de-facto price increase of these goods. Secondly, the packaging materials are coming from abroad as well, so these prices have been raised too. Thirdly, the salaries in the industry have increased by five to six times during the last five years, which is another cost factor for the local manufacturers. As a fourth point, Egypt has seen rising energy prices, both for petrol and electricity, which makes production in the country more expensive. In conclusion, we have seen the costs of production increasing in Egypt drastically and considering the industry is importing many raw materials, the devaluation has not been beneficial. Additionally, there are some specificities of the pharmaceutical industry, which further complicate export activities.

Can you elaborate on these issues?

Many countries that import Egyptian pharmaceutical products, take the domestic price as a reference, in order to put pressure on Egyptian companies. In the Arab region, patients often go to the pharmacy without a prescription, but only explaining their symptoms and asking for advice, so pharmacists essentially act as doctors prescribing medicines. As most pharmacists in the region are Egyptian and have been trained in Egypt, they will recommend an Egyptian product to patients, as this is how they have been working for years. For us, this is a marketing tool, but local competitors in the specific market have been lobbying to authorities, in order to have Egyptian companies selling their products at the low Egyptian price. This is a big obstacle for our industry. Hence, the council’s role is to mediate between the industry and foreign health authorities, in order to reach agreements, which allows us to move the prices to some extent. Egyptian products have been praised for their high quality for years, while they are priced as C-class drugs. With the rise of universal health insurance in countries of the region, for example in the UAE, the demand for high-quality products at a low price becomes even higher, as insurers do face strong budget pressures.

Egyptian companies are the partners of choice, as their products are safe, and the cost is not too high. Our goal is to reach a reasonable increase of the domestic reference prices, as even when adapting the prices slightly, the Egyptian products are still much cheaper than of other countries.

As President El-Sisi is currently chairing the African Union and he highlighted the importance to strengthen ties with African countries also through export. Could you tell us what role Egypt's African neighbour states play for the medical industry?

Africa is our clear priority, not only since President El-Sisi has taken over the chair of the African Union. Currently, only three percent of the overall trading balance of African countries stems from trade with other African countries, so this is a huge opportunity for us. The Council has established a company, which represents the whole Egyptian pharma industry in order to facilitate export activities. On this way, authorities and partners only need to work with one company, which currently consist of 26 of our members and is growing continuously. The company has been named EGYCOPP and we offer three different types of opportunities for our members being part of it. The first one is an internal tender between all the members for a product category, which obviously will lower the price of the product by 10-15 percent. We will then consolidate the supply chain by only sending one letter of credit. Additionally, we are partnering with international institutions to give our members credit line facilities, for up to one year. Altogether, we present a full package to potential customers and if we reach a certain market share, we offer more opportunities. This can be local production, which provides huge benefits, as the facility will manufacture goods of all our 145 members, meaning that the R&D capabilities of 145 companies are united under one roof. Our approach is to create win-win situations, which allow us to trade but also provide training and knowledge transfer and create an industry. Moreover, this approach is very sustainable, as the success of the project is not linked to the individual performance of one company. As a third step, we offer to develop the local manufacturing facility into a hub for the surrounding countries. The project started last year, targeting COMESA member countries, as this free trade agreement allows us to operate without customs duties.

Your members include both local SMEs as well as large multinational companies. How do you make sure you cater to the needs and demands of all your members within the new company created?

We set at out a set of rules, with the most important one being, that no company, no matter their size, has exclusivity rights for one product. The Council has a very neutral stance, as this is the only way of how this model can be successful. We launch the internal tender to everyone, telling them the approximate target price which is reasonable. We will then take the lowest price proposed, offering the patient a cost-friendly solution.

What structural changes are needed so the medical sector will play a leading role in the Egyptian economy?

More political will is needed in order to raise the prices of pharmaceutical products. Our industry is the only one that is regulated, having fixed prices that have not been adapted to the economic situation of the country. The Ministry of Health is in charge of assuring the quality of the product, while also setting the prices of the drugs. We need a separation of these tasks as with the current prices, the pharmaceutical industry is the only private sector industry, which is subsidizing the customer, which in our case are the patients.

What is your vision for Egypt for the next five years?

The Council’s main target is to open the market. With more competitors on the market, we will see cheaper prices and the patient will be the main beneficiary. My belief is that I can help my country by strengthening the industry and facilitating exports, as the local market is not enough. Looking across our borders, we see our African neighbours as brothers, so our vision is to strengthen our ties with them. My goal is to establish Egypt as the golden gate to Africa.

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