

# Mohamed Benali Khoudja – General Manager, Francophone Africa Cluster, Abbott

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*Mohamed Benali Khoudja, GM for the Francophone Africa cluster at Abbott reveals the rationale behind creating a country cluster, discusses the market for local CMOs in Algeria, and expands on Abbott's response to the recent import restrictions.*

## **How easy has it been for you to transition from running GSK to Abbott?**

Prior to joining GSK, I was the CEO for North Africa for Siemens. When I arrived at GSK, they were one of the main stakeholders in the market and I was responsible for a large footprint encompassing manufacturing plants and distribution centres located all over the country. Crucially, with this type of setup, you own the business from A to Z: importing, distributing and producing the products in house

After 5 years at the helm, there were some profound internal challenges in the wake of the compliance issues that the company experienced in China. The transformation we needed to

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implement was very deep and fundamentally changed how products would be promoted and I felt this was the right moment to hand over to fresh leadership.

I was approached by Abbott, initially to manage only the Algerian and Libyan markets, but within 2 years my portfolio expanded to incorporate French speaking Africa, covering the Maghreb, including Libya and Mauritania, West Africa, and the Sub-Saharan countries. As such, Algiers has become the hub for a total of 31 countries.

### **What is the strategic rationale behind basing the hub out of Algeria?**

Initially it was suggested to base the hub in Casablanca, Morocco as it is well connected in terms of travelling to and from the other regions. However, we concluded that from a business standpoint, it made sense to build the greatest presence in the largest market, which is Algeria by quite some way. The country today represents some 45% of the French African market alone with a turnover surpassing 35 million. In fact, last Thursday we received the green light for our new Africa strategy from the global management board of Abbott, and this plan reaffirms the Algerian affiliate's status as the regional head office.

On the flip side, Algeria is not the easiest market in terms of ease of doing business and assigning this kind of role can certainly lead to some logistical and administrative complications. Nonetheless, in my opinion, just so long as the country manages to implement some pre-requisite changes, Algeria will become the uncontested mega-market in the region: not only in terms of size, but also in terms of strategic relevance as the interface between north and south.

### **What exactly are those pre-requisites that you are referring to?**

I think in the world of today the pre-requisites to do business are well known and commonly agreed upon. You need to have transparent application of the rule of law. Right now, the regulatory process to register a pharmaceutical product is highly opaque. Once you hand over your application dossier, it disappears into a black box. It is impossible to estimate the time it will take to register your project. Timeframes can literally range from between 2 to 10 years, which means there is a high level of discrepancy between different firms' experiences. GSK has had products stuck in the system unprocessed for as long as 8 years.

Similarly, Algeria needs to mature its systems of banking and customs. It currently takes 24 hours to free goods that have been imported into Morocco. In contrast, for Algeria it is seen as a resounding success to complete the same process in 15 days. It is very much factors like this that diminishes Algeria's competitiveness vis-à-vis its considerably smaller neighbors.

### **You mentioned that even hosting a hub can be challenging in some respects – what were you referring to specifically?**

One big hurdle relates to ensuring expatriate status for our employees. A colleague of mine here in Algiers, an Egyptian, is the manager for West Africa. He has vast experience in that region, so having him in that role is an asset for the company. However, organizing the work permit, and the expat status, so that he can transfer his money back to Egypt is almost prohibitively complex. Simplifying the bureaucracy around issues like this is an absolute must if Algeria wants become

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more international and to assume a leadership position on the regional stage

Connectivity to the region is another big headache. To visit some countries within my portfolio, I need to travel via Paris because I cannot catch a direct flight. This extends the length of my trip simply because I cannot reach some countries from Algiers. Sometimes there are direct flights, but they are not daily, so the agenda would need to be scheduled around flight times, which is impossible. This is actually the local expression of a Maghreb wide problem and pertains to the overall lack of regional integration in this part of the world.

### **Globally, Abbott enjoys an extensive portfolio, covering diagnostics, pharmaceuticals, medical devices, and nutrition. How much of this is represented locally?**

It is very much this extensive portfolio that distinguishes Abbott from many of the other pharmaceutical companies. Our competitors are not only in the pharmaceutical industry, but entities active in other fields, such as Siemens in diagnostics.

The largest division in Algeria is pharma, which constitutes roughly 40% of our workload. The way Abbott operates is for the largest division to host the other divisions. Consequently, I host all the other divisions. They have a contract with pharma, and then they have an additional internal service agreement. These days, we have a total of about 140 people based out of Algeria, across all divisions.

I am not responsible for their P&L, but I am legally responsible for them. From time to time, I receive requests, for example from the head of nutrition, to assist them with issues, such as market access. If they want to meet with any of the big stakeholders in the country they will generally call me to arrange the meeting, and often I will participate. Last year I spent a lot of time supporting our divisions responsible for the FreeStyle<sup>®</sup>, a device that can monitor diabetes, which is registering a great deal of potential locally.

In terms of legacy, at least for French Africa, we are the evolution of some other companies that were acquired by Abbott over 20 years ago. As such, the Abbott brand might appear rather new, but the legacy is definitely much longer.

### **Which products are best performing? How do you see demand evolving and shifting?**

In terms of performance â?? whenever we have a product in the market â?? we are generally leading that product category. The hard part is introducing the product in the first place. Our established products portfolio has been significantly impacted by local generics. The Algerian government actually has a policy to block imports, whenever there is a local generic. Hence you face a stark choice of either localizing or exiting the market altogether.

Out of the 15 or so products that we have in the market, we have already managed to localize production for 4 of them and are working on a second wave to locally manufacture an additional 4. By the beginning of 2020, the intention is that half of our products will be locally produced.

One therapeutic area we are strongly involved with is women's health and fertility. We are one of the leaders in contraception and menstruation. Moreover our synthetic progestogen, Duphaston<sup>®</sup> ranks first both globally and in Algeria. Localizing these type of hormone technologies would be technically rather tricky and we have no plans to do so in the next 3-5 years as we don't envisage

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any competitor gaining the technology to produce locally.

The second therapeutic area where we lead in Algeria is gastrointestinal. We deal in every part of gastrointestinal process: from constipation to diarrhea, as well as Crohn's disease. We currently possess 7 products treating gastrointestinal conditions including some very eminent brands such as Duphalac®.

We are a niche player in cardio too with 3 products in this field and finally maintain a small presence in antibiotics, with a high performance therapy called Zeclar®. This is the sort of product that could grow extensively if we localize it, but without that the growth is stymied since it has local equivalents that are protected. That means we are either permitted to import only minimal quantities, or importation is banned outright.

### **Do you envisage setting up your own facility at some point to combat these issues?**

Abbott has calculated that we do not have enough domestic demand that would justify setting up our own proprietary manufacturing facility, so we localize through a concept called "third part manufacturing (TPM)". If I were sitting in the government's shoes I would view this as a very positive development because there is a big state-sponsored drive to increase the number of factories in Algeria, but the emphasis has been too much on quantity rather than quality. Today there are reportedly some 92 facilities in the country, yet many of them are operating at only around 30% of their capacity. There is thus a real need to feed these facilities. Having MNCs like us mop some of that spare capacity up is truly beneficial for the country.

However we think the authorities need to revisit how this translates into legislation. I have been trying to pitch the idea to the Minister of Health that entities like ours that are getting our products made and assembled by local players should gain the same status as the owner of the manufacturing plant. That would incentivize localization, trigger job creation, tech transfer and end up in more efficient use of existing in-country facilities. In other words, it would create a virtuous circle. Sadly, this is not the case today. The prevailing model is that you can only be in control of the entirety of the other parts of the value chain and only operate 100% by yourself when the factory is registered under your name.

### **How easy has it been to identify local partners as in CMOs that are able to produce to the standards that you require as a reputable international brand?**

Not all the 90 odd facilities in Algeria are GMP approved. There are some big players, such as Biopharma, but you also have a multitude of smaller players with questionable quality standards that would be way to risky to enter into partnership with. There are, at a minimum, 10 to 15 sites that possess the requisite high-quality standards. They therefore tend to be keenly sought after by the MNCs scrambling to localize.

Currently we use the services of Biopharma and LDM, and are aiming to enter into agreements with some others, for example, some of the pan-African distributors of pharmaceuticals and Fast Moving Consumer Goods (FMCG).

### **How have you been weathering the recent import restrictions?**

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To be totally blunt, the same portfolio 3 years ago was 65 million euros. Today it is 35 million, which represents a 45% cut only on pricing, quantities and volume. I question whether this is the best approach. This company once had 200 employees, but today in Algeria that has fallen to 95 people. Some of my other colleagues will tell you the same story. While some companies were able to protect themselves, many have suffered in the past 3 years.

I think it was very harmful for the industry. Firstly, we are in a reimbursement market as it is funded and financed by government and we must respect this. I think it is not simply because government is paying for the patients that we can take risks on product quality.

Secondly it is a question of freedom of choice. I understand that if there is a generic three times cheaper than my product, the generator, the government would reimburse at the level of the generic and decide either to give me the same level of reimbursement or remove the reimbursement from the originator, giving the final decision to the patient. When the patient goes to the pharmacy, either they can afford to pay out of pocket and get the originator. If they cannot, the patient would only go with the generic. However, under the current system, this choice is taken away from the patient.

I receive 100 calls a day from people who don't want the generic from the pharmacy, and are requesting one or two boxes of a product for their family members. This has created a paranoid market. It is a common joke amongst GMs (General Managers) that today the pharmacy with the largest revenue is the pharmacy at Charles de Gaulle airport in Paris. Its revenue is unbelievable, and 80% is done with Algerian customers. These products still come to the market but are undeclared and untaxed. People who have been prescribed a certain medicine will continue to get their same medicine by any means.

### **Could you please explain the recent furor over the status of representative office renewals?**

It is difficult for me to answer as Abbott did not face this problem because it is an Algerian legal company so was not impacted in the same way. On the one hand, considering the law it is understandable that such a model must be time limited. It cannot be permanent. The law is clear and is not unique to Algeria. Whenever you would like to explore the market potential, you might want to start by opening a bureau de liaison. This is advantageous in terms of taxes and money transfers. However, some companies that started with this model years ago and have continued with it indefinitely.

On the other hand, when you implement a model like we have today, you tell investors that imported products will be outlawed, and pharmaceutical status will not be granted without a local factory. This leaves only one option as most of the innovators will continue to import and their real added value in the country is purely intellectual. We are here to train the doctors, build a strategy, and to bring innovation. We are not here to build factories. This is something authorities must understand. We are innovators, creating products that help people to live better lives. What is really needed is a structure that fits this role: a scientific office.

### **Abbott takes great pride in being powered globally but driven locally. Tell us how that is applied to Algeria.**

It was 2-3 years ago that Abbott decided to introduce the regionalization project, with decisions taken at a regional level. We as part of MEAP region operate like a company within a company, completely autonomous. Nevertheless, when you work for a company like Abbott, it is important to maintain the

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advantages of your worldwide footprint. Without worldwide support, I think there is no chance to extend the indication in French Africa. Because of the support of France where we have an amazing footprint and where professionals in some of my countries are closely linked to the French market, it is important for my business to stay linked to the Abbott worldwide.

**Could you conclude with a few words on Abbott's value proposition towards the government and the Algerian state as a partner?**

We have partnered with the government for the past 20 years across different projects. A good example is FreeStyle® Glucose Meters. We started by funding two large projects, recruiting a large number of diabetic patients who could use FreeStyle Libre® flash glucose monitoring systems free of charge, just to demonstrate to the government its benefit and added value.

We understand that what drives these importation licenses is the budget. While we are not against this, we know from experiences elsewhere that it is crucial to approach the issue from a different perspective. We were even able to prove that giving a medicine with less efficacy to a patient over time costs 2-3 times the budget compared to the correct product with the right efficacy. We are collaborating with the authorities by trying to introduce some multi criteria decision models.

Another project underway is to deliver up a "footprint study" to the government. We believe that the authorities may have been misled by some of the other actors in the market as to the purpose and contribution of innovative drug developers. We are aiming to provide a presentation on this by October in collaboration with PWC. The idea is to have a very nice overview summary of who we are as innovative companies in this country and what we provide by way of contribution: how many doctors we train, how many jobs we create, how we help the local industry scale the value chain and so on.

**Where do you see both yourself and Abbott in 4 years' time?**

Our target by, is to double the revenue of French Africa by 2023 through the introduction of new products and new pieces to the portfolio. We are quite strong in oncology and already beginning to register new products in Algeria. Moreover, we have biosimilars that we would like to introduce to Algeria. Sadly, some areas of the French Africa region are not mature enough. Our strategy is to plan 5 years in advance. Everything in our strategy has already been initiated, and is in the pipeline, rather than a pipe dream. Hopefully Algeria will become a regional hub. I think the market is really promising. Here at Abbott, we will do everything possible to make it secure, either by localizing part of our existing portfolio or by delivering innovation to the Algerian patient.

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