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The general manager of a leading British research-based pharmaceutical company discusses Algeria's suitability as a destination for pre-clinical and clinical trials and assesses the country's ability to transition from importer to local producer status

Can you please start by briefly introducing GSK in Algeria?

GSK activities in Algeria span three different legal entities – namely GSK Algeria, LPA Production and LPA SPA. We possess two production facilities (one geared towards manufacturing antibiotics and the other one for non-antibiotic medications) along with a national distribution center that links in with smaller bureau in Constantine. This particular set-up that we have established allows GSK to simultaneously conduct commercial and marketing functions as well as research activities.

The growth indicators for our Algerian operations are especially positive. From December 2013 to June 2014 we actually grew at a rate of 108 percent while the development of what we consider to be our main competitor never breached the 100 percent mark. This means that we are gaining

ground. Also significant is the fact that we are growing at a faster pace than the market as a whole. Symptomatic of our success, however, is that we have now become the focal point for our competitors' strategies and the standard within the market to attempt to beat.

In March, your global CEO, Sir Andrew Witty committed to making £130 million worth of investments in Africa over the next five years. Can you please tell us a little about this "new Africa Strategy" and how it affects GSK's activities in Algeria?

The program you are referring to is called "Africa Strategy 2020" and is essentially about facilitating access to medicines in sub-Saharan countries. Specifically, we want to introduce a system of "Third Pricing", that is to say, sell a particular drug at a certain price on the European market in order to make it more accessible to the poorest African countries that simply don't have the means to pay for the medicaments that their populations require. In a sense, rich countries consumers will part-subsidize their African counterparts. We will simultaneously be embarking upon a series of clinical studies in the relevant countries so as to be able to better tailor make our offer to match the health profile of the populations concerned.

Our operations in Algeria will not be directly impacted by the strategy given the country's level of development and prosperity. Algeria's own model of reimbursement is actually very solid and ensures coverage to a full 85 percent of citizens making it really very exceptional in the region. The real challenge here is no longer about quantity or accessibility. It's about quality. Personally I would advocate the implementation of a hybrid style system with more of a role for private sector hospitals. People who have greater financial means could therefore choose to opt out of the public system thus freeing up additional funds to reinvest back into the national healthcare service with a view to raising the standard of provision. Some form of means-testing could also possibly constitute a long term solution to raising quality and ensuring sustainability.

Surely another way to raise the quality of medicines offered on the Algerian market would be to encourage a greater diversification of production?

Algeria could certainly do with greater diversification at the local manufacturing level. The way to do this is to incentivize technology transfer rather than foreign imports which is incidentally something that the government has been striving to do. Proper technology transfer however has to be grounded upon joint ventures that are well designed and carefully thought out. There have to be medium and long term visions and a clear sense of the types of products that the country wants to develop. Currently there are fundamental imbalances in Algeria's domestic manufacturing capabilities. Market statistics today show that there is a much greater propensity to produce

certain forms of medicines than others. Too many firms manufacture dry forms and too few produce injectables for example. And this is very much a reflection of policy constraints rather than pure industrial factors.

In my view, the way forward would be to bring together all relevant stakeholders – private enterprise, industry, the government, academia, associations and the regulators – so as to formulate a joint vision of what the Algerian pharmaceuticals sector should ultimately look like. Only once we know the destination, can we set about defining how to get there. We know, for example, in general terms that the government aspires to make Algeria a regional leader, hub for biotechnology and melting pot of expertise. Greater precision, however, is obviously required.

At GSK, we are actively trying to foster the sorts of partnerships where knowledge can be transferred and lessons learned can be fed back into the sector. We have already been collaborating with the universities on some very demanding programs so as to kick-start this process.

Can Algeria really become a regional leader for pharmaceuticals and healthcare?

Without a shadow of doubt Algeria can become a regional leader, and a very strong one at that. With 1.3 million students per year, we should have more than adequate human resources. However, for them to function effectively and meet the needs of the industrial base, the state will need to revise the academic curriculum. The bottom line is that Algeria has a well educated population of working age, but there will need to be changes to convert that resource base into something that is more fit-for-purpose and can meet the industry’s needs.

Algeria also, by virtue of its hydrocarbon wealth, has the tools necessary to finance the redevelopment of the industry. Already considerable infrastructural investments are being made in the public healthcare sphere and this is very encouraging sign.

As I alluded to before, what we are lacking is a viable platform for exchange and discussion so that all stakeholders involved can frankly debate what sort of industry and healthcare system would be optimal for Algerians as a nation. This would be far more valuable than just copying existing models out there, most of which are not well adapted to our country.

How attractive would you say Algeria is as a destination for clinical and pre-clinical research and development?

In the globalized world that we live in, the most effective projects are always based on partnership and a combining of knowledge and experiences. On some levels, the Algerian healthcare industry

is performing very well indeed. The pharmaceuticals sector is obviously flourishing and is now said to be worth some 3.5 billion. On other levels, Algeria is still a laggard and well off the pace. In terms of clinical trials, the country is very late to the table. The reasons for this tend to be technical, but are at the same time symptomatic of broader structural issues. Conducting and publishing data from a clinical trial is not a marketing event. It is a matter that is taken tremendously seriously in scientific circles. No multinational is going to be willing to lend their name and logo to any such endeavor unless they can be totally sure about the reliability and integrity of that data. This is very difficult to be sure of when you are not fully in control of the local facility and when clinical standards are not always in place. For the moment, GSK doesn't consider the conditions to be right for launching clinical trials. Algeria has enormous potential to become a primary destination country for clinical research, but only once there is a commensurate rise in quality and standards.

GSK in Algeria is regarded as something of a trailblazer in making the transition from importer to producer. What advice would you give to international firms seek to emulate GSK in its commitment to the Algerian market?

Our explicitly local configuration – leveraging local infrastructure, harnessing local talent, refusing to be reliant on expatriates – constitutes one of the prime assets that has helped propel us to a position of market leadership. The fact that we now produce locally ensures a greater security of supply, enhanced control of manufacturing, higher margins, and more flexibility vis-à-vis the regulatory framework in force. These very tangible benefits can be obscured when juxtaposed with the heavy up-front investments we had to make, but actually contribute in a big way to our long term strategy. Today a full 40 percent of our revenue comes directly from local production, and we actually intend to further consolidate this strategy by constructing a new production unit that will more than double our local production capacity by 2022.

At the same time, we always maintain a healthy dose of realism. In a globalized and integrated world it is neither possible nor desirable that all functions should be undertaken locally. In some instances the formulation of specific products may be conducted centrally for reasons of quality, complexity or economics.

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