Interview: Abdelilah Lahlou – General Manager, Iberma – Morocco



20.05.2015

Tags: access, pricing, doing business, generics, regulation, policy, joint venture, local

The general manager of Iberma discusses the history of the Moroccan pharmaceutical industry, new measures to improve access, and working on Moroccan-European partnerships in the pharma sector.

You have a long experience of the Moroccan pharmaceutical industry. What have been the most significant changes throughout its history?

Morocco initiated its pharmaceutical industry after independence, having opted for the liberal option from the very start for drug development and distribution. Facilities in the early years dated from World War II, when French production was relocated due to the Nazi occupation. After the war, these laboratories became small Moroccan units.

Socioeconomic policy then started to focus on industrialization. One enlightened policy implemented by His late Majesty King Hassan II was the introduction of subsidies to encourage pharmacists to invest in the pharmaceutical industry. The pharma sector in Morocco therefore enjoys sixty years of experience, which is quite considerable. We were amongst the first countries in Africa, along with South Africa, to adopt efficient administrative organization of health: it led to the creation of the Drug Division, the National Control Laboratory, the New Code of Pharmacy, and so on. This infrastructure was envied.

However, historically, and even today, the pharmaceutical industry was based on the license model. What we ended up with was a number of national labs working under license for multinationals. Representation through license, in a country that is poor and limited in purchase power, results in a small-batch market, which dragged the market down: no product in the country issues over 15,000 units per month. This small-batch logic leads to high manufacturing costs.

Yet the market has opted for a focus on quality and GMP compliance. Morocco, for making this effort and also thanks to the National Drug Order, has been able to compete with Europe in terms of quality. Imagine the efforts that were provided by the manufacturers to reach these levels!

What were the consequences of market organization?

We find the following characteristics today: an industry of small batches, heavily dependent on imports of APIs, with high manufacturing costs and limited economies of scale. With a situation like this, one might have doubted the future of our pharmaceutical industry, but no such thing happened for the manufacturers, who never lost confidence and faith in their industry.

Consumption is constantly growing, steadily if not exponentially. Indeed, Morocco remains a poor country so consumption increases at its own pace. In the 2000s, Morocco also experienced a renewal, a palpable socio-economic development; the middle class emerged and drug consumption was able to increase.

Another factor also predominates: in the last five or six years the country has entered a new phase; social coverage was very low but became mandatory (AMO – mandatory health insurance), and although it does not provide 100 percent coverage, I defend it as a smart model, for it is better to improve coverage incrementally than to attempt full coverage all at once.

Today, this coverage goes up to 40 percent and in addition, there is a system in place for the weakest households: Ramed, which covers nearly eight million people, or nearly 25 percent of the population. Even AMO gradually improves and it appears that by 2017 or 2018, it will include a maximum of members since new people are added each year.

What about acceptance of this new health insurance policy?

Personally, I fervently advocate for this system: some colleagues believe that we could have provided a more extensive coverage, but what system could support it, given the relatively limited resources of Morocco, devoid of oil?

Health is entering a virtuous cycle: production lines will start to produce more, batches will grow in size, and costs will be able to decrease thanks to economies of scale, leading in turn to higher consumption.

Of course, in such a system, we cannot skip the investments that will ensure economies of scale: pharmacoeconomics and therefore generics in this case. If we intend to build a sustainable system, we must focus on the production of qualitative yet inexpensive drugs.

Why has the sector’s reorganization taken so long?

Following the commotion in the pharmaceutical industry, which incidentally happened at the same time as the Arab Spring, politicians, pharmacists and manufacturers found themselves face to face, and things needed some serenity and rationalism. Bad days seem to be over and Morocco has found a dynamic for the development of its pharmaceutical industry which will take it further.

Three years ago we signed a program with His Majesty for the emergence of the pharmaceutical industry; unfortunately the manufacturers may have failed to seize this opportunity, which is probably why we now have to backtrack so we can reconsider our options (organization in ecosystems for instance). The dynamic is very vibrant: investment goes on, the number of market entrants has multiplied, and a market composed of multinationals at the beginning now includes generic makers from all over the world, including Indians, Portuguese, and Spanish companies. All this heralds a continuous evolution in the drug sector for the years to come.

The infrastructure is there, and this is what has made the country successful: I have personally received representatives from other Sub-Saharan and Eastern countries, who were amazed with what we managed to put in place in the country. I have always campaigned for us to keep this pharmaceutical arsenal on Moroccan territory, because it provides us a unique opportunity: autonomy in drug consumption! People who think that we should keep lowering prices more and more are not aware that any such operation paralyzes the domestic industry and finally favors the emergence of a monopoly, which is not sound. However, it seems that operators have understood this danger and we are gradually moving away from it.

The end of autonomy would mean dependence, therefore scarcity, and therefore price rises and the monopoly of innovators on the one hand and generic makers on the other. I believe that the warnings have been heard, and that pharmacists and manufacturers have made efforts towards optimization and cost control, and public authorities have worked to create an environment conducive to the serene development of this industry. This is an achievement to applaud.

Morocco has everything to gain from properly creating industries that sustain countries, such as aerospace, automotive, agricultural and pharmaceutical industries. This is the future of Morocco, the added value that will allow its development. Personally and also as a pharmacist, I am committed to this end. It is my duty to be a responsible manufacturer! I believe that everyone has understood these needs and that it is why this industry even exists, even if it is not a bed of roses.

What is really lacking in the sector to encourage it to really take off?

We have locked ourselves into a logic of individualism. The laboratories are unable to break away from it and go towards specialization. Each of them wants to manufacture all galenic forms, control every market, even if it implies high production costs. I would recommend the creation of economic clusters with similar sensitivities, with specialization of each laboratory. However, this opportunity has not been seized and laboratories continue to work in autarky, under the false impression that this situation will go on forever.

Your laboratory Iberma, as its name indicates, makes the connection between Spain and Morocco. Where did the idea for this specialization come from?

In the 90s, I was working for a family laboratory I had equity in, but I wanted to be independent. Then, subsidies where put in place to favor joint-venture partnerships between Morocco and European countries; these measures were not specifically intended for the pharma sector but rather for the production and manufacturing industry as a whole, as it provides added value and employment.

There were two possibilities for the financing of my project: either to ask Moroccan banks, which at the time would propose windfall interest rates and excessively high guarantee requirements, or instead take a walking stick and leave to tour Europe. During these years, I wrote to 40 or 50 Moroccan embassies to collect the names of European laboratories and laboratories located in their area. I wrote to each of these laboratories, but did not receive an answer for months.

In the pharmaceutical industry, one needs three elements: know-how, molecules, and finance. And all three were failing me! I would travel back and forth between Morocco and Europe, had a hard time keeping courage, but one day I received a fax from Alicante from a laboratory with the same logic as mine: they had received my invitation while they themselves were considering exports. The partnership was quickly decided upon, and that is how we got started.

Which form did your plant project take?

To secure our investments, we started small and grew in stages, on a rolling basis. We started with dry forms, easy to master, built in GMP compliance from the start, because we already had in mind the relocation of Spanish production in Morocco: we needed a visa for export. At the time, my friends and partners took me for fool, or naïve. Having a Spanish partner and being accompanied by the Spanish Drug Agency, which eventually assessed our facilities, is what allowed our success to happen.

Marketing wise, we did not trouble anyone, for we had invested in markets where there were no competitors: the day we released the drugs, I asked my staff never to approach, directly or indirectly, the people who would already prescribe competing products! We had to make our own place, and this would happen through increasing the prescription base for our drugs. So we earned the respect of our peers: their sales did not decline.

Furthermore, I have extensively protected our certifications: we are ISO certified, as well as having the certification of the Spanish Drug Agency. Our certifications were renewed last December (2014). We also placed a strong emphasis on CSR: the social aspect of the company is one absolutely critical dimension for the future.

When we reached critical mass, we conducted three successive expansions: we incorporated liquid forms and pastes, then we built additional production facilities to multiply and renew equipment, all this with our small Alicante partner! Bigger companies started to solicit us: Rovi, Faes, Italfarmaco, Normon… Iberma’s product pipeline was only about 25 products while today we launch seven or eight new products every year. This year, we had one of the largest growth rates in Morocco, and this is only the beginning: we are interested in food supplements and dental hygiene products as well. All this was made possible because we started small, while at the same time we had good visibility and a solid strategy. We are now in the top 500 Moroccan companies.

Can you tell us more about your export activities?

Our focus is twofold. First, we ensure continuity in Spanish activities that have been relocated here, specifically pastes. The 2014 certification granted us an extension on capsules and tablets, and now we are creating larger volumes for Spain. Every galenic form of this kind will be relocated in Morocco, so the Spanish facilities can focus on biotechnologies and cosmetics: the logic of a true group.

Second, we operate in Sub-Saharan Africa: Senegal, Ivory Coast, and licenses for our products in Cameroon and Gabon, as well as getting closer with Mauritania.

What are Iberma’s plans for the future?

With our history, we have been asked by European institutions to reiterate our business model elsewhere in Africa, to “fetch” entrepreneurs interested in how we operate. If we find people that we like, our partners, financial institutions and even Moroccan banks are interested in joining us.

We do not work with a gargantuan logic, flooding the market, but rather with a stone-by-stone constructive approach, smaller stones consolidating bigger ones and thus ensuring greater durability. To think big is a mistake: these things need time before complementary concepts can germinate and grow. I think that is the secret in this industry. This is the philosophy that we convey and now want to pass along.

Click here to read more articles and interviews from Morocco, and to download the latest free pharma report on the country.

See more interviews