Interview: Mohamed Houbachi – President, AMMG – Morocco



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The president of both Polymédic, a local producer, and AMMG, the Moroccan generics association, discusses the role of generics in the Moroccan market today, and what steps the country must take in order to realize its pharma potential.

Morocco pioneered the pharmaceutical industry in Africa; yet, today investors are fewer than expected. What happened? Why did Morocco fail to embrace the potential it had in the early 1960s?

The issue is firstly political: as the pharmaceutical industry is a regulated business activity, political influence impacts its success. Our success grew within a framework that forced companies to produce locally and therefore invest in Morocco, both in order to sell here and to produce for export. This developed the sector enormously, and we have to thank the multinational companies that believed in Morocco from day one, established sites and worked hand-in-hand on technology transfers.

Then the business model changed. Instead of working on 100 percent local production, companies that wished to enter the Moroccan would launch their own products under license with local laboratories. This business model is still widely in place to this day.

Then, generic medicine reached Morocco very late compared to other countries. The Ministry of Health launched calls for tenders and at first a huge number of companies launched bids. But the

system favored international brands: the lack of clear and supportive policies to back up domestic generic medicine development left its mark on the market. We kept looking at our market ‘from afar.’ There was no incentive to push forward this industry and to create exporting opportunities. This industry was only seen as a provider for the local market and not as an industry that could potentially export, and therefore deserved to be developed.

The manufacturers were not to blame, but rather the politicians: they didn’t seize the opportunity to have cash coming into Morocco, while creating jobs and improving health issues. They could have done it simply by widening the market. The multinational companies that produced in Morocco only produced for the Moroccan market. Had the state offered incentives to export to Africa for instance, the industry would have developed faster, as it happened elsewhere.

Yet authorities and manufacturers signed the *Contrat Programme* in 2012…

In 2008 the Boston Consulting Group started a study, which led in 2012 to the signing of a road map, which was well conceived, and to which everyone contributed. It was an excellent plan. But after the documents were signed, nothing happened. Morocco needed investments but because there was no visibility, entrepreneurs did not invest, and projects slowed down – and this is without taking into account the fact that the employment market shrunk when prices went down. The *Contrat Programme* became an ‘ecosystem’ or a ‘plan for an industrial acceleration.’ We could come up with a more accurate name if what is needed, but what matters most is that we need to believe in our abilities: we have investment power and expertise. We only need politicians to commit to the promises listed in the *Contrat Programme* and to ensure that these projects actually start, because other countries won’t wait for us.

What is the outline of the *Contrat programme*?

There are three axes. First of all, generic medicine has to be developed. Morocco has top quality products because our national control agency is recognized by Europe. It has recently been certified again. In order to make the generic medicine market soar, generic medicine has to be competitive but also reach the markets first, which is the opposite of the situation today, where generic medicines only reach the markets after everyone else, for lack of validation by the marketing authorization body.

Secondly, it has to be properly distributed. The value chain has to be completed and strengthened. There is no point in sending the product to France when you are delivering to Africa – as is done today! Why did the entrepreneurs get no help when it came to setting up a distribution platform? For the lack of such a platform and because Africa is very “scattered” when it comes to logistical

access points, we lose accessibility to African markets. For all these reasons, we need an incentive policy so that partnerships, clustering and ecosystem organization can become truly interesting. This policy is missing! It’s high time for the Ministry of Industry to tackle these issues.

The last question is how to attract big pharma to Morocco? It’s very sad to see that lots of them have closed their factories in the country and have left for neighboring countries. We have to improve our competitiveness because now we are asked to deliver European quality at Chinese prices, but no one knows how to do this!

Today in Morocco the pharmaceutical industry is divided in its points of view. There are three associations with three rather different strategic positions, all trying to have their side heard by the various ministries. Do you think that this division has harmed the industry’s development?

Today the AMMG is bringing the following idea to the table: Morocco has very high potential and generic medicine must reach 70 percent of the market so that it can widen and access can be improved. On top of this, processing times to register and to obtain marketing authorization *(AAM)* have to be reduced. Only when this is accomplished will we be able to contemplate the export market.

But all of this goes against the interests of many stakeholders, such as multinational companies or local producers, because their business models depend on licensing and contract manufacturing. They are not ready to give up their share of the market!

However, I feel that there is still a complementarity to be pursued. Morocco is not big on research and so we need innovation from outside. In this respect, multinational companies that bring their innovations should be congratulated and protected by 20-year patents. Nevertheless, once this period is reached we have to let local industry take over. When the multinational companies come to make generic medicine or when innovations from 20 years ago are still sold at the same prices, we can’t agree! Everyone must play by the rules.

Right behind South Africa, Morocco is the second biggest market for pharmaceutical production in Africa. Where do you see the industry heading to in the next three to four years?

We lacked courage. Look at Jordan! They started with nothing, bought some shares in every company and now they are reaching out to the whole MENA area. Yet Jordan’s market itself is actually very small – the country only has four million inhabitants.

Morocco, on the contrary, was very comfortably established with a big national market of 30 million people; profits were high, and no one saw our neighboring countries emerging. We missed the shift. However, I strongly believe that we can catch up very quickly thanks to the policy designed by His Majesty to reach out to other African markets. He opened and framed a relationship with lots of countries on the continent. It is up to us to follow his path. Entrepreneurs must make efforts and team up. No one can reach all of Africa on their own. We must partner with each other, pool our resources. We need a strong political impulse and once again, we need to very quickly find a strategy.

Generic medicine is a great opportunity for investment. It helps improve the balance of trade and payments. Is there any country in the world where the pharmaceutical industry is considered to be "strong" when the country is actually increasing imports and has a growing budget deficit? We went from a MAD three billion (USD 307 million) deficit to a MAD five billion (USD 512 million) deficit. We covered 80 percent of local demand; now we only cover half. The employment rate did not change: we still employ 6,000 people, but investment stopped. Multinational companies were all here, and now lots are now gone. I feel it's more than obvious that we have a bad track record.

Does Morocco have a true chance to be competitive?

Of course! After the price cuts, there are new signs that make us very hopeful: signs of recovery, and signs of strong political determination. We feel that political power is now more stable and that it will help to guide the industry, both from the minister and from healthcare leaders. Even the time-consuming processes are now in question. I am confident this new dynamic will actually work out and push us manufacturers to work in that same direction.

What would you like to tell our readers about Morocco?

Morocco is a very beautiful country.

The first time the US ambassador came to Morocco, I had the great honor of meeting him. He told me that he felt our country has huge potential. But if he had seen the strength of our agriculture, he had no idea of our technical abilities and of our expertise in the pharmaceutical field. We make generic medicines that are not on the market in his own country. So I got a chance to tell him we wanted to export to the United States. We will see if this comes true. What matters is that Morocco is a country where nothing is impossible. Morocco is a country where we know how to take on challenges – the first of them being stability.

Here's my message to investors: seize the opportunity in Morocco.

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