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PUBLICATION:	Al Mal (Supp)
DATE:	7-September-2015
COUNTRY:	Egypt
CIRCULATION:	145,000
TITLE :	Concerns Over Foreign Monopoly of Healthcare
PAGE:	29
ARTICLE TYPE:	Government News
REPORTER:	Ahmed Sabry

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Concerns over foreign monopoly of healthcare

Foreigners' share of Egyptian market tops 60 pct and MoH is tight-lipped over the actual number of private hospitals and medical labs taken over in acquisition deals

By AHMED SABRY

With the value of Egypt's pharmaceutical market hitting LE26 billion annually, concerns mount about foreigners' monopoly of the local healthcare sector. Fueling these worries is the fact that there are no specific laws regulating investment in the sector, according to experts.

Foreigners' share of the Egyptian medicine market has surpassed 60 per cent.

Hefty deals

Figures obtained by Al Mal newspaper from the Egyptian Doctors' Association show that most of the private medical services in the country has recently been acquired by Abraaj Capital a Dubai-based multinational company.

In 2008, it took over the Borg medical laboratories in a deal of LE773.3 million. The firm also acquired a chain of Al Mukhtar medical labs in a LE1.27 billion deal in August 2012. The same year, Al Burg and Al Mukhtar labs were merged to form a new entity named the Holding Integrated Diagnostics Company.

Abraaj, which is the Middle East's largest private equity firm, also acquired 52.7 per cent of shares in the Specialized Cairo Hospital for LE106 with LE75.7 per share.

In Late 2014, the company took over the Cleopatra Hospital in an LE770 million transaction. In mid-2014, Abraaj started negotiations to Acquire Amoun Pharmaceuticals Company vying with Pfizer. The takeover eventually went to the Canadian firm, the Valeant Pharmaceuticals International.

The takeover stakes by Abraaj in the Egyptian healthcare sector have drawn protests from the Doctors' Association. However, the Health Ministry has made no reaction, arguing that such investment is not overseen by the government, which is at pains to lure investments in all domains.

The ministry has kept tight-lipped over the actual number of private hospitals and medical labs taken over in acquisition deals, although such transactions cannot be struck without notifying the Health Ministry.

Allaying fears

Dr Ahmed el-Ezabi, who heads the Chamber of Pharmaceutical Industry, said that current foreign acquisitions will not affect the local healthcare services, mainly those provided by pharmaceutical firms.

"Medicines are offered as a priced service under regulations set by the Health Ministry," he said. "Any medicinal preparation by a local, foreign or multinational company must be approved by the Central Directorate for Pharmacology before it is allowed on the market," added el-Ezabi, who is a member of an advisory board for the health minister.

Dr el-Ezabi described the healthcare services in Egypt as a huge market, where local, state-owned and foreign business are working. He put

the annual value of their output at LE20 billion. "Foreign companies' purchase of Egyptian healthcare firms is regarded as investment. Acquirers target profits in line with relevant regulations," he said.

Just like any other commodity

"These acquisitions will not have a negative impact on Egyptian patients at all. More than 50 per cent of the pharmaceutical market in Egypt is controlled by foreigners," Dr el-Ezabi added that there are no restrictions on takeovers by foreigners in Egypt, which is part of a global economy based on liberalism.

"Medicines are like any other commodities and are subjected to rules covering other industries such as plastics, steel and wood. There should be no curbs so as not to scare investors away."

Sounding the alarm

Disagreeing, Dr Mahmoud Fouad, the director of the non-governmental Right to Health Centre, is critical of foreigners' acquisitions in the local healthcare market. He warned that the increasing takeovers will result in foreigners' monopoly of the healthcare services in Egypt. He said that unlike Europe and the US, there are no laws protecting rights of patients in Egypt.

According to Dr Fouad, foreign acquisitions came to a head in July when the Valeant Pharmaceuticals International bought Amoun Pharmaceuticals Company in an 800 million dollar deal.

Amoun ranks the sixth in the Egyptian pharmaceutical market with its sales in 2014 hitting LE5 billion. Dr Fouad said that the Amoun deal has raised foreigners' share of the Egyptian healthcare sector from 54 per cent to 60 per cent.

He added that the Health Ministry has condoned these transactions, saying they are part of investment, which it cannot stop. "We have asked the Anti-Trust Agency, affiliated to the Cabinet, to reconsider these transactions and revoke them. We have also urged the agency to interfere to protect Egyptian patients, doctors, nurses and imaging technicians from harmful practices, which will affect their situation and the national economy," he said.

Part of national security

In his opinion, these acquisitions will allow the healthcare providers to control prices because "they monopolize the market". He called healthcare services part of the national security and accordingly should not be deemed as mere investment acquisitions. He blamed the regime of former president Hosni Mubarak for the current state of affairs, saying it offered major facilities to foreigners that helped them consolidate a foothold in the healthcare field.

Dr Fouad recalled that they had warned against the sale of the Amoun Pharmaceuticals last year and called on the Cabinet Anti-Trust

Agency and the Health Ministry to halt the deal. "At the end of the day, the deal was struck under the very nose of the ministry." In his view, such transactions have exposed the fragility of the enterprise sector-owned pharmaceutical companies.

Therefore, he expects further foreign takeovers unless strict laws are enacted to protect the local industry. "For example, Britain stopped the sale of its biggest pharmaceutical firm to Pfizer in a deal that would have reached 1 trillion dollars. The British House of Commons passed legislation blocking it," he said.

Unlikely acquisitions in the near future

However, Dr Ashraf el-Khouly, a corporate affairs and communication director at Pfizer Egypt and the director of Pharma Association for Pharmaceutical Research, downplayed the foreigners' acquisitions in the Egyptian healthcare market. "Even if there are huge acquisitions, they will not affect the Egyptian patient because rules related to pricing and drug registrations are controlled by the Health Ministry."

Dr el-Khouly estimated foreign investment at 55 per cent of Egypt's pharmaceutical market. Egyptian pharmaceutical companies have operated in Egypt since the 1960s, according to him. "These companies

have their factories such as Pfizer of the US and Novartis of Switzerland. They support the Egyptian economy." He pointed out that the Amoun Pharmaceuticals, acquired by Valeant International, was owned by foreigners, Citi Group and some other investors.

"Amoun was offered for sale before the January (2011) Revolution, a proof that its sale came through an ordinary deal because Amoun was a private firm." Dr el-Khouly ruled out further foreign acquisitions in the Egyptian medical market in the near future. "Investment atmosphere in Egypt is non-attractive because there are other countries, which offer incentives bigger than Egypt." He added Egypt's economy accounts for 0.03 per cent of the global economy. "This is a paltry percentage discouraging investors." He said that a foreign pharmaceutical company sold its factory to the Egyptian pharmaceutical firm, MPU.

"Such a move is due to tough laws in Egypt on drug registration, which can take several years to happen. There are also the vague pricing system, non-respect for copyrights and the decline in the Egyptian pound against other currencies. Even though, prices of medicines remain unchanged."

