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SPECIAL REPORT

HEALTHCARE

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In collaboration with

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HEALTH CARE INFRASTRUCTURE UNDER PRESSURE



Changes and challenges

Long seen as the health care centre of the Middle East due to its developed hospital infrastructure and presence of heavily qualified medical personnel, Lebanon may well lose this title soon, due to a series of unfavorable factors, including the economic crisis, the August 4 Beirut port explosion, and the Covid-19 pandemic. Despite the efforts of its health care personnel to provide adequate medical care and the current support of the Central Bank of Lebanon by providing dollar subsidies to importers at a fixed rate of 1,500 LBP to the dollar, Lebanon's health care infrastructure is currently in the midst of its worst crisis in modern history with no clear end in sight.

The convergence of stresses on the health care system has revealed the lack of up-to-date infrastructure; lack of medical personnel due to high emigration rates among doctors; and difficulties in obtaining medical supplies due to the devaluation of the Lebanese currency and reduced imports. Dr Charaf Abou Charaf, president of the Lebanese Order of Physicians, recently estimated that the total number of doctors who have chosen to leave Lebanon between July and September to be more than 400, which represents roughly 3 percent of the

total number of Lebanese doctors. Nevertheless, at a level of three doctors per thousand of population according to Ministry of Public Health statistics for 2019, Lebanon is still in the upper tier in levels of doctors per population, close to France and higher than the United Kingdom according to thestreet.com, a financial news website. In addition, the August 4 Beirut explosion resulted in heavy damages to hospitals in Beirut, and for the moment reconstruction is stagnant.

IMPACT OF THE DEVALUATION AND BDL CIRCULAR

According to Dr. Jamil Borgi, a cardio-thoracic surgeon at the American University of Beirut's Medical Hospital (AUBMC), medicinal supplies have become more expensive due to the devaluation of the Lebanese pound, despite the fact that the Central bank subsidizes 85 percent of the prices. This leaves the other 15 percent of payment subject to currency fluctuations and the difficulties of finding cash dollars (as per the BDL scheme, suppliers of medical equipment must provide the BDL with 85 percent of the dollar price in LBP at the official rate of 1500 LBP per dollar, and the rest in cash dollars). Prices of insurance premiums and medical equipment are going up, and the latter are not always covered, according to Dr. Jamil Borgi, which is putting added pressure on hospitals and Lebanese citizens, both insured and uninsured. This has highlighted the need to restructure the health care infrastructure in Lebanon in order to be able to cope with the economic crisis, the impact of Covid-19 and the destruction of the infrastructure in the Beirut blast.

Due to the difficulties in obtaining cash dollars, there is a shortage of medicinal supplies. Given that the current BDL subsidies are temporary, and with no political solution to the economic turmoil, hospitals are worried that supply costs may skyrocket, due to the possibility of having to buy medical supplies at real market prices, with a currency rate which has fluctuated in the last two months between LBP 6,000 and LBP 8,800.

According to Dr. Alexandre Nehme, Chief

Medical Officer at the Saint Georges Hospital University Medical Center (SGHUMC), the impact of the devaluation of the currency on the availability of medical supplies might be heavily affected due to the recent BDL Circular 573, which established that medical suppliers, in order to obtain dollars from the Central Bank at the official rate of 1,500 LBP to the dollar, must provide the Lebanese pounds needed for the conversion in cash. Otherwise, the importers would not be able to obtain dollars to pay their suppliers. According to him, this would add pressure on Lebanese hospitals as they are mostly paid in credit cards and SWIFT, and therefore if their suppliers were to insist on being paid in cash, hospitals would have difficulties obtaining it due to the current capital controls at Lebanese Banks.

LEBANON'S ECONOMIC CRISIS CASTS A LONG SHADOW

The impact of the economic crisis on medical personnel has been two-fold: the crisis has forced many hospitals to fire part of their medical personnel in an effort to cut costs, with AUBMC having laid off between 800 and 850 of its staff members on July 17th, 2020, and many have left the country in search of more secure opportunities abroad. The lack of personnel was actively felt during the aftermath of the August 4 explosion. "Our challenge is to keep our working force; it is bleeding", says Dr. Alexandre Nehme, highlighting the need for hospitals to maintain an effective medical workforce.

In addition, the BDL circular 573 has come under heavy fire from prominent hospitals due to the difficulty in obtaining cash money to finance the purchase of medical supplies. Six university hospitals (the AUBMC, the Lebanese American University Medical Centre – Rizk Hospital, the Saint Georges University Hospital, the Hôpital Notre-Dame des Secours, the Hotel-Dieu University Hospital, and the Mount Lebanon Hospital) have issued a joint statement lamenting the current situation and apologizing for not being able to provide medical services in this current situation.

Indeed, the Medical Equipment & Devices Importers' Syndicate requested on October 20th of hospitals that they pay 85 percent of their purchase bills in LBP cash, which the above-mentioned hospitals deem impossible. For them, requesting cash payment from their patients is near impossible, and will result in an inability to provide their patients with the required care, especially as the current limits on withdrawal make it very hard for many to spare the required sums.



Dr. Firass Abiad, chairman and director general of the Rafic Hariri medical hospital, has highlighted to Executive Magazine that "it is all about preparation", adding that the hospital has instigated a staff development program which has allowed them to generate enough nurses and personnel thanks to incentives. As a result the proportion of

■ Between July and September, 400 doctors have been estimated to leave Lebanon.

personnel that has left is lower than other hospitals. Unlike many other hospitals, Rafic Hariri has hired staff and trained them.

Dr. Abiad, says that, "We are facing three or four storms that are coming together as a perfect storm," referring to the financial crisis, the Corona pandemic, and the staffing and equipment challenges in Lebanon.

COVID-19'S IMPACT ON HEALTH CARE

In seven weeks, from October 26 to December 17, the number of infections rose from 72,186 to 153,049 and the number of deaths from 579 to 1248, according to Worldometer. Intensive Care Units (ICUs) have had to be expanded since the beginning of the pandemic and ICUs have reached a critical occupancy rate of 85 percent according to a November 7 World Health organization report. The AUBMC has created a Covid-19 Unit, but have currently reached maximum capacity due to the rapid expansion of the pandemic. At Saint Georges Hospital, many changes had to be put in

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place after the August 4 explosion. Before the blast different departments at the hospital were dealing with Covid-19, with half the emergency and half the intensive care units (and around 25 additional rooms) dedicated to Covid care. After the blast, St Georges' damages were such that changes had to be made to cope with the increase in Covid-19 cases in spite of heavily damaged infrastructure.



■ Covid beds in Beirut governorate hospitals have reached 100 percent occupancy.



The changes included obtaining 14 hospital beds from the Lebanese-Canadian Hospital, establishing a walk-in for PCR tests and a drive through for the same. Damages at the hospital were estimated at \$40 million, noting that by the end of October the hospital obtained only \$10 million.

The hospital amongst the most affected since the beginning of the Covid-19 pandemic has been the Rafic Hariri Hospital. According to its Chairman, Dr. Firass Abiad, the Rafic Hariri hospital has expanded its ICU unit quickly, from four beds before the pandemic to 22 in a matter of two weeks since the beginning of the pandemic. "We bought a lot of time for the country", he says, due to the alleged rapidity and professionalism of the hospital staff in handling the Covid-19 patients. Nevertheless, as the number of patients goes up, so does the need of beds, especially as Covid-19 can be transmitted by air when an infected person coughs, sneezes or breathes heavily in close contact according to the World Health Organisation and therefore the medical staff must be extra careful with regards to contact with patients.

Overall, Rafic Hariri Hospital reached 28 beds for Covid-19, an ICU with five beds dedicated to children, and is working on nine more beds to become the largest Covid-19 ICU in Lebanon. According to the latest World Health Organization report dated November 7, hospitals in the Beirut governorate, for example, have reached 100 percent occupancy rate.

This will only get worse should the situation stagnate without the help of former and international donors to establish hospitals and ICU units. According to Dr. Ghassan Skaff, head of the neurological surgery department at AUBMC's department of Surgery, in an *Elsiyasa.com* article dated November 1, should Lebanon not enlist the help of international donors, the country might reach a milestone of one million Covid-19 infections and around 10,000 deaths due to corona from here to June 2021.

In conclusion, Lebanon might have to relinquish its reputation as the health care center of the Middle East. With medical personnel leaving, an expected hike in the price of medical equipment, and difficulties in obtaining the much-needed financing for importing the latter, which would result in the hospital sector lagging behind, Lebanon might very well end up with a stagnating medical sector, leaving no room for envy from its neighbors. ■

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ORGANIC CARE AND TRUE BEAUTY NICHES



State of the market

The global cosmetic and personal care market is growing, the upward swing especially boosting companies that produce organic and sustainable products. The specificity of new manufacturing trends and the evolution in marketing funnels, such as the rise of micro social media influencers, is shifting the research-intensive health-related sector towards viability of small enterprises, niche producers, and customized lifestyle products.

Due to the Covid-19 pandemic, the overall social appreciation of proper personal care is increasingly on peoples' minds. This begs the question for all countries that do not have the benefit of being homes of vaccine makers or personal care giants: how can our countries benefit from the changes in the marketplace, and improve the local production of personal care products?

As with pharmaceuticals, this supply question is made much more urgent in Lebanon by the demise of the national currency's artificial stability. In 2018, the Investment and Development Authority of Lebanon (IDAL) opined that there were four notable market opportunities in the

healthcare sector, notably advocating the growing market for natural cosmetics. "Demand for natural and organic products is growing exponentially driven by increased awareness of health and wellness. Lebanon's cosmetics industry ranks amongst the top 5 Lebanese exports indicating its strong position and its potential to grow to address regional and global demand."

This global demand is not to be scoffed at from the positions of small and medium suppliers in small countries. In its annual report for 2019, Cosmetics Europe, a lobbying and advocacy voice for the industry, expresses the expectation that "improvement in deliveries and technological progress will help online sales of cosmetics to grow significantly. Ecommerce represents an opportunity for small and large companies to expand their sales and client base."

HYGIENE AND CARE MARKET BOOMS

According to Cosmetics Europe data, the European cosmetics and personal care market is the world's largest at 79.8 billion euros in retail sales. "Including direct, indirect and induced economic

activity, the industry supports over 2 million jobs. In 2019, over 206,800 people were employed directly, and a further 1.65 million indirectly in the cosmetics value chain,” says the organization. Modern cosmetics is not about torturing yourself with applications of potentially toxic substances for the sake of making a fake impression. “The vast majority of Europe’s 500 million consumers use cosmetic and personal care products every day to protect their health, enhance their well-being and boost their self-esteem.”

A 2019 global cosmetics market report by retail data research company Edited, similarly described the beauty industry as an economic landscape where direct-to-consumer (D2C) selling is increasingly sophisticated, due to positioning of products by pricing and highly-informed digitally native customers. Additionally, according to Edited, there is a great consumer desire for transparency in beauty products, as mind sets are changing to favor non-harmful, sustainably produced and cruelty-free tested products, and demand trends are shifting towards plastic-free recyclable packaging and economic transparency.

“The beauty industry is seeing a greater regulatory crackdown against increased ‘greenwashing’ across the sector”, the report says and cites with initiatives such as the US Personal Care Products Safety Act to substantiate its prediction that the future “will force large beauty brands to rethink their approach to natural cosmetic formulations”.

Credit Covid-19 for the exponential rise in hygiene and care awareness: a paradigm shift that is likely to translate into significant opportunities for companies in that market, whether established or start-ups. Moreover, in the Lebanese economic context, it is a valid question to inquire about the national capacity for production of care products, just as it paramount under the national economic

emergency to substitute as much as possible imported brand medicines with far more affordable products of similar quality and local manufacture.

PROLIFIC BEES ARE SWARMING REGIONALLY

In Lebanon, the production and exportation of organic care products appears, at least in one case, to be thriving. Beesline, a Lebanese, family-run, apitherapy-based enterprise, initially had a slow-growing market presence in Lebanon. With time, their market presence evolved, and in combination with moderate exports for well over a decade, it eventually reached a stage where the company was invited to join the Endeavor network of companies in Spring 2014.

Reported to have about approximately \$7.5 million in annual sales in 2013 and a workforce of 180, company revenue took off. “In the past five years,

■ “The beauty industry is seeing a greater regulatory crackdown against increased ‘greenwashing’ across the sector.”

Beesline focused its strategy across the region and accelerated growth in core markets. The company more than doubled its size in revenues in the past four years,” Hassan Rifai, marketing manager and second-generation member of the company’s

founding family, tells Executive. According to him, the headcount is still 180 employees but the solid double-digit year-on-year revenue growth of more than 20 percent has propelled the enterprise into a new dimension of economic performance.

And this performance has not waned in 2020. “Like all Lebanese, we are used to challenges and work harder when they come. Despite all the challenges that we have faced, 2020 is still on a similar path of growth as in the past years,” he enthuses.

Factors that cannot but be noted as drivers of this growth according to Rifai are the company’s allocation of about 5 percent in annual turnover to research & development, alongside intellectual property protection of its formulas; the consistent focus on exports, and the multi-tiered reliance on channels to market that entail traditional collaboration with distribution and wholesale intermediaries, as well as a focus on e-commerce through an proprietary platform plus third-party platforms.

In terms of selling and marketing, the main marketing channel is digital, but online communication and selling channels are augmented with selling channels through pharmacies, and for some product lines, through hypermarkets and some beauty shops.

“Quick use products, which are off the shelf and low-cost such as face masks, go to beauty shops and

Natural Lebanese soap products.
www.salmalovesbeauty.com



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hypermarkets. Flavored lip balms go there too. More health focused products remain in pharmacies, but everything can be found on the online platform. Since we started our own e-commerce platform, we have been keen on growing it quite aggressively, and our platform generates more [turnover] than any other platform in itself,” Rifai explains.

What, on the other hand, is not a factor for the company’s success is the ability to rely on domestic raw materials. “We have to rely on imported raw materials up to 90 and sometimes 95 percent,” Rifai tells Executive without elaborating on the role of locally produced beeswax in the product range of Beesline. With the majority of raw material cost related to dollarized imports, he says, “Our cost actually increased quite a lot, yet we picked a pricing strategy where we tried to stand as much as possible on the side of the Lebanese consumer, by limiting the transfer of inflation to them.”

Consequently, the company looks at a red zero in the home market for 2020 and its strategic projection for next year is similar. In this mix of seeking to acquire market share in Lebanon by sacrificing short-term profits and maintaining price levels in regional export markets, it is notable that the share of the Lebanese market in overall business according to Rifai amounts to only about 8 percent, whereas revenue and growth come from Gulf markets such as Saudi Arabia and the United Arab Emirates and ongoing expansions of sales in large regional markets such as Egypt, but also include forays into European and farther-flung markets in the United States and Oceania. “We started selling in some of these markets as of 2020 and are planning to push further from 2021 onwards,” Rifai says.

Rifai explains that customer concerns have been shifting to organic product certification, compliance with environmental sustainability practices and fair governance standards.

“The challenge or issue here is not about the origin of manufacturing but on the value proposition. We have pushed our value proposition towards sustainability and commitment to the environment,” Rifai concludes.

STARTUPS ON THE ORGANIC CASE

One would expect the global market opportunity for producing and marketing organic cosmetics to naturally reverberate with some diverse minds in the Lebanese startup talent pool. One example of such a startup is Lagom Organics, an organic skincare company, whose founders Jennifer and Samer Abouarab spent serious time on research and devel-



opment. They found themselves compelled to jump straight into exports because of the near total demise of the domestic market at the time of their venture’s launch in late 2019.

Similarly, Salma Loves Beauty is a natural beauty startup with a range of olive-oil based soaps that has expanded into liquid soaps, potions, shampoos and sanitizers. Founder Rosemary Romanos had been working on and running the startup already for many months when the crisis first hit and she felt an immediate impact on the business. Nonetheless, in a decision to pursue her startup dream even as the tidal waves of depressed economic mindsets were washing over the Lebanese market, Romanos incorporated her venture in August of this year.

Thirdly, the start-up Potion Kitchen has been included in the 2020 batch of ventures at the SMART ESA demo day in December. Founder Rafa Hojeij, who first came to the market purporting messages of plant-based skincare and clean beauty in 2018, is seeking to raise \$65,000 in funds for expansion of production capacities and marketing in 2021. Her startup’s initial export orientation is directed at West Africa, where the Hojeij family of south Lebanese origin has extensive market knowledge. Potion Kitchen’s next target markets after that will be located in the Gulf region, Hojeij tells Executive.

Among these young enterprises, Lagom Organics is based in Zghorta, North Lebanon. Co-founder and commercial head Samer Abouarab says that Lagom Organics is endeavoring to pioneer the regional market niche for skincare under an originally Scandinavian lifestyle concept of lagom and position the brand as the region’s first in the “indie organic skincare segment”. Lagom is a concept that refers to the perfect balance: not-too-much, not-too-little. The company is thinking to expand its market to Europe, South Korea, and the Pacific Northwest in the US.

In the reality of doing daily business from Lebanon, Lagom Organics has discovered that local ingredients did not satisfy the quality requirements for the company's luxury formulas of essential oils and "wild harvested" raw materials. While including up to 20 ingredients in the company's two existing products (two more are in late-stage development and others under preparation), Samer Abouarab says he cannot locally source even one ingredient. Even as the company's products when sold abroad are not heavily exposed to the Lebanese currency exchange rate problem, he concedes that the importation problem is one of the main issues faced by the startup.

SUSTAINABLE PRACTICES

Farmers and growers still lack knowledge in essential oil production and high quality products, and certified ingredients are not available from Lebanon, Abouarab tells Executive: "There is no local production. I have been in touch with several local farmers and growers because we use a lot of essential oils, but local production is still very low in quality and quantity."

These barriers notwithstanding, Abouarab is committed to producing the Lagom Organics product range in north Lebanon, noting the labor cost advantage and high work ethics of the company's small production workforce of local women. Besides requiring certified imported ingredients and relying on special glass containers made from imported, novel and expensive, photonic glass, the company is artisanal in nature and committed to local production in Lebanon. Abouarab explains, "We don't use machinery and our batches are very small, we produce like 1,000 pieces at a time whenever someone requests our product, manufacturing immediately and shipping to them," he says.

Salma Loves Beauty founder Romanos confesses, just as the other two maker startups, that she is highly insistent on the sustainable and environmental characteristics of her brand's organic skincare products. She tells Executive that she joined up with a manufacturing partner who is a chemist and formulator that wants only to produce natural care products. She is marketing these products on the basis of a shared commitment to "never manufacture something that is toxic to the environment or the consumer." She does not want to divulge performance numbers of the business, which has a monthly capacity of producing 4,000 soap bars, but tells Executive that her startup is already achieving turnover of below half a million dollars.

LEBANESE START-UPS ADAPT AND STEP UP

Economically, the venture handled its 2020 market experience with a strategy to distribute cost increases by first reducing the company's profit margin and next seek reduction of supply costs. Passing cost on to consumers is only the final option when mandated by the need to have a healthy business with a healthy margin. "We took a cut in our margin. Because we have been [operating] before and after the [start of] the crisis, I have personally seen the changes in my margin and the first decision that I took was that I reduced my margin before I passed this cost on to the customer," Romanos says.

Romanos, who earned her first chops as an entrepreneur in Lebanon with an alternative energy startup in 2017, says that up to 80 percent

of her cost base is tied to foreign currencies. She explains that she obtains all raw materials and inputs from Lebanese companies, but adds that many of these local suppliers in turn rely to varying degrees on imported materials such as plastics and packaging. Her

products' ingredients include olive oil, honey, jasmine, lavender, and laurel oil.

"I personally made a switch to natural products when I was 21. I wanted to be more conscious about the things that I consume and it made a big difference with my skin and hair. The first product that I switched to was deodorant because I wanted something that was free of aluminum and preservatives. This was because I believe that anything that you put on your skin goes inside of your body," she says.

Two factors that the three startups and the established care player Beesline have in common are firstly that all of them are relying on native e-commerce platforms - in cases of Beesline and Salma Loves Beauty in conjunction with traditional distribution - and secondly that none of them has seen any state incentive, tax break, ministerial initiative or public sector support of their own company development in the cosmetics sector.

■ One factor that the three startups, and the established care player Beesline, have in common is that all of them rely on native e-commerce platforms.



DRUG MONEY



Untapped Potential in Lebanon

What a difference in perception a year makes – especially this year of 2020, and especially in all matters concerning health, directly or indirectly. Let's assume – very reasonably – that you were cleaning your hands a few times a day at about this time in late 2019. Were you to have been engaging in any lengthy hand washing and extensive sanitary exercise back then, it might have led an observer to suspect that you suffered from OCD - obsessive compulsive disorder. In 2020, the same diligent hand-washing and frequent use of hand sanitizers would likely be regarded by the same observer as best practice and responsible behavior.

Further altered behavior patterns in relation to health have emerged over the past months, such as increased acceptance of telehealth in developed economies; hesitancy of people afflicted by various chronic or age-related conditions to commit to elective surgery; and highly restrictive visitation rules by hospitals and old-age nursing facilities.

This year's behavior shifts have found their clearest early economic expressions in financial markets and specifically in stock values. Whether it is the biotech index of NASDAQ that is booming at the cutting edge of medical innovations or something as mundane as the share price of Malaysia's Top Glove, the world's largest

manufacturer of latex gloves that has seen its profits soar even as it relies heavily on migrant labor.

Even for both the economic strategist and the prudent investor who does not gamble on the flashiest and risk-prone outliers of the 2020 financial markets that are under the reign of the pandemic's heightened awareness and fear, keeping a careful eye on hot pharmaceutical and personal care manufacturers is a no brainer. Although this year many investors and advisors were noted for adopting the strategy to - in Bank of America's term - "sell the vaccine" and divest from volatile assets, the overall healthcare sector and non-cyclical consumer goods such as soaps and other personal care products have fortified their auras of being composed of defensive stocks.

Within the conventional wisdom of global equities markets, this means that stocks in the healthcare and non-cyclical consumer care segments, from makers of pain relief drugs and medicines for chronic conditions to manufacturers of hygiene products and cosmetics, are values to hold onto in times of economic and/or political instability. Thus, healthcare and specialized or adjacent industries – such as biotech and organic cosmetics – promise wider and more intriguing opportunities than the top horses in the mad coronavirus vaccine race that are on the mind of every last stock market gambler

who is chasing after high-risk biotech propositions such as Moderna Inc.

On a curious side note, news of vaccine developments are gobbled up and acted upon not only by fortune hunters but also by criminal cyber-attackers or

state-backed hacking organizations – over the last few months those very opposite interest groups have both been targeting biotech propositions such as Gilead Industries (earlier this year when the biotech firm's Remdesivir drug was touted as potential Covid-19 treatment and, more recently, vaccine makers such as Astra-Zeneca and BioNtech.

Such observations of global financial trends in health and beauty care have ramifications for dar-

■ This year's behavior shifts have been most clearly expressed by changed in the financial markets.

ing and risk-loving investors even when looking to identify opportunities in Lebanese manufacturing niches - despite the lamentable absence of relevant stock market information on health sector companies. Moreover, anyone with an economic sense should assume that understanding the value proposition of local pharmaceutical and personal care productions in this country matters a great deal at this very moment.

This is not just for the reason that securing the supply of medical drugs for domestic consumption is one of the country's core needs and that the importation of pharmaceuticals translates into a huge drain on funds - according to Ghassan Hasbani, the former deputy prime minister and minister of health, an avoidable drain of some \$500 million this year - under the current exchange rate subsidization policy. The value proposition of Lebanese capacity-building in the wider health sector is seriously under-acknowledged, if one looks closer at the national potentials and untapped opportunities in manufacture and exports.

"The healthcare industry in Lebanon, at least before the crisis, was quite advanced. It is one of the industries that can play a major role. [There also is] big potential for skincare and organic [products and exports] because of quality of manufacturing in Lebanon, quality of talent in pharma industry, and [the] relatively cost-effective R&D in the country," Hasbani says.

THE ASTOUNDING VALUE PROPOSITION OF DOMESTIC GENERIC DRUGS

In terms of pharmaceutical drugs alone, local quality manufacturing capacity exists to cover the majority of domestic needs in both volume and value. "The total value of the [pharmaceuticals] market is about \$1.7 billion and of that total we are importing around \$1.3 billion of brand and generic medicines, [whereas] around \$350 million [worth] are locally manufactured," Hasbani tells Executive. According to him, the output of Lebanese pharmaceuticals manufacturing companies has in recent years increased from satisfying about 7 percent of total market value to 19 percent, and 76 percent in terms of volume - the disparity between volume and value being so large because the generics made in Lebanon, while of high quality, are far cheaper than the imports.

Hasbani adds that under a recent plan of the Lebanese Forces (LF) political party that he is a

THE GLOBAL PHARMA MARKET

According to data published by the International Federation of Pharmaceutical Manufacturers and Associations, (IFPMA), the global pharma industry employs well over 5 million people (5.07 million in 2014), about 70 percent of whom are located in Asia, including Western Asia. The global pharmaceuticals market amounted to \$997 billion in 2014, representing a cumulative 8-year increase of approximately 53 percent when compared with 2006 according to the same source.

The industry's gross value added in the same year reached nearly \$453 billion worldwide, of which \$154 billion were generated in Asia. On the other hand, the market concentrations of pharmaceutical consumption were located in the developed countries of the United States and Europe. In 2016, of the estimated \$1.1 trillion global pharmaceutical market, \$613.5 billion, or ca 56 percent, were achieved in these developed countries, with overall upward expectations for pharma sales based on the combination of ageing populations in developed economies and market expansion in over 20 so-called "pharmerging countries" from China and India to Brazil, Mexico, Turkey and Saudi Arabia.

member of, the share of domestically manufactured medical drugs of the total market should more than double. "Now they are almost at 20 percent [of the market's value]. The objective is to take them up to more than 50 percent," he says.

As one practical step to curb potential abuse of the old subsidy system and reign in the danger

of perverse incentives - which the international pharma industry has long been reputed to offer in various forms - by which physicians may be tempted to prefer imported drugs in their prescriptions, the LF plan for addressing the problem of unsustainable

■ The total value of the pharmaceuticals market in Lebanon is about \$1.7 billion; of that total, Lebanon imports \$1.3 billion worth of medicine.

pharmaceutical drug imports entails a suspension of doctors' authority to tick a "non-substitution" box when prescribing medicines.

In a stepwise approach to dealing with the wider supply and finance problems of the Lebanese pharmaceuticals market under the economic crisis, the vision promoted by Hasbani is to first switch from the current exchange rate subsidy, under which about 85 percent of pharma imports are sub-

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sidized with about \$1 billion per year, to a subsidy process that is based on achieving the lowest possible subsidy cost while securing quality.


This would mean to prefer subsidizing imports of raw materials and, if not locally available, generics from reference countries. At the same time, the plan calls for allowing subsidies of imported brand drugs if no substitution is feasible at near or equal quality, while also lifting subsidies from certain over-the-counter drugs. “In this way we would have reduced the currency subsidy of imported medicines from the \$1 billion that it is today to just under \$500 million,” the former health minister explains.


In the longer run, however, the solution to the medical supplies problem – which according to Hasbani would address a humanitarian emergency, and thus, is not something that would be contingent on political reform agreements with the international financial community and multilateral institutions – could entail the creation of digital wallets for Lebanese families.

These wallets could serve as the 21st century version of social safety cards and be funded by \$2 billion [of foreign aid] annually as means of disbursement of healthcare and other essential needs subsidies to 55 percent of the Lebanese households to the tune of nearly \$300 dollars per household. “This method could avoid the use of reserves to subsidize imports. It would be more targeted and be using international aid to create a social safety net for vulnerable families,” Hasbani enthuses.

■ The output of Lebanese pharmaceutical companies has in recent years increased from satisfying about 7 percent of total market value to 19 percent, and 76 percent in terms of volume. The disparity between volume and value is due to generics in Lebanon being high in quality but cheaper to produce than imports.

As a positive side effect, such a solution would require the implementation of something that Lebanon’s economic policy stakeholders have vainly been waiting for since the end of the Civil War: a general census.

Barriers to such a solution of course exist by both anecdotal evidence and long standing patterns in the Lebanese system of fragmented self-interests. The interest of drug importers, for example, is substantial and well documented through lobbying of public influencers and decision makers. Interests more powerfully expressed, to this day, than the interests of the – not yet five years old – Syndicate of Pharmaceutical Manufacturers in Lebanon (SPIL). From a dysfunctional landline phone number on the syndicate’s website to total absence of relevant industry data on the site, and office staff that appear to deal with media inquiries by the “don’t call us, we will call you” method of communication destruction, the SPIL syndicate and the 11 individual companies comprising it, have by all evidence yet to mature beyond generic PR messages and “news” that al wazir visited this or that new manufacturing facility and “expressed his pride of the Lebanese pharmaceutical industry”. 



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Public health at risk

In Lebanon, as in virtually all other countries around the globe, health has in 2020 been catapulted to the top spot of social concern after the onset of the Covid-19 pandemic. To assess the correlation between the pandemic, national governance, the economic and liquidity crises, and the overall state of public health in Lebanon, Executive sat down with Dr. Walid Ammar, the director of the doctorate and research program in public health at St Joseph University and previously, up to the middle of this year, the director general of the Ministry of Public Health (MoPH).

E How would you assess the resilience of the Lebanese healthcare system overall, when considering all of this year's stresses, especially the Covid-19 pandemic?

Previously [in a 2018 interview] we discussed the elements of resilience in the Lebanese Healthcare system and the characteristics related to having a system of collaborative governance. Having a diversified system with multiple partners meant that when some [healthcare providers] were facing difficulties, the system could rely on the others, because [these partners] are working in a network with good collaborative governance. In principle, all the elements of the system [exist today] but I think we have a problem of governance at the ministry of health.

Additionally we have the financial crisis and the Covid-19 pandemic. But I would say that we have always operated in a context of crises. We were running different programs, such as accreditation and auditing hospitals, despite [living through] war time. We were conducting immunization campaigns in war times. What we are facing now is exceptionally difficult, but that is no excuse for us having this relatively bad performance in fighting Covid-19, compared to the first three or four months of the pandemic when we had an excellent performance. The situation also does not explain the very mediocre results in a recent immunization campaign [against polio, measles, mumps and rubella] in which we had on average 30 percent coverage. We did never have such low coverage; even during wars we were conducting campaigns then when we were not happy when we had 80 percent coverage because we wanted to exceed 90 percent coverage. Now it is 30 percent. This is of course a combination of many factors but I would say governance at the ministry is the problem.

E Everybody is talking about the stresses on hospitals and healthcare professionals because of the coronavirus. How is the situation with regard to treatments and coverage of non-Covid-19 diseases such as heart and diabetes and other chronic diseases in 2020?

Covid-19 has undoubtedly affected all the other services for other diseases. For a certain period this was done on purpose [in order] to have enough beds for Covid-19. So elective surgery and [procedures for treating] chronic conditions were postponed. We don't yet feel the implications of this on the population. I can say, however, that considering the economic crisis, patients for now have [held back] from demanding sophisticated treatments. Before, when a prosthesis was needed, people required the most sophisticated ones. Now we are not hearing people claiming this kind of service. I think that people's expectations, perhaps for the first time in the history of Lebanon, have really been lowered and are going down.

E *Is the increased cost and difficulty of obtaining imported medicines and equipment a factor in patients abstaining from requesting the most sophisticated treatments?*

I would say it is rather related to the mental situation and to the fact that people are depressed. Before we were using very expensive technologies, something which was disproportionate to our resources. People were requesting this. I think now there is a climate of depression and people are not enthusiastic anymore. They are losing hope.

E *In this context, how do you expect the healthcare system to perform in 2021 and going forward? Do you think that this depressed mode will persist? And how do you see potential treatments for Covid-19 impacting the Lebanese healthcare system?*

Everybody expects hard times in the healthcare sector. However, I believe that the governance issue is very important because the governance style of the health sector has changed lately. The system of networking [in collaborative governance] is not really functioning as well as before. Some programs have been disrupted for no reason. They were stopped and the staff is demotivated. There is a real problem of leadership.

E *Is this demotivation and disruption of governance happening also at the level of hospitals, or is it mainly at the level of the government or ministry?*

Anything that is related to providing services is there, but anything that is related to quality is not there anymore... Anything that is related to the information system and collecting data and indicators is also dysfunctional. The infrastructure is affected mainly because of the problem of governance.

E *So if we talk in terms of total number of hospital beds or primary care centers, what are the trends?*

Quantitatively, everything is still there. As you know, three major hospitals were affected by the [August 4] blast but they are starting to operate [again]. This was an incident. But the overall primary healthcare system and hospital system is still entirely functioning. The number of services decreased because of Covid-19 and for obvious [other] reasons but this is not where the problem lies. They will still be able to provide services. However, the quality will be significantly affected.

E *The syndicate of physicians recently referred to several hundred doctors and nurses migrating away from Lebanon in the last months. Considering that universities have been and still are producing new medical graduates every year and that our ratio of physicians per 100,000*

inhabitants is rather high, how severe do you see the impact of doctors' leaving the country?

I don't think it would affect the system because we always had [an] oversupply of physicians. In terms of medical practitioners and specialists, I don't think we will be having a problem. This is not the case with nurses – [as] we have always had a problem with shortage of nurses, so this is not recent. However, if you ask the president of the order of nurses, she will tell you that we have too many nurses who are still in the country and who are unemployed. The migration is an issue but it is not the main problem for the time being.

E *One question regarding the local manufacture of pharmaceuticals. You have been concerned over many years at the Ministry of Public Health with the issues of local production, pricing of medications, and things such as the lists of registered pharmaceuticals and substitution drugs and generic drugs. Do you think it's plausible to substitute imported medications with locally manufactured ones, and to what extent?*

I think we have a good capacity to manufacture good drugs in this country. This is a time when local production should be boosted. Of course the raw material is imported from outside but this represents only 30 percent of the production cost. This is not negligible

but [local drugs] can still be more competitive and [the manufacturers] have a good capacity to produce them.

It was indeed my assumption that there is a capacity to substitute many imported drugs for heart disease or diabetes and minor ailments with locally produced ones,

even if this means using imported ingredients and production under foreign license. While there were many reports of people stocking up on medications for chronic conditions, however, I did not read or hear any media or industry comments on how much capacity we have to substitute such imported medicines with Lebanese-produced ones.

This has to do with the mentality of people and their trust in local manufacturing. For example, a few weeks ago we had a big problem that Panadol is not available in pharmacies. We have similar locally manufactured drugs. Drugs of similar quality and half the price exist but people made a scandal that Panadol is not available. We have Paracetamol and all drug manufacturers in Lebanon are producing these kinds of drugs. This has to do with the mentality of people.

■ “We have a good capacity to manufacture good drugs in this country. This is a time when local production should be boosted.”

ALTERNATIVE MEDICINE SPIKES



Unexpected perks of 2020

Alternative medicine has been sitting in the shadow of traditional, Western medicine for some time in Lebanon: alternative medicine. Though it is not controversial, alternative medicine is still seen as a complement to traditional medicine. Long a fixture of the Lebanese traditional scene, with stories, and for some, memories of elder Lebanese concocting herbal remedies and using plants as alternative ways to treat disease, alternative medicine is not novel in Lebanon.

Nevertheless, the alternative medicine scene in Lebanon has mostly grown in later years due to the emergence of traditional or “Asian” forms of medicine, adding to the more traditional Lebanese remedies that were once more common. Results from a Lebanese national survey published by the Hindawi Publishing Corporation from 2015 reported that out of the respondent, almost 30% reported using Complementary and Alternative medicine in the past 12 months, defined as biologically based practices including substances found in nature,

such as herbs, dietary supplements, multivitamin, and mineral supplements.

In light of the difficulties faced by the health care sector in Lebanon, and the possible shortage of medicine due to Lebanon's health care sector becoming more cash-dependant, it is worth considering the possibility that more will turn to alternative medicine to heal.

Broadly defined, alternative medicine is any practice that aims to achieve the healing process of traditional medicine but lies outside of medical science, and also aims to tackle emotional and psychosomatic (diseases involving mind and body) healing. It is often seen as fringe by medical specialists or considered unfounded. One of the many kinds of alternative medicine is traditional medicine, such as Chinese or Indian traditional medicine, which relies on plants and other practices, which were developed before the advent of modern medicine.

Alternative medicine, though practiced by

millions, has faced various criticism by the scientific community. According to Marcia Angell, a leading American physician and author, “there cannot be two kinds of medicine – conventional and alternative”, as she argues, the effectiveness of alternative medicine has not been proven by scientific methods, i.e. observation, hypothesis, and testing.

YOGA ASANA (PHYSICAL POSTURES)

The first of these alternative methods, and one of the most popular worldwide, is yoga. It is estimated that 36.7 million Americans were practicing yoga in 2016, according to a 2017 survey by Yoga Journal and Yoga Alliance. Between 2012 and 2016, the number of Americans practicing yoga grew by 50%.

Yoga, not being part of traditional medicine, is not regulated by the Lebanese Ministry of Health, therefore limiting available data on centres and practitioners.

It is evident, however, that the current economic crisis has reduced class attendance, due in part to financial limitations, but also, due to Covid-19 measures, which have caused centres to reduce capacity up to 40%, if not more.

Executive sat down with Sarah Jawad*, a New York certified yoga teacher, who taught yoga post post explosion. “Classes were a combination of group therapy, where people were given the space they needed to talk about what they had experienced,” she says, “While the other half, was teaching the yoga sequence of the day.”

Hala Okeili, founder of Beirut-based Sarvam Yoga, confirms the transformational power of the practice. “It’s you and the outer world,” she says, “It’s what you do and how you are with others”.

ACUPUNCTURE: CHINESE MEDICINE IN LEBANON

Acupuncture is a part of traditional, Chinese medicine, and is estimated to be over 800 years older than traditional western medicine. Since it is not part of the western canon of medicine, it is considered by many to be alternative medicine.

Acupuncture works by inserting a fine needle into the body, targeting meridians, or vital energy pathways associated with certain organs, in order to balance the energies in that organ as a way of healing, or curing, disease.

There is currently no recognized syndicate for practitioners of traditional Chinese medicine in Lebanon, despite the effort of practitioners such as Dr. Edmond Ibrahim, a Lebanese acupuncturist, for more than 20 years. Practitioners have no permits as medical practitioners, though Dr. Ibrahim,



having studied Chinese medicine in China, has had his degree officially recognized in Lebanon by medical authorities.

University Saint Joseph has been offering one year “Diplomas Universitaires”, though those are afforded to doctors (whereas in China, a minimum of five years is required to be a certified practitioner

■ In light of the health sector’s difficulties and shortages of medicine, more Lebanese may turn to alternative medicine.

of Chinese medicine). No law in Lebanon forbids its practice as a specialization, but its practitioners are not recognized as doctors. Therefore, such services are not reimbursed by private and/or public insurances as medical services, however effective the treatment may be.

In Lebanon’s current context, one might think that such services would be more restricted due to the current financial situation, but according to Dr. Ibrahim, this is not the case: since the beginning of the October revolution, the number of his patients has increased. “People care about the results,” he said. “And we did not change the prices of the sessions,” offered at his clinic, which has remained at USD 50 dollars (billed at 4000 LBP per USD).

The impact of Covid-19 has been heavy on the medical profession as a whole and acupuncture is no exception. Professionals have had to decrease the number of intakes and waiting rooms are organized to avoid patients mingling for fear of contamination. Could acupuncture and other parts of traditional Chinese medicine become a substitute to more traditional western medicine in Lebanon?

Dr. Ibrahim states that Chinese medicine will become cheaper compared to western medicine as it only requires needles, requiring less medical supplies, therefore buffering the devaluation of the Lebanese lira.

Health care

HEALING

Healing is defined simply in the same way as medicine, but with the idea that the body has a capacity to heal itself, and can be defined as the direct interaction between a healer and a patient in order to alleviate suffering.

Healing encompasses a wide variety of practices, including meditation, acupuncture, massage, energy healing and others, all in accordance to patients' specific needs.

According to Ramzig Azazian, a practitioner of healing with a clinic in Burj Hammoud, who has an Indian and Chinese background in the subject, healing is not a complete process but rather a complimentary one to accelerate healing. "Because of the acceleration of our lives, people are looking for faster and faster methods of healing", said Azazian.

Like other practitioners of alternative medicine in Lebanon, they are not regulated: practitioners have to travel abroad to learn their credentials. Azazian on the other hand is a licensed physiotherapist, but Lebanon does not regulate the practice of spiritual healing in itself. Healers do not receive payments via insurance, nor are their services covered by insurance. On the other hand, said professionals do not face the same hurdle in other countries such as the US, as acupuncture and other forms of traditional medicine are covered by insurance providers.

Will healing gain from a probable spike in the price of medicine?

Covid-19 has had a heavy impact on healing services. The prices of treatment have fallen, according to Azazian, while the number of patients has grown despite harsh financial conditions, which affects patients' ability to seek treatment. "People are more stressed," said Azazian, "so the number of patients has increased and the incomes have been reduced."

HOMEOPATHY

Homeopathy is a holistic form of medicine based on the principle that the body can cure itself, in which ailments are treated by minute doses of natural substances which will trigger the body's natural system of healing. Those natural substances, if taken in larger amounts, would otherwise produce in healthy persons symptoms similar to those of the disease being treated.

According to a report by Zion Market research in 2018, the global homeopathy products market was valued at approximately \$5.39 billion in 2017 and was expected to generate revenue of around \$15.98 billion by the end of 2024, at an annual growth rate of 16.8 percent.

An initial session includes going through the patient's history, checking for traumas, medical history, and even how the patient sleeps, to prescribe the most effective treatment. Critics attribute the successes of homeopathic treatment to the "placebo effect".

Homeopaths are traditionally doctors and there can be no certification as such without a three-year

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specialization in medical school in western countries such as France. These doctors have studied the classic curriculum to become doctors and have completed this extra specialization. The University Saint Joseph used to offer this option, with courses offered as of 2010, but recently had to close it down

due to financing limits in light of the current economic crisis. Homeopaths are not recognized as such by the Lebanese Board of Medicine and the Ministry of Health, however, they are recognized for their other accolades, such as generalists or pediatricians (homeopaths are usually either in Lebanon). Homeopathic medicines are also not covered by insurance.

Most homeopathic medicines are imported and therefore not largely available in Lebanon. In light of the cash crisis, treatments for chronic diseases may become less and less sought after, as prices will most likely spike. On the other hand, the treatment for acute diseases is very short term and inexpensive, especially as there are pharmacies in Lebanon that fabricate homeopathic medicine, whose prices would not be affected.

In conclusion, though the treatment for chronic diseases might be affected, the treatment for acute disease will probably remain unchanged. ■

**Name was edited to protect privacy.*