

Interview with Eduardo Franciosi, Executive Director, CILFA

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Dr Franciosi, if you had to assess, what would you say is the strategic importance of the Argentine pharmaceutical industry in the industrial and economic developments?

Dr Eduardo Franciosi- At the moment we are looking ahead, and focusing on the coming years. The objective is to consolidate the industry and secure a growth model.

The Pharmaceutical sector in Argentina has a promising future and many opportunities ahead. In this regard we have created a Strategic Plan, which builds upon four main pillars to stimulate investment in machinery, new industrial plants, develop export markets and increase investment in R & D.

Regarding international commerce, our member's exports have grown on average 15% per year, in the last years. We know there is still a lot of room for further increasing this number.

Moreover, we want to increase the potential of our R&D capabilities, and we want our member laboratories to have access to better financial plans and investment funds, in order to invest in R & D. Although some of our members are already active in this field, we want to increase the number of them who have access to it in order to consolidate in a long-term strategic plan.

These are the foundations that will permit a healthy industry with steady growth in the future.

Of course, we cannot leave aside the current economic crisis, which impacts everyone, but according to our studies and data evaluation, and monitoring, this has not yet impacted us, or it has not manifested itself in our sector in the region. That is why we stay positive and have good expectations ahead.

As an example of the International Commerce Plans we have launched, we can mention our cooperation with Fundacion Exportar, a public- private entity from the Ministry of Foreign Affairs in Argentina. Together we have indentified opportunities in strategic countries for our member laboratories. Four countries have been selected: Saudi Arabia, The Russian Federation, Peru, and Nigeria, and we are offering tools for the International Business Managers of our members to work alongside the commercial department of the Argentine Embassies around the world.

Accessing a new market does not only require a lot of knowledge and investment, but it also involves a lot time, taking in many cases up to two years. This includes getting to know the market, understanding sanitary regulations, business approaches, public and private dynamics, consumers, as well as the commercial base, logistics and distribution.

About 50 days ago, there was another initiative from the Argentine Government which was addressed to all Argentine Ambassadors in an effort to foster international cooperation among Argentina companies and international companies, through the world wide embassies net. While in that meeting, CILFA, indentified another twenty potential countries in which to do business.

Now focusing on the Financing and Investment initiatives, we are working alongside Banco Nacion, Banco Ciudad and BICE - Banco de Inversion y Comercio Exterior, in order to secure a 400 million USD investment that would be utilized to further enhance International Trade, acquisition of new machinery and equipment, and R&D. This is a 10-year plan that requires action today. It is important to mention that CILFA is not alone in the endeavor but is joining forces with COOPERALA and CAEMe.

How do you choose the markets to direct Argentine Exports?

Lic. Miguel A. Maito - CILFA is made of various Committees, and one them is in charge of handling International Commerce and Trade. This committee is made up of the international business managers of the member laboratories who gather together to set up priority markets. According to the individual plan of each of the laboratories, we then consolidate the strategic approach to the new markets.

Some of the priorities already set include Mexico, China and South East Asian countries and furthermore, companies are already accessing Eastern European countries, former USSR countries, Kazakhstan, Lithuania, as well as African countries, the Lebanon and Pakistan.

Dr Eduardo Franciosi- Looking at the figures of our reports and the evolution of Argentinean exports from 1992 to 2008, exports have doubled in the last four and a half years. By the end of 2008, we were exporting 620 million USD. And projections are to grow in between 15% and 20% on an annual basis.

After the crisis of 2001-2, many MNCs sold their factories in Argentina. Do you think this gave the local companies the competitive edge of GMP standards and opened doors towards new markets?

Lic. Miguel A. Maito- I would certainly agree with that. Many of the multinational companies decided to leave the country, and their facilities were bought by local companies who were already contract manufacturing for them. This permitted Argentine players to operate at the highest standards, with GMP requisites and changed the working profiles and approach.

This has of course changed the mindset in the industry and the approach to business. We have seen that our members have started to incorporate International Business units into their operations. Previously, they would have only an operative function administrating import and export procedures. Now the International Business Unit has a strategic function in detecting opportunities abroad and fostering new collaborations.

With respect to CILFA's role, what would you highlight as the most important elements in your mandate, and what are the advantages of being a member of CILFA?

Dr Eduardo Franciosi- CILFA was created 45 years ago, and it is not common to see an institution present for so long with such a track record in the country. We represent a sector that is entirely made up of Argentine capital.

There are various sectors of the Argentine economy that have been taken over by international companies. This is not the case of our pharmaceutical industry, where local players' participation accounts for more than half of the market.

One of the main advantages of being a CILFA member is to be represented alongside the group of companies that truly represent and fight for the interests of indigenous companies. Moreover, CILFA has an extensive network of contacts across all levels of the private and public spheres of influence. This is a relevant factor, considering the fragmentation of the industry. We are the voice of the sector, and we position ourselves as a strong reference and renowned national business

group.

On top of this, we act as a chamber that offers services to its members. We operate like a company that provides a wide array of support to its clients. As an organization that guards the national industry interests, we provide services related to export markets, regulations, industrial policy, environmental issues, fiscal policies, IP Protection, patents, at a national, regional and international level.

Given the role that CILFA plays, what do you consider have been your biggest achievements? What are you most proud of?

Dr Eduardo Franciosi - Organizing the industry and aligning all our efforts under one Strategic plan focused towards the future growth of the sector. This sets future targets, gives visibility for companies to take decisions, and establishes a growth path. Of course, we cannot leave aside the role the national industry had in securing access to quality medicines at affordable prices for the population. We play a vital role in providing medicines to the main Healthcare Plans, especially to the IOMA and PAMI. The PAMI gathers 4 million retired Argentineans, who buy and need medicines throughout the entire territory of our country. This requires an extensive logistics network, a commercial and financial structure, and a vision of securing access and better use of our medicines.

As you mentioned, CILFA members have a huge responsibility in providing Argentine people with quality medicines at affordable prices. From the production made in Argentina, how much will go to local market and how much to export market?

Dr Eduardo Franciosi -Production capacity in Argentina is not an issue or a challenge, as we have enough capacity to produce for the local market as well as for the international markets.

Lic. Miguel A. Maito - Today the national market represents 3200 million USD, while exports reach to 600 million USD, which account for 17% of the total. Our objectives are to have 80% destined for the local market and 20% for export, always considering that the industry growth is considered to be 10% a year.

Does a company need to be family run to be successful in this market?

Dr Eduardo Franciosi - This is the reality and this is what is going well. At least we know it is not a disadvantage.

Lic. Miguel A. Maito – Companies have a very professional management. The owners are involved but they have professional management at the top.

Dr Eduardo Franciosi – During the last seven years, companies have been making huge investments in the modernization of their equipment and plants, towards securing OMS manufacturing standards. Currently we are aligned with the OMS 2003 requirements, which are compatible with the PICS, and here it is important to mention that ANMAT was the first FDA in Latin America to join PICS.

Talking about niche markets, do you think Argentina is capable of producing R &D at the same level of Brazil? Will we see a company the size of EMS or Eurofarma coming out of Argentina?

Dr Eduardo Franciosi – Of course, and we already have members such as Roemmers, who is ranked 11th in the Latin America market. In order to be big, companies need scale and access to financial tools and investments. If we take Brazil's example, the government has designed a strategic plan called PROFARMA, which has committed 1000 million USD to forty-eight industrial projects. With this I illustrate a different scenario where there is an asymmetry in the access to monetary resources. Of course, we are taking this as an example and are pushing towards getting a similar access to government funds, although this does not only depend on us but on external factors too.

You always have to bear in mind that the local pharmaceutical laboratories have 53% of the market in terms of money, and 62% in terms of units.

If there is a big challenge we need to address, it is the formulation of a public policy that positions the pharmaceutical sector as a strategic industry, with a lot of potential and opportunities to generate revenues to both the government and the private businessman, whilst taking care of the population. We need to position this industry as a priority within the country's industrial plan.

As a group of businessmen with private capital, we have a clear idea of what we need for the next ten years in order to grow and capitalize on existing opportunities. On the other side, the government is pushing to create a state owned enterprise, a government-owned laboratory. They will assign human resources and government funds to produce what the private sector already produces at the highest standards of quality. This is indeed a contradiction that the Ministry of Health and Ministry of Defense need to align.

What would be the final message you would like to send to Pharmaceutical Executive readers on the Argentine Pharmaceutical laboratories?

Dr Eduardo Franciosi -We would like to thank you for the chance to expose our efforts to represent the local companies. There is plenty of information available in the Chamber for those who might need it.

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