

Interview: Peter Catalino - Country President, Novartis Turkey



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Novartis country president Peter Catalino discusses the need for Turkey to introduce financial investment incentives to compete more effectively with other countries for investments in R&D and manufacturing.

You arrived in Turkey five months ago after working in China for two and a half years. Many executives in Turkey have stressed the importance of approaching all conversations and negotiations with a partnership mindset; do you see any area's where the Turkish pharmaceutical sector could learn from their counterparts in China?

The demographics are very different between the two countries. China of course has a very large population, and they have realized that as a country they have to invest more in healthcare, in terms of the percentage of GDP. They have also used a very different investment model, focusing first on the cities, and now they are trying to fill in the gaps by bringing rural communities into the system. A lot of this has already been completed in Turkey, with most of the country having been brought into the universal healthcare system during Recep Akdağ's mandate.

The idea that you need to invest more, and that you need to invest more especially if you want to attract and encourage R&D within the country, is something that they Chinese have embraced. As you know, Novartis has three global headquarters for R&D, and one of them is in Shanghai; this is because we worked closely with the Chinese government, and they had a strong desire to attract

R&D investments to the country, and thus they were willing to offer significant financial incentives to make it happen. This is an example that Turkey could learn from, as investment incentives are inadequate.

Despite the lack of R&D incentives, companies are bringing R&D to Turkey, ranging from clinical trials to basic pharmaceutical research. What is on Novartis's R&D agenda for Turkey?

Novartis is doing about a quarter of the clinical trials in the country at present, making us the largest sponsor of clinical trials in Turkey. We're working very closely with a number of university medical centers to look at diseases that are of interest globally, as well as some that are specific to Turkey. There are several diseases with high prevalence rates in Turkey, such as Behcet's disease, the colchicine resistant strain or Familial Mediterranean Fever (FMF), a hereditary inflammatory disorder, being areas with unmet medical needs.

Our R&D efforts in Turkey have been focused on the development side so far, with particular emphasis on these areas that are prevalent in Turkey, so that Turkish patients can get access as early as possible. Moving into research is on the next horizon, however our first priority will be to get true incentives for clinical trials, before moving towards earlier research.

Turkey is encouraging the development of biotech production in Turkey; as a leading biopharmaceutical company, what is your outlook on the role biosimilars can play in the Turkish market, and do you have any plans to support the development of this side of the sector?

Looking at our Sandoz generics division, Novartis is the biggest biosimilars manufacturer in the world; we believe the use of biosimilars is a critical avenue to control costs, particularly in countries with rapidly aging populations like Turkey, and we are committed to supporting healthcare sustainability.

With regards to local production, we do have plants here working in small molecule production. Before we expand into large molecule production and the investment that entails, we would like to see some real return on our investments in small molecule manufacturing. Very few multinationals still have manufacturing plants in Turkey, and several of those that do are looking to divest instead of investing more; it one of the key challenges for the industry. Before we would be able to consider an investment on the scale of a biologics plant, we would need to see much stronger investment incentives that were more competitive with those offered in other countries.

As Novartis, we are committed to being here long term, we've been here for over 60 years, and we will continue to be in Turkey on the market, and with investments in manufacturing.

Based on your recent discussions with the government, what are your expectations in terms of introducing well-defined incentives, or reforming the current pricing system?

Our recent discussions have been quite positive and productive, and our main goals are fully aligned with the government; to provide healthcare for more as much of the population as possible, meaning more than 98 percent of Turkish people. The coverage here is very good, especially for an emerging market, and the counterbalance is the low pharmaceutical pricing environment, with prices among the lowest in the world. We are now focusing on finding ways to ensure that this excellent coverage is sustainable, from both the industry's side as well as the government's, and to do so in a way that is local, helps with the current account deficit and brings R&D activities to Turkey.

This is an ongoing discussion, although there has been a sort of pause in terms of engagement given the recent election, but we are hopeful that we can come to an agreement that will make sense from the government perspective, and make it attractive for multinational pharmaceutical companies to invest in Turkey, as current incentives are not adequate.

Strategically, the government should incentivize local production, not just to substitute for imports, but to attract more valuable production on a larger scale; technologically demanding or innovative products with strong export potential. Turkey has the resources needed for this to be possible, with a lot of very talented people with experience in pharmaceutical production, I have met many of them within the Novartis Turkey organization, and there is an appetite for investment from our side, but there has to be a reason to invest in Turkey instead of another country, given that other countries offer strong financial incentives. The government's contribution could take a variety of forms, the most evident being adjusting pharmaceutical prices to a reasonable level, giving VAT discounts or rebates, or a variety of other mechanisms.

Looking forward five years, what are your main goals, and how will you define success for the organization and yourself in this role?

Success could mean closing the gap between Turkey and more developed markets in Western Europe and the US, where patients get access to medicines years earlier than they do here in Turkey. On average, medicines reach the Turkish market three years after they do in the US and EU; looking at our new heart failure drug Entresto as an example, which was approved two days ago in the US, while someone in the US can be prescribed this drug which can save their life,

Turkish patients won't have access to it for potentially years. I am a physician, and from a physician's standpoint this is a terrible situation that needs to be corrected; improving the market access situation to reduce this three year delay will make a difference for everyone involved in the healthcare sector, most importantly the patients who's lives can be saved by innovative medicines that can be stuck in the lengthy approval process.

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