

# Interview with Bojan Trkulja, Managing Director, Inovia

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INOVIA was founded in 2007, which is quite recent for a multinational pharmaceutical association. Why was the time right at that point to start INOVIA?

There was an informal association set up in Serbia before 2007 but the situation in the market was such that it became apparent that informal association was not a good way to do business here. However, foreign companies are fairly young in this market; only a few of them have been present since the beginning of the 1990s, unlike in other central European countries, first because of the wars and then the ensuing sanctions, which meant that there were no real possibilities to work in Serbia. This meant that many companies only arrived in Serbia in the 2000s. At this point the market really began to grow; relationships were very tense between some of the members. At some point we realized that energy would be better focused by concentrating on some issues as a group, and so in 1007 INOVIA was started.

However, since that time we have already had some important milestones as an association. In 2009 we became members of European Federation of Pharmaceutical Industries and Associations (EFPIA), which was huge for us. Secondly, 2010 was the first time that all innovative pharmaceutical companies that operate in Serbia became part of INOVIA. Only since the middle of last year can we say that we are truly representative of innovative pharma in Serbia, and that is why I believe that besides 2007, 2009 and 2010 are also important dates for us.

Since you became Managing Director of INOVIA six months ago, how has the work and focus of the association progressed?

I am very satisfied with how things have progressed in the last six months since I came to this position. When I arrived, I came to the conclusion that the most important thing is that we show unity as a group, and that is something that has happened in the last six months because we have been involved in various negotiations with different stakeholders, most importantly with the national health insurance fund, where we showed for the first time that we can speak with one voice and unify around joint goals.

This is very positive for us as an industry, because at some point although all my companies are fierce competitors, we need to stand together on what is the most important for us: rule of law, transparency, and patient rights. Finally we are coming to the position where all our members are realising that sometimes when you work together, you can be much stronger and much more efficient.

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What would you describe as the attractive prospects in Serbia for your members today?

Serbia experienced very strong growth in the years before the financial crisis, and although the country's recovery is happening a little slower than in more developed countries, data today suggests that today Serbia is starting to rally. I strongly believe that we are now in a position where we will see large growth in the years to come. Serbia is on the verge of being a candidate for EU membership, and with that the whole country's status will be much better in terms of its access to credit and other factors that are important for the economy of a country. Serbia is a market where there is a lot of space for new companies to expand and try to find better positions because nothing is still set in stone. Even in the pharma industry we now have almost all the major players in Serbia. There is still a lot of space in the market for positioning themselves best, so I think that good things are going to happen in the next few years.

How does the current healthcare system in Serbia impact your members?

I am not really satisfied with the status of the healthcare system. I believe that even those that are intimately involved with the system in Serbia are also not satisfied, from the Minister of Health to the National Health Insurance Fund. The Serbian healthcare system is not yet mature enough, as the country is still in a state of transition from the socialist model where everything was cheap, and today the majority of the population still believe that healthcare should be extremely low cost, if not free. Of course, the reality is different and now today Serbia has a totally different business model, and the health system is struggling with that because firstly they are burdened with debts from previous period, which are not small, and also are left with a system that is larger than what is really needed.

Today, the current healthcare system only costs the government €350 per year per capita, but even with prices that low in comparison to our neighbouring countries, this money could be spent more wisely. Additionally, what are really needed are some tough decisions to be made at the government level, which are never popular. Next year we will have general elections. After that, if we come to a position that the government is stronger, then we will hope for things to change.

I believe that the main hope for change is the process of Serbia becoming a member of the EU. In that process we will need both to correct our legislation, and to really do some things that have already been done in neighbouring countries. At this point, I think that the healthcare system is really facing a lot of problems, but I do not think that these problems are unsolvable. It is simply that the correct environment is needed before the tough decisions can be made.

As well as working with the government, convincing the population that these changes are necessary is also an important activity? Is your association doing anything in this regard?

We are putting a lot of effort into promoting innovation and educating the public better about the pharma industry. For instance, when you look at how much certain industries are putting into R&D from their annual turnover, you can see that the pharma industry is basically in front of what are perceived as innovative industries such as the software or auto industry. Some kind of education at the public level is important so that people know that drugs do not come from nowhere, but rather that companies need to put a lot of effort and money into developing. Although I believe that the government can do more to educate the population on this matter, I feel that it is also up to the industry to do more and educate people about healthcare and the tough challenges that lie ahead.

Given the situation as it is in Serbia today and the fact that the market is very different to Western Europe and the US, how are your members working to bring value and tailor their offering to Serbia?

It is very important to give a strong message that the seventeen companies that are members of INOVIA employ in total just fewer than 1000 employees, out of which more than 90% have received

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higher education. The pharmaceutical industry is one of the main sectors committed to stopping the flow of highly educated people from Serbia.

Additionally, our member companies are investing heavily in many different social responsibility programmes, whether it is through drug donation or other donations. For instance, last year there was a big earthquake in the south of Serbia and some of our member companies have been heavily involved in building new houses. Some companies are donating drugs for refugees, because Serbia still has a high number from the wars of the 1990s.

The prices of reimbursed medicines in Serbia are already amongst some of the lowest in Europe, but our members are completely committed to the Serbian market, so much so that this year, when the health insurance board approached INOVIA members asking for a 10% cut on the prices on their reimbursement list, we didn't even think about saying no. We just wanted to be more involved, to understand why they were asking for 10%, and what would be done with the money. Once we understood that because of the debt levels facing the healthcare system, the government needed some short-term relief from our side in order to continue to bring medicines to the market, it was an easy decision for our members to make. It is not in anyone's interest for the health insurance fund and the healthcare system to be in a bad position. It is always clear that for the pharma industry the first and foremost responsibility is the patient.

What other challenges are your members currently facing here in Serbia?

Currently the main problems that we have is that we have not had a new innovative drug put on the reimbursement list for three and a half years, due to the crisis but also due to some moves from the health insurance board, especially before the new government came to power. Through EIFPA, INOVIA is part of the "Patients W.A.I.T Indicator" project, which measures how long it takes from registering a drug until it becomes to be available to patients. The latest report was filed a month ago, in the period between 2006 and 2010; there were 116 new medicines registered in the EU and out of those, Serbia only has one on its reimbursement list.

Potential for growth was very much limited because of the decisions of the previous government, and we are really hoping that as part of our negotiation with the government that are currently taking place, that we will have new drugs added to the list this year. The reimbursement list is very important because that is where the business is here, due to the low purchasing power of the population and the fact that private insurance and hospitals have not yet developed here. Everything is still predominantly state-owned. For us, the main obstacle in the last three years has been reimbursement, but it is something that we really hope is going to change over this year.

Are there opportunities in Serbia beyond sales and marketing, for clinical trials and R&D partnerships, for your members?

Clinical trials are already very important here. In my previous position I was for some period of time a medical manager involved in clinical trials, and I can say that the big shift towards Eastern Europe and especially Serbia happened around 2004 - 2005. Today, almost all big innovative pharma companies stage clinical trials in Serbia, and many of them have multiple ongoing trials, because in Serbia they find very good resources in terms of doctors and hospitals (which are still very large); we have a lot of potential in terms of patients and recruiting times, and the costs are very low compared to the EU. Clinical trials are already happening, but will definitely happen more in the years to come.

In terms of classical R&D, I don't think that we will see a major innovative company opening a local centre in Serbia, but there are more than ten specialised laboratories in the country which are working very closely with the innovative pharma industry, providing their services to different

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companies which are in a position to do not only Phase I but also pre-clinical testing. The potential for the development of this is huge.

Serbia is that it is the only non-CIS country to have a free trade agreement with Russia. You also have trade agreements in place with the EU through CEFTA. It seems as though the international pharmaceutical industry is not taking advantage of this. Why is this the case?

That is a very good question. Although it will eventually be beneficial for Serbia to be a part of the EU, at some point it is beneficial not to be, because it means that today the country is subject to lower expectations and fewer restrictions than if it were part of the EU. The Serbian government is trying to capitalize on that, and especially on the link with Russia because of its size and potential. However, for the pharma industry, the situation is a little different because even today, some companies that operate in Serbia still have their headquarters outside of the country, because some of them still manage the former Yugoslavian region as a single entity, and this makes it difficult to successfully relay the message back to headquarters to look at the potential in Serbia in terms of R&D or manufacturing plants.

Thank you very much. Do you have a final message that you would like to send to our readers about INOVIA?

I really believe that there is potential in Serbia. I believe that we need more investment; we need more not only new companies coming here but also the companies that are present here need to invest more, for the reasons that we have discussed. There is potential for strong growth in the years to come. Serbia has now been stable for ten years, and hopefully will remain this way for the years to come. I believe that this is a good place to do business, and I would encourage everybody to start thinking more about Serbia and about what they can do here, because although we are not a huge market we have a very interesting and unique situation regarding the EU and Russia, just waiting to be capitalized on.

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