

Interview with Rodrigo Arcila Gomez, Executive Director, The Pharmaceutical Chamber of the National Business Association (ANDI)

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When we interviewed you in 2010, there were 182 pharmaceutical companies in Colombia, representing 2.5 percent of total Colombian manufacturing output (surpassing traditional industries such as sugar and coffee). As a way of introduction, would you like to describe to our readers the main achievements and developments of the pharmaceutical industry in the past three years?

At the moment we have 217 laboratories audited by DANE, which means that the number has been growing since we last met. Nevertheless, we should compare this growth to what happened decades ago, when many international laboratories left the country and abandoned their manufacturing plants for two fundamental reasons. Firstly, the globalization phenomenon that was taking over the world meant that pharmaceutical companies were no longer important here and secondly, Colombia was in a very different condition in the 1990s than it is now. In that time, Colombia experienced a significant decrease of production in all industries, GDP was extremely low, and the country suffered a negative reputation from drug trafficking. During these unfavorable times, pharmaceutical companies were re-accommodating their manufacturing plants worldwide. Today their decision would have been completely different.

Alejandro Gaviria was appointed as the Minister of Health of Colombia six months ago. How would you rate the government's current commitment to foster a business environment attractive and innovation?

I think that Colombia today has many opportunities to bring foreign direct investment into the country, and this is happening every day. Last year the country experienced a record number of foreign investments, not only in mining and oil and gas, which are Colombia's strongest components of the economy, but in other sectors as well. While the last few months have demonstrated a decrease in the acceleration of manufacturing activities, Colombia has very good growth perspectives in general, and the government must take the needed measures to help the industry recover. Colombia does have very strong institutions in Colombia that are consolidating every day. Pharmaceutical companies that enter the country today are well aware that there is an improved level of institutionalism in Colombia compared to 10 or 20 years ago, but the country still has a long way to go. In terms of support for the manufacturing sector, Banco de la Republica de Colombia won the "Best Banker of the World" Award for its accomplishments in fulfilling this mission. It is a totally independent actor from the government and legislators. Today the bank is being asked to redistribute health in Colombia at a time when the reevaluation of the Colombian peso is hurting local manufacturers. Given the European financial crisis and the slow recovery of the United States economy, I think the country needs to be a bit more dynamic. Colombia cannot rely

solely on the oil and gas sector to contribute to the economy. We need to combine this sector with others such as pharmaceuticals, which still contributes 2.5 percent to the economy.

In comparison to surrounding countries, I think that Colombia has a diversified economy with many sectors improving their positions in the long-term at a national level. As I mentioned before, Colombia needs a bit more dynamism to increase the pharmaceutical industry's competitiveness. All stakeholders support INVIMA to become a faster and more agile actor for the industry. Most people always want INVIMA to advance, and I see that this authority has contributed greatly in recent years. The most intelligent thing a regulator can do is keep in mind the regulated so the regulated can do exactly what the regulator wants. It is an odd mix of words, but it applies well to Colombia.

Minister Gaviria recently announced strong reforms in the health system, from changes in the Law 100/1993 to the characteristics of the EPS up to the introduction of the reference price system. How do these reforms impact the industry in your opinion?

Let's start by discussing the current status of the healthcare system in Colombia. I must acknowledge that the system has seen great progress in recent decades. As an example, at ANDI's last Pharmaceutical Forum, some of the most important personalities in the industry and representatives from the World Bank recognized the Colombian healthcare system as one of the most advanced in the world, with a significant reduction in poverty and advancement in inequality indexes.

There is general critique of the Law 100/93 but I always ask myself which country in the world has no problem with their healthcare system? We need to acknowledge that the system is always changing and advancing and we should be permanently debating its role and development. Let's not forget that we have 97 percent healthcare coverage in the country.

Secondly, many advances have been made in the update of the "Plan Obligatorio de Salud" (POS). Thirdly, last year we unified the contributive and subsidized plans, bringing the same level of attention to the entire Colombian population, which is a significant development.

On the other side, there are some things that are not working properly in our healthcare system, such as the administrative structure and the functionality of the flux of resources in the system. I think that more attention should be given to information technology in the system, to better control the flow of resources in between the different agents of the system.

The banks and financial institutions here are recognized worldwide as having some of the best systems for account management and so on. Colombia needs a very big revolution in IT for healthcare systems. There is no real control for example of what Fosyga has been paying outside the POS. An information technology application for the healthcare system is missing. Nowadays, we should not be speaking about a separate contributive system and subsidiary system because we need an equality of plans. We will not discriminate; in Colombia, access to healthcare is for everyone.

There is no control on the money that the government is giving to departments, the regions, or the mayors. Some mayors do not move money because of corruption accusation. Consequently, resources become stagnant. There is a concerted effort to redefine roles, as well as to transform information systems, and therefore 2013 is an important year in that sense. Minister Gaviria is much more of a technician than a politician. There had been many advances since the creation of Law 100 over the last 20 years, above all in terms of the POS. This is due to independent organizations such as CRES, who are fully dedicated to the modernization of the POS and to remove the complexity of the system. Many are worried that the government will remove the CRES; ANDI insists that this

organization has to be independent. If Colombia wants to pretend to enter the OECD, we need total transparency of the system. In other public sectors like oil, decisions are taken independently by technicians.

In a presentation on the state of the industry in 2012, you said that the pharmaceutical sector in Colombia is not as open as it could be; the internationalization of the Colombian pharmaceutical market is still small and has plenty of room to grow. What industry sectors stand out as the fastest growing?

The export rate in Colombia is 17 percent; it is small, but strong. The volume of national production is still growing. The medical device and cosmetics sectors are very dynamic. In the OTC sector, Colombia is experiencing a transformation; this sector is trying to catch up with the OTC sector of other countries in terms of new products. OTC is a big market, and the stakes are high. In terms of price policy, the pharmaceutical industry is asking the government for transparency for the benefit of everyone: the customers, the government, the industry. This has to be based on two things: the defense of customers and the incentive for other actors to invest in the country. Colombia has been working on establishing a clear price policy for the last seven years.

To reach such a transparent policy, we need to take several things into account. There is a stigmatization of the industry worldwide, seen as interested only in making money. We have to make efforts to improve the image of the industry and explain that indeed it needs money in order to be sustainable. A price policy is to be defined by identifying who is competing against whom. The government is dedicated to controlling prices because the competition is really strong for most drugs. However, this must be done without compromising the free market.

Given the difficulty of obtaining lots of information, I think that laboratories must contribute and help by giving reference prices and market information to the government. This will create confidence between the public and private sectors. However, it is unusual for laboratories to be under pressure in terms of prices and other actors of the value chain pay less without any reason.

ANDI has a unique profile in the industry representing innovative companies that are both international members as well as local and generic manufacturers. How do you balance the conflict of interest between these two groups?

It is the hardest part of ANDI's work, but I believe that consensus can be reached.

What are the top priorities on the agenda of ANDI today?

The top priorities are to find a good price policy as well as to improve the information system and have access to updated information about competitors and prices. This would save a lot of time. The application of the law concerning best practices is another priority.

What is your vision for the Colombian pharmaceutical industry in the next five years?

The Colombian market will continue to increase, especially thanks to the importance of the resources that are invested in this industry. Colombia now has to focus on how to allocate those resources.

What would be your final message to our international executive readers?

First, ANDI is an important place to reach a consensus; it has a key role in many industries in Colombia. Colombia can be seen with optimism because institutions are more solid than ever, and they will guarantee the strength of the country. The Colombian economy has been growing over the

past 10 years. Seemingly, the problem of insecurity has decreased, external debt is controlled well, and foreign investment is increasing. For the time being, the pharmaceutical sector is importing more than exporting. However, the cost of production is really low, which I think is a huge asset. The unemployment rate is much lower than ten years before.

In conclusion, Colombia is working to redefine the role of institutions, allocate the flow of resources, and control price policy more efficiently. With these objectives, Colombia is on the right track to fulfill the prospective of the future.

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