Interview with Willlem Biantoro Wanandi , Chairman, Anugerah Corporation

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The development of the Local Pharmaceutical industry companies has gone through rough times, competing from the very beginning with MNCs and going through the economic shock in the 90’s. In this period while many companies couldn’t cope with the market competition, Anguerah Corporation succeeded in positioning itself as one of the leading pharmaceutical companies across a large spectrum of activities. What have been the key success factors of this remarkable achievement?

Indonesia is a big country and the market for pharmaceuticals and healthcare related products has been growing steadily since the foundation of the industries, factors which have created the conditions that supported the company’s growth. Secondly, the experience gained as head of the WHO’s Division “Drug Action Program” (DAP) in Geneva gave me the opportunity to gain extensive experience in the pharmaceutical industry and allowed me to be ready to identify rising opportunities and realize them through an established network of partnerships that gave me the leverage to successfully operate in the business.Although being involved in WHO represented an interesting challenge, the high level of bureaucracy involved and the lack of challenge and the difficulties faced in the implementation of projects made me take the decision to return to Indonesia and become an entrepreneur. In 1983 the Indonesian pharmaceutical industry was already saturated and the government had issued a negative investment list that included the pharmaceutical sector. As Sandoz Ltd, the Swiss based Multinational did not yet have a direct

presence in the market, they invited me to work together in a third party collaboration agreement with PT Kimia Farma to enter the Indonesian market. In order to ensure good distribution of the products in the market as well as to left the investments, I had taken a strategic decision to establish a national distribution company PT Anugerah Pharmindo Lestari (APL). Since the very beginning the vision of APL was to work together with the multinationals and local companies to provide better accessibility for drugs throughout the country as well as to provide high quality services to the customers and ultimately to the end users. All the subsidiaries across the country were certificated under the good distribution practices and equipped with back-up systems such as self sufficiency in energy with power generators, having cold chain capabilities – issues that still represent challenges in Indonesia's remote areas. To increase our product portfolio we bought PT Combiphar in 1986 and we teamed up with Glaxo Ltd to establish PT Glaxo Indonesia. With the growth of the group more and more multinationals put their trust in Anugerah and we rapidly became the number one distributor of Ethical products.As Indonesia imports over 95% of the raw materials and APIs required for the domestic production, in 1997 Anugerah acquired PT Tigaka Distrindo Perkasa (TDP), a trading company, which permitted us to further differentiate our services through being integrated across the entire value chain from imports to production and distribution. In the second quarter of 2006 we finalized our merger plan in distribution of pharmaceutical specialities with Zuellig Pharma (ZP), which is now the majority shareholder of PT APL.. As ZP is a strong and well established regional player across Asia, the partnership will combine the two companies' distribution strengths to provide state-of-the-art services throughout the country.However, as I have been in the industry for more than 40 years , ZP decided to retain me as Chairman of PT. APL until 2010.Anugerah has excellent and long standing business relationships with many international companies and not only from the manufacturing side such as the agreements with GSK, Sterling, Novartis, Otsuka , Astellas, Sanofi-Aventis among others.

What makes the group the preferred partner of choice?

I cannot judge it by myself; this recognition has come from our partners. What I can say is that we deliver what we promise according to our best ability. In Anugerah we do not promise that we can contribute in the areas of e.g. development or the R&D portfolio. What we promise is that since Anugerah has been in the business for more than thirty years, we can offer large network of customers, hence we can help international companies to overcome regulatory issues, to have stronger lobbying activities and to have a reliable service across the different activities we are engaged in. Moreover, as the pharmaceutical industry is a long term oriented industry, Anugerah proposes and demands long term commitment. I believe that having a partner is like having a spouse, it has to be reliable and sustainable in the long run. Unfortunately, many multinationals

often tend to take all the credit for the success themselves, pretending not to understand that the level and strength of the network we have established cannot be built overnight.

Presently what are the main growth drivers of the Corporation?

In the distribution area, we continuously strive to be the best pharmaceutical and consumer health company. In pharmaceutical manufacturing area, Combiphar has achieved outstanding progress among the leading pharmaceutical firms in Indonesia today. Combiphar is one of the first Indonesian companies to obtain the GMP qualification and today, thanks to our extensive investment in quality control and in the formulation technology, the company has gained a strong reputation for its high quality and advanced formulations. As a result our 30,000 sqm facility in Bandung is an ideal partner for local and MNCs. Moreover our production capability is considered state- of-the-art among its peers. Besides those internal positive factors, externally since Indonesian population is growing very fast, at a rate of approximately five million people a year make the market extremely attractive for pharmaceutical and health care companies. Other supporting factors are the combination of GDP increase, rising incomes, the changes in lifestile and demography .Even though Indonesia has been a potential market for almost forty years, the expectations for the market have never really come through.

What is still missing to fill this gap between potentials and actual development?

The real growth rate and the average purchasing power have remained at roughly the same level for the last decade and the per-capita consumption of medication is still lower than 10 dollars a year. The total health expenditure of Indonesia is about two percent of GDP, while in the USA it is about 14-16 percent and in Europe ranges from 7–11 percent.Although the government has approved the law N20 in 2004 on the social security system for all Indonesian, yet this has not been implemented, due to the lack of Government regulations. In addition, although Indonesia has a National Health System, it is not supported by an adequate health financing system. At present approximately 70 percent of health expenses are paid from out of the pocket of the patients, 15 percent from Insurance companies and the rest from ASKESIN or Jamkesmas program covering approx. 76 million poorest population. Thus current program has not produced a real impact on the sales of pharmaceuticals in the country . Another problem is that there is a lack of good policy in the field of pharmaceuticals, especially the current policy on drug pricing. I believe that the current drug pricing policy is not sustainable, considering that Indonesia is not yet self reliance in API production such as India and China as well as instability of our currency situation. The only thing the government has interest in cutting the drug prices in order to make them more affordable to the people. But they ignore the other important aspects of drugs, such as quality, selection,

availability, etc. which is equally as important as the price.Those policies are quite dangerous since they can really harm the state of health of the population, due to side effects created in the long run from the substandard quality of drugs.

Considering your experience at the WHO what would you advise the government to do to stimulate the Indonesian healthcare sector?

As the scenario is very complex, it is very difficult to propose one ideal prescription, especially because most of the time we do not really know which part of the whole system contributes the most to the creation of bottlenecks in the value chain. For example, some products are wrongly prescribed, there is a huge shortage of medical practitioners, insufficient infrastructure and unclear central policies. Therefore as a businessman, I propose to carry out an analytical approach in which we firstly identify where the problem really is; secondly we examine whether or not we have enough resources to face those issues; thirdly we ask ourselves whether or not we have the adequate leaders to handle the processes and only in the end we propose solutions. And those solutions have to be implemented together with all stakeholders including the private sector, otherwise they will not be sustainable. Unfortunately, it has been already many years since I began suggesting this approach, however so far I have not been heard.Personally, I feel that more private sector participation in the health care services should be encouraged as well as developing an adequate health financing system for Indonesia, we should try to fulfill the WHO ‘s recommendation of having a health expenditure in total of 5 percent of GDP.The budget allocation should be directed towards prevention of diseases and ailments as well as greater efforts made to engage in health education & information activities for the public. These things would bring more benefit to the health of the people than therapeutic interventions as currently done.

Considering the current evolution of the Indonesian pharmaceutical industry, what are the ambitions for Anugerah Corporation?

The opportunities for Anugerah are big, and our ability to capitalize on them will depend on the future management capability to recognize those opportunities and act accordingly. The only advice I can leave to my successors is that the company should maintain its long term approach to business and its focus on reliability as a producer, service provider and partner as these qualities are extremely important in doing business.

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