

Iranian Medicines: Recovering Lost Ground

Like most domestic sectors, pharmaceuticals also have their own share of misconceptions. Although they are today exported to a number of neighboring countries, Iranians consider them substandard and costly.

In an interview with the Persian weekly Barnameh, Abolhassan Ahmadiani, the head of Pharmaceuticals and Food Department, a subdivision of the Health Ministry, clarifies these misconceptions. He also discusses prices and quality of foreign and domestic medicines, market availability and subsidies.

PFDA is in charge of monitoring the quality of medicines that enter the Iranian market, both imported and domestically produced.

Excerpts:
Is your department involved in procurement and distribution of medicines?

Not directly. The department monitors the quality and standards of pharmaceutical products.

and distribution.

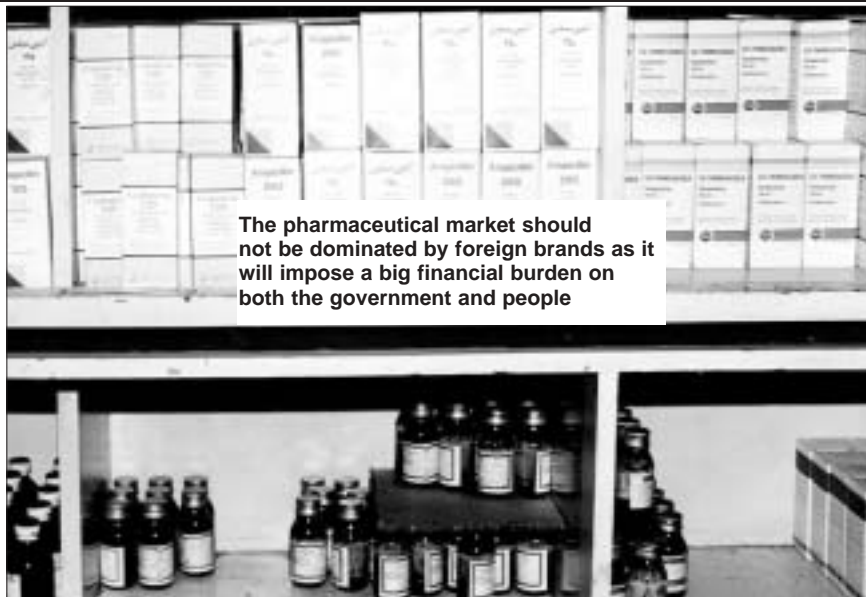
The sector is becoming more self-reliant and the ministry is gradually withdrawing all support, financially and otherwise.

As a result of this policy, only companies that can boost productivity and efficiency have been able to continue operations, despite financial problems.

Drugs synthesized through biotechnological methods have hit the world market in recent years. The pharmaceutical sector in Iran has also been trying to gain access to the know-how. The technology has been indigenized to a great extent and many types of biological drugs are being produced domestically.

Iranian producers are also trying to enter foreign markets through joint ventures for the production of a specific drug, with an eye on neighboring countries as the main markets.

Despite all the shortcomings, the sector's future looks promising and the ministry is help-



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their market value in most other countries, including neighboring states.

According to a World Health Organization report, prices of medicinal drugs in Iran are lower than in most countries. It is the people's weak purchasing power that gives rise to the misconception. Costs of medicines, like those of most other commodities, are disproportionate with the per capita income here.

What do you think about the quality of domestic medicines?

Domestically-produced medicines meet the quality standards. Foreign companies have systematically attacked the sector by trying to undermine the quality of Iranian products so as to sell their own products.

The global pharmaceutical market has an annual turnover of \$500 billion, so it's natural that those who dominate the market would do everything to maintain their control.

Criticism regarding the quality of Iran-made drugs is biased. I assure you that they meet quality standards and pose no health hazards.

True, foreign brands



Imported drugs are twice as expensive than those produced in the country.

Our duty is to ensure that the medicines are healthy and have the necessary therapeutic effects.

Nevertheless, we cannot remain indifferent toward market developments and are indirectly involved in the supply and demand chain.

For example, when production and distribution of a specific medicine are monopolized by one company and there is a possibility of it becoming

ing it by reforming the related laws.

We cannot afford to let the pharmaceutical market be dominated by foreign brands, because this would impose a great financial burden on the government and the people as well.

This, however, requires the help of other organizations such as the Ministry of Industry and Mines, Central Bank of Iran, etc.

Costs of medicines, like those of most other commodities, are disproportionate with the per capita income

scarce, the department intervenes by raising the output of that specific drug. This does not pertain to foreign medicines that are often monopolized by one or few companies. That is out of our hands.

How do you view the domestic pharmaceutical sector?

The sector came into being nearly half a century ago and is well established. It has grown considerably in recent decades, though it has suffered setbacks after gaining financial independence from the Health Ministry. This has led to strict reliance on the ministry for basic matters such as planning, production, sales, procurement

So the pharmaceutical sector is getting no financial help from the government?

None whatsoever. Does the ministry issue permits for establishing pharmaceutical factories? First, the Ministry of Industry and Mines has to approve it from the industrial point of view and other procedures should be verified by the Health Ministry to ensure that health standards are observed.

What percentage of medicine is manufactured domestically?

More than 95 percent of drugs are made in Iran. Still, imported drugs are double the value of those produced in the country. That's why we should

make every effort to prevent foreign drugs from dominating the market.

With improved access to information via internet, increased personal wealth and longer life expectan-

cy, consumers today have a greater say in their medical treatment.

These socioeconomic factors are driving a demand for groundbreaking new products and

they are dramatically impacting the dynamics of the world pharmaceutical industry.

Strong growth also gives rise to new challenges. Pharmaceutical companies worldwide are under increased pressure to be the first to market a particular drug, which requires a dramatic reduction in drug development cycle. At the same time, they must reduce operational costs and comply with increasingly stringent regulatory controls.

How are raw materials procured?

Most are imported. Only 150-160 types of raw materials are produced in Iran.

Could you explain the pricing mechanism for pharmaceuticals?

The Pricing

Commission, which operates under the Organization for Supporting Consumers and Producers Rights and the Health Ministry, takes care of this.

Prices are set according to the expenses incurred by the producer and/or the importer. The next step is to hold expert discussions regarding the expenses for taking a decision. The pricing is done under the mark-top system (by taking the upper range of cost into consideration).

Because most of the domestically-produced medicines are generic, they are priced through expense analysis.

Sometimes the commission has to bargain with the producer or the importer to settle disagreements. At times we try to persuade the

importer or the producer to trim the prices considered too high.

The ministry is not directly in charge of setting the price, but does

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influence it through the commission.

Is the government paying subsidies to the sector?

Only importers are entitled to subsidies.

Medicines are very costly in Iran. Why?

Medicines are cheap in Iran in comparison with

might be of better quality, but those made in the country have similar medicinal qualities and should not be rejected outright. Iranian medicines are being exported to a number of neighboring countries.

If they are welcomed overseas, why shouldn't they be used at home?

Steel Industry

Another year has gone by, but what happened in the past five years to the steel industry in Iran and the rest of the world was indeed very exceptional.

This was a period in which the industry faced near demise in view of soaring prices and development of certain other industries. But what is the real truth about the industry?

The beginning of the new Iranian calendar year seemed to be a perfect time for boosting domestic sales and exports. This is because without dumping policies, imports would not be able to compete with domestic products. The exports industry is also experiencing a calm and stable period - two million tons per year of exports is further proof for this claim, says an article by Moj news agency.

Along with exports, steel factories have also experienced a boost in

terms of credit ratings at foreign banks. It is now possible for them to apply for huge loans at lower bank profit rates. Such advantage could reduce financial stress in the industry.

The high quality of domestic products compared to foreign imports was the main reason behind the increase in demand for domestic products in 2004. The industry also became hugely independent in terms of exploitation, maintenance, storage, reform and development projects and activities.

The national banking system is in no way capable of meeting the industry's demands. Higher profit rates, low capacity, legal limitations, limited responsibilities of bank officials along with obstructive traditional policies cannot help the industry. Inefficiency of the transportation industry is also another threat to implementing proper policies and trust-build-

ing measures for transferring raw materials and products. It could, in the long run, challenge the industry's sustainable development.

It is also crucial to trim down prices and nationalize steel projects. The quality and quantity of products should be able to address and meet market demands.

It is important to plan long-term systematic projects with maximum profits in mind and also pay attention to proper managerial indices defined by policymakers, particularly the supervisory bodies and inspectors. The law on aggregate taxes, which was designed to help production units, has become a huge obstacle for its improper implementation. The steel pension fund has to sort this out for benefit of all production units and pensioners.

Another issue is the tax rate, currently 55 percent, which needs to be reviewed and re-

evaluated. Finally, attention should be given to all the existing challenges such as cre-

ating job opportunities, boosting gross domestic product, as well as offering better credit

rates in a bid to have a sustainable, valuable and strong steel industry.



The steel industry is now independent in terms of exploitation, maintenance, storage, reform and development projects.