



THE GEORGIAN NATIONAL COMPETITION AGENCY IS THE MAIN ORGANIZATION DEFINING AND IMPLEMENTING COMPETITION POLICY.

THE AGENCY PROMOTES FAIR COMPETITION ON THE MARKET, TO SUPPORT THE COUNTRY'S ECONOMIC GROWTH, BUSINESS COMPETITIVENESS AND CONSUMER WELFARE.



FINAL REPORT OF PHARMACEUTICAL MARKET MONITORING, THE RESULTS OBTAINED AND THE RECOMMENDATIONS ISSUED.

In January 2022, the Georgian National Competition Agency, published the final report of Pharmaceutical Market Monitoring, the results obtained and the recommendations issued.

According to the monitoring results, the pharmaceutical market in Georgia is characterized by lack of regulations compared to European countries. Market is highly concentrated. Large companies carry out economic activities on all levels of the market such as import, production, wholesale, retail, medical and insurance services. According to the assessment of the agency, the prescription policy doesn't ensure competitive environment on the market and is not in compliance with the best interests of the patients. Legislative regulation of the field is not aimed to increase the market share of generic medicines, accordingly, the availability of generics on the market is pure. Consumers would save up to 25-30% on the cost of medicines annually by receiving similar treatment effects, which, depending on the size of the market, could amount to 250 million GEL.

The Agency identified a number of small companies operating on the wholesale market level, selling medicals at extremely high price margin which quite often exceeds 1000%. According to the Agency, the demand for such medicines on the retail market is directly related to the existing conflict of interests, therefore linked to artificial/guaranteed demand. In particular, the excess prices on generic medicines in some cases reach 200%, while prices for medicines available under trade names may vary in the range of 20-30%. Average evaluated price margin of the largest companies vary in the range of 15-26%. The Agency's recommendation package also emphasizes need for the introduction of the GMP standard and bioequivalent factor on generics at both the import and local production levels.

In order to improve the competitive environment on the pharmaceutical market, and to define new rules of the game, the Georgian National Competition Agency issued 13 recommendations. In this direction, work at the governmental level is in an active phase. In the first quarter of 2022, the following activities were planned and implemented:

- From March 1, the prescription of medicines belonging to the second group is allowed only electronically;
- Irakli Lekvinadze, Chairman of the Agency presented the report on Pharmaceutical Market Monitoring at the sitting of the Sector Economy and Economic Policy Committee;
- The initiative of the government has entered the Parliament, according to which a document certifying the production of GMP standard will be mandatory when importing a pharmaceutical product;
- According to the decision of the Prime Minister, the Turkish market (parallel import) has been opened and a number of medicines are available to the citizens of Georgia at a much lower price;
- From April, it is planned to apply prescription system of generic medicines.

RECOMMENDATIONS

- ① Prescription/assignment of the generics only
- ② Reference of a generic substitute
- ③ Introduction of an unified electronic system of the prescription/assignment
- ④ Prescription/assignment ongoing control by the industry regulator
- ⑤ Quality of medicines
- ⑥ Perfection of treatment guidelines
- ⑦ Effective regulation and continuous monitoring of pharmacist activities
- ⑧ Tightenin the Sanctioning Mechanism and Effective Control
- ⑨ Ensure maximum transparency and publicity of the relationship between the person responsible for prescription/assignment and the pharmaceutical companies
- ⑩ Need for information campaign on generic medicines produced by the industry regulator
- ⑪ Ensuring the coexistence of universal health care and private insurance "complementary" packages;
- ⑫ Restriction of Market Holding Structure
- ⑬ Revision of "Free Pricing Policy"

INTERIM REPORT ON FUEL MARKET MONITORING OF 2021 AND ISSUED RECOMMENDATION

During the reporting period, the Agency published an Interim Report on Fuel Market Monitoring of 2021 and issued a recommendation.

According to the data - In 2012, 8 undertakings were operating at the import level, while for 2021, their number has increased to 39. The share of the 5 largest companies in the retail market is 58%, while small chains own around 42%. The number of petrol stations has increased by 29% since 2015. At the import level the market is moderately concentrated and is low concentrated on retail level. In 2021 the change has occurred in the top five, as a new brand entered the market which indicates an active competition. During the mentioned period, the formation of fuel prices was mainly impacted by the increased global price. An indicator of active competition is the price differences between large and small chains for the same type of fuel, which was in the range of 30-45 Tetri.

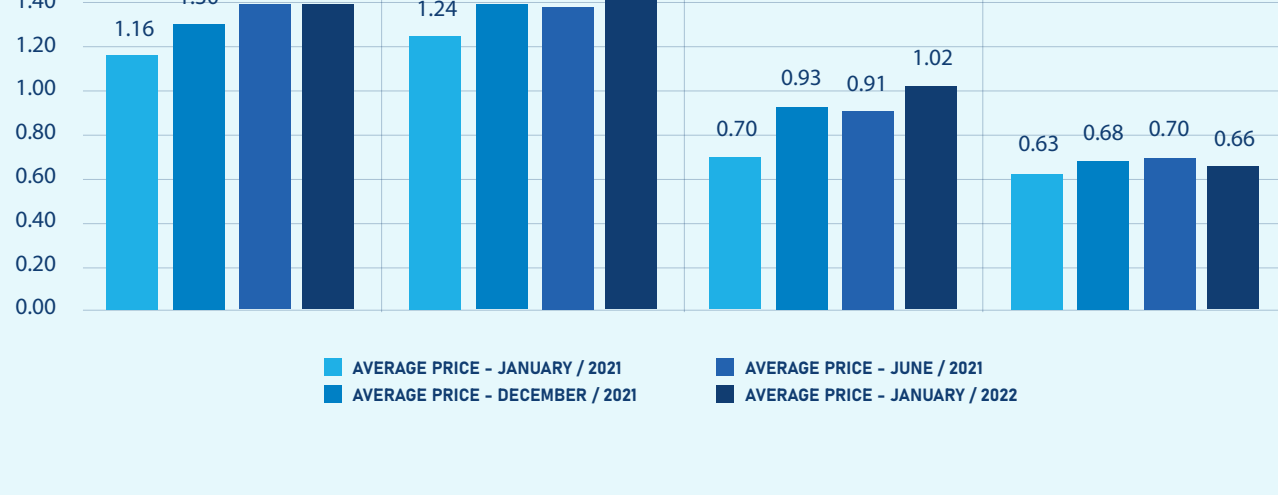
ACCORDING TO THE RECOMMENDATION, THE AGENCY URGES UNDERTAKINGS AND SECTOR ASSOCIATIONS TO REFRAIN FROM ANNOUNCING FUTURE FUEL PRICE CHANGES, REGARDLESS OF WHETHER THESE STATEMENTS ARE BASED ON CURRENT PROCESSES ON INTERNATIONAL MARKETS.

PUBLIC ANNOUNCEMENT THAT THE PRICE WILL CHANGE BY A SPECIFIC AMOUNT - REPRESENTS ADDITIONAL TRANSPARENCY OF THE MARKET AND MAY INCLUDE SENSITIVE DATA.

UNDER CERTAIN CIRCUMSTANCES, THIS KIND OF STATEMENT CAN BE CONSIDERED AS A RISK OF AN ALLEGED BREACH OF COMPETITION LAW.

In the frame of the ongoing monitoring, the Agency publishes interim reports on the results obtained.

FUEL PRICES IN SUPPLIER COUNTRIES, USD, 2021-2022 YEARS



CONCENTRATION CONTROL SUBJECT TO PRIOR MANDATORY NOTIFICATION

IMPLEMENTING THE CONCENTRATION WITHOUT PRELIMINARY NOTIFICATION, BEFORE THE NOTIFICATION IS CONSIDERED OR DESPITE THE NEGATIVE DECISION OF THE AGENCY, MAY RESULT IN FINE, OF UP TO 5% ANNUAL TURNOVER OF PREVIOUS YEAR.

THE FEE FOR REVIEWING A CONCENTRATION NOTICE IS GEL 5,000

During the indicated period, 4872 concentrations have been implemented. During the reporting period, one concentration was implemented with prior notification to the Agency. The concentration of 2 companies was taking place on the trade market of alcoholic beverages/various food products and household items, which was approved by the Agency.

The second concentration was implemented without prior notice to the Agency. The topic was the concentration of two companies in the construction and building materials trade market. The National Competition Agency has started legal proceedings in this regard.

In the reported period, the National Competition Agency of Georgia has started administrative proceedings regarding the merger of two medical companies. The case concerns the acquisition of 100% of the shares of Ltd "Amel Hospital First Clinic" by Ltd "Geo Hospitals", after which is planned the merger of these companies.

THE INSIGNIFICANT AMOUNT OF INDIVIDUAL STATE AID - REPORT OF 2021

IN ACCORDANCE WITH THE AMENDMENTS TO THE LAW OF GEORGIA ON COMPETITION, THE STATE AUTHORITIES, THE AUTHORITIES OF THE AUTONOMOUS REPUBLIC AND THE LOCAL SELF-GOVERNMENT BODIES SHOULD ANNUALLY SUBMIT INFORMATION TO THE COMPETITION AGENCY ON THE AMOUNT OF INDIVIDUAL STATE AID GRANTED, THE DATE OF ISSUANCE AND THE RECEIVING UNDERTAKING/UNDERTAKINGS.

According to the data, in 2021, the volume of individual state aid issued by various public bodies in Georgia amounted to 14,744,673 GEL, which is 22% more than in 2020.

As for local self-governments, according to information received from 47 municipalities, in 2021, an insignificant amount of individual state aid was not issued. Tbilisi Municipality, in 2021, as in 2020, remains the largest provider of an insignificant amount of individual state aid. After Tbilisi, Ozurgeti and Batumi municipalities are leading. The main part of the assistance is provided in the field of culture, sports, education, and youth.

THE LAW OF GEORGIA ON PROTECTION OF CONSUMER RIGHTS

March 29, 2022, the Parliament adopted in the third hearing the Law of Georgia on Protection of Consumer Rights.

Consumer rights in Georgia will be protected by the Georgian National Competition Agency. The law will enter into force on June 1, 2022, and the review of the applications will begin on November 1.

The Agency shall determine the admissibility of the application within 10 days after receipt, and shall review it within one month. In case of violation, the trader will be warned and given a deadline for its elimination. In case of non-compliance with the instructions, the trader will be imposed a sanction - fine up to 2% of the previous year's turnover.

According to the amendments, the trader is obliged to provide accurate and comprehensive information to the customer - on the type of product, characteristics, suitability, etc. The adopted law will protect consumers from unfair commercial offers, aggressive marketing, and misleading advertising. The law covers deals signed in the street, online deals and remotely concluded transactions.

The purpose of the law is to ensure high degree of consumer protection in the country. It is part of the obligation under the Association Agreement between Georgia and the European Union.

The law reflects the best international practice prepared in full compliance with the European directives and serves to improve the standard of protection of consumer rights.

The Law provides the norms related to the prohibition of the anti-integrity principles and unfair commercial activities, as well as the institutional guarantees for the consumers' rights.

THE FOLLOWING ACTIVITIES WERE IMPLEMENTED AS WELL IN THE FIRST QUARTER OF 2022:

- The Georgian National Competition Agency's 2021 activity report has been published.
- Irakli Lekvinadze, The Chairman of the Georgian National Competition Agency, participated in the Heads of Agencies meeting, in an online format, organized by the Organization for Economic Cooperation and Development (OECD) and the Regional Center for Competition in Budapest (OECD-GVH RCC).

At this stage, the Agency continues to investigate 2 cases: 1. in the translation sector - In the direction of abuse of a dominant position and detection of restrictive agreements and 2. In the insurance/hospital sector - Examining the case of possible establishment of unfair trading conditions

INFORMATION ON THESE AND OTHER IMPORTANT ISSUES, ONGOING AND COMPLETED CASES, CAN BE FOUND IN DETAIL:

- www.gnca.gov.ge
- <https://www.facebook.com/GeorgianNationalCompetitionAgency>
- https://twitter.com/gnc_agency?fbclid=IwAR29lna5n6Ax0axE0817QTXBXgfyDFn1gn5k_DistDc0OQeyX61zq352Go
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