



Georgian Competition
and Consumer
Agency

Strategic Advocacy Through Cooperation – Success in Concentrated Markets

Irakli Shakiashvili

Deputy Head of the Legal Department

Georgian Competition and Consumer Agency ([GCCA](#))

ishakiashvili@gcca.gov.ge



Example #1 - Pharmaceuticals

Problems/Distortions the GCCA assessed:

Market Structure and Concentration

The existence of both individual dominant positions (one company holding 40% or more of the market) and the fulfillment of conditions for collective/group dominant positions by major holding groups across various specific therapeutic groups (ATC4 level), holding groups operating across all levels of the supply chain (import, production, wholesale, and retail, plus related clinics and insurance companies).

Prescribing Policy

Trade Name Prescribing: The prescription policy allowed doctors to specify the trade name (brand name) of the medication, thus creating a significant entry barrier for generic alternatives and artificial demand.

Information Asymmetry

The demand for medications is primarily formed by the physician and, sometimes, the pharmacist, not the final consumer (patient). This imbalance is critical because medical personnel possess full knowledge of quality and interchangeability, while the consumer does not have access to this same information. This results in a lack of **competitive pressure from the consumer** (buyer's countervailing power)





Example #1 – Pharmaceuticals - Recommendations

Solutions that the GCCA offered (a total of 13 recommendations were given) :

- Mandatory Generic Prescribing;
- Mandatory Substitution offer on the pharmacy level;
- E-Prescription System;
- Reviewing the “free price formation” model.





Example #2 - Bancassurance

Problems/Distortions the GCCA assessed:

Market Structure and Concentration

The concentration of market power in the hands of a few commercial banks in the "upper-level market" (credit products) fundamentally dictated the competitive quality of the related insurance market.

Structural Links Leading to Conflicts of Interest

The direct or indirect connections between major commercial banks and specific insurance companies create an environment ripe for conflicts of interest, potentially disadvantaging the consumer.

Possible Circumvention of Consumer Choice Regulations

Despite regulatory changes enacted in 2021 by the regulator aimed at increasing consumer choice, majority of the insurance products sold by the two largest commercial banks were those of their directly or indirectly affiliated insurance companies.





Example #2 – Bancassurance - Recommendations

Solutions that the GCCA offered :

- ◉ Concrete Legislative Criteria For The Selection Of The Three Insurance Companies;
- ◉ Address Existing And Potential Conflicts Of Interest (e.g including setting an upper limit (ceiling) on the commission);
- ◉ Granting Consumers the Right to Change Insurance Providers at Any Time;
- ◉ Etc.





Success Factors

1. Proving Regulatory Failure
2. Quantifying the Potential Harm
3. Designing Actionable Recommendations
4. Institutional Partnership/Cooperation



Success Factors

Regulatory Failure:

- Flawed Prescription Policy (Brand-name Prescriptions) (In Pharma);
- "3-offer Rule" Ineffectiveness (In Bancassurance).

Quantifying The Potential Harm:

- Potential Consumer Savings - 250 Million GEL Annually (In Pharma).

Actionable Recommendations:

- E-prescription System;
- Reference Pricing;
- New Obligations Of Physicians And Pharmacists;
- Etc.

Partnership/Cooperation:

- Ministry Of Health, NBG;
- Associations;
- Other Regulators.



9 Out Of 13 Recommendations Already
Implemented; Rest Is Being Implemented (In
Pharma)