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**SECTORAL**  
**REPORT**

**Qatar**

## **Sector: Pharmaceuticals & Healthcare**

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## 1. Sector Overview

### 1.1 Market Overview

In 2020, Qatar's pharmaceutical market reached a modest value, standing as the 10<sup>th</sup> largest among 13 markets in the Middle East. Despite the small population size, Qatar had the seventh highest spending per capita on medicines in the Middle East in the same year. Patented drugs form 69.5% of total drug sales in Qatar. The country's small, urbanised structure means the entire population has easy access to health facilities, while healthcare spending is among the highest regionally. Qatar's disease profile is dominated by non-communicable diseases, which account for 74% of total mortality in the country. Qatar's healthcare market was valued at QAR18.7bn (USD5.1bn) in 2020, representing 3.3% of GDP. Healthcare spending per capita stands among the highest regionally, at USD1,781. The government is responsible for the majority of healthcare financing, at 79.9% of overall healthcare expenditure by value.

According to the Fitch Disease Database, non-communicable diseases are on the fall in Qatar, while communicable diseases are expected to further decline through the next 15 years. Cardiovascular diseases are the most frequent cause of death in Qatar (24% of total mortality), followed by cancer (20%), diabetes, urogenital, blood and endocrine diseases (14%), mental and behavioural disorders (6%) and neurological disorders (5%). Qatar has the beginnings of a basic pharmaceutical manufacturing industry, following the establishment of Qatar Pharma in 2009 and QLife Pharma in 2016, however, the vast majority of pharmaceuticals are imported into the country. There is an extensive presence of multinational drugmakers supplying Qatar's pharmaceutical market, including GlaxoSmithKline, Novartis, Roche, Pfizer, MSD and Novo Nordisk among others. Players in Qatar's generic drug market include Hikma, Julphar, NPI Oman, Riyadh Pharma, KSPICO and Sandoz among others.

**Key view forecast:** Qatar will remain an attractive market for innovative pharmaceutical and healthcare providers, despite its relatively small absolute market size. The government will continue to prioritise the development of world-class healthcare services, encouraging private sector investment across the healthcare sector. The country will move fast towards digitisation and adoption of innovative technologies in healthcare. Despite gradual steps towards developing local drug manufacturing capacity, the country will remain reliant on pharmaceutical imports over the foreseeable future.

*Table 1: Pharmaceuticals & Healthcare Forecasts (Qatar 2019-2025)*

| PHARMACEUTICALS & HEALTHCARE FORECASTS (QATAR 2019-2025) |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|
| Indicator  | 2019    | 2020e   | 2021f   | 2022f   | 2023f   | 2024f   | 2025f   |
| Pharmaceutical sales, QARbn                              | 3.326   | 3.202   | 3.317   | 3.442   | 3.580   | 3.726   | 3.883   |
| Pharmaceutical sales, QAR per capita                     | 1,174.4 | 1,111.2 | 1,131.7 | 1,155.1 | 1,181.8 | 1,211.2 | 1,243.8 |
| Pharmaceutical sales, USDbn                              | 0.914   | 0.880   | 0.911   | 0.946   | 0.983   | 1.024   | 1.067   |
| Pharmaceutical sales, USD per capita                     | 322.6   | 305.3   | 310.8   | 317.3   | 324.7   | 332.7   | 341.7   |
| Health spending, QARbn                                   | 17.522  | 18.683  | 18.110  | 19.181  | 20.340  | 21.631  | 23.029  |
| Health spending, USDbn                                   | 4.814   | 5.133   | 4.974   | 5.269   | 5.588   | 5.943   | 6.327   |
| Pharmaceutical sales, % of GDP                           | 0.51    | 0.57    | 0.53    | 0.53    | 0.54    | 0.54    | 0.52    |
| Pharmaceutical sales, % of health expenditure            | 19.0    | 17.1    | 18.3    | 17.9    | 17.6    | 17.2    | 16.9    |

*Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions*

## 1.2 Latest Updates

- In March, a high-profile delegation of Qatar Red Crescent Society visited the Qatari Clinics operated by QRCS at the Zaatari Syrian Refugee Camp in Mafraq Governorate, which are funded by Qatar Fund for Development under its QUEST Health programme.
- On February 11, Moderna announced that the Qatar Ministry of Public Health has issued an emergency use authorisation for its Covid-19 vaccine.
- On October 27 2020, it was reported that Moderna has signed a supply agreement with the Ministry of Public Health of Qatar for its Covid-19 vaccine candidate.
- On July 31 2020, it was announced that Sherman & Sterling had represented the Qatar Investment Authority in connection with its Series C USD110mn financing for Praxis Precision Medicines.

**Risk/Reward Index:** Qatar's high purchasing power and relatively stable risk profile offer a viable opportunity for patented medicine sales, reflected in its score of 49.1 out of 100 in the Fitch Solutions' Innovative Pharmaceuticals Risk/Reward Index, ranking it fifth in the region. Despite an advantageous operating environment compared to many regional peers, the country's small overall market size and extremely young population will continue to limit growth opportunities.

**Political View:** On January 4, Kuwait's foreign minister announced that Saudi Arabia would reopen its airspace and land and sea borders to Qatar. The borders have been closed since June 2017, when the Quartet states (Saudi Arabia, the UAE, Bahrain and Egypt) imposed a boycott against Qatar over its relatively accommodating stance towards political Islamist groups (notably the Muslim Brotherhood) and its cordial ties with Iran.

## 1.3 SWOT Analysis

### Strengths

- High per capita drug expenditure.
- Stable pharmaceutical regulatory environment.
- Strong public healthcare provision.
- Concentrated market, meaning simplified pharmaceutical distribution and universal access to health facilities for the population.

### Weaknesses

- Small overall market size, due to limited population numbers.
- Limited domestic pharmaceutical industry with little local manufacturing.
- Underdeveloped OTC medicines market.

### Opportunities

- The government is using the 2022 FIFA World Cup as a catalyst for economic diversification, benefiting other sectors from elevated capital expenditures, including healthcare.
- Proposed healthcare reforms would benefit private healthcare sector.

- Increasing Gulf Cooperation Council regulatory alignment should increase the attraction of Qatar and other smaller markets in the bloc, through lower barriers to entry.
- Growing non-communicable disease burden should ensure high demand for pharmaceuticals, particularly in the area of chronic non-communicable diseases, such as diabetes.

### Threats

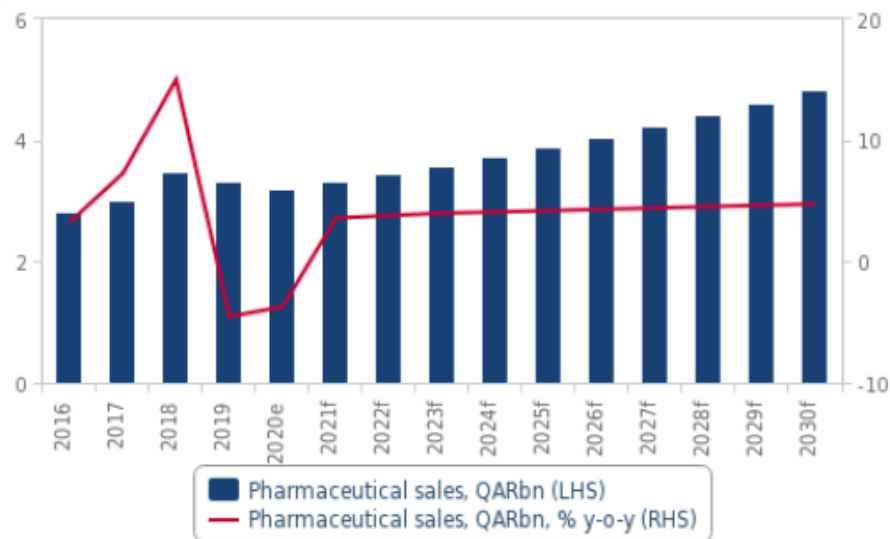
- Government reliance on oil tax revenues for expenditure creates some vulnerability in public healthcare funding.
- Import reliance of pharmaceutical market, including for raw materials, means that drug prices are exposed to changes in exchange rates.
- Proposals for a Gulf Cooperation Council-wide price harmonisation to increase challenges to prescription and patented segments in particular.
- The Ministry of Public Health is likely to consider the introduction of new cost-containment measures across the public and private sectors.

## 1.4 Pharmaceutical Market Forecast

Qatar pharmaceutical market is expected to continue expanding over the forecast period, driven by healthcare sector development and rising demand for medical treatment.

Economic and political stability, and projected growth in the pharmaceutical and healthcare markets will ensure that Qatar remains a small, but attractive, market. Local drug production will most likely continue to develop gradually, although the attractiveness for multinational firms to set a manufacturing presence in the country will remain limited in the short term.

Graph1: Pharmaceutical Market Forecast (2016-2030),



Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions



## Structural Trends

Over the 2020-2025 period, it is forecasted that the drug market will reach a compound annual growth rate (CAGR) of 3.9% both in local currency and US dollar terms, to reach a value of QAR3.9bn (USD1.1bn). By 2030, the drug market is expected to reach a value of QAR4.8bn (USD1.3bn), equating to a 10-year CAGR of 4.2% in local currency and US dollar terms. In 2020, per capita pharmaceutical expenditure stood at USD305, and this is projected to decrease to USD342 by 2025. Spending on medicines accounted for 17.1% of healthcare expenditure in 2020, and is projected to moderate slightly to 17.0% by 2025. As a percentage of GDP, drug spending is expected to reach 0.5% through to 2025.

High price on medicines in Qatar compared to the larger markets in the region has been an area of concern in recent years. In fact, ongoing drug pricing controls in Qatar can potentially negatively affect multinationals' revenues in the country. However, increasing volume sales of medicines due to lower prices will at least partially offset the effect. The government of Qatar will continue to increase its spending on healthcare in line with its development goals which place a strong emphasis on the health sector. In April 2016, the prices of 400 medicines were reduced by an average of over 26% in the third and latest phase of the price cut plan carried out over the previous two years in Qatar. According to data released by the Ministry of Public Health, with the implementation of the third phase, prices of 2,873 medicines have been reduced, which constitute 62.5% of the total 4,600 registered drugs in the country.

Qatar has reportedly turned the threat posed by other Arab countries' blockade into an opportunity and made alternative supply routes for basic goods such as medicine available relatively fast and without any serious interruption. While this might hurt Qatari drug exports in the near term, local pharmaceutical production will continue to develop gradually from a small base, with producers seeking to expand their export footprint.

Qatar is 97% dependent on imports for its pharmaceutical market. In an effort to contain inflated pharmaceutical prices and profiteering by Qatar's small oligopoly of distributors, the Ministry of Public Health (previously the Supreme Council of Health) reversed its decision to liberalise drug prices in November 2011, after only a few months of price liberalisation (which was already a policy aimed at reducing medicine prices). The Supreme Council of Health instead imposed a cap on the prices of 5,000 medicines, prohibiting distributors and retailers from making more than a 10% profit margin on drug sales.

There is a range of upward pressures on the pharmaceutical market in Qatar, which include:

- Healthcare infrastructure expansion and growing demand for medical treatment.
- The rising burden of lifestyle diseases (such as diabetes and other chronic conditions).
- Cheaper drugs increasing affordability, particularly for OTC medicines.
- A wider range of drugs available in the country increasing choice and usage.
- Oil and gas revenues and robust fiscal position enabling increased investment in the country's social system.



- An ongoing overhaul of Qatar's public health strategy increasing per capita spending on healthcare.
- An increasingly educated workforce being encouraged to study abroad with the Qatar Foundation's scholarships and grants, which will increase the expectations of standards of healthcare in the country.

*Table 2: Pharmaceutical Sales, Historical Data & Forecasts (Qatar 2017-2025)*

| PHARMACEUTICAL SALES, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Indicator   | 2017    | 2018    | 2019    | 2020e   | 2021f   | 2022f   | 2023f   | 2024f   | 2025f   |
| Pharmaceutical sales, QARbn   | 3.029   | 3.484   | 3.326   | 3.202   | 3.317   | 3.442   | 3.580   | 3.726   | 3.883   |
| Pharmaceutical sales, QARbn, % y-o-y                                  | 7.27    | 15.01   | -4.53   | -3.74   | 3.59    | 3.79    | 3.99    | 4.09    | 4.20    |
| Pharmaceutical sales, QAR per capita                                  | 1,111.7 | 1,252.4 | 1,174.4 | 1,111.2 | 1,131.7 | 1,155.1 | 1,181.8 | 1,211.2 | 1,243.8 |
| Pharmaceutical sales, USDbn   | 0.832   | 0.957   | 0.914   | 0.880   | 0.911   | 0.946   | 0.983   | 1.024   | 1.067   |
| Pharmaceutical sales, USDbn, % y-o-y                                  | 7.27    | 15.01   | -4.53   | -3.74   | 3.56    | 3.80    | 4.01    | 4.09    | 4.21    |
| Pharmaceutical sales, USD per capita                                  | 305.4   | 344.1   | 322.6   | 305.3   | 310.8   | 317.3   | 324.7   | 332.7   | 341.7   |
| Pharmaceutical sales, % of GDP  | 0.50    | 0.50    | 0.51    | 0.57    | 0.53    | 0.53    | 0.54    | 0.54    | 0.52    |
| Pharmaceutical sales, % of health expenditure                         | 19.1    | 20.9    | 19.0    | 17.1    | 18.3    | 17.9    | 17.6    | 17.2    | 16.9    |

Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

### Pharmaceutical Distribution And Retail Sector

The leading distributor in Qatar is Ebn Sina Medical, which has a market share in excess of 55% and operates its own network of pharmacies. Ebn Sina represents most multinational drugmakers in Qatar and supplies both the public and private sector. Another leading distributor is Qatar Pharmacy Est, which also operates its own pharmacy network. It mainly acts as a distributor for Middle Eastern drugmakers, including Saudi Pharmaceutical Industries & Medical Appliances Corporation and Egypt's Pharco.

Middle Eastern pharmaceutical distributor Pharma World Holdings is another prominent player. International Medical Company (IMC) owns and operates Qatar's largest chain of pharmacies, holding a 30% market share of the retail pharmacy sector. Partners of IMC include Boehringer Ingelheim, Roche, Pfizer and Eli Lilly. Wellcare pharmacies are the leading network of retail pharmacies in Qatar, with Novartis engaged in a partnership programme with the group. Public sector drug procurement is carried out through closed international tenders, GCC bulk procurement and direct purchasing.

Apart from operating private sales outlets, pharmacies in most of the Gulf countries also participate in government tenders. Emergency supplies are provided directly by local pharmaceutical distributors to government hospitals. Government purchasing is predominantly branded/product-based, but the share of the generic drug market is increasing.

### 1.4.1 Innovative Pharmaceuticals Risk/Reward Index

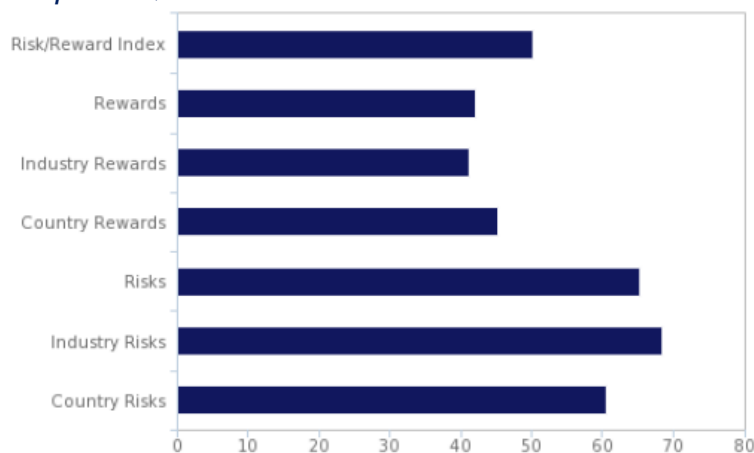
**Key View:** Qatar's high purchasing power and relatively stable risk profile offers a viable opportunity for patented medicine sales, reflected in its score of 49.1 out of 100 in Fitch Solutions' Innovative Pharmaceuticals Risk/Reward Index, ranking it fifth in the region. Despite an advantageous operating environment compared to many regional peers, the country's small overall market size and extremely young population will continue to limit growth opportunities.

#### Qatar: Innovative Pharmaceuticals RRI - Global and Regional Ranks

- Regional Rank (out of 14): 5<sup>th</sup>
- Global Rank (out of 109): 58<sup>th</sup>

**Industry Rewards:** Qatar's pharmaceutical market is the second smallest in the Gulf Cooperation Council (GCC) in absolute terms, acting as a significant drag to its score of 38.2 - well below the regional average of 46.3. Despite this, opportunities for patented drugmakers will be continually supported by the population's wealth and high demand for sophisticated pharmaceuticals, reflected in an above average medicine expenditure per capita. The commercial opportunities will be overshadowed somewhat by Qatar's proximity to larger regional pharmaceutical markets, chiefly Saudi Arabia and the UAE, that continue to absorb the majority of multinational company interest.

Graph 2: Qatar: Innovative Pharmaceuticals Risk/Reward Index



Source: Fitch Solutions Innovative Pharmaceuticals Risk/Reward Index

**Country Rewards:** Qatar scores 45.4, slightly below the regional average of 46.1. While the Arab state boasts a highly urbanised population, Qatar has one of the youngest populations in the region and as such a relatively low proportion of pensioners (1.4% being 65-plus years) - restricting innovative medicine sales.

**Industry Risks:** Qatar scores 68.4, above the regional average of 47.1. The pharmaceutical regulatory environment in Qatar is considered strong by regional standards, making progress



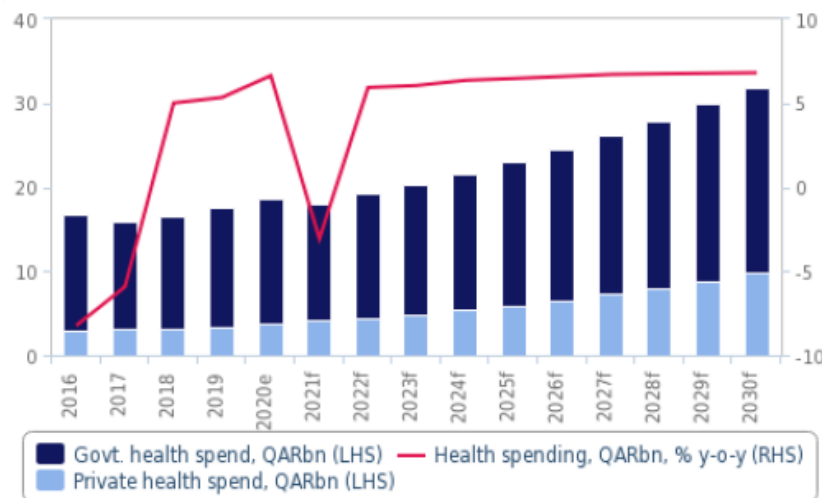
in streamlining its intellectual property laws and the government imposing strict penalties for perpetrators. The potential for more stringent drug pricing regulation is a threat to innovative drugmaker sales, particularly in light of the unified regional pharmaceutical pricing policy among GCC member states. It is important to note that the Qatari pharmaceutical market is still a long way off from reaching Western standards in the regulatory field.

**Country Risks:** Qatar's score of 62.3 is well above the regional average of 39.5, which reflects the relative operational stability and business expansion opportunities available to investors over the coming years. Economic growth will accelerate in Qatar over the coming quarters. Rising government recurrent expenditure will support consumption, although the ongoing GCC crisis will remain a drag on activity to some extent, affecting sectors such as tourism and transport.

### 1.5 Healthcare Market Forecast

Considering the developments to expand healthcare facilities and standards of care in Qatar, healthcare expenditure in the country over the medium term is poised for growth. The government will prioritise the development of world-class healthcare services, encouraging private sector investment across the healthcare sector. The country will move fast towards digitisation and the adoption of innovative technologies in healthcare. Medical tourism will also pick up.

*Graph 3: Healthcare Expenditure Forecasts (2016-2030)*



Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

### Structural Trends

By 2025, healthcare spending is expected to reach QAR23.0bn (USD6.3bn), posting a five-year compound annual growth rate (CAGR) of 4.3% in local currency terms and in US dollar terms. By 2030, healthcare expenditure in Qatar is expected to reach QAR31.9bn (USD8.8bn), posting a 10-year CAGR of 5.5% in local currency and US dollar terms. Healthcare spending growth is expected to outpace GDP growth over the forecast period, reflecting Qatar's increased focus on healthcare sector development and rising demand for medical treatment.

In 2020, per capita expenditure on health reached USD1,782 and this is expected to increase to USD2,027 by 2025. Despite the ongoing privatisation of the health system, public sector health expenditure as a proportion of total healthcare expenditure will decrease only slightly from 80.0% in 2020 to 74.2% in 2025.

Qatar's healthcare system will become increasingly privatised following the suspension of the country's national health insurance programme - Seha. The Ministry of Public Health (then dubbed the Supreme Council of Health) announced that health services provided by Seha will remain suspended from December 31 2015, with healthcare coverage to be provided by private insurance companies over the foreseeable future. In June 2019, Health Minister Hanan Mohamed Al Kuwari said that the draft law on the new health insurance system will soon be presented to the Shura Council.

Qatar's health policy will shift towards an increased emphasis on prevention as part of a broader government effort to address the growing burden of lifestyle diseases. The promotion of healthy lifestyles, raising awareness and other preventive measures are part of the National Health Strategy 2018-2022. In addition, the strategy calls for greater private sector involvement in the healthcare industry.

As part of the country's National Health Strategy (2011-2016), the Supreme Council of Health at the time developed a 20-year blueprint (2013-2033) for improving healthcare across the state. The Qatar Health Facilities Master Plan will make up a significant component of this roadmap, responsible for the planning and delivery of new health infrastructure projects. On the back of ongoing massive investments in infrastructure projects for the FIFA 2022 World Cup, health infrastructure projects in Qatar will possibly become subject to some construction delays. However, the Qatari government will remain committed to the delivery of healthcare in the country, supported by the state's 20-year blueprint for new health infrastructure projects.

From the latest Supreme Council of Health report in 2014, the council estimates that by 2022, the number of hospitals, healthcare centres and facilities is planned to almost double to 66 from 35 in 2014. The number of hospital beds is also planned to grow to 4,701 from 2,100 beds in the same period. Investment is also occurring within the private sector with a total of 73 new private healthcare facilities in the pipeline.

These developments will go some way in meeting the rapid uptick in demand for healthcare services in Qatar, particularly as the burden of non-communicable diseases continue to increase. As part of its economic diversification strategy, the Qatari government is not only concentrating on turning the state into a major centre for healthcare in the region, but also for education and knowledge-based specialities, including biomedical science, renewable energy and robotics, among other sectors.

**Table 3: Healthcare Expenditure Trends, Historical Data & Forecasts (Qatar 2017-2025)**

| HEALTHCARE EXPENDITURE TRENDS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |         |         |         |         |         |         |         |         |        |
|--|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Indicator  | 2017    | 2018    | 2019    | 2020e   | 2021f   | 2022f   | 2023f   | 2024f   | 2025f  |
| Health spending, QARbn   | 15.843  | 16.635  | 17.522  | 18.683  | 18.110  | 19.181  | 20.340  | 21.631  | 23.02  |
| Health spending, QARbn, % y-o-y  | -5.93   | 5.00    | 5.33    | 6.63    | -3.07   | 5.92    | 6.04    | 6.35    | 6.4    |
| Health spending, QAR per capita  | 5,814.6 | 5,980.2 | 6,187.0 | 6,484.9 | 6,179.7 | 6,436.9 | 6,715.3 | 7,031.3 | 7,377. |
| Health spending, USDbn   | 4.353   | 4.570   | 4.814   | 5.133   | 4.974   | 5.269   | 5.588   | 5.943   | 6.32   |
| Health spending, USDbn, % y-o-y  | -5.93   | 5.00    | 5.33    | 6.63    | -3.10   | 5.93    | 6.06    | 6.35    | 6.4    |
| Health spending, USD per capita  | 1,597.4 | 1,642.9 | 1,699.7 | 1,781.6 | 1,697.3 | 1,768.1 | 1,844.9 | 1,931.7 | 2,026. |
| Health spending, % of GDP  | 2.61    | 2.39    | 2.68    | 3.34    | 2.91    | 2.93    | 3.09    | 3.11    | 3.0    |

Source: World Health Organization, Fitch Solutions

**Table 4: Government Healthcare Expenditure Trends, Historical Data & Forecasts (Qatar 2017-2025)**

| GOVERNMENT HEALTHCARE EXPENDITURE TRENDS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Indicator   | 2017   | 2018   | 2019   | 2020e  | 2021f  | 2022f  | 2023f  | 2024f  | 2025f  |
| Govt. health spend, QARbn   | 12.791 | 13.406 | 14.091 | 14.951 | 14.024 | 14.702 | 15.422 | 16.224 | 17.076 |
| Govt. health spend, QARbn, % y-o-y  | -8.31  | 4.80   | 5.11   | 6.10   | -6.20  | 4.84   | 4.90   | 5.20   | 5.25   |
| Govt. health spend, USDbn   | 3.514  | 3.683  | 3.871  | 4.107  | 3.852  | 4.038  | 4.237  | 4.457  | 4.691  |
| Govt. health spend, USDbn, % y-o-y  | -8.31  | 4.80   | 5.11   | 6.10   | -6.23  | 4.85   | 4.91   | 5.20   | 5.26   |
| Govt. health spend, % total health spend  | 80.74  | 80.59  | 80.42  | 80.02  | 77.44  | 76.65  | 75.82  | 75.00  | 74.15  |

Source: World Health Organization, Fitch Solutions

**Table 5: Private Healthcare Expenditure Trends, Historical Data & Forecasts (Qatar 2017-2025)**

| PRIVATE HEALTHCARE EXPENDITURE TRENDS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 2017  | 2018  | 2019  | 2020e | 2021f | 2022f | 2023f | 2024f | 2025f |
| Private health spend, QARbn  | 3.052 | 3.229 | 3.431 | 3.733 | 4.086 | 4.480 | 4.918 | 5.407 | 5.954 |
| Private health spend, QARbn, % y-o-y   | 5.56  | 5.82  | 6.24  | 8.80  | 9.47  | 9.63  | 9.79  | 9.95  | 10.10 |
| Private health spend, USDbn  | 0.838 | 0.887 | 0.943 | 1.026 | 1.122 | 1.231 | 1.351 | 1.486 | 1.636 |
| Private health spend, USDbn, % y-o-y   | 5.56  | 5.82  | 6.24  | 8.80  | 9.44  | 9.64  | 9.80  | 9.95  | 10.11 |
| Private health spend, % total health expenditure                                       | 19.26 | 19.41 | 19.58 | 19.98 | 22.56 | 23.35 | 24.18 | 25.00 | 25.85 |

Source: World Health Organization, Fitch Solutions

## 2. Drug Market

### 2.1 Prescription Drug Market

**Key view:** Qatar's prescription drug market will continue to expand on the back of improved access to healthcare and rising demand for medical treatment. Non-communicable diseases are on the rise in Qatar and the Middle East, including diabetes, hypertension, cardiovascular

diseases and obesity-related disorders. Both the expansion of private health coverage and the modernisation of healthcare infrastructure will contribute to sustaining market growth.

### Structural Trends

By 2025, the prescription drug market is expected to reach QAR3.6bn (USD992mn), equating to a five-year compound annual growth rate (CAGR) of 4.3% in local currency and US dollar terms. Over the 2020-2030 period, the market is expected to reach QAR4.6bn (USD1.3bn), resulting in a 10-year CAGR of 4.6% in local currency terms and in US dollar terms. Prescription drug sales accounted for 91.3% of total pharmaceutical sales in 2020, and is expected to increase to 94.2% by 2030.

Patents that expire will negatively impact innovative drug sales, although Qatar's high import reliance means that it has a strong preference for branded drugs. Moreover, limited negotiating power in Gulf Cooperation Council (GCC) bulk purchase agreements means that costs to the consumer may not come down as much as in other larger GCC markets. Still, pricing restrictions will continue to play a negative role in relation to the sector's development.

The liberalisation of the health insurance market in the early 2000s has resulted in significant growth in the insurance market, which has supported prescription drug expenditure. This growth should continue over the forecast period - the Supreme Council of Health programme (a national health insurance model based on purchasing insurance, for both nationals and expatriates) is officially expected to be rolled out over the next few quarters. It is widely expected that the level of government subsidy will be reduced and employers will be required to make insurance contributions, although this may also result in tightening of drug reimbursement coverage guidelines.

*Table 6: Prescription Drug Market Indicators, Historical Data & Forecasts (Qatar 2017-2025)*

| PRESCRIPTION DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 2017  | 2018  | 2019  | 2020e | 2021f | 2022f | 2023f | 2024f | 2025f |
| Prescription drug sales, QARbn   | 2.734 | 3.165 | 3.041 | 2.922 | 3.046 | 3.170 | 3.306 | 3.451 | 3.606 |
| Prescription drug sales, QARbn, % y-o-y  | 7.76  | 15.77 | -3.91 | -3.91 | 4.24  | 4.08  | 4.28  | 4.39  | 4.49  |
| Prescription drug sales, USDbn   | 0.751 | 0.869 | 0.835 | 0.803 | 0.837 | 0.871 | 0.908 | 0.948 | 0.991 |
| Prescription drug sales, USDbn, % y-o-y  | 7.76  | 15.77 | -3.91 | -3.91 | 4.21  | 4.10  | 4.30  | 4.39  | 4.50  |
| Prescription drug sales, % of total sales  | 90.2  | 90.8  | 91.4  | 91.3  | 91.8  | 92.1  | 92.4  | 92.6  | 92.9  |

Source: *Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions*

## 2.2. Patented Drug Market Forecast

**Key view:** Despite the increasing uptake of generic medicines, patented drug sales in Qatar are expected to slightly outpace the overall pharmaceutical market over the forecast period, gaining in market share in value terms. The rising prevalence of chronic diseases, patients' preference for branded products and improved access to healthcare services will support robust market growth.

## Structural Trends

By 2025, the patented drug market is expected to increase to QAR2.7bn (USD751mn), resulting in a compound annual growth rate (CAGR) of 4.2% in local currency terms and in US dollar terms. By 2030, Qatar's patented drug market is forecasted to reach QAR3.4bn (USD946mn), equating to a 10-year CAGR of 4.5% in local currency terms and in US dollar terms.

In 2020, patented medicines accounted for 69.5% of total drug sales, a figure that is projected to increase to 70.4% by 2025. Patented drugs accounted for 76.1% of prescription drug sales in 2020, with this percentage expected to slightly moderate to 75.8% by 2025.

Non-communicable diseases are on the rise in Qatar, including diabetes, hypertension, cardiovascular diseases and obesity-related disorders. The rising prevalence of chronic diseases, patients' preference for branded products and rising private wealth will act as drivers of market growth. Also, the expansion and modernisation of healthcare infrastructure and increasing awareness of health conditions will contribute to sustain rising demand for treatment. The government introduction of new screening programmes for diseases, such as cancer, will also contribute to increased demand for therapy.

In terms of downside risks to our forecast, the economy's reliance on oil means any fall in the price of oil is likely to put further pressure on government finances and force the government to implement more stringent pricing regulation (especially given the recent moves towards Gulf Cooperation Council-wide price harmonisation) and pro-generic drug policies, as are taking place in Saudi Arabia since recent years, despite cultural preference for branded medicines.

*Table 7: Patented Drug Market Indicators, Historical Data & Forecasts (Qatar 2017-2025)*

| PATENTED DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 2017  | 2018  | 2019  | 2020e | 2021f | 2022f | 2023f | 2024f | 2025f |
| Patented drug sales, QARbn   | 2.088 | 2.408 | 2.305 | 2.224 | 2.315 | 2.412 | 2.511 | 2.618 | 2.732 |
| Patented drug sales, QARbn, % y-o-y  | 7.73  | 15.32 | -4.28 | -3.52 | 4.10  | 4.18  | 4.11  | 4.26  | 4.37  |
| Patented drug sales, USDbn   | 0.574 | 0.662 | 0.633 | 0.611 | 0.636 | 0.662 | 0.690 | 0.719 | 0.751 |
| Patented drug sales, USDbn, % y-o-y  | 7.73  | 15.32 | -4.28 | -3.52 | 4.07  | 4.19  | 4.12  | 4.26  | 4.37  |
| Patented drug sales, % of total sales  | 68.9  | 69.1  | 69.3  | 69.5  | 69.8  | 70.1  | 70.1  | 70.3  | 70.4  |

Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

## 2.3 Generic Drug Market Forecast

**Key View:** Despite their relatively small market share, generic drug sales in Qatar will see significant growth over the forecast period. Pro-generic policies, as well as the effects of patent protection loss, will contribute to generic medicines' market expansion. The gradual development of drug manufacturing facilities in the country, albeit still insignificant, will also contribute to support generic medicines sales over the long term.



### Structural Trends

By 2025, generic drug sales are forecast to increase to QAR874mn (USD240mn), equating to a five-year compound annual growth rate (CAGR) of 4.6% in local currency and US dollar terms. By 2030, the generic drug market is expected to reach QAR1.1bn (USD310mn), posting a 10-year CAGR of 4.9% in both local currency and US dollar terms.

By 2025, generic drug spending will account for 22.5% of total pharmaceutical spending, up from 21.8% in 2020. By 2030, generic medicines are expected to account for a still-modest 23.3% of the overall drug market. Generic medicines accounted for 23.9% of prescription drug sales in 2020, a figure that is expected to remain the same by 2025.

Increased intra-Gulf Cooperation Council (GCC) trade, supported by the GCC Common Market - which was established at the beginning of 2008, was expected to boost imports of generic drugs from other GCC members. Saudi Arabia and the UAE have predominantly generic drug-focused pharmaceutical manufacturing industries, and the overall region is moving towards an increased uptake of generic medicines to control rising healthcare costs. Also, increased trade relations with the Indian market will represent a potential driver for market growth.

In August 2019, the UAE concluded its WTO dispute against Qatar for allegedly imposing discriminatory measures against sales of products including pharmaceuticals and health products from the UAE in May and June 2018. The dispute was allegedly concluded after Qatar backed down from the measures, although the Qatari government said the allegations were false and baseless and, therefore, had to be terminated.

As of February 2018, Hamad Medical Corporation (HMC), a major healthcare provider in the country, has started receiving medicines from several new sources including international pharmaceutical companies from the US and European countries, according to a senior official. More precisely, new drug imports also include generic medicines from countries such as the US, Canada, Turkey and several European countries. According to Dr Moza Al Hail, Executive Director, Pharmacy Department at the HMC, these medicines are better in quality and sometimes they have lower prices, highlighting a sense of opportunity towards new drug supply arrangements.

In October 2017, Qatari officials expressed their interest in purchasing Bangladeshi medicines, deeming it a possible competitive source of medicine as Qatar reconfigure its supply chains because of the blockade imposed by other Arab countries.



*Table 8: Generic Drug Market Indicators, Historical Data & Forecasts (Qatar 2017-2025)*

| GENERIC DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator   | 2017  | 2018  | 2019  | 2020e | 2021f | 2022f | 2023f | 2024f | 2025f |
| Generic drug sales, QARbn   | 0.645 | 0.757 | 0.736 | 0.698 | 0.731 | 0.759 | 0.795 | 0.833 | 0.874 |
| Generic drug sales, QARbn, % y-o-y  | 7.86  | 17.22 | -2.73 | -5.12 | 4.68  | 3.79  | 4.85  | 4.79  | 4.89  |
| Generic drug sales, USDbn   | 0.177 | 0.208 | 0.202 | 0.192 | 0.201 | 0.208 | 0.219 | 0.229 | 0.240 |
| Generic drug sales, USDbn, % y-o-y  | 7.86  | 17.22 | -2.73 | -5.12 | 4.65  | 3.80  | 4.87  | 4.79  | 4.89  |
| Generic drug sales, % of total sales  | 21.3  | 21.7  | 22.1  | 21.8  | 22.0  | 22.0  | 22.2  | 22.4  | 22.5  |

Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

## 2.4 OTC Medicine Market Forecast

**Key View:** OTC medicine spending in Qatar is expected to undergo modest growth over the forecast period, lagging behind other market segments. Despite a rise in outlets that will expand the access to OTC medicines, lower prices are likely to be used as a promotional tool, weighing on market growth potential. As the universal insurance system is rolled out in Qatar, market share figures will see substantial gains by prescription medicines at the expense of OTCs.

### Structural Trends

Through to 2025, OTC sales are expected to reach QAR276mn (USD76mn), equating to a five-year compound annual growth rate (CAGR) of -0.2% in local currency terms and in US dollar terms, lagging behind other market segments. By 2030, the OTC medicine market is expected to reach QAR282mn (USD78mn), posting a 10-year CAGR of 0.1% in local currency terms and US dollar terms. By 2030, OTC sales are forecasted to account for 5.8% of the total market, as lower prices also become implemented as a promotional tool and as the universal insurance system is rolled out, boosting the use of prescription medicines. Absolute growth in the OTC market should also be driven by rising wealth going forward, with the sector more exposed to the economic cycle than the public/insurance-funded prescription market. A key growth market in the OTC sector in Qatar is herbal remedies. As awareness of health issues has increased in the Gulf Cooperation Council (GCC) region, herbal medicine has become a popular way of treating minor health problems. In response, GCC countries have prepared - or are in the process of preparing - laws to regulate herbal medicine.

*Table 9: OTC Medicine Market Indicators, Historical Data & Forecasts (Qatar 2017-2025)*

| OTC MEDICINE MARKET INDICATORS, HISTORICAL DATA AND FORECASTS (QATAR 2017-2025) |       |       |        |       |       |       |       |       |       |
|---|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| Indicator   | 2017  | 2018  | 2019   | 2020e | 2021f | 2022f | 2023f | 2024f | 2025f |
| OTC medicine sales, QARbn   | 0.296 | 0.319 | 0.212  | 0.280 | 0.271 | 0.272 | 0.273 | 0.275 | 0.276 |
| OTC medicine sales, QARbn, % y-o-y  | 2.94  | 8.01  | -33.60 | 31.86 | -3.18 | 0.48  | 0.57  | 0.55  | 0.53  |
| OTC medicine sales, USDbn   | 0.081 | 0.088 | 0.078  | 0.077 | 0.074 | 0.075 | 0.075 | 0.076 | 0.076 |
| OTC medicine sales, USDbn, % y-o-y  | 2.94  | 8.01  | -10.72 | -1.94 | -3.21 | 0.50  | 0.58  | 0.55  | 0.53  |
| Over-the-counter (OTC) medicine sales, % of total sales                         | 9.8   | 9.2   | 8.6    | 8.7   | 8.2   | 7.9   | 7.6   | 7.4   | 7.1   |

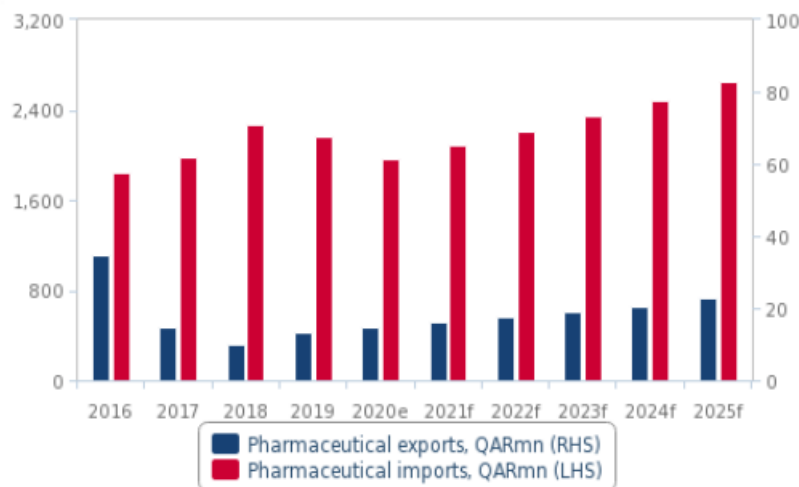
Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

### 3. Trade

#### 3.1 Pharmaceutical Trade Forecast

**Key View:** Even though local manufacturing may increase its market share slightly in volume terms, the price tag on novel medicines will ensure that foreign-manufactured drugs will continue to translate into strong import growth in value.

Graph 4: Pharmaceutical Trade Forecast (2016-2025)



Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

#### Structural Trends

In 2020, pharmaceutical imports stood at a value of QAR2.0bn (USD541mn), and this is expected to increase to QAR2.1bn (USD572mn) in 2021 and to QAR2.7bn (USD729mn) in 2025. Over the 2020-2025 forecast period, imports are expected to pose a compound annual growth rate (CAGR) of 6.1% in local currency terms and in US dollar terms. Between 2020 and 2025, exports are expected to experience a CAGR of 8.8% in both local currency and US dollar terms. The negative pharmaceutical trade balance is forecasted to expand over the next five years, from QAR2.0bn (USD537.2mn) in 2020 to QAR2.6bn (USD722.0mn) in 2025.

With its nascent local manufacturing industry, Qatar is strongly dependent on pharmaceuticals from abroad. This means that imports should broadly follow drug market trends over the forecast period. Major sources of drug imports by country for 2018 include the US (20% of drug imports), Germany (16%), France (9.0%), the UK (7.0%), Switzerland (8.0%) and Italy (6.0%).

As the data above show, most imports are from Western countries. The bulk value of finished pharmaceutical imports from these countries is likely to come from multinational drugmakers Pfizer, Merck & Co, GlaxoSmithKline and Novartis, among others, who have an indirect presence in Qatar. Although multinationals have been successful in the market due to Qataris' high brand consciousness for both prescription and OTC medicines, the small market has discouraged manufacturers from setting up plants within the country. Instead, the preferred

option is to export pharmaceuticals from facilities in larger markets in the Middle East and North Africa (MENA) and the Asian region.

As of February 2019, Qatar Free Zones Authority is promoting Qatar as a location for multinational companies across several sectors, including health, to settle and grow globally. While free zones and government incentives for companies to settle in Qatar will create a good opportunity for drugmakers, the small domestic market size will hinder the market potential attractiveness in the near term.

In August 2019, the UAE concluded its WTO dispute against Qatar for allegedly imposing discriminatory measures against sales of products including pharmaceuticals and health products from the UAE in May and June 2018. The dispute was allegedly concluded after Qatar backed down from the measures, although the Qatari government said the allegations were false and baseless and, therefore, had to be terminated.

Qatar has reportedly turned the threat posed by other Arab countries' blockade into an opportunity and made alternative supply routes for basic goods such as medicine available relatively fast and without any serious interruption. While this might hurt Qatari drug exports in the near term, local pharmaceutical production will continue to develop gradually from a small base, with producers seeking to expand their export footprint.

In April 2017, Qatar's Minister of Public Health Dr Hanan Mohamed al-Kuwari inaugurated expansion works and new production lines of the Qatar Pharma company. Dr al-Kuwari stressed the Ministry of Public Health's strong interest in supporting pharmaceutical industries in Qatar, as well as in strengthening this strategic industry through constructive public and private cooperation. In addition, Dr Ahmed Mohamed al-Sulaiti, chairman of Qatar Pharma, said the company had exported nearly 90% of its production to Gulf markets, Arab countries and Europe.

With total assets exceeding QAR320mn (USD87mn), he added that Qatar Pharma is about to become a public shareholding company in order to enhance financial, human and technical capabilities, and move to global competition with international companies.

*Table 10: Pharmaceutical Trade Data & Forecasts (Qatar 2019-2025)*

| PHARMACEUTICAL TRADE DATA AND FORECASTS (QATAR 2019-2025) |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|
| Indicator   | 2019    | 2020e   | 2021f   | 2022f   | 2023f   | 2024f   | 2025f   |
| Pharmaceutical exports, USDmn                             | 3.60    | 4.07    | 4.42    | 4.79    | 5.21    | 5.68    | 6.21    |
| Pharmaceutical exports, USDmn, % y-o-y                    | 33.05   | 12.98   | 8.66    | 8.33    | 8.82    | 9.01    | 9.35    |
| Pharmaceutical imports, USDmn                             | 596.47  | 541.34  | 571.46  | 605.48  | 643.05  | 683.72  | 728.21  |
| Pharmaceutical imports, USDmn, % y-o-y                    | -4.53   | -9.24   | 5.56    | 5.95    | 6.21    | 6.32    | 6.51    |
| Pharmaceutical trade balance, USDmn                       | -592.86 | -537.27 | -567.03 | -600.69 | -637.84 | -678.04 | -722.00 |

Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

*Table 11: Pharmaceutical Trade Data & Forecasts Local Currency (Qatar 2019-2025)*

| PHARMACEUTICAL TRADE DATA AND FORECASTS LOCAL CURRENCY (QATAR 2019-2025) |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Indicator  | 2019      | 2020e     | 2021f     | 2022f     | 2023f     | 2024f     | 2025f     |
| Pharmaceutical exports, QARmn  | 13.11     | 14.82     | 16.10     | 17.44     | 18.98     | 20.69     | 22.62     |
| Pharmaceutical exports, QARmn, % y-o-y                                   | 33.05     | 12.98     | 8.69      | 8.31      | 8.80      | 9.01      | 9.34      |
| Pharmaceutical imports, QARmn  | 2,171.13  | 1,970.50  | 2,080.67  | 2,204.25  | 2,340.72  | 2,488.75  | 2,650.51  |
| Pharmaceutical imports, QARmn, % y-o-y                                   | -4.53     | -9.24     | 5.59      | 5.94      | 6.19      | 6.32      | 6.50      |
| Pharmaceutical trade balance, QARmn                                      | -2,158.02 | -1,955.68 | -2,064.57 | -2,186.81 | -2,321.74 | -2,468.06 | -2,627.89 |

Source: DESA/UNSD United Nations Comtrade Database, Fitch Solutions

## 4. Regulatory Development

### 4.1 Regulatory Review

The Ministry of Public Health (formerly the Supreme Council of Health) has wide regulatory functions, covering regulation of hospitals, laboratories and retail pharmacies, in private and public spheres. The Ministry of Public Health is also expected to place greater emphasis on community care and health education to tackle Qatar's growing chronic non-communicable disease burden, while also working to encourage R&D in the pharmaceutical and healthcare industries under the National Vision 2030 programme.

The Ministry of Public Health also supervises the implementation of a new health insurance law. Previously, the Ministry of Public Health had been given the power to set the price of medical services provided by both the state and private providers, which includes the price of medicines. In February 2011, the Qatar Advisory Council, a quasi-democratic institution of governance within the emirate, approved legislation proposed by the Supreme Council of Health that allows for the deregulation of pharmaceutical imports to encourage free market competition.

However, in an effort to contain inflated pharmaceutical prices and profiteering by Qatar's small oligopoly of distributors, the Supreme Council of Health reversed its decision to liberalise drug prices in November 2011. The Supreme Council of Health has since imposed a cap on the prices of 5,000 medicines, prohibiting distributors and retailers from making more than a 10% profit margin on drug sales. As part of the liberalisation of the pharmaceutical market, the Supreme Council of Health also announced that tougher registration procedures are being implemented to assure the safety of all pharmaceutical products entering the country.

This involves all medicines entering the country being scanned and tracked by an online system and allows distributors and retailers to track pharmaceuticals and verify a particular drug's authenticity. Qatari authorities have a separate division charged with the monitoring of the quality of herbal medicines. Regulation stipulates that exaggerated claims and misleading advertisements of herbal products are not permitted.



The authorities also monitor the volumes of certain medicines sold, in a bid to prevent their misuse as illegal drugs. Given that Qatari pharmaceutical demand is met by imports, drug registration times are swift. It is estimated that a drug can reach the market in as little as six months. Qatar's intellectual property (IP) protection is also enviable, which has translated into a high number of new launches on the market.

**Regulatory Developments:** In August 2019, the UAE concluded its WTO dispute against Qatar for allegedly imposing discriminatory measures against sales of products including pharmaceuticals and health products from the UAE in May and June 2018. The dispute was allegedly concluded after Qatar backed down from the measures, although the Qatari government said the allegations were false and baseless and, therefore, had to be terminated.

The Ministry of Public Health traditionally sourced medicines through imports, which were usually certified by Gulf Cooperation Council (GCC) countries. However, after the blockading countries stopped their supplies, Qatar is facing some challenges as it does not have adequate facilities and laboratories to fully certify all medicines. Thus, authorities are working towards changing ways of how to approve medicines and how to accept the documentation for new drugs.

**Free Zones:** Qatar has two zones in Ras Bufontas and Um Alhoul. Industries based in Ras Bufontas will benefit from access to reliable air transportation services, given its proximity to Hamad Airport. Suitable industries in the zone include logistics, consumer products, light manufacturing, technology and applications, services and pharmaceuticals. Meanwhile, Um Alhoul Free Zone is directly adjacent to Hamad Port, providing a location for industries that require access to sea freight and shipping routes. Qatar's free zones offer potential access to a USD3bn government-backed fund specially dedicated to promote growth and 100% ownership with full capital repatriation as well as 20 years corporate tax holidays and zero customs duties on imports.

The GCC countries are becoming increasingly aware that to attract multinational pharmaceutical companies they need not only to develop their infrastructure, but they also need to improve their regulatory transparency and collaboration across the region. As a result, improvements to the regulatory environment have been proposed regionally, such as the 'GCC price unification strategy', and by individual countries, such as in the UAE and Saudi Arabia. For example, in September 2018 the UAE introduced a new Foreign Direct Investment (FDI) Law, which no longer limits foreign ownership in UAE companies to 49%. As a result of improved regulatory transparency and an increasingly friendly business environment FDI from multinational drugmakers will increase in the GCC region.

**Regional Regulatory Developments:** The GCC - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE - runs joint pharmaceutical tenders for members. The GCC is also involved in pharmaceutical regulation at a regional level through the Gulf Central Committee for Drug Registration (GCC-DR), which was established in 1999. GCC-wide registration is particularly attractive for companies wishing to export products to Qatar, as the small size of the market

makes individual registration relatively costly. However, this body still runs concurrently with domestic regulatory bodies and is unlikely to replace them in the short term.

The main responsibilities of the GCC-DR are:

- Registration of pharmaceutical companies
- Registration of pharmaceutical products
- Inspection of pharmaceutical companies for Good Manufacturing Practice compliance
- Approval of quality control laboratories
- Review of technical and post-market surveillance reports
- Responsibility for bioequivalence studies

A new GCC Commission for Health Specialities is under consideration, which would be charged with ensuring consistent qualifications for health workers throughout the region, due to rising concern over the quality of healthcare in several GCC member states. Kuwait, in particular, has witnessed anger from patient groups that are suggesting that a high level of expatriate health workers, notably from India and the Philippines, has led to deterioration in standards of care.

In January 2012, at the 72nd session of the GCC's Health Ministers' Council, the ministers announced the formation of a unified drug pricing unit for the region. The unit's job would be to set pharmaceutical prices for branded drugs across all countries so the maximum profit margins for distributors and retailers combined would not exceed 45% of the cost, insurance and freight import prices. There was a warning from Fitch analysts throughout 2011 that drug pricing controls were likely to spread within the GCC after their successful introduction in the UAE.

GCC countries with smaller populations, like Qatar, benefited from the GCC registration process which included bulk tenders and thereby secured better value on high-volume purchases. However, the drugs included in this joint process are usually limited to essential medicines. Qatar is a GCC country with a separate registration procedure. A related issue concerns the separate purchasing of medicines by the private healthcare sector. Due to its smaller size, bulk procurement and, therefore, lower prices are not possible in this sector. The GCC Health Ministerial Council is working on guidelines that will encourage private health providers to coordinate pharmaceutical procurement in order to take advantage of group discounts.

In June 2011, the Gulf Federation of Manufacturers of Pharmaceuticals and Medical Supplies was formed in a meeting in Doha, organised by the Gulf Organisation for Industrial Consulting. The industrial body has taken on the formation of the group for the first year, after which it will be financed by membership fees and donations from pharmaceutical companies.

**Intellectual Property Issues:** Qatar is a member of the WTO and the World Intellectual Property Organization. As of July 2016, according to the US Office of Investment Affairs, Qatar has made progress in streamlining its IP laws and in enacting legislation and implementing practices to enable rights holders to protect their IP, although capacity constraints continue to weigh on Qatar's IP regime.





Qatar's IP protection is generally considered strong, however, with the government imposing strict sanctions on those dealing with infractions. The Qatari Patent Office examines patent applications and issues decisions on several applications. As part of the country's efforts in advancing its IP procurement, in April 2016, Qatar approved the formation of a Grievances Committee, ensuring that the interested parties will have a clear mechanism for appealing or opposing patent application decisions. The Committee's main functions will include handling enforcement and litigations concerning registration of patents and compulsory licences.

As part of the GCC Customs Union, the six member states are working toward unifying their IP regimes. The GCC has recently approved a common trademark law. This law has now been implemented in Kuwait (in force since December 28 2015), Bahrain (since May 29 2016), Saudi Arabia (since September 29 2016) and, most recently, Oman (since July 31 2017). Qatar was expected to implement this law in 2017 as well, although the recent Gulf crisis has jeopardised the process. The provisions of the GCC trademark law supplement the existing GCC customs union law, which does not expressly contain a section on procedures for IP infringement (mondaq). The provisions related to the notification and withholding procedures of goods suspected of infringing IP rights are largely inspired from the EU Council Regulation n. 608/2013 concerning customs enforcement of IP rights, although it also addresses goods in transit. Under Article 38 of the GCC trademark law, rights owners are entitled to request suspension of suspect shipments with customs, including goods in transit.

**Pricing and Reimbursement Regime:** Virtually all pharmaceuticals consumed in Qatar are imported. The GCC common external tariff of 5% applies to pharmaceuticals imported from non-GCC countries. Imports must currently go through a licensed Qatari distributor, but more companies are now able to apply for these licences, ending the oligopoly on pharmaceutical importing. Public drug-purchasing tenders give preference to local firms. However, the limited local pharmaceutical industry means that this is unlikely to inhibit drugmakers. Generally, only Qatari nationals may bid for government procurement contracts. Qatari companies receive a 10% price preference, while GCC companies receive a 5.0% price preference.

However, the price of medicines in Qatar is among the highest in the GCC region, according to local press reports. A number of factors, including the small population and the small size of the market, which prevent manufacturers from benefiting from economies of scale, have been blamed for driving up costs. The relative wealth of the population has meant that there has been scant demand for low-cost drugs. In comparison to other markets within the Gulf, wholesale and retail mark-ups in Qatar are also higher.

The pharmacy sector claims that it is being unfairly blamed for high drug prices. It points out that the government National Health Authority fixed all prices, including those for imported drugs. Fluctuating currency rates have also resulted in the government frequently adjusting prices, confusing consumers further. Residents are required to pay QAR100 (USD27.50) for an annual health card, which entitles holders to subsidised healthcare at government facilities. At least 500 pharmaceuticals are available free of charge to Qatari citizens from health centres, while expatriates are charged just 20% of the true cost of the drug.

**GCC Unified Drug Pricing:** Patients in Qatar started paying less for 657 types of drugs sold in pharmacies when the new, government-mandated prices took effect in late September 2014.

The first phase of the implementation included 657 innovative drugs for chronic heart, endocrine, muscular, rheumatism, dermatology and digestive system diseases.

The SCH at the time issued a memorandum to pharmacies, including new wholesale and retail prices for numerous medicines which are anticipated to decline by between 5% and over 60% when the reduced guidelines come into force. This sharp drop in medicine prices is part of the decision of the GCC-DR to harmonise prices of medicines by aligning the Cost, Insurance and Freight price of all drugs marketed in the GCC in a phased manner.

The process is being implemented in stages, depending on therapy area. The new price for a medicine will be given according to the lowest price of that particular drug in the region. The lowest prices normally occur in Saudi Arabia due to international reference pricing legislation that takes the lowest of the prices of 30 countries worldwide, including Egypt, Turkey and Greece. The price legislation will occur for new product launches as well and Qatar is expected to see the biggest decline in prices as it is a freely priced market. Knock-on effects could be felt by other countries such as Morocco and Jordan who reference the GCC countries in their pricing of medicines.

GCC countries will adopt the new pricing system in a series of stages after the classification of drugs in therapeutic groups, as follows:

- A. cardiovascular system drugs;
- B. endocrine system drugs;
- C. musculoskeletal and joint disease drugs;
- D. gastrointestinal system drugs; and
- E. skin drugs.

Wholesale and retail prices of drugs in groups A and B will soon be fixed for all GCC countries. Dr Fahad Al-Dosari, head of medicinal pricing at the executive office of the Council of Ministers of Health of the GCC, estimated that the complete process to form a uniform pricing system may take more than four years.

The second phase was implemented in January 2015 and includes 652 generic medicines from the same therapy areas as the first phase. The price of 457 of these medicines will be reduced, with the average price cut at 28.48% according to the SCH. During the second half of 2015, the prices of around 1,820 medicines are to be reduced from the following therapy areas: nervous system, obstetrics and gynaecology, infectious diseases, ENT, respiratory, cancers, immune system and eye diseases with the prices of anaesthetics and medical lotions and vitamins also being reduced.

The unified regional pharmaceutical pricing policy among GCC member states will reduce medicine prices in Qatar and improve its national drug accessibility, if implemented properly. Although the drug pricing controls can potentially negatively affect multinationals' revenues in the country, increasing volume sales will at least partially offset the effect. As massive hydrocarbon wealth is spread generously across the country's native population, Qatar's pharmaceutical market will remain attractive to multinationals.

There had been rising concerns about the high medicine prices in Qatar, especially when compared with prices in other GCC states according to local media reports. People complained that drug prices remained high despite the fact that Qatar's SCH had planned to reduce and control them. Some Qataris opted to buy medicines from neighbouring countries including in Saudi Arabia and the UAE, where drugs were much cheaper than in Qatar.

Analysts note that price disparity among GCC markets was largely contingent on the market sizes. Medicine prices in Saudi Arabia were reported to be the least expensive because of the large volumes of imported pharmaceuticals, which itself is due to its large market size, as well as the state's price control policy.

On the other hand, the small pharmaceutical market size in Qatar and the massive hydrocarbon wealth, which is spread generously across the country's native population, have resulted in Qatar having the highest regional pharmaceutical prices in the past. In April 2016, the prices of 400 medicines were reduced by an average of over 26% in the third and latest phase of the price cut plan carried out over the past two years in Qatar.

According to data released by the Ministry of Public Health, with implementation of the third phase, prices of 2,873 medicines have been reduced, which constitute 62.5% of the total 4,600 registered drugs in the country.

## 5. Competition

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### 5.1 Research-Based Industry

Qatar has very limited pharmaceutical manufacturing. According to the Ministry of Public Health's statements, Qatar has 17 agents and seven pharmaceutical importers. However, nascent investment and international partnerships suggest that the country may establish its own pharmaceutical industry over the medium term - as part of the government-led drive to diversify the economy. Drug producer Qatar Pharma was established in 2009, while a medical device company and a biotech research company are also examples of early health industry developments. QLife Pharma started operating as a distributor in 2014, and established a manufacturing plant for pharmaceutical products in 2016. Local producers provide services of pharmaceutical manufacturing of essential medical products and they are seeking to expand their exports in the Middle East, Africa and beyond. Qatar Free Zones Authority is promoting Qatar as a location for international companies across several sectors, including health, to settle and grow globally. While this will drive interest from investors, the small domestic market size will continue to weigh on investment opportunities. Due to the long-term shift from reliance on imported medicines to one of local production, it is forecasted that multinationals' revenues over the immediate and medium term will remain relatively unaffected during the transition.

Qatar's affluent population, relatively high per capita spending on drugs, a high market share by patented drugs and a well-established healthcare system all mean that multinationals' revenues are not at significant risk in the foreseeable future. As a consequence of the small market and current government regulations requiring a local agent for participation in public tenders, most foreign drugmakers operate through local distributors. None have direct

manufacturing presence in Qatar, although some multinationals, such as Novartis, operate local offices. More pharmaceutical companies are expected to become more directly involved in the country. The Gulf Cooperation Council (GCC) countries will remain key targets for the healthcare industry operators. Conditions within the region are favourable, with a rising chronic disease burden, a shift towards healthcare privatisation and extensive healthcare coverage supported by continual government commitment. This will heighten the level of competition within the GCC, which already has many multinational drugmakers active in the market. A key risk to this view stems from a further decline in oil prices, though its impact is expected to be heterogeneous as the GCC members have varying levels of exposure to the oil and gas sector.

## 6. Sources

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- BMI Research, Fitch Group

### Disclaimer

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