



Journal homepage: anau.am/scientific-journal

UDC 338.43 : [619:615] (479.25)

Veterinary Pharmaceutical Business in Armenia: Related Problems and Solutions

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ARTICLE INFO

Keywords:

*veterinary pharmacy,
business,
problems,
solutions,
Republic of Armenia*

ABSTRACT

Veterinary pharmaceutical business is an important and integral part of not only the pharmaceutical business in the Republic of Armenia, but also the intrinsic part of its agricultural sector. However, this area has not been studied properly and is not developed enough in our country. This scientific article highlights the problems and obstacles retarding the development of the veterinary pharmaceutical business in Armenia and suggests solutions that will ultimately boost the veterinary pharmaceutical business to a decent level.

Introduction

One of the leading directions in the economic development of the Republic of Armenia is agriculture. Meat and animal products produced in the country are highly valued not only in Armenia, but also in a number of countries having close trading with Armenia. Along with a large share of livestock, the culture of breeding pets is developing dynamically in the cities of Armenia. However, this cannot develop and stay sustainable without proper care for animals. Veterinary medicines play significant role in the welfare of animals and, therefore, in the well-being of the agricultural community as a whole. Along with the animal welfare, the veterinary industry and veterinary pharmaceuticals play a major role in the pricing processes of meat and animal products, as well as for the health and well-being of the final consumer of these products.

Currently, there are a number of problems in the veterinary pharmaceutical business in the Republic of Armenia,

related to the legal branch, formation of prices and taxes on veterinary pharmaceuticals, quality control, as well as the illegal importation and distribution of drugs.

The goal of the current article is to identify and analyze the aforementioned problems and to recommend possible pathways for their solutions.

Literature review

Global economic health and social well-being depends a lot on both humans and animals. The animal health industry globally, especially in the developing world, is on the cusp of change. Given that 70 % of all diseases suffered by humans are caused by animals (zoonotic), this has resulted in the world paying much more attention to the veterinary pharmaceutical industry (<https://www.animalhealthmedia.com>).

The global animal healthcare industry showed dynamic growth in the period from 2006 to 2011 and registered a

compound annual growth rate (CAGR) of 6 % (Global Animal Health Care Market Outlook to 2016). The market growth trend continues to this day, and in 2018 the market amounted to \$ 33.5 billion (<https://www.statista.com>).

Animal health products, including pharmaceuticals and vaccines, contribute significantly to the health and well-being of both food-producing and companion animals. The animal health industry is committed to contribute to the prevention and treatment of animal diseases and, hence, to the support of animal welfare, food safety and the protection of the environment (International Federation for Animal Health-Europe).

Growing awareness about safe and healthy animal proteins and milk is pushing drug manufacturers to comply with increasingly stringent quality standards. The world today has woken up to the fact that equal attention needs to be paid towards higher quality standards in the veterinary industry, similar to those that have been seen in the human pharmaceutical industry. This has led to regulatory changes both in the developed and emerging worlds (<https://www.animalhealthmedia.com>).

Unfortunately, there is lack of scientific research specialized in the field of veterinary pharmaceutical business.

Materials and methods

Study Design and Participants

A snapshot qualitative study was conducted using in-depth interviews to assess understanding and analysis of the current situation and existing problems in the veterinarian pharmaceutical business in the Republic of Armenia.

Participants were experts from the importing and wholesale field of the veterinary drugs, the Food Safety Inspection Body of the RA and from veterinary clinics.

Sampling and Participant Recruitment

The study participants were recruited using a purposive and convenience sampling technique. The sampling was purposive in terms of identifying the important characteristics of study participants corresponding to the research question in advance, such as age, gender, occupation, workplace, and clinical experience.

Data Collection

The data collection for the study was held in May, 2020. Six interviews were conducted. The interviews were carried out in a separate room and non-participants were not present during the interview process.

Data Analysis

The data were analyzed through qualitative analysis, using experts' opinions and thoughts. During data analysis, the codes were developed through an inductive approach using themes.

Due to time constraints and resource limitations, the research team was unable to assess the saturation (code and meaning) of the data. Hence, the results of the study are only thematic and descriptive.

Results and discussions

The Main Problems of Veterinarian Pharmacy Business in the Republic of Armenia

The main problem noted by our experts is the lack of licensing for the activities in the retail, wholesale and import sectors of veterinary medicines.

“Anyone can open a veterinary pharmacy, moreover, any person can import veterinary medicines and be engaged in wholesale activities without necessarily being a professional in this field or having specialized education.”

Lack of licensing raises a lot of problems related to the professionalism of veterinary pharmacy workers, the proper working conditions of the employees and the proper conditions for storing medicines in a veterinarian pharmacy. The licensing requirements of community pharmacies are set up regarding personnel and premises, as well as numerous other requirements related to a specific type of a pharmacy activity (The RA Law on “Licensing”).

“When anyone has the right to import medicines and is engaged in the import unprofessionally, this leads to a chaos in the market.”

In the case of importing and the wholesale, the lack of licensing brings to the saturation of the market with low quality goods because of their affordability and low prices.

Another major problem in this field is that there are no mandatory quality standards for veterinary drugs, whereas in the case of medicines intended for human use, there are binding standards for quality. Moreover, any person who carries out pharmaceutical activities in the territory of the Republic of Armenia is obliged to fulfill every point of quality standard unlike those involved in veterinary activities. Also, regular inspections are carried out by state bodies for the quality control of pharmaceutical products, while there is no control over veterinary medicines.

“There are no obligatory quality standards responsible for the proper storage, transportation and distribution of medicines. Even cold chain drugs do not apply such standards.”

This means that medicines can be stored under conditions in which they can deteriorate and lose their quality, which affects not only the health of an animal but also causes enormous financial burden to the breeder of the animal. Moreover, this product may have a negative impact on the health and well-being of the human who consumed it if the meat or other animal product was obtained from the animal that received this medicine.

Another significant problem in the veterinary pharmaceutical business in the Republic of Armenia noted by our experts is the complex and expensive registration process of medicines. According to the RA Law on “Drugs”, registration of a new medicinal product requires payment for the expert evaluation, as well as tax payment and up to 150 calendar- day of waiting. Validity of registration is 5 years (The RA Law on “Drugs”).

The cost for the first registration of the veterinary use medicines is 625 000 Armenian drams. For the next times the cost reduces to 500 000 AMD. Since Armenia is a member state of the Eurasian Economic Union (EAEU), it has certain obligations to the mentioned organization. And in order to register medicines in Armenia, medicines must be registered in the EAEU. If the medicine is not registered in the EAEU, then the first registration will cost 900 000 AMD (<http://pharm.am>).

High prices and long waiting times for registration lead to the fact that a small number of new veterinary drugs are registered in Armenia, which leads to a limited choice of medicine in the market and higher prices for new registered drugs. For a person or company engaged in the veterinary business, registration of a new medicine is not economically viable.

“Unfortunately, not all the positive aspects of the pharmaceutical business are applied in the veterinary sphere; however, the registration of drugs occurs on the same basis as drugs for human use. But the market and the demand of the veterinarian drugs is much less as compared to the human use drugs market and demand.”

The next problem is directly related to the registration problem and pricing in the Republic of Armenia. Since in the neighboring countries of Armenia registration and taxation of veterinary medicines is much cheaper than in Armenia there is a problem of illegal importation and distribution of medicines in the territory of Armenia from neighboring countries.

“People transport medicines from neighboring countries and sell them in Armenia at low prices.”

Such drug circulation as well as the quality of illegal drugs and ability to satisfy the given criteria of the drugs is difficult to control. It is necessary to note that we have the same problem in the pharmaceutical industry of human drugs.

The next problem is indirect but it is highly affecting the market and health of animal and the consumer of the meat and animal products. This problem is in a small number of specialized laboratories that work with animals.

“People often turn to human laboratories for animal tests. This leads to the fact that laboratories prescribe a drug with the active substance for a person, and such a medicine can be purchased in a common human pharmacy.”

This phenomenon strikes the most important problem in the face of humanity in the medical field - Antibiotic Resistance.

The next major problem of the veterinarian pharmacy business in the Republic of Armenia is that there is no price regulation by the state. That causes the risks of monopoly and underbidding.

Possible Solutions

The proposed solutions were formulated by analyzing the information obtained during interviews with experts in the field of the veterinary pharmaceutical business, as well as by analyzing the current pharmaceutical business of the Republic of Armenia and several other countries.

The first step in optimizing and improving the veterinary pharmaceutical business in the Republic of Armenia should be the adoption of a law on compulsory licensing of companies engaged in veterinary pharmaceutical activities. Licensing requirements should be strict in order to limit the circle of people and companies involved in the veterinary pharmaceutical business, and leave only the most professional and trained ones to achieve the highest quality services in this area.

It is necessary to develop or adopt quality standards for veterinary pharmaceutical products and carry out state inspections according to these standards. It will ensure the safety and well-being of not only the animals but also the final consumers of the animal products.

It is recommended to make the registration process of the veterinary use drugs less complex and less expensive if the drug is registered in PIC/S (Pharmaceutical Inspection Co-operation Scheme - <https://www.picscheme.org/>) member countries or other international control bodies

such as FDA (US Food and Drug Administration - <https://www.fda.gov/home>). It will save a great amount of time and finance, moreover, it will motivate companies and individuals engaged in veterinary pharmaceutical business to import and register new medicines, which will lead to the increase in the choice of the drugs and obviously will decrease the prices.

Making registration process less expensive is the first step in the struggle against illegal import of the veterinary drugs from the neighboring countries. However it will not be enough to stop the stream of illegal drugs because the main stream comes from Georgia, where there is no VAT for medicines (GEPHA - GHG's pharmacy and distribution business <https://taxsummaries.pwc.com/>), so the drugs sold in Georgia will be 18 % cheaper compared to Armenia. To make the market of the Republic of Armenia competitive in the region it might be efficient to deduct the VAT for the medicines.

Conclusion

These are only a few but the most urgent possible solutions to the existing problems in the veterinary pharmaceutical business in the RA, which will strengthen and enlarge the whole business sphere:

- Adoption of a law on compulsory licensing of companies engaged in veterinary pharmaceutical activities.
- Implementation of the quality standards as well as conducting regular inspections by the state body.
- Making registration process easier and less expensive.
- Deduction of the VAT for the medicines.

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Accepted on 02.06.2020
Reviewed on 05.06.2020