



Competition Counsel- Opinion No. A/6/25 on the State of Competition in the Pharmaceutical Distribution Market in Morocco

The Moroccan Competition Counsel (MCC) issued Opinion No. A/6/25 on competition concerns in the pharmaceutical market. The Opinion marked the conclusion of an inquiry into the pharmaceutical market initiated by the MCC on its own initiative in February 2025. This action illustrates an increased focus of the MCC on structurally sensitive sectors with direct public interest implications. The MCC identified the pharmaceutical sector—and more specifically the market for distribution of pharmaceuticals—as a priority due to its dual economic and social significance, sitting at the intersection of public health policy and market regulation. In their assessment they identify restraints and insufficiencies that hinder businesses in the sector and pose economic risks. The MCC proposes regulatory steps to address and mitigate these negative effects. These will primarily affect Moroccan operations. Still, the MCC's recommendation to reduce restrictions on the sale of generics may offer opportunities to foreign businesses.

The Opinion is part of a broader effort by the MCC to proactively assess market dynamics in regulated sectors, particularly where pricing mechanisms, access conditions, and supply constraints may distort or limit effective competition. It also aligns with ongoing public policy reforms in Morocco, including the generalization of compulsory health insurance and broader initiatives aimed at improving access to healthcare and reducing out-of-pocket expenditure. Importantly, the Opinion does not constitute an enforcement decision and does not establish infringements under competition law. Rather, it provides a diagnostic assessment of market structure and functioning, coupled with forward-looking recommendations that may inform future regulatory or legislative reforms.

Structure of pharmaceutical distribution chains

In the Opinion the MCC provides a granular mapping of the pharmaceutical distribution ecosystem in Morocco. According to the MCC it is characterized by tightly controlled vertical supply arrangements.

At the upstream level, pharmaceutical manufacturers—both domestic and international—are responsible for production and initial commercialization, subject to obtaining a marketing authorization.

The intermediate level is occupied by wholesale distributors, which play a critical logistical and public service role. These operators are responsible for ensuring nationwide availability of medicines, including in remote or less profitable areas, and are subject to strict obligations in terms of stockholding, delivery timelines, and product traceability. Their role is particularly sensitive, as they act as the main interface between manufacturers and retail pharmacies.

At the downstream level, retail pharmacies are the point of access for patients. The MCC notes that pharmacies are both healthcare providers and commercial entities, operating under a dual mandate that combines public health responsibilities with economic constraints.

The hospital circuit operates in parallel, with distinct procurement and distribution mechanisms, often involving public tenders and centralized purchasing structures. The MCC identifies the interaction between the hospital, and the retail circuits as an area with potential competitive and regulatory implications.

Pricing mechanisms and economic constraints

As in other countries administrative regulations regulate medicine prices and margins in Morocco. Prices are set by the authorities based on a combination of international benchmarking and cost-based considerations, with fixed margins allocated across the distribution chain.

This system aims to ensure affordability and control healthcare expenditure. Still, the MCC highlights that it significantly limits price-based competition and reduces the ability of market players to differentiate themselves commercially. In particular, the fixed margin structure creates inflexibilities in the economic model of both wholesalers and pharmacies. As medicine prices have been subject to downward revisions in recent years, the absolute value of margins has decreased, directly impacting the profitability of businesses in the distribution chain. This has been further exacerbated by rising operational costs, including logistics, compliance, and financing costs linked to extended payment terms.

Wholesale segment competitive assessment

The wholesale distribution market is concentrated, with a limited number of operators holding significant market shares. This concentration may contribute to logistical efficiency. However, the MCC identifies several risks associated with it, particularly due to reduced competitive pressure and potential barriers to entry. The MCC emphasizes that wholesale distributors are subject to a “regulated competition” model. Their ability to compete is constrained not only by pricing regulation but also by strict operational obligations. These include requirements to supply a wide range of products, maintain minimum stock levels, and serve the entire national territory.

A critical issue identified by the MCC is the deterioration of financial conditions for wholesalers. The combination of declining margins, increasing credit risk (due to delayed payments from pharmacies), and regulatory constraints has weakened the financial resilience of wholesalers. This raises concerns about the long-term sustainability of the wholesale segment and its ability to continue to fulfill its public service role effectively.

Retail segment competitive assessment

The retail pharmacy market is described as highly fragmented but economically fragile. Morocco has a high density of pharmacies relative to its population, leading to intense local competition but insufficient revenue per pharmacy. The MCC notes that the current regulatory framework governing the establishment of pharmacies—while designed to ensure sufficient geographical coverage—has resulted in an imbalance between supply and economic viability. Many pharmacies operate under financial strain, with limited capacity to invest in modernization, digital tools, and diversification of services.

Moreover, the remuneration model for pharmacies is heavily dependent on regulated margins from sales of pharmaceutical, with limited recognition of professional services such as patient counseling, medication management, or preventive care. This creates a structural misalignment between the healthcare role of pharmacists and their economic incentives. The MCC further flags certain practices that may distort competition, including the informal or unauthorized distribution of medicines outside the official pharmacy network, particularly by private healthcare providers. Such practices not only undermine the regulatory regime but also create unfair competitive conditions for licensed pharmacies.

Barriers to competition and structural rigidities

Across the distribution chain, the MCC identifies several structural barriers that limit the development of effective competition. These include regulatory entry barriers, restrictions on ownership and operation, and the absence of flexibility in pricing and commercial strategies. Another notable issue is the absence of a formal right of substitution for generic medicines at the pharmacy level. Unlike in many other jurisdictions, pharmacists in Morocco are not

generally authorized to substitute prescribed branded medicines with equivalent generic medicines without explicit authorization. This limits the penetration of generics, reduces price competition, and constrains the ability to manage supply shortages efficiently. Finally, the MCC highlights the lack of digital integration and data sharing across the supply chain, which affects transparency, traceability, and overall efficiency.

Recommendations and reform trajectory

The MCC in their recommendations advocates for more flexible and sustainable model for pharmaceutical distribution. At the regulatory level, they propose a gradual relaxation of certain constraints, coupled with enhanced oversight mechanisms. These recommendations include revisiting the pricing and margin system to better reflect economic realities and ensure fair remuneration across the value chain.

For wholesale distributors, the MCC recommends revising their remuneration model, improving payment discipline, and potentially introducing mechanisms to compensate for public service obligations. For pharmacies, the MCC proposes a shift toward a mixed remuneration model that combines margins on medicines with fees for professional services. It also suggests reviewing the rules governing the establishment and distribution of pharmacies to address crowding and improve economic viability. Moreover, the MCC identifies the introduction of a regulated right to substitute branded pharmaceuticals for generics as a key reform lever, with potential benefits in terms of cost savings, access, and competition.

Finally, the MCC emphasizes the importance of digital transformation, including the development of integrated information systems to enhance supply chain visibility, prevent shortages, and improve regulatory monitoring.

Implications for the pharma industry

The Opinion does not include direct calls to action or instructions for the pharma industry. Still, the challenges identified and recommendations formulated by the MCC will have implications for the industry. Loosening of regulatory restraints will ease burdens on market players. This will largely affect domestic operations. The further opening of the market for generics, on the other hand, may offer opportunities for foreign businesses. The existing restrictions imposed by Moroccan law on the sale of generic pharmaceuticals have made Morocco a less attractive market for these. If the MCC's recommendations were implemented, this could change. Manufacturers of generics could find new opportunities in the Kingdom.



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