


The Union Budget 2010 -11

The issue of improving access to healthcare... encouraging innovation... and beyond

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The Primary role of the pharmaceutical industry in India, like in many other countries of the world, is to make significant contribution to the healthcare objectives of the nation by meeting the needs of the ailing patients through improved access to modern medicines. This role could be fulfilled primarily in the three following ways through Public Private Partnership initiatives:

1. By improving the healthcare infrastructure and the healthcare delivery systems
2. By creating a favorable echo system for developing newer innovative medicines through R&D initiatives in the country
3. By taking policy measures towards a robust healthcare financing system for all strata of our society

Improving access to modern medicines:

In the Union Budget 2010-11, the Finance Minister has proposed an increase in allocation towards healthcare from Rs. 19,354 Crore to Rs. 22,300 Crore. It is expected that a significant part of this increased allocation will be utilized in improving healthcare infrastructure and delivery systems, in the country. Moreover, extension of 'Tax Holiday' for hospitals set-up in rural areas from 5 to 10 years, is expected to encourage development of rural healthcare infrastructure. The Finance Minister has also proposed that 'Tax Holiday' will be available for hospitals set-up even outside rural areas. The proposal for extension of health insurance to NREGA beneficiaries is also expected to have a positive

impact in improving access to modern medicines within this sector of the population.

It is my strong belief that currently, improving access to healthcare in general and medicines in particular along with encouraging innovation, should be the top-priorities of our policy makers. High incidence of mortality and morbidity burden in a country like ours can only be addressed through such priority measures. It is believed that Indian Pharmaceutical Industry would always remain committed to actively support all such efforts from all corners to help achieving this objective.

Encouraging innovation:

The budgetary proposal of enhancement of scope of weighted deduction on expenditure incurred on in-house



R&D to 200% and the same on payments made to national laboratories, research associations, colleges, universities and other institutions for scientific research to 175%, are welcome steps. However, in my view only the above steps are not adequate enough to properly encourage innovation within the country. Ongoing efforts in Research & Development(R&D) would require a robust national policy environment that would encourage, protect and reward innovation. Improving health-care environment in partnership with the Government remains a priority for the pharmaceutical industry in India. Despite progress made over the past decades in developing new medicines for some acute and chronic illnesses by both the Indian pharmaceutical companies and R&D organizations, innovation, like in other developed countries, still remains critically important in the continuous and ever complex battle between disease and good health in India.

Other encouraging budget proposals:

The following proposals of the Finance Minister are also expected to benefit the Industry:

- An annual Health Survey to prepare the District Health Profile of all districts in 2000-11

- Uniform concessional basic duty of 5% for all medical appliances and exemption of import duty from specified inputs for the manufacture of orthopedic implants, are good initiatives.
- Reduction of Corporate surcharge from 10% to 7.5%, though corporate Minimum Alternate Tax has gone up to 18%
- Tax incentives for the business of setting up and operating "Cold Chain" infrastructure, which is an integral part in the logistics for vaccines and many biotech products
- Under section 10B, extension of sunset clause is expected to benefit the Export Oriented Units (EOUs)

Adverse impact on affordability:

Some steps taken in the Union budget may have major impact on the Indian Pharmaceutical Industry, which are as follows:

Goods and Service Tax (GST) coming in April 1, 2011 and Minimum Alternate Tax (MAT) hiked to 18% could prompt restructuring of 'supply chain' of many companies

Increase in fuel prices and withdrawal of 'Service Tax' exemption on transportation of goods by rail, could make pharmaceutical products more expensive.

The Union Budget 2000-11, which has been largely hailed as a good budget across the industry, unfortunately does not propose much in terms of major fiscal and policy measures for the pharmaceutical industry.

Conclusion:

Be that as it may, going beyond the budgetary expectations, the pharmaceutical industry in India should keep focusing on good corporate governance. This encompasses adherence to high ethical standards in clinical trials and in promotion of medicines, regulatory and legal compliance, being harsh on corrupt practices, addressing all issues that support good healthcare policies of the Government and takes care of the healthcare needs of the common man through inclusive business growth. It is obvious that the Pharmaceutical Industry alone will have a limited role to play to address all the healthcare issues of the country. Important stakeholders like the Government, Corporates and the civil society in general must contribute according to their respective abilities, obligations and enlightened societal interests, towards this direction.

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