



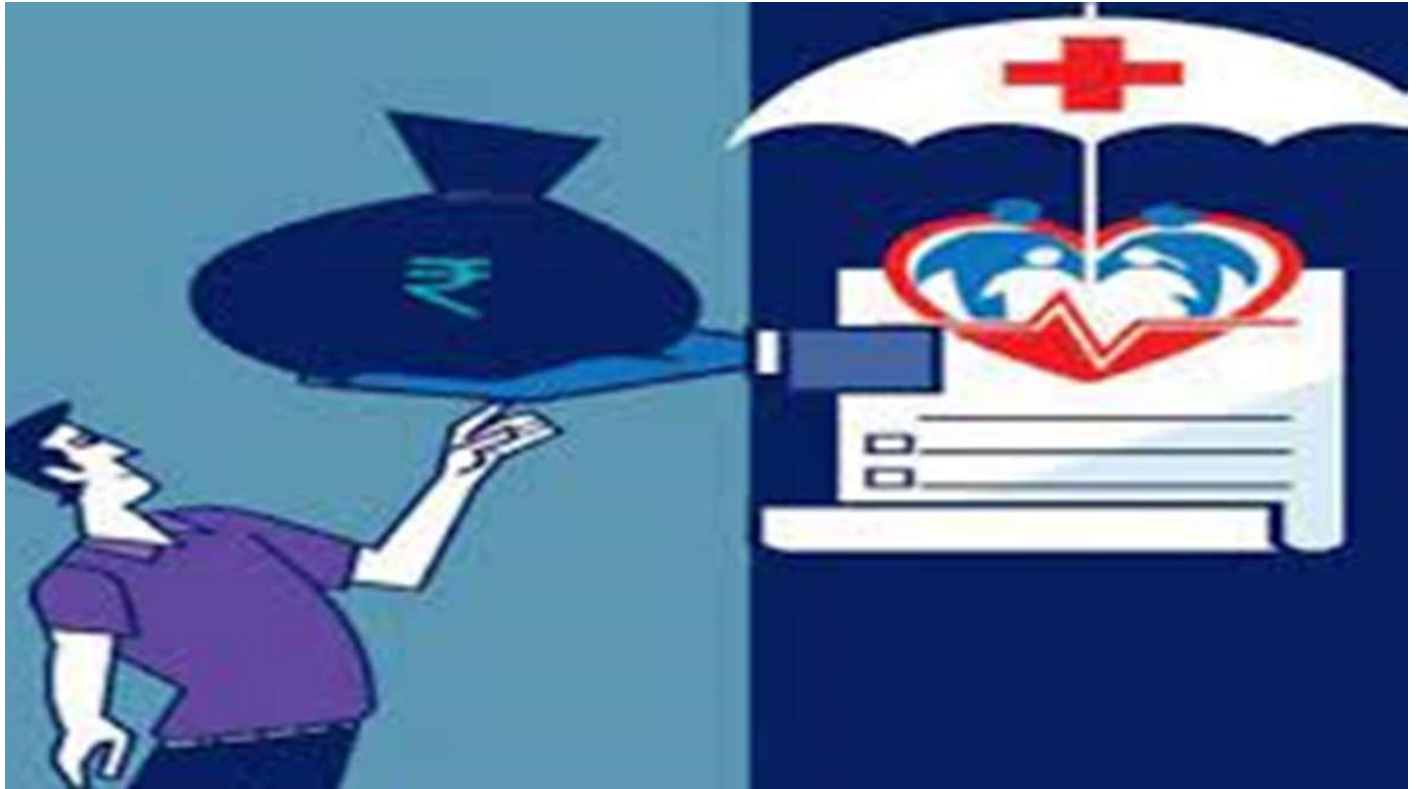
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Budget 2022 should fuel innovation in pharma industry

The upcoming budget can help to spur and reward innovation through both financial and non-financial incentives.

Written by [Guest](#)

January 27, 2022 5:40:27 pm



Incentivizing public and private investment in innovation through a combination of fiscal and non-fiscal measures will be critical in driving innovation – from funds for drug development to research linked incentives.

By Sudarshan Jain

The Indian pharma industry has been playing a key role in improving health outcomes across the world through its affordable and high-quality medicines. India has significantly contributed to increasing the access of medicines globally by supplying 60% of global vaccine supply and ensuring access to HIV treatment to 37% of people in Africa 2009 compared to just 2% in 2003. In the ongoing COVID 19 pandemic, India has demonstrated its commitment to patient welfare

by ensuring continuity of supply of medicines including COVID 19 treatment medicines.

Today, the industry is creating approximately 2.7 million jobs in the sector, a considerable contribution to the Indian economy and generating over USD 13 billion of trade surplus every year. It is amongst the top five sectors contributing to net foreign exchange earnings in India. The pharmaceutical industry aspires to grow to \$120-\$130 billion by 2030 from the current \$44 billion thereby positioning India in the top 5 in terms of value and first in terms of volume. In order to attain Vision 2030 one the key drivers will be to pursue innovation and focus on research and development thereby moving up the value chain.

Enabling Innovation

Going forward, India now needs to expand its presence in innovation and R&D which continues to account for 2/3rd of the global pharmaceutical opportunity. Building this presence can generate substantial health benefits for India by enabling development of drugs for India-specific ailments which do not get adequate attention globally (e.g, certain drug-resistant infections, oral cavity cancer etc, where India accounts for 30% of disease burden). Concerted efforts by the Industry and Government are critical to address these challenges and help India become a hub for pharma innovation. Two sets of interventions are vital to catalyse this journey – i. Create an enabling environment for industry to drive innovation and ii. Structural interventions to build the overall innovation ecosystem.

While many positive steps have been taken to simplify the regulatory system in India, much needs to be done further in this sphere that will enable innovation in product development. Importantly, incentivizing public and private investment in innovation through a combination of fiscal and non-fiscal measures will be critical in driving innovation – from funds for drug development to research linked incentives. The upcoming budget can help to spur and reward innovation through both financial and non-financial incentives.

Digital – Transformation and Talent

India has several strengths – strong local industry, deep technical capabilities, to build a relevant position in pharma innovation. The pandemic rapidly accelerated digitisation in the sector. From R&D and diagnostics to drug delivery and treatment, technology interventions like AI/ML can significantly impact the supply chain by reducing costs and improving the manufacturing efficiency and quality. The companies incorporated advanced technologies like cybersecurity and cloud computing to adapt to work-from-home conditions. From being optional to mandatory – the utilization of tele-health services has gone up over the last two waves. As new services evolve with advanced technologies, it becomes important to have data privacy and cybersecurity at the core of the end-to-end operating models. The National Digital Health Mission, launched by the Prime Minister in 2021, will revolutionise the health sector in India as it ensures ease of doing business for doctors, hospitals and healthcare service providers.

This also highlights the need for talent adept in both digital technology and research. Setting up innovation hubs comprising research laboratories, educational institutions, companies and hospitals would be vital. This will propel the central idea of industry-academia collaboration “lab to market” while also empowering the young talent with cross-functional skills.

Better pricing policies and taxation

During the pandemic, the pharma supply chain showed resilience and has strong fundamentals, yet the pandemic highlighted dependency regarding APIs and KSMs on other countries. Keeping this in perspective, the Production Linked Incentive Scheme for APIs/KSMs and other pharma products/formulations has been launched. These are positive steps and expected to create world class champions out of the pharma companies and cater to the segment of various categories of modern day medicines such as complex generics and new chemical and biological entities. Furthermore, given the transition in the global supply chain, the Indian pharma products will need to remain competitive in export

markets. One of the important ways is to include the pharma sector in the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme. It will help provide impetus to export competitiveness to the sector.

Conclusion

The pandemic offered key insights into the mobilising capabilities in the pharmaceutical sector and more importantly accelerated the realisation to foster innovation. The momentum gained in R&D is positive and needs to continue beyond the pandemic.

The Indian pharmaceutical industry is a strategic industry with the advantage of both scale and reach and is poised to move up the value chain. In addition, we have the advantage of demographics, strong digital base and scale of manufacturing. The synergy of digital and pharmaceuticals should help us to create a new model for innovation and take us towards our vision of Discover in India. We look forward to the Budget fueling innovation in the pharma industry and establishing India as an innovation hub. This can provide affordable yet innovative products catering to the unmet needs of patients worldwide – thus evolving from '[Make in India](#)' to 'Discover and Make in India, for India and the World.'

(The author is Secretary General, Indian Pharmaceutical Alliance (IPA), which represents 24 leading research-based Indian pharmaceutical companies. The article is for informational purposes only. Views expressed are personal and do not reflect the official position or policy of the Financial Express Online.)