

India Union Budget 2021-22

Point of view

Life Sciences

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Key announcements for the sector

The Union of India Budget 2021-22 was the first ever digital-only budget in India's history. However, this is not the only reason why it is unprecedented. It has been presented in the backdrop of a 'once in a century' pandemic which has not only caused tragic loss of human lives globally but also pushed the global economy into a deep recession.

Amidst all these developments, the Life Sciences sector has been at the forefront while managing the COVID-19 crisis. Given the historically low public expenditure on healthcare in our country, at around 1.3% of GDP, there was broad consensus that the sector deserved an increased budgetary allocation. The National Health Policy 2017's target of public health expenditure was to hit 2.5% of GDP by 2025. There were also expectations regarding COVID vaccine allocation, higher tax deductions for research and development (R&D), reduced import duties, etc.

Below are the key announcements for the sector that the Budget 2021-22 presented:

- **Healthcare:**
 - Total healthcare spend will increase 137% to INR 2,23,846 cr as compared to INR 94,452 cr spent last year.
 - A centrally sponsored scheme named **PM AtmaNirbhar Swasth Bharat Yojna**, with a budget of 64,180 cr which will span over 6 years, will include setting up integrated public health labs, establishing critical care hospital blocks, setting up of 15 Health Emergency Operation Centers and 2 mobile hospitals. Further, this will also extend to operationalisation of new Public Health Units at points of entry and setting up of a national institution for One Health, a Regional Research Platform for WHO South East Asia Region, 9 Bio-Safety Level III laboratories and 4 regional National Institutes for Virology.
- **Vaccines:**
 - The Pneumococcal vaccine, a made in India vaccine, which was available in only 5 states will now be rolled out across the country
 - INR 35,000 cr has been committed for the Covid vaccine with a provision to provide further funds if necessary. At an assumed cost of INR 350 per vaccine per person, it would cover a population of 100 crore Indians.
- **PLI Scheme:** The PLI scheme is to have an outlay of INR 1.97 lakh cr over 5 years starting from FY22 with manufacturing incentives for 13 key sectors. Out of this INR 15,000 cr will be allocated for Pharmaceutical sector.
- **Insurance:** FDI in insurance sector will be increased from 49% to 74% to allow foreign ownership and control with certain safeguards in place.

- **Nutrition:** The Supplementary Nutrition Programme and the Poshan Abhiyan are to be merged to launch 'Mission Poshan 2.0' which will adopt an intensified strategy to improve nutritional outcomes across 112 aspirational districts.
- **Sanitation, Clean Air and Water:**
 - The government has provided INR 2,217 cr to 42 urban centres having a population of 1 million+ in order to deal with the problem of air pollution
 - The Jal Jeevan Mission will be launched with an outlay of INR 2.87 lakh cr over 5 years to provide universal water supply and for liquid waste management
 - The Urban Swachch Bharat Mission 2.0 is to be implemented with a financial allocation of INR 1.42 lakh cr over a period of 5 years from 2021-2026

Implications for the sector

- **Healthcare:**

An increase in healthcare spend will help more Indians get treatment for a wider gamut of diseases with an increased focus on critical care. Mobile hospitals will ensure that care reaches remote parts of the nation, currently not serviced by hospitals. Setting up of healthcare centres in ports, airports etc. will increase safety for workers at India's transport hubs, thus making these more conducive to attract business from across the world. Increasing spend on research is a much-needed move as India needs a big push to move towards innovation in the healthcare space.
- **Vaccines:**

The Covid-19 vaccination mission will help economic activity resume to normal levels once mass vaccination of the population takes place, whereas the pneumococcal vaccine will help prevent 50,000 child deaths annually.
- **PLI scheme**

The PLI scheme with its focus on APIs, intermediates/KSMs, formulations and medical devices will help build scale and size for India's pharmaceutical and medical devices sector. Further, this will create a global dominance for the sector and generate employment opportunities for the youth. The sector has already gained from the Production Linked Incentive Scheme (PLIS) announced by the Government last year.
- **Insurance**

Relaxation of FDI limits in insurance could allow more players to enter into India, thus providing a huge opportunity for the health insurance sector. Further, this could result in greater penetration of health insurance especially in tier 2/3 cities and augment the overall health insurance coverage in the country.
- **Nutrition, sanitation, clean air and water:**

Keeping 'Swachch Bharat and Swasth Bharat' at the core, we could expect an overall upgrade in air and water quality, resulting in better living conditions to drive buoyancy in the Indian economy.

The above steps would help kick-start the ambition for self-sufficiency, innovation and PLI schemes to integrate India with global supply chains, thus helping the Indian pharma sector gain competitive edge in the global landscape.

Of course, there are a few more areas that the Budget could have targeted:

- Incentivise R&D by additional tax deductions to further support greater investments in new drug developments
- Reduce GST on life-saving and essential drugs as they currently attract 12% GST
- A structured roadmap intervention supported by strong policies to promote the tele-medicine industry

- Upgradation of MSME to WHO-GMP norms by way of interest subvention on capital goods investment as well as investment on upgrading quality assurance systems.

Overall, this budget has many positives for the sector. Hopefully, there will be a few more mini-budgets going forward, to fully accomplish the growth potential of life sciences sector.

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