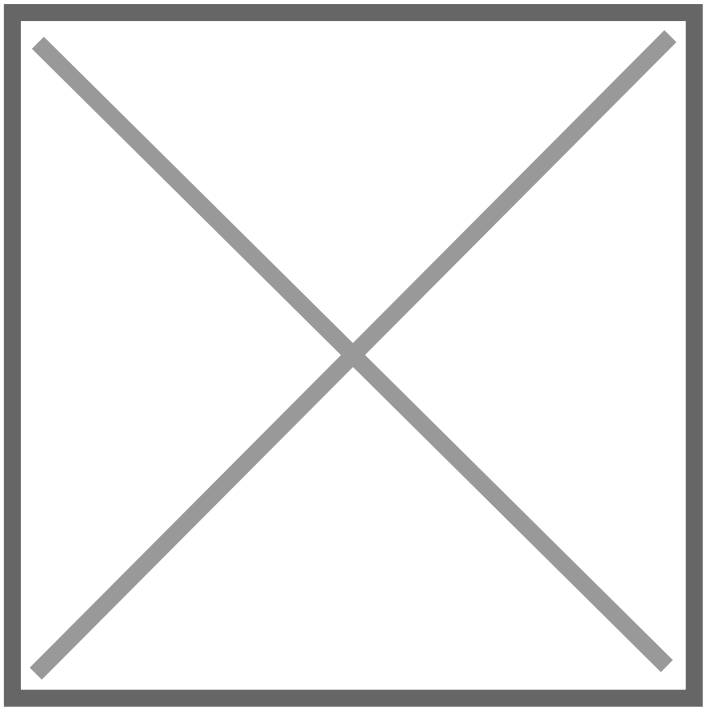
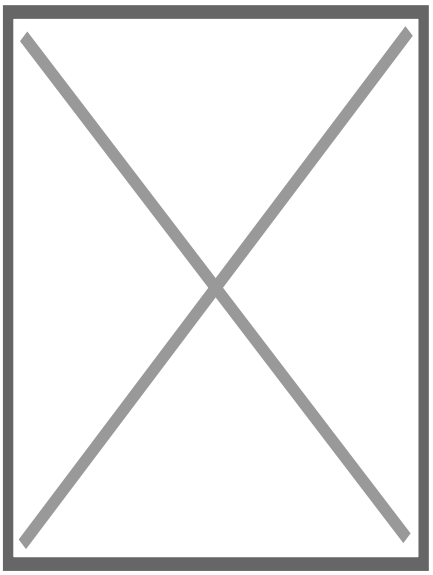
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A Disappointing Budget

15 March 2006 | News



A Disappointing Budget



Finance Minister Palaniappan Chidambaram has the biotech industry down this time. The elaborate recommendations made by ABLE and other industry associations to put the biotech industry on the growth path have not found a sympathetic ear in the finance ministry in 2006.

For the research-intensive biotech industry, any decision to extend the 150 percent weighted deductions in R&D expenditure beyond 2007 for at least another five years would have been a great boon. But the finance minister, in his emphasis on fiscal prudence, is apparently not in a mood to provide any more concessions to industry sectors, including biotech. Many industry leaders had got this impression during their interactions with him in recent months and their worst fears on this score have been confirmed by the announcements or the lack of it on February 28.

More than the neglect of the demands of industries like biotech, what is unfathomable is the government's decision to only lower the customs duty on life saving drugs from 15 to 5 percent. How much revenue does the finance minister hope to lose by making life saving drugs imports duty free? At the most a few million rupees. On the other hand, the government has no

problem abolishing the excise duty on pasta, consumed by fewer Indians than those in need of importing life saving drugs.

The biotech industry is certainly not asking for the moon. Government support is essential, either directly or indirectly, to develop cutting edge technologies that could be adapted by the industry. Most of the important innovations in the US have come out of publicly-funded laboratories or universities which are funded heavily by various government agencies. The National Institute of Health (NIH) of the US government alone provides over $40 billion a year to research projects which help the pharma and biotech industry. The Indian government's support to research efforts, in spite of running nearly a dozen departments and over 200 research institutions is nowhere comparable to even a fraction of the support given by the US government to its universities and industries.

A gladdening news is the decision to make the Rajiv Gandhi Center for Biotechnology, Thiruvananthapuram an autonomous center of national importance. The change in status should lead to more federal government funds to the institution. This institution has been fortunate to be named after the leader whose name can do wonders with the current ruling coalition. The fact that the Assembly elections are due in Kerala where this center is located too may have had a part in the finance ministry's magnanimity. Two other states going to the elections, Tamil Nadu and West Bengal would be happy with the finance minister's offer to giver Rs 100 crore each to beef one department of University of Calcutta and University of Madras, along with University of Bombay. Nearly a year after a similar grant of Rs 100 crore to the Bangalore-based Indian Institute of Science(IISc), nothing much has happened on the ground in terms of its use by the institution.

The CSIR has got the sanction to set up a new Rs 190-crore drug research institute even though it has got the Central Drug Research Institute (CDRI), Lucknow under its wings for over 50 years. The NMITLI program, a major source of support for the biotech industry has got more allocations which is a good news.

Of course, the Union Budget is not the only opportunity to make the government work. The industry has to create other year-round opportunities to get itself heard and produce a series of white papers to highlight the importance of continued support to key initiatives which will help the biotech sector and the economy in the long run.