PRICE FIXATION POLICY

as adopted by the Price Fixation Committee on 28-5-1992

The Price Fixation Committee of Medicine in its meeting held on 13.3.91 constituted a 5-member Coordination Committee under the chairmanship of Director, Drugs Administration, for the purpose of reviewing both the existing pricing policy and the proposed pricing policy and to recommended a policy which is simple, which can be implemented easily and which would be acceptable to all concerned.

The member of the Committee were as follows :

1.	Director, Drugs Administration	Chairman
2.	Mr. Md. Ishaque, FCMA Chief Accountant Bangladesh Textile Mills Corporation	Member
3.	Mr. Abul Kalam Mazumder General Manager (MIS) Monitoring Cell Ministry of Finance	Member
4.	Mr. Salman F Rahman Representative of Bangladesh Aushad Shilpa Samity	Member
5.	Dr. Sarwar Ali	Member

The Committee met three times on 30/4/91, 7/8/91 and 9/9/91. In the last meeting of the Committee held on 9/9/91 under the chairmanship of Director, Drugs Administration, members present were Mr. Salman F Rahman and Dr. Sarwar Ali.

The main task of the Co-ordination Committee was to recommended a pricing policy which was simple and easy to implement and at the same time protected the interests of both the consumers and manufacturers.

The Committee after elaborate discussions and deliberations came to the conclusion that the existing policy with certain modifications would best achieve the above mentioned objective.

The Committee arrived at this conclusion mainly because all the existing prices of medicines have been fixed as per the present policy and it is observed that these prices have been generally accepted by the manufacturers. At the same time it is widely accepted that the present prices of medicines in Bangladesh are the lowest in the sub-continent. Also, since the independence it is seen that compared to increase in prices of other items, increase in price of medicines have been negligible.

Accordingly the Committee recommends the following :-

1. The existing prices of all products (MRP without VAT) be adopted as "Bench-Mark" price as per Annexure-I enclosed.

2. The "Bench-Mark" price will be increased every year commensurate with the Annual Government published inflation rate in order to keep up with annual inflation.

   This will eliminate to a very large extent the necessity of voluminous and repeated calculations at the regulatory level which is required presently under the existing policy.

3. Within three months of any major increase/decrease in direct costs such as exchange rate, duties, other government taxes which affects the price of all products across the board, the Technical Sub Committee would examine the effect of such increase/decrease and determine a factor by which the "Bench-Mark" prices of all the products would then be increased/decreased as the case may be.

4. If any manufacturer is not satisfied with the "Bench-Mark" price of a particular product then they may apply to the Technical Sub Committee for refixation of the price of that particular product with full justification as required in Section 6 below. A revised price will be given to the individual manufacturer, if proved to be justified within three months from the date of his application. But this will not change then "Bench-Mark" price of that product.

5. The 5 existing categories are amended as follows.

A. Substance meant for direct repacking from bulk to finish packs without any processing or formulations.

B. All oral medicines and topical preparation other than antibiotics.

C. All oral forms of antibiotics.

D. Hormone and Steroid preparations.

E. All sterile preparations.

6. For the purpose of fixing the price of a new product not included in the list of "Bench-Mark" price and/or for the purpose of refixation of the price of a particular product upon application by a dissatisfied manufacturer, the Technical Sub Committee will follow the undermentioned procedure.

(i) Mark-up for each category mentioned above shall be as follows :

Category	Cost of RM & PM	Manufacturing cost, all other overheads, distribution cost, manufacturer's margin, retailer's margin	MRP without VAT
A	100	50	150
B	100	125	225
C	100	130	230
D	100	180	280
E	100	240	340

In order to ensure that evasion of VAT does not take place, since VAT is calculated on trade price, the difference between Trade Price and the MRP without VAT shall not exceed 16% of Trade Price i.e. if MRP without VAT is 100 then the trade price will not be less than 100/1.16 = 86.20.

(ii) The cost of raw material (both active and excipient) will be calculated in the following manner :

a. The quantities mentioned in the approved recipe of individual manufacturers and the average of the last six months purchase price as per the approved block list of the same manufacturer will be taken into account.

b. In the case of imported raw materials (both active and excipient), a standardized factor will be used to determine the landed price. Such factor will be determined by the Technical Sub Committee from time to time, but a least once in every year.

c. The cost of packing material both local and imported will be standardized by the Technical Sub Committee from time to time, but at least once in every year.

d. In the case of new product where history of last six months import is not available the initial import will form the basis of determining the price of raw material (both active and excipient). After six months has elapsed, average of the six months import prices will be used to determine the raw material price and the MRP thus arrived will be included in the list of "Bench-Mark" prices. In case of more than one manufacturer producing the same new product then the highest MRP thus determined will be included in the list of "Bench-Mark" prices.

7. In the case of imported finished medicines the existing system of fixation of MRP by the Technical Sub Committee shall continue.

8. In special cases the Technical Sub Committee may fix the MRP of a particular product, at their discretion, at a higher mark up than that mentioned at Section 6 above. However, whenever such discretion is applied by the Technical Sub Committee, adequate reasons must have to be mentioned.