

National Policy Forum

Promoting Business Responsibility in Pharma and Private Healthcare Sectors in India

New Delhi, October 08, 2012

Background

Consumer Unity & Trust Society (CUTS) in association with the Indian Institute of Corporate Affairs (IICA) organised a National Policy Forum on Promoting Business Responsibility in the Pharmaceutical and the Private Healthcare Sectors in New Delhi on October 08, 2012. The main objective behind organising this event was to share the findings of the project entitled, “*Exploring the Interplay between Business Regulation and Corporate Conduct*” - BRCC (www.cuts-ccier.org/BRCC), initiated by CUTS in 2011 in association with the Norwegian Institute of International Affairs (NUIPI), Norway with support from the Ministry of Foreign Affairs, Norway. Through the conference, it was also intended to highlight key policy interventions required in these sector for the implementation of **National Voluntary Guidelines (NVGs) on Social, Environmental & Economic Responsibilities of Business** launched by the Ministry of Corporate Affairs in 2011

The BRCC project was implemented with the goal to encourage businesses to adopt responsible conduct in order to achieve the objective of sustainable and inclusive development in India. The various activities under the project were carried out by local civil society organisations (CSOs) in four states of the country, viz. *Andhra Pradesh, Gujarat, Himachal Pradesh and West Bengal*. The activities also included intensive field work covering pharmaceutical and private healthcare sectors. The forum was an opportunity for the entire team of BRCC to share the findings obtained through these field work so as to initiate a discourse among stakeholders to identify the possible drivers of business responsibility and evolve a possible way forward for promoting better business practices in pharmaceutical and private healthcare sector.

Proceedings

The meeting commenced with **Gayatri Subramaniam, IICA**, welcoming the participants After providing a brief description about the project and its objective, she invited Bhaskar Chatterjee, Director General, IICA, on the floor to enlighten the meeting with his views regarding the initiative taken by CUTS and IICA for promoting business responsibility.

Bhaskar Chatterjee, IICA in his remarks, with reference to the NVGs and the project stated that we are in a position to determine the issues in pharmaceutical and private healthcare sectors, that

responsible business should focus on. These two sectors have often been maligned/targeted for operating non-responsibly. How can these two sectors be made to incorporate the nine principles of the NVGs to shield them against uninformed onslaught? Chatterjee believed that this question could be answered by virtue of the exercise undertaken by the project. He observed that we could take a comprehensive look at what was happening in the selected states which was a good development.

The opening remarks were delivered by **Arvind Gadgil, Ministry of Foreign Affairs, Norway**. He acknowledged that India is the ideal place to discuss corporate social responsibility and even more so in today's times.

He shed some light on the position of Norway on Corporate Social Responsibility (CSR). In 2009, Norway was one of the first countries in the world to draw up a comprehensive policy document on CSR. The white paper "Corporate Social Responsibility in a Global Economy" was presented before the Parliament to raise awareness and promote CSR in both the private and public sectors. He continued by suggesting that an ethical society is an equal society. Rich & poor both perform best in "equal societies". A society of equality is a better society for everyone. Inequality is never conducive to responsible behaviour in a society. He opined that appropriate regulation and conduct is the remedy to the inequality in the society referring to the agenda of the project.

Arun Maira, Planning Commission addressing the house, began by reiterating the lack of trust in the society.. He provided reference of a book that he was reading, 'Grapes of Wrath' written by John Steinbeck set in the 1930's, the Great Depression in Oklahoma, USA on how the definition of basic rights evolved. The institution of business and government, therefore need to be evolved in line with the definition of basic rights. Policies, business functions etc. should be people-oriented. He opined that in the P's of PPP for public private partnership, another P for 'people' should be included..

The floor was then yielded to **Pradeep S. Mehta, CUTS** to extend the vote of thanks. Mehta spoke about the books he has been reading recently with special mention of "Why Nations Fail" by Daron Acemoglu and James Robinson, with reference to the question as to why some nations are rich while others are poor. He referred to the UN Code of Conduct on Transnational Corporations (TNCs). It is known that the implementation got derailed by the USA. He professed the need for building institutions. It was also exigent to build trust among businesses, government and people. He acknowledged Gadgil's opinion and reiterated that inequality certainly does breed mistrust.

The project was work in progress, a means and not an end. There was need to expand the discussion to other states as well in the times to come. He identified the young shoulders as the bearers of great responsibility to see the desired change coming about. He concluded by heartily thanking all the dignitaries present at the occasion.

Session I

The session commenced with **Rijit Sengupta, CUTS** explaining the research methodology adopted for carrying out various activities under the BRCC project. Sengupta cited the provision of the Companies' Bill which advocates for businesses spending two percent of their profit on CSR activities. He stressed on the proper implementation of NVGs and professed that companies should try to adopt nine principles of NVGs in order to become responsible corporate citizen.

V K Mathur, Inapex the honourable Chair of Session I, introduced the panellists for the session. He appreciated CUTS for taking such an initiative for promoting business responsibility.

Presentations from the States

State Partners for the project shared the findings from the field that were assembled following the surveys in the states of West Bengal, Gujarat, Andhra Pradesh and Himachal Pradesh. The following participants made the presentations from the states respectively:

- Prithviraj Nath, CUTS Calcutta Resource Centre, West Bengal
- Rajendra Jani, Raman Development Group, Gujarat
- M N Venugopal, Centre for Climate Change, ESCI, Andhra Pradesh
- Ashutosh, Gunjan Organisation for Community Development

(Kindly *visit* http://www.cuts-ccier.org/brcc/National_Policy_Forum_Promoting_Business_Responsibility_in_Pharmaceutical_and_Private_Healthcare_Sectors_in_India.htm for detailed presentations)

Participants inquired with the states that whether there is any political connections giving rise to nexus between the pharmaceutical firms and private healthcare units. Some raised few questions regarding the research methodology adopted under the project and highlighted the fact that there is not much regulation for the two sectors.

Session II

This session was Chaired by **Manoj Arora, Ministry of Finance. R K Suri, Ministry of Environment & Forests**, Government of India initiated the discussion. He shared various stages of evolution of regulation in the sphere of environment in the pharmaceutical sector.

He continued by talking about the scenario pertaining to bio-medical waste management and the significance of proper segregation of bio-medical waste. He exclaimed at the dismal state of affairs of segregation whereby bio-medical waste is mixed with basic municipal waste. Suri emphasised

upon the integration of cross sectorial regulation for ensuring better implementation of the regulation.

Amar Jesani, Forum for Medical Ethics Society started the discussion by highlighting the existing loopholes in the structure of the ministries. He said that there is lack of coherence between mandates of concerned ministries. He opined that it was imperative to consult with all stakeholders in order to frame optimal regulatory framework for pharmaceutical and private healthcare sector.

Further, Jesani mentioned that goods and services produced under healthcare sector are entirely different as compared to other sectors as they are the only commodity for which the consumers have neither a role to play nor able to make any informed choices except to buy and consume whatever is prescribed or dispensed to them because various players such as drug regulators, pharmaceutical companies, doctors, chemists etc. decide upon every aspect right from marketing of medicine to what drugs should be consumed by patients. Consumers are totally dependent on and at the mercy of external entities to protect their interests. Taking these facts into account, Jesani mentioned that state's responsibility to regulate the import, manufacture and sale of medicines so as to ensure that they are both safe, effective and of standard quality becomes most important. He opined in favour of a complete restructuring of the private healthcare sector.

He highlighted that 80 percent of the healthcare services are being served by the private sector and hence we need to have optimal regulation for the sector in order to protect the public interest. He opined that the research methodology used in the project could have been more scientific.

The floor was then transferred to **DG Shah, Indian Pharmaceutical Alliance**. He said that stakeholder perception is very much important in order to guide the industry in the right direction for serving the cause of common people. He emphasised that quality of the drug has to be taken care of properly. He tried to highlight issues related to regulatory harassment and said that this often leads to unnecessary pressure on pharmaceutical firms.

Padma Deosthali, Centre for Enquiry Into Health and Allied Themes asserted that there is insufficient regulation for the private healthcare sector. She shared many shocking facts pertaining to the status of healthcare in the country. In a study conducted in Maharashtra, it has been found in a study that 80 percent of cases of abortion take place in private healthcare units. On top of that, there is acute shortage of data related to the actual number of private hospitals and clinics. According to another study 56 percent of the registered hospitals do not have qualified medical staff. The government has tried to take the route of PPP in order to improve accessibility and affordability of healthcare services but there is no proper assessment of these projects. Hence, it is difficult to assess whether these initiatives from the part of the government have been successful or not.

Deosthali highlighted the issue of more and more private players coming forward to set up the charitable trust hospitals. In the process they do receive all benefits from the government for setting up charitable trust hospital but these benefits are not passed on to the poor people. Citing the

example of Mumbai, she informed that there are around 80 charitable hospitals in the city. But there is no proper information regarding their way of functioning... She emphasised upon the need for stringent regulation to improve the situation in the private healthcare sector.

Chinu Srinivasan, Low Cost Standard Therapeutics was of the opinion that the pharmaceutical and private healthcare sectors are in quite a mess. He exclaimed that all the major pharmaceutical firms are violating the regulation leading to complete anarchical situation. Talking about the faulty pricing system for drugs in India, he mentioned that most of the top selling drugs were used irrationally. According to him, accessibility and affordability of drugs in India is very poor. He stressed on the need for price regulation of all essential drugs. He stated that pharmaceutical firms should be encouraged to produce rational and affordable drugs. He also laid stress on the need for stringent rules and regulations for pharmaceutical firms found guilty of involved into incentive structure for promotion of their drugs. He lamented the fact that number of public sector medical institutions has gone down drastically over the last 30 years.

Invited observations from the State

R S Saluja, Andhra Pradesh Nursing Home Association suggested that entire blame cannot be put on the doctors only. He raised the issue related to fake doctors. According to him a major fraction of drugs are prescribed by quacks or are over the counter medications. The government has not taken any step to control these illegal practices. He stressed upon the need for adequate regulatory intervention to control such activities.

Pragnesh Vacchrajani, IMA Gujarat stated that Indian healthcare sector is one of the best in the world, in terms of providing healthcare services. He said that Indian healthcare sector is catering to the need of more than 120 crores people. Further, he mentioned that like other sectors, healthcare sector has also some problematic areas which should be addressed properly in order to improve the quality of services provided under the sector. He highlighted the fact that India has become one of the best countries in terms of medical tourism. Further, he stressed upon the fact that there are too many regulations that creates hurdle in overall development of healthcare sector. He said that there is clear absence of interaction process between the government and other stakeholders that leads to formation of inappropriate regulations for the healthcare sector.

Sanjay Prasad, Mercy Hospital, West Bengal opined that PPP need to be promoted. He appreciated the agenda of the project and the conference quoting the “promoting business responsibility...” portion particularly. He asserted that the takeaway from the conference was the most relevant part of the discussion.

Chirag Doshi, Indian Drugs Manufacturers Association quoted that the pharmaceutical sector was booming with progress and development. He talked about how the exports in the sector are increasing at galloping speed.

Session III

This session was Chaired by Arun Maira. To begin with, he suggested that when it comes to forward looking development initiatives, we have many foundation stones but need more finishing stones than foundation ones.

Even though there are two sides to the debate – civil society's and business. Maira illustrated this by posing this question to the house as to how many individuals in the house wanted the condition of pharmaceuticals and private healthcare sectors to improve? In response to this question, all the hands in the house were raised, irrespective of which arena the stakeholders were from and what was there stand pertaining to the entire debate on responsibility in business.

He opined that too many bureaucratically imposed regulations are not the call of the hour. An important question to be asked here was “How does a complex system evolve to develop optimal rules?”

Maira spoke about some fundamental elements to answer this question. To begin with, he opined that ‘permeable boundaries’ were a very important requisite here. Together with seeing what we see, it was important to see what the other sides are. He described this situation using the metaphor of the blind men and the elephant, where all the blind men are trying to feel different parts of the elephant to tell what the animal/object is and give their own different estimates, only if they talk to each other will they be able to put the entire picture together! Stakeholders were all required to come together and know from each other all the sides and angles to be able to tell the complete picture. Thus, the need for permeable boundaries was discussed.

Stress was laid on the process of learning together, listening to each other and deciding in which direction to proceed. Another important element Maira opined was the requirement of minimal critical rules... Post this, Maira lent the floor to the discussants on the panel.

Aditi Haldar, Global Reporting Initiative pointed out that rule-making involves two important processes: formulation & implementation. These processes are intertwined and should not be mutually exclusive of each other. The process of rule-making has to change, there should be involvement of stakeholders by means of a consensus-based dialogue. There is a need for establishment of trust between the rule maker and the ruled. The rule user has to be as responsible as the rule-maker. Referring to the Sustainability reportings by individual firms she said that reporting has from being a taboo, now become an elite club. Now it needs to be brought into the mainstream.

Neha Kumar, IICA-GIZ CSR Initiative stressed that we needed to take stock of where did we start and where have we reached. She also accentuated conversation's role in developing a common sense of business responsibility. All the catalysts had their role to play starting from government, to business, to CSOs and other constituencies. Together with capacity building and training there was also need for basic awareness. She also observed that regulation in its current status talks only about compliance and does not support the ‘aspirational’ aspect involving ideals yet. There is thus the need

for teamwork, to come together and be instrumental in leading change. Kumar acknowledged that this was a fantastic forum and many such were needed to bring stakeholders together.

. Followed by this the house was addressed by **Shabnam Sinha, World Bank** who pointed out that a provision has been introduced in the Companies Bill to make expenditure on CSR mandatory. The Securities & Exchange Board of India (SEBI) Board passed a resolution on November 24, 2011; requiring the largest businesses to describe measures taken by companies covering the key principles of the NVGs on Social, Environmental and Economic Responsibility of Business.

Even though there is a growing sensitivity in the area of business responsibility among Indian companies, there is a need to bring all the actors – governments, corporate sector, civil society and other stakeholders – together so that they can collaborate to make a significant impact towards the national goal of inclusive growth and development. Therefore, the Ministry of Corporate Affairs, Government of India, with assistance from the World Bank has established the National Foundation for CSR (NFCSR).

Post this Maira stated that there has to be a trade-off between responsibility to society and responsibility to self; as only if you are taking good care of yourself properly can you tend to the society! With this he offered the floor to **Atul Sarmah, IICA** who shared his views as follows. As often said, for trust to be built, we require both inspiring people and inspiring models. The PPP, he opined should also include community. A fundamental question to be asked is how should the NVG's travel.

Maira concluded that it was important to inform and learn at the same time. Thus, the need for frequent and meaningful stakeholder consultation was agreed to be the order of the day. The need for permeable boundaries, conversation and dialogue was identified as the most significant by all the dignitaries in this session.

Finally the vote of thanks was delivered **Vikash Batham, CUTS** during valedictory session. He emphasised upon the requirement of collective effort from all the stakeholders related to the pharmaceutical and private healthcare sectors in order to frame an inclusive model, so as to facilitate the process of adoption of business responsibility in these sectors. He thanked all the dignitaries once again for gracing the occasion.