

Exploring the Interplay between Business Regulation and Corporate Conduct
In India (BRCC Project)
Report on State Focus Group Dialogue, Gujarat
Ahmedabad, 11th September, 2012

1. Background

- 1.1 The BRCC project (www.cuts-ccier.org/BRCC) was initiated in 2011 to examine the existing relationship between business regulations and corporate conduct in India, by assessing the state of play in two sectors – *pharmaceutical* and *private healthcare*. CUTS International has been implementing this project in association with the Norwegian Institute of International Affairs (NUPI), Norway with support from the Ministry of Foreign Affairs, Norway through the Royal Norwegian Embassy, India. Activities under the BRCC project (research and dialogues) are being implemented by local civil society organisations in four states of the country, viz. *Andhra Pradesh, Gujarat, Himachal Pradesh* and *West Bengal*.
- 1.2 The BRCC Project was envisaged with the goal to stimulate better business to achieve sustainable development objectives in India. In more specific terms, the project aims to promote ‘responsible business’ conduct in these sectors and evolve a policy discourse to facilitate an environment that promotes business development in a sustainable manner.
- 1.3 The project is being operationalised by undertaking research to comprehend business regulations at the national and state levels (two sectors) that have implications for responsible business, and find ways to best motivate corporate entities to emerge as champions of responsible business conduct. The *National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business* (NVGs), adopted by the Government of India (mid-2011) provides a framework that defines responsible business conduct (or business responsibilities) in the India context. The BRCC project research in the four states has been undertaken using the NVG as a framework to assess the current state of responsible business conduct in these sectors, identify the possible drivers of business responsibility and evolve a possible way forward for promoting better business in these states.
- 1.4 Focus Group Dialogues are being undertaken in the four states to share findings of the project with various state-level stakeholders. Findings from the states would then be shared with key players in the national policymaking circuit through a policy forum to be held on 8th October, 2012.

2. Proceedings

- 2.1 CUTS along with Raman Development organised a Focus Group Dialogue on 11th September, 2012. The basic objective behind carrying out this particular activity was to share and discuss the overall findings of the project with various stakeholders and to know their opinion regarding way forward for improving the state of business responsibility in two sectors i.e. Pharmaceuticals and Private Healthcare.
- 2.2 The meeting started with **Dr. Ketan Gandhi, CEO-Ramana Group**, expressing his gratitude towards everyone participating in the meeting. He requested **Mr. Vikash Batham (Senior Programme Officer, CUTS)** to initiate the discussion by giving brief introduction about CUTS and BRCC project.
- 2.3 Mr. Vikash Batham, after welcoming all the participants, informed them about the kind of work, CUTS has been involved with for the past 3 decades. Further, he went on to describe BRCC project and the objective behind it. He mentioned that recent trends in private sector has given rise to need for analyzing the factors responsible for stimulating irresponsible conduct from the part of businesses in India and what could be the possible way forward to ensure responsible conduct leading to all inclusive growth in India. He stated that though the onus lies with business community to follow practices which would help them to become responsible business citizen, other stakeholders have equally important role to play towards ensuring this paradigm shift within the business community in country. He said that Government of India has taken a positive step for promoting business responsibility in India through launch of National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (NVGs) by Ministry of Corporate Affairs.
- 2.4 The Stage was then transferred to **Mr. PK Ghosh, Chairman, Environment Impact Assessment Authority, GoG. (Ex. Principal Secretary E&F Deptt.)**, who appreciated CUTS and Raman Development for taking step towards initiating a discourse between the various stakeholders within the state for promoting business responsibility. Taking the discussion forward he stated that healthcare sector in India suffers from many drawbacks which ultimately harms public interest at large. He said that making healthcare services affordable and accessible for common people should be on the top priority for both central as well as the state government. Subsidizing healthcare services could be a way towards achieving this objective.
- 2.5 He raised question mark over the intention of doctors who according to him seem to be more inclined towards prescribing branded drugs even if generic version of the same drug is available in the market. He emphasized upon the need for effective government machinery in order to discourage such practices prevalent within medical service providers. Highlighting few of the drawback of private healthcare sector, he said that majority of private hospitals do not pay much attention towards providing quality healthcare services to patients. Aspects like maintaining hygiene is not taken care of by private hospitals. Medical staff is also found to be

under qualified in many cases. He termed private healthcare sector as the profit maximizing sector. He emphasized upon the need for strict social censor for improving the overall situation and infusing the spirit of responsible conduct within the sector.

2.6 Further, coming on to Pharmaceutical Sector, he said that continuous increase in price of drugs has affected affordability of medication for common people. He discussed about incremental increase in price of the drugs due to ever-changing technology. This adds to the cost of production of drugs. He showed his concerns over lack of collection of the baseline data regarding environmental hazards arising due to pharmaceutical firms. He suggested that sample of soil should be collected from bank of Sabarmati river in order to ascertain the level of soil pollution created by pharmaceutical firms. He showed concern over lack of knowledge input for carrying out study to assess adverse impacts of industries. He stressed upon the need for having knowledge seminars to boost research in this area. He said that knowledge institutions should come forward for organizing such events to ensure regular interaction of stakeholders and also to share result of studies carried out to measure overall impact of industries on society.

2.7 Following to this enlightening speech by Mr. PK Ghosh, Vikash Batham invited **Dr. Lekhan Thakkar, representing Indian Institute of Corporate Affairs (IICA)** on the stage to inform audience about NVGs launched by Ministry of Corporate Affairs for promoting responsible business in India. Dr. Thakkar provided a detailed presentation on NVGs. He explained audience about the rationale behind framing such guidelines. He emphasized that nine principle mentioned in NVGs should be imbibed by the businesses in India to become responsible corporate citizen. **Please visit.....for complete presentation.**

2.8 **Dr. Sanjay Pandya, Medical Director, Global Meridian Hospital Group, Vadodara** in meeting, joined the discussion by admitting that there is lack of awareness regarding guidelines such as NVGs among medical fraternity. He acknowledged the fact that many of the private hospitals and clinics are mostly involved with making more and more money and do not bother much about their social responsibilities. He said that activities carried out by private hospitals under Corporate Social Responsibility (CSR), is meant for promotion of hospital and enhancing revenue. But at the same time he admitted his unhappiness over apathy of government in providing proper support for helping private hospitals to abide by the rules and regulation. He said that government is rather authoritative in its approach that often leads to lack of cooperation between government department and hospitals. **He recommended that there should be proper consultation between government departments, private hospitals and other relevant stakeholders before framing any rules, regulation or guidelines.** This would lead to better and effective implementation of regulation. He was of the opinion that government should organise workshops for private hospitals for providing them training on various rules and regulations.

2.9 The stage was then transferred to **Dr. Ketan Gandhi**, along with his colleague Mr..... gave detailed presentation on findings of BRCC project. The presentation revealed many grey areas

related to Pharmaceuticals and Private Healthcare Sector. Kindly visit.....for the complete presentation.

2.10 After this in-depth presentation on the findings of the project, the stage was transferred to **Dr. Pragnesh Vacchrajani Vice President, Ahmedabad Medical Association**. He started the discussion with saying 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 mentioned that both pharmaceuticals and private healthcare sector have some environmental impact that must be controlled through adopting good practices.

2.11 Further he stressed upon the fact that there are too many regulation that creates hurdle in overall development of healthcare sector. He said that there is clear absence of interaction process between government and other stakeholders that leads to formation of inappropriate regulation for healthcare sector. He emphasized that government should try to consult all the relevant stakeholders before framing any rule/regulation/guidelines for healthcare sector. This would certainly help in better implementation of the regulations. **He proposed forming-up of a common platform for such interaction and said that IMA could play the role of moderator in organizing such interactive session.**

2.12 The floor was then transferred to **Mr Mr. Kamlesh Udani, Executive Director, J.B Chemicals and Pharmaceuticals Ltd**. He said that Indian Pharmaceutical sector is a booming sector. He also acknowledged the fact that there are few ethical concerns related to the sector. He said that environmental and safety concerns must be taken care of properly arising due to pharmaceutical as well as other sectors. He tried to flag the point that government is not supportive in its approach which often creates barrier towards proper implementation of regulations. **He also mentioned that government does not bother about informing firms/industry before bringing any rules/regulations into effect.** He recommended that government should be facilitator and not administrator for addressing issues such as environmental, Bio-Medical Waste Management etc. pertaining to sector. Talking about high price of the drugs, he said that cost of production has gone up and pharmaceutical firms are left with no other choice but to raise the price of the drugs.

2.13 **Dr. N. Lalitha Professor, Gujarat Industrial Development Research Centre**, was next person to speak on the occasion, **she said that lack of interaction between regulatory bodies and pharmaceutical sector is one area that requires proper attention from both sides. It has created a gap leading to non-compliance of regulation in state.** Further she added that though there are many issues pertaining to pharmaceutical and healthcare sector, **we should focus upon one factor at a time that might be creating hurdle for pharma firms and private hospitals in abiding**

by the rules and regulation. This would help us to put our point in front of government in proper manner.

3. Floor Discussion

- 3.1 Floor discussion started with Dr. Pandya making the point that regulatory bodies should distinguish between the compliant and non-compliant entities within the state. Private hospitals abiding by the rules and regulation should not be treated at par with those hospitals that are found guilty of not following rules and regulations. According to him government should adopt approach for promoting good practices in state. It would boost the compliance rate of regulation in state. He also suggested few change in existing guidelines for private hospitals. According to him private hospitals should be allowed to charge nominal fee from the patients to manage Bio-Medical Waste. This would lead to better disposal of the bio-medical waste and hence would also help in addressing environmental issue.
- 3.2 He was of the opinion that high capitation fee charged by the medical institutions is one of the biggest factors responsible for promoting irresponsible conduct among the medical practitioners. He said that government should take steps to discourage medical colleges/institutions from charging high capitation fee. This would help in promoting business responsibility in the private healthcare sector. Talking about Standard Treatment Protocol (STP), Dr. Pandya said that government should take some serious steps in order to promote guidelines for STP.
- 3.3 Next were Dr. Dinkar Raval Deputy Director (Epidemic), Health Department, GoG and Mr. N. M. Tabhani Senior Environment Scientist, Deptt. Head – BMW, Gujarat Pollution Control Board to put their views. Both of them informed about the steps being taken by Gujarat government to improve the quality of healthcare services in the state. They also mentioned the fact that both private hospitals and pharmaceutical firms do not support govt. for proper implementation of regulation in the state.
- 3.4 Further Dr. Pragnesh Vacchrajani stated that public education/awareness is one important aspect that that must be taken care off for ensuring better implementation of regulation in the state. He said that society has to evolve in order to improve the overall situation.
- 3.5 Joining into the discussion Vikash Batham, tried to highlight the point regarding information asymmetry between pharmaceuticals and healthcare sector. He said that the situation could be improved through developing a mechanism for regular interaction between the two sectors. Further he tried to enquire about the status of Clinical Establishment Act in Gujarat. Responding to his query, Dr. Pragnesh Vacchrajani said that Gujarat medical Association is not in favor of the Act as it is a complete blunder. According to him the Act is full of irregularities and if implemented would lead to deterioration in the quality of healthcare services in the state.

3.6 Adding to this point Dr. Dinkar Raval said that the modified version of the Act is under consultation and would be implemented after consultation with various stakeholders.

3.7 Next was **Mr. Vidhyut Dave, Vice-President, Gujarat State Medical Representative Association**, to speak on the occasion. He started the discussion with highlighting the poor condition of MRs in the state. He said that in many states working hours for the MRs is fix to 8 hours but in Gujarat that is not the case. **He urged Gujarat government to take some steps in order to improve the condition of MRs in the state.** He said that strict action is required from the part of government in order to make sure that pharmaceutical firms follow the labour law in case of MRs.

3.8 Raising the point related to high price of drugs, Mr. Dave stated that if production cost of some medicine is around Rs. 250 then why the pharmaceutical firms are allowed to sell it at MRP of Rs. 4000. This has resulted into exploitation of poor people and nexus between pharmaceutical firms and healthcare providers. Pharmaceutical firms are ready to offer anything to the doctors for promoting their products. Mr. Dave was of the opinion that immediate steps are required from the part of government to cap the price of drugs. This would improve accessibility and affordability of healthcare services for common people.