

## Exploring the Interplay between Business Regulation and Corporate Conduct in India (BRCC Project)

### Background

The role of private sector as providers of public goods is increasing and there is need to examine private sector's role in meeting societal expectations. With this idea in mind the BRCC (Business Regulation and Corporate Conduct) project is being implemented (2011-2013) to *explore the interplay between business regulation and corporate conduct*<sup>1</sup>. Intervention through the project is being made in the pharmaceutical and private healthcare sectors across the states of Andhra Pradesh, Gujarat, Himachal Pradesh and West Bengal.

The project studied the environmental impact and the social and economic impact of the pharmaceutical and the private healthcare sectors. Namely, the impact of production and marketing & distribution practices of firms in the sectors was studied to determine the extent of attention paid to the environmental, social and economic responsibilities of business and the role that other stakeholders can play to bring up the level of business responsibility to the desirable level.

The project received support from Norwegian Ministry of Foreign Affairs and has been implemented in collaboration with the Norwegian Institute of International Affairs (NUPI).

### Objectives & Key Research Questions

- Identify regulatory and operational constraints faced by businesses in the selected sectors
- Understand role of different actors in the sectors in promoting responsible business conduct
- Evolve a policy discourse involving business and policy makers to facilitate an environment for business responsibility.

### Research questions

- What is the level of adverse environmental impact (especially in terms of pollution) from Pharmaceutical companies in the state?
- What is the current status of incentives (cuts/commissions) provided by Pharmaceutical companies to Doctors and Chemists in the state? What impact does it have on 'Rational Use of Drugs'?
- What is the current status of Bio-medical Waste Management followed by hospitals and diagnostic service providers in the state?
- How prevalent is the act of 'cuts/commissions to doctors (individuals/in hospitals)' among

diagnostic service providers in the state?

- Why is standard treatment protocol not being followed by doctors in Hospitals, in spite of regulatory safeguards?

### Project Partners

- Norwegian Institute of International Affairs, Norway
- Ramana Development Consultants, Gujarat
- CUTS Calcutta Resource Centre, West Bengal
- Gunjan Organisation for Community Development, Himachal Pradesh
- Engineering Staff College of India, Andhra Pradesh

### Methodology

The sectoral analysis for the purpose of the project was done using the principles and core elements of the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs). The NVG's are a set of guidelines containing 9 principles, accompanied by 48 core elements prepared by the Ministry of Corporate

<sup>1</sup> The details of the project can be accessed as follows: <http://www.cuts-ccier.org/brcc/index.htm>

Affairs, India, in order to promote and encourage a responsible business behaviour among corporate entities. Based on the sectoral analysis framework, the following issues were identified to be examined in the selected sectors, i.e. pharmaceuticals and private healthcare:

- Environmental impacts of manufacturing of pharmaceutical drugs
- Incentive structures for promotion and marketing of drugs,
- Biomedical waste management in hospitals,
- Rationality in diagnosis,
- Rational use of drugs
- Standard treatment protocol

A national policy forum was organised on October 8, 2012 in the pursuit of promoting business responsibility in pharmaceutical and private healthcare sectors in India that was enriched by the participation of stakeholders from various arenas. The survey component got completed in December 2012.

Succeeding this, training workshops were organised for both the selected sectors to provide technical assistance to players in the sectors and facilitate an exchange of ideas and viewpoints on the findings of the BRCC project. Together with that interface meetings are being conducted in the states to bring the private sector players and respective governmental authorities to a platform to facilitate preparation of a roadmap for promotion of a better and more responsible business behaviour in the sectors at the state level.

## Key Findings

The key findings of the project can be summarised as follows.

- No direct relationship between the level of economic development of a state and levels of compliance witnessed across India.
- There is evidence that absence of coordinated enforcement of laws across several agencies often provide opportunities for the actors to more easily circumvent the law.
- Regulatory gaps that exist in the field of pharmaceutical and private healthcare services in India, has implications on business behaviour.

- Quality and number of staff needed to enable effective regulatory system is insufficient at the state-level. However, this is not considered while allocating additional regulatory responsibilities in these institutions.
- Ambiguity in the roles and responsibilities of the various actors. Conflict of interests does arise in case of the State Pollution Control Board and the State Drug Controller.

In the internal context, which pertains to the actors within the sectors, four key issues emerged:

- Role of industry associations in both the mentioned sectors requires strengthening, and consistent attention across states.
- Need for incentives for the private healthcare sector to foster compliance.
- Role of MRs in private healthcare context requires further investigation.
- Notion of business responsibility as being more than only philanthropy and community development (includes responsibility within the functions of the firms), needs greater attention and stakeholder awareness.

## Outputs

- Synthesis report titled 'Rethinking Business Responsibility in India: A Review of Pharmaceutical and Private Healthcare Sectors'
- State Reports
- State Fact Sheets
- E-kits comprising of training modules for firms in the sectors of pharmaceuticals and private healthcare

## Desired Outcomes

- A more holistic understanding of business regulation (including self-regulation and co-regulation)
- Creation of an environment that promotes a culture of responsible business.
- Sector specific guidelines (NVGs) for key sectors.
- Establishment of an inter-state regulatory platform for the selected sectors.

