

On the development effectiveness of the Responsible Business Initiative

On November 29, a vote will be held on the federal popular initiative 'For responsible companies – to protect people and the environment (in short: Responsible Business Initiative). This initiative, which is supported by a broad coalition of politicians, business leaders and Swiss development NGOs, aims at obliging companies based in Switzerland to comply with basic human rights and environmental standards in their operations abroad.

As professors of development economics at different Swiss universities, we regularly deal with the importance of business for development in the poor countries of the world. Since the development effectiveness of the initiative is increasingly becoming the focus of discussion, we would like to contribute our expertise to this discourse.

The following consensus exists among us:

- The private sector is a key driver of development and poverty reduction – but only if it guarantees basic human rights such as the protection of life and limb and does not entail gross violations of the natural environment that would significantly impair people's future income opportunities.
- Without clear rules on liability, occasionally some firms will cause great damage to development through their activities, especially if their position of power in the developing country is strong and the government is weak.
- The Responsible Business Initiative is beneficial for the many Swiss companies that already respect international human rights and environmental standards. In fact, it ensures that all Swiss companies adhere to these elementary rules of the game. In other words, it creates fair competitive conditions. Those who fail to comply with their duty of care must also be liable for any damage demonstrably caused by their actions. This is also why many Swiss businesses actively support the initiative.
- The Responsible Business Initiative contributes to the effectiveness and sustainability of Swiss development cooperation. The goals of development cooperation must not be undermined by the interests of individual companies. Swiss taxpayers' money that is used for projects to fight poverty and protect the environment in developing countries can only have limited effectiveness if their success is immediately undermined by the irresponsible activities of a few Swiss companies. In its ongoing dispatch on Switzerland's international cooperation, the Federal Council also identifies a need for action with regard to the coherence between corporate responsibility and development goals.
- Even small, low-cost measures can bring about considerable improvements in the social and environmental situation in developing countries. In contrast, relocation costs are usually high. Hence, Swiss corporations are unlikely to withdraw from developing countries if they are encouraged to implement measures such as requested by the Responsible Business Initiative. Rather, it can be expected that those companies that currently violate basic human rights and environmental standards will make some adjustments in the future in order to meet these minimum requirements. Besides, companies are often unable to leave because their operations are linked to the extraction of local raw materials. Thus, it is not expected that jobs will be lost, but rather that the current environmental and employment situation in the countries concerned will improve.

We are therefore convinced that the Responsible Business Initiative is a suitable instrument for ensuring that the activities of Swiss companies in developing countries promote, rather than impede

development. It also supports the effectiveness of Swiss development cooperation. And it makes "Swissness" a label for responsible entrepreneurship.

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