LETTERS

International Press Centre Résidence Palace,
Rue de la Loi 155, Box 6, 1040 Brussels, Belgium
Fax:+32 (0)2 540 9071 • Letters: evletters@europeanvoice.com
Website: www.europeanvoice.com

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Let private sector be a catalyst for sustainable development

You have carried a number of letters in recent weeks on making aid more effective, linked to the Fourth High-Level Forum on Aid Effectiveness in Busan ("EU must not miss chance to make aid more effective", 17-23 November, and "Clean water makes better aid", 24-30 November). It should be noted that this was the first of these forums at which the private sector was invited to the table. This reflects an important reality: over the past decade, multilateral and bilateral development banks have increased their financing of the private sector from $10 billion (€7.5bn) to over $40bn (€30bn) annually.

This could be a turning point, where we move from the notion of aid effectiveness to development effectiveness, while recognising the mutually supportive roles of the private and public sectors.

Governments continue to be essential for development. They provide public services and infrastructure, as well as an enabling environment for the private sector, through macroeconomic stability and the proper regulatory framework. They must guide economic development and ensure that it is shared by all segments of society.

But governments are just one part of the recipe for development and poverty reduction. It is the private sector that will generate most jobs, help improve public services, and provide the tax revenues that the public sector needs.

A 'virtuous circle' of public- and private-sector co-operation is possible: that was the conclusion of a recent study by the International Finance Corporation and 30 similar institutions ("International finance institutions and development through the private sector").

BETTER ROADS But development countries need more than improved infrastructure to create growth. EC

The report also concluded that development institutions play a critical role in that virtuous circle. Firms in developing countries need financing to expand their operations, as well as better infrastructure, improved business regulations, and skilled employees. Without these, they cannot grow. Development institutions have experience in these areas and can provide capital in risky environments, making projects sustainable and attracting other investors. They can also make private-sector development more inclusive, and promote high environmental, social, and corporate-governance standards.

But, with resources currently scarce, does it make sense for donor governments to support both the public and private sectors in developing countries? The answer is yes, since development institutions are mostly self-funded, using repayments from their investments to support new projects. Most have increased their investments in recent years without needing significant capital contributions. By contrast, aid to governments usually needs to be funded every year. Furthermore, since the enterprises supported by development institutions provide substantial tax revenues to their host countries, the need for assistance to the public sector is reduced.

In short, supporting the private sector with judicious investment is a win-win proposition for donor governments and developing countries. A small amount of initial capital, with some well-targeted advisory services, can marshal the talents and finance of private-sector investors to create economic activity that is ultimately self-financing. This should not be surprising – it is one of the historical paths to development.

Lars Thunell
Executive vice-president
International Finance Corporation
Washington, DC

To lead or not to lead on climate-change action

Your recent report on climate change highlighted the debate in the EU about an extension of the Kyoto Protocol at the UN summit in Durban ("Life after Kyoto", 27 October-2 November).

There are really only two paths available to Europe in Durban – to extend its legally binding commitment under the Kyoto Protocol, or to move towards ending it.

The EU has historically responded to climate change by championing a multilateral solution. It readily signed the Kyoto Protocol. Since then, it has led by example with its own greenhouse-gas reduction targets and plans.

Signing up to a second commitment period requires Europe to do nothing more in terms of additional emission reductions. The reductions outlined in the EU's own climate legislation go far beyond what is required under Kyoto. Thus far, the EU has had no trouble meeting its Kyoto obligations. Europe has already committed itself to delivering domestic emissions reduction to 2020, well beyond the period of the second commitment.

It can therefore easily leverage what it is already doing by extending its commitment to the Kyoto Protocol and breathing life into the UN climate talks.

By doing so it will build immeasurable goodwill among developing nations and instil much-needed confidence that a deal involving all major emitting countries can be struck.

Alternatively, the EU can follow the US policy lead and end its association with the Kyoto Protocol, or opt for a political, rather than legal, declaration of support for Kyoto. Then the world will be left without an international climate law after 2012 and, perhaps most importantly, it would be left without momentum or confidence in international governance to address what is the pre-eminent global threat of our times.

Fifteen years ago the EU decided that the only way it could protect Europe's interests from the ravages of climate change was to get an international deal – it was right and it remains in its best interests to see that strategy through.

Europe's environment ministers and members of the European Parliament have signalled their willingness to continue their commitment to the Kyoto Protocol. The question now is whether our negotiators in Durban are prepared to give a sign to the rest of the world that the EU is still prepared to take a leadership role.

To date, the EU's leadership has spurred massive investment in renewable energy in Europe and the world over. It has also created the framework and architecture for a truly global deal. Europe did this by occupying the driver's seat. It should not sit in the back of the car now.

Wendel Trio
Director
Climate Action Network Europe
Brussels

Monti must act quickly on discriminatory lecturers' pay

You rightly pointed out in your Entre Nous article 'Will Italy now put an end to an ancient wrong?" (17-23 November) that Mario Monti has "many things on his plate" as he enters his new role as the Italian caretaker prime minister.

You suggested, though, that he "might take time out from Italy's political in-fighting to right an ancient wrong: the legal status of foreign lecturers in Italy". I would say that he should address this issue of discriminatory pay as a matter of urgency. As your article noted, this is something that has been ignored by successive Italian governments for 25 years.

Monti should address this issue immediately not least because it directly contravenes the most basic elements of labour laws within the EU. These include the right to the free movement of labour, in addition to the guarantee of non-discrimination on the basis of nationality, as outlined in the Lisbon treaty.

I urge Monti to look again at Italy's Gelmini reforms, which reinterpreted a European Court of Justice judgment to the detriment of foreign-language lecturers working in Italy, and revise this ruling.

The current situation has been further compounded by the cost of legal fees that the foreign-language lecturers have been faced with after they were forced to bring their case before the courts.

I have also tabled a written question for the European Commission on this important issue, to which I am awaiting a response.

Mary Honeyball MEP
Brussels

EuropeanVoice EuropeanVoice.com

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