LETTERS

Let private sector be a catalyst for sustainable development

You have called a number of letters in recent weeks on making aid more effective, linked to the Fourth High Level Forum on Aid Effectiveness in Busan (“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) and growing.

This could be a turning point, where we move from the notion of aid effectiveness to development effectiveness, while recognising the mutual 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 cooperation is possible and it is in everyone’s interest: that was the conclusion of a recent seminar by the International Finance Corporation and 30 similar institutions (“International finance institutions and development through the private sector”). 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, and in some cases have also provided grants. A ‘virtuous circle’ for donor countries can also be envisaged here – it is one of the historical paths to development.

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

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”, 14-20 December). 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.

Fifteen years ago the EU decided that the only way it could protect European 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 their 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.

The current situation has been further compounded by the cost of legal fees that excessive Italian governments 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.

Monti must act quickly on discriminatory lecturers’ pay

You rightly pointed out in your Euro-News 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 has both an immediate and a future task. Monti should address this issue of discriminatory pay as a matter of urgency. As your article notes, it is something that has been ignored by successive Italian governments for far too long.

Monti, as an expert in law and finance (he addressed this issue of discriminatory pay as a matter of urgency. As your article notes, it is something that has been ignored by successive Italian governments for far too long.

Monti should address this issue immediately not least because it directly contravenes the most basic elements of labour laws within the EU. Without an end to this 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 were passed under his address.

I am awaiting a response.