

Role of government in projects

Policy institutions and fiscal
environment

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- The causes and effects of stagnation and declining growth in many african countries have been blamed on poor or wrong policies, weak institutions to support desirable programmes or growth, and poor physical infrastructure.
- The prescription for poor policy environment is for the government to undertake policy reform to attain a good and stable macro-economic environment.
- The path to achieving a stable and conducive macro-economic environment for investment has however, not been clear cut.

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- At the beginning of reforms (IMF and World bank), a wide range of measures falling under structural adjustment program were widely adopted.
- It was recognised that there was too much government in peoples lives right from production to marketing.
- The prescription was therefore that since the government do not have the capacity to do all that is required, it should get out of the way and let the private sector take over the activity which would promote growth and development.

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- It was also felt that the government should provide public goods, which the private sector has no comparative advantage or interest to deliver.
- Therefore the government should create an enabling environment for the private sector to thrive.
- Fundamental role for the government is to establish a firm foundation of law, maintaining a policy environment of macro-economic capability and investing in basic social services and infrastructure, while protecting the vulnerable (the poor and the environment).

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- A key problem in undertaking these activities is that the government lacks capacity and will to do these activities.
- It is therefore good that the government creates and strengthens the capacity so that there can be a suitable match between role and capacity.
- Since institutions cannot be built overnight, any reform measure must be gradual. Similarly, since the private sector was for a long time not properly developed, programs meant to support the emerging private sector must be in place, for we do not expect the government to get out of the way when there is no institution to take the role which was previously done by government.

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- The private sector can be effectively nurtured by government through establishment of clear rules and provision of visionary leadership to provide investments.
- At the same time, infrastructural problems which hampers free flow of goods and services should be removed for viable investments to be conceived or implemented.
- It is now recognised that the private sector growth holds the key to increased growth and development.