

advances have made it possible to package goods and services differently to allow a more important role for the market. Fourth, a reduced role for the state implies that fewer activities will be performed by it but the functions that have been selectively identified as core activities or on the basis of comparative advantage need to be delivered more effectively than in the past.

14. Governments need to adjust from a pattern of control and intervention to one of providing an enabling environment for the private sector to function. This requires effective macroeconomic management, selective intervention, a reduced role for the delivery of public services and a capacity to regulate where the private suppliers of these services enjoy a monopoly. These changes will require a smaller and highly professional bureaucracy that is accountable for its output. This change in the paradigm of the state requires it to play a central role in the economic and social development of the country but not be the main engine of economic growth or provider of goods and services.
15. Five basic tasks have been identified as the responsibility of the government for achieving sustainable development.⁹ These are:
 - maintaining a non distortionary policy environment and macroeconomic stability;
 - establishing a foundation of law including a basic legal and regulatory framework to enable the private sector to play a greater role in the economy;
 - investing in basic social services and physical infrastructure;
 - promoting equity and assisting the vulnerable in society, specifically women and other disadvantaged groups; and
 - protecting the environment.
16. The World Bank and International Monetary Fund (IMF) conduct policy dialogue with governments on the need for a sound macroeconomic environment which includes modest fiscal deficits, low rates of inflation, low unemployment and positive balance of payments. Such an environment is necessary to promote private investment and attract stable foreign private capital flows needed for the development of these countries. Governments and markets are complementary with the state being responsible for setting in place a legal foundation for the markets to function in. The state's rules and policies need to be applied in a predictable manner to attract private investment.

⁹ World Development Report 1997, World Bank.