ABSTRACT

Since the private sector is now universally regarded as the "engine of growth", policy-makers have to create opportunities for private sector representative associations (such as Chambers of Commerce, Manufacturers’ Associations, Employers’ Confederations, etc.) to articulate their needs and views and influence the shaping of public policy, particularly as it affects trade and the overall business climate within a country. The role of the state is seen as creating the right environment in which private business can grow and prosper, generating employment and wealth and thereby contributing to poverty alleviation. But policy-makers do not know all that is required and must establish formal as well as informal structures to facilitate dialogue.

Concerns have been expressed by both politicians and public officials, however, that private sector institutions lack the technical capacity to make meaningful inputs at the policy table. Inviting the private sector to participate is one thing, but business does not necessarily have the research and analytical capabilities to participate effectively. The important aid and trade negotiations in which the Caribbean is involved on three separate fronts also require inputs from the private sector and have served to expose their weaknesses.
This paper is an initial statement on a research project aimed at assessing the capacity of national, regional and sectoral private sector institutions and representative associations in Cariforum member countries, to carry out policy research and analysis, engage in strategy development and policy advocacy, and to participate effectively in policy dialogue. It examines current thinking on the respective roles of public and private sectors, discusses the whole process of policy dialogue between the private sector and the state in Caribbean countries, and attempts to elaborate a methodology for capacity assessment that can be applied to the study.

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**Introduction**

As the 20th century draws to a close, there is near universal agreement on the role of the private sector as the "engine of economic growth" and development. Few are prepared to challenge the standard orthodoxy that views a vibrant private sector as the pillar of a sound economy and trade as the foundation of economic success. Indeed, donors explicitly assume that developing countries will predominantly be market economies in which sustainable private sector development is both facilitated by and contributes to the strengthening of democracy, the rule of law and human rights, and advances the goal of poverty eradication (European Commission, 1998: 8-9).

Within this context, attention is drawn to the capacity of organizations and associations representing private sector interests to make meaningful inputs into the policy process and to participate fully and effectively in policy dialogue with government and other "social partners". The prospect of private sector bodies such as these providing strategic advice to regional negotiators currently involved in crucial international aid and trade negotiations on three separate fronts, and perhaps even entreating directly with external donors, makes a detailed capacity assessment all the more pressing.

This paper is an initial statement on a study aimed at assessing and evaluating the capacity of national, regional and sectoral private sector institutions and representative associations within Cariforum member countries to carry out policy research and analysis, to engage in strategy development and policy advocacy, and to participate effectively in policy dialogue. Relevant associations are Chambers of Commerce, employers’ associations, private sector commissions, manufacturers’ associations, commodity producers’ associations (e.g. rum and spirits, banana, rice and sugar producers’ associations), as well as those representing the services sector (e.g. hotel/tourism, banking and finance, entertainment and professional bodies). Regional "umbrella" bodies such as the Caribbean Association of Industry and Commerce (CAIC) are also included. The ultimate objective of the study will be to identify critical
weaknesses and recommend practical capacity-building measures that will enhance the capacity of the regional private sector to contribute to the formulation of public policies relating specifically to enterprise development in the first instance, but more generally to the full range of issues that engage the attention of governments and their partners. The paper examines current thinking on the roles of the private and public sectors, and focuses on the policy dialogue between the private sector and the state in the Caribbean. It presents an initial list of the "points of contact" between the two sectors. A particularly important aspect of the paper is the definition of capacity assessment and the discussion of the methodology for capacity assessment being proposed for the study.

**The Private Sector’s Role in Policy Dialogue**

The private sector is usually regarded as that part of the economy whose activities are under the control and direction of non-governmental economic units such as households or firms. Each economic unit owns its resources and uses them mainly to maximize its own well-being (Todaro, 1992). In this paper, the definition of the private sector closely follows the one employed by the OECD and European Union (EU) for the purposes of international development cooperation. The private sector is understood to be the sphere of economic activity where physical and financial capital are in the main privately owned, and where business decisions are made as a result of private initiative in the context of markets which are competitive (OECD, 1995; European Commission, 1998). It is to be distinguished from the public sector which is usually a monopoly provider of goods/services financed out of public (i.e. tax) revenues, and where decisions are subject to political and wider social considerations and influences. Todaro (1992:72) defines the public sector as that part of the economy whose activities (economic and non-economic) are under the control and direction of the state, which owns all resources and uses them to achieve whatever goals it may have.

According to this definition, the private sector in the Caribbean would include households, individually- and family-owned firms of various sizes, joint stock or limited liability companies in which shares are publicly held and traded, local or foreign enterprises, agricultural/commodity producers not owned or controlled by the state, and the informal sector. It has also been suggested that the private sector should be disaggregated into productive and non-productive sectors, as governments in the region are keen to encourage the former and discourage the latter.

Discussions about the capacity of the region’s private sector to contribute to the development effort hark back to the 1950s and 60s when the encouragement of foreign investment as a development strategy was very much in fashion. The weak entrepreneurial culture among the Caribbean business class, the predominance of mercantile capitalism, their "unwillingness or inability" to undertake the sizable investments required to bring about economic transformation, all conspired to cause disappointment among regional leaders with the capacity and orientation of the indigenous private sector. To some extent this, coupled with the radical ideologies of the 1970s, is what accounted for the growth of the public sector in many countries during the
1970s, as the state moved into industrial and commercial investments that more properly belonged in the private sector.

All this has changed dramatically in the 1990s. The spectacular collapse of communist regimes in 1989-91 and the end of the Cold War represented not merely the failure of one system, but more importantly the triumph of another. Right-wing liberal ideology -- built upon the potentially explosive cocktail of liberalization, privatization and globalization (LPG) -- stands virtually uncontested as the 20th century draws to a close. The so-called new global economy is characterized by the primacy of the market. An almost total consensus has emerged in favour of the market economy, suggesting new priorities with the emphasis on a dynamic private sector. Moreover, globalization, which is portrayed as being inevitable, irresistible and irreversible, requires the integration of backward economies into world trade and forces their enterprises to become competitive. Thus trade and the private sector together constitute the twin engines of growth (Huybrechts, 1998).

The Caribbean private sector is now called upon to play a role that goes well beyond anything it has been accustomed to thus far. Not only must it restructure and retool itself to improve productivity and competitiveness, but increasingly it is being drawn into policy development and implementation roles as a partner to government. The current global agenda of public sector reform seeks to redraw the boundaries that distinguish public from private, foster competition as well as public-private sector partnerships through which the private sector plays a major role in service delivery, and generally to engage both public and private sectors in the manifold tasks of national development (Borins and Warrington, 1996: 15-21). In addition, the private sector has assumed central importance in the ongoing negotiations involving the EU and the African, Caribbean and Pacific (ACP) group of countries for a successor agreement to Lome IV.

In this latter connection, the need to involve the private sector more directly in the negotiations themselves and in the development and implementation of national and regional indicative programmes was signalled in the European Commission’s Green Paper on future EU-ACP cooperation, as well as in a series of reports, discussion papers and other documents prepared in the run-up to the negotiations. While confirming the role of the national authorities in formulating the guidelines and developing the strategies and programmes, the EU has indicated clearly that future partnership will recognize the role of other non-state actors in the development process and will seek to encourage their participation in areas that concern them. In particular, the EU proposes to support efforts by private sector organizations to enhance their effectiveness in providing services to their members, in mobilizing private sector interests, and in engaging governments in dialogue. To quote from a recent communication from the European Commission to the Council and Parliament:

For the public-private dialogue to be fully effective, private sector representatives should be well-informed and well-advised, for example through access to up-to-date, reliable economic statistics and survey information on the situation and expectations of enterprises, and to professional support in making their advocacy more pertinent and persuasive (European Commission, 1998: 10).
The Caribbean private sector has itself called for a private sector chapter in any post-Lome IV agreement which pulls together the different strands of current EU support for the private sector into a common conceptual framework within which to define priorities, a position supported by Barbados’ deputy Prime Minister while addressing the opening of the negotiations in Brussels on September 30th, 1998 (Jessop, 1998a). The regional private sector recommends the creation of private sector equivalents of national and regional indicative programmes, administered by private sector national and regional authorizing officers, running parallel to their public sector counterparts. It is suggested that "a successor arrangement to Lome IV offers a unique opportunity to consolidate existing ideas on private sector cooperation through the creation of new instruments and a new government-private sector inter-relationship". This inter-relationship will call into being new and effective mechanisms for dialogue and joint decision-making (CAIC, 1998). While it is unlikely that the negotiations will produce such an outcome, the question of whether the region’s private sector has the capacity to play the part being asked of it -- and which it is actively demanding for itself -- is what spawned the broader study.

The Role of the State

It is interesting to note that the word "state" is now seldom used in scholarly or popular discourse, having given way to the more value-neutral terms "government" or "public sector". Not only have we retreated from statism or heavy state involvement in the economy, but we have also retreated from the very use of the word "state" which was previously associated with the radical literature. Instead of discussing the appropriate role of the state in a modern, globalized economy, we now discuss reforming the public sector to play a catalytic, facilitating role that encourages and complements the activities of business and private individuals (World Bank, 1997). International capital now requires that the state provide an "enabling environment" that fosters markets and allows business to flourish, generating employment, increasing wages and profits, and ultimately creating wealth. Although the private sector has moved to centre stage in the economic development drama, there is an explicit recognition that government, despite its many obvious limitations, can alter the environment to provide opportunities for growth and profit.

Within the English-speaking Caribbean, the private sector defines the role of government as providing the political, macro-economic, regulatory and infrastructural (physical, social and institutional) framework to stimulate investment, while its own role is to generate economic growth and diversify the economies of the region. Alternatively put, the public sector defines the rules of the game and acts as a sort of referee to safeguard the interests of investors and consumers; while the private sector mobilizes financial and other resources to expand productive capacity, employment, output, exports, and foreign exchange earnings, and to improve the overall economic well-being and quality of life. The one is the "engine of change"; the other, the "engine of growth".

This notion of the respective roles of the public and private sectors has the endorsement of the major international/multilateral donors, most notably the World Bank (see World
Comparative analysis of the role of the state in the success of the so-called high performing East Asian ‘Tiger economies’ suggests that the state was more activist than originally thought and certainly played a positive role. Wade (1990), for instance, develops what is termed the "governed market model"; while Aoki, Kim and Okuno-Fujiwara (1998) attempt to chart a middle ground that recognizes the diversity among different East Asian economies and the evolutionary nature of government intervention. For sure, the evidence has caused the World Bank to retreat from the "minimalist state model" it advocated in the early 90s and to argue in the *World Development Report 1997* that "[f]ar from supporting a minimalist approach to the state, these examples have shown that development requires an effective state, ... Without an effective state, sustainable development, both economic and social, is impossible" (World Bank, 1997).

Political leaders throughout the region espouse this new mantra, albeit occasionally with some reservations. The Prime Minister of Barbados, for example, highlighted the lingering suspicion of the private sector harboured by politicians and public officials when he made the following statements:

The recent effort to transform the Barbados economy was designed to facilitate the emergence of a genuine market driven economic system, led by the private sector, which could find its real niche in a new global economy. ... The experience, regrettably, has been that market forces did not work in the manner intended. ... The advice that we should leave it all to competition, and to the operations of an enlightened private sector simply ... has not been supported by experience. ... The man in the street will have no confidence in the private sector operator whose only interest is that of exploiting the system in search of massive short-term profit. ... So that if the private sector wishes to engender public confidence in its operations, it must send the signal that it is not prepared to accept the rape of the public by the bandits in its midst (Arthur, 1997).

Such lingering suspicions are not restricted to the Caribbean. On the other side of the world, in the very same East Asian region which has suffered significant business closures, financial and job losses as a result of what is now referred to as "the Asian financial meltdown", Malaysia’s Prime Minister voiced his anger at market forces in an address to a Commonwealth conference held in Kuala Lumpur recently:

Now a new claimant has come into the field of governance. In a world that is more and more preoccupied with economic wealth to the exclusion of political and social well-being, "market forces" have laid claim to a dominant role in governance. Unabashedly "market forces" now claim a right to discipline governments even. Not unnaturally, the concern of market forces is with the maximization of profits for themselves at the expense of everything else. ... Governments have always known the need to create and maintain an environment that is conducive to doing business. After all, much of governments’ revenues comes from the activities and profits of business. But governments must also be concerned with and must respond to the needs of society and political imperatives. Businesses are not overly concerned with social and political needs. For them, the governments are there to keep society and politics at bay while they make money for themselves (Mohamad, 1998).

There are therefore residual feelings of mistrust and suspicion on the part of political leaders and public officials as far as free markets and the private sector are concerned, and more than a hint of antagonism between the public and private sectors. While apparently accepting and even espousing the liberal ideology of the market, public officials still perceive their role as being to control and regulate the market in order to protect taxpaying consumers. Even while recognizing the need to improve public sector
decision-making as it affects investments and private sector operations, they still nevertheless perceive their role as safeguarding the interests of the public against dishonest businesspersons bent on "price gouging and profiteering on an unconscionable scale" (Arthur, 1997). It is clear that the attitude of public sector personnel needs to shift from one of preventing undesired outcomes to one of enabling the desired outcomes (CGCED, 1996:2).

**Private Sector Inputs into the Policy Process**

Since fostering a more robust private sector is high on governments’ agenda, the policies of government must reflect regular consultation with the private sector through its representative bodies. It is sometimes suggested that all the government has to do is set the rules underpinning private transactions and create a "benign" policy environment that stimulates investment and allows businesses to blossom. But politicians and public officials, not being businessmen themselves, cannot anticipate everything the private sector requires, and must design suitable structures for formal dialogue to permit the private sector -- along with other civil society institutions -- to influence and shape policy.

There is nothing new or novel in this suggestion. Private business interests always seek to exert their influence on public policy in several ways and many prominent businessmen enjoy an almost unlimited priority access to Cabinet Ministers and even Prime Ministers. First, outright lobbying by individual firms for specific concessions and licenses that might be of benefit to them, though not necessarily to the private sector as a whole, is extremely common. This type of rent seeking behaviour occurs especially during the preparation of the national budgets and is prevalent where certain well-connected businessmen "have the ear" of the politicians and are able to influence decisions favourable to themselves. Not infrequently, they are also privy to prior information that gives them an unfair advantage vis-a-vis their competitors. Their access sometimes derives from their alignment to, association with or financing of the political party in power, or may simply derive from the fact that they are "outstanding" businessmen within the context of the island in which they operate. Suffice it to say, they often cannot claim to speak on behalf of business as a whole.

Secondly, some countries’ parliamentary systems provide -- whether by law or custom -- for the appointment of representatives of "special interest" groups (so-called civil society) to the Upper House or Senate. Thus positions on legislative bodies are reserved for private sector representatives. Third, governments often establish joint consultative mechanisms such as deliberation councils or national planning commissions that bring together the major social partners. The social partners concept has been employed with considerable success in Barbados, as reflected in the three Incomes and Prices Protocols which have seen the country through an economic crisis. In fact, the social partners concept has now been institutionalized into a standing committee chaired by the Prime Minister.
The two major problems with these kinds of arrangements are, first, that there is no guarantee that the persons appointed to these bodies adequately represent the views of the business community as a whole, and secondly, that the quality of the contributions coming from the private sector are generally unsatisfactory and uneven.

In the first place, the issue is what is known in economics as a principal-agent problem. How representative are the Chambers of Commerce in most Caribbean countries of business interests as a whole? This is a question that has come to concern the negotiators representing the Caribbean and wider ACP group. Which bodies legitimately represent the social partners and who should be consulted before and during the negotiations? Whereas governments derive (or should derive) their legitimacy through elections based on universal suffrage, and trade union leaders are chosen by their financial members, the same cannot be said for many private sector associations. Unlike the Chambers of Commerce in the Francophone nations, membership is not a legal requirement for businesses in the English-speaking Caribbean. The sectoral associations (eg. rum and spirits, rice, bananas, sugar, tourism) perhaps fare better since all relevant players usually belong. But by their very nature, Chambers of Commerce are broad churches with memberships that cut across sectors and size categories. Often, the Chambers’ position on an issue is really the position of a small clique within the Chamber.

The second problem has to do with the quality and depth of the contributions made by private sector representatives. Representation is one thing; making a meaningful contribution is quite another. Just because a seat at the policy table is reserved for private sector spokespersons it does not logically follow that they have the wherewithal to participate effectively. Private sector associations in the region, by and large, are underfunded and understaffed, and lack the capacity for rigorous policy research and analysis, strategic policy formulation and effective advocacy work. Certainly within the CAIC and its member Chambers and Manufacturers’ Associations there is a dearth of personnel with the professional and technical skills necessary to support the private sector’s involvement in policy dialogue and advice. Insofar as trade negotiations are concerned, the region’s private sector has neither the experience nor expertise to make useful inputs into the process as it has not had a history of contributing to, participating in, being informed of or consulted on such matters. Negotiating international aid and trade agreements and treaties has always been an "official" activity between states and the presence of non-state actors -- in particular the private sector -- in the conception and implementation of development cooperation and trade agreements has been virtually unheard of (Huybrechts, 1998).

A related point is that, because the executive members of these bodies are themselves businessmen with hectic schedules, it is often the case that different persons are chosen to represent the private sector in government committees, or even different meetings of the same committee, with the effect there is no consistency or continuity in participation and input. Alternating representatives has sometimes proved embarrassing as persons attending one meeting disagree with decisions arrived at during the previous meeting at which someone else was present. This merely serves to highlight the point that persons attending meetings on behalf of the private sector often find themselves inadequately
briefed and unaware of the "official position". They therefore speak from their own perspectives and present their own views, not necessarily the views of the private sector association(s) they represent.

Disappointment and frustration with the quality of private sector inputs is evident from the comments of political leaders throughout the region. The Prime Minister of Trinidad and Tobago spent many years in opposition describing the private sector (or certain parts of it) as a "parasitic oligarchy". In St. Lucia, the Prime Minister reportedly summoned private sector representatives and invited them to submit proposals for his government’s first budget in 1997. They left promising to tender their submission for consideration; the submission arrived mere days before the budget was to be presented and amounted to little more than "a wish list of fiscal concessions and monopolistic aspirations". A senior official in Dominica reported the same thing in that country. In Barbados, Prime Minister Arthur vented his spleen on the private sector while addressing a Chamber of Commerce luncheon in October 1997:

The imperative to build a competitive market economy casts an obligation on the private sector and its organs that they should not underestimate. Private sector agencies can no longer be just lobbying agencies whose principal purpose is to press government to reduce taxes and to confer on them special concessions. ...The private sector must also place emphasis ... on research, intelligence gathering, building information systems and its own institutional strengthening and development. ... too much of the time of government officials is wasted by having to consider representations by private sector entities that have not been properly researched, have not been properly costed, sometimes bearing no relationship to reality, exhibit no familiarity with existing law or regulations, nor show any appreciation of what is happening in the global economy. The development of capabilities in these areas is vital if the private sector is to succeed, and if the government is to succeed as well in removing the delays in relation to its own decision-making that sometimes pose such a constraint to private investment (Arthur, 1997: 11-12).

As a consequence of weak capacity within the private sector organizations themselves, some of the multinational accounting and management consultancy firms such as KPMG, Price Waterhouse/Coopers and Ernst & Young have begun to emerge as the mouthpieces of the private sector. They (or individuals within them) often work along with private sector bodies (sometimes on a voluntary basis) to produce policy position papers or budgetary submissions to government. These firms bring with them the technical sophistication and competence of highly-trained (and paid) professionals, backed by the unchallenged credibility that derives from their status as reputable firms of international standing. It is instructive to note that these firms (or their principals) are centrally involved as advisors to both the private and public sectors, and win consultancy contracts in public sector reform initiatives in most of the Caribbean territories.

While there is nothing inherently wrong with multinational firms acting or speaking on behalf of the private sector -- after all, they are themselves part of the private sector -- this cannot be a substitute for sound in-house research and analysis. The accounting firms have their own particular interests in promoting certain practices, budgetary and legislative measures, and have been instrumental in the transfer of policies and ideas from developed countries (notably Canada and the United Kingdom) to developing countries in the Caribbean and elsewhere. Recent research into the issue of policy transfer shows the critical role played by such firms in advocating the adoption of policies and
institutional innovations that have been implemented elsewhere (Dolowitz and Marsh, 1998; Common, 1998) and which are not always appropriate to the environment into which they are transplanted. It is not accidental that these very firms have been involved in the development of some of these policies in the developed countries. A notable example in the Caribbean is the restructuring of financial systems in both the public and private sectors along a Canadian model, which has precipitated a demand for Canadian accounting qualifications and a move away from the traditional British ACCA qualification.

Building capacity within the private sector organizations to play their part in policy dialogue and to contribute meaningfully to development in the region is therefore an urgent and unavoidable imperative in which all the social partners should have an interest. If the private sector is to be the engine of growth, it must have the wherewithal to conceive of and articulate coherent policy choices that will benefit the individual island states as well as the wider Caribbean region in which they operate. Indeed, this is true of all the social partner institutions which have a vital stake in the formulation and outcomes of public policy, but are weak in their capacity to comprehend the significance of the issues and participate in the policy-making process (Pengelly, 1998:2). But before designing capacity-building interventions, it is necessary to have a much clearer understanding of what the private sector institutions ought to be able to do, what areas of public policy they need to be able to influence, and the specific points of contact between themselves and the public sector.

Points of Contact

What are the specific points of contact between the public and private sectors? What areas of public policy does (or should) the private sector have an interest in, and how best could the dialogue be structured and institutionalized both at national and regional levels? What quality and depth of input is expected of the private sector by the public sector? There is a strongly held view within private sector institutions that they do not exist to do the government’s work for them; public officials are, after all, paid by their taxes to do precisely those things they are now being criticized for.

The following is an initial listing of the policy areas and associated public sector institutions with whom the private sector must interact:

POLICY AREA PUBLIC INSTITUTION

INDUSTRIAL POLICY
- Ministry of Industry and Commerce -- national/regional
- IDCs/ CARICOM Secretariat -- sectoral plans
- Ministry of Planning/Development -- agriculture
- Ministry of Agriculture -- trade
- Ministry of Trade/International Business/Foreign Affairs/RNM
MACROECONOMIC POLICY
-- budget/taxes/tariffs- Ministry of Finance (Budget Division)
-- revenue collection - Customs, Inland Revenue
-- investment incentives - Ministry of Finance/ Ministry of Industry and Commerce
-- credit supply/interest rates - Central Bank

HUMAN RESOURCES
-- labour/industrial relations - Ministry of Labour
- training - Ministry of Education (TVET)

ENVIRONMENTAL POLICY
-- marine environment - Ministry of Marine Affairs/Fisheries
-- physical infrastructure - Ministry of Public Works
-- construction - Town and Country Planning
-- utilities - Water/ Electricity /Telecommunications

This list is by no means exhaustive. It certainly does not take into account some of the emerging special areas of concern such as the entertainment industry (cultural products), financial and professional services, software development and other "knowledge-based" industries, or the small business sector. Nor does it make mention of the vital area of research and development. Part of the reason for this is that there is still some uncertainty from the government side concerning where (as in which agency) some of these policy spheres should be housed. But if traditional business interests are not always well-represented at the policy table, it is possible that interests in areas such as financial services and entertainment are worse off.

Important questions surround the most appropriate and efficient forms and channels of consultation at both national and regional levels. In some countries, there are standing committees within the agencies responsible for each policy area. So, for example, there may be committees on banking/finance, agriculture, or the nascent entertainment industry, with membership comprised of all relevant groups and chaired by a high-ranking public official or even, in some cases, a minister. Ministers are known to have frequent formal as well as informal dialogues with business persons. The model of the central planning commission (like the "social partners" in Barbados) consists of larger, more all-embracing, multisectoral committees which, by their very nature, can at best examine broad policy directions. At the regional level, the weakness of the CAIC and its apparent inability to maintain the support of all member countries has seriously undermined the process of consultation. The emergence of hemispheric and other business fora (eg. the Americas Business Forum and the ACP Business Forum) makes the need to re-organize and strengthen the Caribbean’s private sector institutions all the more urgent. Hence a detailed capacity assessment is a most timely prerequisite. The following section attempts to operationalize the idea of ‘institutional capacity’ and to elaborate on a methodology for carrying out capacity assessments.

**Capacity Assessment: Definition and Methodology**
Institutional capacity is the potential ability to transform inputs into outputs, is invisible and cannot be measured directly. It is not simply determined by the stock of physical and human capital, but by the institution’s proficiency at combining these assets for maximum output. The only way to prove how much capacity exists is through performance, which is the translation of capacity into concrete results, into action. Unlike capacity, performance is visible and can therefore be directly measured (Brinkerhoff et al., 1990:39). Poor performance might indicate weak or improperly harnessed capacity. Where capacity is high but performance poor, there could be substantial scope for improvements in both quality and quantity of outputs with negligible increases in inputs. Where capacity is weak, a good case can be made out for capacity building interventions.

While much – if not all – of the literature on capacity assessment focuses either explicitly or implicitly on public sector institutions (see, for example, Bremer, 1984; Babu and Mataya, 1996; Dror, 1997) it is nevertheless clear that capacity assessment is a sub-function or precondition of capacity development. Two inter-connected types of assessments are required: a) an assessment of the broader context in which a programme takes place, and b) an assessment of the capacity and performance levels to do with the specific sectors or institutions (Morgan and Taschereau, 1997:216).

In assessing the broader context, it must be recognized that private sector institutions are both affected by and affect their environment or context. A necessary part of the assessment, therefore, consists in analyzing trends and factors within that broader context. Specifically, in this case, private sector institutions in the Caribbean are affected by the processes of globalization, technological advancement and the emphasis on the private sector as the engine of growth. The formation of the ACP Business Forum and the joint government-private sector Committee of Experts on Electronic Commerce for the Free Trade Area of the Americas, for instance, places a responsibility and a challenge on the regional private sector to participate in ongoing policy and trade discussions at a very high level.

Assessing the current level of capacity and performance seeks to gain some understanding of the current levels of, and constraints to, the performance of particular tasks or functions. What is the current level of performance? What accounts for this performance? What are the opportunities for further improvement? (Morgan and Taschereau, ibid). In the instant case of private sector institutions, the kind of capacity that is being assessed is policy analysis capacity, which can be examined either at the institutional level or the individual level. Alternatively put, we can consider either the institutional capacity on the whole, or the individual capacity within institutions. It is often the case that outstanding individuals can affect the output of the organization and mislead us into believing that institutional capacity is high. Institutional capacity is, to a large extent, independent of individuals.

An effective approach to capacity assessment depends upon answering five basic questions:
X what to analyze?
X how to analyze it?
X how to assess the relevance of the findings to any envisaged
capacity building programme?
X who should do the analysis?
X when should the analysis be done?

To address the ‘what to analyze?’ question the study will employ a simple framework
developed by Morgan and Taschereau (1997) that uses supply-demand constraints
categories plus actual and potential capacity indicators to give some sense of the capacity
gaps that need to be addressed. This framework is elaborated at Annex 1. Annex 2 lists a
series of questions to which answers will be sought. Together, these comprise the core of
the research methodology that will be applied to the assessment of capacity within
Caribbean private sector institutions.

It has been suggested that a capacity assessment of this kind should consider
organizational capacity (things such as strategic planning, communications, and
succession planning), decision-making capacity and leadership capacity (the ability to
comprehend political, economic and social interactions at national, regional and
international levels). Most important, however, is the need to define as clearly as possible
what precise functions the private sector institutions are being required to perform, what
quality and depth of inputs they are being required to make, and what are the expectations
of both the government(s) and regional/international agencies in this regard. In addition,
what are the expectations of the members themselves regarding the associations they
have chosen to join? There are both external and internal dynamics involved in satisfying
the needs of multisectoral, industrial and political stakeholders.

Conclusion

This brief paper is intended to be a discussion paper that solicits ideas and feedback on a
study still in its early stages. It is not intended to be a definitive piece. The shortcomings
of private sector institutions are well-known. However, capacity-building within the
private sector cannot proceed on the basis of intuition. Hence a detailed capacity
assessment is required to identify the areas of weakness and develop focused capacity-
building measures that are sustainable. But as a condition precedent to such an
assessment, it is important to have a clear idea of what is expected of the private sector in
the first place. While politicians and public officials express their frustration over the
poor quality of private sector inputs, and the captains of industry themselves recognize
the need to upgrade their representative organizations, it is not obvious how far the
private sector ought to go in terms of the depth of analysis when preparing submissions to
government.

As mentioned previously, some people in the private sector believe that they should not
do the government’s work for them; civil servants are, after all, paid to do precisely those
things they are being criticized for now. The Regional Negotiating Machinery is a case in
point: Barbados is, up to now, the only CARICOM country to provide a tax incentive to
private firms making financial contributions to the RNM. A tax allowance of $1.50 for every dollar contributed is available to Barbadian firms. The take-up rate, however, has been disappointing. No more than four firms have actually contributed, and it is suggested that the government might be considering the introduction of an across-the-board business levy. Jamaica and Trinidad-Tobago are the only other CARICOM countries which have signalled their intentions to involve the private sector more directly in financing the negotiations effort.

The specific policy areas and agencies with which the private sector needs to engage have been highlighted. The list provided is not an exhaustive one, especially since new concerns are emerging almost daily. However, one aim of the study must be to recommend the most appropriate and efficient way of institutionalizing consultation and communication between public officials and their private sector counterparts at national, regional and international levels. Finally, the notion of institutional capacity has been discussed and a simple schematic framework presented to show how a capacity assessment might proceed.

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