

1. Purpose of the Assessment

The purpose of this assessment is to support the Regional Center for Southern Africa (RCSA) in its development of a strategic plan for FY 2004-2010. As part of the strategic plan development process, a concept paper was developed in late 2002 by several thematic Results Framework Working Groups at RCSA, leading to the articulation of a basic development model. Thematic literature reviews are now underway to contribute to a final plan for RCSA. As part of this process, the Global Competitiveness and Regional Market Integration research team reviewed the basic mission documents and compiled a set of research questions to examine the underlying development hypothesis, offer insights from the literature, and derive implications for RCSA.

RCSA's thinking about regional market integration, global orientation, and competitiveness has evolved since the mission first submitted its concept paper in December 2002 to USAID/Washington. As expressed in the most recent version of RCSA's competitiveness strategic objective (USAID RCSA 2003), the development hypothesis identified by the Competitiveness Results Framework Working Group is as follows:

SADC nations must improve their global competitiveness dramatically in order to achieve their economic goals of reduced poverty, lower unemployment, and higher per capita incomes. Because of the smallness of most of the region's economies, the achievement of increased economic growth necessarily depends upon regional economic integration to attract foreign direct investment and the ability to access global markets. Thus, to do so, the SADC nations must create an atmosphere conducive to trade and investment and produce and sell goods and services that can compete on the world market. For this region, this implies: A responsive policy environment that facilitates competitiveness, a strong supply response from entrepreneurs, and lower input costs.

RCSA proposes to concentrate much of its effort in countries linked along an "economic corridor" stretching from the Indian Ocean to the Atlantic, namely Mozambique, Zambia, Swaziland, Lesotho, South Africa, Botswana, and Namibia. These are considered to have the highest potential to achieve concrete improvements in competitiveness. In addition, RCSA proposes to focus on those industries that show the most promise for achieving global competitiveness, emphasizing a cluster approach that seeks to work with groups of firms within a value-chain. Illustratively, these selected industries may include high-value, tradable agricultural products (fresh and processed), textiles and apparel, and tourism. The mission presently expects to engage in three broad programmatic areas: policy, forging export relationships regionally and globally, and improving economic infrastructure to lower transaction costs for businesses.