

Narrowing the Development Gap in ASEAN

Drivers and Policy Options

Synopsis and Chapter Abstracts

Consultant: Sustineo

May 2013

The views expressed in this report are those of the authors, and not necessarily those of the ASEAN Secretariat and/or the Australian Government.

Synopsis

An important part of the vision of the Association of Southeast Asian Nations (ASEAN) is to ensure that the benefits of development and economic integration are equitably shared by all member states and their citizens. ASEAN's work therefore aims to narrow the development gap between ASEAN member states (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei Darussalam, Myanmar, Cambodia, Laos and Vietnam) and between sub-regions within ASEAN. Written by a team of internationally recognised experts in development economics, this book communicates the latest findings on narrowing the development gap in a practical, policy-relevant way, in a format that can influence decision makers within ASEAN member states and international donors.

There have been significant development achievements in many ASEAN countries over the last 20 years, but the ASEAN region continues to be characterised by significant development gaps, particularly in income. Gaps in development achievement are also seen at the regional and sub-national levels. This book offers a better understanding of development gaps, as they exist in 2012, and provides important context that can inform the strategic needs of decision makers in the ASEAN region.

Due to improvements in conceptualising and measuring well-being, including through the use of multidimensional indicators, this book gives policy makers and scholars in development economics, development policy and Asian studies wellgrounded insights into the nature of the development gaps within and between ASEAN countries as well as high-level policy advice on those interventions that can contribute to a narrowing of the development gap.

Mark McGillivray is Research Professor in International Development at the Alfred Deakin Research Institute at Deakin University in Geelong, Australia. He is also a Research Associate of the Oxford Poverty and Human Development Initiative at the University of Oxford. Previously he was Chief Economist of the Australian Agency for International Development and Deputy Director of the World Institute for Development Economics Research.

David Carpenter is the Principal Consultant in International Development for Sustineo in Canberra, Australia, where he specialises in development research and evaluation. He is an Adjunct Associate Professor at the Alfred Deakin Research Institute at Deakin University, and was formerly employed by the Australian National University and the Australian Agency for International Development.

Foreword writer Le Luong Minh is the Secretary General of ASEAN and has a long career in international relations and diplomacy. Between 2008 and 2012 he served as Viet Nam's Deputy Foreign Minister, prior to that he spent 14 years working at the UN, seven of those as Viet Nam's permanent representative. Minh was President of the UN Security Council twice, first in July 2008 and again in October 2009.

Chapter Abstracts

Chapter 1 – Narrowing the Development Gap in ASEAN: Context and Approach

Abstract

This chapter provides a detailed outline of the structure and function of the Association of Southeast Asian Nations (ASEAN), and its main frameworks and policies. It provides detailed background to the regional economic integration and narrowing development agendas within ASEAN, and includes a review of the Initiative for ASEAN Implementation, which is the primary instrument for reducing the development gap in ASEAN. The chapter includes an outline of the five subsequent chapters of the book.

Chapter 2 – Understanding the ASEAN Development Gaps

Abstract

This chapter outlines the multidimensional conception of development used throughout this book, and introduces the UNDP Human Development Index as the primary source of data for measuring development gaps in ASEAN. The book uses these data to measure gaps in health, education and income between ASEAN 6- and CLMV countries and calculates how long it will take the CLMV countries to achieve the average ASEAN 6 achievements in these areas. The chapter also examines the incidence of poverty across ASEAN, including assessing its depth and intensity. The chapter then moves onto to review the drivers of development gaps in ASEAN countries, which include: physical connectivity, openness to trade, human capital, financial sector development, governance, labour mobility, foreign direct investment and external development finance.

Chapter 3 - Monitoring Progress towards Narrowing the Development Gap

Abstract

This chapter outlines a process for monitoring the ASEAN development gap using UN HDI data and presents further analysis of development gaps in health and education. It includes technical details of how to measure these gaps and provides methodological guidance in this area. The chapter also introduces the Gap Adjusted ASEAN Development Index, which measures inequality in development achievements between ASEAN-6 and CLMV countries and discusses how to construct this index using UNDP HDI data.

Chapter Four – The Role of ASEAN Connectivity in Reducing the Development Gap

Abstract

This chapter provides a comprehensive assessment of the ASEAN connectivity agenda and discusses its contribution to narrowing development gaps in ASEAN. The chapter outlines the ASEAN Master Plan for ASEAN Connectivity and discusses the three components of that Plan namely: physical, institutional and people-to-people connectivity. The relationship between physical connectivity and development is analysed, as is the variability in infrastructure access across ASEAN countries in areas like roads, rail, ICT infrastructure and electricity. The significant gaps in soft infrastructure or institutional connectivity are also discussed at length with reference to quality indices, ease of doing

business and World Bank Governance Indicators. It is clear from the latter that there has been deterioration in governance measures over the last decade or so across most ASEAN countries. The chapter finishes with an analysis of the patterns of labour mobility within ASEAN and discusses the need to address labour mobility challenges in order to narrow the development gap.

Chapter 5 - Regional Development Cooperation and Narrowing the Development Gap in ASEAN

Abstract

This chapter analyses regional development cooperation in ASEAN and discusses how this mode of cooperation may contribute to a narrowing of the development gap in complementarity with bilateral and multilateral forms of assistance. It provides a comprehensive assessment of regional economic cooperation (the primary form of regional cooperation in ASEAN), and discusses some of the advantages of regional cooperation more generally, such as the provision of public goods. The chapter outlines the development cooperation landscape in ASEAN and outlines funding for CLMV countries at bilateral, regional and multilateral levels. It becomes clear from this analysis that much more needs to be done to harmonise within and across these funding modalities, and to incorporate China and other major actors into the external development assistance dialogue. The support of ASEANs dialogue and development partners to the NDG agenda is also outlined, included therein is the presentation of some case studies of ASEAN-6 funded projects.

Chapter Six — Narrowing the Development Gap: Policy Recommendations for ASEAN and Development Partners

Abstract

This chapter provides some policy recommendations which can contribute to a more expeditious narrowing of the development gap between ASEAN countries, and builds on the analysis undertaken in previous chapters. This analysis suggests that ASEAN is characterised by increasing income disparity and inequality, slowly converging human development, but increasingly poor governance and institutional quality. The eight drivers of the development gap in ASEAN are reintroduced and several recommendations are made under each category, with the above analysis in mind. The chapter stresses the importance of focusing on inclusive growth and improving governance and institutional capacity across all ASEAN countries but with priority given to the CLMV group. The chapter suggests a number ways donors and ASEAN countries can work together to strengthen regional development cooperation to better complement bilateral and multilateral cooperation.