



Initiative for ASEAN Integration

Policy Brief 1

The ASEAN Development Gap: Definition, Measurement and Monitoring

Introduction

'Narrowing the development gap' is a cornerstone of the equitable economic development agenda within ASEAN and forms an important part of the ASEAN Roadmap. ASEAN recognises that the gap between its member states needs to be narrowed if it is to move forward in a more unified manner towards the achievement of an equitable ASEAN community. Since the inception of the Initiative for ASEAN Integration in 2000, there has been ambiguity over precisely how to define and measure the development gap between ASEAN countries, particularly the gap between the ASEAN-6 and CLMV groups. A rigorous and quantifiable definition and measurement of the development gap between these groups is required so that policies can be developed that directly target specific disparities.

This policy brief provides a robust definition of the development gap, measures existing gaps and suggests how the gaps can be monitored over time. The definition of the development gap is provided in the section that follows. Measures of the gap that are consistent with this definition are then provided, and information on this measure for each ASEAN member state is provided for the period 2000 to 2011. The last two sections of this policy brief look at monitoring the development gap over time. A new measure is introduced, which is called the Gap Adjusted ASEAN Development Gap Index (GAADI).

The views expressed in this policy brief are those of the authors and do not necessarily represent those of ASEAN and its member states nor impose any binding obligations on them. In particular, the use of the Human Development Index to measure the ASEAN Development Gap does not reflect any agreement within ASEAN or among its member states on this issue.

Definition

Development, broadly speaking, is seen as multidimensional, involving achievements in universally valued quality of life outcomes, such as health, education and income. The UNDP, through its annually published Human Development Reports and Human Development Index (HDI), has provided informed articulations of the notion of development consistent with this definition. The HDI combines measures of achievement in three dimensions — longevity, knowledge and the material standard of living — into a single number. The HDI's measures of achievement in health and income are based on life expectancy and \$PPP GNI per capita (gross national income per capita at purchasing power parity), respectively, while its measure of achievement in education is a combination of expected years of schooling of children and the mean years of schooling of adults. This is basis for our analysis of the ASEAN Development Gap.

As human development achievements differ among individuals according to the country in which they live, development in this sense varies among countries. This variation may be considered as a development gap, and this is how the gap between the ASEAN-6 and CLMV countries is examined. The means by which development is achieved are of course all those factors that drive achievements in health, education, income and other valued quality of life achievements. It follows that these factors are also the drivers of development gaps. The achievements in, or levels of, these drivers of development is not considered development per se; development is the intrinsically valued quality of life outcomes that these drivers generate, and as such the measurements outlined below focus on the outcome level (health, education and income) and not the drivers of these outcomes.

ASEAN Development Gaps

The ASEAN development gap is expressed by the simple but empirically and conceptually valid measure of the difference between average ASEAN-6 and average CLMV achievement in human development, as reported in the UN HDI, with the latter average subtracted from the former. The human development gap between the ASEAN-6 and CLMV using this method is presented in Figures 1 and 2 below.

Figure 1: Differences in Human Development between ASEAN Countries, 1980 to 2011

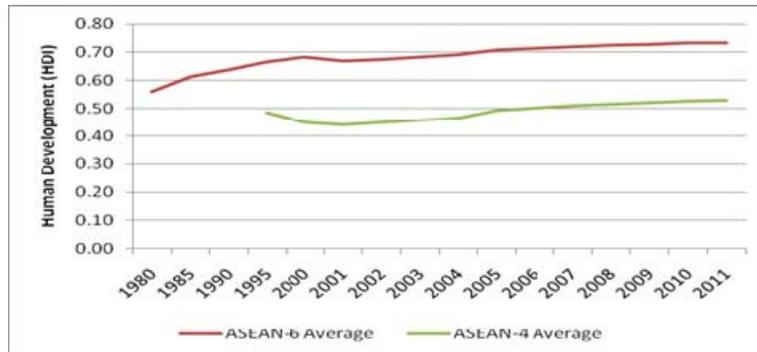


Figure 2: Human Development Gap between CLMV and ASEAN-6 Countries, 1980 to 2011

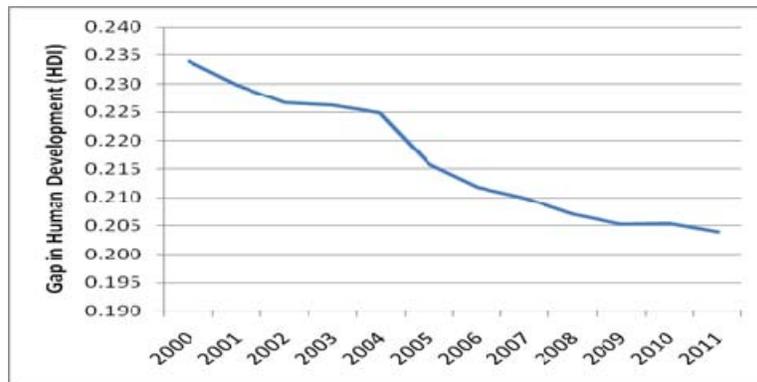


Figure 1 highlights the wide gap in human development that exists between the ASEAN-6 and CLMV countries, while Figure 2 demonstrates how this gap has slowly converged over time by approximately 13% between 2000 and 2011. Figure 3 below highlights the wide income gap that exists between ASEAN-6 and CLMV countries, which amounted to approximately US\$ 19,500 in 2011.

Figure 3: Differences in Achievements in Income between ASEAN Countries, 1980 to 2011

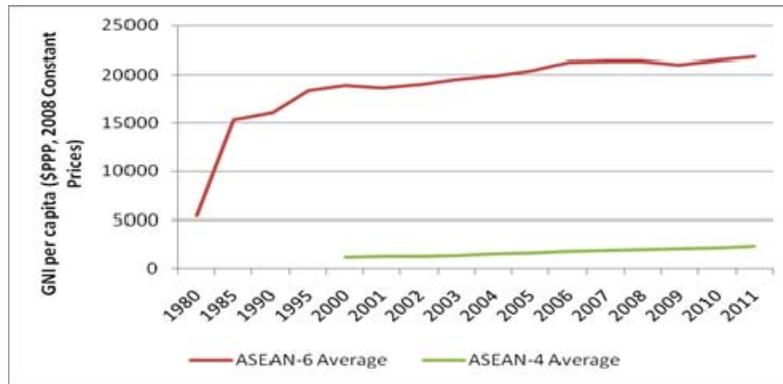
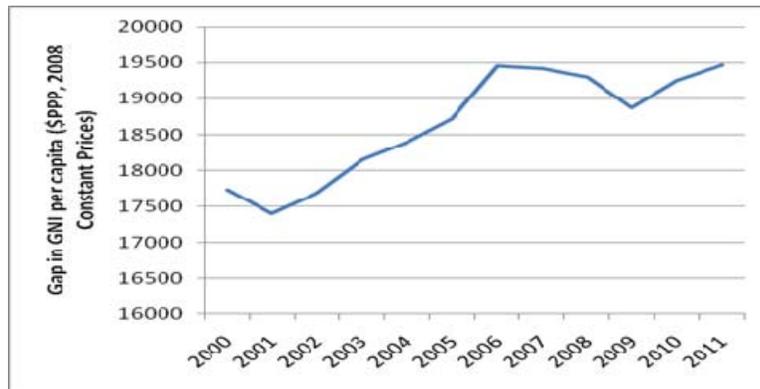


Figure 4 shows how this income gap has diverged over time. During the 11 years between 2000 and 2011, the income gap between the ASEAN-6 and CLMV groups increased by 10%. As such, ASEAN is characterised by slowly converging human development achievement but diverging income gaps. This will clearly have ramifications for ASEAN's goal of equitable economic development.

Figure 4: Income Gap between CLMV and ASEAN-6 Countries, 1980 to 2011



While it is a positive sign that the development gap between the ASEAN-6 and CLMV is converging over time, the rate of convergence and the relative distance between the two groups remains significant. The gap between these groups is emphasised by the information in Table 1.

This table reports the number of years, based on simple linear time trends over the period 2000 to 2011, that each country will take to converge with the highest individual ASEAN country achievement in 2011 and the average ASEAN-6 achievement with respect to each of the development gap indicators in question.

Table 1: Development gap between the ASEAN-6 and CLMV nations

	Achievement in Health		Achievement in Education		Achievement in Income		Achievement in Human Development
	Life Expectancy	Infant Mortality	Mean Years of Schooling	Expected Years of Schooling	Adult Literacy	GNI Per Capita \$PPP	Human Development Index
Years Required for Convergence with Highest ASEAN Achievement							
ASEAN-6							
Brunei Darussalam	19	46	7	2	n.a.	n.a.	7
Indonesia	32	76	15	5	3	60	20
Malaysia	35	21	n.a.	18	7	38	16
Philippines	66	88	6	50	17	78	46
Singapore	n.a.	n.a.	<1	n.a.	3	n.a.	n.a.
Thailand	46	56	19	85	<1	13	20
CLMV							
Cambodia	29	49	235	11	17	59	25
Lao PDR	21	69	47	21	35	58	27
Myanmar	48	139	35	21	16	37	26
Viet Nam	32	57	28	268	22	50	27
Years Required for Convergence with Average ASEAN-6 Achievement							
ASEAN-6							
Brunei Darussalam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	14	23	10	n.a.	1	40	10
Malaysia	<1	n.a.	n.a.	5	5	13	n.a.
Philippines	31	88	n.a.	26	8	52	21
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Thailand	1	n.a.	10	36	n.a.	7	6
CLMV							
Cambodia	19	28	155	7	15	44	17
Lao PDR	11	47	36	15	27	43	18
Myanmar	29	78	28	15	11	28	19
Viet Nam	n.a.	23	19	187	15	35	15

The information in Table 1 is sobering. Based on the results of the simple calculations reported, it will take the CLMV countries between 25 and 27 years to achieve the highest individual ASEAN country HDI score in 2011 based on trends in this variable since 2000.

It will take them between 15 and 19 years to reach the 2011 average ASEAN-6 HDI score. For achievement in income, the equivalent numbers are between 37 and 59 years and 28 and 44 years. As such, while we see some gaps closing, it will be decades until there is anywhere near an equivalent standard of human development within ASEAN based on current projections.

It should be emphasized that there are other ways the ASEAN Development Gap could be defined and measured. The preceding discussion focused on gaps between countries, which is consistent with concerns within ASEAN and elsewhere about gaps between the CLMV and ASEAN-6 countries. Another way of defining the gap would be in terms of the number of people living in income poverty, with the corresponding measure being the number of people living below the \$1.25 or \$2.00 per day poverty line.

Defining and measuring the gap this way would see Indonesia and the Philippines lagging behind all other ASEAN Member States owing to the number of poor people living in areas within these countries. Such a definition would also lead to a focus on lesser developed areas in Malaysia and Thailand otherwise there would be a delay in the complete integration of ASEAN.

Such integration would require ASEAN to look towards strengthening links with sub-regional programmes to advance progress in the ASEAN Community. Establishing closer strategic, programme and intuitional links among the sub-regions and ASEAN would create a more robust and comprehensive attempt in addressing the ASEAN Development Gap.

Monitoring ASEAN Development Gaps¹

It is important for ASEAN and its dialogue and development partners to monitor the development gap within ASEAN in order to target policies and programs that address actual gaps in income, health and education. The following section outlines a method that could be used to monitor these gaps and provides recommendations on the appropriate mechanisms for monitoring.

The **first stage** in the monitoring process would involve calculating the size of the HDI gap and the gaps in each of the five HDI measures. Therefore, differences should be calculated for HDI, \$PPP GNI per capita, life expectancy, mean years of schooling and expected years of schooling. Gaps in each of these achievements should be monitored separately, alongside that of the HDI as a whole. This will provide important information for policy making in specific areas. For example, gaps in mean years of schooling and expected years of schooling are shown in Figures 5 and 6 below. That the gap in educational achievement with respect to mean years of schooling has actually increased provides a case for policy interventions specifically targeting this achievement. This is why the individual achievements in human development need to be monitored individually, alongside that of the HDI as a whole.

1 In-depth technical guidance on the methodologies to use to monitor the ASEAN development gap are provided in Chapter Three of the Narrowing the Development Gap publication: McGillivray, M., Carpenter, D., and S. Iamsiraroj (2013) "Monitoring Progress Towards Narrowing the Development Gap" in McGillivray, M and D.B Carpenter (2013) Narrowing the Development Gap in ASEAN: Drivers and Policy Options, London: Routledge.

Figure 5: Gap in Educational Achievement between ASEAN-6 and CLMV Countries (Mean Years of Schooling)

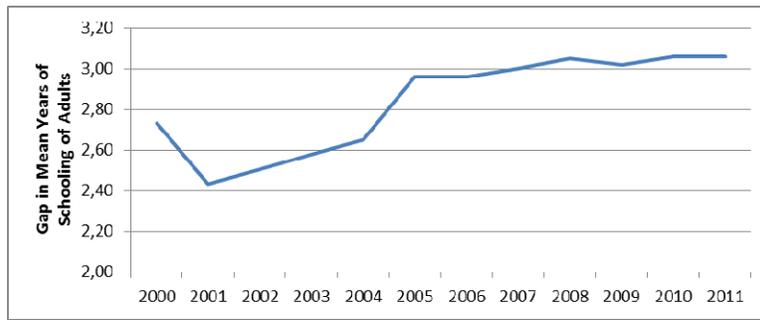
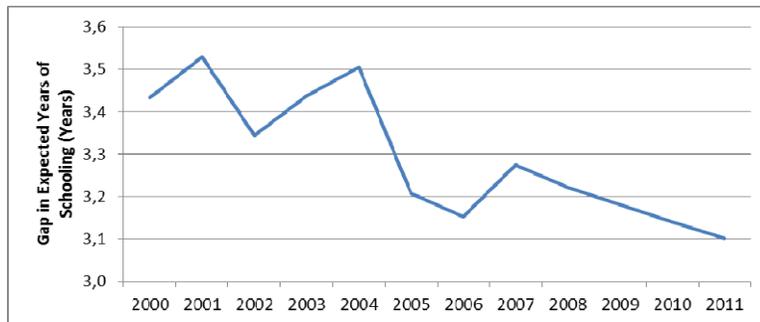


Figure 6: Gap in Educational Achievement between ASEAN-6 and CLMV Countries (Expected Years of Schooling)

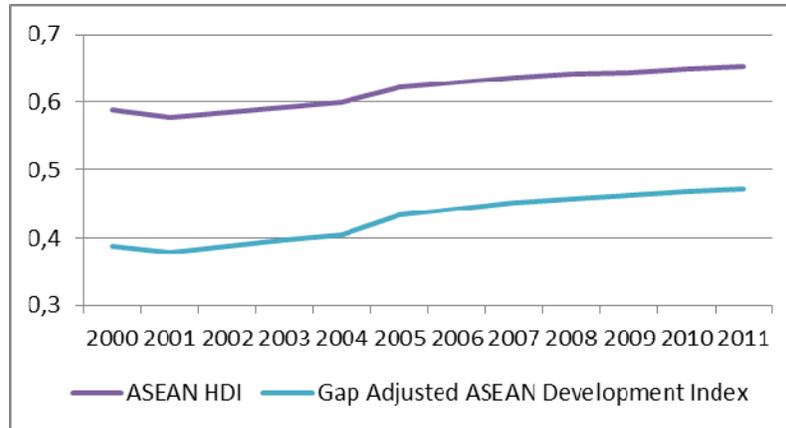


The **second stage** would turn away from looking at the average achievements and look more deeply at the development gap by scrutinising the achievements of individual CLMV countries. Here the focus would be on identifying the largest gaps. This could be conducted by taking the average ASEAN-6 achievement and deducting from it the development achievements of each CLMV country. This would provide crucial information indicating which country or countries should be prioritised in efforts to reduce the gap.

The **third stage** would not be directly concerned with monitoring the ASEAN development gap but with one of its main implications, namely assessing inequality in development achievement and potential for development in ASEAN. There have been many attempts to combine information on inequality with average development achievements. One of the more recent is the UNDP's Inequality Adjusted HDI, which adjusts each country's HDI based on inequalities within each of the index's dimensions. The same method can be applied to the ASEAN development gap. The development gap that exists is due to inequality or disparity in development achievements between the ASEAN-6 and CLMV countries. A simple yet valid measure of this inequality is to express the ratio of the average multidimensional development achievements of these two groups of countries. This is obtained by dividing the CLMV HDI average by the ASEAN-6 HDI average. If there is no gap, this ratio takes the value of one: the higher the gap, the lower the ratio. We can then multiply the ASEAN-10 HDI average development achievement by this ratio. We call this index the Gap Adjusted ASEAN Development Index (GAADI).

The ASEAN-10 HDI average can be interpreted as the potential HDI the ASEAN community could achieve if there was no development gap. The difference between the ASEAN average HDI and GAADI can be interpreted as the loss in multidimensional development achievement owing to the existence of the ASEAN development gap. This is outlined in Figure 7.

Figure 7: The Gap Adjusted ASEAN Development Gap Index (GAADI)



The GAADI shows that the ASEAN community is falling well short of its potential multidimensional development achievements owing to the gap between the ASEAN-6 and CLMV countries.

Procedures to Monitor the Development Gap and GAADI

The information that could be generated through the monitoring of the ASEAN development gap and the monitoring of the individual indicators that comprise that gap could be used to inform policy development within ASEAN, as well as the programs of dialogue and development partners. This could be augmented by the data in Table 1 to highlight those development achievements that require particular attention in each country or within the CLMV as a whole.

ASEAN should work with dialogue and development partners to develop a program of capacity building activities that could lead to the establishment of human development and ASEAN development gap monitoring within the ASEAN Secretariat.

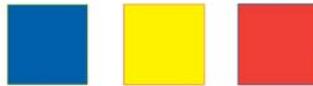
At present, the capacity of the ASEAN Secretariat to undertake this monitoring and analyse the results is limited. Due the problems associated with the lack of recognition of UNDP HDI data in some ASEAN countries, we suggest that this project be funded by a dialogue partner with external technical assistance in the first year or two of monitoring and analysis, with an eventual scaling back on external technical assistance as the ASEAN Secretariat capability in human development monitoring and analysis increases.

This policy brief was written by David Carpenter and Mark McGillivray. It builds on the analysis and insights undertaken as part of the AusAID-funded 'Narrowing the Development Gap in ASEAN' publication, in particular: Chapter Two: McGillivray, M., Feeny, S., and S Iamsiraroj (2013) "Understanding the ASEAN Development Gaps" and Chapter Three: McGillivray, M., Carpenter, D., and S. Iamsiraroj (2013) "Monitoring Progress towards Narrowing the Development Gap" in McGillivray, M and D.B Carpenter (2013) Narrowing the Development Gap in ASEAN: Drivers and Policy Options, London: Routledge.

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Narrowing the Development Gap
Promoting Inclusive & Equitable Growth in ASEAN



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