



Deakin University's Professor Mark McGillivray.

Narrowing the ASEAN Development Gap: Drivers and Policy Options

Presentation by Professor Mark McGillivray



Aims of the Project

- A Publication on **Narrowing the ASEAN Development Gap** between the ASEAN-6 and CLMV countries
- The objective of this project is to provide ASEAN policy makers and implementers with a source of timely, in-depth and clear analysis of key strategic NDG issues coupled with practical policy recommendations.
- The Book is to be launched at the 22nd ASEAN Summit in Brunei Darussalam in 2013

Understanding the ASEAN Development Gap

- Four fundamental questions need to be answered if the gap between the ASEAN-6 and CLMV countries is to be reduced.
 1. What is the 'ASEAN Development Gap'?
 - What is 'development'?
 2. How do we measure the ASEAN Development Gap?
 3. What are the main drivers of the ASEAN Development Gap?
 4. How do we monitor the size of the gap over time?
- We need **conceptual clarity, robust measurement** and a **shared understanding** of what the gap is and what drives it.
- For a workable gap definition we need to distinguish between the gap itself (the ends) and what drives it (the means).

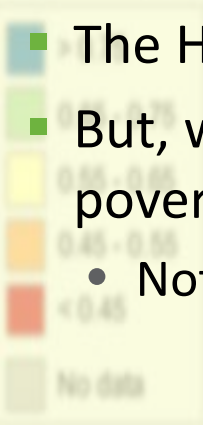
The ASEAN Development Gap: Definition



- Amartya Sen defines development as the removal of ‘unfreedoms that leave people with little **choice** and little opportunity of exercising their reasoned agency’ (Amartya Sen).
- There are three key, universally valued choices
 - to lead a long and healthy life (health)
 - to be knowledgeable (education)
 - to have access the resources associated with a decent standard of living (income)
- By extension, development can be defined as the level of achievement in health, education and income
- The ASEAN Development gap, for the purposes for the project, refers to differences in these achievements between the ASEAN-6 and CLMV groups

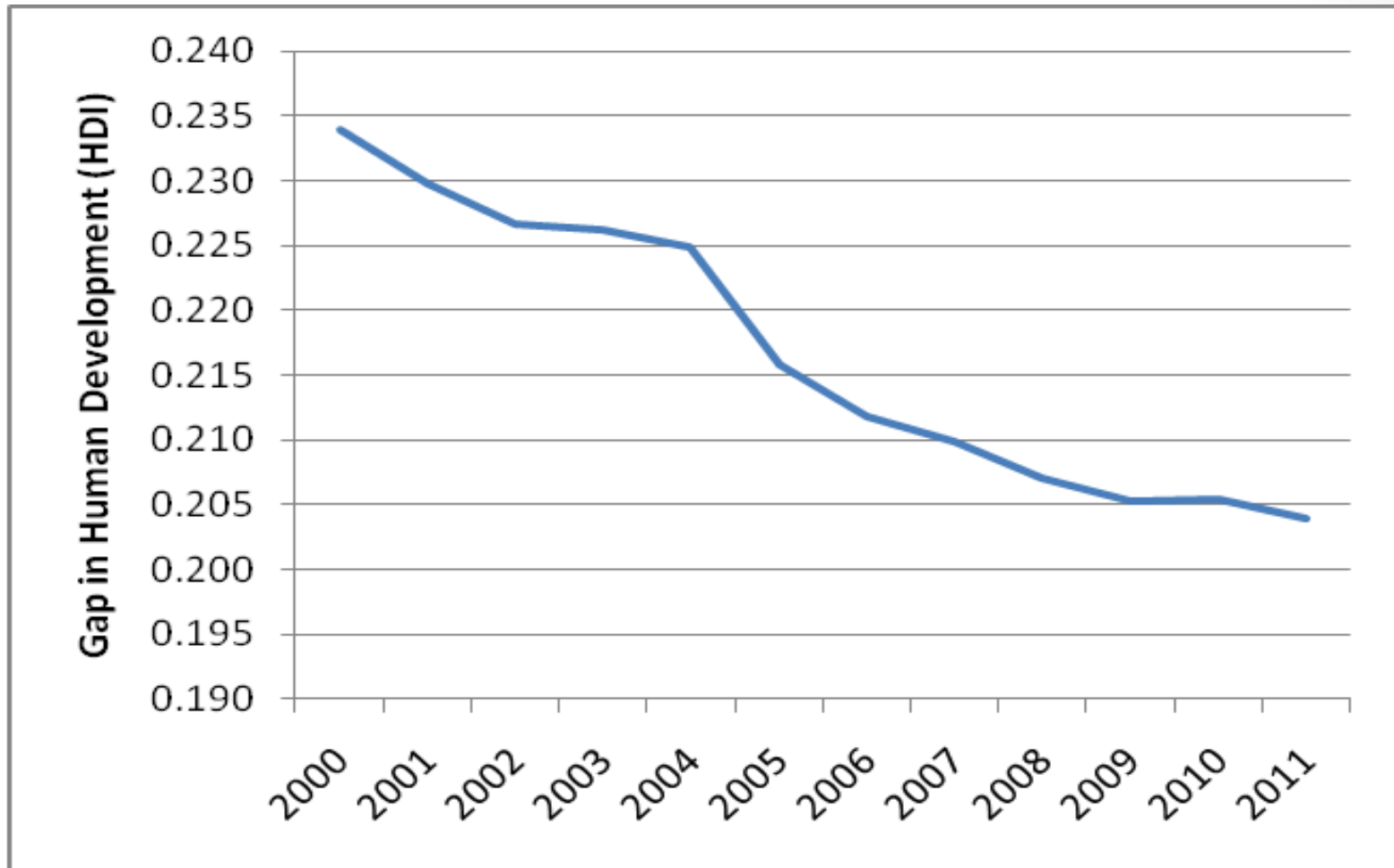
The ASEAN Development Gap: Measurement

- Development is about achievements in health, education and income (and other important quality of life dimensions)
- The UNDP Human Development Index (HDI) combines measures of achievement in each of these dimensions
- HDI scores are reported annually for all ASEAN member states by the UNDP in its *Human Development Report*
- The HDI can be used to measure the ASEAN Development Gap
- But, what about gaps measured using the number or people living in poverty?
 - Not clear which countries are favoured by the gap and which are not



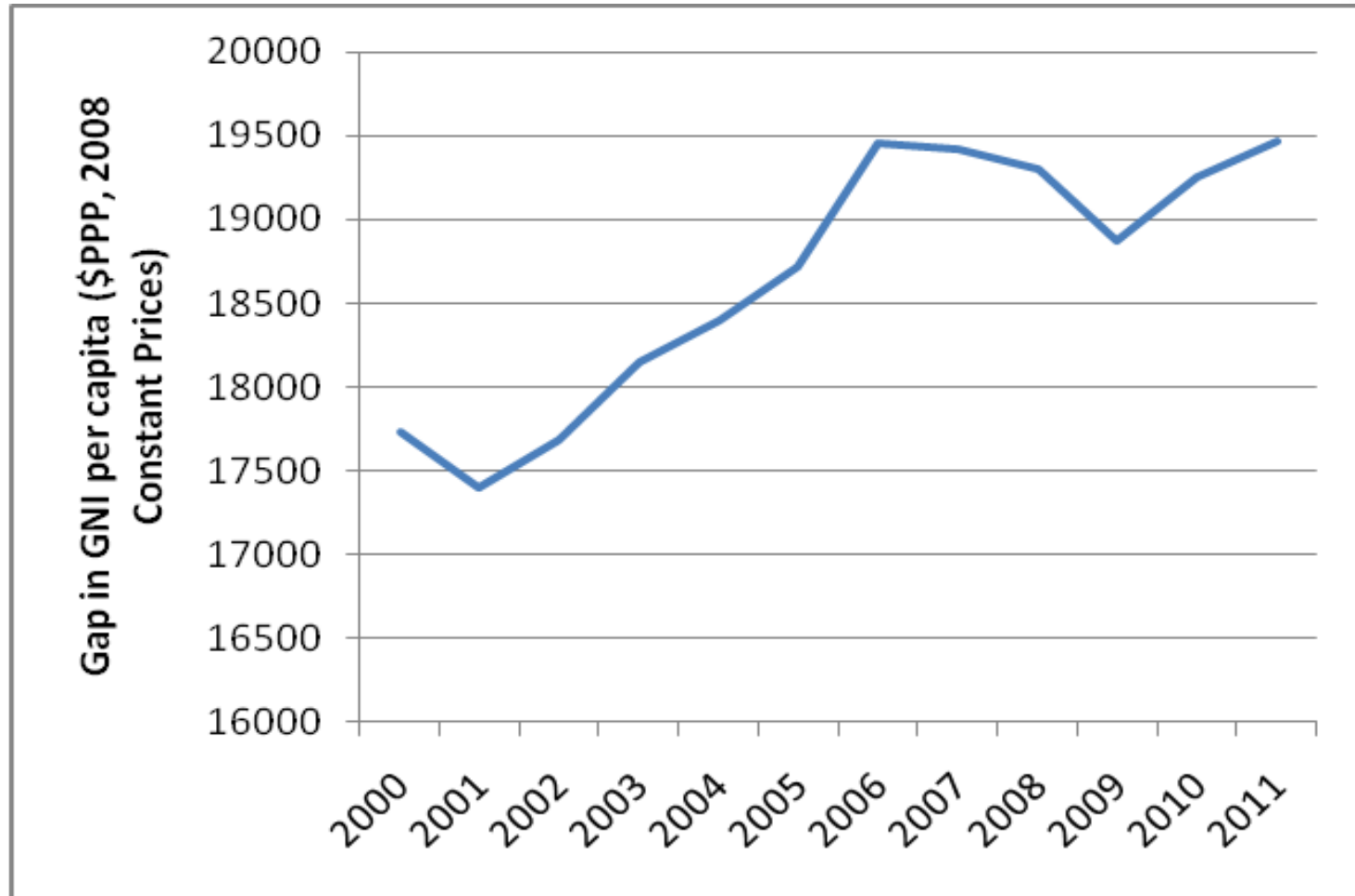
The ASEAN Development Gap: Measurement

The Decreasing HDI Gap between ASEAN-6 and CLMV



The ASEAN Development Gap: Measurement

The Increasing Income Gap between ASEAN-6 and CLMV



The ASEAN Development Gap: Drivers

physical
capital

openness to
trade

human capital

financial
sector
development

governance

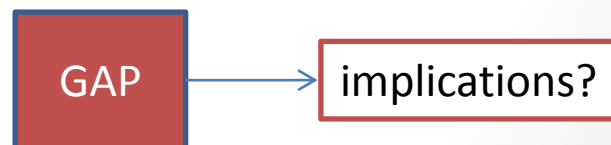
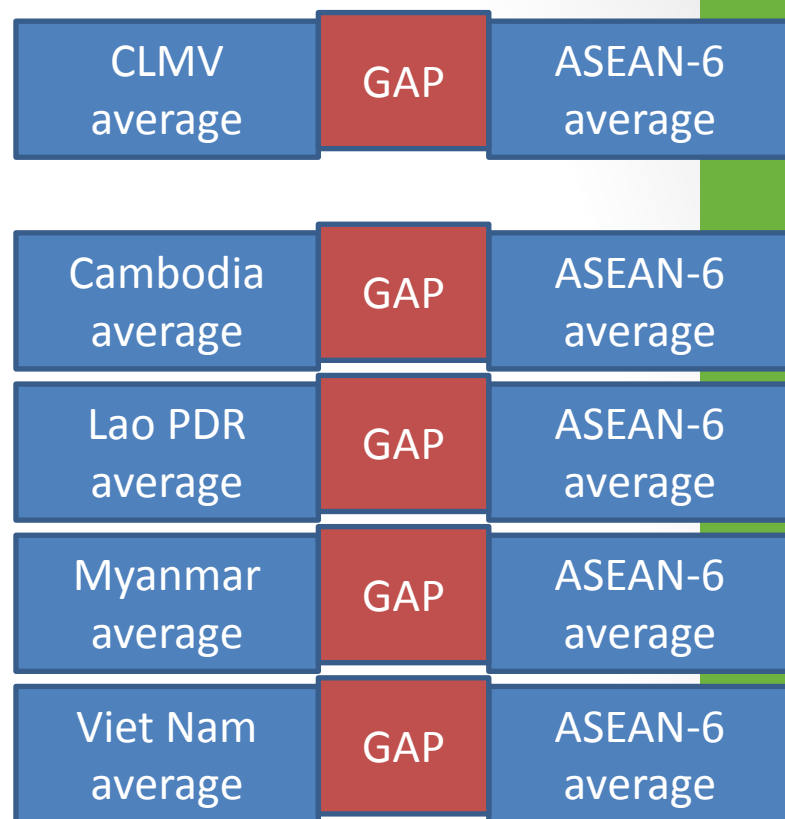
labour
mobility

foreign direct
investment

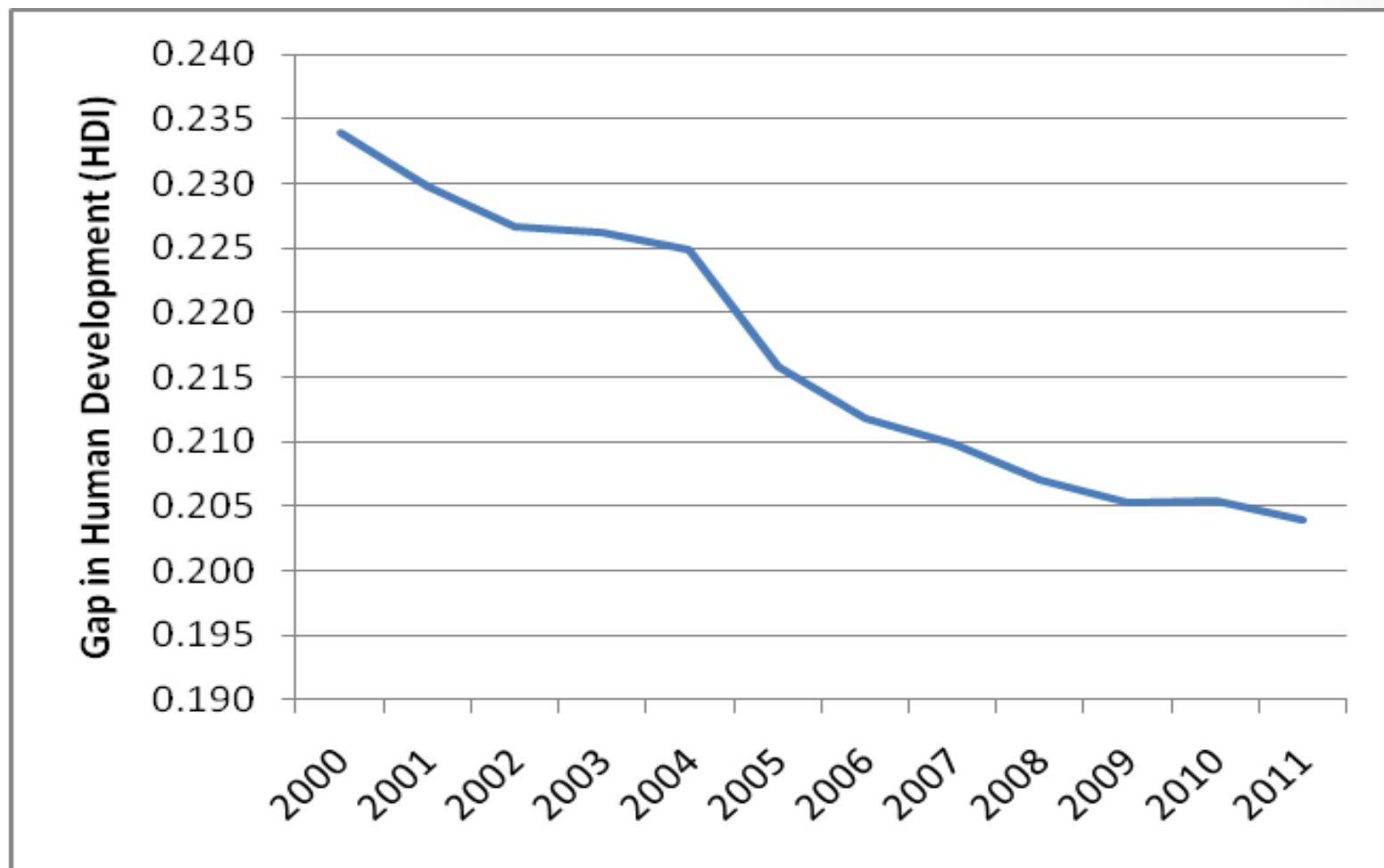
external
development
finance

Monitoring Progress Towards Narrowing the ASEAN Development Gap

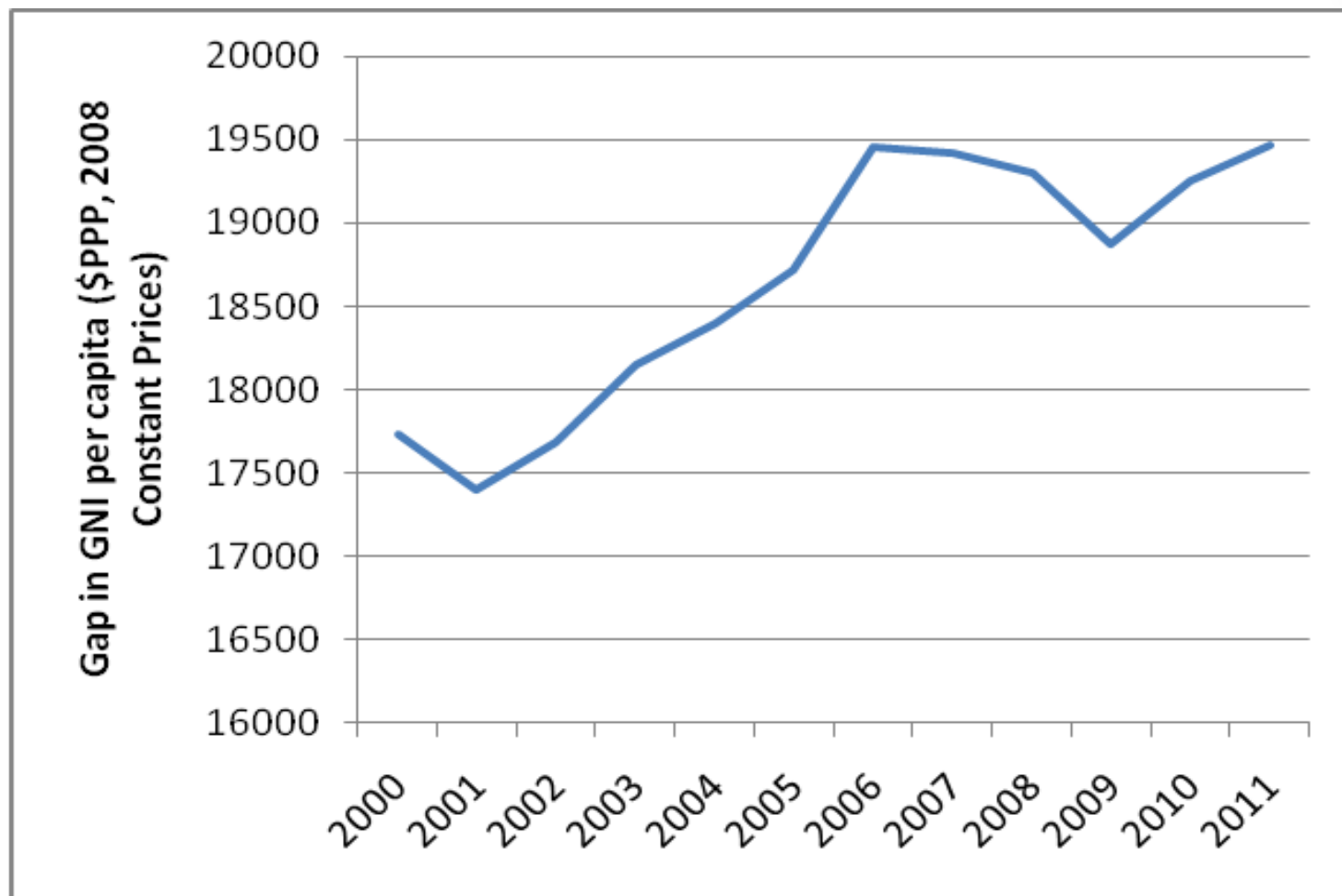
- Monitoring the gap requires a framework that tracks changes in the ASEAN Development Gap over time
- This framework needs to be based on the definition of the gap and the indicators outlined above
- Three monitoring steps
 - 1. Calculate the average size of the gap (ASEAN-6 average minus the CLMV average for each indicator)
 - 2. Calculate individual CLMV country gaps (ASEAN-6 average minus individual country achievement for each indicator)
 - 3. Consider the development implications, in terms of forgone ASEAN development achievements



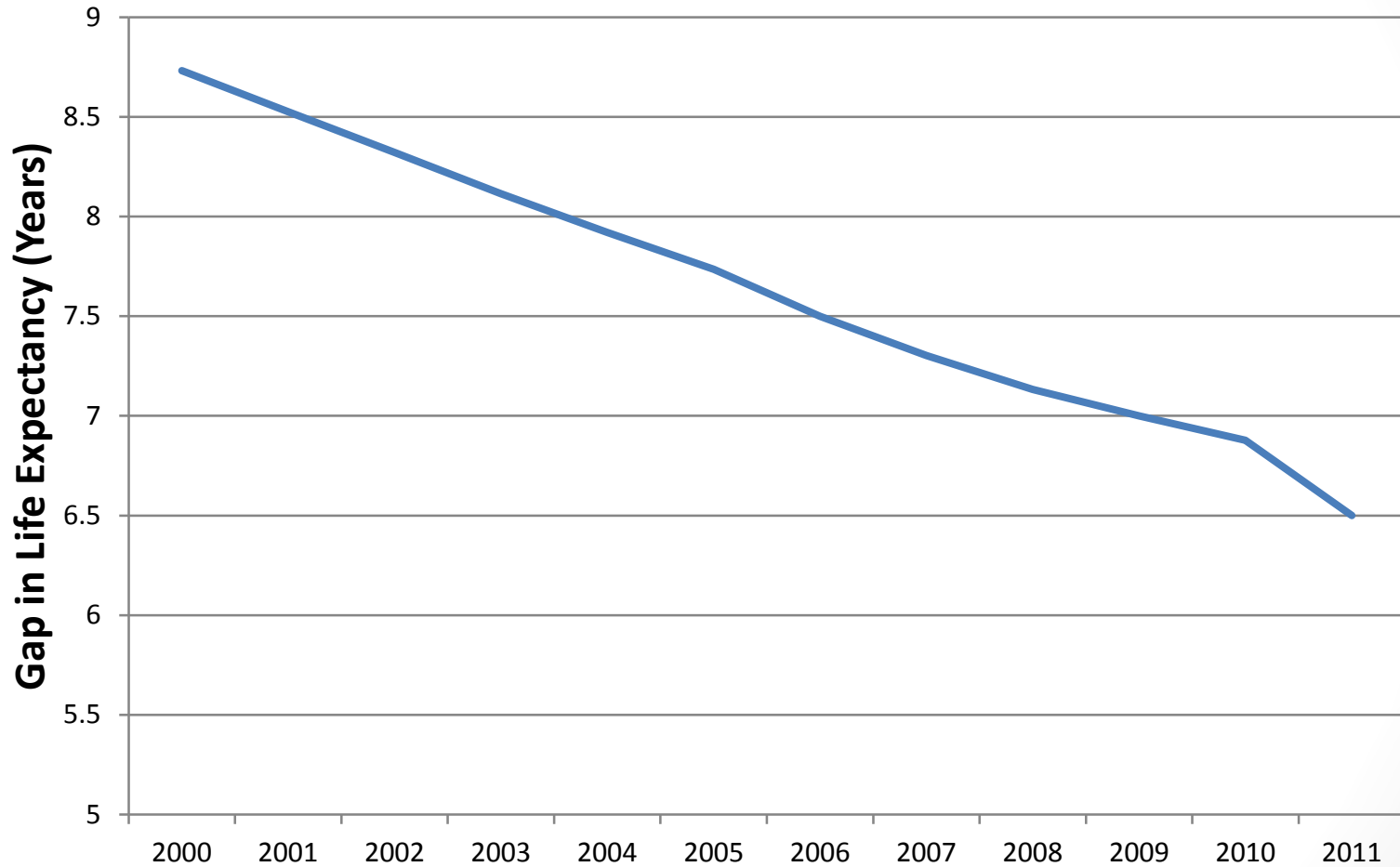
ASEAN Development Gap – Human Development



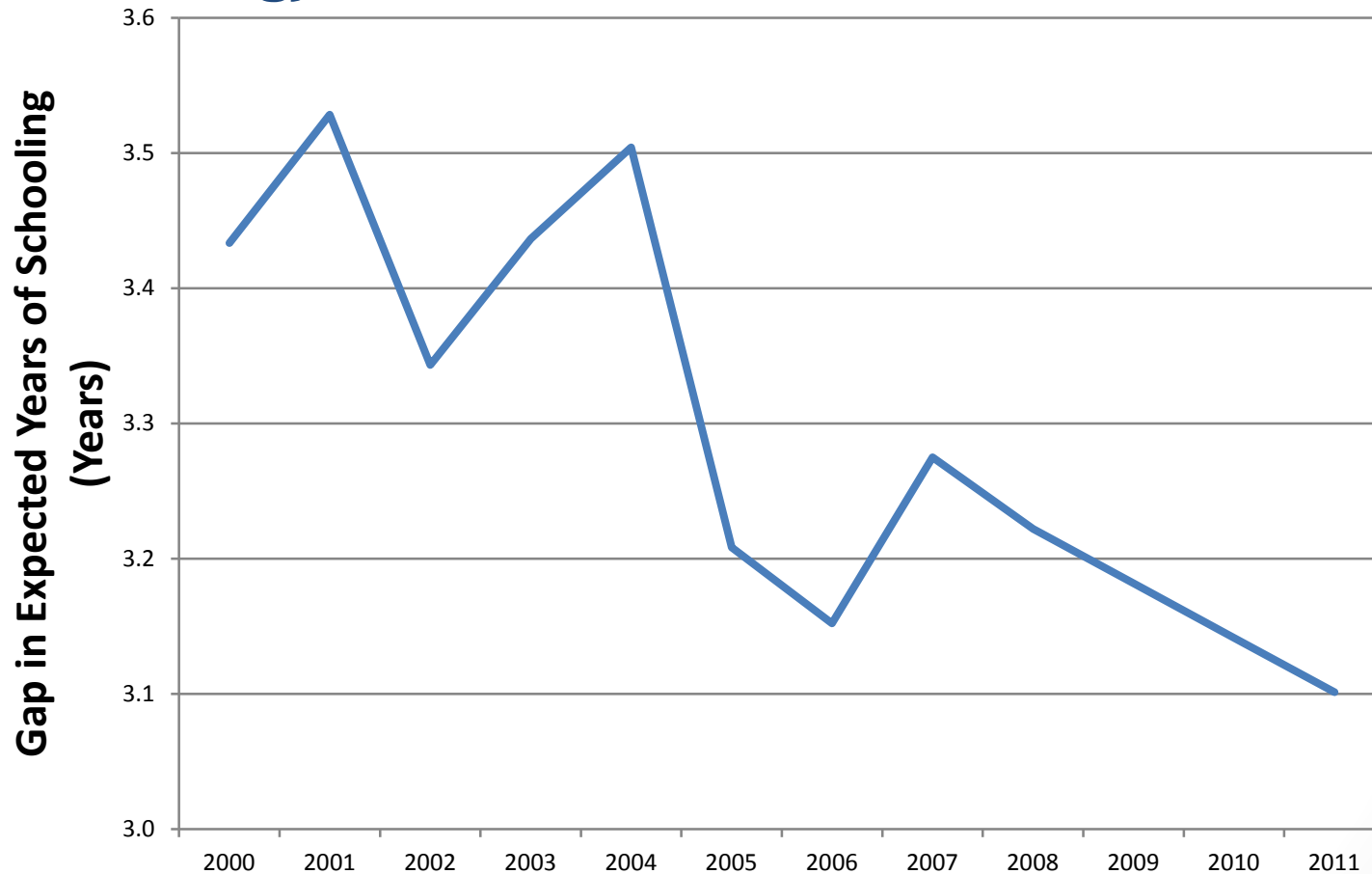
ASEAN Development Gap: Income per capita



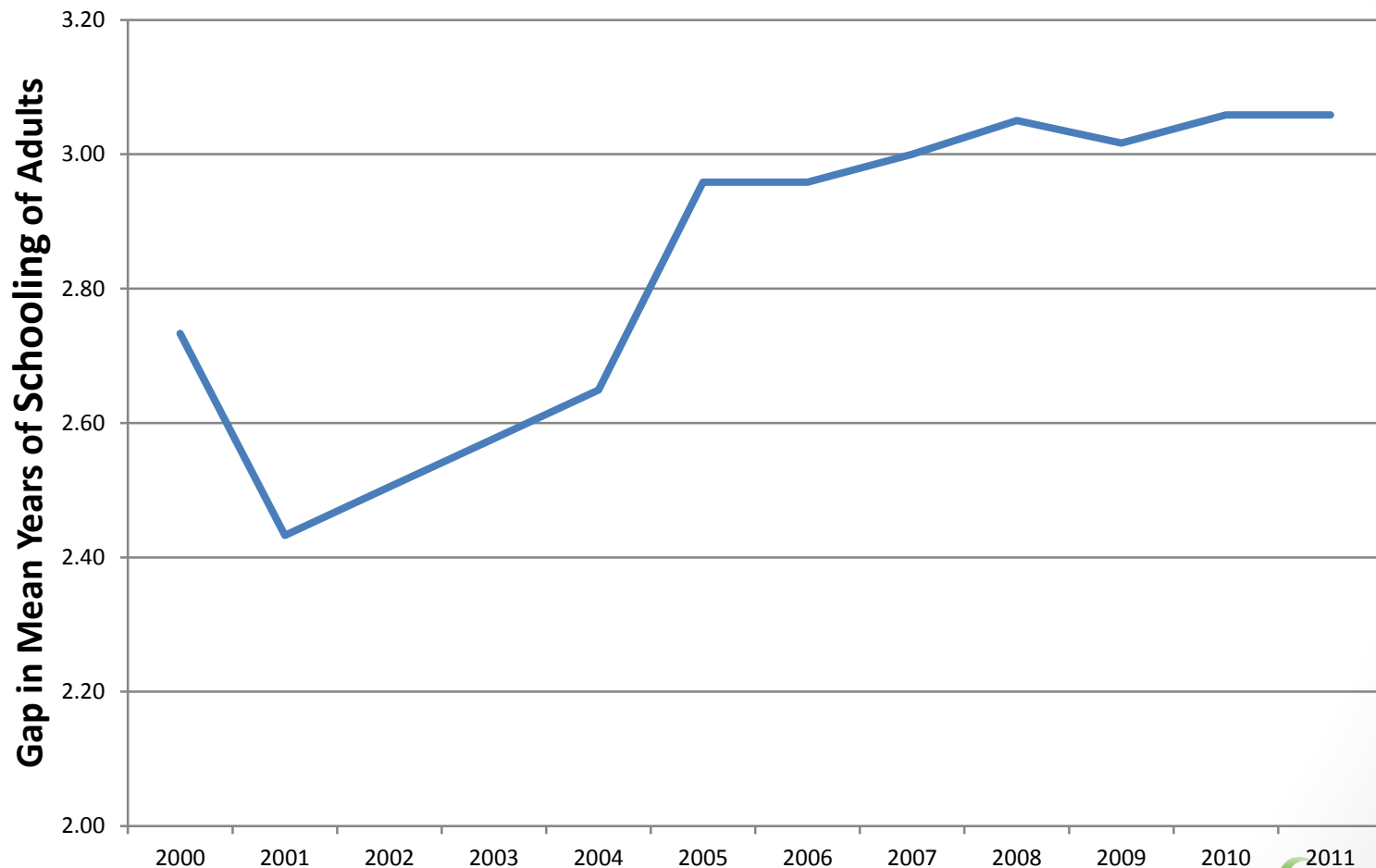
ASEAN Development Gap: Health



ASEAN Development Gap: Education (Expected Years of Schooling)



ASEAN Development Gap: Education (Mean Years of Schooling)



Individual CLMV Country Gaps in 2011

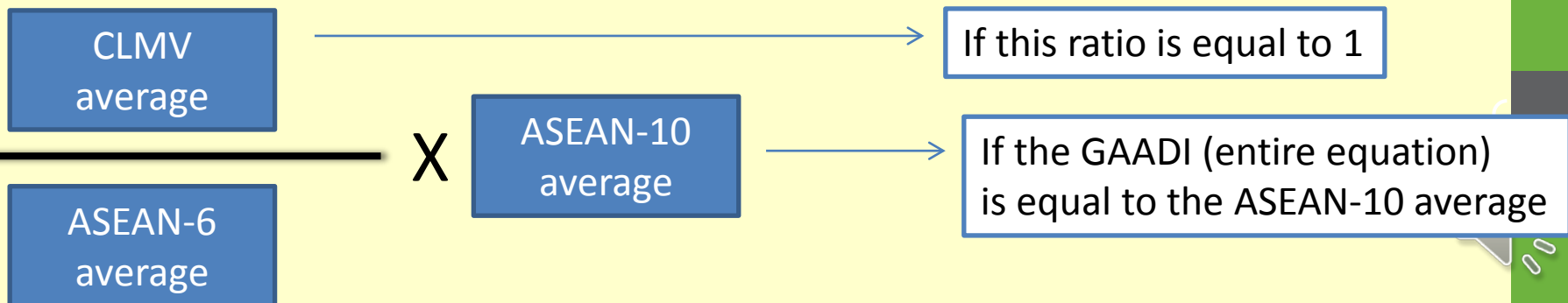
Country	HDI	Income per capita	Health (Life Expectancy)	Education (actual years of schooling)	Education (expected years of schooling)
Cambodia GAP with ASEAN-6 ave.	0.212	19840	11.2	2.2	2.4
Lao PDR GAP with ASEAN-6 ave.	0.211	19341	6.8	3.4	3.4
Myanmar GAP with ASEAN-6 ave.	0.252	20048	9.1	4.0	3.6
Viet Nam GAP with ASEAN-6 ave.	0.142	18630	-1.0	2.5	3.0
Memo: ASEAN-6 Average	0.735	21756	74.3	8.1	13.5



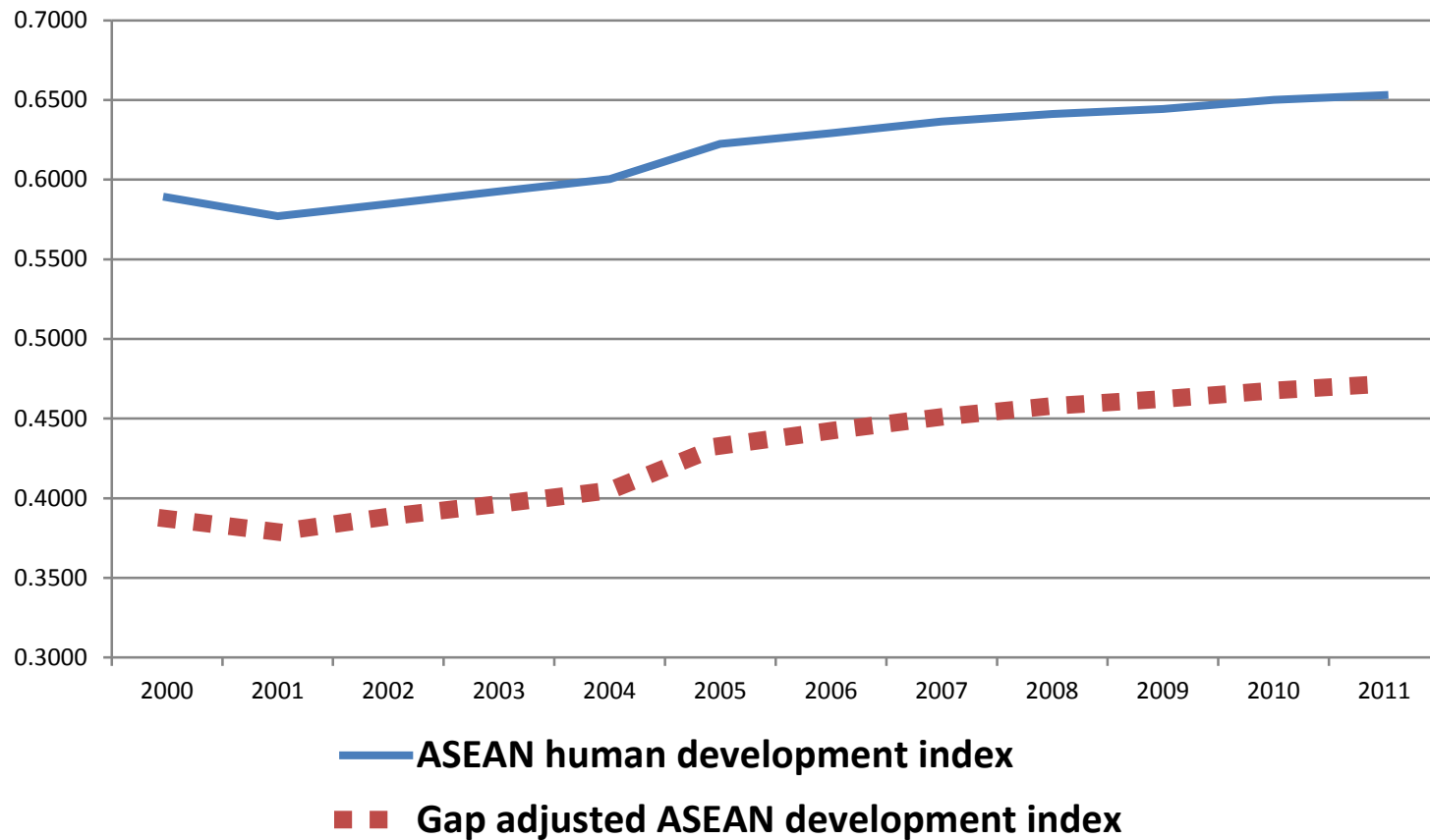
ASEAN Development Gap: Forgone Achievements

- Disparities among ASEAN member states implies a loss in development achievements owing to the existence of the development gap
- If all ASEAN countries had the same levels of development, each is achieving its development potential
- This can be measured by the Gap Adjusted ASEAN Development Index (and adaptation of the Inequality Adjusted Human Development Index)
- The Gap Adjusted ASEAN Development Index (GAADI) is a gap-weighted average achievement of ASEAN (ratio of CLMV to ASEAN-6 achievement multiplied by overall ASEAN achievement)
 - About growing the cake and having a more equitable share of it among member states

THE GAP HAS BEEN CLOSED IF:



Gap Adjusted ASEAN Development Index



The Role of Connectivity in Reducing the ASEAN Development Gap

- Physical connectivity and NDG
 - Access to physical infrastructure increases growth, improves access to markets and basic services, increases employment opportunities
 - Infrastructure investments in the CLMV must be prioritised
- Institutional connectivity and NDG
 - An enabling environment must also exist to maximise the impact of physical infrastructure
 - Evidence that the competitiveness of ASEAN countries has actually stagnated over the past five years
- People-to-People connectivity and NDG
 - Progress on labour mobility has been limited and restricted to a few skilled professions
 - Labour mobility policies must be extended to unskilled workers

Physical

Institutional

People to
people

Connectivity Challenges

- Asymmetric benefits of greater connectivity –skewed towards the poorer countries
- Infrastructure investments amounting to US\$60 billion per year to 2015 are required
- Minimising the environmental and social impacts of large scale infrastructure projects
- Integrating infrastructure programs at the national, sub-regional and regional levels
- Political commitment to greater labour mobility and addressing brain drain impacts

Regional Development Cooperation and Narrowing the Development Gap in ASEAN

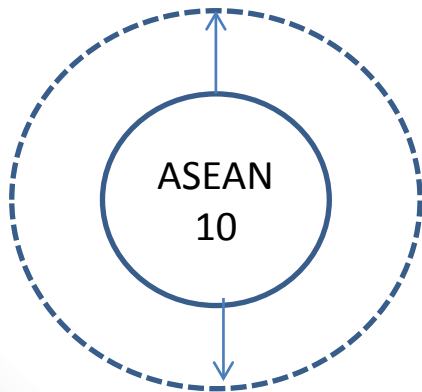
- Regional Development Cooperation plays an important role in promoting development achievements, but more work needs to be done to identify the optimal forms of this mode of co-operation, and to better coordinate its delivery, if the development gap in ASEAN is going to be narrowed more expeditiously
- A complex array of development actors work at bilateral, regional and multilateral levels within low income ASEAN members; these include traditional OECD-DAC donors, as well as emerging Southern donors such as China
- It is important to outline the many ways ASEAN as a regional actor can contribute to development outcomes through, for example, promoting the gains from trade and regional economic integration, managing transboundary environmental and health issues and promoting peace and security.

Regional Development Co-operation

- ASEAN plays an important role in providing regional public goods such as trade openness and peace and security. These public goods provide the necessary but not sufficient conditions for narrowing the development gap in ASEAN.
- The review highlighted the fact that aid flows to CLV are relatively high on a per capita basis, but low in Myanmar
- The discussion also highlighted the important role China plays as a regional actor.
- Many of the types of activities that would be expected to improve development outcomes in these areas are delivered through bilateral and multilateral agencies. The IAI work plan focuses on the development of human capital, the sharing of lessons learned and the formulation of appropriate policy responses.

Conclusion: Narrowing the ASEAN Development Gap

- Narrowing the ASEAN Development Gap is not just about devising policies for higher achievements in health, education and income across the ASEAN member states as a whole
- It is about ensuring that policies **benefit the CLMV countries disproportionately**, Cambodia, Laos and Myanmar in particular
 - Growing the ASEAN cake **and** increasing the share going to the CLMV countries



Thank you.

Images from:

<http://deakin.edu.au/research/stories/images/1282104007-mark-large.jpg>

<http://www.uwsv.org/sites/uwsvc2.oneeach.org/files/uwbuildingblocks.jpg>