



Sustaining Cambodia's Development Miracle - What next?

2013 Cambodia Outlook Conference

20 February 2013

Phnom Penh, Cambodia

Srinivasa Madhur

Director of Research

Cambodia Development Resource Institute
(CDRI)

Three key questions

- How far has Cambodia come since the early to mid-1990s on its development journey?
- What to aim for next? What should be the development destination over the next two decades?
- What would it take to reach that destination?

Key messages/conclusions

- Cambodia has travelled a long distance on its development journey – (growth, human development, poverty reduction, gender equity, healthcare, and education)
- But the distance to any ambitious yet pragmatic destination (of a poverty-free, healthy, educated, and inclusive society) is quite long too, and
- The next part of the journey may be even more challenging than the distance already covered
- Emergence of Myanmar and AEC may offer fresh opportunities for CAM but will also shrink its policy space.

A note on methodology

- Done in a multi-country, comparative perspective
- Comparator countries
 - Laos, Myanmar, Vietnam, Bangladesh, Nepal, Pakistan
- Benchmark countries
 - Indonesia, Thailand
- Choosing comparator and benchmark countries - the method in the madness

Per Capita GDP 1950-1990 (1990 International Geary-Khamis dollar)

| Year | Cam | Laos | Myan | VNam | Bangla | Nepal | Pakistan | Indo | TH |
|------|-----|------|------|------|--------|-------|----------|------|------|
| 1950 | 482 | 613 | 396 | 658 | 540 | 496 | 643 | 803 | 854 |
| 1960 | 671 | 679 | 564 | 799 | 545 | 607 | 647 | 1012 | 1078 |
| 1970 | 647 | 748 | 642 | 735 | 630 | 653 | 952 | 1181 | 1694 |
| 1980 | 828 | 876 | 828 | 757 | 549 | 652 | 1161 | 1870 | 2554 |
| 1990 | 881 | 929 | 786 | 1025 | 631 | 825 | 1588 | 2514 | 4633 |

Cambodia's growth and human development – nothing short of a miracle

- *Strong growth* – 7.8% average GDP growth and 6% per capita income growth (1994-2011) is the highest among comparator countries
- *Large increase in agricultural production and yield* – 3.2 times and 2.3 times (1990-2010), highest among comparator countries
- *Second highest increase in HDI* – 36% (1995-2011), lower than only Bangladesh (43%)
- *Low inflation* – 5.5% average inflation rate (1995-2011), lowest among comparator countries

Since WWII, only 13 countries have achieved annual average GDP growth of 7% or more over 25 or more consecutive years.

Health and education – a borderline miracle

- *Largest reduction in HIV* – 0.8 PP in 1994-2009
- *Largest reduction in TB incidence* – 19% in 1994-2010 (537 to 437)
- *Second largest reduction in infant and child mortality rates* – 51% and 58% (1994-2010), only Bangladesh better
- *Third largest reduction in maternal mortality rate* – 58% (1994-2010), Vietnam and Bangladesh better
- *Modest increase in life expectancy* – at 6.62 yrs (1994-2010), less than in Laos, Bangladesh and Nepal
- *Mixed progress in education* – second largest increase in primary enrollment after Pakistan, but lower increases in secondary and tertiary enrollments than most comparator countries.

Poverty reduction and inclusion – robust progress

- *Robust poverty reduction (\$1.25)* – 1.84 pp a year (1994-2008), better than Laos, Bangladesh and Pakistan but lower than Vietnam and Nepal (3.1pp)
- *Trendless but relatively high income inequality* – at 0.38 the Gini coefficient is higher than all the comparator countries, though only marginally so than Laos and Vietnam
- *Trendless but high income polarisation* – at 6.1 the ratio of income share of the top 20% to the bottom 20% is higher than all comparator countries, but only marginally so than Laos and Vietnam
- *Better gender balance today and more could follow* – outcome indexes less so than a measure of the legal and institutional framework for gender balance.

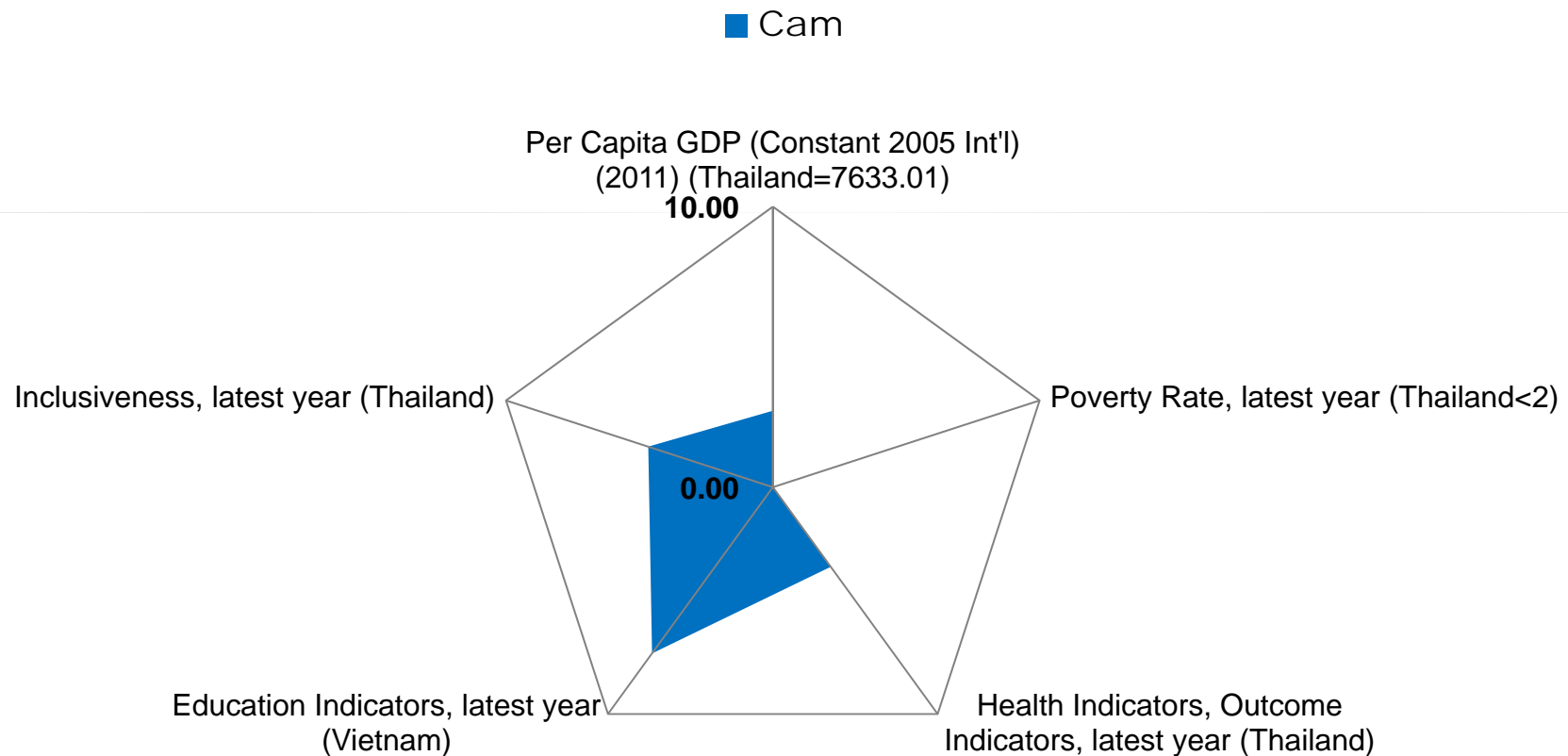
Despite the development miracle, Cambodia has a long way to go

- *Still a low income country* – per capita income lower than Laos, Vietnam and Pakistan (could graduate to middle income status this year)
- *Predominantly a rural economy* – at 23%, lowest share of urban population among comparator countries
- *Significant poverty remains* – at 23% (the \$1.25) poverty rate ahead of Bangladesh, Laos and Nepal, but behind others (50% of population below \$2 a-day)
- *Better health but large gaps still* – weaker than most comparator countries (life expectancy, TB incidence, child mortality and malnutrition)
- *Better but inadequate education* – at 47%, secondary enrollment only higher than in Bangladesh and Myanmar; at 17%, tertiary enrollment only higher than in Myanmar.

What to aspire for? Ambitious
but pragmatic enough

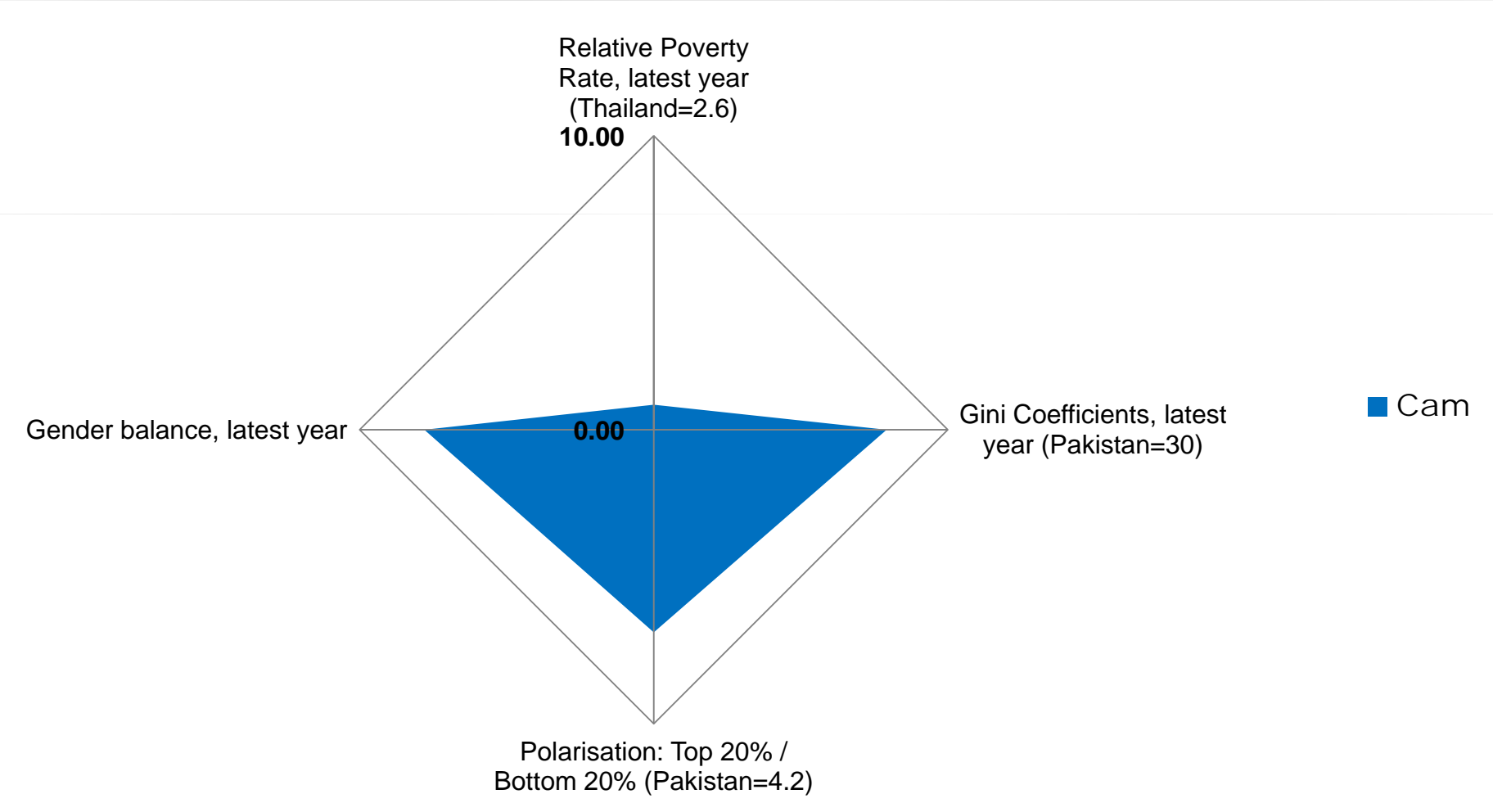
- Strong but sustainable growth
- Better inclusion
- Much stronger health
- Big strides in education

Cambodia's development gaps from potential goalposts



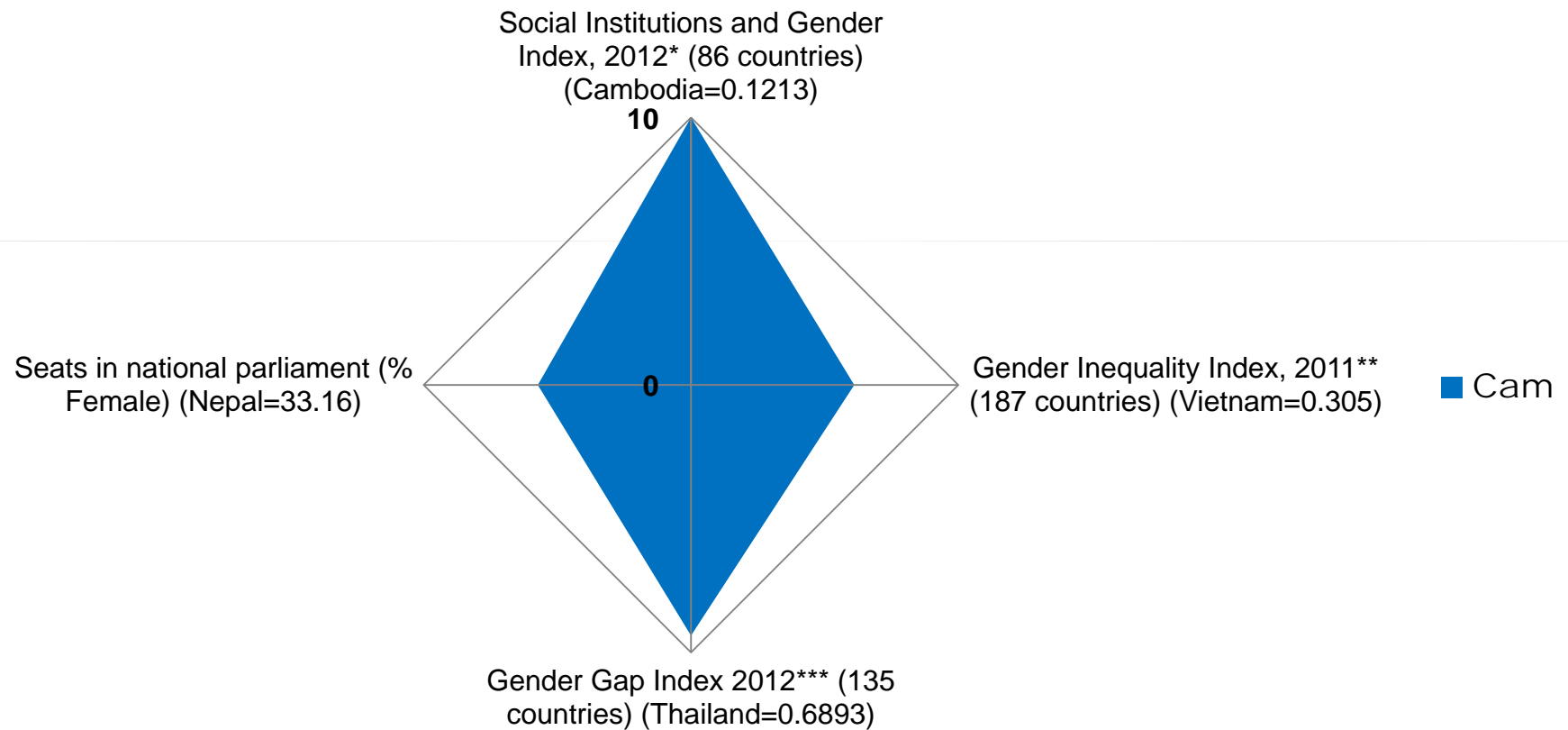
Note: 10=better performance, 0=worse performance

Inclusiveness gaps from potential goalposts



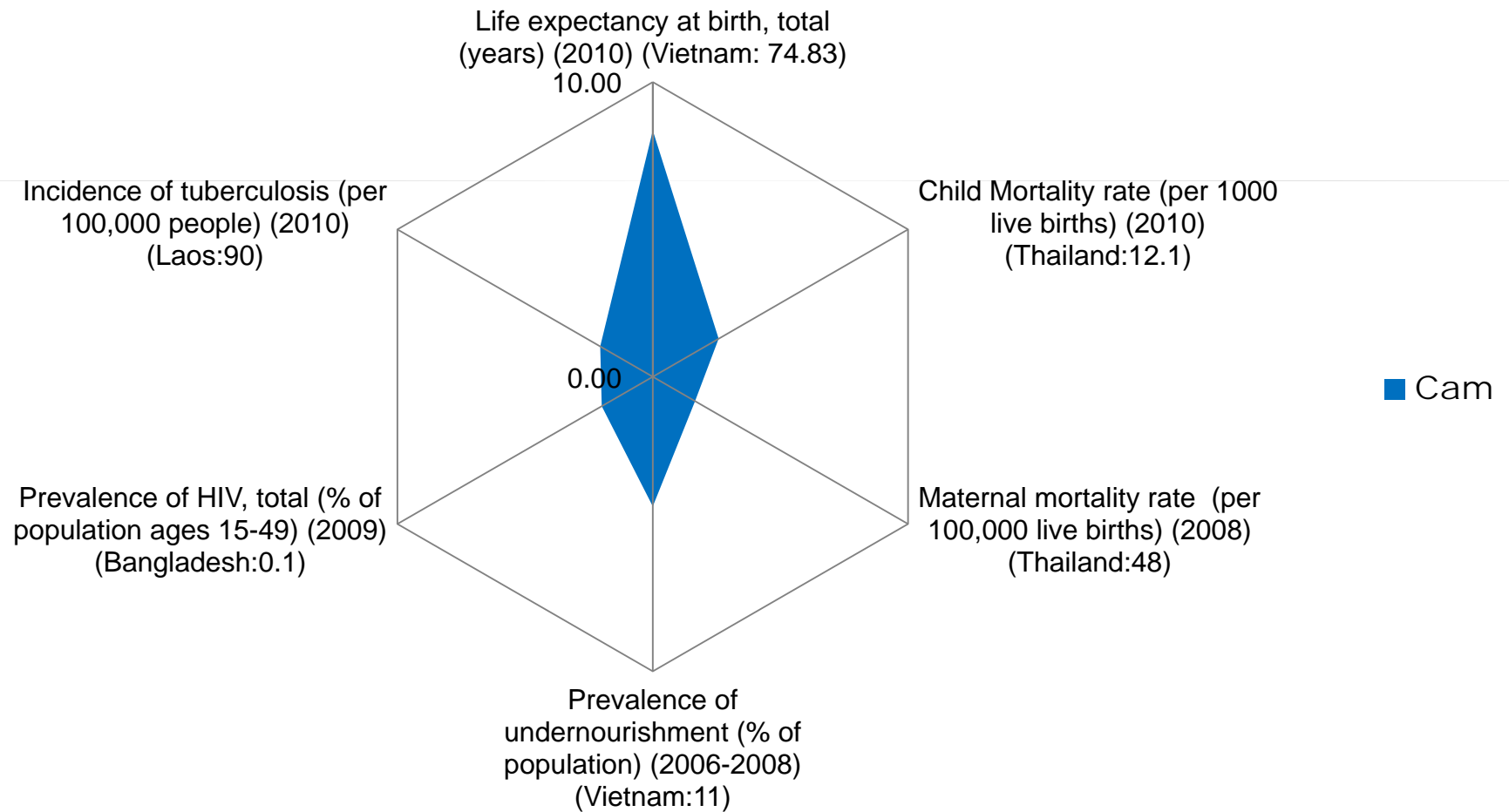
Note: 10=better performance, 0=worse performance

Gender balance gaps from potential goalposts



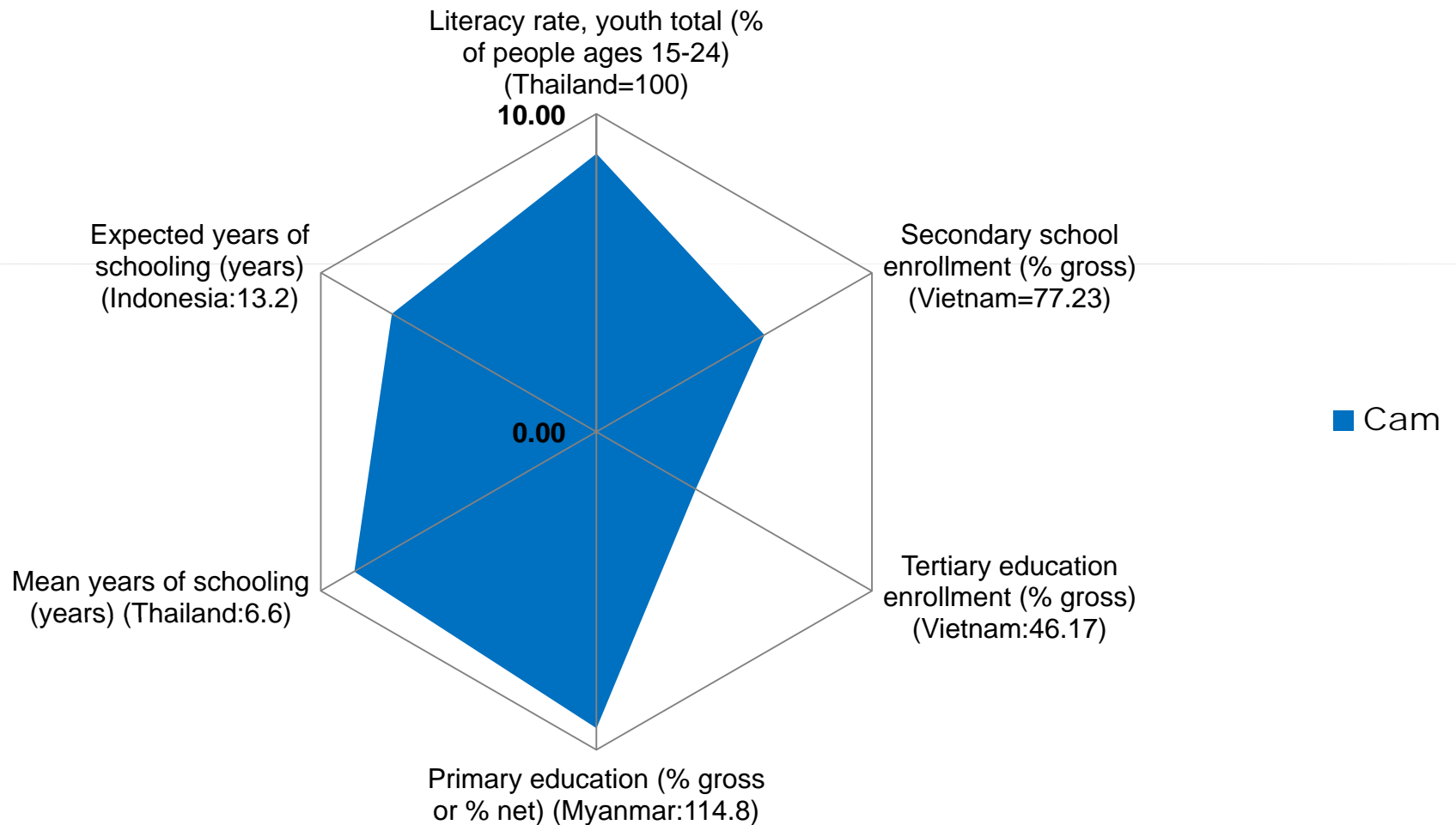
Note: * 0 = low discrimination, 1 = high discrimination ; ** 0=when women and men fare equally and 1=where one gender fares as poorly as possible in all measured dimensions; *** the highest possible score is 1 (equality) and the lowest possible score is 0 (inequality);

Health gaps from potential goalposts



Note: 10=better performance, 0=worse performance

Education gaps from potential goalposts



Note: 10=better performance, 0=worse performance

The common characteristics of high, sustained growth

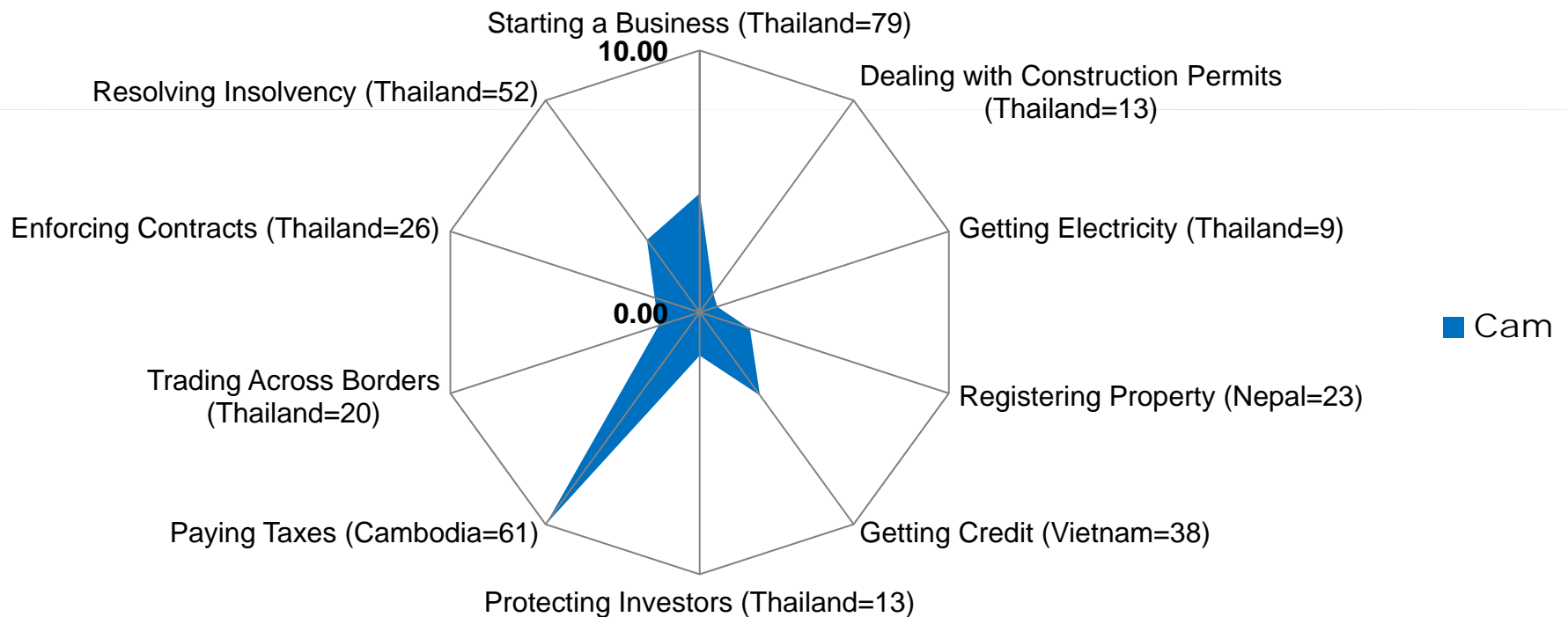


Strong growth has a high price tag

“Strong, enduring growth requires high rates of investment... If the sustained, high growth cases are any guide, it appears that overall investment rates of 25 percent of GDP or above are needed ... They often invested at least another 7-8 percent of GDP in education, training, and health, ... although this is not treated as investment in the national accounts”

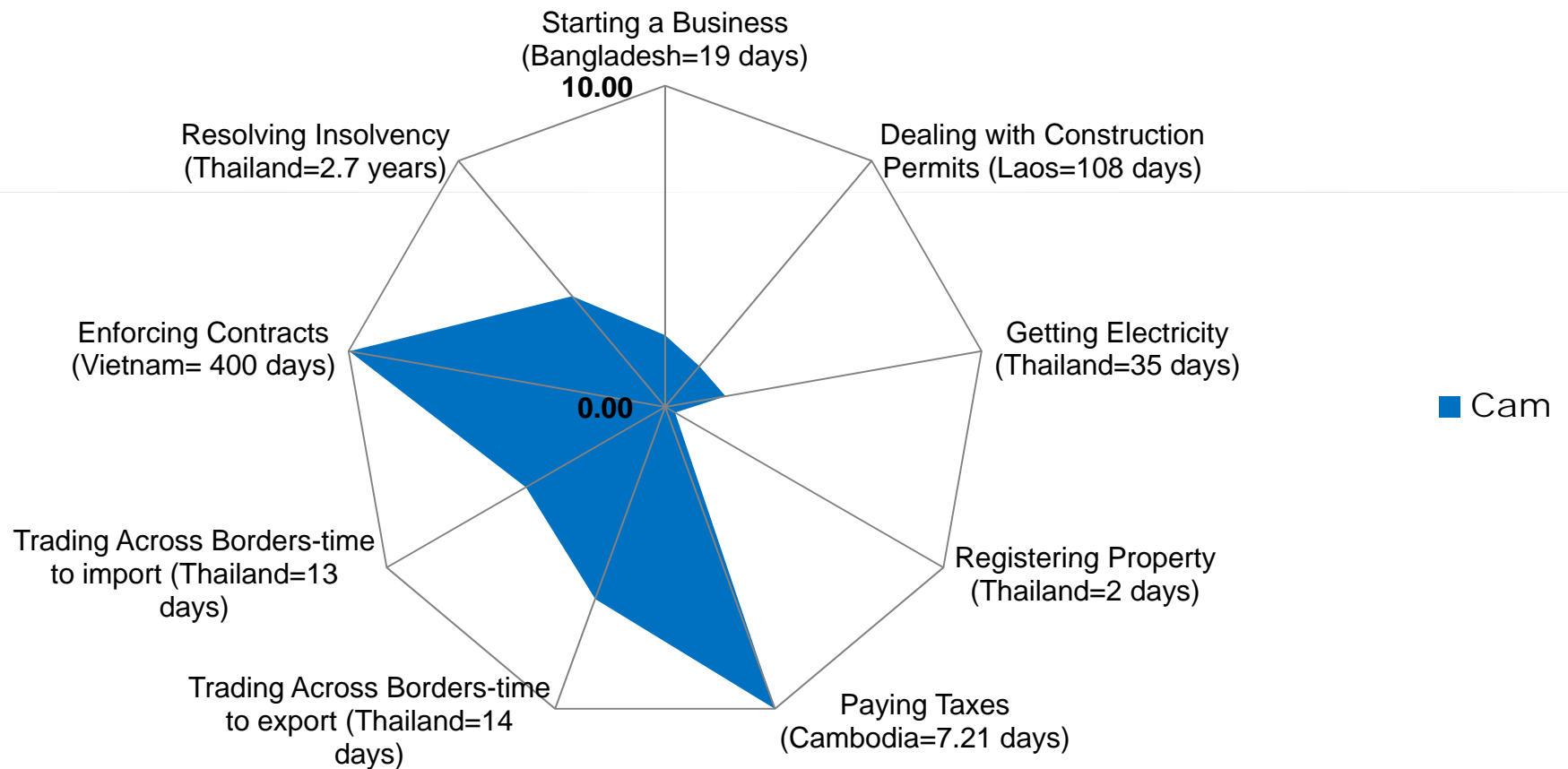
Commission on Growth and Development (2008), “The Growth Report: Strategies for Sustained Growth and Inclusive Development”, World Bank.

2012 business environment - Cambodia's gaps from the best among the 8 countries (ranked out of 185 countries)



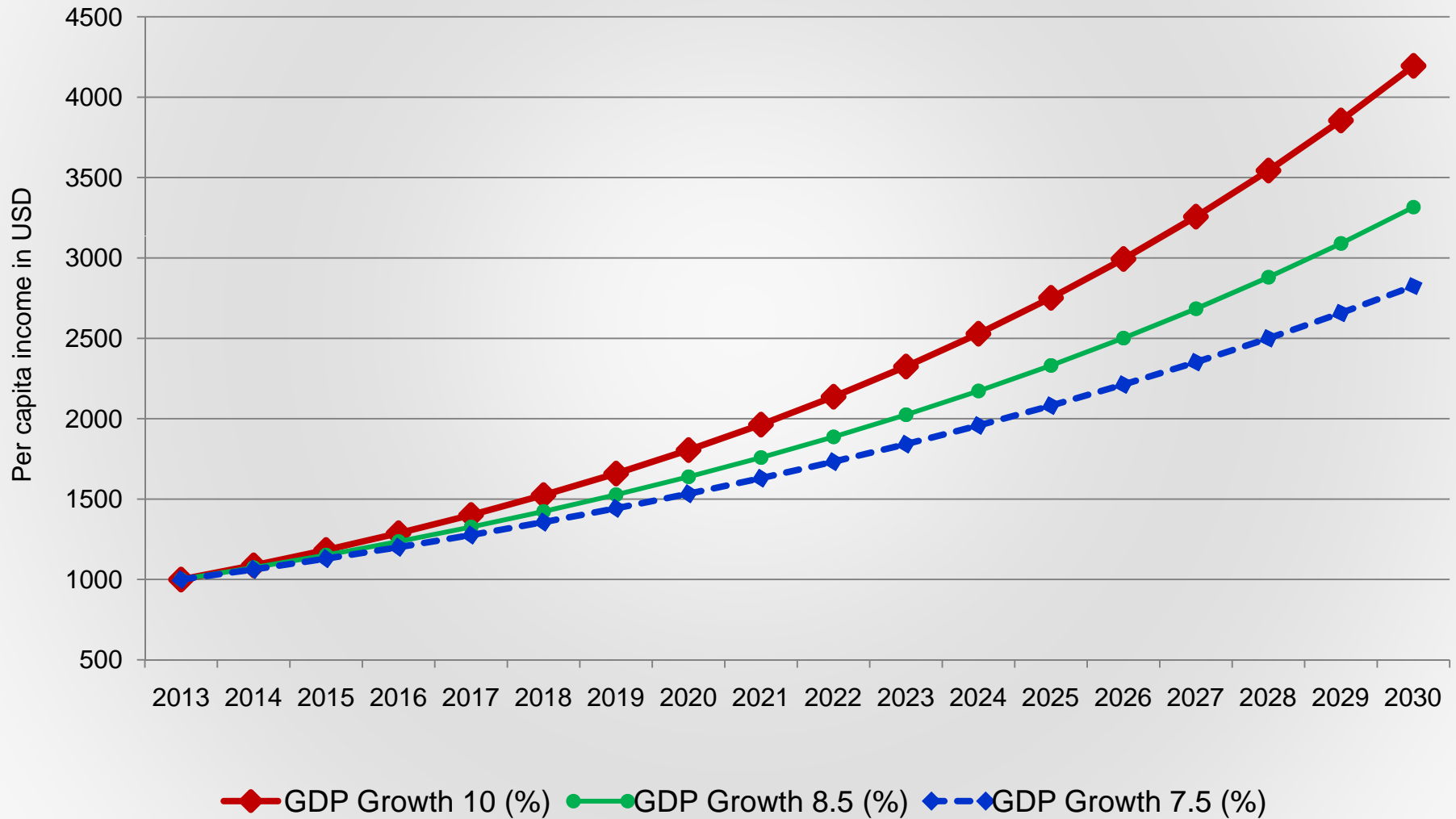
Note: 10=better performance, 0=worse performance

2012 business environment - Cambodia's gaps from the best among the 8 countries (duration)



Note: 10=better performance, 0=worse performance

What growth target? Cambodia's per capita income under alternative growth scenarios



Growth and beyond – human needs and social inclusion

“ Money matters, but the evidence shows overwhelmingly that great improvements can be achieved in other aspects of development without going flat out for economic growth ”

UNDP, 2010 Human Development Report

