

Productivity and Competitiveness  
in CLMV Countries

July 5, Thammasat

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Overview of Presentation

- 1. What is Productivity
- 2. What is Competitiveness?

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1. What is productivity?

- Productivity is the **ratio of output to input**. It is a measure of how efficiently and effectively a business or an economy uses inputs such as labour and capital to produce output such as goods and services.
- Labour productivity
  - Measures the value added or (output achieved) per worker
- An increase in productivity means that more goods and services are produced with the same amount of labour and capital.
- Why productivity is important?

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Labour productivity Asia-Pacific

Output per employed person, PPP, 2013 (constant international \$)

- ASEAN 10,800
- India 9,300
- China 15,000
- Korea 58,000
- Japan 66,000



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Labour productivity in ASEAN

Output per employed person, PPP, 2013 (constant international \$)

- Myanmar 2,800
- Cambodia 4,000
- Laos 5,400
- Vietnam 5,400
- Philippines 10,000
- Indonesia 10,000
- Thailand 15,000
- Malaysia 36,000
- Singapore 98,000
- Brunei 100,000

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2. What is competitiveness?

Business Dictionary:

“The ability of a firm or a nation to offer products and services that meet the quality standards of the local or world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them”

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### What do entrepreneurs need to start and grow a business?

The angle of the World Bank's approach

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency

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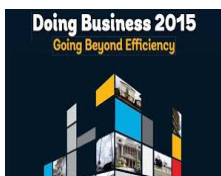
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### “Doing Business” – The World Bank

The World Bank looks at how business regulations determine whether good ideas can get started and thrive ...

<http://www.doingbusiness.org/rankings>



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### ... and a broader perspective

“We define **competitiveness** as a set of **institutions, policies, and factors that determine the level of productivity of an economy**, which in turn sets the level of prosperity that the country can earn.”

**World Economic Forum**

Global Competitiveness Report 2015-16

<http://reports.weforum.org/global-competitiveness-report-2015-2016/videos/>

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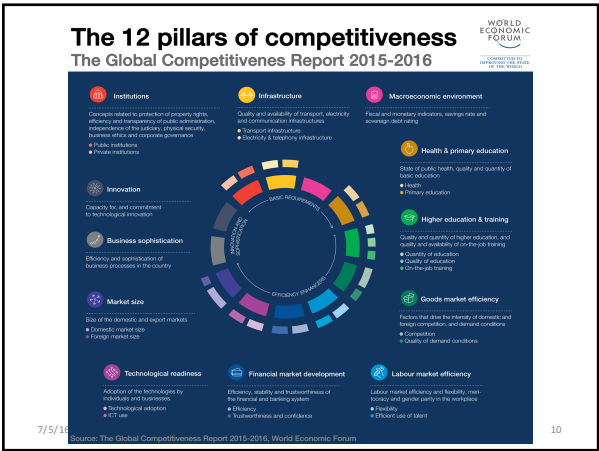
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**Key drivers at different levels of development**

- **Basic requirements** -→ key for factor-driven economies
- **Efficiency enhancers** → Key for efficiency-driven economies
- **Innovation and sophistication** → innovation-driven economies

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**Basic requirements**

- ✓ **Institutions**  
Protection of property rights, efficiency and transparency of public administration, independence of judiciary, physical security, business ethic and corporate governance
- ✓ **Infrastructure**  
Quality and availability of transport, electricity and communication infrastructure
- ✓ **Macroeconomic environment**  
Fiscal and monetary indicators, saving rate and sovereign debt rating
- ✓ **Health and primary education**  
State of public health and the quantity and quality of basic education

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Efficiency enhancers

- ✓ **Higher education and training** (incl. on-the-job training)
- ✓ **Product market efficiency**  
Factors that drive the intensity of domestic and foreign competition, and demand competition
- ✓ **Labour market efficiency**  
Efficient use of talents, gender equality in the workplace, flexibility ...
- ✓ **Financial market development**  
Efficiency, stability and trustworthiness of the financial and banking system ...
- ✓ **Technological readiness**  
Technological adaptation and ITC use
- ✓ **Market size**

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Innovation and sophistication

- ✓ **Innovation**  
Capacity for and commitment to technological innovation
- ✓ **Business sophistication**  
Efficiency and sophistication of business processes in the country

WEF- GCR 2015-16

<http://reports.weforum.org/global-competitiveness-report-2015-2016/>

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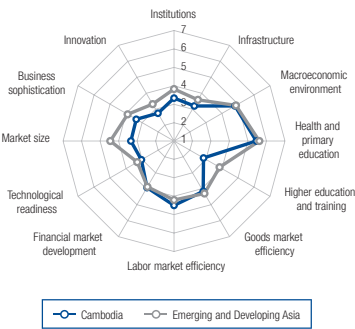
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Example of Cambodia



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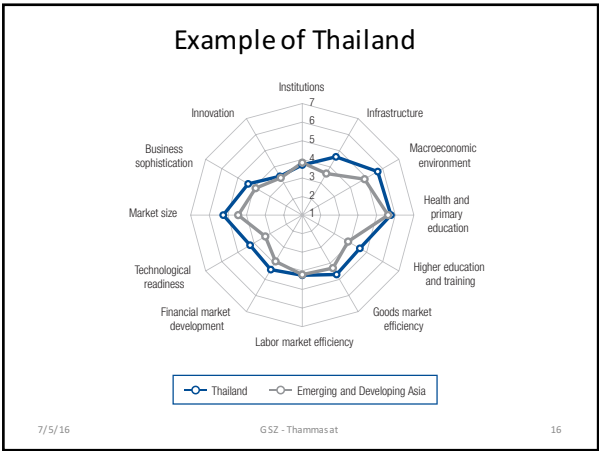
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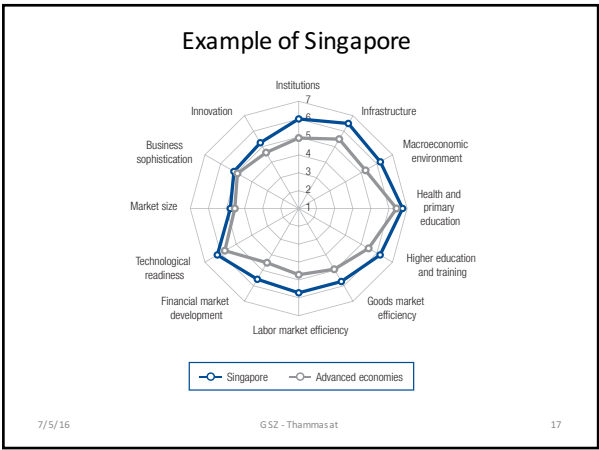
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## “Doing business” teams

**Teams 1:**  
Topic: Doing business in 2 CLMV countries.  
Task: Which are the three critical areas in each country where the government needs to improve business regulations? Explain why.

**Teams 2:**  
Topic: Doing business in 2 CLMV countries.  
Decide what type of business you want to start in a CLMV country. (small or big, in which sector, need credit or not, alone or with a local partner etc). Pick the country that would suit you best because of “ease to do business” there, based on regulations. Explain your choice.

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“Doing business” teams

Type in the browser: doing business Cambodia  
<http://www.doingbusiness.org/data/exploreeconomies/cambodia/>

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“Competitiveness” teams

**Task:** Select two CLMV countries. Compare their strength and weaknesses, and propose three areas in each where they need to improve their competitiveness. Explain why.

**Remember** that different factors are important for low-income countries and middle-income countries. Look at not just the broad factors (for example, “infrastructure”) also the its sub-categories (roads, railways, ports?)

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“Competitiveness” teams

Type in the browser: global competitiveness report 2015  
<http://reports.weforum.org/global-competitiveness-report-2015-2016/>

Then in the box (lose to the left hand upper corner) select the country.

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