

Community Conditional Cash Transfers for Rural Development: Saemaul Undong, Republic of Korea (1970–1979)

Introduction

The “Saemaul Undong” (New Village Movement) was an iconic national rural development program undertaken in the early phases of rapid economic growth in the Republic of Korea. Begun in 1970, the Saemaul Undong was implemented by the national government in partnership with rural villagers. The government provided physical and technological resources to support development projects that were carried out and proposed by villages; at the same time, the government played a role in suggesting priority programs for villages to undertake. The program led to the virtual eradication of absolute poverty within a decade: household income grew more than 10 times by 1981, and rural infrastructure was modernized (Han 2012; Han and Claasen 2017).

Up to the 1960s, Korean development policy focused on industrialization and urban development. In parallel, multiple efforts had been conducted to spark rural development with limited success. Instead, Korea witnessed increasing urban-rural development and income gaps. In 1970, the government launched the Saemaul Undong to direct additional efforts to rural areas, where most Koreans still resided.

A key aspect of the Saemaul Undong was the use of community conditional cash transfer (CCCT) mechanisms to facilitate and incentivize grassroots-level engagement. The conditional cash transfers aimed to encourage villagers to develop an entrepreneurial, self-reliant mindset, and to undertake development activities: after the initial infusion of resources in the program’s first phase, cash transfers were given only to villages that met preset government criteria, such as reaching a household income target, and the establishment of infrastructure in individual households and farming facilities. The amount of money held by the village development fund—a community credit cooperative for village development activities—was another criterion. The differentiated amount of cash transfers between villages then led to inter-village competition to secure further resources for development.

The Saemaul Undong’s interventions were built on rural reforms and development efforts in the 1950s and 1960s, such as land-to-the-tiller reform programs and investment in literacy. While literacy and land reform efforts were largely successful, other community development and infrastructure investment projects had been less successful (Han and Claasen 2017).



Korea Program FOR
Operational Knowledge



기획재정부
Ministry of Economy
and Finance

PROJECT DATA

SECTOR:

Rural Development

DEVELOPMENT CHALLENGE:

Poverty Reduction and Rural Development

DELIVERY CHALLENGES:

Stakeholder Engagement; Roles & Responsibilities; Financing Mechanism

COUNTRY:

South Korea

REGION:

East Asia

PROJECT DURATION:

1970–1979

This delivery note was adapted with permission by Yoon Jung Lee from an original case study by Do Hyun Han and Casper Hendrik Claassen. The original case study was commissioned by the Ministry of Economy and Finance of the Republic of Korea (MOEF) and the KDI School of Public Policy and Management for the Global Delivery Initiative. This adaptation presents a condensed version of the original case study; although the analysis of the delivery note draws on that of the case study, this note does not necessarily reflect the views of the original author, the MOEF, or the KDI School. The preparation of this delivery note was supported by the Korea Program for Operational Knowledge, a partnership between the MOEF and the World Bank Group.

Development Challenge

Despite rapid economic growth in the 1960s, reducing poverty remained the top national priority in the 1970s owing to a widening income gap between urban and rural areas. Given that in the early 1970s 59.3 percent of the Korean population still resided in rural areas and 27.9 percent lived in absolute poverty, rural development was seen as crucial for national poverty reduction (Kwon 2010).

Intervention

The government launched the Saemaul Undong in 1970 to promote rural development. Clear development goals were set for each of the three-year program periods, thus proposing a road map for poverty reduction: (a) establishing basic infrastructure, (b) implementing income-generating projects, and (c) leading more villages to be self-reliant. The CCCT system structured the program. Because cash transfers were selectively given to successful villages, the villages competed for cash transfers and opportunities to achieve further development, and the winners were given resources for additional growth (Han and Claasen 2017).

In phase one of the Saemaul Undong (1970–1973), the government sought to establish infrastructure income generation. Nearly 20 years after the Korean War, Korean rural villages still lacked basic rural infrastructure, such as accessible roads, electricity, and modern irrigation facilities, which hindered efforts to increase productivity and household income (Goldsmith 1981; Han, Song, and Park 2013).

Beginning in 1970, the government distributed equal amounts of cement and rebar to all villages in the first four months of the Saemaul Undong. The government differentiated the following year's support by villages' achievement in the Saemaul Undong framework, such as activities carried out to increase household income and the amount household incomes increased. In 1973, villages were classified into three categories on the basis of overall infrastructure and household income level: (a) least-developed villages were designated basic, (b) developing villages as self-help, and (c) most-developed villages as self-reliant. These categories were distinguished by the degree of accomplishment in five target areas: farm roads, housing, irrigation, cooperative life, and income-generating projects. From 1973, income reinvestment projects (IRP), were initiated in self-reliant villages, building on the original CCCT mechanism. The government contracted with the village for small-scale construction projects under IRP, which worked as a public-private partnership between government and the village.

Addressing the Delivery Challenges: Increasing Engagement

Throughout the implementation of the program, the most critical delivery challenge was ensuring engagement of local officials and villagers. Thus, adjustments made during later phases focused in particular on tackling this delivery challenge.

In the second phase (1974–1976), the priority shifted to income generation and advanced infrastructure, thanks to the successful installation of basic infrastructure in the first phase. IRP soon became the core funding mechanism for this phase, because it functioned as a powerful motivator for rural village development. The villages that did not perform well enough to receive IRP received special training and support from the government from 1975 on to stay in the program.

By the third phase (1977–1979), the government focused on increasing the number of self-help villages and raising rural household income (Han and Burmeister 2015). Reflecting on the lessons from previous, failed community development projects, the government designed a structure to ensure interest-driven and voluntary participation. CCTs were considered an effective tool for this purpose, along with continuous efforts to promote confidence, motivation, and skillsets of villagers. Meanwhile, efforts to cultivate new mindsets, or “development of the mind” were summarized in the Saemaul Undong's official slogan of *diligence, self-help, and cooperation*.

Rural development failures before the Saemaul Undong were primarily caused by disengaged villagers and civil servants because of a lack of appropriate incentive mechanisms. Local government engagement was encouraged by organizational culture reform and tying civil servants' performance review to village performance. To encourage greater transparency, monitoring and evaluation of villages was managed by non-local high-level officials.

Villager engagement was more complex than engaging with local government structures and leadership. Because the Saemaul Undong identified the village as the most effective unit and targeted it, villager engagement became the most critical component of the Saemaul Undong (Han and Burmeister 2015). The following five strategies and matching incentive mechanisms were devised. First, the villagers were given ownership of the development projects in their village. Village leaders were selected among the villagers, and the villagers were given full discretion to choose, plan, and implement their project as long as it was decided in the village assembly by a set of codified operational guidelines (Han, Song and Park 2013; Han and Burmeister 2015). According to a 1974 study, which surveyed 135 village leaders, 82 percent of the village leaders were selected by “will of the villagers,” 9 percent by nomination by the government, and 7 percent on a voluntary basis (Park 1974). Alongside village assemblies, village development committees (VDCs) operated as the executive steering body for village projects, focusing on development planning, implementation oversight, and supervision. VDCs comprised influential members of the villages, including Saemaul leaders, administrative heads, credit union chairs, and youth assembly chairs. The VDC kept detailed records of village resource inventory use for village projects and tracked the progress of village development projects.

Second, the government provided villages with performance-based incentives, and these incentive payments were reinvested to the village development fund. With the exception of the first phase, when equal amounts of cement and rebar were provided to all villages, in-kind and monetary support was given on the basis of village achievement. The CCCT was the centerpiece strategy; cash transfers were given only to villages that met income increase targets. IRP operated as a public-private partnership structure for a community credit cooperative or a village development fund. When initiating a development project, the government signed a contract with a VDC with the condition that half of the wages from the project would be injected into the village development fund. The government matched funds in approved IRP projects, and the fund’s profits were distributed to the villagers in proportion to their investment.

Third, building capacity and training to enable villagers to become village leaders was emphasized. Village leaders were given the role of overseeing the implementation process and motivating villagers as they carried out infrastructure and income increase projects. The government assigned local officials with experience in managing previous rural development projects to deliver leadership and management training, as it was difficult to find local villagers who had the knowledge and management skills to lead a development project. For the Saemaul Undong, the villagers selected village leaders to be given leadership training that would equip them with a development vision and a standardized growth strategy. The the Saemaul Undong Leaders Training Institute (SLTI) was established as a milestone in capacity building; the institute taught entrepreneurial, accounting, organizational management, agricultural, and communication skills.

Fourth, efforts were undertaken to specifically engage female villagers. Despite the lower status of women in rural areas at that time, every village had one female village leader and one male village leader. The female leaders received leadership training and skill-building exercises. The female leaders then effectively mobilized female villagers in a range of activities, including income-generating projects, antigambling campaigns, and the establishment and operation of credit cooperatives.

Fifth, low-achieving villages were given special support. The leaders from lagging villages were paired with the village leaders of successful villages with a similar environment. Leaders spent days together for experience sharing before standard training at the Saemaul Leaders Training Institute. This intensive face-to-face knowledge sharing inspired, motivated, and empowered the village leaders and helped them get back on the track to success.

Lessons Learned

Korea has successfully managed rural development through the Saemaul Undong since the 1970s, despite the challenges lingering from past failures (Han and Claassen 2017). Within a decade, 5.5 million villagers moved out of absolute poverty, rural infrastructure was modernized, and the urban-rural income gap was reduced significantly (Han and Claassen 2017). The following three elements created a virtuous cycle and paved the road to sustainable rural development after the Korean War.

The first factor that facilitated successful rural development was fostering the government-villager partnership. Support from local government was essential for the government-led development program to succeed, but local government officials were not trained or lacked sufficient incentive to assist rural development. However, a series of

reforms including the introduction of development outcomes as a component of official performance reviews led local government officials to actively support the villages' development agenda.

Second, internal villager engagement was key to drive sustainable growth. The government had a keen interest in tangible development outcomes, and incentivized better outcomes with differentiated government support, such as CCTs and IRPs. Conditional support fueled development competition between villages, motivating villagers with visible rewards. Village communities were empowered in the process, consolidating the road to sustainable growth. Villagers were able to select their own development initiatives, which also encouraged their ownership of and engagement in the projects. Relatively slow-achieving villages were not left behind. They received special attention and support, such as study visits. Villages of all achievement levels were given the opportunity to benefit from incentives, and actively took the lead in their own development initiatives.

Third, the Saemaul Undong was flexible and adaptive. Initiatives for development were led by villagers themselves, which enabled adaptive implementation and also resulted in empowering communities to meet their own needs, as identified by community members themselves. The Saemaul Undong was designed to allow for differentiated approaches and activities, depending on the specific needs of each village.

References

- Goldsmith, Arthur. 1981. "Popular Participation and Rural Leadership in the Saemaul Undong." In *Toward a New Community Life*, edited by Man-Gap Lee. Seoul: Institute of Saemaul Undong, Seoul National University.
- Han, Do Hyun. 2012. "The Successful Cases of the Korea's Saemaul Undong (New Community Movement)." 2011 Modularization of Korea's Development Experience. Knowledge Sharing Program, Report. KDI School of Public Policy and Management and Korea Saemaul Undong Center, Seoul. <http://www.ksp.go.kr/english/pageView/publication-eng/251>
- Han, Do Hyun, and Larry L. Burmeister, eds. 2015. *The Saemaul Movement: A Sourcebook*. Seongnam City, Republic of Korea: Academy of Korean Studies Press.
- Han, Do Hyun, and Casper Hendrik Claasen. 2017. "How to Use Community Conditional Cash Transfers and Inter-village Competition for Rural Development, South Korea (1970–1979)." Global Delivery Initiative Case Study. <http://www.globaldeliveryinitiative.org/library/case-studies/how-use-community-conditional-cash-transfers-and-inter-village-competition-0>.
- Han, Do Hyun, Hwajin Song, and Christian Joon Park. 2013. "Village Leaders and Their Community Activities." In *2012 Modularization of Korea's Development Experience: New Research on Saemaul Undong: Lessons and Insights from Korea's Development Experience*, edited by Ministry of Strategy and Finance. Seoul: Korea Saemaul Undong Center and KDI School of Public Policy and Management.
- Kwon, Huck-ju. 2010. "Implications of Korea's Saemaul Undong for International Development Policy: A Structural Perspective." *Korean Journal of Policy Studies* 25 (3): 87–100.
- Park, Dongseo. 1974. "Role, Selection and Leadership of the Saemaul Leader." *Korean Journal of Public Administration* 12 (2): 48–82. <http://s-space.snu.ac.kr/handle/10371/72300> (in Korean).



© 2020 International Bank for Reconstruction and Development/The World Bank. Some rights reserved. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. This work is subject to a CC BY 3.0 IGO license (<https://creativecommons.org/licenses/by/3.0/igo>).