

A REVIEW OF KOREAN RURAL DEVELOPMENT PLANNING*

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I. Introduction

Since the First Five-Year Economic Development Plan (1962-1966) was launched, the Korean economy has changed drastically. From 1965 to 1992, the rural population decreased to one-third, while the total population increased by more than 50%. During the same period, per capita income increased more than seventy times and exports increased more than one hundred times. The expanded national wealth, however, didn't tentatively spread over the country. In spite of the several rural development plans, the rural-urban income disparity has not diminished. Rather, the gap between rural and urban areas became larger than that in the 1960's.

The necessity of rural development planning in Korea was posed in the process of industrialization itself. Industrial policies were to support the industrial sector and urban areas and resulted in distorted resource allocations sectorally as well as regionally. Due to low productivity, the agricultural sector could not be the strategic sector and the rural population was unable to increase its income through agricultural production alone. Government should have intervened by establishing rural development plans to improve the quality of rural life and raise agricultural productivity. Since the 1970's, the government poured quite substantial resources into the various projects aiming at rural development. The performance of rural

* This is a partially revised version of a paper presented at the International Symposium on Rural Development Planning held at Taichung, Taiwan, the ROC, on March 17-19, 1994.

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development plans, however, has been doubtful.

The purpose of this study is to review the implications of Korean rural development plans by examining their objectives, processes and performances so that we can obtain some lessons or alternatives of rural development in Korea and abroad. To do this, we conduct an overview of Korean rural policies in Section 2. In Section 3, we derive some characteristics of the Korean rural development planning experiences. In the final section, we indicate some problems of Korean rural development planning with a special focus on the recently developed integrated rural development planning and then suggest alternative directions for Korean rural development planning.

II. An Overview of Korean Rural Policies

Agriculture was not selected as a strategic sector in Korean developmental policies because of its low productivity. That means that the rural area was considered only as a low-waged labor supply which was a necessary condition of the economic development according to Lewis (1954). In this section we examine some features of Korean agriculture and then categorize rural policies in order to better understand rural problems in Korea.

1. Features of Korean Agriculture

In the process of Korea's industrialization policy, agriculture was characterized as a low productivity sector and so rural areas represented the region of inefficiency. The low productivity resulted mainly from the structural features of the Korean agriculture. The first one was small-scale family farming: average farm size was 0.9 hectare and more than 67% of all farm households cultivated less than 1.0 hectare in 1963. Even in 1990, average farm size was only 1.25 hectares, with more than 60% of all farmers having less than 1.0 hectare. With average farm size below 1.0 hectare, mechanization of farming was almost impossible. One of the fundamental causes of the low productivity of Korean agriculture can be attributed to the labor-intensive, land-saving pattern of traditional farming.

The second feature was undiversified single-crop (usually rice-

cropping) farming: the share of paddy land was 54.4% of the total cultivated land in 1965, and it had increased to 59% by 1990. The fact that the share of rice in the gross farming revenues decreased from 56.9% in 1965 to 48.2% in 1990, while the share of paddy land in total arable land increased, implied a low rate of returns on rice farming.

The third structural feature in the rural area was that aged laborers increased in both absolute and relative terms. In spite of the steady decreases in rural population, the absolute number of over 50-year-old farmers almost doubled during the 1970-1990 period (from 995,000 in 1970 to 1,853,000 in 1990). Consequently, the proportion of aged farmers almost tripled during the same period (from 20.2% of all farmers in 1970 to 56.3% in 1990). As a result, the number of young farmers (between 20-39 years old) decreased to a third, from 2,154,000 in 1970 to 709,000 in 1990. Decreases in the number of young farmers could pose a major obstacle to the transfer of new agricultural technology.

2. Three Categories of Korean Rural Policies

In order to make agriculture profitable and to increase farm income, the Korean government tried to fulfill three categories of policies for the rural region, agriculture, and farmers. The first category which was for the rural area was to change agricultural structure, which was focused on the ownership and utilization of land. But there existed a golden rule of the agricultural sector, "Farmland Ownership by Farmers", which had its good and bad points. Owing to the rule, most farmers could remain as landlords. Considering that land became the most profitable asset in Korea as the society was industrializing, it was more than fortunate for farmers to have their own land. In the trend of soaring land prices after the 1960s, the rule successfully prevented urban speculators from dealing and owning farmland legitimately. Although not yet realized, farmers' potential income from the land would be enormous. The golden rule, however, played a crucial role in keeping the farm size small. It was hard for non-rural residents who were willing and able to manage profitable farm to purchase or expand farm size because of the rule.

Low profitability of farming as well as the restriction on the ceiling (3.0 hectares) of the ownable farmland hindered farmers from

expanding their farm size. As mentioned above, small-scale farm size was one of the important factors of low productivity in Korean agriculture. Any rural development policy that might violate the golden rule cannot achieve the expected performance, i.e., improvement of agricultural and regional productivity.

The second category which was for agriculture was to support agricultural technological progress, including farm mechanization. Many labor-saving technologies were introduced to prepare for the reduction of farm laborers. Mechanization required large-scale farmland which could be attained by farmland consolidation. Since change in agricultural structure was a premise of this project, mechanization without expansion of farm size could have only limited effects.

Some of the agricultural projects were to diversify farming. These projects really contributed to increasing the agricultural income of farm households. The share of non-rice agricultural income increased from 43.1% in 1965 to 56.6% in 1991. As a result, average agricultural income in 1991 was 7,035,000 won, up from 88,800 won in 1965. Average farm income including non-agricultural income, however, was still lower than that of urban households. In fact, the average farm income was 80.6% of the average urban household income in 1991.

The third category of the policies which was for farmers was to increase the quality of rural life through providing non-agricultural job opportunities, improvements in education, medical care, welfare insurance and residential environments. At the same time, the government tried to change mental as well as physical attitudes in terms of initiating campaigns to emphasize goals such as diligence, saving, moderation and cooperation. Since mental attitude can hardly be changed by external force, the effects of the campaigns were questionable. The performances, however, of the other practical policies were remarkable. The share of non-agricultural income increased constantly, average years of school education for rural residents also increased, and other living conditions were substantially improved.

III. Characteristics of Korean Rural Development Plans

In order to derive some major characteristics of Korean rural

development planning, we classify Korean rural policies from the 1960s into three stages and then we identify some problems of the rural policies.

1. Stages of Rural Development Planning

1) Beginning stage of rural development, the 1950s and 1960s
At this stage the necessity or importance of rural development was recognized by policymakers since successful performance of the First and Second Five-Year Economic Development Plans caused serious regional and sectoral imbalances. In fact, the rural population began to decrease absolutely from 1967 and the share of agricultural employment fell to less than 50% of total employment in 1969 from 60.6% in 1963.

In 1958, the Community Development Program which was adopted by the United Nations and the United States of America for development of less developed countries after the Second World War was introduced as a rural policy by the Korean government. The Korean government enacted "the Act on Regional Society Development Committee" for the community development program. A Central Committee was set up under the Ministry of Reconstruction according to the Act to supervise each level of local committees implementing various projects such as agricultural extension, reclamation, construction of roads, bridges, water supply systems and other public facilities.

In 1962, the government integrated the agricultural extension and community development programs into a rural extension system of the Office of Rural Development (ORD) which was established to encourage rural revitalization and increase food production. As a result of many agricultural extension programs emphasized by ORD, farm income and agricultural production increased in nominal terms during the 1960s. Agricultural production indexes increased from 55.6 in 1963 to 77.7 in 1969 and average farm income also rose from 93,179 won to 217,874 won during the same period. But in relative terms, they actually decreased: the average annual growth rate of agriculture was 5.3% while that of the economy as a whole was 7.8% during the First Five-Year Economic Development Plan period. Average farm income, which was almost equal to the average urban

household income in 1963, decreased to two-thirds of the latter in 1969.

Community development programs were largely disregarded so that rural living conditions hardly improved. Negligible expansion of local roads, partial improvements of roofs, toilets, and kitchens of rural housing were all that could be done at this stage. The idea of systematic and comprehensive rural development planning was far beyond the consideration of government officials. The characteristic of this period was that there existed only agricultural development planning instead of regional planning. Agricultural development planning without regional development planning was no more a rural development planning as regional development planning without agricultural development planning cannot be a real rural development planning. When the two plannings are harmonized, rural areas can develop closer or even up to the level of urban areas.

Another aspect of this stage was the "top-down administrative approach" to the rural development policies, which became the most important aspect of Korean public policies thereafter. Residents' demand for public goods and rural development planning had no way to be reflected in those policies. Orders from central government officials, whether they considered public desires or not, were determined as the policies regardless of their efficiency and effectiveness in the corresponding area.

2) New Community Movement stage in the 1970s

At this stage, the First Comprehensive Country Development Plan (1972-81) was established. Basic goals of this plan were efficient land use and administration, enlargement of infrastructure for development, protection and preservation of natural environments, and improvement of living conditions. In order to achieve these goals, detailed development policies such as construction of large-scale industrial bases, provision of public utilities, construction of transportation and communication networks, and enlargement of regional functions for underdeveloped areas were set up. All rural land was classified into 4 large-, 8 middle-, and 17 small-spatial areas to implement the above policies.

Priority of development, however, was on the construction of bases and infrastructures for industry. Therefore, a detailed rural

development plan could not even be established formally. In the meantime, urban housing shortage, unemployment, and transportation problems caused by regional imbalances became more serious than ever. Maintaining the same economic development policies as in the 1960s, the government tried to find an alternate rural development policy. Revitalization of the "Saemaul Undong", or "New community movement", which was initiated as a self-help movement in the rural area was selected. Basic ideas of the movement called for:

- a) mental revolution aimed at diligence, self-reliance and cooperation
- b) leadership training to expedite the mental revolution and
- c) other projects organized and implemented by rural residents.

The movement assumed the form of a voluntary and systematic campaign showing the goals, procedures, and ultimate effects on society. The subject, however, was the core of authority and owing to the powerful dictatorship, private organizations as well as government branches participated compulsorily. All required legal, institutional, administrative, and budgetary arrangements seemed to be well organized until 1979. The headquarters of Saemaul Undong was established to proceed with and control the movement. The President designated a special assistant to preside over the movement and special divisions were also established at every level of local government as a lower organization to implement the movement. Even private firms were strongly urged to set up similar divisions.

The movement was developed to amplify production bases and to increase rural income and welfare with these organizations. Funds were mainly supplied by the government throughout the entire period of the movement. Total investment was 12.2 billion won in 1971 and increased to 634.2 billion won in 1978, showing an average annual increase rate of 75.8%. The form of government support varied from direct support to indirect support such as long-term financial loans. In addition to the government budgetary support, private firms and even individuals were forced to donate to the movement. Between 1971-78, 19.1 billion won was collected.

The performance of the movement could be summarized by three categories; improvement of production foundation, projects for increases in income, and enlargement of infrastructure and welfare facilities. Table 1 shows the main results of the movement during the

1971-78 period. Construction of farmroads and ponds for irrigation, farmland consolidation and sewerage improvement were implemented to enlarge foundations of agricultural production. To increase rural income directly, various job-producing projects were propelled. Projects to enlarge welfare facilities were improved roofing, improvement of housing and utilities, and construction of public facilities such as public halls, nurseries and public baths.

Farmland area consolidated during this period was 64,257 hectares, which raised the average share of consolidation of total paddy land by 5.2% points. At this stage, 864 billion won or 43% of total investment had been paid to job-creating projects which had the nature of direct subsidies to the low income residents. Also, as a result of this movement, roofing of most rural housing was replaced and electricity was supplied to more than 90% of total housing.

TABLE 1 Main Results of the New Community Movement in the 1970s

Projects	Performances between 1971-78
farm road construction	43,631 km
irrigation pond construction	31,429 units
farmland consolidation	64,257 ha
sewerage improvement	8,654 km
payment to job-producing project	864 billion won
roofing replacement	2,251,000 units
electricity installation	1,204,000 units
water supply improvement	22,070 units
housing construction	52,936 units
public halls	20,629 units
public nurseries	46,892 units
public baths	6,895 units

Source: Ministry of Home Affairs, Saemaul Undong (in Korean), 1978.

Top-down approaches to the policy implementation were also maintained by government officials in this period. In spite of its remarkable performance, most results of the movement were

superficial and formal rather than substantial or practical. At this stage, there existed only one-sided implementation of rural development projects rather than well-coordinated planning. Unplanned implementation of projects which were selected by the order from higher government officials might result in somewhat feasible but miscellaneous performances. Projects without planning usually lost the organic functions even after the fulfillment of the projects. They caused distorted resource allocations and wasted scarce resources in the whole economy. Only the project established according to the rational planning and implemented with substantial financial support can contribute to the rural development and can minimize the loss of efficiencies of investment in the rural development.

3) Integrated rural development planning in the 1980s. The Second Comprehensive Country Development Plan (1982-91) started in this period. This Plan was similar to the First, but emphasized the importance of regionally balanced development. In this plan, three less-developed large cities were selected as the First-level growth poles and twelve medium-sized cities were chosen as the Second-level growth poles, where the growth poles were supposed to be developed intensively. The Second Plan, however, was still oriented toward cities and industry since inactive rural areas were hardly affected by developments of the bases for growth. A more important aspect of the Second Plan was that it was also established mainly from the viewpoint of the central government rather than local government or regional residents. Since the central government could not reflect differences and peculiarities of each region effectively, the Plan also had the rigidity in the implementation of its projects. Thus, balanced development of rural areas was far from achieved.

At this stage, the idea of an Integrated Rural Development Plan was introduced and selected as a new program for rural areas. The focus of this program was that rural areas should be "a place for living" rather than simply "a place for food production". That is, rural areas should be developed and be able to meet the minimum standards of basic needs as urban areas. Then rural residents could live and work like urban residents. To achieve this goal, the plan included the means to increase rural income and job opportunities, as

well as effective methods to provide convenient living environments in rural areas.

Certainly, the basic concepts of the Integrated Rural Development Plan were improved and more concrete than former plans. The plan even presented a more realistic direction toward the goal of "development of a rural center". According to the plan, regional development could be efficiently fulfilled through the development and revitalization of the center or the core of the surrounding rural area. The rural center, of course, should be equipped not only with income opportunities but with almost all urban functions such as transportation, education, medical services, cultural activities, shopping centers, and other services related to the daily lives of the residents.

Although more than 100 "kun" of total 136 "kun" implemented the Five-Year or Ten-Year Integrated Rural Development Plan by 1993, the effects of the plan on rural development proved to be trivial. First, neither the central government nor the local governments had the funds to support the planned projects. Moreover, central or local governments were not ready to implement those projects because of their insufficient understanding of the plan and enormous expenditures of these projects. Lack of practical and detailed investment policies in the plan itself hindered the projects from being implemented. In some "kun", officials including the magistrates were opposed to the establishment of the plan *per se*.

So many similar plans such as the Comprehensive Construction Plan, the Agricultural Development Plan, the Development of Inactive Areas Plan were already established or being set up simultaneously. That is, a mixture of various plans from different government branches (Ministry of Home Affairs, Ministry of Agriculture, Forestry, and Fisheries, and even Ministry of Construction) fostered misunderstanding on the rural development plan. Many retorted that it would be more helpful if the costs to set up the plans were allocated to the current projects in their regions. Furthermore, the plans were set up by the central government and propelled through a top-down approach.

The central government could not better understand the realistic and urgent problems of the regions than local governments. And local governments did not voluntarily try to set up useful plans since well-

planned projects might bother them while they didn't need to worry much about public opinions on the development of their regions without planning.

Unlike the 1970s period, there existed only planning without proper implementation of the projects planned. Even a well-conceived plan that was not financially supported produced no substantial result. There was also waste of resources; resources invested to set up the meaningless plan itself. Once again, the importance of combined establishment of planning followed by financial support should be emphasized.

2. Problems of Korean Rural Development Policies

Until the 1980s, Korean rural development plan was strongly affected by economic policy which put its first priority on growth and efficiency rather than on distribution and equity. Although the Korean economy already got out of the "vicious circle of poverty", Korean regional society yet fell into the new "vicious circle of rural-urban problems": Low income and poor living conditions drove the rural population from rural areas, and the rural-to-urban migrants were concentrated largely in suburban areas and could supply labor forces at low wages but at the same time they resulted in urban problems such as housing shortage, traffic congestion, and environmental pollution. Government could not but concentrate its financial ability in solving the urban problems rather than creating job opportunities in the rural area and improving rural living environments. Consequently, more farmers migrated to urban areas and the government needed more funds to invest into the urban area.

The first characteristic of the Korean development planning was that economic development policies were initiated by the central government. Since the 1960s, the central government planned and propelled six Five-Year Economic and Social Development Plans until 1991. In the beginning of these programs, the market system was imperfect and the private sector including firms could not able to accomplish its own role in the economy. Thus, it was natural for the central government to organize the bureaucrats and to control and interfere with almost all economic activities from investment and production to distribution and consumption.

Meanwhile, the private sector grew large and strong enough to play their roles without any command and interference from the government. As long as the government didn't give up its role as a traffic signal controller, resources couldn't help being misallocated regionally as well as sectorally since the price mechanism was distorted and could not reflect the changes in supply and demand effectively. In the process of these plans, local governments were simply subordinate agencies of the central government rather than independent autonomies that were supposed to perform their own economic and social development policies in the local areas. Specific conditions of regions and benefits for local residents were disregarded in establishing the nationwide economic development plans. As a result, there existed a great regional imbalance between rural and urban or industrial areas on the Korean peninsula.

The second feature was that Korean economic development policy was based on an "unbalanced growth theory". At the beginning stage of the economic development, scarce resources had to be rationed among alternative uses. Sectors with higher productivity and spreading effects than other sectors might take the priority of using the limited resources. Since the productivity of agriculture was lower than that of the industrial sector in general, the manufacturing sector took a higher priority in resource allocation. Moreover, the larger the scale of firms, the higher the productivity and employment effects. Thus, large-size firms rather than middle- or small-size firms had the advantage in resources rationing.

Similarly, regions with higher efficiency of investment than other regions were selected as the bases for growth. Urban or industrial areas with well-established social overhead capital and economic environment had an advantage in attracting investments. Naturally, investment had a strong tendency to concentrate in the large-size firms in urban areas, particularly in the Seoul metropolitan area, rather than in the rural regions. Thus, there existed a serious accumulated imbalance of regional development between urban and rural areas in Korea. For example, bank loans were almost equivalently allocated between the agricultural and manufacturing sectors in 1963. But the share of loans credited to the agricultural sector had declined to 8.1% by 1983, while that to the manufacturing sector had increased to 57.1% by 1978. Bank loans were the typical

production factor in Korea until today since the Korean economy had a chronic shortage of credit during the economic development period and real interest rates were substantially higher than bank rates. Thus, credit rationing by the government through the banking system was enough to change the economic structure in any direction.

The third characteristic was that the focus of economic development and structural policies was placed upon the "export-driven growth" strategy after the 1960s. Available resources such as capital, raw materials and well-trained workers were preferentially distributed to the export industries, such as textiles, leather, electronics and rubber industries at lower factor prices than those in the industries for domestic demand. Monetary and financial policies, i.e., export credits, government subsidies and low tax rates or tax exemptions for export firms, also favored the export industries. The interest rate on loans for exporters was 9% per year while the rate on loans for other uses ranged between 18.5% and 20.5% in the 1960s. Industries producing commodities for domestic consumers had relative disadvantages of higher interest and tax rates, and could acquire only low-quality raw materials and labor forces.

Korea's exports increased from 86.8 million U.S. dollars in 1963 to 71,870.1 million dollars in 1991, and the share of exports in GNP also increased from 3.2% in 1963 to 25.6% in 1991. The "export-driven growth" policy apparently proved successful as long as the total size of the economy and trade is concerned. But the deformed economic structure that depended too much on the export industry led to serious problems. The vulnerable state of domestic industries that supply intermediate goods and parts to the export industry could be a crucial obstacle to sustained economic development.

Noteworthy was that most export industries were formed by relatively capital-abundant large-scale firms or multi-firm conglomerates (chaebol) while most autarkic industries consists of capital-poor middle- and small-size firms. Furthermore, most export industries were located in or close to the big cities where land prices or rental rates were too expensive for small firms.

Subsequently, Korean society polarized into two extreme regions: the policy-supported urban area and the alienated rural area. Problems of unbalanced regional development resulted from Korean

socio-economic development policies and hence the solution should be found in terms of the national rather than local development plans.

IV. Concluding Remarks

1. Summary

Problems in Korean rural development plans can be summarized as follows:

1) As long as the top-down approach to the planning and implementing of the projects was sustained, substantial and effective development of the retarded areas and balanced growth of rural areas would be difficult. The goals of the rural development plans can hardly be attained without voluntary or active cooperation and participation of the local governments and residents.

They would be willing to participate in the planning only if their opinions were positively reflected in the planning. Top-down approach complemented by bottom-up approach can reflect the grass-root opinions on rural development. That way, planning can also utilize the feedback system of the planning.

2) Rigidity of the central government planning prevented local government officials or residents from actively responding to the planning. As a result they were alienated and had no interest in the planning. Rural development planning as well as other planning should be made flexible enough to adjust to changing conditions. But due to the rigidity of the top-down order from the central government to set up and implement the planning, there was no room for local governments to adjust to the changing situation elastically and practically.

3) Insufficient budget conditions of the central government hindered local governments or rural residents from believing in the effectiveness and usefulness of the plans. Plans that are not supported by budgets tend to exaggerate their projects and required funds. Korean local governments already knew that projects in the integrated

rural development plans would not be implemented by the central government, thus they neither positively cooperated in establishing the plans nor tried to adjust scales of the projects efficiently.

4) The excess of similar regional plans which were set up by different branches of the central government confused local governments and residents. Moreover, mixture of the plans diluted the basic idea and the original purpose of the rural development plans.

2. Implications and Alternatives of Rural Development Planning

1) Considering that rural areas can be well developed by planning, financial support or investment, public participation, as well as the cooperation of local and central governments, the limits of each factor must be examined before the planning is set up. That is, they must check available funds, public interests, benefits and costs of the projects involved and the possibility of private investments.

2) Not only the central government but local governments and residents can join in the process of the planning. They have greater access to the required information on the local area than the central government; how to expand local resources without significant increases in costs, public opinions on the local development needs, and circumstances. Since no two rural areas have the same conditions for development, centrally planned projects cannot result in the best performance in each region. Only when local governments and residents actively and voluntarily join the process of the planning, can it spur development of the region.

3) Objectives of the rural development planning have to be confined to public goods. Since the plannings are for the regional development, they don't need to include private goods such as housing, shopping centers or factories. It will suffice for the government to provide better circumstances inducing private investments such as construction of roads, networks of public utilities, public education and medical services.

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