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Fighting Poverty – Copy the Success?
A comparative analysis of the potentials of the Philippines and
Vietnam to repeat the South Korean *Saemaul Undong* rural
development success

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Abstract

This Master Thesis analyses whether the rural development programme from South Korea in the 1960/70s (Saemaul Undong) is applicable to the current situation in the Philippines and Vietnam. Apart from striking similarities in terms of rural development between the two cases and past South Korea, major reasons for this research idea, were extensive research trips in all three countries where Filipino and Vietnamese interview partners repeatedly expressed how SMU is regarded a role model.

The theoretical part introduces important basics for concepts such as development, poverty, poverty alleviation and connects them with related concepts such as inequality. After definitions and causes of poverty and (under) development are introduced, this part focuses on explaining different theoretical approaches how to eradicate poverty. These include different schools of thought and vary between external solutions like development aid and internally improved governance, or elaborate on more specific measures like Pro-Poor-Growth, Community-Driven-Development and Microfinance. The methodology follows directly after this presentation of poverty alleviation models and is based on the SMU ideas. After explaining the historical context, the content and success of SMU, the analytical framework is developed by using those SMU indicators that have been largely agreed in literature discussions to be the critical success factors: (1) Governance and Structure (Leadership, Mix of Top-Down and Bottom-Up, Land reform), (2) Socio-Cultural Factors (Homogeneous society with a strong sense of unity, Participation of Women, Transparency and Accountability), (3) Human and Financial Capital (Human Development, Infrastructure Investments, Access to Finance).

The empirical part applies these nine categories to the two country cases, evaluates on a scale from 1 – 6 (1=bad, 6=good) to what extent they fulfil the SMU requirements and compares both countries. The two countries achieve a score of 27 and 28 of 54 points, which questions the capability to implement SMU. Heterogeneous populations in both countries with deeply rooted tensions (ethnic, religious or historical), a low level of trust towards the government, and geographical fragmentation make it difficult to initiate a spiritual movement that appeals to a strong sense of unity. Low administrative transparency and accountability, largely owing to corruption, impede decentral governance, because lower administrative levels implement government guidelines insufficiently. In contrast, both countries have a leadership that is very focused on rural poverty alleviation and, in case of the Philippines, despite frequent changes of government constantly makes it a top priority. Furthermore multiple decentralization efforts are undertaken in order to learn about local problems and to let local people participate in the solution processes. Especially Vietnam is a positive example for this, because its “New Rural Development” programme strongly resembles SMU in terms of structure and local empowerment approaches.

The NRD is a clear comparative advantage of Vietnam over the Philippines. Additionally Vietnam already carried out a successful land reform, which distributed land relatively equally. The limitation of limited private land usage however remains, despite an extension to 50 years of usage rights.

Major disadvantages for Vietnam are providing adequate infrastructural, financial and educational means to rural people in remote places or ethnic minority groups to overcome their vulnerable situation. A big part of the improvements only benefits relatively well-off residents around major centers like Hanoi or Saigon.

Comparative advantages of the Philippines are, with limitations, the more wide-spread provision of education which to some extent attempts to teach practical skills required for employment and a more developed banking system that reaches into rural areas and frequently includes Microfinance.

A still not fully carried out land reform is a big comparative disadvantage of the Philippines, as it leaves many poor farmers landless.

The conclusion answers the research question for both countries negatively. Currently the Philippines as well as Vietnam face too many obstacles to implement a rural development programme, that is based on the premises of SMU.

The results of this thesis can help various further research, for example to analyze how the mentioned shortcomings can be overcome or if an alternative rural development programme could fit the conditions in the countries.

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*For there is word of plague among us
Curse the one whose poison stung us
All along the alleyways
The satyrs wait their fate.
But who's to blame when all are guilty?*

(Two Gallants, "The Threnody")

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List of Abbreviations

ADB	Asian Development Bank
ARC	Agrarian Reform Community
ASEAN	Association of Southeast Asian Nations
DepEd	Department of Education
DILG	Department of the Interior and Local Government
DOH	Department of Health
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organization
IMF	International Monetary Fund
LGC	Local Government Code
MILF	Moro Islamic Liberation Front
MNLF	Moro National Liberation Front
NAPC	National Anti-Poverty Commission
NEDA	National Economic and Development Authority
NHTS	National Household Targeting System
NRD	New Rural Development
OECD	Organization for Economic Cooperation and Development
PHP	Philippine Pesos
SMU	Saemaul Undong
TVET	Technical-Vocational Education and Training
UN	United Nations
VBARD	Vietnam Bank of Agriculture and Rural Development
VND	Vietnamese Dong

1. Introduction

“We can end poverty by the year 2030”

(Bill Gates 2016)

When looking at the enormous wealth the world has accumulated in the last centuries, it seems odd how uneven it is distributed. On a global scale, nobody can deny the impressive post-World War II success story in poverty reduction. However, still today the number of people living in a state of extreme poverty exceeds a billion. The prognosis to bring this number down to zero within 14 years must therefore be questioned. Especially since behind current global crisis like the Syrian civil war, refugee waves or the climate change, the problem of poverty is easily neglected.

However, what if one looks at a smaller scale, say not at the global, but rather at the country level? Although arguably no country on this planet, no matter how developed in terms of GDP per capita, has succeeded to completely dispel poverty, post-1945 witnessed several countries like South Korea, Singapore or Japan who demonstrated that a majority of the population can be rescued from poverty within a few decades only. The above three countries are among the most frequently used examples when talking about exceptional economic development stories. They are all part of the widely recited “Asian miracle”, which is hoped to serve as the blue print for other under-developed countries. As of date however, this idea of simply copying a procedure has not been proved feasible. Despite a multitude of explanation approaches, analysts can still not agree what mix of indicators made the Asian miracle possible: “We know the plot, but in East Asia, no one can agree on the hero” (Kenny 2011:7). Over the decades scholars repeatedly claimed to have found the optimal set of determinants for a positive development process, without being able to provide convincing cross-country empirical evidence. This Master Thesis will not add further to this discussion, but instead looks at the issue of poverty alleviation from a more practical-oriented angle. The author takes lessons from a practical example that has already escaped poverty on a large-scale far before 2030, and compares it against efforts of two other countries that strive for the same success path.

The **Saemaul Undong** (SMU), *New Village Movement*, has helped a poor and underdeveloped South Korea to escape poverty on a large scale within only roughly 20 years, from the 1960s until the 1980s. Chang explains its uniqueness with his observation that “no program of any other developing country has mobilized so much social, administrative and popular support [...]” (2005:12). Today, South Korea is one of the most developed countries worldwide, among the global leaders in fields like ship-building or mobile technology, and allegedly more than 70 developing countries have adopted lessons from SMU (Song 2016).

This fits into the picture of Asia as a region of some of the most impressive economic development cases. However the majority of members of the biggest regional organisation in Asia, ASEAN, still has a long way ahead to escape the status of an underdeveloped economy. While Laos, Cambodia and especially Myanmar are just beginning this process and Singapore, Brunei and Malaysia are already very advanced, Indonesia, Thailand, the Philippines and Vietnam appear to be somewhere in the middle of that scale. Since a comparison of all 10 member states obviously would exceed the volume of this paper, the comparison will focus on two countries within this middle-level: the **Philippines and Vietnam**.

With the introduction of the *Doi Moi* reforms in Vietnam, and the end of the Marcos' dictatorship in the Philippines, both countries experienced a drastic political change in the same year of 1986 which set them on a way towards a more positive development process. However especially recently both countries experienced disappointments in the steady growth trend. The Philippines still impress with high average growth rates, but this growth does not reach a significant part of the population. Vietnam on the contrary shows a more equal distribution of wealth, its overall growth however has decreased significantly. The author undertook two field trips to each country during which professors, organizations or government officials were interviewed as well as projects sides were visited. In both countries, the author witnessed in those interviews and in further research that the will to follow the example of South Korea is recently expressed clearly. Aside from this observation and other important parallels, it is especially the stark contrast between a free-market country and a socialist country that make it worthwhile to choose these two countries.

The remaining sections of Chapter (1) will firstly clarify the Research Questions (RQ) and explain expectations as well as limitations of the paper. Section (1.2.) then provides an overview of the literature output on the topics of poverty alleviation and economic development.

Chapter (2) will build the necessary theoretical foundation for the analysis. Different approaches to define, measure, and conceptualize poverty will be presented. Additionally the author will introduce some widely recognized schemes to fight poverty.

Based on this theoretical foundation, Chapter (3) introduces the methodology for the analysis.

Following the RQ, this analytical framework describes and then introduces the key characteristics of SMU. Due to its massive success, the movement's core indicators have been analysed extensively and literature has agreed on a number of most relevant indicators for its success. Notwithstanding the author is of course aware that there exist also scholars that advocate alternative explanations. Based on this input derived from the literature, these indicators will be operationalized into an Analytical Framework which allows the two-country comparison.

Chapter (4) and (5) mark the main part of this paper, since they carry out the analysis by applying the methodology. It opens with a short description of the status quos in terms of poverty and economic

development in both countries. In the next step the author will analyse for both countries separately the current status of the different success indicators of SMU. The results will then first be carefully summarized and secondly be compared with each other. This will answer the initial RQ.

Chapter (6) concludes by pointing out the major findings and suggesting further research that can follow up on this paper to make use of the findings and put them in a larger context.

1.1. Research Question

This section is three-folded. It once specifies the main research interest, clarifies what specifically is not the object of this paper, and finally presents the material for the analysis.

What this paper aims to do why

The paper aims to answer the below set of questions, which were developed after two field trips to Vietnam and Philippines, where interview partners as well as several government papers expressed

Research Question (RQ)

“Do the Philippines and Vietnam fulfil the requirements to carry out a rural development programme similar to the South Korean Saemaul Undong?”

- 1. Sub-Question 1 (SQ1): “What is the status in both countries with regards to the key categories of SMU?”**
- 2. Sub-Question 2 (SQ2): “Which categories are major obstacles, which are advantageous?”**

the desire to replicate the success story of SMU. The author decided to limit the research to two countries, because this allows for a more in-depth comparison. A comparison between the Philippines and Vietnam seems appropriate for many reasons. First both countries share some characteristics, such as a comparable population size and a similar development stage. Both experienced a major political change exactly thirty years ago. While Vietnam started to slowly introduce market reforms, known as *Doi Moi*, the Philippines liberated from the dictator Ferdinand Marcos. Both cases paved the way for a new approach to economic development and poverty alleviation, and mark the beginning of this analysis. In the case of the Philippines the emphasis of analysis lies on the time before the Rodrigo Duterte administration came into office in July 2016. Vietnam still today is a socialist country run by the Vietnamese Communist Party. The Philippines on the other hand are a market economy governed by a democratic party system. This systematic contrast further makes the comparison appealing.

The comparison between other member states was dismissed due to a number of reasons. Apart from problems to obtain objective data, Myanmar’s, Laos’ and Cambodia’s history of economic

development still seems too infantile to allow for a comparison that leads to significant conclusions. Singapore, Brunei and Malaysia are on the other end of the scale and would only allow for a historical approach. Indonesia and Thailand therefore remain the only two alternatives. However this comparison was regarded as less promising since Indonesia seems too heterogeneous in a number of dimensions, and Thailand's monarchist system complicates a comparison of the different actors in that system.

What this paper does not try to do and Limitations of analysis

This RQ does not address the questions of *how* to reduce poverty in a specific country or the comparative evaluation of the success, but instead compares two country cases against a successful example. This being stated, the author is aware about the difficulty to use one successful concept and apply it to other country cases. Several studies have questioned the universal validity of any development concepts that have been constructed from the *Asian miracles* (Engelhard 2004:380). However, many studies try to extract the essentials of SMU in order to apply them on different countries (ADB 2012; Chang 2005). Still, two limitations need to be clarified.

Firstly, if one country is to be found more likely to fulfil the SMU categories, the author does not imply that this country will automatically be more successful in enhancing rural development.

This is mainly because secondly, the success of poverty reduction of course also depends on external factors, that a country cannot influence, for instance war in neighboring countries or climate catastrophes. While it is important to bear these limitations in mind, the comparable features with regards to the nature of poverty between South Korea and the two countries at least indicate that a process similar to SMU may enhance the rural development in both countries as well.

Of course also the chosen approach faces some obstacles, among which the availability of data prevails. Although the two countries have made progress in keeping a statistical reporting system, many important data are impossible to find. Additionally the final answer whether one country is more likely to replicate SMU will entail some degree of subjectivity. Despite the solid theoretical foundation of the framework, the applied criteria still leave room for a subjective opinion. The actual contribution of this paper therefore does not lay in the concrete answer to the RQ, but more in the detailed analysis of the progress in both countries.

What sources are used

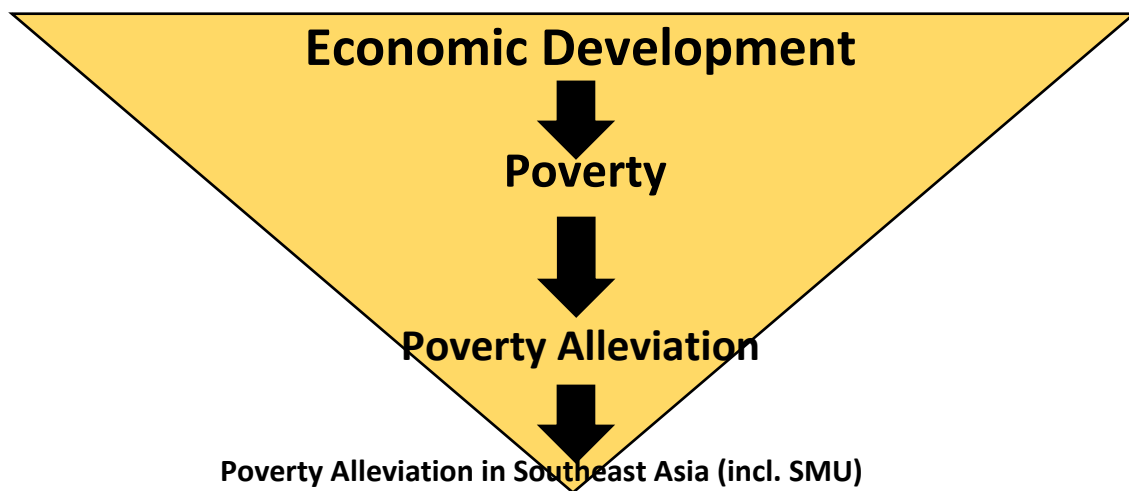
The theoretical and methodological part make use of literature sources, including primarily journal articles, textbooks, organizations' reports or empirical study reports. Whereas the analytical part of course must not relinquish these sources, it is enriched by input from databases and expert interviews which were conducted on field trips to the Philippines and Vietnam and in Seoul.¹ The

¹ See Appendix B for details on these trips

nature of this paper's analysis is qualitative, not quantitative. The purpose of the conducted interviews was therefore not to generate a numerical database which allows to draw conclusion through mathematical equations, but rather to get expert opinions by people involved in the rural development process.

1.2. State of the Art

This section gives a comprehensive literature overview about the two main topics of this paper: poverty and economic development. The overview follows a top down approach starting with the broad term "Economic Development" and then narrowing it down via "Poverty" to "Poverty Alleviation" to "Poverty Alleviation in Southeast Asia". By narrowing it down, the current research gap becomes evident.



Discussions on poverty date back to ancient times and since then have been carried out from various different perspectives. The arguably still predominating perspective regards the existence of poverty as a market failure and discusses poverty thus under the concept of economic development (Deaton 2000; Sachs 2005; Shirley 2008). Especially the post-World War II era saw a remarkable rise in the output on economic development theories, with the aim to create growth models which would increase both the accumulated but also the individual wealth, thus allowing less-developed economies to rise (Cypher and Dietz 2004:128). While the majority of those theories adhered to the core principles of classical economic theories (Nurske 1953; Rosenstein-Rodan 1976), the heterodox Developmentalists/Structuralists saw the only chance for less-developed countries to flourish in a radical change of the present economic structures (Ayres 1995; Myrdal 1957). This emphasis of the importance of revising the structural framework within which an economy is embedded, is still today strongly promoted by institutionalist economists (Acemoglu et al. 2005; 2012; Glaeser et al. 2004; North 1981; 1991). Unlike most theories that claim to be universally applicable, only a few purposely create models specific for a certain region only (Akamatsu 1962). The aforementioned shift to

theories concerning less-developed countries in the second half of the 20th century, created a natural link between economic development and poverty. Reducing poverty was now named one of the major purposes for enhancing economic development (Sachs 2005; Sen 1999). Scholars recognized that measuring poverty is a prerequisite to evaluate the success of reduction strategies and thus created measurement procedures, among which the monetary approach dominates (Laderchi et al. 2003), despite being criticized as too simplistic (Mangahas 2008; Saith 2007).

As from the 1980s and largely influenced by Amartya Sen's capability approach (1985) the tendency to not merely regard poverty as an economic problem, but rather as a multidimensional concept that expresses also in a lack of education or freedom in decision-making (Easterly 2013) increased and eventually led to concepts like the Human Development Index. Thus outside of the economic context, the broad issue of poverty is discussed by all kinds of actors: reaching from scientific journals and textbooks, to (former) politicians, TV documentaries or even entertainment stars. Whereas before, analysts primarily focused on their own regional environment, with the increasing globalization as of the 20th century, poverty is more and more discussed as a global phenomenon. Aside from individuals, many international organizations like the UN or World Bank have taken a leading position in the research on understanding causes and finding solutions for poverty. Instead of trying to convince political decision-makers of making macroeconomic changes to eradicate poverty, a considerable part of the literature rather focuses on the individual and calls for behavioral changes on a moral or ethical level (Singer 1979; Sen 1999; Ziegler 2015). Peter Singer's *effective altruism* ranks among the most recent popular concepts (Singer 2015). The modern literature output consists of a number of contradicting positions, especially with regards to origins of or solutions to poverty and the role of the government (Page and Simmons 2000). Explanation approaches include historical path-dependency (Acemoglu et al. 2012), cultural disadvantages (Engermann and Sokoloff 2002), geography (Sachs 2003), malfunctioning of the institutional setting (Shirley 2008; North 1991) or corruption (Johnston 2009). Moreover in recent years the relationship between disadvantageous climate changes and poverty has been increasingly highlighted (Hallegatte et al. 2016; OCED 2010; Rayner and Malone 2001). While some emphasize the negative global consequences of poverty and opt the global community to intervene with foreign aid (Sachs 2005), others consider poverty rather as an isolated problem within that nation and renounce the effectiveness of donating aid (Schansberg 1997). The role of foreign aid is frequently discussed and contrasts positions that regard it as an absolute necessity and those that consider it even counter-productive, as it decreases the incentives for the own government to act (Riddell 2007).

The targets of research alter parallel to the economic development of a region, i.e. once a region successfully develops the literature output concerning poverty naturally decreases steadily.

Currently the three predominating research targets include Sub-Saharan Africa, Latin America and

Southeast Asia. As for many academic fields also discourses on poverty and poverty alleviation in Southeast Asia are dominated by Western scholars. However in the last decades, more often also researcher stemming from the region have received more international recognition, which is often driven by the two regional organizations ADB and ASEAN (ASEAN 2008). For the two countries in this paper, local Filipino and external scholars often analyse the relation between corruption and poverty (Briones 1999; Habito 2012; Johnston 2009) or opportunities for enhancing inclusive growth, especially in rural areas (Fuwa et al. 2016; Raquiza 2014). For Vietnam dominating aspects in poverty literature are the poverty-alleviating potential of further privatization (Heberer et al. 1999; Pham and Mohnen 2012; Yoon and Nguyen 2009) or strategies to promote pro-poor growth (Fritzen 2002; Kang and Imai 2012) and micro-finance (Quach 2005).

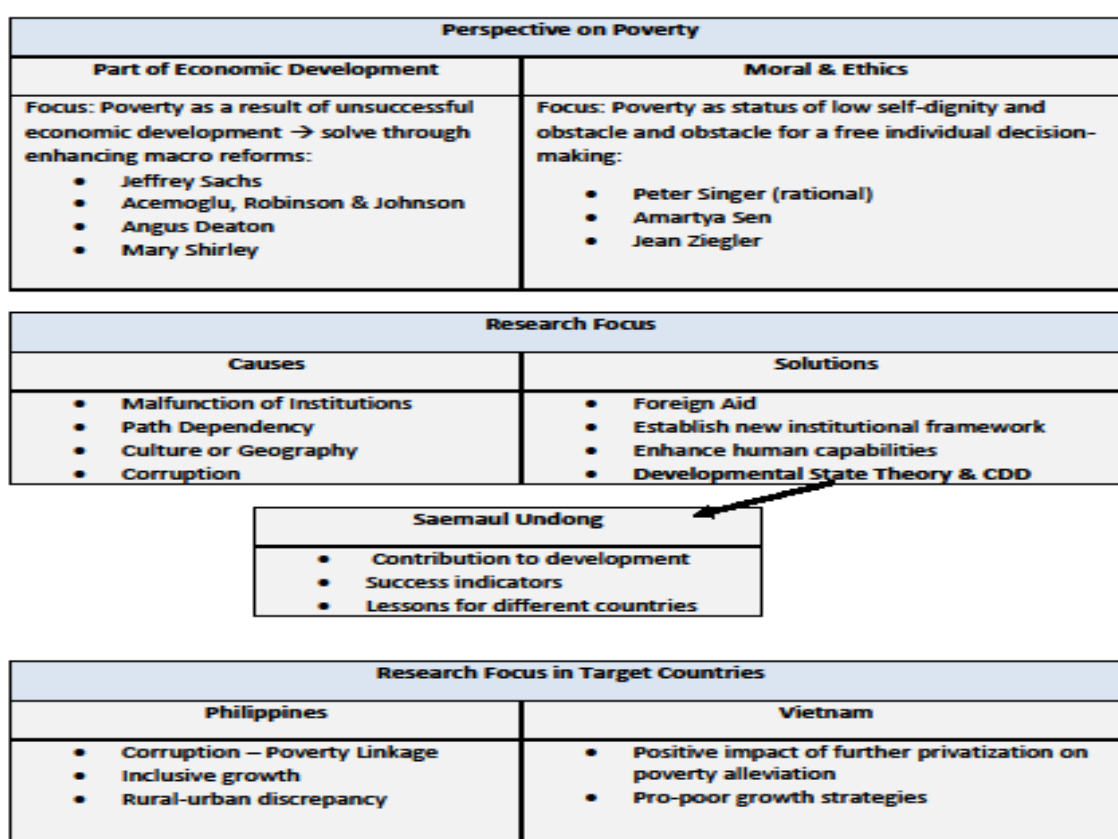


Figure 1 Results of Literature Overview

During the 1990s international organizations such as the World Bank or the ADB more prominently advocated the Community-Driven-Development/CDD approach, which deviates from the Developmental State Theory often applied in East Asian countries (ADB 2006). Against the backdrop of rising support for CDD, Saemaul Undong became more frequently the unit of analysis (Do et al. 2016; Reed 2010), as it bases on local empowerment and participation. Apart from analysing its success factors, the importance of the historical context and its impact for the development of South Korea (ADB 2012), more authors dedicated brief research projects on its applicability to other countries, especially in Africa like Ethiopia or Congo, but also in Asia like East Timor or Vietnam (Baek

et al. 2012; Jemal et al. 2013; Luan 2016). Under guidance of the Korean Saemaul Undong Center ideas of SMU have spread since the early 2000s. Several studies also included criticism of SMU, especially increasing rural debt, increasing urban-rural gap which resulted from the structural transformation away from an agricultural to an industrial- and service-based economy or the authoritarian political context under which SMU was carried out and which led to a negative reputation for years after the dictatorship ended (Baek et al. 2012; Park 2009).

2. Theoretical Background

This chapter lays out in two steps the theoretical context in which the analysis will be embedded. Firstly the broad concept of poverty and related terms will be explained in more detail in order to make them operational. The second part will have a closer look at the linkages between poverty and other concepts, for example the relationship between poverty and inequality or economic development. This will also include an overview of different approaches how to overcome poverty.

2.1. Conceptualizing Poverty

● *Defining different types of Poverty*

Discussions about poverty alleviation are justified by a pure numbers game, since *“poverty is the rule, not the exception. Most of humanity lives in under-developed countries”* (Shirley 2008:1). Before deciding how poverty can be reduced, it is important to agree on what sort of poverty one talks about (Cogneau et al. 2003:361). There are several possible etymological explanations about the origin of the word poverty, but most sources refer to the old French word ‘poverté’ which is understood as a *“misery, wretched condition”* (Harper 2016) or to an ancient Greek term with the meaning of ‘abandoned, loneliness’ (DWDS 2015). Also neither of the etymological origins directly mention a monetary dimension, the understanding that poverty primarily refers to a lack of financial means and the consequences thereof has always prevailed until today, consequently reflected in more up-to-date definitions: *“Fundamentally poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family [...] it means insecurity, powerlessness and exclusion of individuals”* (UN 1998). Most commonly one distinguishes between two different types of poverty, namely absolute poverty and relative poverty.

- a. **Absolute or Extreme poverty** is defined as a status *“when people have insufficient income to afford the basic necessities of life, such as food, rent and clothing”* (Pettinger 2015) and their *“condition of life [is] so limited by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency”* (McNamara 1973, quoted from Women Aid).
- b. **Relative poverty** on the other hand is defined as a status *“when people have income significantly less than the average income for society”* (Pettinger 2015).

Absolute poverty draws a distinction between poor and non-poor sharply along the line of survival, i.e. once an individual or household holds the means to satisfy the basic necessities of life, he is no longer considered (absolute) poor. Under this subsistence definition, poverty is only perceived as a

subsistence threat to one's physical existence (Bjonnes 2011). This perspective makes part of an older one-dimensional understanding of poverty with a primarily economic understanding, mainly based on indicators such as GDP per capita. It regards the existence of poverty as a mere technical problem, which can be solved by attributing sufficient capital from a richer to a poorer country. However as from the 1970s and 1980s this GDP-approach became suspect of large criticism, which targeted two core problems. The GDP shows mainly three weaknesses as a credible indicator due to its composition (Bjonnes 2011). As it only includes products and services that are exchanged for monetary means, it ignores many actions that contribute to the overall well-being of a society, but are not reflected in monetary exchanges. Further it does not include the negative environmental, social or cultural cost that might be caused by GDP increasing processes. Lastly the GDP per capita as an average score inevitably cannot present a fully correct picture of the reality, as the average can compromise either a relatively equal society, or a society split in two extremes. Aside from this technical dimension, it only informs about the financial status of an individual or household, but not about other necessities of a human being. Recently Noble Price Laureate Angus Deaton's empirical studies added to this criticism, as they questioned the dominant role of the monetary income on health and education issues (Deaton 2015:106). Following the observation that reaching important health improvements would not require high financial investments, he concluded that other factors are more decisive, such as the active application of technical progress (2015:93). In the last decades of the 20th century, following those criticism a new comprehensive understanding of poverty found a wider audience (UNESCO 2016). Embedded in a broader understanding of economic development with concepts such as the Human Development Index (HDI) or global cooperation agreements such as the Millennium Development Goals, poverty was linked to dimensions that exceed the pure monetary level. Poverty was now understood as a fundamental lack of chances of self-realization (Kappel 2007:378) due to economic, but just as much due to social or political reasons. Amartya Sen's development of the *capabilities approach*, which identified poverty "*in terms of capability deprivation*" (1999:87) is a key momentum for this new understanding. Poverty thereby needs to be regarded against the background of the Universal Declaration of Human Rights which state that "*everyone has the right to a standard of living adequate for the health and well-being of himself [...] including food, clothing, housing and medical care and necessary social services*" (Bjonnes 2011). Starting from this point, Nallari and Griffith conceptualize poverty as a contrast between the term well-being, which in their understanding is "*command over commodities or resources, as access to assets, or as the ability to function in society* [emphasis added by author]" (2011:15), and the lack thereof, which makes poverty a "*condition involving critical shortages of those elements*" (2011:16). Since an income shortage can often be related to other problems such as cold, hunger, malnourishment or exclusion from society, Nallari and Griffith view poverty as more than a shortage

of quantifiable resources, but coin it as a general state of vulnerability (2011:16). This vulnerability is reflected in a multitude of indicators such as lower access to schools or health systems and must necessarily be measured by more comprehensive indicators than the simple GDP. Amartya Sen goes even one step further and concludes that poverty denies an individual's freedom (Sen 1999:xii).

● ***Measuring Poverty***

In order to determine the extent of poverty and to carry out cross-country as well as cross-time comparison it is inevitable to quantify a country's or region's poverty incidence.

Most journals articles, studies or media reports refer to the World Bank figures, when analysing poverty incidences in various countries. The World Bank indicator follows the ***monetary*** approach which divides the unit of analysis in two groups: the poor and the non-poor. Between those two groups runs the artificially determined *poverty line*. Since 1990 its value is determined with the help of a global consumption basket, which takes globally average prices of daily human necessities, mainly food products, and from this determines the minimum amount of money an individual can live on (World Bank Brief 2015). Because the indicator is given in Purchasing Power Parity to account for the economic differences between countries, the this indicator is adjusted according to the most current PPP standard set by the International Comparison Program (World Bank Blog 2015). While every area of the world succeeded in reducing poverty within the last decades, East Asia's success rate is most remarkably (Nallari and Griffith 2011:17).

In contrast to this global standard many countries determine national poverty lines based on domestic consumption baskets to more accurately reflect their economic and cultural circumstances (Mangahas 1983:259). While in theory this appears reasonable, some scholars criticize this approach, because it allows national governments to let political calculus influence the process of determining the figure (Raquiza 2008:X).

Apart from the criticism of the pure monetary understanding of poverty as an insufficient reflection of the poor's vulnerability and socio-economic insecurity (Saith 2007:254), many scholars point

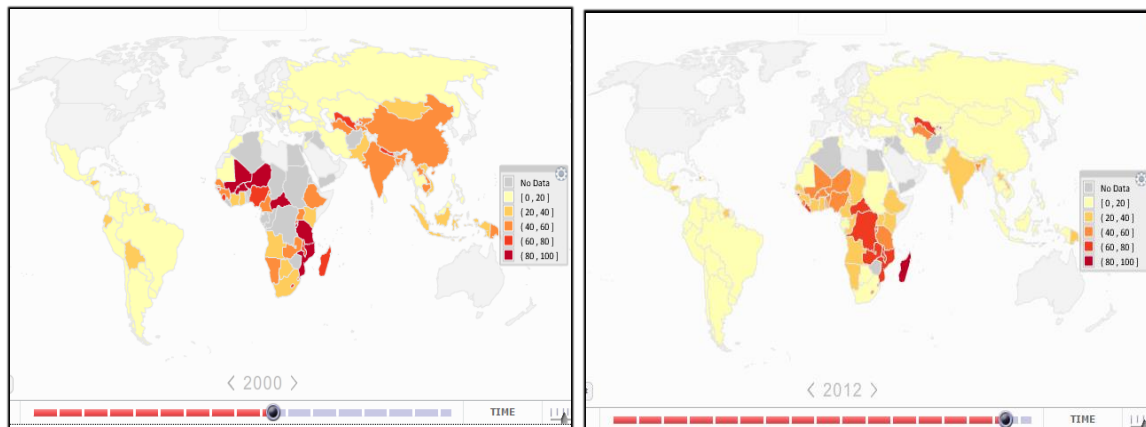


Figure 2 Change of Global Extreme Poverty from 2000 – 2012 (World Bank Visualize 2017)

to statistical problems. Due to often insufficient statistical systems the inputs for the monetary indicators are not reliable (Wauschkuh 2007:381). Furthermore with continuous globally growing wealth the primacy of monetary means has to be questioned, since *“the improvement in quality of life associated with each dollar of additional income declines the richer a country becomes”* (Kenny 2011:109). Hence, **non-monetary** indicators have been developed as alternatives over time.

An old non-monetary approach developed by the Indonesia Professor Sajogyo distinguishes between poor and non-poor on the basis of **rice-consumption**. For him rice represents the only crucial requirement for a family’s capability to survive and thus he based his division solely on the question whether a family’s annual per capita expenditures were below the 240 kilogram rice equivalent (Booth 1993:54). The rice-based indicator however did not prove to be a practical alternative, because on the one hand not even the poor spend their entire income on rice (Booth 1993:55) and on the other hand its basic assumption resembles the monetary approach. In contrast, the UN Human Poverty Index (HPI) or its successor the **Multidimensional Poverty Index (MPI)** represents a real alternative to monetary measuring, as the evaluation is based on a wide set of indicators which are categorized into Health, Education and Standard of living. A person is poor when it is *“suffering deprivations in 33% or more of weighted indicators”* (UNDP HDR 2015). Supporters of this approach argue that the monetary capacity does in fact not play a role to overcome subsistence poverty, because the services and treatments to satisfy basic health or food requirements have become insignificantly cheap (Kenny 2011:97). In some areas individuals could not even benefit from an economic wealth, because their environment does not offer services to spend the money on (Kenny 2011:96). Naturally also many arguments speak against this non-monetary approach, since to some extent the availability of income remains important. Furthermore, indicators like education are difficult to measure, since data on enrollment rates for example do not confirm actual learning improvements (Kenny 2011:90).

The final approach introduced here tries to overcome the statistical problems by not using quantitative data. Instead the Philippine **Social Weather Station** (SWS) indicator draws its conclusion from surveys which ask: *“Where would you place your self: not-poor, on the line, poor?”* (SWS 2017). This **participatory approach** aims to involve the poor in the poverty production process as active subjects who are capable to give the most accurate evaluation of their own situation. Although the SWS indicator is widely appreciated in the Philippines, even its creator Dr. Mahar Mangahas admits that the *“data are not really neutral”* (1983:276), but at the same time it can be a corrective for government figures (Raquiza 2008:3).

Charles Kelly offers a conclusion for the difficult question of how to measure poverty: *“At very low levels of income it is undeniable that every marginal dollar carries benefits in terms of [...] a range of elements of quality of life”*, but *“policymaking should be not merely or indeed primarily about the creation of financial wealth but instead about the maintenance and improvement of the broader quality of life of a country’s citizens”* (Kenny 2011:150-151). Whereas for the general understanding of poverty the multi-dimensionality seems to have found wide acceptance, the majority of indicators still rely on a monetary basis (Oosterlynck et al. 2015:10).

Causes of Poverty

The question what determines poverty is among the most heated discussions in the poverty literature and *“thousands of possible determinants have produced results that are just as contradictory and inconclusive”* (Kenny 2011:8). The width of explanation approaches vary from comprehensive catalogues of potential poverty causes (Sachs 2005; Shirley 2008) to more detailed analysis which see reasons for differences between poor and non-poor in a very narrow set of features. Not surprisingly the literature has not agreed on one singular decisive cause for poverty. Very broadly one can distinguish explanation approaches into those that focus on the supply side – **insufficient provision** of poverty preventing measures – and those focusing on the demand side – **insufficient use/application** of available poverty preventing capacities.

a) Supply Side

This way of arguing is dominating the poverty discourse and until now different concepts have come up (Duncan and Pollard 2002):

- **Post-Second World War:** In the times following the Second World War poverty or economic under-development was considered a technical problem, owing to a lack of capital. Merely the nature of capital that lacked was not agreed on. Some thought human capital was most

important and thus opted for education and health programmes, whereas others saw a lack of financial capital which could be cured with cash transfers from rich to poor. Generally the thought dominated that poverty is not a systemic problem, but only due to specific faults of individual countries, that can be solved by correcting these faults (Sachs 2005:81).

- 1970s and 1980s: Largely steered by international organizations like the IMF a major change of thinking occurred which resulted in the “Washington Consensus”. In this time, the success of the neoliberal school of thought in general economics entered the economic development discourse and identified a too strong role of the state as the main contributor to poverty or economic under-development. Consequently, poverty reduction came to be seen as the positive by-product of a restructuring of the economy, which often meant privatization (Sundaram and Chowdhury 2011:2).
- 1990s and present: A school of thought that called for more fundamental structural changes started to attract much attention. At last, poverty was not attributed to minor ‘technical faults’ in an otherwise perfect framework, but rather this framework was the target of criticism: *“Technical solutions (to development) were evidently not enough”* and *“an economy needs an institutional infrastructure”* (Stiglitz quoted from Duncan and Pollard 2002:1). The prevailing criticism against a strong state was dismissed and even reversed: *“As the economy grows and develops, active, pragmatic governments have crucial roles to play”* (Growth Commission 2008:5). Strong advocates of this point of view were the institutionalists led by Douglas North, who defined institutions as *“humanly devised constraints that structure human interaction”* (1990:3), which include both formal constraints and informal norms or conventions (Shirley 2008:17-18). While the *“understanding of institutions that led to development is quite advanced”*, the knowledge about *“institutions that led to underdevelopment is less advanced”* (Shirley 2008:45).

Today this path has been followed and ‘one for all’ solutions have been replaced by specific country case solutions, which follows the Growth Commission’s conclusion that *“each country has specific characteristics and historical experiences that must be reflected in its growth strategy”* (2008:2). In this context scholars have tried to build frameworks that contain the broad categories that are decisive for economic development and to suggest useful indicators to analyse a particular country case on these categories. Jeffrey Sachs’s Clinical Economics marks a popular example with seven categories which are supported by the majority of literature (2005:84):

- 1) **Poverty Trap** means the fact that many poor people do not have the capability to create more human, physical or natural capital and cannot save, since they have no margin of income above survival that can be invested for the future. They are thus *“too poor to save for the future and thereby accumulate the capital per person that could pull them out of their current misery”* (Sachs 2005:56-57)
- 2) **Economic Policy Framework** refers to the business environment as well as policies concerning trade, investments, infrastructure and human capital.
- 3) **Fiscal Framework and Fiscal Trap** means public sector performance and macro-economic stability.
- 4) **Physical Geography** contains various natural conditions, e.g.: transportation conditions, population density, agronomic conditions or ecology.
- 5) **Governance** refers to political rights, corruption, security and degrees of de/centralization.
- 6) **Cultural Barriers** targets gender, ethnic or religious queries.
- 7) **Geopolitics** includes international security and economic relations

b) Demand Side

In several studies Charles Kenny encountered the phenomenon that even in cases where the above described capacities were in fact present, the poor people did not make use of it, which led him to the conclusion: *“It is the demand side that matters”* (Kenny 2011:129). Owing to a lack of **knowledge or incentives**, he concluded, poor people often do not use the available technologies, even if they are financially affordable. Of course one might argue that a lack of knowledge and incentives merely results from an insufficient education or an exclusive economic system, hence are just the other sides of the coin of the supply side arguments. However the demand-side approach does still contain some valuable analysis.

In his book *“The Great Escape”* Angus Deaton presents intensive studies on the relation between income and health and finds out that income affects health much less than expected (2015:103). The predominant reason is not a missing knowledge growth, but a lack of application of knowledge (2015:97). He not merely blames the poor for this, but partly also attributes responsibility to weak institutions, which for example express in the state’s inability to organize large public health projects (2005:112). Shirley shares this view and concludes that *“ultimately development rests on choices made by societies’ members and those choices are constrained by institutions”* (2008:2). Easterly on the other hand does not see a lack of capabilities or incentives but a lack of political and economic rights (2013:7). His oppressive institutions view suggests that if people are not allowed to act freely, the required ‘creative destructions’ will not take place (2013:159). A certain ambiguity also inheres corruption incidences. In countries with insufficient remuneration systems underpaid employees are

more amenable for corruption (World Bank 1993:18) and by continuously engaging into corruptive actions contribute to further weaken the society and thus decrease the likelihood for a positive development.

To conclude this first section the author argues that it is an interplay of both supply side and demand side factors that create obstacles to eradicate poverty.

2.2. Poverty Alleviation

After the term poverty has been defined and its various possible origins have been discussed, this part will first look at the relation between poverty and related concepts like economic development and inequality, and then present prominent poverty reduction strategies.

Relation between Poverty and ...

a) ...Economic Development: *We shouldn't confuse economic growth with development* (Kenny 2011:51)

"Moving people out of extreme poverty is an important step, but it does not constitute development" (Shirley 2008:10). The distinction between developed and underdeveloped countries allegedly began with US President Truman's inauguration speech in 1949 when he used the metaphor of one economic ladder, which all countries have to climb up – some slower, some faster – but all in the same direction (Bjornes 2011). He then called for the already developed world to assist the poorer countries in this process (Easterly 2013:43). The transformation of the development discourse resembles the poverty discourse. The first decades were also dominated by a focus on economic categories, whereas cultural or social conditions were neglected (Engelhard 2004:377). A rising GDP per capita in countries like Singapore or South Korea was enough to coin the term *East Asian Miracle*, although civil rights were far from being miraculous. Since discussions on development and poverty are rarely sharply distinguished from each other, also the economic development discourse realized that economic growth is not a goal itself, but *"simply the means by which civilization can advance and sustain cultural values of individual and society"* (Bjornes 2011). The economic development of a country impacts the wealth of its citizens and thus determines the well-being of human kind. Therefore international or regional organizations like the World Bank, the UN, the EU or ASEAN presented their development models and goals. The UN is one of the largest advocates for economic development and – in cooperation with the IMF, OECD and World Bank - has issued two sets of long-term goals. In 2000 all 189 members agreed to the Millennium Development Goals which foresaw specific improvements on eight selected categories until 2015.

Through these eight goals the primacy of the multi-dimensional understanding of economic development becomes obvious, since only the 8th goal directly concerns monetary indicators, whereas the rest concerns education, equality or health. This understanding clearly follows the definition in the UN Brundtland's Report which regards development as *"a progressive transformation of economy and society"* (WCED 1987:41). The setup of the MDG is not free of criticism: the first goal was to halve the population who lives under 1.25 USD which expresses the old monetary understanding of poverty. Furthermore it does not say much about the equality of this poverty reduction: China and India were by the far the biggest reasons for reaching the goal, whereas other regions in the world made far less progress and the overall picture thus should be less optimistic (Besley and Burgess 2003:5). In 2015 a new set of goals termed Sustainable Development Goals including 17 goals was agreed, which last for another 15 years.



Figure 3 Sustainable Development Goals 2016-2030 (UN SDG 2015)

While the previous goals are again represented, the new framework includes more specific goals. The fact that both frameworks expressively mention poverty as the first goal signals the close relationship between poverty and economic development. For 30 years, from 2000 to 2030, eradicating poverty is a natural part of all economic development discourses. Although economic growth is agreed to be the major driver for poverty reduction (Nallari and Griffith 2011:64), one important reason why economic development does not automatically go hand in hand with poverty alleviation is inequality.

b) ...Inequality

When looking at the increasing economic development in most areas of the world, one might ask why this did not go hand with the same degree of poverty reduction. For Bjornes the answer clearly lays in the fact that development was not linked with bringing equity and protecting vulnerable groups. This opinion is shared by many scholars who question the 'trickle-down-theory' according to which the gains of economic development automatically spread equally in the population: *"In the*

absence of drastic reforms, it is very unlikely that the benefits of growth can be equally distributed" (Oum 2009:12).

The question why to do better in linking development with equality, is best answered with the status quo: Inequality leads to a number of different costs for the society as a whole. They include purely pecuniary such as social security payment or unemployment benefit, as well as social costs like civil conflicts, jealousy or social deprivation (Gangopadhyay and Bhattacharyay 2015:9). The existence of inequality further hampers the continuance of economic growth. With a high initial portion of inequality it is difficult to create inclusive growth and thus some parts of the society will ultimately not benefit from the growth (Sundaram and Chowdhury 2011:4) and will be stuck in the poverty trap. Especially in countries with high inequality rates the sectoral composition of the economic growth is important (Nallari and Griffith 2011:68). If growth is driven by the service sector although a majority of people still works in agriculture, these unskilled people will most likely not benefit from the growth and may even be worse off.

While it seems clear why inequality should be reduced the question how to do this is more difficult. Several studies demonstrate that both fast economic growth and greater equity should be policy priorities of national governments and international agencies. The ultimate aim is to increase the Growth Elasticity of Poverty (Gangopadhyay and Bhattacharyay 2015:7-8), expressed as the percentage reduction in poverty rates associated with a percentage change in per capita income: This formula was developed after the observation that poverty responds to economic growth differently across countries. Key reasons for this imbalance were found to be: the presence of productivity gains, the sector composition of growth and the extent of inequality in the society (Khan 2011:67). Studies on how to positively influence the GEP demonstrate that greater openness, rule of law or fiscal discipline are among the most influential factors (Khan 2011:67). In recent decades the term **pro-poor Growth** has become increasingly popular when talking about linking development and poverty reduction. There exists two ways of defining pro-poor growth (Microfinance Gateway 2004):

- Absolute definition: Pro-poor growth is judged on how fast the incomes of the poor rise;
- Relative definition: Growth is pro-poor if the incomes of poor people grow faster than those of the population as a whole.

The two preconditions for pro-poor growth are the existence of economic growth and the nature of distribution of growth. Programmes for the later include microfinance, formalization of land titles or governance reforms (Sundaram and Chowdhury 2011:5). The idea of microfinance largely is based on the 'Bottom of the pyramid' principle which beliefs that the poor are capable themselves to engage in economic activities and create their own wealth, if only they are given the financial means. Since the usual banking sector is reluctant to give funds to the financial weak, different types of microfinance are created (Quach 2005:5-6):

- a) The formal sector includes commercial banks, development banks, specialized savings banks, cooperative banks, and unit and regional rural banks, postal savings system
- b) Semi-formal sector: credit cooperatives and credit unions, village banks, farmers' associations, self-help groups, integrated rural development programmes or nongovernmental organization
- c) Informal sector is unregulated and largely based on personal relationships, individual operators, ease of access, simple procedures, rapid transactions, and flexible loan terms

This approach is often criticized for creating a *“too romanticized”* view of the poor and for *“overemphas[izing] the role of micro credits while underemphasizing the crucial importance of large modern enterprises that can provide stable and decent employment opportunities”* (Sundaram and Chowdhury 2011:7). Without the creation of decent jobs for unskilled people it seems unlikely that they can benefit from general economic growth developments and the gains will continue to be distributed one-sided. However *“since income distribution has an upper limit [i.e. when all incomes are equal] the long-term driver of poverty reduction must be growth”* (Khan 2011:64).

For concluding the relations between poverty, economic development and inequality one can refer to the image of the economic ladder: *“The main objective of economic development for the poorest countries is to help these countries to gain a foothold on the ladder [...] Economic development works. [...] But it must get started”* (Sachs 2005:73).

Poverty Reduction Methods

This last part of the theoretical chapter gives an overview of influential concepts of how to overcome poverty and starts with a brief comparison of involved stakeholders.

• Key Roles

Economic development and poverty alleviation discourses often surround the question whether the public or the private sector should be most responsible. The Neo-liberal laissez-faire concept, largely promoted under the Washington Consensus, sees the state only as a provider of essential public goods like security and lays the remainder in the responsibility of the private sector. The East Asian tiger states during the East Asian Miracle on the other hand followed the Developmental state approach which promoted a strong public sector and an economic system in which the government partly takes the role of an economic actor (Raquiza 2012a:1). These concepts at two ends of the scales represent the contrasting beliefs that either growth alone will reduce poverty (Bhalla 2002:15)

or that it is inevitable to combine growth with policies to enhance the poor to participate fully in the opportunities unleashed by growth (Nallari and Griffith 2011:72). The first system is therefore marked by a high degree of privatizations and deregulation and a government that is merely supposed to create a business-friendly environment with a respective institutional framework within which private actors can invest and interact freely (Pettinger 2012). Private investment and consumption, not public spending, is considered the driver for economic growth and poverty reduction, whereas the government *“can and does fail spectacularly”* even with the best intentions (Virmani 2005:14). Advocates for a stronger state role argue that *“action cannot happen without principles”* (Easterly 2013:340), which means the state is required to establish and maintain equal rights and freedom as well as to set incentives. Moreover the government is made responsible for a comprehensive diffusion of key technological innovations and fostering the demand: *“Development is not just about giving people what they want, it’s also about getting them to want what they need”* (Kenny 2011:160). It is especially the grass root level where civil society agencies or international NGOs come into play. In general civil society groups can contribute to poverty reduction as alternative providers of public goods, as providers of credit, as community organizers, as advocates of urgent issues or as watchdogs of the government (Aldaba 2016:16). The *“association of problem-solvers”* approach (quoted from Easterly 2013:237;239) urges for the cooperation all actors involved. This *“planning approach”*, which relies on expertise provided from actors foreign to the particular region, however is often criticized, because experts without a personal stake in the region do not suffer if their attempts do not materialize and thus might lack incentives (Easterly 2006:6; 2013:254). In the Western hemisphere many claim that democracy is inevitable to create sustainable development over the long-term, since an authoritarian regime that does not take notice of its people’s needs will eventually act against their interests. While Amartya Sen opposes the counter-argument that China or South Korea have proven success is possible without democracy, he acknowledges that there is by no means a causality between democracy and development. Others however adhere to the assumption that democracy poses even an obstacle to development, due to the short time horizon of elected governments, the many interests groups a government needs to please or the often long lasting decision-making processes (Hinkle 2012).

- **Nature of approaches**

Broadly one can distinguish between strategies that focus on internal circumstances and those that rely on cooperation with external parties.

- a) **Internal Focus**

Strategies that focus on internal circumstances can be divided into technology-based, governance-based and inclusive growth strategies. From the previous explanations on the relations between poverty and economic growth and inequality one can follow that *“poverty reduction is arithmetically a function of growth and improvements in distribution”* (Khan 2011:83) and thus both is needed: economic growth supporting actions like technology improvements, as well as mechanisms that contribute to a fair income distribution, which requires good governance and inclusive growth strategies.

1) Technical Approach

Especially before the rise of structural approaches, it was widely believed that poor conditions owe to some concrete mistakes by the specific country. Also Amartya Sen adheres to this strategy, only instead of mistakes he considers the removal of various types of *“unfreedoms”* the start for successful development (Sen 1999:xii). The technical approach can also be understood in a literal way that emphasis the importance of **technology** for development. Continuously advanced technology can contribute to decreasing the cost of vital services and products in health or agriculture/nutrition and thus make them affordable for the poor people. This reflects the belief that the most important goal of development *“has not been making people richer but rather has been making things that really matter [...] cheaper and more widely available”* (Kenny 2011:11). In 1900 the U.S. had an infant mortality of around 15% and strikingly high GDP of 4.000 USD at that time, whereas Sierra Leone today has a comparable child mortality rate of 17%, but only a GDP of 1.400 USD (Kenny 2011:12). Other factors play in, but this speaks for the importance of technological progress.

2) Governance

Since in a functioning state the government possesses a high degree of influence, it is no surprise that some regard good governance *“as [a] precondition for development”* (Khan 2011:69) which is confirmed by several studies conducted by organizations such as the ADB (Habito 2009:1). Governance can be defined as the *“activities, institutions, and processes involved in effectively managing and running a country’s affairs in all its different spheres [...] including the relationships between the state and the wider society”* (Riddell 2007:372). Most evaluations are oriented along the six criteria introduced and evaluated by the World Bank since 1996 (Kaufmann et al. 2009:2):

- Voice and Accountability of government
- Political Stability and Absence of Violence/Terrorism
- Government Effectiveness

- Regulatory Quality
- Rule of Law
- Control of Corruption²

These categories are strongly interrelated: an unstable political environment with a weak government is most likely incapable of effectively implementing a rule of law, which in turn weakens the accountability of government officials and consequently facilitates cases of corruption. Khan dedicated lots of his work to the vicious circle surrounding a failed good governance framework. Key findings are that bad governance often creates inefficient markets with high transaction costs due to the lack of rule of law, which undermines property rights and allows rent-seeking of small elite groups as well as corruption (Khan 2008: 111-116). Therefore the goal of good governance agendas or market-enhancing governance must be to eliminate the roots of market failures, i.e. to reduce transaction cost (Khan 2011:70).

This being said, other studies demonstrate that there is neither a causality between high good governance scores and high developing levels nor with fair income distribution (Khan 2011:72;79). A lot of discussions are held on the question whether central or decentral forms of government shall prevail. Although this clearly depends on the specific features of the country, especially the size and heterogeneity, support for decentralization increases (Klein 2004:232). With empowered regional and local governments the accountability of those regional officials and the transparency of their actions increases which can help preventing corruption and foster a rule of law environment.

Policies to improve accountability of government	Policies to counter corruption and rent-seeking	Policies to stabilize property rights
Poverty Reduction Strategy Papers, Accountability reforms, decentralization	Anti-corruption policies, liberalization, WTO restrictions on subsidies, IMF fiscal requirements	Policies to improve rule of law, reduce expropriation risk, strengthen judiciaries

Table 1 Tools to create good governance (Khan 2008:116)

3) Inclusive Growth

Apart from facilitating growth of the overall economy it is vital to guarantee also the poor part of the population to benefit from increasing wealth: *“Poverty reduction [is] a goal in itself and need not depend on how fast or slow a country was growing”* (Nallari and Griffith 2011:1). Against this backdrop the pro-poor growth concept emerged during the 1990s (Kraay 2004:1). Many point out three potential contributors to pro-poor growth: (a) a high growth rate of average incomes or (b) a high sensitivity of poverty to growth in average incomes or (c) a poverty-reducing pattern of growth in relative incomes (Kraay 2004:X).

² The countries are ranked through percentiles with 0th percentile representing the worst and 100th percentile the best possible score. For example 50th percentile means that 50% of the ranked countries are below this country.

A common method is **microfinance** which tries to overcome the fact that poor people often do not have access to usual banking services and therefore lack funds to be economically active. This stems from various reasons, including that many poor are based in rural areas physically distanced from banks or the usual request of small loan amounts which lead to relatively high individual transaction costs or the lack of sufficient collateral (Quach 2005:41;61). Although its actual effectivity in terms of poverty reduction is ambiguous it is widely applied (Chowdhury 2011:166). Common criticism against microfinance is that the idea is too romanticized since not every poor person qualifies as a successful entrepreneur when given sufficient financial means (Karnani 2011:150). In general two streams within microfinance oppose each other: While the **financial system approach** argues that it is useless to provide funds to the poorest of the poor, since they rather require basic needs and it would occupy funds and spaces that should rather be taken by more efficient and more competitive larger enterprises (Chowdhury 2011:168). The **poverty reduction approach** values the provision of funds as necessary (Quach 2005:91-93). Even one of the founders of the concept admits that *“micro-credit is not a miracle cure that can eliminate poverty in one fell swoop”* (Yunus 2003:171). Instead it should rather be regarded as one next to other tools that can contribute to poverty alleviation. It indeed appeals that the success of microfinance depends on other factors such as a functioning domestic market which creates demand for the micro-business, or good infrastructure to deliver the products (Chowdhury 2011:168; 170). Even in cases of unsuccessful businesses, microfinance can work as a form of empowerment which equips the poor people with financial literacy (Chowdhury 2011:175). Another form of overcoming the financial vulnerability of the poor are **cash transfers**, which, as opposed to non-cash transfer, grant the recipients more freedom in their expenditure decisions (Standing 2011:203). These can be designed in multiple different forms. Some countries benefit heavily from the influx of overseas cash transfers. This fuels domestic consumption with the effects ideally trickling down to the poor. Mostly however, when speaking of cash transfers one refers to *“the provision of assistance in the form of cash to the poor or to those who face a probable risk of falling into poverty in the absence of the transfer”* (World Bank 2003). To this end the provider of funds normally is not an overseas individual, but rather state or state-near agencies. Cash transfers can be considered an *“investment in the future of human capital”* (Habito 2016) since they are meant to equip vulnerable households with sufficient funds to provide themselves and especially their children access to education and health institutes. In more specific cash transfers can fulfil four functions: prevention from future shocks, protection against existing shocks, promotion of higher living standard and transformation to leaving the poverty trap (UKAID 2011:6).

While cash transfers can come in various forms such as social pensions or child grants, on a more general level one can distinguish between their scope, i.e. between universal or targeted transfers and between unconditional or conditional cash transfers (Standing 2011:199). Under unconditional cash transfer programmes the funds are given to the beneficiaries without any instructions of how to use that money. While this acknowledges the fact that poor should be deemed capable to make their own decisions (Pietzsch 2011), in practice it can lead to inefficient use of funds and the failure to create positive future investments. The more common conditional cash transfers on the other side link the provision of funds to clear instructions, like to use a certain amount of the funds for educational or health purposes. While the attached conditionality appears reasonable various studies question if the, often proven, success of cash transfer programmes is causally related to the inclusion of conditions or if “*cash alone might be enough*” (UKAID 2011:iv). Furthermore on a moral basis the prescription of a conditionality can be criticized as being too paternalistic, thus dishonorable for the recipients (Standing 2011:207). The decision to implement a cash transfer programme needs to carefully weigh the advantages against the possible negative effects. In the end the success will depend on the quality of implementation and the quality of targeting (Raquiza 2012b:122).

b) External Focus

The external influence on economic development and poverty reduction is mainly represented by the provision of foreign aid and by the engagement of foreign agencies that provide technical

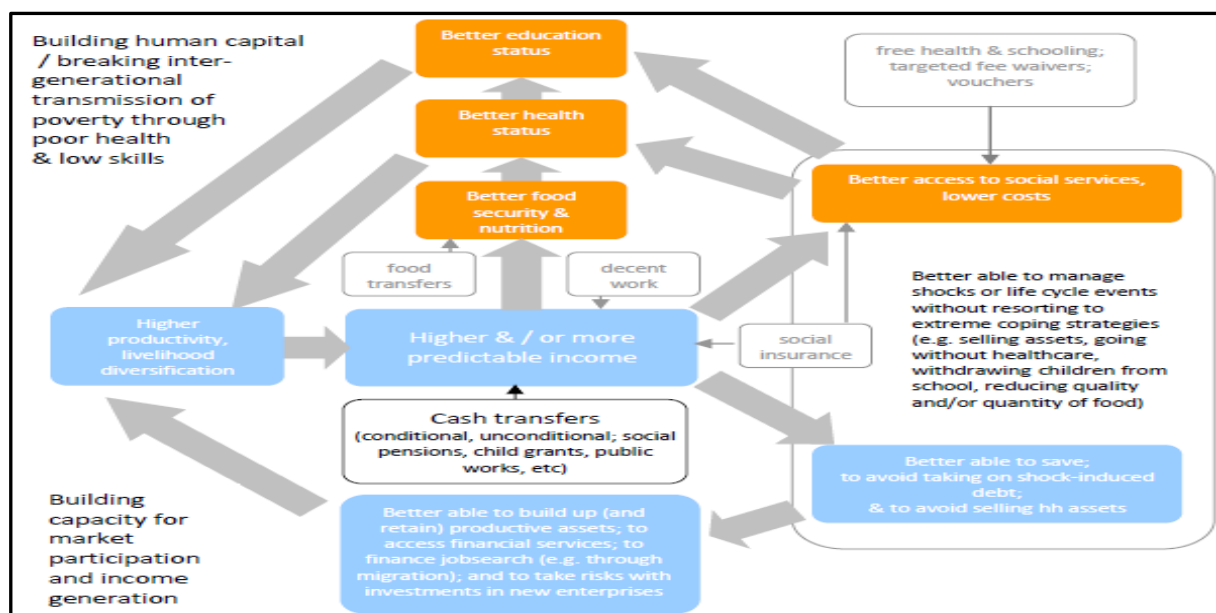


Figure 4 Logic of Cash Transfers (UKAID 2011:5)

assistance and capacity building. The Development Assistance Committee refers to foreign aid as Official Development Aid which is defined as “those flows to countries and territories” whereby each

transaction “*is administered with the promotion of the **economic development and welfare of developing countries** as its main objective*” (OECD 1972). Since the inception of foreign aid, discussion about its benefits and disadvantages have not ceased.

As an early case of foreign aid many see the Marshall Plan (Taylor 2011:47). Following that example various studies have proven that foreign aid has often brought along improvements to the aid-recipient country, which can be distinguished into tangible improvements such as increased quality of services or infrastructure, and intangible improvements like an improved quality of key institutions (Riddell 2007:253). Arguments in favor of foreign aid rely on the logical thought that, since many poor economies lack the funds to invest in crucial sectors like technology or education, a solution to overcome this problem is to provide these funds to enable the country to make the necessary investments.

Others follow Angus Deaton’s opinion who questions positive effects of foreign aid and in contrast thinks that “*aid is more likely to hurt than help institutional quality*” (2015:112), because it weakens the dependency of the government on his population in terms of acquiring financial means.

Consequently the government loses one incentive to act in favor of the people. Providing large funds to governments with weak institutions might retard or even hinder necessary economic reforms (Burnside and Dollar 2004:3). Fitting to this argument an IMF study from 2005 revealed that foreign aid has a reverse impact on the transition towards economic freedom and democracy (IMF 2005:139). Another argument against foreign aid is linked to an ancient wisdom attributed to Lao Zi: “*Give a man a fish and you feed him for a day*” or “*teach a man to fish and [...] feed him for a lifetime*” (quoted from Taylor 2011:47). Many aid programmes miss to build economic capacities in the recipient countries and simply provide their funds to close short-term financial lacks. Even in many cases where technical assistance is provided, international agencies fail to include local governments, which can severely weaken their commitment once the agencies leave the country (Riddell 2007:369-370).

One can conclude that foreign aid and the engagement of international agencies can have a positive influence on the recipient country, mostly in areas like humanitarian assistance over a short-term (Shirley 2008:77). In the long-term however many aid programmes fail to trigger a sustainable development that effectively eradicates poverty, because it too often ignores capacity building, or the context specifics of the country and does not strengthen the institutional framework (Riddell 2007:254; Taylor 2011:49).

The below table gives a comprehensive summary of the gathered theoretical background in chapter 2. The next chapter 3 builds on this knowledge and creates the analytical framework.

Definitions	Absolute vs. Relative Poverty Definitions
Measures	Despite multidimensional understanding, monetary indicators still dominate
Causes	<i>Supply side:</i> Shift away from "copy the rich" thinking to a specific case by case analysis which tackle the fundamental structural frameworks and institutions
Relation to Development	Economic growth only one vital precondition – needs to be accompanied by efforts to include the vulnerable
Relation to Inequality	High inequality creates poverty trap and hampers the poor to participate in growth
Poverty Alleviation:	
→ Actors Involved	Public Sector ; Private Sector; Agencies / NGOs
→ Strategies	Internal: Repair of technical, institutional, governance insufficiencies + use of pro-poor approaches / External: Cooperation with Foreign Donors and Agencies

Table 2 Summary of theoretical background

3. Methodology: Conceptualizing Saemaul Undong

“If today’s programs are to achieve their objectives they must learn lessons from the many rural development initiatives pursued over the past decades” (Reed 2010:1)

The above quotation explains the type of methodology used for this paper. In the first step this chapter briefly outlines the background of Saemaul Undong, including the context at the time, the idea behind the movement and its main components. As this paper does not focus on why and how exactly SMU was implemented, but mainly on its components, the historical context is held short. Following the introduction of the SMU context, the framework will be designed along the crucial premises that paved the way for the success of SMU.

3.1. Saemaul Undong Movement

3.1.1. Background of SMU

Brief context: Economic and political situation

In the 1960s following division of Korea, the newly founded Republic of Korea, experienced economic hardship with low employment and “*endemic rural poverty*” (ADB 2012:vii). The economy was largely based on agriculture, but whereas urban wages slowly increased, the wages in rural areas stagnated (ADB 2012:1). Measured in key economic figures South Korea throughout the 1960s was far behind its northern neighbor with a GDP per capita of only 80 USD in 1960 (Baek et al. 2012:416). Politically early post-war South Korea was not a stable democracy, since President Park Chung-Hee, suspended the constitution in favor of martial law in 1971/1972. Under this new Yusin constitution President Park issued emergency decrees, could disband National Assembly and set the president’s term at 6 years without term limitations (ADB 2012:6). Directly in the aftermath of the war, South Korea operated a series of small-scale programmes for rural development supported largely by donor agencies (ADB 2012:5), which were based on governors’ and ministers’ proposals (Chang 2005:1). With the start of the positive industrial development in urban areas in the early 1960s, the gap between rural and urban areas widened. In 1969 rural households’ incomes were less than the 70th percentile of that of urban households (Baek et al. 2012:418). Only in 1970 a large-scale programme was initiated under the Six Year Plan, which Park Chung-Hee first called “New Village Remodeling Movement” – this marked the beginning of Saemaul Undong (ADB 2012:5).

Implementation and Success

Prior to inception, President Park Chung Hee named three fundamental components as the basis for all following steps: diligence, self-help, and mutual cooperation (ADB 2012:4). In a pilot programme

the government provided all 33,267 villages with 335 bags of cement and 0,5 tons of iron rods (ADB 2012:6). Since this test proved to be successful SMU was officially launched and was put into practice in three steps (Chang 2005:2-3):

1st phase: Foundation Phase

The focus was to improve farmers' living conditions and therefore introduced programmes focused on solving practical daily-life problems, like replacements of straw-thatched roofs of traditional farming houses. Below further projects demonstrate the wide scope of projects:

- (1) modernizing rural production infrastructure
- (2) introducing electrification and telecommunications
- (3) increasing rural incomes through increased productivity and recursive investment
- (4) welfare and environment projects to address poor housing and sanitation conditions and build community facilities

These projects followed 4 objectives: modernizing infrastructure, raising household incomes, reforestation mountains, and improving the overall rural environment (ADB 2012:6). In the first year the government funded 4.1 billion KRW which created an outcome worth 12.2 billion KRW (Baek 2012:419).

2nd phase: Self-Help Development Phase

The second phase encouraged villagers to start income-generating projects, for example joint farming or off-season vegetable cultivation, and as well to develop efficient marketing processes to sell those products. This included the promotion of diversifying income sources in contrast to solely relying on one single type of product. These efforts can be summarized under the term Community-Driven-Development/CDD.

3rd phase: Spiritual Enlightenment

This phase, which is one of the principles of SMU and thus had already been incorporated from the beginning, meant to internalize *"the development will of the people based on innovative motivation"* (Chang 2005:3) in order to create a "We can do" spirit.

SMU was implemented after several study trips to rural areas by ministers and governors and did not base on theoretical frameworks. Main characteristics of the implementation were a mixture of top-down and bottom-up approaches. Whereas the concept was clearly developed on the top and the national government gave clear guidelines, it was not involved in the practical execution of those plans, but merely provided the villages with a minimum amount of required materials (Chang 2005:6). In order to target each community more efficiently the government carried out surveys which divided the country into developed, developing and underdeveloped communities and crafted individual projects for each category (Chang 2005:6). Apart from a better targeting this initiated a

competitive atmosphere where communities aimed to reach the next class by meeting government requirements and to receive the status of a “New Rural Village”. The government was aware of the importance of inter-personal trust and therefore established a structure which involved frequent encounters between local government officials and community leaders.



Figure 5 Role between NG, LG and Rural People (Chang 2006:7)

On the community level, three organizations were created: (1) Neighborhood meetings which were composed of 20-25 families, (2) general meetings of a village with all residents participating, and (3) village development committee/VDC which involved around 15 representatives of official and non-official village organizations (Chang 2005:7). The VDC chairperson was equally the Saemaul leader (Chang 2005:8) and under his guidance the VDC coordinated and chose the Saemaul projects.

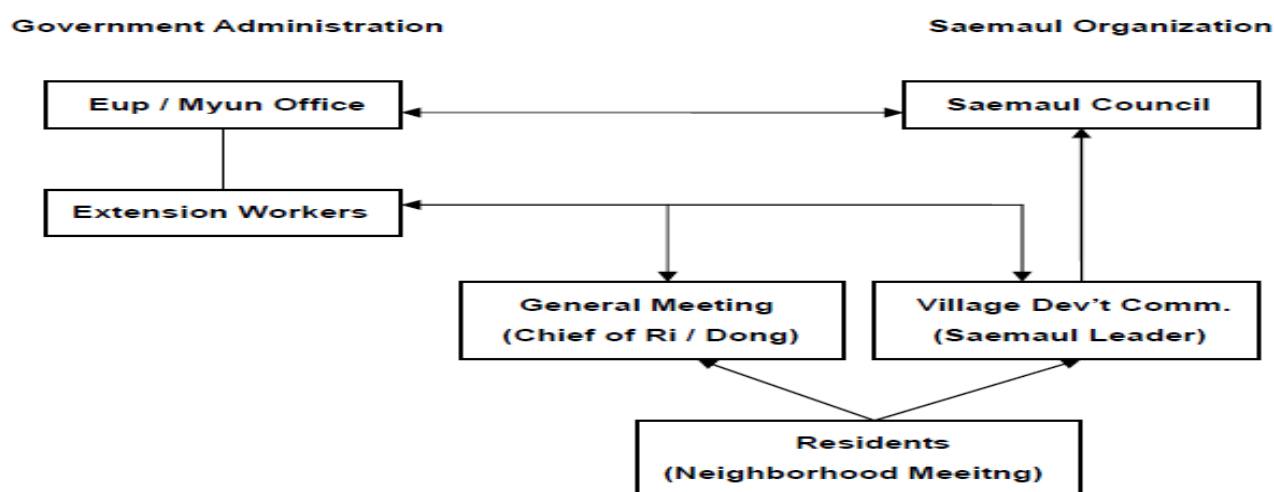


Figure 6 Structure on the Community Level (Chang 2005:8)

Macro-economic improvements can rarely be attributed to a single programme, but scholars and international organizations largely agree that SMU was a major cause for the rapid development as per the below statistical figures.

These statistics support the claim that SMU did not only spur rural development, but even transformed the whole society, away from an economy based on agriculture to a modern diversified

	1970	1972	1974	1976	1978	1979
Income per household (farmer)	255.8	429.4	674.5	1.156,3	1.884,2	2.227,5
Income per household (urban laborer)	381.2	517.4	644.5	1.151,8	1.916,3	2.629,6

Table 3 Average Annual Household income in 1.000 WON (ADB 2012:30)

	1961	1966	1972	1981	1987	1993
GNP per capita USD	90	125	306	1,741	3,218	7,513
Growth rate %	1.6	6.8	16.1	21.3	10.7	15.2
Unemployment rate %	17	15	10	10	5	4

Table 4 Economic Success (Kwon 2010:96)

	1965	1970	1976	1980	1991
Urban households %	54.9	16.2	18.1	10.4	8.7
Rural households %	35.8	27.9	11.7	9.0	2.8
All households %	40.9	23.4	14.8	9.8	7.6

Table 5 Incidence of absolute poverty (Kwon 2010:95)

	Agriculture %	Manufacture and Mining %	Service %
1966	57.89	10.48	31.27
1971	48.44	14.19	37.37
1978	38.41	23.15	38.44
1985	24.94	24.44	50.62
1990	18.25	27.32	54.42

Table 6 Employees by industry, (Kwon 2010:94)

economy with a strong service sector (Chang 2005:1). Apart from overcoming a shortfall in the domestic food supply, even more importantly SMU “sweep[ed] change in the mentality of the people induced by the SU movement itself. In sum, the SU movement built a national confidence infused with a ‘can-do’ spirit” (ADB 2012:vii).

3.1.2. Reasons for success of SMU: Key indicators

Due to its success many studies try to find the secrets of SMU and thus a vast number of key

indicators has been analysed.

In short SMU's success is often explained, because it tackled the problems that many not fully developed economies face: concentration of land ownership in the hands of a small elite and high rates of tenancy for small farmers, which leads to disparities in income and concentration of political power, weak governance at both national and local level and a population growth whose requirement might exceed the availability of resources (Reed 2010:10). Against this set of problems the South Korean government *"initiated a nationwide, community-based, integrated rural development program"* (Reed 2010:3). In its 2012 report the ADB concludes its analysis with a set of lessons which can be learnt from SMU. These, quoted below as steps 1-7 summarize what most other studies also suggest:

1)	"Infusing traditional societies with the attributes of diligence, self-help, and cooperation can facilitate social and economic transformation.
2)	Introducing male-female paired leadership in rural villages can empower women and facilitate transformation and modernization of traditionally gender-biased Asian societies.
3)	Provision of microfinance through institutions such as the Saemaul Bank (Village Bank) can effectively provide low-income communities with credit that can be used to leverage personal resources into investment that ultimately raises rural household incomes.
4)	Strong national political leadership with a commitment to sustainable CDD and empowerment of local communities can help facilitate socioeconomic transformation.
5)	CDD leaders must be carefully screened if abuse of administrative power that negates local community empowerment is to be avoided.
6)	"Create the foundations for rural development: invest [...] in rural education and health programs that help create the human capital that will be capable of taking advantage of new economic opportunities" (Reed 2010:10). "Invest in agricultural research capacity and extension services that test and introduce appropriate technologies and cropping systems for increased productivity and more market-responsive agriculture [...]" Create institutions and infrastructure to support the rural economy, including finance, processing, storage, transport, communication" (Reed 2010:10-11)
7)	"Integrate rural development as a high priority into the national economic development plan" (Reed 2010:12)

Table 7 Success indicators for SMU, own compilation based on (ADB 2012:viii-ix; Reed 2010:3;10-11)

The list includes factors from various disciplines. Points 1) and 2) refer to the **socio-cultural** dimension and emphasis the importance of tradition and spirit, especially in a relatively homogeneous society as South Korea where the majority shares similar beliefs (Park 2009:124-125). Also they highlight the importance of gender equality, specifically the importance to make use of

women in community leadership, which still today is often neglected in Asian countries. 4),5) and 7) speak about **governance and planning** and ask for a strong leadership, which however does not lead in an authoritarian style, but allows sufficient degree of local self-government. Therefore local governance must be enabled *“to plan and administer national policies and programs at the local level”* (Reed 2010:11). Chang refers to this approach as the *“pure Korean way of community development program which was initiated by the political will of the top national leadership in order to escape from poverty”*(2005:10). Also SMU understood the fact that people in charge must be held accountable and transparent in order to prevent misconduct. Point 3 mentions the **financial** aspect in that it sees the importance to guarantee that poor village people get access to financial funds to start or expand their businesses. Point 6 stresses **human capital** and asks for investments in human education and health.

The success of South Korea was also supported by many favorable circumstances, external to this rural programme. As an underdeveloped country South Korea received high amounts of foreign aid. According to government estimates these totaled to 12,7 billion USD in 2010 rates from 1945 to the late 1990s (Marx and Soares 2013). Due to the cold war era, especially the United States supported South Korea politically and financially, for example with 1.5 billion USD in 2010 rates in 1960 (Marx and Soares 2013). Also the geographical and societal conditions favored South Korea’s development. As a coastal state South Korea could easily engage in trade and with a rather homogeneous society the risk of a split within the society was less likely than for rather heterogeneous populations. These externalities however are not relevant for the purpose of this paper, since it merely carries out an isolated comparison if and which premises the Philippines and Vietnam fulfil.

3.2. Analytical Framework

3.2.1. Status Quo

Before starting the analysis it is essential to provide a brief overview of the two countries:

- A) Political Profile in both countries
 - Brief history, political and legal system
 - Population, religion, geography
- B) Poverty situation in both countries
 - Natural/geographical/ethnic/cultural specifics
 - General poverty rates, distribution of poverty, unemployment rates and figures for rural areas
- C) Setup and importance of the rural economic sector

- Percentage of GDP/employment
- Major products/exports

This first step will help to understand the current incidence of poverty in both countries and highlight similarities to South Korea's situation prior to SMU.

3.2.2. Analysis of key indicators

Reed supports the approach of this paper, when he states that SMU *"cannot be considered a model for other countries, if by model we mean a package that can be transferred more or less intact to a different context with the expectation of similar results"*, but *"other countries can learn important lessons"* (2010:9). That is why in this final step this *package* is operationalized for the analysis.

Deriving from the above and the theoretical input from Chapter 2, this paper determines the following three categories as premises for a successful implementation of a rural development programme similar to SMU.

3.2.2.1. Premise 1: Governance and Structural Factors

Studies have repeatedly pointed out how the style of governance had a significant influence on the implementation of SMU. As from 1972 South Korea was governed by the Yusin constitution by President Park Chung Hee, *"a politician who was goal oriented and tenaciously obsessed by the commitment to making South Korea great, he called for total dedication to this goal, putting aside the procedural formalities of liberal democracy"* (Kim 2011:70). Enormous political power was concentrated in his hands and his inner circle, and thus the decision-making process was quicker than in fully democratic systems, where laws and directives have to be agreed upon by the parliament. Under Yusin constitution the President could declare *Gingep Jochi*, the status of emergency, and issue emergency decrees that did not require confirmation by the National Assembly (Breen 2010). This **strong leadership** (Chang 2005:13) also allowed to react quickly to changing circumstances. Despite being *"frequently criticized for setting back the development of democracy in Korea"* (Lee 2009), polls about Park Chung Hee repeatedly reveal that still today Koreans attribute a decisive role to him in the national development process. But political power would not suffice, especially since the Yushin constitution was only introduced in late 1972 and thus the first steps of SMU were administered under a democratic governance. Therefore just as much as political power, a **long-term political commitment** to the rural development programme is regarded as a corner stone of the success (Chang 2005:10). President Park clearly made SMU a top priority on the national level and demanded updates on monthly progress or invited village leaders to present their progress during cabinet meetings (Jemal et al. 2013:225). Despite this centralized power, another key governance feature was the high degree of self-governance within the participating villages and communities.

While broad directives and development aims were communicated from above, the exact method of how to reach these goals was left to the Village Development Communities. Within this mixture between **Top-Down and Bottom-Up** the government emphasized the importance of vertical communication. Regular meetings between leaders from the village, community, local and national governance should ensure a steady exchange of ideas. The initial step of SMU visualizes this approach well. When overproduced cement was given to the communes they were encouraged to conduct community projects, but no guidelines as to the content of those were given (Baek et al. 2012:419). Early on the government officials ordered nation-wide surveys to determine different levels of development among the regions, which were then **classified in three development classes**. That way unequally developed regions could be targeted with individualized requirements, instead of giving average targets, which cannot match all regions' development level. To not overstrain the rural population, the reform process was implemented in a **step-by-step** process, which granted time to complete one requirement before introducing further ones. Before the official launch of SMU, the government carried out a comprehensive **land reform** which gave every farmer access to land and avoided the concentration of land ownership in the hands of few landowners (Luan 2016:14). This not only increased the effectiveness of each single reform, but also created a competitive atmosphere in which villages were competing to reach the next classification level. The land reform laws were implemented between 1949 to 1955 and included three basic principles focusing on creating equal conditions (Kwon 2010:91). Accordingly the government purchased land from those owning more than the permitted three hectares or did not themselves engage in farming activities and sold it to those small farmers who had worked on it as tenants before. Through this mechanism the land reforms established crucial preconditions for the success of SMU: *„It created farmers who owned their own land and whose economic interest was in line with community development in rural areas. [...] For independent farmers, modernization of the infrastructure of their community would directly lead to increased productivity of their own agricultural land“* (Kwon 2010:92), whereas tenant farmers did not benefit directly from those investments.

Premise 1: Governance and Structure	
Characteristics	Indicators
(1) Leadership and Commitment	Political system? Scope of president's constitutional power? Number and influence of actors involved? Dedicated programs? Long-term planning process?
(2) Mix of Top-Down and Bottom-Up	Administrative structure? Authority of local actors? CDD-programs?
(3) Land Reform	Land reform carried out/finished? Equality of land ownership? Conditions of ownership?

3.2.2.2. Premise 2: Socio-cultural Factors

Apart from relying purely on directives derived from economical hard facts or rational conclusions, Saemaul Undong is often regarded more as a **spiritual movement**. The rural population was addressed on a psychological level, since it was understood that the transformation process has effectively to be carried out by the people themselves. Campaigns with slogans such as *'farmers are the foundation of the nation'* promoted the spirit of national unity and tried to change people's mentality which was still affected by the years of war and the prevailing status of poverty. A mentality of fatalism was meant to be replaced with a new entrepreneurial, "we-can do" spirit (Chang 2005:13). Successful villages or communities were **rewarded** with more resources and stipulated as role models for other villages. On basis of the three classifications as basic, self-help, or self-reliant village, the government created a competition among villages for obtaining more support. For example, after the initial provision of cement, villages who performed more successfully received more additional cement in the second step (Do et al. 2016:117). Also individual local officials were held accountable and rewarded based on the evaluation by the people in their villages. The appointment of local officials was made in merit-based system. With this came a higher **degree of accountability and transparency** of these local officials which helped to prevent corruptive behavior (Park 2009:135). The fact that SMU was largely based on selective incentives which emphasized the competitive element is often regarded as an essential component: *"The competition between villages to be rewarded by selective incentives contributed to the internal unity of villages and developed into a practical force for SMU to perform effectively [...] and inspired village residents to take pride in their successes"* (Baek 2012:419). The relative **societal homogeneity** is often considered a fact that contributed positively to this attempt. Most rural communities, which is the target unit of SMU, have a long history of settlement where people know each other and have already established forms of cooperation, for example for rice farming (Park 2009:124). As Jemal et al. point out this contributes to a successful village-level cooperation, since people share value, religious beliefs and cultural habits and are often already organized in small grass roots communities. Therefore the level of trust and empathy between people can be expected to be relatively high (Jemal et al. 2013:227). The **role of women** was strengthened in that sense that they were regarded as *"development agents"* (Park 2009:135) and encouraged to participate politically on the village and communal level, which offered other ways of thinking compared to a purely male dominated political arena. They were encouraged just as men to take posts as Village or Saemaul Leaders, received the same training and united in the women's associations took important functions for savings or welfare (Chang 2005:11).

Premise 2: Socio-Cultural	
Characteristics	Indicators
(1) Participation of Women	Traditional role? Participation in labor market, in politics, in daily life?
(2) Homogeneous Society	Number of ethnicities, languages, religions? Relation to ruling elite? Conflicts?
(3) Accountability and Transparency	Recruitment process? Ren-umeration? Cor- ruption? Behavioral incentives?

3.2.2.3. Premise 3: Financial and Human Capital Factors

In accordance with the realization that transformation ultimately is driven by the people themselves, the government emphasized the importance of investing into human capital via various **educational and health programmes**. Investing into human development and infrastructure lays the foundation on which a rural economy can develop (Luan 2016:18). For example in 1972 the “Diligent Farmer Training Facility” was established to train village leaders, which was later expanded to “SMU Leader Training Facility” and included more than agricultural training (Baek 2012:419). The “Saemaul education targeted all people regardless of ethnicity, gender, age or social status and was very practical oriented and taught farmers how to efficiently use modern agricultural and industrial tools, so that they could immediately apply and benefit from that knowledge (ADB 2012:15). In line with the idea of an spiritual movement rural people were *“infused [...] with the development motivation and will, leading ultimately to changes in values, attitudes, and behaviors”* (Chang 2005:13). Apart from investments in the human capital, especially in the early stages the government spent high amounts for investments into **physical capital** as well. In order to enable villagers to start and enhance their businesses, the government – often through the help of foreign aid – invested in machineries, infrastructure or buildings to establish a foundation which allowed businesses to flourish. Until the late 1960s mechanized farming was largely non existing, but by 1970 there were already 11,884 motor-powered cultivators in use, which even increased to 37,660 in the final year of Phase I in 1973 (ADB 2012:31). Similarly while in 1970 only 24,% of houses had electricity this increased to 98% within only nine years (ADB 2012:31). From the first year on, the majority of investments was funded by the communities themselves, which shows their degree of commitment. In the first two years the national and local governments supported 4,1 and 3,3 billion KRW, whereas communities supported already 8,1 and 28 billion KRW (ADB 2012:46). Since poor people in remote areas often face the problem of limited to access to funds, the government created institutions which provided **microfinance** services. This way villagers had easier access to funds which allowed

successful businesses to expand more easily. Especially the Saemaul Bank successfully provided a microfinance alternative to private banks that charged high interest rates (ADB 2012:48). Additionally most communities started Village Funds in which funds were saved to finance new projects within the village (Chang 2005:12).

Premise 3: Human and Financial Capital	
Characteristics	Indicators
(1) Human Capital	Educational data (literacy, enrollment etc.)? Health data (HDI, life expectancy etc.)? State budgets? Dedicated programs?
(2) Investments	Infrastructure quality (road, electricity, telecommunication)? State budgets? Dedicated programs?
(3) Access to Finance	Outreach of bank facilities? Presence of microfinance? Rate of access to banking services? Financial/Entrepreneurial Literacy?

3.3. Evaluation of parameters per country and cross-country comparison

After all three premises have been analysed the results per country are separately summarized and evaluated. For each premises the most fundamental characteristics in the individual country have to be carefully analysed to provide the foundation for the comparison. In order to allow a better comparison the sub-categories within each premise will be evaluated using a point system, ranging from 6 (completely fulfilled) to 1 (not fulfilled). This point system, which produces accumulated scores per category and per country, allows to compare the individual categories with each other within the same country as well as between the two countries. The author chose a scale using even numbers over odd numbers in order to avoid the tendency to merely rate the neutral number in the middle. A 2-point or 4-point scale was denied to allow for a greater degree of differentiation between the premises.

Premise # 1: Governance		
	Vietnam & Philippines	Score
Leadership		1-6
Mix of Top-Down / Bottom-Up		1-6
Land reform		1-6
TOTAL SCORE		
Premise # 2: Socio-Cultural		
	Vietnam & Philippines	Score
Participation of Women		1-6
Homogeneous Society		1-6
Accountability and Transparency		1-6
TOTAL SCORE		
Premise # 3: Human and Financial Capital		
	Vietnam & Philippines	Score
Human Capital		1-6
Investments		1-6
Access to Finance		1-6
TOTAL SCORE		

Table 8 Evaluation sheet

The last step in the framework compares the characteristics for each premises and country with the characteristics of South Korea during the process of SMU in the 1960s. This allows to point out similarities and differences and thus leads to an answer to the initial RQ.

3.4. Goals and Limitations of the Analytical Framework

The application of the analytical framework allows a clear and understandable analysis targeting the RQ. By starting with a description of Saemaul Undong from different points of view the framework allows to point out clear categories which establishes a solid basis for the later comparison.

The goal of the framework is to determine whether or not Vietnam and Philippines are currently on the right track to implement a rural development model similar to SMU. Its results will therefore not only be interesting for scholars who can conduct further research with those results, but also for policymakers engaged in rural development.

But of course the framework does not come without shortfalls. Firstly the analysis does not aim to give an output evaluation. This means the goal is not to judge whether or not the different policies and actions were in fact successful. This paper does not start on the assumption that one only has to fulfil all SMU categories in order to achieve rural development. This seems illusionary due to the multi-dimensional nature of poverty and because external impacts cannot be faded out.

Secondly, the analysis is largely of qualitative nature and only occasionally makes use of quantitative data. This is partly due to a general lack of reliable data. During the field trips between April-June 2016 a total number of 15 expert interviews was conducted. Of course this does not make quantitative analysis worthwhile, but adds further inputs aside from the literature study.

Lastly, criticism towards the SMU model itself must not be left unmentioned. A major point of criticism is directed to President Park Cheung Hee and his intention to carry out the reforms. Instead of intending to pull poor people out of poverty, critics claim that it was merely designed to be a propaganda campaign to increase his political power. They see this criticism supported by the observation that development efforts were often focused in visible villages, whereas far-off remote areas received less assistance (Park 2009:131;133). Democracy advocates argue that SMU could only been implemented under an authoritarian dictatorship whereas a democratically elected government would not have had the political capacity (Park 2009:132). Thereby they question the trade-off between economic gains and political bondage. Furthermore despite the successful improvements of rural life, urban migration continued throughout the duration of SMU, which left rural areas increasingly scarce. As from 1966 the rural population experienced negative growth rates around 1% (Kim 1980:151). However, as many scholars argue against this, SMU was not intended to merely strengthen rural economy, but followed a bigger purpose, which was to transform South Korea's economy from an agrarian society into a modern industrialized economy. Therefore, despite harsh criticism, SMU „*promoted social and human development in rural areas [...], rural infrastructure and the living environment [which] reduced the vulnerability of people to natural disasters and disease pandemics and provided easier and broader accesses to [...] markets, better education and resources*“ (Park 2009:135).

4. Empirical Part I: Analysis of SMU key indicators in the Philippines and Vietnam

The analysis is guided by the theoretical input given in Chapters 2 and 3 and makes use of extensive literature research as well as the content derived from the author's two field trips. The analysis starts with the Philippines in (4.1.), then continues with Vietnam in (4.2.) before comparing both cases in Chapter 5, thereby answering the research questions.

In the following analysis the term *rural* is defined as an area with usually low population density, organized in villages or small towns, where agriculture, forestry, fishery or other labor intensive employments represent the primary source for employment. In contrast to urban areas, the landscapes of rural is often dominated by open spaces, mountainous regions and water sources (National Geographic Society).

4.1. The Republic of Philippines

4.1.1. Status Quo: Economic and Political situation

This section briefly introduces the country profile, the specifics of the rural sector and the poverty incidence in the Philippines, before applying the nine categories of the framework.

Brief political profile (based on CIA 2016; PSA 2016)

The Republic of Philippines, *Republika ng Pilipinas*, was founded in 1946 after gaining independence from the United States of America. It is the most populated country in Southeast Asia with currently 101 million people living on approx. 7,600 islands, spreading around a total area of 300,000 km². The current annual population growth rate is at 1,6%. After 20 years of martial law under dictator Ferdinand Marcos, as from 1986 the Philippines are organized as constitutional democracy under a presidential system, with a single 6-year presidential term. After the July 2016 election Fernando Duterte from PDP-Laban party succeeded Benigno Aquino III from the Liberal Party as the 16th President. The bicameral legislative is divided into the Senate which is elected for six years, and the House of Representatives, which is elected for three years. The judicial power is centred in the Supreme Court headed by the Chief Justice and fourteen associate justices, appointed by the President. On the administrative level the Philippines are divided into three island groups, which are further sub-divided into 18 regions and one Autonomous Region in Muslim Mindanao/ARMM, 81 provinces, 145 cities, 1,489 municipalities and 42,029 barangays/villages.

Political and economic power is centralized in the Manila Metro region around the capital Manila city. Furthermore the Philippines is home to countless ethnic groups, dominated by Tagalog who make up almost 30% and more than 100 recognized regional languages, whereas Filipino and English are official languages.

Setup and economic importance of the rural sector in the Philippines

The Philippines economy has been growing constantly at GDP annual growth rates ranging between 5-7% during the last decade, causing some commentators to call it the next Asian miracle.

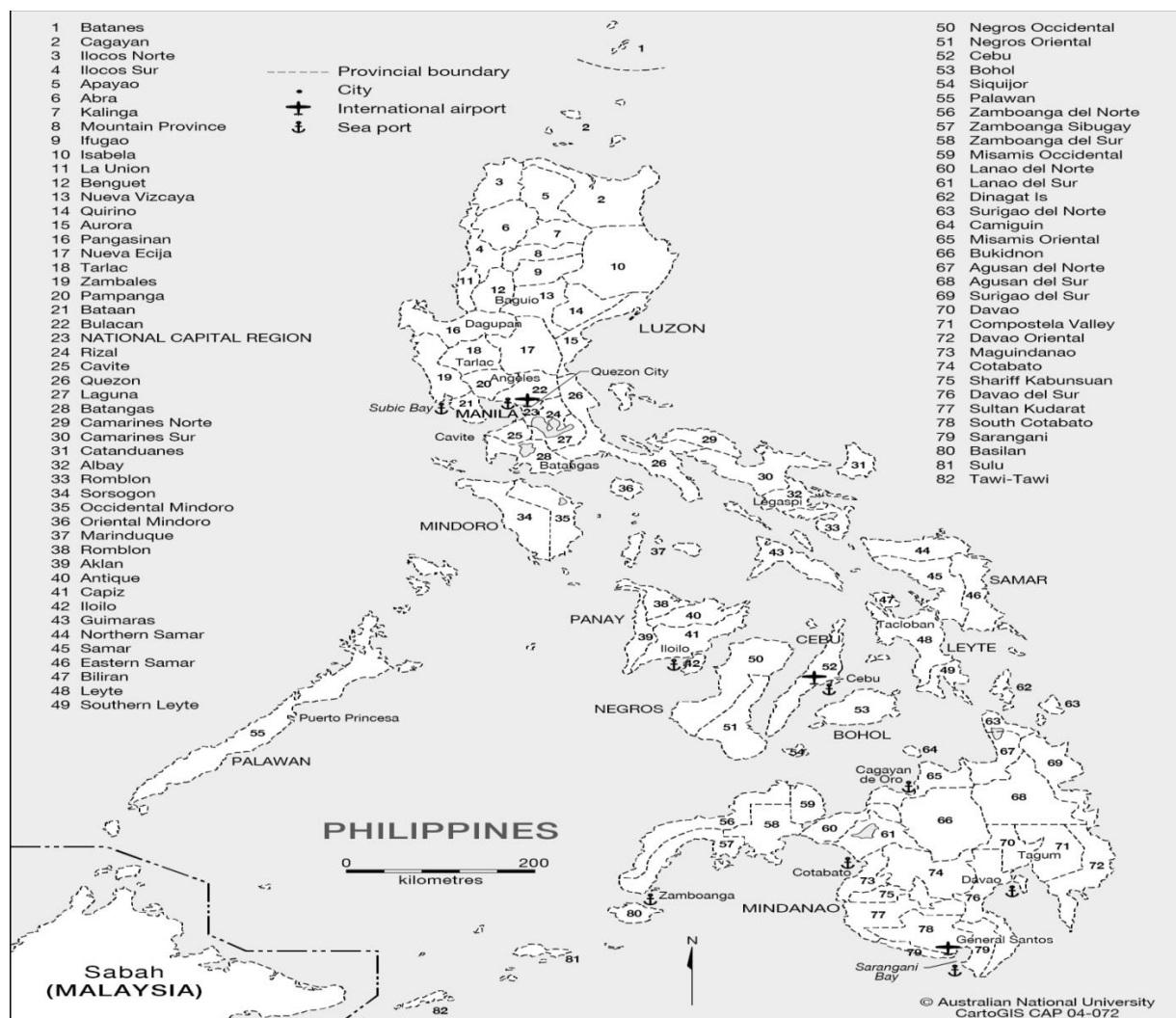


Figure 7 Philippines Map (ANU 2010)

Driven by a strong telecommunication sector and incoming funds from the many overseas Filipino workers – 2.150 million people in 2011 (NEDA 2014a:61) - the growth rates of 3-4% during the 1990s have been exceeded by far (NEDA 2014a:1). However this growth could not be managed to reach everybody, but instead it left a big part of the population in a vulnerable state. This reflects in a high Gini coefficient (NEDA Interview 2016 sheet) and the fact that the bottom 20% only possess

GDP in 2015, total (current USD)	292 billion USD
GDP per capita in 2015, total (current USD)	2,900 USD
GDP growth 2015	5,8%
GDP composition in 2015	10,3% agriculture, 30,9% industry, 58,8% services
GINI coefficient, 2012	0,46
Urban population as share of total, 2015	44%
Rural population as % of total, 2015	56%
Public debt as share of GDP, 2015	44,8%
Labor force, 2015	41,37 million
Labor force by occupation	Agriculture: 29% Industry: 16% Services: 55%
Unemployment rate in 2015, total	6,3%
Underemployment rate in 2013, rural	19,3%
Employment level growth, 2013	0,8%
Corruption index (Transparency) 2015	35 (Rank 95 of 167)
Exports 2015	58,65 billion USD
Imports 2015	66,69 billion USD
Agriculture area as share of total, 2015	41,7%
Forest area as share of total, 2015	27%
Major products	Agriculture: sugarcane, rice, coconuts, fish, bananas Industry: electronics, assembly, garments, footwear,

Table 9 Overview of Philippines Economy, compiled from World Bank, CIA World Factbook, Fifth Progress Report on Millennium Development Goals, Transparency International

5% of total income in 2012 (NEDA 2014a:3). Apart from an alarming degree of corruption, the lack of inclusive growth, largely caused by the incapability to create employment opportunities outside of the service industry, is often identified as one of the major problems in the Philippine economy (Aldaba 2016:8). In 2013 for example the GDP growth rate of 7,2% only translated to an employment growth level rate of 0,8%. Rural people still represent 56% of the total population and the largest number of workers, while their share to GDP is by far the lowest. This demonstrates the drastic shortage of employment in rural areas. Therefore during the same period of economic success with annual growing GDP figures, the indicators for unemployment and underemployment have remained almost constant at around 7% and 20% respectively.

Poverty incidence in the Philippines

Poverty is an urgent problem in the whole Philippines and its development is well documented. The national poverty line, currently is set at 100,000 pesos/20,000 USD per annum. With currently 25,2% below of that poverty line, the Philippines have clearly failed to achieve the Millennium Development Goals which demanded to halve the poverty incidence from 33,1% in 1991 until 2015.

People below national poverty line, 2012 (CIA)	25,2%
People below subsistence poverty, 2012	10,4%
Region with highest incidence	3,9% in NCR
Region with lowest incidence	55,8% in ARMM
Poverty incidence in 2009, urban	12,8%
Poverty incidence in 2009, farmers/fishers	36,7%/41,4%
Poverty gap in 2013	5,2%
HDI	0,668 (Rank 115/188)
Life expectancy	68,2 years
People experiencing hunger, 2011	1,210,000
Infant mortality rate (deaths per 1,000), 2011	22
Infant mortality rate (deaths per 1,000) highest and lowest rate, 2011	14 NCR / 40 Region VXIII

Table 10 Incidence of Poverty in Philippines (CIA, World Bank, Millennium Report, UNDP)

All goals and sub-goals related to poverty are at best ranked as achieved to a “medium” degree (NEDA 2014a:12). As already pointed out above, there is still a large discrepancy between urban and rural Philippines. Some of the above indicators make the drastic differences between the regions evident. Whereas the National Capital Region/NCR only experiences 3,9% of poverty, the Autonomous Region in Muslim Mindanao faces 55,8%. Same discrepancies can also be identified among occupations, where especially people in agricultural and fishery jobs face the problems of poverty. While drastic degrees of poverty, such as cases of experiencing hunger, have been successfully countered on a relatively large scale, from 17,6% in 1991 to 10,4% in 2012, this process has slowed down since 2006 (NEDA 2014a:16) and the Philippines are still ranked only 115 of 188 countries in the Human Development Index. Also for basic indicators, like child mortality or access to sanitary facilities the Philippines show a significant regional heterogeneity. Furthermore due to its geographic location the Philippines are one of the countries most affected by natural disasters. Between 2000-2012, a number of 207 disasters caused 12,899 deaths and further 138,116 injured (Aldaba 2016:11). Aside from the direct consequences expressed in number of deaths, those disasters have a long-term negative effect on infrastructure, harvest or productivity and thereby impose a major burden on the poverty alleviation process. The problem of natural disasters is accompanied by two long-lasting military conflicts, involving a communist guerilla troops (MNLF) and the Nabsamoro rebellion (MILF) (Aldaba 2016:11): estimated loss of about 2-3 billion USD and 2,1m displaced people until today.

4.1.2. Analysis of key SMU premises in the Philippines

4.1.2.1. Premise 1: Governance and Structural Factors

Leadership and Decision-Making

The Republic of Philippines is a presidential democracy headed by a president elected for six years. The Economist Intelligence Unit calls the Philippines a „flawed democracy“ and ranks them on 54 of 167 in 2015 (The Economist 2015). The World Bank Governance Indicators, which evaluate 200 countries, see improvements in all six governance categories between 2005 and 2015. However a 58th percentile for *Government Effectiveness* is still the highest score, while especially *Political Stability* continues to be rated poorly with only 21st percentile (World Bank Indicators 2015). Since the early 1990s the major goals for the upcoming six years are summarized in the **Medium-Term Philippine Development Plan** (MTPDP) during the inauguration. The 2011-2016 plan emphasizes the following (NEDA 2011): „*The Philippine Development Plan 2011-2016 adopts a framework of inclusive growth [...] With good governance and anticorruption as the overarching theme of each and every intervention, the Plan [...] enables us to work systematically to give the Filipino people a better chance of finally finding their way out of poverty, inequality, and the poor state of human development.*“ The MTPDP is accompanied by a number of other plans that focus more precisely on the issue of poverty. Apart from the government and its ministries, the fight against poverty is coordinated by a number of different institutions and organizations. In particular the National Anti-Poverty Commission (NAPC) and the National Economic and Development Authority (NEDA) for policy coordination and the Department of Social Welfare and Development (DSWD) and Department of Interior and Local Government (DILG) for the programme implementation play key roles (Aldaba 2016:17).

Poverty has been recognized by each new government and each administration presented very comprehensive programmes. The first president after martial law Corazon Aquino focused on subsistence poverty with such measures as the land reform (CARP) or nutrition programmes (Habito et al. 2009:16). The succeeding Fidel Ramos administration took a new turn which emphasized area-based and sectoral initiatives, and introduced the Social Reform Agenda which had a long-term impact through the creation of the NAPC (Habito et al. 2009:18).

Name of Agency	Role in Poverty Reduction
National Economic and Development Authority	Macroeconomic planning, policy coordination for social development concerns and regional development
National Anti-Poverty Commission	Policy coordination for poverty and related programs
National Housing Authority	Delivery of housing services to the poor
Department of Health	Coordination in the delivery of health and related services from national to local governments
Department of Education	Implementation and delivery of educational services and programs for basic and secondary levels; policy coordination for education-related issues
Commission on Higher Education	Policy coordination and regulation of tertiary educational services
Department of Social Welfare and Development	Policy and program coordination in the delivery of social welfare services and other safety nets; relief and rehabilitation during natural and human disasters
Department of Trade and Industry	Policy coordination for the promotion of investments toward job creation; price watch for consumer welfare
Department of Labor and Employment	Policy coordination related to labor market issues and delivery of services related to labor market
Department of Agriculture	Policy and program coordination related to agricultural services and development
Department of Agrarian Reform and Department of Environment and Natural Resources	Policy and program implementation related to agrarian reform (private land distribution –DAR, public land –DENR)
Department of the Interior and Local Government	Policy and program coordination related to local government concerns
Housing and Urban Development Coordinating Council	Policy and program coordination related to housing and shelter
National Disaster Coordinating Council	Policy and program coordination related to disaster response and management
National Nutrition Council	Policy and program coordination related to nutrition and hunger
Philippine Health Insurance Cooperation (PhilHealth)	Government corporation in charge of the delivery of social health insurance and social security-
Presidential Commission for the Urban Poor	Policy and program coordination related to urban poor
National Commission on Indigenous Peoples	Policy and program coordination; assistance related to indigenous peoples
Cooperative Development Authority	Policy and program coordination related to cooperative programs
National Statistics Office	Policy on and actual collection of poverty information across regional and local units
LGUs (province, city, municipality, barangay)	Forefront in the delivery of basic services and poverty reduction projects

Table 11 Overview of national actors in the poverty fight (Aldaba 2016:18-19)

President Joseph Estrada's short term between 1998-2000 followed this track by introducing *Lingap Para sa Mahihirap* (Lingap), a programme focused on the 100 poorest families per province. (Habito et al. 2009: 19). Gloria Arroyo's presidency was built on four approaches: Convergence, Community-Driven Development (CDD), Conditional Cash Transfer (CCT), and grant subsidies (Habito et al. 2009:25). Benigno Aquino III, son of former president Corazon Aquino, expanded the successful programmes and made the fight against corruption under the *Kung Walang Corrup, walang mahirap*-scheme a top priority, which he directly linked to poverty: „We will fight corruption in the Bureau of Customs in order to fund our objectives for the public welfare“ (GOVPH 2010). This might have been derived from the UNDP estimate that in 2004 13% of the annual budget, totaling 1.8 billion USD, was lost to corruption (Aldaba 2016:13). Interview partners acknowledged the efforts of each government: „The government pursued a clear agenda, focused on socioeconomic interventions“ (NEDA Interview).

The World Bank Indicator also acknowledges an improvement in corruption control from 35th percentile in 2005 to 42nd percentile in 2015 (World Bank Indicators 2015).

An attempt to evaluate the leadership of the government needs to consider the legal background of the head of government. Based on the constitution and the Administrative Code of 1987 the President of the Philippines (GOVPH Executive 1987) has the power over the executive branch, which includes „*restructuring, reconfiguring, and appointments of their respective officials.*“ A particularly strong tool are executive issuances, such as executive or administrative orders, which *“are means to streamline the policy and programs of an administration”*. The president can declare martial law and issue decrees without the consent of the National Assembly, the duration however is limited to 60 days and can be revoked by the Congress within 48 hours and is examined by the Supreme Court (GOVPH Constitution 1987: Article VII, Section 18). It further does not *“override the function of both the judiciary and legislative branches of the government”* (Rappler ML 2016). In terms of performing power nation-wide, the Republic Act No. 7160, known as Local Government Code of 1991, regulates that the *„President of the Philippines, as chief executive, has the mandate to supervise local governments in the Philippines, despite their autonomous status“* via the DILG.

In the interview Cielto Habito emphasized the role of governance, claiming *“governance is the most important determinant for growth”* and at the same time attributed the *“failed governance”* as a main contributor to the still persistent poverty incidence in the Philippines. According to him it is primarily integrity and competence that are lacking. The Philippines have been criticized for its vulnerability to corruption. Despite Aquino III’s increased efforts, the country still ranks on 95 of 168 countries in 2015 according to the Transparency Index (TI 2015). Symbolic for this problem is that the 13th president Estrada had to leave office because of corruption allegations (Quah 2010:17). This seemingly statistically proven fact is reassured by all interview partners, including government representatives: *“Graft and corruption in governance is viewed as a cause of poverty as the leakages deprive pro-poor government programs, projects and services of the much needed resources”* (NEDA Interview). Antoinette Raquiza examined historically the incidence of corruption in the Philippines and finds that the problem is so deeply rooted that it is almost part of the system (Raquiza 2012a:21). Instead of a political system whose personnel is elected by the people based on merits or political convictions, Raquiza describes the Philippines as a nearly oligarchic system in which business and family dynasties dominate both financial and political spheres: *“The political leadership is composed of personalistic politicians who rise to political power based on their personal wealth and social status rather than long-term membership in robust political parties or state institutions”* (2012:23). Despite the introduction of a competition law in 2015, key sectors and companies remain to be owned by families and oligarchs. In 2011, while the Philippine GDP grew by 17 billion USD the wealth of the 40 richest individuals rose 13 billion USD, thus representing more than 75% of the country’s increase

(Habito 2012). A political system that is largely based on personal relationships and lacks a firm institutional embedment is evidently more vulnerable to corruption. As the power is centralized in areas like NRC and a long established nation-wide political party system is missing, performing political authority in the outskirts of these zones is difficult. A policy environment where political and economic power are intertwined lays the foundation for rent-seeking behavior, as politicians can easily misuse policy to pursue their own economic interests (Raquiza 2012a:23). Naturally a high incidence of corruption negatively influences the public trust in the government. Despite Aquino III's increased efforts in fighting corruption, after four years in office only 11% of the population stated their trust in the government, largely outnumbered by the 75% trust in the church (Makabenta 2014). Individual incidences further contribute to this negative perception, like the lack of response of the Aquino administration during the Kidapawan massacre in April 2016, when three protesting farmers were killed by policemen (Raquiza Interview).

Conclusion for 1a)

The governments of the Philippines have continuously contributed much attention to the problem of poverty. The fact that rural poverty needs to be addressed most urgently was also recognized and led to a number of nation-wide programs focusing on these vulnerable areas

The decisiveness of the government is apparent, but still hampered by the many factors such as corruption or oligarchic elements in the political system.

3/6

Mixture of Top-Down and Bottom-Up

The geographic feature of the Philippines as a widely spread island state poses difficulties to a central administration of the whole country from Manila. Owing to this difficulty, in 1991 the Congress issued the Republic Act No. 7160 introducing the Local Government Code which states: *"It is hereby declared the policy of the State that the territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities [...]"* (COP 1991: Chapter 1, Section 2 (a)). Excluding the two Autonomous Regions in Mindanao and the Cordilleras, the Code divides the Philippines into four administrative levels. In order of decreasing size, these are Provinces, Cities, Municipalities and Barangays (LGC 1991: Chapter 1, Section 4). Cities are further differentiated into highly urbanized cities and component cities. The classification is done according to population and area sizes.

All these local units have own executive and legislative branches, whereas the judicial branch is centrally governed by the Supreme Court. For all local units the highest executive officials – governor in provinces, mayor in cities and municipalities, and barangay captains in barangays – are elected for three year terms (COP 1991: Section 43). Sections 3 and 25 of the code regulate the cooperation between national and local government: *“It is likewise the policy of the State to require all national agencies and offices to conduct periodic consultations with appropriate local government units, nongovernmental and people's organizations, and other concerned sectors of the community before any project or program is implemented in their respective jurisdictions”* (COP 1991: Section 3 (c)). The President must supervise the local government units to prevent actions outside of the scope of law and can request monthly budget reports. For provinces, highly urbanized cities and independent component cities this supervision is exercised directly by the president, whereas for component cities and municipalities supervision is done through provinces, and for barangays through cities and municipalities (COP 1991:Section 25 (a) and (d)). Section 25 (b) directly states that participation of local government unit in planning and implementation of national projects is to be ensured. Decentralization in the Philippines serves a number of tasks as detailed in section 17 and which can be summarized under four main purposes (Buenaventura and Gomez Jr. 2012:32):

- Accountability: capacity to call officials to answer for their action
- Transparency: low-cost access to relevant and timely information
- Predictability: uniform and reliable implementation of laws and procedures
- Participation: citizen involvement in various ways

In order to fulfil these tasks the NAPC plays a vital role as platform provider for the national-local dialogue by institutionalizing the local participation in poverty reduction policy-making at the national level (Aldaba 2016:16). This is done in the commission of the NAPC where 23 heads of national government agencies, 4 presidents of the leagues of local government units and 14 representatives of basic sectors discuss with the president of the Philippines who chairs the commission. The 14 basic sectors represent people heavily affected by poverty: farmers, landless rural workers, fishers, urban poor, indigenous peoples and cultural communities, workers in the informal sector, women, youth and students, persons with disabilities, victims of disasters and calamities, senior citizens, NGOs, children, and cooperatives (ADB 2009:66). In practice however the efficiency of these dialogues is impeded by *“basic sector groups which advocate conflicting organizational interests and agenda”* as well as *“mistrust between basic sector representatives and government”* (Aldaba 2016:16).

For the purpose of improving national government’s intergovernmental financial transfers to local governments, the DILG established a performance-based Local Governance Performance Management Program in 2010, which was *“envisioned to help stimulate local governments to put*

premium on performance in order to avail themselves of financial assistance to support local economic development initiatives for poverty reduction” (NEDA 2014b:145). The programme soon was expanded in terms of municipalities and in terms of financial means after it proved successfully. Two successful examples of local government participation are the Grassroots Participatory Budgeting Process/GPBP and the Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services National Community Driven Development Program/KCNCDDP or Kalahi-CDD. GPBP, also referred to as **Bottom-Up-Budgeting/BUB**, was launched in 2011 and includes the 609 poorest municipalities who together with civil society groups formulate poverty reduction plans and submit them to the Department of Budget and Management/DBM. Upon examination by the Joint Memorandum Circular, composed of the DBM, DILG, DSWD and NAPC, the DBM instructs the National Government Agency to distribute funds to the budgets of the specific agencies responsible for the selected projects (Aldaba 2016:25-26). In 2013 a total of 9 billion PHP was allocated to priority poverty reduction projects through BUB, with the Department of Agriculture receiving largest amount. Criticism voiced against this is that municipalities with better organized CSOs have an advantage in placing their projects on the priority lists over municipalities with relatively young CSOs (Aldaba 2016:27).

The Kalahi-scheme includes a multitude of sub-programmes which all aim to empower communities through participation in local government: It *“puts power back in the hands of the people by giving them the opportunity to make informed decisions on locally identified options for development”* (NEDA interview 2016). It currently operates in 14 regions, 58 provinces and 19,647 barangays, thereby affecting 5,4 million households (NEDA interview 2016). It is managed by the DSWD and emphasizes asset-building through competitive proposals for improving the well-being generated from the barangay administrative level (Racelis 2016:154). The idea is that communities identify their basic needs and receive grants for projects to meet those (Aldaba 2009:62). A four-step mechanism is applied which starts with a social preparation in the barangay, continues with project development and project selection and finishes with the implementation (NEDA 2014a:21). Between 2002-2012 the Kalahi-scheme funded 5,949 community sub-projects with PhP 6.4 billion, mostly concerned with infrastructure and health issues (NEDA 2014a:21). The success of this Community-Development Programme is acknowledged by national and international organizations like the World Bank (NEDA 2014a:21).

From a constitutional point of view the participation of local government units seems to be ensured and a decentralized system facilitating self-reliance and bottom-up approaches comparable to SMU appears to be in place. Therefore some conclude that the Philippines *“may be considered one of the early experimenters of decentralization”* (Buenaventura and Gomez Jr. 2012:30) and *“decentralization in the Philippines is generally considered successful”* (ILO 2006:9). This drastically

contrasts with Cielto Habito's assessment that *"past and continuing failures are often attributable to excessively top-down decision-making that fosters "one-size-fits-all" solutions" [...] solutions which often prove to be unsuitable to local circumstances in the various communities served"* (Habito et al. 2009:74). The claim that in fact decentralization is not yet sufficiently practiced reflects one of two repeatedly raised points of criticism. This would run counter the *"distinct Philippine cultural need to express local autonomy"* and hamper the prospect of success for projects to be implemented (Habito et al. 2009:74). The here cited World Bank empirical study by Habito et al. describes various cases from provinces all over the Philippines, where decentralization, although being in force on paper, is clearly ignored in practical terms. A case in Mindanao is exemplary for the situation: a farmer on this island with high rainfall answered that the single most needed assistance he requires from the government would be carabaos to till the land to make it farmable. Instead the government continued to provide them with fertilizers, which remain useless under the given conditions. The government extension worker was fully aware of this, but admitted that her repeated demands to the national government meet *"deaf ears"* and: *"All these programs come to us from Manila, but they decide on the programs that they want anyway"* (Habito et al. 2009:75). This and other studies list a number of cases in all regions of the Philippines and therefore form a trustworthy picture of the mismatch between the de jure and de facto situation in the Philippines. An extreme example is the case of ARMM in Mindanao which is home to a conflict between separatist Muslim and the state. Buendia argues that the conflict is *"fundamentally triggered more by the centralism of the state and inadequate democratic space that limits the self-governing power of the minorities, particularly the Muslims"* (2006:169). He argues that the state attempts to assimilate rather than to integrate the minorities and blames this on centralized governance approaches that prefer nationalism over multi-ethnicity. The World Bank study also urges the necessity to have a local leader as *"champions"* who represent the desire for improvement to the people and can act as a motivating element. In the Philippines, they conclude however, too often lower-level government functionaries are community leader who lack the required skills a local champion requires: *"While the emergence of effective local champions is often not deliberately planned but arises spontaneously, it would nonetheless be useful to provide measures in the very design of the program/projects to increase the likelihood that such champions emerge"* (Habito et al. 2009:76). A lack of quality of local leaders goes in hand with a problem raised by Gomez and Buenaventura who observe that many local governments despite having the mandate to act independently still show *"lingering habits of relying on the central government"* (2012:29).

An effective cooperation between the national and local level is further hampered by the poor availability of disaggregated data. As the NEDA Interview partner Secretary Capones shared, data can

only consistently be collected on the regional level, but not on provincial, city or barangay levels. This is however set to change for the next round of data gathering in 2017.

Critics furthermore repeatedly point to the problem of poor targeting which owes again to insufficient coordination between national decision-making and local implementation. For example a major national rice subsidy programme under the Lingap Para sa Mahirap campaign was found to only benefit 25% of the total poor, while 50% of the beneficiaries were in fact not poor (Aldaba 2016:20). In the interview Cielto Habito even assumed that approximately 80% of all people severely struck by poverty do not receive the national poverty assistance, while 60% of national sources goes to the wrong beneficiaries. Against this, an increased application of Community-based Monitoring Systems could help, but thus far those are only used in 20 provinces. Reasons for the poor targeting are once again found in the lack of institutional embedment of the targeting process which is replaced by a high degree of personal influence, when officials deviate funds to those people close to them rather than to those in need. Monitoring is still too often done by organizations that carry out the programmes themselves instead of independent agencies (Aldaba 2016:21-22).

Another point of criticism questions the yield of decentralizing in general: *“Decentralisation of governance has shifted responsibility for economic development from the national government to the municipal level, provincial and municipal governments are faced with the challenge of raising standards of living and increasing opportunities for poor households to make a decent living”* (Gibson et al. 2009:238). In our interview Marivic Raquiza supports this criticism and reasons that the national government can escape its responsibility to foster economic development by laying responsibility either on lower administrative levels or on non-governmental actors.

Conclusion for 1b)

With the Local Government Code the Philippines has set the legal framework to enable decentralization. Various programs like the BOB or the Kalahi-CDD demonstrate a high participation of local parties in project planning processes. However, while appearing perfect on paper, reality has often proven that still too often a top-down approach is preferred over the decentral approach. Furthermore problems with efficient coordination and targeting impede a successful decentralization.

3/6

Land Reform

Plans to introduce land reforms in the Philippines date back to the 1960s, but only 1988 saw the implementation of the Comprehensive Agrarian Reform Program/Law (CARP/CARL) which was

constitutionalized by the Republic Act RA6657 and administered mainly by the Department of Agrarian Reform/DAR. The initial goals were set out to redistribute over 9.8 million hectares under the Land Acquisition and Distribution (LAD) scheme, which was reduced to 8.2 million after a first reassessment. From this number the DAR was supposed to distribute 4.4 million hectares of private and government owned agricultural land to approximately 3 million peasants, while the Department of Environment and Natural Resources/DENR meant to distribute 3.7 million hectares of public agricultural and Integrated Social Forestry/Community-based Forest Management land to approximately 2 million farmers (World Bank 2009:9). Regarding the size, the maximum area awarded to each beneficiary should not exceed three hectares, but in reality over one third of distributed land pieces were less than one hectare (World Bank 2009:114). Initially planned to be finished within a period of 10 years, the reform package has been extended three times with the final date now coinciding with President Aquino III's term end in summer 2016. To date about 90% of the CARP land has been bought and distributed to farmer beneficiaries (GOVPH CARP 2014). The evaluation of success by the interviewed experts can be uniformly summarized as skeptical. This is problematic because if the land reform did not achieve to distribute land ownership equally, all future actions will work upon this imperfect foundation (Interview Serrano; ADB 2009:47). Or as Mariva Raquiza formulates the desirable status: *„Agrarian reform is regarded as an important ingredient in rural and national development because the assignment of property rights allows our farmers to realize the full gains from tilling the land“* (2010:39). Criticism has in particular been voiced with regards to three points, as mentioned in Arsenio M. Balisacan's interview: security of tenure is not fixed, land is often without collateral value and exceeding cost of land transfer. Particularly noteworthy about CARP is that it is a comprehensive programme that does not only foresee land distribution, but also includes beneficiary development programmes, like capacity building, farm infrastructure or marketing assistance. This ought to help to *„transform the beneficiaries into efficient agricultural producers and entrepreneurs“* (World Bank 2009:12). A specific feature of this is the launch of the Agrarian Reform Community/ARC which shall help to target beneficiaries in most need of assistance. A criticism is that not only did CARP not provide enough assistance to poor farmers, but even more it took away land from qualified landowners and turned it to small farmers incapable of using it productively (Yap 2009).

Ownership problem

The land reform was initially meant to bring results as described by an interviewed NEDA official: *“The provision of land, credit, skills and enterprise opportunities would provide the poor with the much need farm incomes, off-season employment and incomes and the education and skills to allow for an upward mobility and eventually graduation from impoverishment.”* The CARP governing law, RA 6657, prioritizes the issuance of individual land ownership titles, which shall then raise farm

household's welfare by incentivizing short and long-term investments in the now owned land assets. (World Bank 2009:10). Collective titles, i.e. ownership lays with workers' cooperatives, on the other hand shall only remain an exception from the rule, for cases in which individual ownership with a division of land would economically not be productive because of too small land areas (World Bank 2009:11). Contrary to these initial guidelines, until 2009 more than 70% of the distributed land titles under the LAD scheme were collective titles, instead of individual titles (World Bank 2009:11). In many cases the DAR deviates from the rule without stating a reason (World Bank 2009:2). While, for success evaluation purposes, the DAR does not differentiate between issuance of individual or collective titles, many commentators see the desired effects diminished by this distribution: *"The Philippine Agrarian Reform has hardly made a dent in the inequitable distribution of land even if the Department of Agrarian Reform claims otherwise"* (Aldaba 2016:11). On many occasions the compulsory land acquisitions in areas where CARP could benefit the most, existing landlords succeeded in circumventing the law to avoid the compulsory acquisition, which maintained the status that the majority of land is still owned by a small circle of wealthy families (Raquiza 2010:39-40). Aside from evident obstacles for decreasing poverty, this also led to a series of social conflicts. The UN Food and Agriculture Organization reports of 664 killed farmers in the name of the land reform, from which according to a civil society group Kilusang Magbubukid ng Pilipinas 558 were killed extrajudicial (FAO 2003; Cervantes 2014).

Because of those impediments the World Bank report concludes that the reforms had only a modest impact on poverty reduction (World Bank 2009). Adding to these problems are considerable juridical and financial burdens. For example the World Bank estimates the average cost for the transfer of land under CARP are at 36,000 Philippine Pesos per hectare (World Bank 2009:12), which includes all cost from administration to possible legal fees. For the latter the DAR has installed the DAR's Adjudication Board equipped with quasi-judicial powers and primarily jurisdiction over CARP matters. Their ability to cope with these cases in a timely manner however must be questioned, since the caseload rapidly increased from 3,817 cases in 2004 to 38,419 in 2007 (World Bank 2009:14).

- Collateral Problem

As poor people often do not possess many assets except for their own labor, attributing land to them that can be used as collateral for further investments was another goal of the reform (Aldaba Interview). However *"existing legal restrictions on land transfers hamper land and credit markets, while tenure security of the program's beneficiaries has been addressed to a very limited extent given the widespread transfer of land through collective"* land titles (World Bank 2009:9). It is these collective land titles, that often close the way for poor farmers to obtain credits, because this type of title is not considered sufficient collateral by many bank institutions. This lack of access to funds prohibits small farmers to manage their risks as well as to take up future investments to diversify

their product range or enter non-agricultural ventures which gain more importance for escaping poverty.

It is possible that access to these markets is determined by the farm size: „*Access to credit increases the capacity of farmers for greater investment and consumption as credit provides an insurance substitute against production or income fluctuation*“ (World Bank 2009:118). By distributing lands to small farmers, CARP is creating many smaller sized farms. This further increase the difficulty to obtain credits, because banks value larger farm areas as more valuable than small-scale farms. In more specific, the World Bank names three dominant reasons why small farmers face difficulties in accessing financial means after the reform (World Bank 2009:122):

- (1) legal impediments on the conveyance of lands under CARP which make them non-transferable and non-marketable within a period of 10 years
- (2) most CARP lands are mortgaged with the Land Bank and second mortgages are uncommon in the country
- (3) incomplete assignation of property rights through the issuance of collective CLOAs and the problems with regard to the conversion of Certificate of Land transfers (CLTs) into titles. CARP issued titles have not attained the same acceptance in the formal sector as judicially issued titles.

Resulting from this lack of access to formal bank credits, small farmers and to a lesser extent large-scale farms must continue to rely on informal sources. Not only is this a more unstable source of funds, but also the interests rates being charged significantly exceed those by formal loan-giving institutions, on average by two times (World Bank 2009:124).

Of course aside from administrative mistakes, also external factors come into play and affect the success of land distribution negatively. Aldaba in our interview namely found three impeding factors: the high frequency of natural disasters which predominantly hit already vulnerable rural areas on the Visayas, insurgencies such as the Maoist troops or the Muslim MILF forces, and the still high population growth which limits government resources significantly. Despite Arsenio Balisacan's optimistic stance that „*fiscal space has much improved*“ during the economic growth period, it still remains questionable whether sufficient financial resources are available to conduct a land reform as would be necessary.

Conclusion for 1c)

In essence it is mainly the failure to efficiently provide land to those in need and the failure to create effective property rights that can be used to spur up investments, that until today make the agrarian reform a part of the problem, not the solution (ADB 2009:19).

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4.1.2.2. Premise 2: Socio-cultural Factors

PARTICIPATION OF WOMEN

“Women, if given opportunities, can become key actors in the fight against poverty and for enhancing development”, the interviewed NEDA official says. The extent to which they are given opportunities to participate in the political, economic and societal life, largely depends on two factors: education and cultural background. Cielto Habito states in our interview that especially for education *“Philippines is known for its gender equality”,* with *“even too many women in school”*. It becomes obvious that especially after elementary education women on average receive a better education than male. They outrank men in important criteria such as enrollment and literacy rates on a nationwide scope with exceptions in CAR and ARMM (NEDA 2014a:57). Especially in subjects like teacher education, commerce or medicine the portion of female students surpassed male student as from the 1990s, whereas law, information technology or architecture continue to be male-dominated (Buenaventura 2010:55). Relatively unpopular majors like agriculture, forestry, fisheries or veterinary medicine are almost gender neutral, with approximately 34,000 female and male students in 2012 (NEDA 2014a:55). Of course a mere relative increase of women compared to men does not automatically signal a higher number of actual enrolled females. For example the period 2001-2006 saw absolute enrollment figures declining for both genders in nearly all regions (Buenaventura 2010:55). The benefit that many Filipino women today gain through education, can however be hampered by a deeply enrooted pattern of violent behavior against females. Despite, many commentators praise the Philippines’ efforts with women rights: *“As a state party to the Women’s Convention and all other core international human rights conventions, the Philippines is often commended as being well ahead of its Asian neighbors when it comes to the realm of women’s*

human rights” (Buenaventura 2010:53). However women in the Philippines still face many difficulties, as domestic violence or other cases of harassment occur frequently (Buenaventura 2010:53).

The Philippine government was problem aware early on and joined international agreements like the Women’s Convention, but also introduced a number of laws to protect women and worked towards gender equality on the national level. Of particular significance is the so-called Magna Charta of Women from the 2009 Republic Act 9710, which however until today has not been completely implemented. This framework of rights is based on international agreements like the ‘Convention on the Elimination of All Forms of Discrimination against Women’ and “*establishes the Philippines Government’s legal obligation to protect and promote women’s human rights*” (NEDA 2014a:63). The Charta includes important new regulations for maternal health and post-abortion care, as well as defines specific gender equality goals to be reached during a specific time frame. Among these are (PCW 2009:Chapter 4):

- “Increasing the number of women in third level positions in government to achieve a fifty-fifty gender balance [...]
- Leave benefits of two months with full pay based on gross monthly compensation for women employees who undergo surgery caused by gynecological disorders [...]
- Non-discrimination in employment in the field of military, police and other similar services [...]
- Provision for equal access and elimination of discrimination in education, scholarships, and training [...]
- Equal status given to men and women on the titling of the land and issuance of stewardship contracts and patents.”

Particularly the last point exemplifies the will of the government to eliminate discrimination against women from marginalized regions (PCW 2009:p.2). The UN estimates that approximately 20% of all women between 15–49 years for the period 1995-2013 have experienced physical violence at least once in their lifetime (UN Women Report 2015: Chapter 6).

The Magna Charta was preceded by various other national laws, such as the Gender and Development Budget (GAD), the Republic Act 7822 providing assistance to women in micro and cottage enterprises, or the Anti-Sexual Harassment Law of 1995 and the Anti-Rape Law of 1997 (Buenaventura 2010:54). Buenaventura finds that for 2008-2010 approximately 70% of child-abuse victims were girls (Buenaventura 2010:66) and NEDA reports that acts of violence against women increased from 40,962 to 50,186 between 2010 to 2011 (2014:58). It must however not be left unmentioned that according to the UN report the Philippines in 2013 was the only country where violence against men in fact was higher than violence against women (UN Women Report 2015:16). Apart from this violent behavior the Philippine legal system still features many discriminatory laws on issues like adultery and concubinage or even on sexual harassment and rape (NEDA 2014a:63). While

the Magna Charta can potentially contribute positively to gender equality the current Philippines still deviates from the ambitious goals of the Act 9710. In a case study Hill's findings reveal that in the city Naga in Region V domestic and public spheres are largely separated and that women have their primary responsibility at home, as expressed by a city councilor: *"A harmonious household is a great contribution to development efforts: Women ensure that when their husbands come home from work they find peace and happiness at home"* (Hill 2011:234). These traditional gender roles also show in the working patterns. While a majority of women in Naga work from 6–8 a.m. to 6–11 p.m. unpaid and from 8 a.m. to 6 p.m. paid and thus have a total weekly workload of 90 hours, men work only paid from 8 a.m. to 6 p.m. (Hill 2011:240).

International Rankings draw an ambiguous picture of the gender situation in the Philippines. While the Philippines rank low, 89 of 155 countries, on the Gender Inequality Index/GII in 2014 (UNDP&VASS 2015:30), the Global Gender Gap ranks them 7th overall, with particular good ratings for education, health and political empowerment (WEF 2016:10).

Contrastingly Buenaventura states that *"women's presence is insignificant in spheres of political decision-making"*, while acknowledging slow but positive developments in the last two decades (Buenaventura 2010:53). A look at legislature positions provides a good view on the progress: *"Women have become more visible in terms of political participation with a steady increase of women elected in the legislative seats and local government positions"* (NEDA 2014a:58). When comparing all elective positions the male share of 83,4% in 2007 reduced to 76,8% in 2010, with the respective female gain in portions (Buenaventura 2010:56). In the National Parliament the female number of shares increased from 11,3% to 21% between 2001-2010, while women's share is continuously higher only for government personnel positions (Buenaventura 2010:56). The increase in numbers was facilitated by the 15th Congress who passed the bill on increasing number of women in the House of Representatives. During the 16th Congress, the Senate saw the highest number of female participation with 6 women, compared to a previous maximum of 4. This however has to be put in perspective with a general increase of Senate members from 24 to 30. For the House of Representatives female portion grew relatively more from 63 of 286 to 64 of 234 (GOVPH Women 2016). Furthermore especially under President Benigno III more women got access to key administrative positions in all three branches as well as on city and municipality levels (GOVPH Women 2016).

With regards to labor participation a big gap between men and women remains. While female labor force participation rate for the period 1998-2008 had a high in 2002 with 52,8%, the correspondent figure for men never went below 78,8% and reached a high in 2004 with 83,8%.

Until 2010 the gender labor force participation gap has narrowed by 4% from 32,5% in 2003 to 28,5 (NEDA 2014a:59). Total employment numbers in 2010 split into 38 million men compared to 22,3

million men. Among the different sectors, particularly agriculture, forestry and fishery are dominated by men, as in 2010: 839,000 female against 5,1 million men (NEDA 2014a:60). Women on the other side dominate in 3 occupation groups: services, professional and technical workers and production (NEDA 2014a:62). Generally women have lesser access to the formal economy and thus depend often on informal work which does not provide social security benefits. This is particularly the case in Mindanao (Buenaventura 2010:61;66). Furthermore even though absolute numbers of female labor participation grow they continue to receive less wage than men throughout almost all categories of employment (Buenaventura 2010:59). This 'glass ceiling' limits women's chances to live an economically independent life and cements established gender roles. In rural areas, Cielto Habito in our interview assesses that women are eager to participate more in economic life and are very active in grassroots movement activities like microfinance. It is even common practice, he explains, that women are "household managers" who are responsible for finances and manage mortgagee or insurance matters. This however often seems to be limited to the inner-family level. Also, unlike what is stated in the Magna Charta, with regards to land titles massive discriminations still occur. Because "women remain embedded in a status secondary to male farmers and bound to reproductive labor" they do not benefit much from CARP as their access to land remains problematic (Buenaventura 2010:63). According to the Philippine Rural Women's Congress on several incidences, female farmers were excluded from the list of agrarian reform beneficiaries (ARBs), which results in the relatively low number of female CARP beneficiaries.

	No. of Female Holders	No. of Male Holders
2003	16,616	33,711
2005	402,942	912,797
2006	431,222	960,298
2007	466,779	1,024,089
2008	504,340	1,078,643

Table 12 Numbers of Certificates of Land Ownership awarded by gender (Buenaventura 2010:63)

This contrasts the purpose of CARP which states: "Qualified women members of the agricultural labor force must be guaranteed and assured equal rights to ownership of the land [...]."

Conclusion for 2a)

On a legislative level the country has made considerable progress in the last decades with milestone legal frameworks like the Magna Charta which improved the women rights position and paved the way for more political participation on the national and local level. However especially in rural areas established discriminatory patterns too often remain unaffected by this legal progress and the place for women often remains in the own house, whereas equal participation in money earning activities is impeded. Poor enforcement of law like the case of CARP demonstrates, further engraves the status quo.

3/6

REWARD AND ACCOUNTABILITY

The government, not only after President Aquino III made it a top priority, is aware of the massive corruption problem. In order to overcome this, numerous programmes dedicated to increasing transparency and incentivising rightful behaviour have been introduced. With the introduction of the Republic Act No. 6713 *“Code of Conduct and Ethical Standards for Public Officials and Employees”* in 1989 this goal was lifted to a constitutional level. It regulates that officials *“shall always uphold the public interest over and above personal interest”* (Section 3 (a)). This is part of the eight norms of conduct that are deemed mandatory to obey (GOVPH 1989: Section 4 a-g): Commitment to public interest; Professionalism; Justness and sincerity; Political neutrality; Responsiveness to the public; Nationalism and patriotism; Commitment to democracy and Simple living.

The implementation of Act 6713 was accompanied by several incentive programmes. The first ones in direct relation to the Act 6713 were the Lingkod Bayan Award and Silangan Award as well as the Civil Service Commission or Pagasa Award , and the Outstanding Public Official/Employee or the Dangal ng Bayan Award. These still represent the three categories of the annual Honor Awards Program (HAP) (GOVPH Awards 2014). The Lingkod Bayan Award is given to individuals or a group for *“exceptional or extraordinary contributions resulting from an idea or performance that had nationwide impact on public interest, security and patrimony”*. The Dangal ng Bayan Award is rewarded to an *“individual for performance of extraordinary act or public service and consistent demonstration of exemplary ethical behavior on the basis of the employee’s observation of the eight norms of conduct provided under Republic Act No. 6713”*. The Pagasa Award focuses on the inner-governmental dimension and awards individuals or a group for ideas that *“directly benefit more than one department of the government though not of such extraordinary or exceptional degree to merit the Lingkod Bayan Award”* (GOVPH Awards 2014). All awards include monetary prizes. Aside from these nation-wide awards, numerous specific incentives programmes either focus on specific regions

or specific departments. This is mandated by the PPA PRAISE programme which demands that *“every Department or Agency shall establish its own employee suggestions and incentive awards system”* (DOJ 2002: 1,1) and was initialized by the CSC Resolution No. 010112 on Employee Suggestions and Incentive Awards System (ESIAS) from 2001. The Department of the Interior and Local Government (DILG) for example attributes the Performance-Based-Bonus (PBB) for local government officials and employees (LoC 2016; DILG 2016) while the Department of Education awards the DepEd PRAISE (DepED 2002). The focus of the PRAISE system lies on non-monetary encouragement of right behavior (PPA PRAISE 1,1.5), while monetary awards are only to be given in case that the employee’s suggestions result in significant savings. Every department is urged to allocate 5% of its annual budget for these monetary awards (DoJ 2002:1,1.6).

Additionally to these incentives for government officials which aim to promote lawful and transparent behaviour, also citizens are incentivized to develop ideas that benefit their local entities or the nation as a whole. The most popular among those incentives is the Galing Pook award given by the NGO of same name. It was launched in 1993 as a joint initiative of the Local Government Academy of the DILG, the Ford Foundation and other individual advocates of good governance from academies or civil society, for the purpose of searching and recognizing *“innovative practices by local government units”* on all administrative levels from provinces to barangays (Galingpook 2016).

Winners are selected via a fixed set of weighted criteria:

- (1) Positive results and impact (30%)
- (2) Promotion of people’s participation and empowerment (30%)
- (3) Innovation (15%)
- (4) Transferability and sustainability (15%)
- (5) Efficiency of programme service delivery (10%)

Since Galing Pook was formed in the context of the Local Government Code of 1992, the focus on local empowerment and thereby decentralization is clearly recognizable. A transferable and sustainable character of the programme shall increase the overall benefit. Instead of promoting programmes that solely work under specific local circumstances, the Galing Pook award rather select programmes that can be followed by other local units: *“Winning programs become models of good governance promoted for adoption in other communities.”* Under the Galing Pook umbrella several different awards are given with each focusing on different categories, such as the Jesse Robredo Leadership Award or the Galing Pook Citizenship Award. This way almost 300 programmes from 170 local governments were rewarded thus far. The award follows the logic that Racelis describes visually: *“Poverty is like heat; you cannot see it, you can only feel it. So to know poverty, you have to go through it”* (2016:133). Finding solutions can thus hardly work without involving the people directly affected. Examples of awarded programmes are plenty and can be traced in the online databank. The

Kabalikat PALMA Infrastructure Project, known as the PALMA Alliance, for example demonstrates how the cooperation between municipalities can spur efficiency and thereby reduce cost for infrastructure projects (Galingpook Database 2016). In 2002 five municipalities in North Cotabato engaged in a cooperation to build a road network with costs per kilometer at only 30,000 Pesos, what is normally a million pesos per kilometer when carried out by private contractors (Habito et al. 2009:77). In the end, new roads totaling 281,45 kilometers were built which facilitated farmers access to roads and thereby increased their access to markets. The programme was chosen because it exemplifies how the pooling of machinery, personnel and expertise can contribute to benefit all stakeholders. This contrasts the practice of isolated projects per local unit which often is the case. Habito points out that the uniqueness of the programme is that *“people have conscious ownership of the initiative as they are involved in planning, implementing, monitoring, and sustaining the project”* (Habito et al. 2009:77).

Conclusion for 2b)

The Philippines actively encourage officials' and citizens' rightful behavior.. Since the country still struggles massively with corruption those programs were implemented and now a framework of multiple awards for different categories and administrative levels is in place. However the selection process is still not always perfect. As mentioned in a previous section, programs that involve more influential promoters, such as civil societies, are more likely to be recognized by award committees. It can therefore not be verified that more eligible but less promoted programs are ignored.

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HOMOGENOUS SOCIETY

The Philippines are spread over 7,000 islands and compromise a total area of 300,000 km² and a total number of people exceeding 100 million. The geographic features make encounters between people from different parts of the country difficult. The population differs largely in terms of ethnicity, language and religion. According to a census of 2000, Tagalog is the dominating ethnicity with over 30% in the population, followed by Cebuano (13,1%), Ilocano (9%), Bisaya (7,6%), Hiligaynon Ilonggo (7.5%), Bikol (6%), Waray (3.4%) and approximately 25% other minorities (CIA 2016). In total 111 different ethnic groups are estimated who speak different 70 languages (Quah 2010:22). Both Filipino/Tagalog and English are official languages, but depending on the region many regional dialects like Cebuano or Ilocano prevail (CIA 2016). In terms of religion, the Philippines are relatively homogeneous with more than 80% Catholics, 5% other Christians, 5% Muslim and the

remaining 10% divided in other religious faiths. It is however religion that causes one of the most durable national conflicts. In the *“second oldest internal conflict in the world”* (McDaniel 2013) in Mindanao Muslim separatists from the Moro independence movement, split into the Moro National Liberation Front/MNLF or the Moro Islamic Liberation Front/MILF, fight for political independence against the government. The quest for independence started under American colonial rule, but intensified in the late 1960s and under the Martial Law era in the 1970s. Especially the more radical MILF does so far not accept the autonomy through the creation of the ARMM in 1989 as sufficient. The Philippine government however insists that the Muslim minority has to acknowledge the sovereignty of the Philippines over its territorial jurisdiction, including Mindanao and Palawan: *“For the Philippine state, the defense and preservation of its territorial integrity at all costs (armed and un-armed) is its primordial interest”* (Buenida 2006:157). These opposing stances resulted on multiple fights with casualties numbers in the thousands and a deep split between parts of the population and its government (Campbell 2013). Buenida blames the government largely for this, as he argues the granted autonomy is not sufficient, or not even real autonomy: *“In spite of the pronouncement that the government promotes ‘unity through diversity’, policies have been centrally formulated and conceived with little regard to the heterogeneous requirements “* (Buenida 2006:161). By being ruled centralized these minorities, he argues, do not feel as parts of the nation in terms of culture and identity which creates a feeling of exclusion from the Philippine state. ARMM’s status at the bottom of national poverty rankings is also connected to the conflict. CARP was meant to help rural areas to develop, but its logic contradicts the cultural habits of the Muslim minorities in Mindanao, as they follow the concept of communal ownership instead of the individual ownership planned by CARP. Therefore mostly Christians profit from the law, while Muslims further lagged behind (Buenida 2002:163). Buenida argues that prejudices against the Muslim minority are deeply engrained in the Christian dominated society and were planted by the Spanish colonial rulers (Buenida 2002:164). Provinces in Mindanao are among those that must benefit from development programmes most urgently. Due to these historical grievances however it seems unlikely that a campaign based on national unity can be initiated in ARMM. Despite the peace agreement between the separatists and the government in 2014 many commentators remain skeptical towards a future peace (Thomson Reuters Foundation 2014). A further similar conflict persists in the second autonomous region of Cordillera Administrative Region/CAR on the main island Luzon, where indigenous people in the Cordillera People’s Liberation Army strive for autonomy. Despite an autonomous region has also been set in place the region is still under government administration, since until today a government could not be established (Butenschon et al. 2015:250). Compared to the Mindanao conflict the intensity is much lower, but it still sparks unrests and disharmony between parts of the population and the government (Ferrer 2015:123). A further historical burden is stemmed on the Philippines by

the Marcos dictatorship. Although it ended thirty years ago, the society remains split into defenders of his legacy and opposing opinions (Raquiza 2012a:41). This can be seen from the success that Marcos' son had with a campaign praising his father's dictatorship during the vice president elections in May 2016, which he only missed by 0,5% (Rappler 2016). Serrano said in the interview that Philippines is distinct in terms of mass movements, because they lack a history of mass movements involving government and population, but rather always experienced mass movements in which the government and the population opposed each other. Due to the engrained persistence of corruption the traditional high level of distrust of Filipino people against the government remains high: *"Filipinos view politicians as dishonest, personally ambitious, and greedy, and do not trust them"* (Quah 2010:24). In the 2014 Global Competitiveness Report the Philippines rank 89 of 144 with a score of only 2.6, compared 6.2 in Singapore (WEF 2015). The concentration of wealth and power in the hands of a few, whereas large parts remain in deep poverty, adds to a picture "we against them", rather than "we together". Gonzales and Buendia speak of an *"inherent lack of trust between and among individuals and organizations from representing the government, business and civil society sectors"* (Buendia and Gonzalez 2001: 288). Incidences like in October 2007, when President Arroyo pardoned former President Estrada, who was convicted of plunder by court and sentenced to life imprisonment (Mogato 2007), deepen the gap between government and people, because it can signal that law can be circumvented through political and financial power. This undermines the creation of a campaign aiming at a trustful cooperation between the government and the people. The new administration under President Duterte enjoys a record high popularity with 91% approval (Adel 2016), which undeniable can build a basis for an improved government-society relation. However not only has this popularity declined quickly after taking office (Duffy 2016), also his repeated urging of citizens to kill or denounce drug dealers paired with death squads allegedly killing innocent people, can potentially create an even deeper distrust among people and thereby damage the idea of unity.

Conclusion for 2c)

The Philippines are currently far away from being a homogeneous country. A division goes along historical and religious burdens, increasingly geographical differences in well-being and a deeply rooted distrust between people and government.

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4.1.2.3. Premise 3: Financial and Human Capital Factors

Human Capital

„A country’s vision of inclusive growth and development entails investment in human capital, particularly through the provision of quality basic education, competitive technical vocational skills training” (EFA 2015:xix). The Philippine Development Plan 2011-2016 and its midterm review describe which strategy the Philippines follow to achieve these goals.

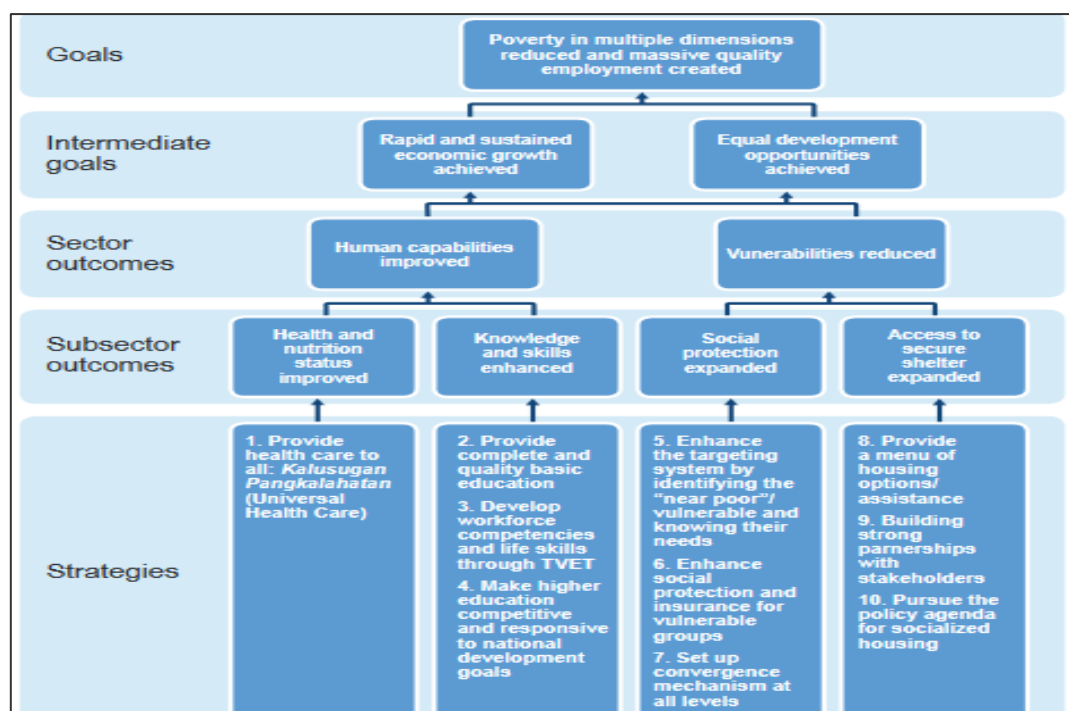


Figure 8 Strategy for Human Capital development (NEDA 2014b:121)

The overall level of education measured in enrollment has improved significantly. Primary education enrollment increased from 10 million to 14,5 million between 1990 and 2012 (NEDAa 2014:35). This is not merely due to the overall population increase, but also in relative terms an increase from 85,1% to 95,2% took place (NEDA 2014a:36). Completion rates for both Elementary and Secondary schools increased by 5% and 15% respectively between 2005 and 2013 (EFA 2015:24), but remain at a low level, especially for low income families. Only 25% of children 11-13 years old in the lowest income quintile finish the elementary school, while 55% of the highest income quintile completes (Chaudhury and Okamura 2012:2). Furthermore, in 2010, still a total of 549,000 school-aged children were not enrolled and quoted several reasons for this, for example too high cost of education (NEDA 2014a:36). In recent years the education system has experienced considerable reforms under the guidance of the DepEd. Among the most significant are the extension from 10 to 12 years compulsory education with Republic Act 10533 or the introduction of a Kindergarten with Republic

Act 10157 (NEDA 2014a:37-38), which became mandatory as from 2013. On national average also material equipment could be improved. From 2000 to 2012 the DepEd budget increased from 651 billion PHP to 2 trillion PHP which helped to lift the student to textbook and school seat ratio to 1:1, to hire 150,000 new teachers or to build 66,800 classrooms (NEDAa 2014:45;46). The efforts translated to measurable improvements such as an increase in literacy from 92,3% in 2000 to 97,5% in 2010 (Desiderio 2013). These good rates however do not reflect several still remaining problems. Drop-out rates remain high with 13 of 100 pupils in grade 1 (NEDA 2014a:38). Regional inequalities are not reflected in the average figures. While Region VII and XI have enrollment rates around 98%, ARMM and Region XII only have 88% (NEDAa 2014:40). These are also the regions with insufficient teacher-pupils ratio. While in Region I for example one teacher is responsible for 28,7 pupils on average, the number stands at 45,1 in ARMM (NEDAa 2014:43). While early childhood education has improved a lot measured in Kindergarten and Elementary school enrollments, this positive tendency is not as clear for Secondary and Tertiary education, whose ratios are fluctuate around rather low levels of 65% (NEDA 2014b:130). A still high incidence of child employment, 2.1 million between 5-17 years in 2011, is a contributing factor (ILO 2017). The increase in budget furthermore seems too slow. With currently 2 trillion PHP it is only 2,2% of the GDP, whereas the global standard is at 6%. (UNICEF 2013).

The new administration announced a 31% increase in budget for 2017, which will still leave the number comparably low (Senase 2016). Despite this the DepEd could invest in programmes like the Alternative Learning System which offers functional literacy programmes to out-of-school youth and adults to guarantee at least some level of education. Enrollment and completion rates for these programmes rose by 220,000 or 150,000 from 2007 to 2013 (EFA 2015:XX). Another programme to help vulnerable groups by the DepEd is the Government Assistance to Students and Teachers in Private Education / GASTPE which provides financial assistance to indigenous people, Muslim students or children with disabilities. It targets *“deserving elementary graduates who want to continue studying in private high schools and provide them with financial assistance from the government”* (EFA 2015:22). Recipients get funds up to 10,000 PhP per year for NCR schools or 6,500 PhP for other schools. The number of recipients increases steadily and has reached 809,000 in 2014. With the School Health and Nutrition Program the DepED tries to work against the drop-out rates. A cornerstone is the School-Based Feeding Program (SBFP), which involves the national government, LGUs and NGOs and by 2014 worked in 14 regions to serve undernourished children from Kindergarten to Grade 3 (EFA 2015:26). However the budget is not used to make the higher education sector more affordable, which many consider a crucial problem. From 2,247 Higher Education Institutions (HEIs) 88% are private and approximately 60% of the students are enrolled in these institutions. Average tuition fees for a four-year college education are estimated to be

between 233,600-400,000 PhP which compares to an average family's annual income of 206,000 PhP or the GASTPE funding of 10,000 PhP (Robles 2012). Since income in rural areas tend to be clearly below this average, rural youth face massive problems to receive university level education.

In a look ahead of the pure education system, Ortigas suggests that human development is best achieved through "empowerment mechanisms" on different levels, such as psychological or economic empowerment. This requires more access to vocational training, to credit facilities and personal psychological training in order to acquire the skills to be entrepreneurial and to earn incomes (Ortigas 2016:112). Otherwise, she argues, even with employment facilities available, they will remain unused.

The most acclaimed programme for enhancing human development in the Philippines is the Pantawid Pamilyang Pilipino Program, also known as 4Ps. This conditional cash transfer programme, managed by the DSWD, was launched in 2008 and since then is the "*cornerstone of the government's strategy to fight poverty*" (NEDA 2016 interview). Its comprehensive character is well shown through partnerships with the DOH, DepEd, DILG, NAPC and Land Bank of Philippines (Aldaba 2016:23). The program sets incentives by providing cash to families through a cash card by the Philippine Landbank, in order to guide the families to pay more attention to education, nutrition and health (Racelis 2016:153). It is therefore often referred to as a "*long-term investment in human capital*" (NEDA interview). In order to achieve funds, beneficiaries of the cash transfer must fulfil a number of conditions that are continuously controlled by schools and health centers (Aldaba 2016:23):

- Residence in one of the poorest areas based on the 2003 Small Area Estimates of the Philippine National Statistical Coordination Board (NSCB)
- Living below or equal to the provincial poverty threshold
- Having a pregnant woman or children 14 years old and below
- Pre- and Post-natal care by pregnant women
- Parents must attend responsible parenthood
- Parent effectiveness and mother's classes
- Children below 5 must receive regular preventive health check-ups
- Children between 3-5 must have an attendance rate of 85% in preschool, children 6-14 must enroll, and have an attendance rate of 85%

If all conditions are met, families receive 500 PhP per month per household for health and nutrition expenses as well as 300 PhP per child – limited to max. three children - for educational expenses per month. Previous chapters have voiced criticism against selecting processes and argued that too often leakages occur. 4Ps on the contrary has repeatedly been praised for its effective selection process that makes use of the National Household Targeting system/NHTS of the DSWD and thereby manages to target poor areas. The lack of comprehensive data for Filipino households, due to the

high incidence of informal employments, poses a serious problem for targeting. For the 4Ps the DSWD therefore conducted nationwide household interviews with a Household Assessment Form to collect information on household composition and socioeconomic characteristics. Upon this the NHTS systematically classified the poor with scores calculated from these data (NSCB 2012:38). This way people under the poverty threshold, with children between 0-14 years or pregnant women could reliably be identified as beneficiaries for the programme (Chaudhury and Okamura 2012:3). Through this objective selection means the process is protected from political influence (Aldaba 2016:24). Today 4 Ps has expanded to include 4 million households in 79 provinces, 143 cities, 1.484 municipalities in all regions (Aldaba 2016:24) with a budget of 62 Billion PhP in 2014 (Racelis 2016:153) and is repeatedly praised as a success (World Bank Philippines). Furthermore a study by the Research and Statistics Division of the DepEd compared schools with 4P and those without and found a significant lower drop-out rates in the former schools (EFA 2015:27). Same results were obtained by a study in 9 municipalities by Chaudhury and Okamura in 2012. Many families in rural areas however cannot enjoy the benefits of 4Ps due to various reasons: geographical barriers to schools, climate issues or threats to security and peace (EFA 2015:7).

Next to this the Philippine government carries out various programmes aiming to increase the knowledge for a future working environment. In 2011 the “National Indigenous Peoples Educational Policy Framework” tried to ease the participation of minorities in the education system by adopting indigenous learning system and culturally appropriate learning resources (EFA 2015:28). The Technical Education and Skills Development Authority/TESDA was established in 1994 and lists a total of 16 million graduates in 2011. It offers technical-vocational education and pays further attention to psychological barriers.

Under the slogan “From Recognition to Redistribution” Racelis argues that many Filipino have a too low self-esteem and therefore do not dare to take opportunities even if given, because of the fear to fail (Racelis 2016:145). Personality training is therefore equally important to technical training in some instances. The Technical Education and Skills Development Act of 1994 promotes technical-vocational education and training (TVET), utilizing competency-based curriculum with outcomes aligned with requirements of industries in the regional vicinity (EFA 2015:30). Despite a clear domination of Arts & Trade (68%) in terms of subjects, also agriculture and fisheries, which are more relevant in rural areas, enjoy relatively high participation rates of 18% and 9% (EFA 2015:31).

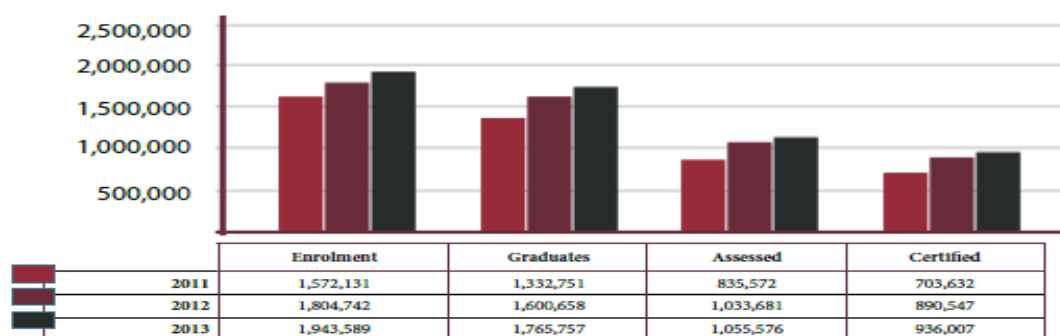


Figure 9 Enrollment and Graduation of TVEP (EFA 2015:33).

Empowering must involve literacy enhancing programmes, since people without reading skills will face difficulties to find qualified jobs or to run their own business. Since illiteracy problems mostly occur among school drop outs the Philippines have established a number programmes outside of schools, such as the mentioned Alternative Learning System, the Abot Alam Program or LGU and NGO programmes focusing on literacy enhancement (EFA 2015:38-41).

Conclusion for 3a)

The Philippines have made considerable progress in the development of human capital. The overall school system and vocational training facilities have been reformed which brought along an increase in enrollment rates and increase in major development indices. Under-budgeting and still existing regional discrepancies however are among the most urgent issues that need to be further improved.

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INVESTMENTS

The ILO assesses that the underperforming agricultural sector is one of the major causes for rural underdevelopment in the Philippines (ILO 2006:8). Aside from the flawed agrarian reform, this underperformance is rooted in poor machinery equipment and quality of infrastructure: *“A principal constraint is the difficulty and costs in bringing agricultural inputs to their farms and in hauling out their produce to the market. This is primarily caused by the lack of appropriate transport infrastructure”*(ILO 2006:38). An efficient infrastructure can lower cost of transports and inputs, increase access to markets and customers and with increased returns spur further investments.

The Philippines as an archipelago have very special requirements for infrastructure, as it is “a highly fragmented country” that faces difficulties for internal travelling and communication, due to water or mountainous landscapes (Quah 2010:13).

Country/ Quality	Overall infrastructure	Roads	Railroad infrastructure	Port infrastructure	Transport infrastructure	Electricity supply	Mobile Phone Subscr.	Fixed telephone lines
	Score and	Score	Score and	Score and	Score and	Score and	No per 100	No. per
Singapore	6,3 / 5	6,1/6	-	6,7/2	6,8/1	6,7/6	155,6/17	36,4/31
Thailand	4,1/76	4,5/50	2,4/74	4,5/54	5,3/37	5,1/58	138/34	9/91
Philippines	3,7/95	3,6/87	2,3/80	3,5/101	3,6/108	4,2/87	104,5/86	3,2/113
Cambodia	3,4/109	3,4/93	1,6/98	3,6/97	3,6/106	3,0/110	133,9/39	2,8/116

Table 13 Indicators for Quality of Infrastructure (WEF 2015)

The highest incidences of poverty are found in those regions that lack access to other parts of the countries and thus to technology, capital and knowledge (IFAD 2015:2). The Department of Public Works and Highways/DPWH is mainly responsible for infrastructure issues. According to it, in 2007 Philippines total road length was of 205,497 km length, of which only 23% was paved (Cabral 2009). While data on national roads is consistent, data on other types which make up more than 80% of the total cannot be tracked consistently. Not only the statistical documentation, also the quality of

Classification	Length (km)	Paved Road %
National Roads	29,369	70%
Provincial Roads	31,284	25%
City Roads	7,052	77%
Municipal Roads	15,803	34%
Barangay Roads	121,989	7%
Total	205,497	23%

Table 14 Lengths of different classes of roads in 2007 (Cabral 2009)

National Roads, which connect major cities with at least 100,000 people, is much higher. The percentage of paved National roads increased steadily to 88,62% until 2015 (DPWH 2015:13). A look in the DWPH database on current projects reveals that various projects are carried out in urban centers, while remote regions like ARMM show no entry currently (DPWH Database 2016). Infrastructure development has recently focused on mega projects to interconnect urban centers. The length of National roads has therefore increased by 11,11% between 2007 and 2015 and stands at 32,633 km (DPWH 2015:9) and the Greater Capital Region/GCR is prepared to house a population of 30 million people in 2030 (KMPG 2015:31). From a regional perspective large differences must be noted. The DWPH set the goal to provide paved roads for all regions, but the progress differs immensely. For NCR it is already 100% reached, for Region I, III,VI,VII to 97% and for numerous others it varies around 90%. But for CAR or Regions IV and IX only around 70% has been completed (DPWH 2015:14). Same observation holds for the road density. NCR has a solid road network with 185 km of

roads per square kilometer of land area, while the average figure is only at 10,40 km. Regions II and XII are last with only 6,4 and 6,76 (DWPH 2015:19). The Philippines' geographical setup also puts high importance on bridges and ports (ERI 2002:25). The NCR has a total of 289 bridges of which 273 are evaluated good or fair (94%). Region IX on the other hand has 885 bridges of which 620 are evaluated good or fair (70%), and 260 poor or bad (DWPH Bridge 2015). Of the 123 ports in the Philippines 115 are owned, operated and regulated by the Philippines Port Authority (PPA). It acts as landlord as well as regulator and can therefore set uniform rates and receives a share of the revenue generated from port charges. Furthermore it does not allow private ports within 30 kms of its ports. This highly uncompetitive system led to randomly raises in fees without an improvement in services or facilities and therefore demotivates the usage of ports (ERI 2002:26-27). Cielto Habito in our interview thinks this to be representative for the slow implementation of competition laws. Only in 2015 the government introduced a Competition law after debating about it since 1987. On the other hand currently a Central RORO Spine- Project is planned which ought to enhance inter-island movement of passengers, vehicles and goods (KMPG 2015:13). For access to electricity the urban-rural gap is equally big: 81% in rural areas, compared to 95% in urban regions (PSA 2016). The rather poor quality of infrastructure was previously blamed to budget deficits, a lack of long-term planning and no political will (KMPG 2015:9). However, driven by overseas remittances and a strong Business Process Outsourcing branch, especially in the 21st century Philippines' GDP growth has been fast and steady and between 2011-2015 it ranked third after China and Singapore (KMPG 2015:5). The overall financial strength of the government has thereby increased as the budget deficit shrank from -3,7% in 2009 to -0,9% in 2015 (Trading Economics 2016), but so far experts (World Bank Update 2015:121) still criticize the infrastructure status as *"the cumulative result of years of underinvestment and delays in implementing public capital"* (KMPG 2015:6). The World Bank recently criticized the continuous shortage of public investment, despite flourishing tax revenues (World Bank Update 2015:122). Also administrative reasons play into the weak public investment ratio. Because of tight public budgets under the Marcos dictatorship investments needed to fulfil very strict criteria by the NEDA-Investment Coordination Committee and be subject to the foreign debt ceiling under Republic Act No. 4860 (KMPG 2015:12). Lack of investment is also partly blamed for the low productivity, especially in agriculture. Between 1980 and 2000 Total Factor Productivity only grew by 0,1% on average (Balisacan 2007:16). Balisacan therefore finds: *"The country has neglected to invest in what recent economic history has shown as "deep determinants" of rural growth and poverty reduction: market-friendly institutions, rural infrastructure, and health and education"* (2007:17). Only since the latest Development Plan 2011-2016 public spending for infrastructure projects has significantly increased. Under the High Standard Highways Program for example spending for highways increased from 69 billion PhP in 2011 to 129,4 billion PhP in 2014 (KMPG 2015:20).

Particulars/ Spending in m PHP	2012 (GAA)	2013 (Actual)	2014 (Actual)	Growth Rate %	Growth Rate %
Roads and bridges	84,218	108,097	149,599	28.4	38.4
Basic Education Facilities	11,012	26,268	50,967	138.5	94.0
Flood Control/Seawalls	11,331	16,536	34,806	45.9	110.5
Housing	10,518	22,373	16,317	112.7	(27.1)
Farm-to-Market roads	4,866	5,657	12,603	16.2	122.8
Electrification	4,950	6,374	9,679	28.8	51.8
Airports/Air Navigation	802	6,195	9,114	547.8	75.4
Water Supply	1,516	1,839	6,954	21.3	278.1
Land Transport/Railway	-	3,834	1,642	-	(57.2)
Ports and Lighthouses	679	2,361	1,377	247.9	(41.7)

Table 15 Infrastructure spendings (KMPG 2015:13)

Between 2010 and 2016 spending for infrastructure has increased massively from 165 billion in 2010 to 760 billion PhP in 2016 and the government seems determined to continue: *“By end of the year, 100 percent of national roads will be paved and all temporary bridges made permanent. Next year [2017], there will be more fiscal space to fund the building and rehabilitation of local roads”* (GOVPH 2016). So far 85,5% of national roads are paved. For 2017 the budget for public infrastructure is deemed to further increase from 758 billion PhP to 860 billion PhP, which equals 5,4% of the GDP (Cepeda 2016). Parts of the increase owe to reconstruction programmes after disasters, like the Haiyan Typhoon in 2014, and not exclusively to accelerating construction programmes (KMPPG 2015:11). Furthermore Public-Private-Partnership/PPP has been recognized as a strategy to accelerate infrastructure development (NEDA 2014a: 146). To incentivize private actors’ engagement in rural development, the Investment Priority Plan from 2013 includes infrastructure projects for which several financial incentives are granted. The Omnibus Investment Code formulates tax exemptions for projects in less developed regions. Article 39 for example regulates the Income-Tax-Holiday which increases to 7 years for projects in less developed region (BOI 1987). Additionally the Business Permits Licensing System reduced the number of procedures and days to process business permits and licenses (NEDA 2014a:119) to facilitate entrepreneurship.

Since poor administration also partly caused weak public investment, the internal governance within the DPHW was changed. Firstly under the “5 rights” the amount of bureaucracy was reduced, e.g. by reducing number of required signatories or documents, which shall also reduce the potential of moral hazard. Further unlike in the past the bidding process was anonymized to avoid one bidder influencing competitive bidders (KPMG 2015:21). Coordination is strengthened through a national road database of all projects nationwide which can give the status of each project, in order to enable *“DPWH to optimize the deployment of resources for timely execution and completion [...]”* (KMPG 2015:22). And lastly the overall investment plan is not planned isolated, but seen in a larger context. For this the DPHW cooperates with other bodies like the Department of Tourism or Agriculture

(KMPG 2015:14). Coherent with the Accelerating Infrastructure Development Plan of the Philippine Development Plan, infrastructure is regarded as one element within the overall process to eradicate poverty (KMPG 2015:15).

Conclusion for 3b)

The Philippine economy has made remarkable progress which allowed higher spending for infrastructure and increased quality and quantity of facilities. Inefficient management procedures have been reformed to enable a competitive market environment. Despite all efforts, on a global comparison the quality of infrastructure is still unsatisfying: “Local roads are in very poor condition and many are seasonally impassable [...] National roads are insufficient, low quality, disconnected, and overcrowded” (ERI 2002:28). Investments are often focused in Metro regions around Manila and do not reach rural Philippines.

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ACCESS TO FINANCE

As discussed in the Land Reform section rural peasants often face problems with obtaining financial means, due to their lack of assets that could work as collateral. Therefore they often have to rely on informal sources, which are significantly more costly. An alternative are microfinance providers that are part of the formal business. The “National Strategy for Financial Inclusion” from 2015 is the main document that describes the national approach to creating an inclusive finance system: *“Financial Inclusion is defined as a state wherein there is effective access to a wide range of financial products and services by all”*, (BSP 2015:1). An accompanying goal is to increase the financial literacy among Filipinos (BSP 2015:11). The Bangko Sentral ng Pilipinas provides the overall guidance for the all monetary and credit policies (Llanto 2005:64). In 1986 President Aquino created the new framework for agriculture finance with the Executive Order No. 113: *“All existing and future loan funds that are agricultural and agriculture-related in nature shall be consolidated under one fund to be called “Comprehensive Agricultural Loan Fund” (CALF) (GOVPH 1986:Section 2)*. Under this new regime the Agriculture Credit and Policy Council/ACPC led the transition from a former subsidized targeted credit provision to a market-oriented rural finance system (Llanto 1993:3). Constructed to lead to an increasing number of banking institutions, today a big problem remains the under-coverage as 36% of the municipalities, or 15% of the population, do not have a banking office. When including pawn shops, the number of municipalities without any access to funds, reduces to 12% or 3% of the population (BSP 2015:5). Comparable to previous categories the problem worsens for rural areas, since financial providers focus in urbanized regions around Manila or Quezon, but largely ignore

Formal Sector	Informal Sector
<u>Banks</u> Universal and Commercial Bank for nation-wide service or Thrift, Cooperative and Rural Banks with local focus (Meslier-Crouzille et al. 2012:777). In total there are 635 banks of which 529 are rural banks (GIZ 2016b). The number of branches totals 9,980.	<u>Pawnshops</u> <i>“A person or entity engaged in the business of lending money on personal property delivered as security or loans”</i> (GIZ 2016a). Among all financial institutions in the Philippines they have the most extensive physical presence (World Bank 2011:7) <u>Remittance agents or Money changers</u> <u>Non-stock savings and Loans associations (NSSLAs)</u> <u>Cooperatives</u> <u>Lending companies or Financial companies</u>

the periphery like ARMM or CAR. 34% of physical banking offices were placed in the NCR (World Bank 2011:1). The Small Farmer and Fisherfolk Credit Accessibility Survey from 2002, 15 years after the change, showed that informal institutions were still the major source of loans with 60% (Llanto 2005:18).

In 2014 31,3% Filipinos had a formal banking account and 11,8% borrowed money in forms of loans from a bank. The fact that only 40% of Filipino adults saved money and from these people 68% kept their savings at home, instead of a bank account, puts the trust in banking institutions to question (BSP 2015:6-7): *“The population is still largely unbanked and vast amount of Filipinos leave the country to work elsewhere[...] They mostly do not use banking since their friends and family back home often do not have bank accounts or simply don’t trust the banks”* (Streber 2016). The Bangko Sentral ng Pilipinas conducted a Consumer Financial Survey in 2012 which confirms these observations, as 40% of the approx. 10,000 respondents claimed that they keep their savings at home (BSP 2012:32). The low incentive to use formal banking facilities is further increased by high transaction cost and high deposit requirements which rural people can often not fulfil (World Bank 2011:2). Already introduced in 1955, the Republic Act No. 1405, *„An Act prohibiting disclosure of or inquiry into, deposits with banking institution and providing penalty therefor“*, tries to work against this tendency by encouraging Filipinos to use banking facilities (Section 1) and by guaranteeing absolute confidentiality to their personal banking affairs (Section 2). Accompanying these laws the Consumer Finance Survey recommends to lay more value on educating Filipinos about the advantages of financial institutions against informal finance providers (BSP 2012:33). As mentioned before the network of financial providers knows large regional discrepancies. A study by Meslier-

Crouzille et al. give detailed information on the regional network and classifies the banking presence in underdeveloped, intermediate and developed regions, whereby (2012:778)

- Ilocos, Cagayan Valley, Bicol, Eastern Visayas region, Zamboanga Peninsula, ARMM and Caraga are **underdeveloped**
- NCR, Cordillera Administrative Region (CAR) and Northern Mindanao are **developed**
- Central Luzon, South Luzon, Western Visayas, Central Visayas, Davao and Socksargen. are **intermediate**.

The importance of rural banks is much higher in underdeveloped regions, where they provide 21,22% of all loans, whereas this number is only 0,37% in developed regions. Here commercial banks are the primary source of loans (Meslier-Crouzille et al. 2012:780). The below Table demonstrates how the difficulties for rural farmers of companies, which are mostly small companies, translate to a stark inequality in the usage of bank credits. Three times as many large companies make use of credits as small firms.

	Philippines All Firms	Small	Medium	Large	East Asia Average
% of Firms with Line of Credit or Loans from Financial Institutions	33.18	21.08	39.95	61.38	44.28
% of Firms Using Banks to Finance Investments	21.95	14.69	22.39	34.04	30.97
% Bank Finance for Investment	12.23	5.75	14.64	18.02	31.00
% Loans Requiring Collateral	64.12	43.06	68.44	78.65	79.10
Value of Collateral Needed for a Loan (% of Loan Amount)	236.78	309.05	177.56	266.10	164.44

Table 16 Usage of bank credits by Philippine firms (World Bank 2011:4)

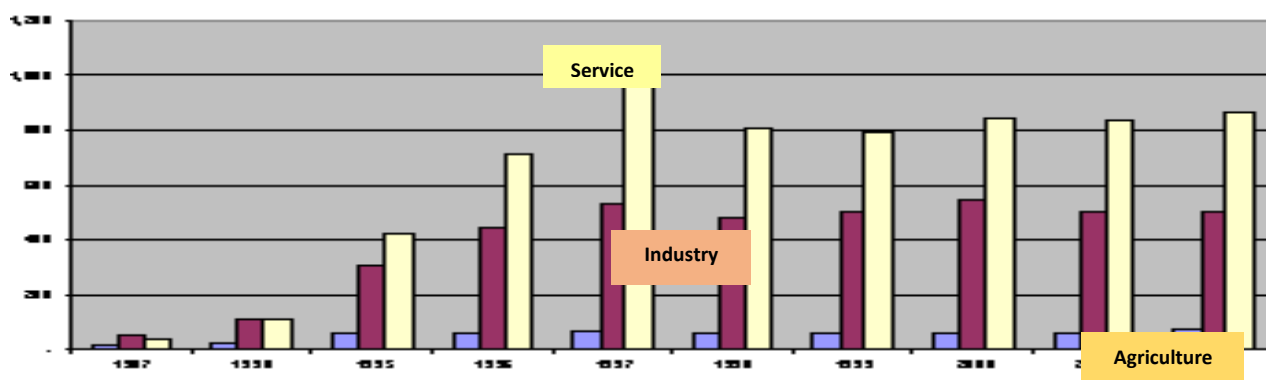


Figure 10 Industry share of loans outstanding from commercial banks (Llanto 2005:10)

The study further showed that a minimum level of economic development is a prerequisite for rural banks to have an influence. In most undeveloped regions the presence of rural banks did not trigger more economic activities (2012:784;786). This suggests that first financial and business literacy must be supported and building on this access to finance can have a positive impact. Furthermore banks did not adopt the new system imagined by ACPC which partly deemed to substitute real estates with guarantees from the Comprehensive Agricultural Loan Fund as collateral. Many banks however continue to ask for real estate as collateral (Llanto 2005:21). Especially in rural areas a high importance is attached to pawnshops who often work as substitutes for the lack of formal banking

offices. Pawnshops are always privately owned. In total there are 17,340 pawnshops, split into 5,807 head offices and 11,533 branches. The biggest pawnshop owner Cebuana Lhuillier alone operates 1,800 shops (GIZ 2016a). In return for low administrative requirements, pawnshops charge relatively high interest rates (World Bank 2011:7).

Other important financial services are insurances. In 2013 a third of the population possessed a life insurance (BSP 2015:7) and the BSP survey revealed that 42,7% of respondents had a least some type of insurance or retirement plan. 93,9% obtained government insurance products (BSP 2012:20).

Fernanda Aldaba reasons in our interview that insurances are crucial for poor people to start businesses, because „a lot of people are only slightly above poverty line and easily fall down back, when a natural disaster hits”. It is therefore inevitable to create a social protection scheme to

Region (#)	Total Bank Offices (June 2009)	% of Total	Adult Population (mn. 2007)	% of Total	% Rural Population (2000)	Poverty Incidence (2006)	% with Bank Deposits (2006)	Average Bank Deposit (2006 Pesos)	% with Cash Loans (2006)	Average Cash Loan Payment (2006 Pesos)
National Capital Region	2,687	34%	11.6	13%	0%	7%	16%	12,612	11%	2,324
Ilocos (1)	389	5%	4.5	5%	61%	26%	11%	4,031	21%	3,001
Cagayan (2)	234	3%	3.1	3%	76%	21%	8%	4,618	30%	5,666
Central Luzon (3)	855	11%	9.7	11%	40%	17%	13%	8,383	24%	3,879
Calabarzon (13, former 4a)	1,178	15%	11.7	13%	42%	17%	14%	7,113	19%	2,331
Mimaropa (17, former 4b)	126	2%	2.6	3%		44%	9%	3,391	27%	3,389
Bicol (5)	215	3%	5.1	6%	71%	42%	10%	5,743	32%	3,800
Western Visayas (6)	421	5%	6.8	8%	69%	31%	12%	5,074	24%	2,914
Central Visayas (7)	518	7%	6.4	7%	51%	30%	5%	1,468	15%	1,602
Eastern Visayas (8)	133	2%	3.9	4%	81%	41%	8%	5,380	35%	4,996
Western Mindanao (9)	140	2%	3.2	4%	68%	40%	18%	10,915	22%	3,503
Northern Mindanao (10)	262	3%	4.0	5%	60%	36%	10%	5,206	31%	5,375
Southern Mindanao (11)	269	3%	4.2	5%	64%	31%	8%	3,443	28%	3,349
Central Mindanao (12)	174	2%	3.8	4%	68%	34%	11%	3,954	22%	2,643
CAR (14)	117	1%	1.5	2%	68%	29%	13%	9,112	21%	4,765
ARMM (15)	24	0%	4.1	5%	78%	55%	8%	1,189	17%	1,022
CARAGA (16)	118	2%	2.3	3%	73%	46%	9%	4,300	29%	4,610
Total	7,860		88.5		52%	27%	11%	6,134	23%	3,142

Table 17 Rural Banks market share per region (World Bank 2011:2)

decrease this vulnerability. The GIZ estimates that 99% of all domestically produced goods in the Philippines come from Small or Medium-sized enterprises who need large-scale support (GIZ 2016 Booklet). For both financial services and insurance services, the Philippines in recent years rely increasingly on microfinance services as alternatives to loan sharks, while commercial banks still too often decline requests from small farmers. An important document leading to this is the Social Reform and Poverty Alleviation Act/ SRPRAA of 1998 which lifted microfinance services in the formal financial sector and which designated the People's Credit and Finance Corporation/PCFC as the vehicle for microfinance service delivery (Section 14, Habito et al. 2009:21). Microfinance is described as a “credit and savings mobilization program exclusively for the poor to improve the asset base of households and expand the access to savings of the poor” and is regarded a vital tool for capacity building (Section 3 (a) and (i)). As of June 2015 PCFC has served 2,008,247 active clients through 66 partner Microfinance institutions with loans with a value of PhP 2.892 billion (NEDA interview sheet). Today microfinance services are part of many capacity building programmes such as

the Sustainable Living Program/SLP of the DSWD which „*aims to improve the socio-economic capacity of the participants through micro-enterprise development and employment facilitation activities [...]*“ (NEDA interview sheet). Participants can choose between a Micro-Enterprise Development track or the Employment-Facilitation track. Between 2011-2015 SLP has served 787,657 families (NEDA interview sheet). Microinsurance services have experienced a stark increase as from 2006, when the Insurance Memorandum Circular by the Insurance Commission was issued and defined microinsurance as „*the insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune*“ (IC 2006:I). Between then and 2014 when Microinsurance Mutual Benefit Associations/ MI-MBAs increased from 6 to 21, and additional 18 commercial Non-Life as well as 24 commercial Life insurance companies expanded their business to Microinsurances, which increased the product range to 199 products (Bulos and Portula 2016:6). In 2014 microinsurance contributed about 2% of the total premium in the insurance industry (Bulos and Portula 2016:7). Coverage increased from 19,9 million people in 2012 to 31,1 million in 2014 (Bulos and Porutla 2016:9). The focus remains on life and personal accident products, but in some cases also more specific insurance products for crops or disaster relief. are offered (Bulos and Portula 2016:18). This was stipulated by the Agriculture Microinsurance Regulatory Framework in 2015: „*Provide clear-cut policy on MicroAgri to encourage the Government and private sector microinsurance providers to innovate and design products tailor-fitted to the needs of agricultural clients*“ (GOVPH 2015:D-15 (a)).

Conclusion for 3c)

The Philippine government recognized that rural people need both financial access as well as financial security. However, since MFI or informal providers can only provide small credits there is still a serious lack of access to finance. This is enhanced through the low presence of banking establishments in rural area and a widespread financial illiteracy.

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4.2. The Socialist Republic of Vietnam

4.2.1. Status Quo: Economic and Political Situation

Brief political profile (based on CIA 2016; GSO 2016)

The Socialist Republic of Vietnam, *Cộng hòa Xã hội chủ nghĩa Việt Nam*, was founded in 1975 after the re-unification of North Vietnam and South Vietnam. With 91.7 million citizens on 332.000 km² it is the 14th most populated country in the world. Geographically Vietnam is unique because while horizontally as narrow as 50 kilometers, vertically it stretches over more than 4,500 kilometers.

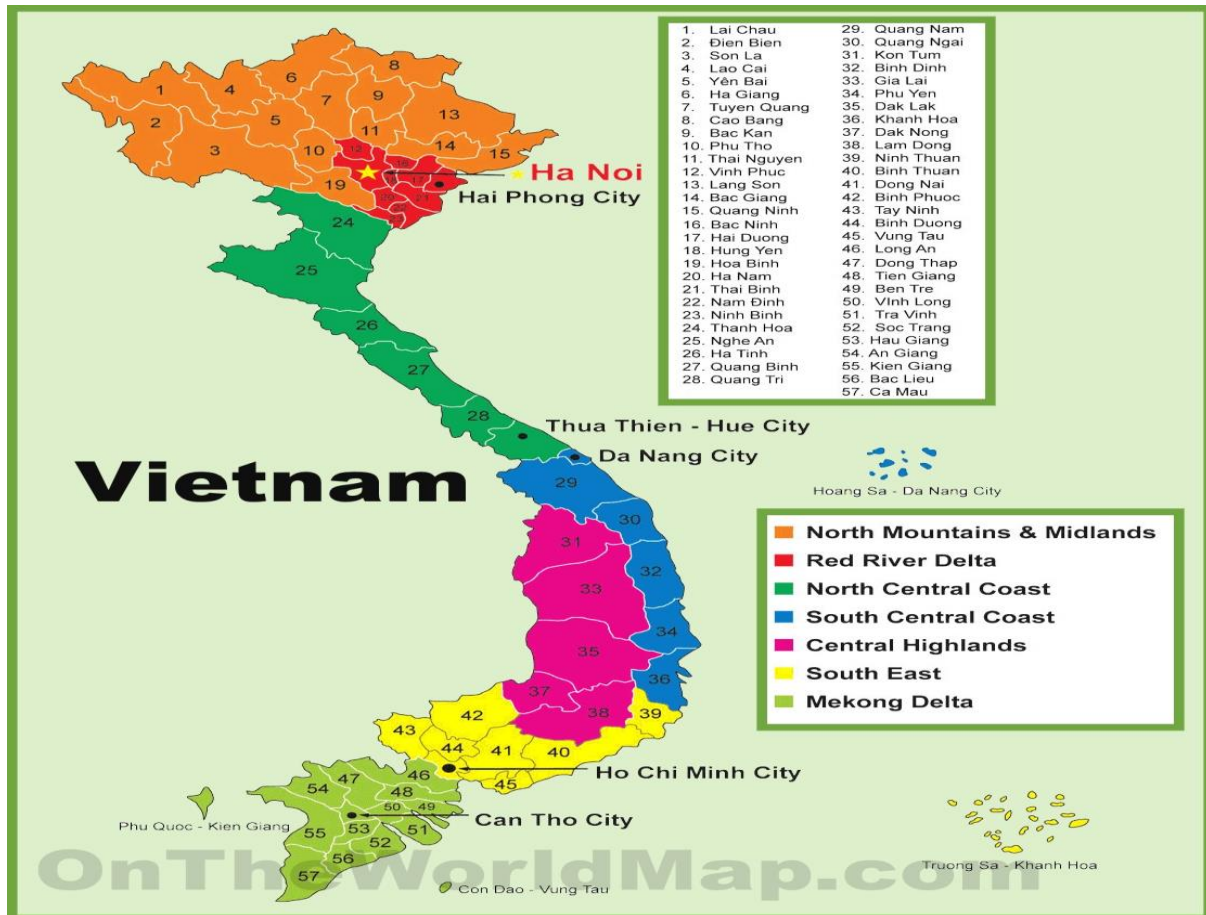


Figure 11 Vietnam Map (On the World Map 2016)

Almost 90% of the population belongs to the Viet ethnicity while the rest of the population is split into approximately 50 minority ethnicities. The same supremacy holds for the language, with Vietnamese being the sole official language and other languages are only spoken by some minority groups. As for many communist countries, with 30% a significant share of the population regards themselves as unreligious. Apart from this, indigenous religions and Buddhism make up almost 60% of the population's faith.

Politically Vietnam is classified as a Unitary Marxist Leninist one-party state with the Communist Party playing a key role in all levels of national policy and Hanoi as the capital being the center of political power. The executive is composed of the President, currently Tran Dai Quang, who also ranks second in the Communist Party, and the Prime Minister who is head of the government. Both are selected for a term of five years, which can be renewed three times in case of the President, and one time in case of the Prime Minister. Vietnam has a unicameral legislature where the National

Assembly has the mandate to introduce new laws and appoints all government ministers. Supreme People's Court of Vietnam is the highest institution with regards to the judiciary, and is headed by the Chief Justice.

On an administrative level Vietnam is divided into 58 provinces and 5 municipalities, which have the same administrative status. Provinces are further subdivided into provincial municipalities, townships, counties, towns and communes. The municipalities are subdivided into districts, counties and wards. A broader classification separates Vietnam into only eight regions along the north-west line: Red River Delta, Northeast, Northwest, North Central Coast, Central Highlands, South Central Coast, Southeast and the Mekong Delta.

GDP in 2015, total (current USD)	194 billion USD
GDP per capita in 2015, PPP (current USD)	6,034 USD
GDP growth 2015	6,7%
GDP composition in 2016	17,4% agriculture, 38,8% industry, 43,7% services
GINI coefficient, 2008	0,376
Urban population as share of total, 2015	66%
Rural population as % of total, 2015	34%
Public debt as share of GDP, 2015	52,7%
Labor force, 2015	54,93 million
Labor force by occupation	Agriculture: 48% Industry: 21% Services: 31%
Unemployment rate in 2015, total	3%
Corruption index (Transparency) 2015	31 (Rank 112 of 167)
Exports 2015	158.7 billion USD
Imports 2015	150.4 billion USD
Agriculture area as share of total area, 2015	35,1%
Forest area as share of total area, 2015	47,6%
Major products	Agriculture: rice, coffee, rubber, tea, pepper, soybeans Industry: food processing, garments, shoes, machine-buildings

Table 18 Economic Indicators Vietnam (sources as per Philippines)

Setup and economic importance of the rural sector in Vietnam

Following the Vietnam War Vietnam faced severe economic hardships and struggled to establish successful economic development. Only after the Communist Party introduced a series of political and economic reforms in 1986, which later came to be known as Doi Moi, Vietnam entered a path of economic development (Luan 2016:1).

These reforms allowed for more political freedom and entrepreneurial activities, and finally led to the “most important force behind the success” of the economic development (Quang and Thanh 2011:155): the entry into the World Trade Organization/WTO in 2007. In the period following the reforms, annual GDP growth reached an average of 7,14% between 1991-2011 and the HDI increased from 0,561 to 0,725 in 2007. The GDP per capita increased from merely 100 USD to over 2,000 USD today (Luan 2016:1). While these are evidently great achievements, Vietnam

still only ranks 155th in terms of GDP per capita (Nation Master 2017). However, while almost 50% of the overall labor force is employed in agriculture which together with forest areas make up almost 80% of the country's area, this sector contributes not even 20% to the overall GDP. Because of the lack of sufficient income generating employment opportunities in rural areas, people leave to urban areas, which by now inhabit two thirds of the population. The official overall employment rate of 3% appears to have a limited meaning, when considering that it does not include the one million Vietnamese that are underemployed, again especially in rural areas *"where too many are working in agriculture that is inefficient and barely yields a living wage [...] making it increasingly difficult for families to support themselves."* (van Trotsenburg 2013). Challenges to overcome this situation are a rapidly increasing annual labor force, a high presence of corruption as well as physical difficulties. Especially mountainous regions in the Central Highlands are difficult to access, which makes it challenging for them to cultivate crops and to engage actively in economic activities with people outside of the region.

Poverty incidence in Vietnam

People below national poverty line, 2012 (CIA)	11,3%
People below subsistence poverty, 2008 (MDG)	6,9%
Region with highest incidence	18,4% (Northern Midlands)
Region with lowest incidence	1% (South East)
Poverty incidence in 2014, urban	3,0%
Poverty incidence in 2015, rural	10,8%
Poverty gap in 2012	4,5%
HDI 2014	0,665 (116/188)
Life expectancy 2014	75,8 years
People experiencing hunger, 2013	14,5%
Infant mortality rate (per 1,000 live births) 2014	17
Infant mortality rate (deaths per 1,000) highest and lowest rate, 2011	8,8 (South East)/25,9 (Central Highlands)

Table 19 Incidence of Poverty in Vietnam

Poverty, measured by the current poverty line set at 23,000 VND per day (van Trotsenburg 2013), dropped significantly in Vietnam since the beginning of reforms. In the late 1980s the rate was still above 50% and during the 1990s it still maintained a level around 30%, but currently dropped to 11,3% (Luan 2016:1; WTO). An equally impressive reduction could be achieved for the subsistence poverty, which dropped from 24% to 6,9%. The Millennium Development Goals Report therefore praises Vietnam especially for the category "Poverty Eradication" (UNDP 2011). Most significantly poverty could be dropped in urban areas, which led to a rapid urbanization bringing new problems such as improper housing or pollution along. Although a GINI coefficient of 0,36 lands Vietnam only in the

global midfield the country manages well to translate economic growth into poverty reduction, which is proven by a growth elasticity of 9,2% in 2006 (Quang and Thanh 2011:148). This could however not completely avoid that with economic success, partly caused through market reforms, the success was accompanied by a growing wealth gap between urban and rural areas (UK Essays 2015). Apart from the stark decrease of hunger poverty also the performance in other basic indicators improved significantly. Access to sanitation and electricity increased from 55,1%/86,% in 2002 to 71,4%/98,6% in 2014 and permanent housing could be provided to 46,6% in 2014, compared to only 17,2% in 2002. Another indicator, the Infant Mortality Rate however shows again how rather unequal the nature of those improvements is. For 2014 the national average rate of 14,9% contains the South East region with a rate of 8,8%, but also the Central Highlands with 25,9% and the Northern midlands with 22,4% (SRV 2015:75). Vietnam is still today an agricultural state where more than 70% of the people live in rural areas. Since many of these areas are in Delta areas or mountainous regions it is difficult for those people to take part in economic activities or have access to new technologies and infrastructure. Especially mountainous areas further struggle with natural factors like big wind or non-cultivable land (Luan 2016:1).

4.2.2. Analysis of key SMU premises in Vietnam

4.2.2.1. Premise 1: Governance and Structural Factors

Leadership and Decision-Making

The Socialist Republic of Vietnam is a One-Party state with four formal structures: the Communist Party, the People's Armed Forces, the state bureaucracy and the Vietnam Fatherland Front. Among these structures the overlap of personnel is traditionally very high (Thayer 2010:424). The executive is performed by the President, the Prime Minister and the government, all elected for single 5-year terms, whereas the legislative lays with the unicameral National Assembly which is elected every five years, and the judiciary with the de jure independent Supreme Court. Although some observers assert a change from a hard authoritarianism to soft authoritarianism since the Doi Moi reforms, the 'The Economist' Democracy Index still classifies Vietnam as an authoritarian state and ranks it as 128 of 167 (The Economist 2015). Vietnam still ranks low on most of the World Bank Governance Indicators and has not seen much progress between 2005 and 2015. Especially "Voice and Accountability", "Regulatory Quality" and "Control of Corruption" rank low on the 11th, 34th and 39th Percentile Ranks respectively. "Political Stability" and "Government Effectiveness" are continuously ranked the highest, but also not exceeding a 50th Percentile rank (World Bank Indicators 2015).

The Communist Party is omnipresent in all vertical and horizontal spheres of governance. The below Figure visualizes this, by placing the Committee of the Communist Party on top of all government bodies, as *“the centre of the country’s political process”* (Son 2015:79). The 2013 constitution makes it clear: *“The Communist Party of Vietnam [...] is the leading force of the State and society”*

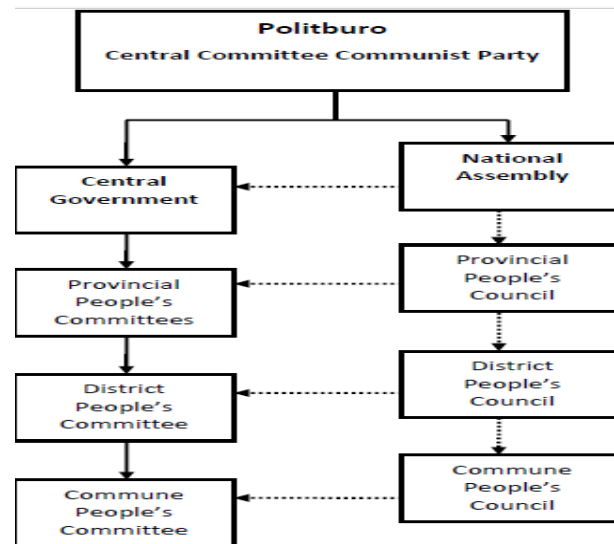


Figure 12 Political System in Vietnam (Son 2015:81)

(Constitution of Vietnam 2013: Art.4.1.). The law-making process may be initiated by central-level bodies like the National Assembly or the government, the Politburo however maintains the final authority (Son 2015:80). Same holds for the appointment of the Presidency and Prime Minister. Each of the three vertical administration levels - provinces, districts and communes – receives direct orders from the central government (Son 2015:80). Officially next to the CPV exists several political parties under the Vietnam Fatherland Front, but real political plurality does not exist according to the 2015 Law on the Vietnam Fatherland Front, which states that its role is merely to *“participate in the building of the Party and the State”* (Vietnam Law Magazine 2015). Judgments about the one-party system are ambiguous. The interviewed Prof. Juhjung Shim regards it as the primary *“obstacle to the spread of innovative ideas”* that could enhance development. Anita Chan on the other hand sees in Vietnam the example that economic development can be achieved under such a system, even in a more efficient way. She even terms this as the new *“Beijing Consensus”* as opposed to the Washington Consensus (Chan 2011:2). Anti-Poverty and development projects have been made a policy priority as from the 7th Party Central Committee in 1992 which defined key criteria for projects (Nguyen and Luu 2015:77):

- Educational supports
- Health care
- Legal support

- Special support for ethnic minority groups

The anti-poverty process is guided largely in two ways. The Vietnamese government has formulated 16 National Target Programs/NTP which focus on social issues such as rural development, employment or vocational training. Among those NTPs especially the National Target Program for Poverty Reduction, and on New Rural Development/Nong Thon Moi have been prioritized in recent years (VUFO 2016). To be successful they require sufficient backing by the government. This is the case as the Secretariat of the Central Executive Committee of the CP has taken the lead in the programme implementation, and in 2010, after completion of the pilot phase, the Prime Minister lifted it to the status as a National Target Program by signing decision No. 800/QD/TTg (Luan 2016:6). The fact that such a high number of programmes related to social issues exists can demonstrate a strong determination, is however often also criticized for inefficient use of resources due to overlaps and poor coordination (Son 2015:103,189). There is not one single agency in charge for the national poverty reduction process. Although MOLISA is officially presented like this, it has in fact not significantly more authority than other agencies and has not the power to allocate resources example under the Ministry of Planning and Investment and MOF (Son 2015:190). Therefore each agency uses its funds for its own target beneficiaries without supervision. MOLISA can only intervene via the Prime Minister who has the authority to instruct local governments (Son 2015:191). A series of interviews with villagers further suggests that the targeting of these multiple programme often is inefficient (Son 2015:169). On the one hand the coverage limit is found too little and on the other hand too few poor would benefit. Official statistics confirm this, as in 2010 only 50% of the extreme poor received benefits from government poverty reduction policies (Son 2015:181). MOLISA supervises the targeting process which begins at the Commune level with a Commune Survey Board which reports persons who are considered to require assistance to the District Survey Board. Within the survey board the village headmen and communal officials have great influence over who is deemed to be a beneficiary (Do et al. 2015: 79). Official data is not existing, but experts criticize that those people have too much power which opens the way to corruption or bias towards family or friends (Son 2015:186).

Nguyen and Luu give an example of an infrastructure project in the province of Son La. One single road is to be built, but three different national programmes are dedicated to it, which do not cooperate but each work isolated on different parts of the same road which causes a high workload for local officials via duplication of proposals, reports, monitoring and other documents (2015:81). IPSAR's Nguyen Luan therefore claims in our interview that the government does not have a clear focus, but rather issues multiple projects, which contradict each other or overlap and often cover same beneficiaries multiple times. Therefore 2002 saw the implementation of the Comprehensive Poverty Reduction and Growth Strategy/CPRGS which ought to harmonize the different programmes

(Turk 2004:44). The CPRGS shall coordinate between the NTPs on the one hand and the 10-year Socio-Economic Development Strategy and the 5-year Socio-Economic Development Plan on the other hand (MFAN 2012:7). These two plans combine various programmes, from public investment plans, pro-poor growth initiatives to public administration and legal reforms (Son 2015:101). The document introducing the CPRG aims to “*promote rapid and sustainable economic growth coupled with attainment of social progress and equity aimed at improving the material conditions and quality of life of all population strata*” (SRV 2003:3). It therefore calls for major administrative and institutional changes to enable local participation, transparency and more efficient working conditions (SRV 2003:3; Carbal 2005:12). There is a broad number of government bodies and agencies involved in the fight against poverty.

Name of Agency	Role in Poverty Reduction
Ministry of Home Affairs (MOHA)	Managing the organisational structure of state administration, local government organisations and administrative boundaries
Ministry of Labor, Invalids and Social Affairs (MOLISA)	State administration on labor, employment, occupational safety, social insurances and vocational training and social protection and prevention of social evils; child care and gender equality
Ministry for Agriculture and Rural Development (MARD)	Manages rural development and the governance, promotion and nurturing of agriculture and the agriculture industry, Offices in all 63 provinces
Committee for Ethnic Minorities Affairs (CEMA)	Implements the policy of equality unity and mutual assistance among the nationalities and strictly prohibits all national discrimination and division behaviours. Promotes usage of right to use the spoken and written languages, preserve the national identity and promote the customs, habits, fine traditions and cultures of their own
Ministry of Planning and Investment (MPI)	Management over planning, development investment and statistics, including the provision of general advices on strategies, plans for national socio- economic development; on development planning, management of ODA and foreign non-governmental aids
Ministry for Health, Education and Training	Governance and guidance of the health, healthcare and health industry, creating and promulgating long-term health policy programme
Ministry of Construction and Transportation	Management of road, rail, inland waterway, sea and air transport nationwide, and of public services according to law; including policies, regulations and standards in the transportation sector; perform state management of transport infrastructure, transport vehicles, training driver of vehicles, transport services management, traffic safety, environmental protection
Vietnam Bank for Social Policies	VBSP is not for profit and implement policy lending to the poor and other policy beneficiaries. VBSP contributes to provide microfinance to the poor and policy beneficiaries, reduce poverty sustainably in Vietnam, remain social stability and protect environment
People Committee on provincial level	Committee is responsible for allocation, use and management of resources for poverty reduction ; steering committees for poverty reduction → Members of the committee come from almost all functional departments

Table 20 Ministries involved in poverty alleviation (own compilation, with Nguyen and Luu 2015)

Determining the leading figure in the political arena is more difficult for Vietnam. While the President is the Head of State and Chief Commander, the constitution as well as most experts clearly declare the Communist Party and by that the General Secretary as the highest rank position. To which degree however the supremacy of the Communist Party is backed by the population is questioned by the fact that only 4% of the 93 million Vietnamese are party members (Brown 2015). Alexander Vuving sees a decline in political interest and identification with the Party's core beliefs among the younger generation, which is rather interested in economic opening and seeks profit-making instead of traditional political strategies. Many of the party members are therefore not best described by political beliefs, but as opportunities who use the interlinkage between political power and the profit-making: *"A mixture of the two creates conditions for using money to buy power and using power to make money"* (quoted from Brown 2015).

Further the lack of democratic backing for the highest position represents another lack of legitimization, which is natural to authoritarian states. High positions including the President or the General Secretary are appointed by the Central Committee which is elected by the National Congress (Vuving 2016). All decision-making processes are therefore not based on public discourse but rather carried out by a small circle of elite politicians. This lays the ground for the high degree of corruption. According to the Transparency International Corruption perceptions Index in 2015 Vietnam ranks on 112 of 168 countries with a score of only 31/100 (TI 2015). A study by Pham van Hoi suggests that firms have to use a bit more than 50% of their profit to pay for bribery, from which he concludes that Vietnam's system is more based on "who you know" than on the rule of law (2016:5). The government is aware of this and during the 10th National Congress in 2006 has also addressed this situation openly by admitting that this reduces the government's legitimacy (Thayer 2010:441). Furthermore corruption often increases the gap between policies on paper and its implementation (Fritzen 2002: 649). Latest since then, every new cabinet made the anti-corruption fight a top priority like the 2009 introduced National Anticorruption Strategy to 2020 (ODI 2011:19). None of these however have so far delivered positive results as the ranking proves. The fact that Vietnam's provinces have many differences in terms of culture and economic development caused that central laws are implemented in different ways on the local level which makes a consistent control difficult (Tran et al. 2016:202). Instead of leading the way to more transparent political processes, Thayer asserts that *"historical evidence from the past two decades suggests that Vietnam's leaders have and are continuing to negotiate among themselves the pace and scope of change."* This threatens its political legitimacy which *"rests on multiple sources including responsiveness to challenges from within and below to speed up the pace and scope of political change"* (2010:441). The rapidly developing information technology which has reached Vietnam helps Vietnamese to circumvent the harsh media censorship and allows them to not only learn about misbehavior of party members, but

also to discuss about it outside of political control (Brown 2015). While the need for reforms in terms of transparency is recognized it is difficult to pave the way, as long as the party remains eager to hold its power: *“They all agree there must be reforms [...] but they may be afraid to go too fast. Mr. Trong [President] may not want to run the risk of reforms that could undermine the rule of the party”* (Boudreau 2016). 2016 saw the political competition for the General Secretary where almost a reformist candidate, the former Prime Minister Nguyen Tan Dung, succeeded in getting the position, only to be ultimately denied during the 12th National Congress held in January (Vuving 2016).

Conclusion for 1a)

Vietnam has maintained a strong government led by the Communist Party despite liberalization after 1986. A large number of programs targeting poverty reduction and development were introduced. This high number however causes inefficient use of resources, which is further increased by the alarming incident of corruption. The enclosed political system provides too much opportunities for corruptive behavior and potentially can enlarge the gap between the government and the public.

4/6

Mixture of Top-Down and Bottom-Up

Vietnam’s political structure traditionally is centralized with decision-making authority in the hands of the Communist Party present on all administrative levels. However in recent years, particularly under the “National Target Program on New Rural Development”/ *Nong Thon Moi* , attempts to allow for more decentralization and thus participation have increased.

Vietnam’s local government structure uses the three tiers of provincial, district and commune levels which all can be further split up in more detailed units (Son 2015:103). On average, a province consists of 9 rural districts or 145 communes with each commune including 10 – 15 villages (The Hunger Project 2017). The 63 provinces are split into 58 provinces and 5 municipalities with an equal administrative status, including Ho Chi Minh and Hanoi. Provinces are further subdivided into provincial municipalities, townships, counties, towns and communes. The municipalities are subdivided into districts, counties and wards. On a broader level Vietnam can be classified into eight regions: Red River Delta, Northeast, Northwest, North Central Coast, Central Highlands, South Central Coast, Southeast and the Mekong Delta. Population varies immensely along the different regions. While in 2015 the Northern midlands and mountain areas had a population density of 124 persons per km², in Hanoi it is 2,171 (GSO 2016). The political center - comprised by the Central Committee of the Communist Party, the National Assembly and the government - is placed in the capital Hanoi. However the Party as well as all ministries have provincial offices in all provinces. The

government is represented by the People's Council (Hội Đồng Nhân Dân) for the legislative and the People's Committee (Ủy Ban Nhân Dân) for the executive (Benson 2001:3).

1. Tier: Provinces	
Province	Municipality
2. Tier: Districts	
Provincial City	Rural District
Town	Urban District
3. Tier: Communes	
Townships and Wards	Communes (in total: 11,121) – target of NRD
4. Tier: Villages (in total: 80,870)	

Figure 13 Administrative Structure of Vietnam

Although the communist ideology is based on mass mobilization sincere steps towards local participation are rather recent. According to the interviewed Dr. Bu Bai Dung, Vietnam still struggles with the switch from central planning to market economy and he sees the government still not capable of decentralized governance. An important step for more local participation was the “Grassroots Democracy Decree”/GDD issued in 1998, amended in 2003 and 2007, which aimed to increase information sharing at the commune level on budgets and people’s committees’ activities (Benson 2001:30). This “*landmark for democracy*” (Son 2015:86) provided the legal basis for direct citizen participation in local government (UNDP 2006:1). Under the slogan ‘*people know, people discuss, people do, and people supervise*’ it was designed to increase the information of local citizens and to encourage their involvement in planning process. Until today many further laws and decrees have been issued to assist this goal, like the Public Administration Reform (PAR), Program No.135 for Most Vulnerable Communes, a decentralized State Budget Law, a new Law on Complaints and Petitions of Citizens (UNDP 2006:iv) or the Research Center for Management and Sustainable Development (MSD) (The Hunger Project 2017). Until then, participation mostly meant a top-down communication of central policies to the people in order for them to understand and implement them (UNDP 2006:6-7). The Program No. 135 from 1998 indicates the procedure for carrying out local development programmes: After the Provincial Committee for Ethnic Minorities Affairs has announced the available financial capital to all targeted communes, a commune people committee in cooperation with other social organization determines priority investments, for which then a detailed proposal is sent to the district’s steering committee. A detailed proposal for the priority project is developed and sent to the district steering committee, and finally to the provincial steering committee (Quan 2009:3). Studies conducted by Do et al. however revealed that in many cases this is ignored and “*the task of planning is handled primarily by a number of commune cadres without the participation of beneficiaries*” (2015:80). They encountered several cases in which the district level does not make use of the plans received from communes, but instead gives own plans to the

provincial committee and takes ownership of the implementation and management. Therefore they conclude, *“there is a big gap between written documents and practice in terms of decentralization and empowerment in project implementation”* (Do et al. 2015:81). Alternative programmes like the Commune Development Fund (CDF), which is being used in the provinces Hoa Binh, Lao Cai, Ha Giang, Thanh Hoa and Son La show how beneficial decentralization can be towards communal development. After being assigned a certain amount of money, the commune people committee was free to determine how to use these funds. Monitoring in the provinces revealed that for nearly all projects approx. 30% of the cost could be saved compared to projects which are implemented under district people committee’s guidance, and poverty rates in those provinces declined steadily (Do et al. 2015:82-83). Various studies seek to explain why decentralization is often not functioning and state reasons of different natures. Son’s explanation approach is a good reflection: *“In reality, there is a lack of specific guidance on decentralization and an effective monitoring or follow-up mechanism of decentralization at district and commune levels. Furthermore in some provinces local authority officials’ capacity is limited and therefore they are not confident to make important decisions”* (Son 2015:85). Further the access to information in rural Vietnam is still not transparent and sometimes impossible for villagers (Son 2015:86). The Vietnam Academy for Social Sciences criticizes a discrepancy between the information gathering process and the policy formulation process. Too often they argue are politicians not sufficiently informed about circumstances in rural areas which would be necessary for formulating targeted policies: *“While the collection of mainstream information by GSO [...] has improved considerably in recent years, there still exist significant information gaps both in terms of content and timeliness”* (VASS 2011:3). The involvement of non-governmental organization has traditionally been difficult. This is due to the ongoing problems of NGOs or other civil society groups to be recognized as formal associations which are neither government nor family nor business. Small steps have been taken, like the “Law on Science and Technology” which acknowledges research-oriented organizations as a special kind of association (Benson 2001:30). Those difficulties however do not include the cooperation with foreign development organizations or international institutions.

2010 saw the start of a long-term programme which has proven successful. Under the term New Rural Development/NRD/*Nong Thon Moi*, Vietnam has introduced a development programme whose core lays on local empowerment. First planning was initiated with the introduction of the GDD in 1998, but it took until 2010 that the Nong Thon Moi was applied on a national scale as a National Target Program under the supervision of the MARD. This followed a decade of testing in approximately 200 pilot communes between 2001-2005 (Luan 2016:3). In 2008 the Resolution No. 26 assigned agriculture, farmers and rural areas a crucial role in the process of poverty reduction. Within this context the government issued the new National Target Program on New Rural

Development (Luan 2016:2). One year prior to the inception, the Set of National Criteria on Nong Thon Moi introduced 19 specific criteria which a commune has to achieve in order to reach the level of a Nong Thon Moi, a New Rural Commune (Luan 2016:5). These goals cover the five broad categories (1) Planning, (2) Socio-Economic Infrastructure, (3) Economic and Production Organization, (4) Culture-Society –Environment and (5) Political System, which then entail concrete quantitative goals for aspects such as transportation, electricity, income, education or social security (Luan 2016:5).

On June 4th 2010 the Prime Minister officially launched the Nong Thon Moi on a national scale with a planned period of 10 years (Luan 2016:6). The commune as the basic unit of NRD consists of 5-10 villages and on average 6,700 people. Compared to SMU, where the basis unit was the village level, the number of people is rather high and therefore also the heterogeneity of interests and perception of helping one's own small community might get lost, which arguably makes cooperation more difficult (Do et al. 2016:106-107). Initially the government planned to implement NRD on a village level, but finally changed to a commune-level, due to administrative difficulties and the presumption that small projects at the village level – a total of more than 80,000 villages - would not create sufficient opportunities for effective and sustainable development. Main persons in charge are the Central Steering Committee with the Deputy Prime Minister as the head and the Minister of MARD as its standing deputy head. Unlike the Saemaul Central Promotion Council, Vietnam did not create a special committee designated to supervising all the processes and coordinating between all ministries involved in NRD (Do et al. 2016:107). As local citizens and local officials take the key roles in NRD, training facilities are required to provide the necessary skills for NRD. In all 63 provinces a total of 700 classes for more than 50,000 local officials are conducted (Luan 2016:10). Furthermore on a district level there are NRD coordination offices and on the national level there are regular meetings in place, where all relevant ministries and agencies meet and review recent processes. These meetings however are predominantly frequented by ministry or province leaders, whereas the participation of rural citizens is less common (Do et. al 2016:113). The few surveys that have been carried out by scholars on NRD, such as by Do et al. suggest that this owes to a lack of communication between the district or commune leaders and the population. 60% of the respondents of that survey state that they are not actively involved in NRD, 75% and 63% have not commented on plan formulations and implementation respectively -although officials claim those numbers to be at 100% (Do et al. 2016:113;114). Moreover some villagers responded they do not understand the NRD goals and how it could benefit their lives (Do et al. 2016:104). If people do not receive the impression of ownership over the program *“this hampers community belief and constrains NRD development”* (Do et al. 2016:118).

Despite the many points of criticism and the fact that *“building Nong Thon Moi in Vietnam is a long-lasting and comprehensive movement”* (Luan 2016: 6) results after 6 years are already recognizable. Of the 9,000 communes 1,132 have already achieved all of the 19 criteria and are labeled New Rural Communes. Only roughly 3,000 have achieved less than half of the criteria. The aim that 50% of the communes reach the New Rural Commune status by 2020 therefore still seems possible. Rural incomes on average have doubled as compared to 2010 and are now at 24,4 million VND per capita (FAO 2016). The regular monitoring creates a transparency and a competition between the communes to reach the criteria as quickly as possible (Son 2015:85). In late 2016 the government announced updated goals which reaffirmed the fulfilment rate of 50% and added that rural income will rise by 1,8% until 2020 as compared to 2015. For this sake government will increase spending to a total of 193,156 billion VND for the period, especially in disadvantaged areas to make sure that each province has at least one New Rural Commune by 2020 (VBN 2016).

Conclusion for 1b)

After decades of centralized governance with the central government and party on the top of decision-making and the local units as mere implementation facilities, the style of governance has changed. The NRD has achieved something comparable to SMU – a development program based on local empowerment with individual targeting of communes and incentive features. Too often however, the praxis shows that what looks promising on paper is not translated to real lives. Poor cooperation between provincial, district and commune levels often impede an effective participation of the people most affected by poverty. Pham van Hoi therefore claims *“a further decentralization is a must for Vietnam”* (Pham 2016:6).

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Land Reform

Agriculture plays a key role in rural Vietnam for employment and generating income. For farmers to benefit from their work, land ownership regulations are decisive. Following the communist idea, land has traditionally been owned by collectives. However starting with the Doi Moi reforms, the last decade of the 20th century introduced major reforms in the administration of land. Of the 330,000 km² of land in Vietnam only 26,823 km² is usable for agricultural purposes, which is cultivated by 29,400 farms (GSO 2016). A quarter of those farms, 7,258 and 7,347, is each placed in the Red River Delta and Mekong River Delta provinces, whereas Northeastern mountainous provinces like Bac Kan or Lang Son only have one and three farms respectively due to their geographical features (GSO 2016). Still shortly after the Doi Moi reforms agriculture made up almost 80% of employment and dropped to 47% until 2012, while the service and industry sector rose to 32% and 21% (UNDP and VASS 2015: 62). The shift from the low productivity agriculture sector to more productive employments has therefore worked for a large part of population.

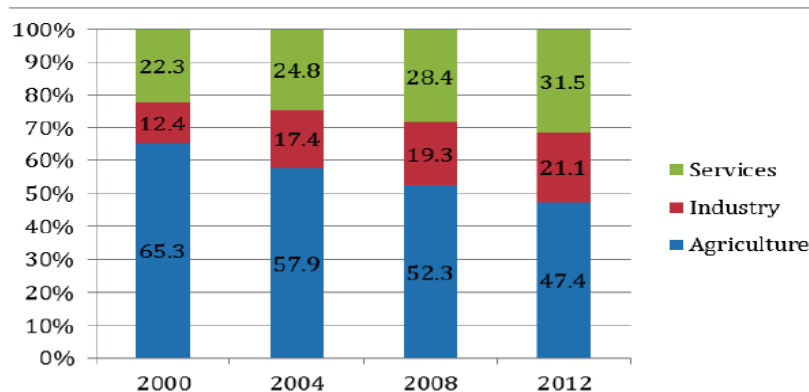


Figure 14 Sectoral composition of GDP (UNDP and VASS 2015:62)

Even though relative to other sectors, agriculture shrinks, in absolute terms it remains important with an average GDP growth of 3% since 1996, which is why *“agriculture will continue to be at the heart of inclusive growth in Viet Nam for many years to come, as it provides livelihoods to millions of poor and low-income rural households”* (UNDP&VASS 2015:76). In comparison to similarly developed countries in Southeast Asia, Vietnam’s agricultural productivity gains remain constantly high between 1980 and 2010. Between 2000 and 2012 agricultural productivity doubled from 1,026 USD in 2005 PPP to 2,179 USD (UNDP&VASS 2015:60). Contributing factors were targeted investment in the agriculture sector, especially technology innovation and infrastructure, and the Land Law (ODI 2011:16). This productivity increase helped Vietnam to move away from the status of a rice importer to one of the biggest rice exporters (ODI 2011:15). It must be noted however, that this growth has been considerably more modest in the Northwest and Central Highlands regions. Despite the focus on rice, which still totals 36% of the total agriculture production, the Vietnamese agriculture underwent a significant structural change and now produces a wide range of products ranging from rice to cereals, coffee and tea, rubber or vegetables (UNDP&VASS 2015:76; UNIDO 2014:2). Latest with the WTO entry and the lift of the SOE monopoly on rice exports in 2009, private actors can also benefit more from production increases and have a higher motivation to carry out further investments in productivity (UNIDO 2014:6).

In 1988 Resolution 10 started to allocate the formerly collectively-farmed agricultural land to individual households, after the realization that the household represents the basic production unit of Vietnam’s agrarian economy and required a higher degree of autonomy to be incentivized (UNDP&VASS 2015:51). Shortly after, the most influential reform was introduced in 1993 as the Law of Land. According to this law, land ownership still remained with the state, but farmers could lease it for 20 years and received land titles which could be used for commercial purposes (Gaudreau et al. 2012:10): *“Land is the property of the entire people, uniformly managed by the State. The State shall allocate land to [...] households and individuals for stable and long-term use”* (Article 1 of 1993 Land Law). Aside from being allowed to use the land, farmers are also provided with Land Use Certificates,

which allow for trading of land and using it as collateral for bank loans: "*Those who are using land on a stable basis [...] shall be reviewed and granted certificates of land use right by authorized State bodies*" (Article 5 of 1993 Land Law). Especially the Vietnam Bank of Agriculture and Rural Development/VBARD became a source for loans for farmers (Kemper et al. 2015:107). Until today five amendments on the Land Law have been issued, which still name the "*entire people*" as the owner of land, which still can only be leased (SRV 2004: Law 2003: Art. 1). Each of those expanded the rights and opportunities of the individual farmers towards land usage. A significant change occurred in the 2013 version which extended the land use rights for agricultural and forestry from 20 years to 50 years (Hansen 2013:34-35). The effect of land usage titles is evident: it provides incentives for long-term investment, the tradable character facilitates a transfer to the most efficient land user, and titles can be used as collateral for banks, which provides more funds for further investment (Kemper et al. 2015:107).

What is remarkable about the Vietnam land reform is that it was processed fast and relatively egalitarian. By 2000 already, nearly 11 million land titles had been issued which makes Vietnam's programme one swiftest titling programmes in the developing world (Klump 2007:128). The process however was different among districts and provinces. While An Giang province had already issued LUCs to 91% of households in 1994, in the majority of provinces only up to 25% have received these certificates (Do and Iyer 2007:18;38).

Apart from the obvious success that the Land Laws achieved, problems occurred. The interviewed Dao The Anh from CASRAD remarks that the distribution led to comparatively small average farm lands. On average a farm has only 3,000m² or 0,4ha whereas the FAO defines an average of 2,0ha already as small farms. This may have the positive effect that farmers are very dedicated to their own land, but on the other hand it impedes the use of synergies to reduce cost. Pham even considers small-scale farming "*a serious constraint for development of commercial agriculture, because of its diversification of individual farmers' interests, financial and technical capacity, transaction costs [...]*" (Pham 2016:1). Furthermore Dao The Anh criticizes that the Vietnam government still largely directs the agriculture sector by output targets and even by determining which crops are to be cultivated. A study by Markussen et al. revealed that many farmers, around 50% of the study sample, still have restricted crop choice, despite holding Land Use Certificates (Markussen et al. 2010:840). Due to the past experiences of food scarcity, the government remains determined to secure a high rice production and restricts the use of most productive lands - currently 35% of total Vietnam land area. If not totally prohibited, it only allows alternative land use under specific legal preconditions as per the Land Law of 2003, Article 36,1(a) which states that "*conversion of specialized land for wet rice cultivation to land for*" other purposes requires permission of the competent state body (SRV 2004). Those permissions can be granted at the district level, but in practical terms removing restrictions on

land use happens rarely, because plans at one administrative level must be consistent with the upper administrative level, which reduces flexibility (Markussen et al. 2010:841). Violations against land use restrictions are punished severely, as for example in 2002, when 50 hectares of illegally used land was confiscated (VASS 2011:23). The government focus in terms of agricultural production still lies on quantity, although especially for rice Vietnam's production is already more than enough. For continued successful exports, Dao The Anh suggests to revise the focus on quality. Furthermore the land usage right is still limited to a certain time, currently 50 years. This still leaves "ambiguity about who has the rights to use the land after the expiry of the lease" (Son 2015:73) and continues to decrease incentives for individuals and private firms to make long-term investments (Son 2015:73). Lastly, the high degree of corruption also limits the effectiveness of land reforms. The below figure displays a high distrust among citizens towards Land administrators.

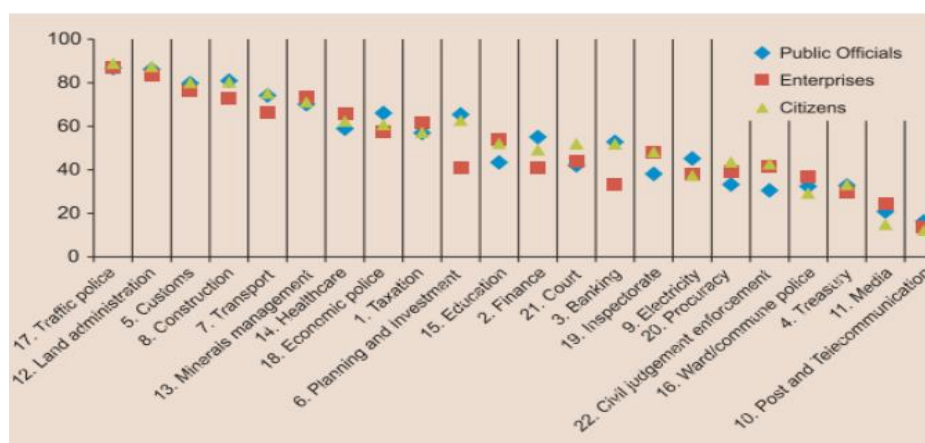


Figure 15 Most corrupt sectors, as perceived by three groups (Hansen 2013: 19)

The interviewed Pham Van Hoi observes that ownership of land is often questionable: "Often they own it on paper, but if the government wants the land they can have it." A clear and reliable legal framework is still missing and currently it continues to occasionally occur that local authorities re-allocate land in reaction to demographic changes, although farmers hold Land Use Certificates (Gaudreau et al. 2012:10).

Conclusion for 1c)

Vietnam has changed its former collective system to a system that maintains public ownership, but allows for long-term individual land use rights. The allocation of land was carried out relatively successfully and equitably (ODI 2011:15) which together with an increasing crop diversity enhanced productivity. However through administrative problems and corruptive behavior, some farmers remain landless, whereas other own big areas. Also the average small land-size worsens efficient cultivation of land.

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4.2.2.2. Premise 2: Socio-Cultural Factors

Participation of Women

“Vietnamese women play an increasingly important role in the nation’s development”, Vietnamese Dr. Khuat Thu Hong says (Vietnam News 2016). Women’s role for the society has been recognized early on which led to good results on gender-related indicators. In terms of poverty or human development in general Vietnam does not show significant differences between male and female, but rather between ethnic minorities or regions. In daily life, interviewed Prof. Juhjung Shim assesses that *“women play a very important role in the local outside-market environment”* for example as owners of small shops or organizers for the village life. On the Gender Inequality Index/GII Vietnam scores 0.308 with 0 being total equality and 1 total inequality, which ranks it 60 of 155 countries in 2014 (UNDP&VASS 2015:30).

Country	GII		Maternal mortality ratio (deaths per 100,000 live births)	Adolescent birth rate (births per 1,000 women aged 15-19)	Share of seats in parliament (percentage held by women)	Population with at least some secondary education (percentage aged 25 and above)		Labour force participation rate (percentage aged 15 and above)	
	Value	Rank				Female	Male	Female	Male
	2014	2014	2013	2010/2015	2014	2005-2014	2005-2014	2013	2013
China	0.191	40	32	8.6	23.6	58.7	71.9	63.9	78.3
India	0.563	130	190	32.8	12.2	27.0	56.6	27.0	79.9
Indonesia	0.494	110	190	48.3	17.1	39.9	49.2	51.4	84.2
Lao People's Democratic Republic	...	...	...	65.0	25.0	22.9	37.0	76.3	79.1
Malaysia	0.209	42	29	5.7	14.2	65.1	71.3	44.4	75.5
Philippines	0.420	89	120	46.8	27.1	65.9	63.7	51.1	79.7
Republic of Korea	0.125	23	27	2.2	16.3	77.0	89.1	50.1	72.1
Thailand	0.380	76	26	41.0	6.1	35.7	40.8	64.3	80.7
Viet Nam	0.308	60	49	29.0	24.3	59.4	71.2	73.0	82.2
Medium human development	0.506	—	168	43.4	18.8	34.8	55.3	37.5	79.8
East Asia and the Pacific	0.328	—	72	21.2	18.7	54.7	66.3	62.6	79.4
World	0.449	—	210	47.4	21.8	54.5	65.4	50.3	76.7

Table 21 Gender Equality Indicators (UNDP&VASS 2015:30)

It strikes that in education there is still a wide gap between male and female, with only 59.4% of adult women having at least a secondary education compared to 71.2% of men. Labor force participation rate is relatively high in regional comparison, but still lacks behind the male participation rate. The Global Gender Gap Index/GGGI of the World Economic Forum confirms the image given by the UNDP. Also here Vietnam scores relatively well on labor participation rate -rank 23/144 - income equality – rank 7/144 - and Professional and Technical workers – 1/144 (WEF 2016). However in the categories „Educational Attainment“, „Health and Survival“ or „Political Empowerment“ it still lacks behind. In total Vietnam’s ranking on the Global Gender Gap Index worsened between 2007 and 2016 from rank 42 to rank 65. Although women do well in labor participation, the share of the labor force that receives training is unequal. While 17.4% of men receive some kind of training, it is only 13.7% of the female. Especially for vocational training the difference is significant, with 6% for men and only 1.9% for women (GSO 2011:12). The overall level

of training is very low in Vietnam, only 15,6% of all 51,4 million workers above 15 years, and it is not primarily a gender issue.

Vietnam adheres to gender equality on an international and national level. It commits to major international conventions like the Convention on the Elimination of All forms of Discrimination Against Women (CEDAW), the International Covenant on Economic, Social and Cultural Rights, Covenant on Civil and Political Rights, and ILO conventions on equal remuneration and discrimination (UNDP 2012:12). Gender equality is embedded in the constitution, which states *„male and female citizens have equal rights in all fields. The State has a policy to guarantee equal gender rights and opportunities“* (ILO 2013:Art. 26) and is addressed through a high number of institutions, laws and decrees. Government bodies that are mainly involved with gender issues include the Ministry of Home Affairs (MOHA), Central Party's Organization Committee, Ministry of Labor, Invalids and Social Affairs (MOLISA), Committee for Ethnic Minorities (CEMA), National Committee for Advancement of Women (NCFAW), National Committee of the Vietnam or the Fatherland Front and the Vietnam Women's Union (VWU) (UNDP 2012:1). The 2007 introduced Gender Equality Law was a major step towards further enhancing equality by providing a legal framework for women to realize their rights of equal representation: *“This law provides for principles of gender equality in all fields of social and family life, measures ensuring gender equality, responsibilities of agencies, organizations, families, individuals in exercising gender equality“* (GEL 2006: Art.1). Its goals are to *„eliminate gender discrimination, to create equal opportunities for man and woman [...] in order to reach substantial equality between man and woman“* (Art. 4). Apart from this constitutional dimension Vietnam also addresses gender equality in long-term programmes like the National Strategy on Gender Equality 2011-2020 and the National Programme on Gender Equality 2011-2015 which are considered the two main guiding documents on gender equality, since they focus on increasing women's share in leadership, in both political and economic spheres (UNDP 2012:12;23). Especially in politics women are largely underrepresented, especially on provincial and district levels, which questions the goal of reaching a minimum level of 30% women's representation (UNDP 2012:I). The picture of women's participation in politics is ambiguous and unsteady. While for example the absolute number of female members in the Party increases, their relative share stagnates and positions in leading Party bodies are still largely hold by men. While in the Commune level female representation increased from 16,1% in 1994 to 27,7% in 2011, also here women rarely hold leadership positions (UNDP 2012:7). Furthermore the share of female seats in the National Assembly is with 24% at its lowest since 1997 and more than 10% short of the 35% target until 2020 (UNDP 2012:2;UNDP 2014:1). Under the new legislature as from 2016 26,7% of the 495 seats are hold by women (World Bank 2015). As from 2016 from 18 government Ministries only 1 is headed by a woman (VGP 2017). This is

despite early attempts to increase the female share in National Assembly as well as the Party, like the Resolutions No. 04-NG/TW in 1993 or No.49 CT/TW in 1999 (Doan and Vuong n.N.:2).

	2008	2009	2010	2011 (first 6 months)
New Member	184,720	197,028	186,165	88,029
% of new members who are women	37.04 %	37.24%	37.85%	40.51%
Total membership	3,449,993	3,636,158	3,822,323	3,910,352

	2001-2005			2006-2011			2011-2016		
	No. of Women	Total No.	% of Women	No. of Women	Total No.	% of Women	No. of Women	Total No.	% of Women
General Secretary	0	1	0	0	1	0	0	1	0
Secretariat	1	9	11	2	10	20	2	10	20
Political Bureau	0	15	0	0	15	0	1	14	7
Central Committee ⁴	13	150	8.6	13	181	8.13	18	200	9

Table 22 Female share in VCP (UNDP 2012:3)

Executive Committee	2001-2006	2006-2010	2011-2016
Central level	8.6	8.13	8.57
Provincial level	11.32	11.75	11.37
District level	12.89	14.70	15.01
Commune level	11.88	15.08	18.01

Table 23 Female % share in Central, Provincial, District and Commune Party Committees (UNDP 2012:5)

There are however also positive findings, such as the fact that since 1992 all vice presidents have been women, or in March 2016 for the first time, with Nguyen Thi Kim Ngan a woman was voted Chairperson of the National Assembly - the fourth most powerful position in the political system (Daily Mail 2016).

Apart for holding positions in the legislative or executive, women have a strong political representation through the Vietnam Women Union/VWU, founded in 1930 under the Communist Party. Its mission is to *“protect women’s rights and participates in the formulation and supervision of implementation of laws and policies on gender equality”* (The Hunger Project 2017). The VWU is present on all four administrating levels, and 60% of Vietnamese women above the age of 18 are members, thereby giving it a strong legitimation. Presumably the strongest tool was given to the VWU in 1988 by the Council of Minister in their Decision No. 163, later replaced by the Decree of Government No. 19/2003/ND-CP, which gave the VWU the right to be involved in any decision relevant to the welfare of women (SRV WU 2003:Art. 1).

The role of women outside of politics is two-folded. Women are traditionally very present in the economic life, be it as shop owners or as workers (Tuoitrenews 2016). The female labor participation rate with 73% is relatively high, and not too short of the male rate of 82,5% (Vietnam News 2016). However, as for politics, also in the economy, women mostly do not participate in high-ranking positions. 70% of the labor force in agriculture is female, and also in manufacture female participation is increasing (Vietnam News 2016). Which might be interpreted as a good sign, also reveals that women’s occupations are to a high degree in low-productive areas with low income. 12

million women work in agriculture, which is 50% of the total female labor force (UN Women 2014:11;20), and 80% of employees in the textile industry are women (Truong 2008:16). The interviewed Juhyung Shim says that also the newly uprising corporate world is patriarchal, and CEO or other high management positions are rarely hold by women. Even when holding equal positions women do not profit equally as the gender earning gap increases steadily. In 2004 women's income was 87% of men, in 2012 this figure dropped to 80% (UN Women 2014:16). One reason for lower appreciation of women employees that is often articulated is that the retirement age of women with 55 years is still lower than for men, 60 years, which might lead the employer to value male employees higher (World Bank News 2014; UNDP 2012:13). Despite their high involvement in daily work, women do not yet perceive recognition, Dr. Kuat Thu Hong argues (Vietnam News 2016). Contrarily, the public recognition still largely depends on how women manage the family life, following the Confucian patriarchal perspective of society. *"For Vietnamese women, the challenge is the traditional understanding and expectation of women's role in families, which have not changed along with women trying to enter into society [...]"*, assists Shoko Ishikawa from UN Women Representative Vietnam (Vietnam News 2016). While daily life is liberalizing steadily, and women are allowed to behave more freely, the traditional expectations to their contribution to family life still remain (David Watts, quoted from Tuoitrenews). Also in the domestic perspective, women face many problems like domestic violence. A UN survey revealed that still 35,2% of women experience physical violence at least once in their lifetime (UN Women Report 2015). Compared to 6% in Singapore or 76,8% in Tonga, this value is on the global average. Relatively high, with 34,4%, is the share that had experienced physical or sexual violence from their partner at least once in their lifetime.

Conclusion for 2a)

This section showed that women's role in Vietnam is very ambiguous. While women are very active in the political and economic sector high positions remain predominantly occupied by men. The traditional view of women as family manager prevails and keeps more women from reaching higher positions outside the domestic scope. Vuong Thi Hanh, former deputy chairwomen of the Central Committee of Vietnam Women's Union, remarks: *"If society does not consider women to be a main factor in development, it will not uphold women's contribution"* (Vietnam News 2016).

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Reward and Accountability

The public administration sector is characterized by three distinct features (UNDP PAR 2012:2):

- (1) Due to its colonial history and its mandarin influence the self-understanding is more to rule the society than to serve the public.

- (2) Influenced by the Soviet style, the Vietnamese civil service is based on a cadre system with the *“overwhelming characteristic that as there was little choice for employment in the private sector the main choice of employment was with the state”* (UNDP PAR 2012:2).
- (3) As the majority of public officials is also members of the party a *“civil servant neutrality”* has never been applied, which sometimes cause tensions between the needs of the Party and the requirements of the bureaucracy (UNDP PAR 2012:2).

“Traditionally leadership in Vietnam has been a collective process: important issues are canvassed through various bodies including the party committees, the people’s councils, National Fatherland Front” (Son 2015:88). Responsibility or accountability is therefore rarely carried by one person, but shared among many. In accordance with the Confucian culture, individual responsibility is not emphasized. Consequently the World Bank Governance Indicator ranks *“Voice and Accountability”* particularly weak and even with a negative trend. While in 1996 Vietnam ranked still on 16,8th Percentile, in 2014 the rank lowered to the 9,9th Percentile. Other categories like *“Rule of Law”* or *“Regulatory Quality”* also perform poorly and do not exceed the 40th or 30th Percentile respectively (WB 2017). Transparency is valued equally weak, with Vietnam ranking on position 112 of 168 countries in the Transparency International Corruption Perception Index (TI 2015). Particularly in the field of land management corruptive behavior remains a big obstacle to rightful behavior of government officials. This perception is shared by citizens. According to the study Transparency International’s Global Corruption Barometer, 62% of respondents believe that corruption has even increased within the preceding three years, especially for the police, the education and the public administration sectors (U4 2012:3). Reports repeatedly show cases where local officials unrightfully evict farmers from their land, because they receive commissions from the new landlords (Marr 2012). This behavior has provoked several sent-off farmers to violently protest for their rights and *“show[s] there is growing anger against perceived public mismanagement and lack of transparency and accountability in the performance of public officials”* (TI 2013). A comprehensive study about different categories of governance with 1,200 participants in 20 provinces across 8 regions showed that people perceive government’s accountability much lower than other categories. From a scale -1 to +1 vertical and horizontal accountability only received -0.019/0.137 points, while categories like law abiding or responsiveness received scores around +0.5 (Pham 2014:22). Furthermore nepotism and favoritism are often more practiced than the merit system: *„Appointments to the police sector, judiciary and across the public administration are often based on family ties or close relationships with the communist party”* (U4 2012:3). As from the 2000s the public administration sector has witnessed several reforms. In 2008, the *“Law on cadres and civil servants”* was introduced to regulate what behavior is expected from public officials. In alignment with the idea of collectivism public officials are to *“respect the people and devotedly serve the people”* and *“keep close contact*

with the people, listen to the people's opinions and submit to the people's supervision" (SRV 2008: Article 8, 2.3.). They are even encouraged to *"report to competent persons when detecting illegal acts in agencies, organizations and units; to protect state secrets"* (SRV 2008: Art. 9,2). Rewarding these whistleblower activities is one form of incentive used in some provinces. Since 2017 in Quang Ngai for instance people receive up to 10 million VND for information helping to reveal corruption (VBN 2017a). A similar plan is currently drafted on a nation-wide scale. Instead of merely a monetary reward, whistleblowers potentially will also be honored with the Medal of bravery by the President (VBN 2017b). This will add to the already existing measures on dealing with whistleblowers, namely the Law on Denunciation No. 03/2011/QH13, the Criminal Proceedings Code No. 19/2003/QH11 and the Anti-Corruption Law (Luu 2014), which laid the focus on whistleblower protection instead of rewarding. Also the Penal Code has been updated in 2009 and now includes harsh criminal penalties for bribery, including life imprisonment or even capital punishment (Luu 2014). Another way to enhance accountability, transparency and integrity is giving incentives through public acknowledgement. The Vietnam Anti-Corruption Initiative – a programme co-organized by the Vietnamese Government, the World Bank and international partners - was created in 2011 for this purpose, and awards approx. 30 projects annually which receive 12 months and 300 million VND to implement their proposals (World Bank 2013). The chosen projects are supposed to raise awareness and function as guidelines for officials and citizens (VBN 2017c).

One major programme of the last decade was the Public Administration Reform Master Program, carried out between 2001-2010, and again from 2011 until 2020. It focuses on four reform areas: institutional, organizational, civil servants, and public finance – with the overall goal to efficiently target resources and coordinate activities (Can 2013:111). PAR has been valued positively from many experts (Alfaro 2010; Can 2013:113; Poon et al. 2009:4), especially in terms of making the recruitment process more based on merit, or the remuneration scheme more motivating. Civil servants are more frequently selected and promoted via a decentralized system based on competitive examinations (UNDP PAR 2012:6).

Criticism is directed towards the planning within PAR, which is considered too general, lacking of details, as well as towards qualitative goals, which are difficult to measure (U4 2012:3). Furthermore critics see a widespread *„abuse of piloting model"*, which means that a project is simply started, but the reviewing or evaluating stages are neglected (Can 2013:114-115). Because the recruitment examinations aim to ensure fairness, openness and objectiveness, their content is not related to the content of the job and often encourages learning by heart rather than understanding. Thus candidates are often still not qualified according to the requirements of a job (UNDP PAR 2012:6). Apart from this merit-based system, using bribery for being recruited or promoted is also still practiced commonly (UNDP PAR 2012:7).

Unrightful behavior is to be penalized according to Decree 35/2005/ND-CP, which stipulates disciplinary actions ranging from reprimand to grade lowering, demotion or forcible job severance. However, due to the cultural idea of not losing face, enforcement is not strict (UNDP PAR 2012:9). Therefore, despite improvements, the professional skills of public administrators remain low and their practice of bribery still significant: „*Although the reform efforts in the PAR Master Programme have produced some improvements the working environment in Government agencies is not generally characterised by trust, transparency, accountability and effectiveness*“ (UNDP PAR 2012:5). A UNDP study in the local education and healthcare sector examined the relations between corruption and lack of accountability on the one hand, and quality of different public services. Results show that especially corruptive behavior links to low quality education or healthcare, in the long-term, mostly because public servants are distracted from their actual work, and money does not reach its original purpose. On the other hand, the study suggests that increased accountability to citizens strongly reduces corruption (UNDP 2015:26), since it lowers officials’ discretion, enhances the supervision from multi-stakeholders, and clarifies responsibilities and payoffs from irregular practices (Nguyen et al. 2016). Based on survey data from Public Administration Performance Index/PAPI, Nguyen et al. find rather negative results for the progress of transparency or accountability.

	2011	2012	2013	2014
Unwillingness to report corruption	3,3%	3,4%	4,1%	4,3%
Commune budget and expenditure disclosure	64%	70%	71%	72%
Seriousness of local governments in dealing with corruption cases	54%	53%	55%	57%

Table 24 Perception of citizens of different categories relating to transparency and accountability (Nguyen et al. 2016)

Conclusion for 2b)

The Vietnamese government has shown considerable efforts to enhance public accountability, transparency and to reduce unlawful behavior of public officials. Especially with the PAR Program progress has been partly achieved. However ratings and citizens’ perceptions are still far from satisfying and it appears that more effort is required.

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Homogenous Society/Spirit

Due to its particular geographical features commuting between different areas can be very troublesome, and some regions are only restrictedly accessible. In terms of the population, Vietnam is a multi-ethnic country, home to 54 different ethnic groups with individual languages, lifestyles and

cultural heritages (CIA World Factbook 2017). One group, the “Viet” or “Kinh,” dominates the population composition with 86% of total inhabitants. Together with the ethnic Chinese group, called “Hoa”, they pose the wealthiest part of the population. Most people from these two groups reside in inland delta or coastal regions, whereas the majority of the remaining 52 ethnic minority groups reside in upland and mountainous areas (Tran et. al 2014:417; Quan 2009:1). This links to significant problems in the Vietnamese society. Due to, among others, these geographic problematic features the minority groups are much poorer. Although accounting for less than 15% of Vietnam’s population, in 2010 they made up 44% of the poor (ODI 2011:11). Among the poor regions, the Northern mountain areas are the most problematic, because people have very limited access to nonfarm opportunities as well as social and physical infrastructure facilities (Tran et. al 2014:417-418). This contributes to the fact that almost 60% of the nation’s labor force is concentrated in three regions - the Red River Delta, the North and South Central Coast and the Mekong River Delta – while employment in the mountainous region remains scarce (GSO 2011:12). A contributing cause to this is also a drastic shortage of vocational and other training forms in these regions (GSO 2011:17). Regional disparities are immense: While major cities like Ho Chi Minh generates comparable incomes as developed neighboring states such as Malaysia, other areas are on the same level as poorer neighbors Cambodia and Laos (Fritzen 2002:641). Poverty rates vary immensely on a regional level, 16% in Northern Midlands and mountain areas compared to 0,7% in the South East region, or on a provincial level, 1,8% in Hanoi compared to 31,5% in Lai Chau (GSO 2016). These disparities are not merely reflected in income data, but also educational, health or human development indicators (Fritzen 2002:642). The Northern Midlands and Mountain area lacks behind the national average in almost all categories.

	Poverty Rate %	HDI	Life expectancy	Adult literacy rate %	GDP per capita (PPP USD)
Northern midlands and mountain areas	16	0.679	70.29	88.80	1,939.7
Red River Delta	3.2	0.770	74.27	97.50	3,593.5
North Central area and Central coastal area	9.8	0.730	72.41	94.30	2,890.7
Central Highlands	11.3	0.704	69.40	92.10	2,853.8
South East	0.7	0.811	75.69	96.90	8,020.5
Mekong River Delta	6.5	0.746	74.39	93.10	3,572.9

Table 25 Poverty Rate (GSO 2016) and Human Development indicators (UNDP&VASS 2015:31)

Poverty is clearly concentrated in the Northeast, North Central Coast and Central Highlands. This seemingly contradicts the often repeated claim that Vietnam’s recent development was managed equally (Pham and Mohnen 2012:3; UNDP&VASS 2015:28). Measured in absolute terms, poverty in

these regions has fallen faster compared to other regions in the country. In the Northern Mountains and the North Central Coast regions poverty reduces at 3,9/3,5% annually, whereas in the Southeast the reduction rate is at 2,4% (ODI 2011:11) – of course the starting poverty rates are drastically different, 81,5%/74,5% in the north, compared to 37% in the South. Growth progress has not steadily been equitable, but because the economic developments since 1986 started from a relatively equitable point, inequalities are still not drastic compared to other neighboring countries (ODI 2011:8).

Most recently, Viet Nam ranked in the middle of the World Economic Forum's inequality ranking for lower-middle-income countries, placed 17th out of 34 countries (UNDP&VASS 2015:45).

In terms of land ownership, the ethnic minorities possess even more than the Kinh and Hoa, for example 7,4km² compared to 3,5km² in 2006. But their land is mainly forest land or low quality, unirrigated annual crop land, which cannot be used productively. In 2004 and 2006, 80% of the cropland of the Kinh and Hoa was irrigated, compared to only 44% of ethnic minority land (Baulch et al. 2010:38). Baulch et al. name further reasons why ethnic minorities often cannot make use of their land. Firstly, they lack the knowledge of their rights over land, largely due to limited capabilities of communicating and understanding in Vietnamese. Furthermore for some ethnic groups, their customs pose obstacles for exercising their land rights, especially in the highlands ethnic groups' cultures are based on communal land ownership. This occasionally leads to ethnic households being unwilling to practice their private land use rights (Baulch et al. 2010:39). Fritzen sees the risk that it undermines the sustainability of Vietnam's poverty reduction, because growing discrepancies between different groups reduce the efficiency of future growth's impact on poverty reduction (Fritzen 2002:636). Growing inequalities have already led to numerous protests, like the Thai Binh or Nam Dinh farmer protests in the provinces of same name in the late 1990s (Benson 2001:31). In addition the number of strikes increases constantly, from 400 in 2006 to 978 in 2011. Risk Analysts from Global Risks Insight describe that wealthy people are more and more in a position to gain control over public assets and ignore interests of less powerful groups, which potentially might lead the latter to increase protests or strikes. If this goes on, they foresee, *"the political and economic stability of the country could seriously decline"* (GRI 2014).

Reports of officials' corruptive behavior have increased following the privatization of Vietnam's state-owned companies and the accompanying opportunities to make personal profits: *"Rather than being inspired by reformist ideals, officials have been motivated by much more venal desires"*, as Martin Gainsborough assesses (Davies 2015).

The Vietnam government acknowledges these issues and has addressed them on various channels³. Assumingly the most acknowledged initiative is the Programme 135/P135, which started in 1998 and was extended several times until today. It is set out to implement government policies that target vulnerable groups and improves their access to socio-economic facilities like infrastructure or education means (Quanh 2009:2). It mainly follows two objectives: (1) *“to radically accelerate production and promote market-oriented agricultural development”*, and (2) *“to improve in a sustainable manner the sociocultural life of ethnic groups in the most impoverished communes and villages to narrow the gap in living standards among Vietnam’s ethnic groups and regions”* (Quanh 2009:3). The programme was immediately implemented on a nation-wide scale and in its first year already included beneficiaries totaling 15% of the total population (Quanh 2009:4). As of today total funding for P135 reached 7.8 trillion VND (Vietnam Plus 2016). In 2016 new projects targeting 2,275 villages in 48 provinces were launched for a period until 2020.

A different kind of split within the society does not go along an economically measurable line: stereotypical resentments. People of the Kinh majority often hold negative stereotypes towards minority groups, which might *“serve to disempower or deprive the minorities of their economic and other rights”* (Baulch et al. 2010:43). Extensive studies by Baulch et al. suggest that images of ethnic minorities as less developed or less cultivated still persist today, which makes harmonic cooperation more difficult. The *“caring neighbor mentality”*, described by the interviewed Juhyung Shim, is mostly applied to members from the same ethnic group.

Lastly, the historical burden of the Vietnam war and the North-South split still plays a role in daily life: *“The reconciliation clock stopped in 1975 [...] Even 40 years later, I still search for real reconciliation”*, says former student leader Nguyen Huu Tha assesses (Maresca 2015). This, he finds, is partly due to the tight media control exercised by the government which impedes a successful rehabilitation of the past. Even for political participation the personal regional background still has a large influence. Of the 19 current members of the politburo, only a handful are from the Southern region (Daily Mail 2016).

³ See Appendix (E) for list of programmes

Conclusion for 2c)

Vietnam is divided between a) regions, b) ethnicities (Klump and Prüfer 2006:5) and c) the troublesome past. This calls for designing and implementing public policies in consideration of local needs, which need to be carefully investigated at a disaggregate level (Kang and Imai 2012:538). The government has put in place a high number of programs. So far, however, this has not succeeded, especially for regional differences.

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4.2.2.3. Premise 3: Financial and Human Capital Factors

Human Capital

The differences between different regions and ethnicities let assume a heterogeneous quality of the educational system. The literacy and school attendance rates for the Kinh majority are 16,4% or 5,1% higher than for ethnic minority groups (Son 2015:76). Significantly different poverty and development rates between urban and rural areas are also reflected in educational levels. Reasons for these often drastic differences in obtainment rates or received degrees are multi-folded, but of course the finances of schooling play a crucial role. In all categories urban expenses are much

Highest certificate Level in %							Net enrollment rate in %		
Whole Country	Never go to school	No Certificate	Primary	Secondary	Vocational	Professional Secondary	Primary	Lower Secondary	Upper secondary
2008	7,5	13,5	23,1	42,0	5,3	3,3	88,3	78,4	54,2
2010	6,0	14,3	22,7	49,8	5,9	3,5	91,9	81,3	58,2
2012	5,6	14,0	22,5	41,7	5,5	3,3	92,4	81,4	59,4
<u>Urban</u>									
2008	4,2	9,0	18,6	41,2	8,4	5,8	89,2	82,6	66,4
2010	3,1	9,3	17,6	40,1	9,0	5,8	92,8	86,0	69,6
2012	2,7	9,0	17,6	40,7	8,6	5,0	92,6	85,0	70,2
<u>Rural</u>									
2008	8,8	15,3	24,9	42,4	4,0	2,4	88,1	77,1	50,6
2010	7,3	16,5	24,9	41,5	4,4	2,5	91,6	79,7	54,4
2012	6,9	16,2	24,7	42,2	4,2	2,5	92,4	80,1	55,6

Table 26 Educational data in % (GSO 2012:69;75)

higher. Within 10 years, from 2002 until 2012, the cost for both regions have increased. What strikes here is that the relative increase for rural areas is significantly higher: While the total cost for urban areas increases by approx. 500%, it is 710% for rural areas, tuition has become 843% more costly for rural areas, compared to a 500% increase in urban areas. Problems with education arise, “*because it is expensive to go to school*”, Son assesses (2015:116) and contrasts this finding with the fact that by law it should be free (Son 2015:206). This results to high drop-out rates already after primary school (Son 2015:207), especially in those areas that allegedly would most benefit from extended education. The above Table shows that enrollment rates in primary school are not drastically different in both regions, but fall more and more apart during secondary and tertiary school. Differences between ethnicities and regions become apparent as from secondary school. While 60% of Kinh and Hoa children attend high school, only 10% of the minority groups Khmer and Cham do so (Baulch et al. 2010:18). Therefore, while expected years of schooling is 11.9 years as from 2014, in reality the medium years of schooling are only 7.5 years (UNDP&VASS 2015:22). Various studies prove how lower education is strongly connected to higher poverty rates in Vietnam. Giang et al for example show that while only 0,3% people with a post-secondary education become poor, 29,2% of those without a primary education and 16,1% with only primary education are poor (2016:6). It is not a lack of funding or a disinterest for education that causes these problems. In 2010 Vietnam spent 5,5% of its GDP on education, which is higher than the world average of 4,9% and an increase of 2% compared to 1999. 2008 for the first time met the target to spend 20% of the national

School expenditures by item in 1,000 VND								
<u>Whole Country</u>	Total	School Fees	Contribution to School fund	Uniform	Textbooks	Study tools	Extra class	Other
2008	1,844	535	143	89	142	117	229	460
2010	3,028	1,091	198.7	126.6	189.5	154.2	361.5	672.7
2012	4,082	1,209	300.4	190.3	248.8	209.3	455.2	1,036
<u>Urban</u>								
2008	3,088	1,053	212	122	174	136	488	751
2010	5,253	2,313	291.2	175.6	244.1	181.9	740.7	953.5
2012	6,352	2,066	440.6	241.9	309	245.9	855	1,312
<u>Rural</u>								
2008	1,354	331	116	76	129	110	127	345
2010	2,063	561.9	158.7	105.3	165.9	142.2	197.1	551
2012	3,090	834.7	239.1	167.8	222.5	193.3	280.6	916.7

Table 27 Average expenses on education (GSO 2012:90)

budget on education, compared to the East Asian average of 16% (UNDP&VASS 2015:98). In 2014 the education budget stood at 174 trillion VND, three times higher than the budget for health care (GSO 2016). Campaigns like the “National Education for All” helped to increase the education budget

successfully, e.g. by 20% in 2003 following the campaign (ODI 2011:16). Per capita Vietnam spent 64 USD on education in 2010, much higher than Lao, Philippines or Cambodia (UNDP&VASS 2015:99). However when looking closer in the education expenses one sees that 70% account for pre-primary, primary and secondary schooling, while tertiary education or vocational training only receives 30% of spendings (UNDP&VASS 2015:99). Against the backdrop of high dropout rates as from upper secondary schooling, more funding at those stages seem necessary.

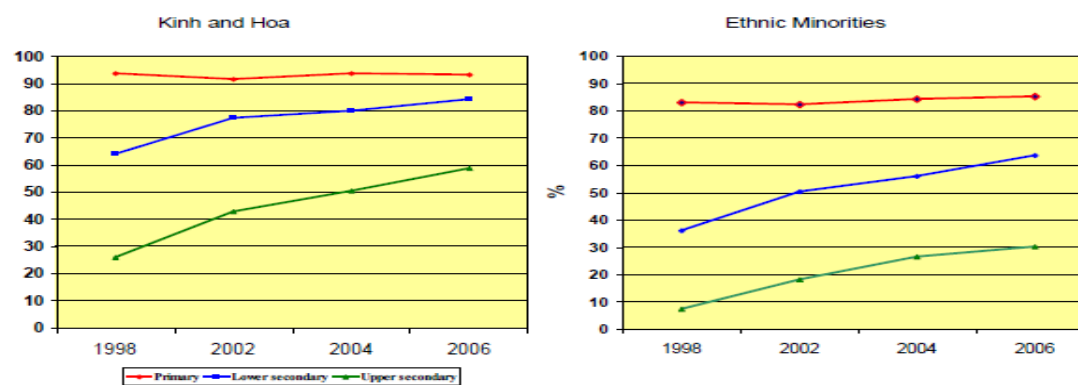


Figure 16 Education levels of different ethnicities (Baulch et al. 2010:19)

Apart from lack of funding often practical reasons that cause low attendance rates. In the Northern Uplands for example, the distance to primary school for some students is often more than an hour, *“which obviously acts as a disincentive for children from outlying villages”* (Baulch et al. 2010:20). This is coupled with other reasons including language barriers for ethnic minority groups, poor nutritional status or, often as a result, a low self-esteem (Baulch et al. 2010:22). Despite the overall high budget, schools in vulnerable regions still face problems with staffing or equipment. While on average one teacher in Red River Delta/Hanoi is responsible for 16.5/14.439 students, the ratio is 18.6/22.2 in Central Highlands or Tra Vinh (GSO 2016). The Vietnam government is aware of these problems. Between 2002-2012 half of newly established schools were located in the Northern Uplands and Central Highlands in order to expand education coverage to remote areas (UNDP&VASS 2015:86). Programmes under the “National Program for Hunger Eradication and Poverty Reduction”/HEPR from 1998 try to increase enrollment rates for vulnerable groups by providing partial or full exemption from school fees or access to subsidized loans from the Social Policy Bank. This programme reaches almost 15% of all poor and has a statistically significant effect on school enrollment of the beneficiaries, who are selected decentralized by Commune representatives and village chiefs (Klump 2007:140-141).

Apart from the comprehensive access to education also its content and quality is often criticized: *“Outdated curricula and poor alignment with labour market needs”* make it difficult to *“meet the needs of its transforming society and economy”* judges the UNDP&VASS study. Although Vietnamese students do well in mathematics, reading and science components in international rankings,

employers consistently raise their concerns about the quality and relevance of education (UNDP&VASS 2015:89). In the Resolution 14 (GOV 2005) the government acknowledges this failure: *“Achievements of tertiary education remained unstable, unsystematic and insubstantial, still failing to satisfy the requirements of national industrialization and modernization and international integration in the new period, and the people’s learning demands”* (SRV 2005).

Lack of education and training facilities effects farmers’ and other vulnerable people’s capabilities and productivity: *“Farmers are not ready for market economy, they lack knowledge”*, the interviewed Pham Van Hoi assesses. Because of lacking education opportunities, vulnerable people often are stuck with unproductive work in agriculture or wage employment.

%	Poor	Near poor	Lower-middle class	Upper-middle class	High income		Urban	Rural	Total
Agriculture	68,4	35,8	19,2	16,5	22,4	Public	20,2	5,7	9,7
Non-farm self-employment	7,8	16,1	23,9	29,7	28,8	Foreign Enterprise	3,8	2,5	2,9
Wage employment in household businesses	18,1	31,1	18,3	5,0	2,1	Domestic Enterprise	14,5	5,1	7,7
Wage employment in formal sector	3,8	15,2	36,7	45,4	40,2	Formal Household	15,1	5,0	7,8
Owner of private businesses	0	0,1	0,1	0,7	4,7	Informal Sector	31,6	20,7	23,7
Inactive	1,9	1,81,8	1,8	2,9	1,8	Agriculture	14,7	69,9	48,1

Table 28 Employment by income groups and institutional sector (UNDP&VASS 2015:49-50; Meissner 2011:9)

A large share of people is also forced to engage in informal work, defined as *“the set of unincorporated enterprises owned by households which produce at least some products for the market but which either have less than a specified number of employees and/or are not registered under national legislation referring”* (Meissner 2011:9), which is believed to contribute 20% to the GDP and to represent 80% of the total jobs in 2009 (Meissner 2011:13). Although the share of formal employment increases steadily, the speed is very slow, only 8% between 2007 and 2014 (UNDP&VASS 2015:65). Furthermore 90% of people engaged in this type of work lack vocational training or a school degree (Meissner 2011:13). In 2011 only 15,6% of the total labor force received either one of the four types of training: vocational training, secondary vocation school college or university – in rural area the rate was only 9,2% (GSO 2011:17).

In terms of receiving written contracts or social security, vulnerable groups lag behind. While 25,8%/12,1% of Kinh people are engaged in wage work or have written contracts, for ethnic minorities the numbers are only 10,3% and 4,8% (Baulch et al. 2010:24). A study by the VASS from 2011 shows the negative connection between the availability of formal work and poverty (VASS

2011:144). Giang et al. confirm this in their study where they reveal that development of firms helps to reduce the dependence on farming and thereby poverty to a small extent (2016:5). They found out that *“1 per cent increase in district firm revenue per capita reduces the share of farm income by 0.69 percentage points but increases the share of wages in total income by the same amount”* (Giang et al. 2016:11). The rate of nonfarm activity on the other hand *“is positively associated with the levels of education”* (Tran et al. 2014:419). Tran et al. therefore find that the percentage of ethnic minority households involved in agricultural is significantly higher than for ethnic majority households, which is why they urge the government to facilitate access to education and training for the poor (2014:427).

In terms of health and social protection Vietnam has installed a far-reaching system (ODI 2011:16). In 2010 all communes in Vietnam had a health station and each district had at least one public hospital (UNDP&VASS 2015:92). The quality of those however differs drastically. While in 2012 87% of commune health stations had a doctor in the Mekong River Delta, it was only 66.4% in the Northern Uplands, and the rate of physicians in the Southeast was 4.7 per 10,000 people, while the national average is at 6.59 (UNDP&VASS 2016:94). In 2015 health insurance coverage reached 75% after introducing compulsory health insurance for formal workers and state provision for free health insurance to poor, children under 6, pensioners, meritorious people and those receiving regular social assistance, and subsidized health insurance for students (UNDP&VASS 2015:113). But also here differences are high. In Ho Chi Minh City coverage of residents reached 68% in 2012, while only 48% for migrants without residence registration (UNDP&VAS 2015:92). For social insurance the success is modest. Only 21% or 0,51% of the formal or informal workers are participating in Vietnam’s contributory social insurance scheme /VSS which is especially alarming due to the high share of informal employment (UNDP&VASS 2015:112). Compared to similarly developed countries Vietnam’s health outcomes are mostly better. Life expectancy for example has increased from 67.6 to 75.9 years from 1980 to 2013 (UNDP&VASS 2015:82), although this again does not hold for all regions, as the number in the Central Highlands is still only 69,9 years (GSO 2016). On average however human development indicators increased significantly from 1999 to 2014, as under-5-mortality rate lowered from 58% to 22,4%, or the maternal mortality rate dropped from 233 per 100,000 births to 60 (UNDP&VASS 2015:83).

Conclusion for 3a)

In terms of human capital Vietnam has made significant progress, since school participation as well as health and social protection have increased significantly since the late 1980s. However the gap along rural and urban or ethnic majority and minority groups is still very high, and often did not change much in relative terms.

3/6

Investments

Within the state budget of 2014 expenditures for development investments with 259 trillion VND rank second, only topped by social economic services, 723 trillion VND (GSO 2016). These investments include a wide range of fields like infrastructure, electricity or transportation.

Country	Quality of overall infrastructure	Quality of roads	Quality of railroad infrastructure	Quality of port infrastructure	Quality of air transport infrastructure	Quality of electricity supply	Mobile telephone subscriptions	Fixed telephone lines
(max. Score:7)	Score and Rank	Score and Rank	Score and Rank	Score and Rank	Score and Rank	Score and Rank	No. per 100 & Rank	No. per 100 & Rank
Singapore	6,3 / 3	6,1/6	-	6,7/2	6,8/1	6,7/6	155,6/17	36,4/31
Thailand	4,1/76	4,3/50	2,4/74	4,3/54	3,3/37	3,1/58	138/34	9/91
Vietnam	3,3/112	3,2/104	3,0/52	3,7/88	4,0/87	4,2/88	130,9/42	10,1/86
Cambodia	3,4/109	3,4/93	1,6/98	3,6/97	3,6/106	3,0/110	133,9/39	2,8/116

Table 29 International Ranking of Vietnam's infrastructure (WEF 2015)

On a global scale Vietnam is strongest in the categories “Railroad infrastructure” and “Mobile telephone subscription” (126 million subscriptions in 2015 according to GSO) where it ranks 52th or 44th, while especially the overall infrastructure and the quality of roads are below average, ranking 112th and 104th respectively. The quality of roads is very decisive for rural farmers in order to bring their goods to the markets. Still today the poorest share of the population lives in remote villages in upland areas with limited access to transportation or financial services – thereby often trapped in their vulnerable situation (IFAD 2010:2). As of 2014 Vietnam's total road network comprised a total of 212,151km, of which 108,323km were asphalted, 6,527km stone paved, 48,892 made of a mixture of stone and soil, and 48,409km of soil (GSO 2016). Only little more than half of the Vietnamese

roads thus are of asphalt. Since Vietnam mostly consists of land – not water – the majority of transport goes via roads. In 2015 roads carried 3.1 billion passengers, while waterways and railways were only used by 162 million or 11,2 million passengers (GSO 2016). Without a functioning and reliable network of roads this becomes difficult and even though production might run well, villagers can make little profit from their produced goods. Furthermore a functioning infrastructure would allow small entrepreneurs to market their products and thereby increase the chances of creating non-farm employment: *“The presence of nonfarm job opportunities and paved roads might have an indirectly positive effect on poverty and welfare, via its positive effect on the level of nonfarm participation”* (Tran et al. 2014:427).

The government of Vietnam has launched a series of investment programmes which targeted different vulnerable groups, either ethnic minority groups, or regions frequently harmed by natural disasters. These pro-poor programmes include the Public Investment Programme (PIP), the mentioned National Program for Hunger Eradication and Poverty Reduction (HEPR) and Program 135, or special programs for ethnic minorities administered by the Commission for Ethnic Minorities and Mountain Areas/ CEMMA (Klump 2007:140). In his study Klump reveals that those programs had a significant positive effect on poor provinces. 1% of GDP spent more on investment has on average led to a poverty reduction of 0,5%, and even more in the poorest quarter of provinces. These poorest regions do not only require more investment in infrastructure in order to enhance market activities, but also because it is those regions that are most frequently struck by natural disasters. Human loss and material damage, measured relative to the regional output, is considerably higher in regions like North-Central or South Central than in the Red River Delta or the Northeast (UNDP&VASS 2015:111).

As long as the poorest people still largely depend on agricultural employment, productivity needs to increase so that it can generate sufficient income. Until the early 1990s Vietnam’s investments in agricultural R&D were modest, but have starkly increased since then, and lifted Vietnam’s agriculture productivity to a rank comparable to its neighbouring countries.

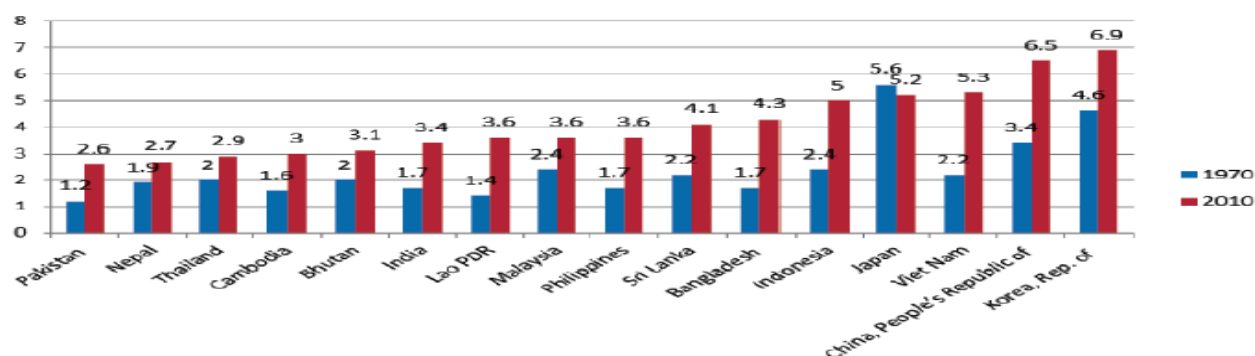


Figure 17 Cereal yields measured in tons per hectares (UNDP&VASS 2015:80)

Despite annual growth of 3,9% between 2005-2015, the average labor productivity rate is still regarded too low, which is mostly blamed on low-quality labor, outdated technology and an uncompetitive business environment (VN Express 2016). According to the OECD, labor productivity was only 23,3% of Malaysia and 37% of Thailand's in 2010 (OECD 2014).

30 years after Doi Moi, investments in public goods such as infrastructure are still largely driven and financed by the government or state-owned enterprises/SOE (Nguyen and Dapice 2014:11). Although the number of SOE dropped from 12,000 around 1986 to 2,176 in 2007 (Pham and Mohnen 2012:4), while the number of annually newly registered private companies increased to 19,000 after the Enterprise Law passed in 1999 (Klump 2007:134), they still provide the majority of employment. The bulk of private companies' activities is limited to economically strong areas around Hanoi, Da Nang or Ho Chi Minh City. In 2002, 88,5% of public and private domestic investment was concentrated in these three areas (Klump 2007:135), whereas poor regions received considerably less: *"The magnets' growth does not appear to spread easily to poor rural areas in the form of significant investment flows"*, because of *"the lack of infrastructure, including roads and telecommunication, and the underdevelopment of financial and other business-related services in poorer provinces"* (Klump 2007:136).

One of the most important criteria under the NRD, concerns infrastructure development. While the majority of communes have achieved the targets for establishing post offices or securing stable access to electricity, especially the targets on transportation have not been achieved by many participants. The results for infrastructure, Do et al. therefore conclude, *"fall far short of goals to bring modern socio- economic infrastructure to Vietnam's rural areas"* (Do et al. 2016:108-109).

Interviews with people in participating communes revealed that 82% of those stated that improved transportation facilities would positively impact their lives (Do et al. 2016:109). Nguyen and Dapice criticize that the emphasis for infrastructure investments often is wrong, and the government follows many large-scale railway, seaport or airport projects, while disregarding to establish crucial basic infrastructure facilities in poor rural areas (2014:I). The lack of wide spread infrastructure is therefore more a problem of investment inefficiency than of inadequate levels of investment, which has accounted for 10% of national GDP during 2002-2014 (2014:1).

Conclusion for 3b)

Vietnam has made considerable progress in providing adequate infrastructure. Expenditures relative to its national budget or the national GDP are above average on an international comparison, especially in terms of electricity, which is available to 99,8% of communes (Luan 2013). However rankings and preliminary results of the NRD program reveal that some factors still require considerable more efforts. A lack of private sector engagement and a focus on large-scale projects has resulted in still underdeveloped infrastructure facilities in vulnerable regions.

3/6

Access to Finance

A study in 2009 on Bich Bam Island revealed that the lack of capital represents the essential cause for poverty for the majority of respondents (Dien 2009:31). Studies by Do et al. or Quach show similar findings for different rural areas (Do et al. 2015:79; Quach 2005:119).

Vietnam's post-Doi Moi financial sector has diversified and since then abolished the socialist mono-banking system in favor of a two-tier system (Klump 2007:131). In the new financial system the State Bank of Vietnam (SBVN) functions as the central bank, and is assisted by four state-owned commercial banks: Foreign Trade Bank of Vietnam (Vietcombank), Vietnam Bank for Agriculture and Rural Development (VBARD), Industry and Commerce Bank of Vietnam (Incombank), and Vietnamese Bank for Investment and Development, which previously had merely been departments of the SBVN. These are complemented by various privately owned commercial banks, such as joint-stock banks or few foreign bank branches (Dufhues 2007:30; Klump 2007:131; Putzeys 2002:19).

With more than 1,200 branches and 40,000 employees the state owned commercial banks „are the leading banks of the banking system“ (Dufhues 2007:30-31).

Access to the formal finance sector however is rather restricted, because of several factors. Only 30% of SMEs and 21% of adult population has access to the formal financial sector (FSA 2015). On the one hand formal finance institutions require considerable collateral, which the poor often do not possess (Quach 2005:3). Even if a farmer possess a physical collateral such as Land Use Certificates, especially in Northern Vietnam, some banks additionally require social collateral in form of trustable references from third parties (Dufhues 2007:69). Also still very tight restrictions on interest rates which often deviate from risk-accurate rates prevent efficient lending, since banks are discouraged to provide credits when they cannot secure their risks sufficiently. On the other hand the geographic spread does not suffice to guarantee that people from remote places can reach these facilities (Quach 2005:116;119). In many cases therefore, people outside of urban areas have to rely on the informal finance sector. The negative effects of not being able to access formal credit are two-folded. The significant higher interest rates not only reduce the financial capacities of the debtor, but also often

force him to sell his products at not competitive prices, because of instant cash requirement to pay back the interest: *"We sell rice to our lender in order to maintain a good relationship. Although we suffer a little bit from the lower prices, she allows us to delay paying back the money she lent us to buy fertilizers and other crop inputs, or to cover living expenses. Last time I sold rice at 7,000 dong per kilo when the market price was 7,300 dong per kilo"* (farmer in Nam Dinh village, taken from VASS 2011:22).

Not only rural individuals largely depend on informal credit, also small business owners often cannot access the formal sector. In 2011 about 20% of all SMEs have gone bankrupt, stating that *"the biggest difficulty [...] has been raising capital due to high interest rates and limited loans"* (VASS 2011:44). In Quang Binh for example only 30% of the SMEs were successful in obtaining credits from commercial banks (VASS 2011:44). Until today state-owned enterprises are still favored when it comes to access to capital or land (Knutsen and Nguyen 2004:129; Son 2015:72), although private enterprises create 60% of all new jobs and have gradually been granted more rights since 1986 (OECD 2013:2;7). Furthermore the amounts given via informal credit are considerably lower than formal credit amounts, and thus provide less capacity to work productively with the money. The average loan from informal lenders is 1,752,000 VND, while it is 3,209,000 VND from formal facilities (Quach 2005:131).

Providing funds to rural areas is mostly channeled through microfinance, for which however the government has still not issued a clear legal framework as interview partners and other experts point out (Interview with Nguyen Quoc Viet; Quach 2005:137). There exists three major financial sectors: the **formal** sector, consisting of the state-owned VBARD and VBSP, People Credit Funds and Rural Shareholding Banks, the **semiformal** sector, which includes National Programs, Microfinance Programs of Social Organizations (SOs), and Savings & Credit Schemes supported by NGOs and donors, and the **informal** sector, which largely consists of credit associations, moneylenders, families, friends and traders (Quach 2005:122). Although there has been an increasing role of formal credit in the rural market, the majority of the rural poor still relies on informal credit (Quach 2005:121). The semi-formal sectors is rather negligible, since it only accounts for 1-2% of the total market share, with the exception of the Vietnam Women Union who applies for loans from banks and channels them through the poor in need (Quach 2005:125;126).

A major shortage of microfinance in Vietnam is that formal institutes offering microfinance products only reach the district level, but not the village or communal level. Therefore the sheer distance is often too far to cover (Quach 2005:140). Additionally, formal financial institutions providing all types of financial services are regulated by the Law on Cooperative and/or the Law on the State Bank of Vietnam and/or the Law on Credit Institutions. Under these regulations the widespread success of microfinance was previously constrained by the imposed guideline to charge sustainable interest rate

under the interest rate policy (Quach 2005:144). This has however changed after several revisions (Quach 2005:118), which inter alia allow for „*preferential policies on financing, interest rates and lending conditions*“ for rural areas or agriculture (SRV 2010: Art. 4(5)) and clearly differentiate credit policies for different types of ventures and different geographic regions (Art.5-10). This allows for a more appropriate targeting of vulnerable parts of the population.

Apart from infrastructural or institutional barriers there are also major obstacles on the side demanding for funds: *“The low level of education of rural borrowers causes difficulty in understanding and completing the necessary forms and documents, e.g. business plans and statements on loan utilization”* (Quach 2005:119). Studies have revealed that more educated households receive more formal credit (Quach 2005:167). Other studies have proven that a self-perceived *“lack of bankability”* (Dufhues 2007:72) often prevents rural people from applying for formal loans, which still leaves 40% of households with no engagement in the formal financial sector. This term describes people who do not apply because of the expectation to be turned down (Dufhues 2007:72). The financial literacy is particularly low in Vietnam (FSA 2015) which directly corresponds to lower chances of obtaining credits. The interviewed Dr. Bu Dai Dung even finds that *„microfinance is not very successful because the poor lack the knowledge to use money wisely”*. Only approximately a decade ago Vietnamese financial institutions started to contribute more intensively towards financial education (FSA 2015).

In 1995 some state-owned commercial banks together with the central bank first established the Fund for the Poor, which later was developed into the Vietnam Bank for Social Policies, often referred to as the Policy Bank (VBSP Homepage 2017). It focuses on giving funds to poor households in rural areas, for which it uses offices of the VBARD due to the lack of own facilities below the central level (Dufhues 2007:31). The particular advantage of the VBSP is that through state subsidies it can provide loans with low interest rates and without collateral requirements to the rural poor, who otherwise have limited access to formal credit facilities (Putzeys 2002:27; VBSP Homepage 2017; Quach 2005:117). The VBSP is now embedded in the HEPR strategy and thus follows the mandate of *“providing soft loans to poor households and promoting poverty alleviation programs”* (Quach 2005:116-117). For the initial Fund the target groups were households with incomes of less than the equivalent 15 kg paddy rice per head per month, resulting in a potential number of borrowers of 4 million (VBSP Homepage 2017). When the Fund was transformed into a Bank in 1996 the capital source and parallel the target groups expanded and now generally include *“poor households in need of production and business loans [...]”* who are classified under the national poverty standard announced by MOLISA (VBSP Homepage 2017). By now the bank reaches almost 4 million clients (VBSP Homepage 2017), of which however in 2003 only one third was considered poor (BWTP 2005:6).

Apart from microfinance, Cow banks are one unusual way to provide farmers with means to enhance their activities. A poor farm receives a cow by the bank and “pays back” not in monetary means, but with the offspring of this cow, which will then further be given to other farms (Vietnam News 2016). It was initiated by the Vietnam Red Cross in 2010 and until 2015 almost 13,000 cows have been donated to poor farmer families from 58 districts (Vietnam News 2013). Although still relatively small-scale, the project has received much recognition and was awarded the Asia-Pacific Fundraisers’ Network awards (Vietnam News 2015).

Conclusion for 3c)

Following Doi Moi Vietnam transformed its financial sector into a more open two-tier system which allows for more flexibility in loan provisions. However still today a big part of the population is not included in the formal financial sector and thus relies on informal credit sources. Experts therefore take negative judgements: “Viet Nam’s monetary policy framework is not mature” (OECD 2013:12). People outside of urban centers or stable formal employment conditions still face major obstacles in obtaining credit.

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5. Empirical Part II: Evaluation and Comparison of Findings

This last part of the analysis firstly summarizes the findings per country and evaluates them against the implications from SMU, and therefore checks for each category if this is likely to enable a rural development programme in line with SMU preconditions. This addresses the first sub-question:

“What is the status in both countries with regards to the key categories of SMU?” The second step compares the findings for Vietnam and the Philippines and thereby answers the research question.

5.1. Assessment of Findings: Philippines

The below table gives an overview of the Philippines' scores in the analysed categories. Premise 3 achieves the highest score (11), where especially “Human Capital” is evaluated high with 4 points. Lowest points were received for “Homogenous society”.

Premise # 1: Governance: Philippines			
	SMU imperative	Score	Findings in the Philippines
Leadership	Centrally organized but with high degree of decentralized management through participation and empowerment. Long-term commitment of leadership. Wide-scale distribution of land prior to program inception.	3	Many programs dedicated to poverty alleviation and commitment of highest government levels Full authority of government and law implementation in remote areas often remain problematic High incidence of corruption undermines legitimacy and trust
Mix of Top-Down / Bottom-Up		3	Decentralization approaches through CDD or Local Government Act brought success In many cases the cooperation between administrative levels remains problematic or the top-down approach is still applied
Land reform		2	Land distribution is under process for decades, but still large areas are not distributed and equality of distribution is problematic
TOTAL SCORE		8	
Premise # 2: Socio-Cultural: Philippines			
	SMU imperative	Score	Findings in the Philippines
Participation of Women	Establish a nation-wide campaign that people believe in, actively support, and make sure that on all levels officials and people trust each other and continue to be motivated	3	The share of women in political offices increases and the legal framework increasingly protects women's rights Traditional gender patterns often still dominate family life esp. in remote areas
Accountability and Transparency		3	Many laws and incentive programs have been introduced to enhance rightful behavior of officials and citizens Non-transparent recruitment and corruption pose heavy obstacles
Homogeneous Society		2	The population is very heterogeneous in terms of ethnicity and religion. Geography and struggles for autonomy worsen the division. The government-people distrust is traditionally high
TOTAL SCORE		8	
Premise # 3: Human and Financial Capital: Philippines			
	SMU imperative	Score	Findings in the Philippines
Human Capital	Empower people in terms of skills and psychology and motivate everybody to participate Provide initial conditions (physical, financial) so that people can make use of their skills	4	Education facilities have been improved and vocational training is offered more frequently. Low education budget and regional disparities remain problems
Investments		3	Investment in infrastructure increased and management processes have been reformed Quality of infrastructure, esp. roads in rural areas however remain problematic
Access to Finance		4	Microfinance opportunities increased and often could replace informal credit providers The banking network in rural areas remains low
TOTAL SCORE		11	
TOTAL SCORE		27	

Table 30 Results for Philippines

Governance and Structure

The various Philippine governments since 1986 have shown constant commitment to poverty alleviation and have launched multiple programmes. The Medium-Term Philippine Development Plan works as a steering tool under which all efforts are gathered. It allows to recognize the government's focus for their legislative period. Although poverty alleviation remains a top priority for all administrations, the fact that priorities change every five years leads to discontinuation of the

poverty alleviation process – represented by the low Political Stability ranking in the World Bank Governance indicators.

Key problems like poor coordination between stakeholders or a high degree of corruption have been recognized and targeted. Institutions like NAPC and NEDA have been created and given oversight over the most important programmes. The distribution of tasks among the involved government bodies is well organized. Corruption is so deeply embedded in the Philippine society that it seems extremely difficult to eradicate. Especially the previous President has shown willingness to fight corruption, but could not achieve significant results. Misbehaviour of high ranked politicians, including the 13th President, give wrong signals and discredit the honest fight against corruption. The de facto lack of government authority over the full area of the Philippines leaves some remote areas controlled by local politicians who take the opportunities to enrich themselves and their families. This lack of full authority also troubles decentralization efforts which started latest with the Local Government Code in 1991. Programmes like 4 Ps or BUB seek to involve local people in early planning and carrying out of projects as well as to select the right people as beneficiaries. Those programmes have shown considerable success, but still often face impediment at the municipality or barangay level where local politicians undermine the efforts with rent-seeking behaviour. The CARP was introduced almost three decades ago to establish a fair and equal distribution of land, so that poor people have a chance to improve their livelihood. The record of CARP however has proven unsuccessful, as the majority of land is possessed by a small group of wealthy people, whereas the poor people often remain landless. It is therefore difficult for them to escape their vulnerable status, as they only receive small shares of the profit and cannot use the land to obtain credits in order to diversify their income sources.

Conclusion

This category is rated the lowest and when comparing the findings against the SMU preconditions it becomes evident that the differences are enormous. Although the Philippine government seems committed to poverty alleviation, this commitment is not constant, because each new government introduces new strategies and often ends previous programmes. Full authority of the government is questionable and local empowerment efforts have increased significantly, but still often lack serious commitment by local officials who too often misuse their authority.

Socio-Cultural

Women in the Philippine society have always been regarded as an active part of the economic life and consequently carry out many activities in this sphere. Supported through comprehensive regulations, also politically women gain increasing influence. In both spheres however women's

influence seems limited. While for employment, high numbers of women have to rely on informal jobs, politically the number of high-ranked female politicians remains very low.

The Philippines are geographically diverse and wide-spread and inhabit a very heterogeneous population that differs in terms of ethnicity, religion and language. This hinders a harmonic cooperation between people of different groups and reduces a national sense of belonging to one country. Fights over secessions like in the ARMM are symbolic for this. Fueled by continued misconduct of government officials the trust in the government is traditionally low among citizens, which further makes it difficult to establish a nation-wide campaign based on some sense of unity. A multitude of regulations or award programmes have been introduced to incentivize correct and lawful behaviour of officials and citizens. Transparency and accountability ought to improve the level of trust and the efficiency of administrative actions. However the extreme degree of corruption still largely impedes this and many government officials are still recruited based on family or friendship ties instead of their skills.

Conclusion

The relatively high score is largely due to the success of women participation and the increased efforts in terms of transparency and accountability. A crucial prerequisite for the success of SMU was however the spiritual element. President Park successfully presented the campaign as a nation-wide movement in which Koreans have to cooperate in order to improve the country's development. A comparable movement is unlikely to happen in the Philippines. The differences among the people and the distrust towards the government seriously reduce the chances to initiate a country-wide campaign, in which people truly believe and trust. Extreme inequalities of wealth and land possession, oligarchic structures in politics and deeply rooted corruption have to be overcome first to lay the foundation on which such a movement could potentially be based.

Human and Financial Capital

The Philippines education outcomes show a positive trend in recent years. Enrollment and graduation rates or literacy rates and teacher-student ratios have improved. Increasing numbers of vocational training facilities help to provide knowledge and skills suitable to business requirements. Cost of education remains a problem which has not sufficiently been addressed. Especially higher education is too expensive for many families and thus children of poor families have almost no chance to benefit from higher education. Furthermore in regions where good education and vocational training is most needed, the results are far less impressive. Most efforts are concentrated in urban centres whereas rural regions are often ignored. The same trend holds for infrastructure investments. The budget and spending have increased enormously but many cases focus on large-

scale project in cities like Manila. The overall infrastructure level therefore remains low and especially remote areas often lack paved roads, which makes it difficult for farmers to bring their goods to markets.

Apart from this infrastructural burden rural people also face a limited access to finances. Banks from the formal level reject poor people in most cases, because these people either lack collateral in form of land or their collateral is not accepted. Therefore in most cases rural people rely on informal credit sources which are considerably more expensive and unstable. Microfinance has achieved some success in providing an alternative to these sources. The lack of physical presence in most remote areas is tried to be countered by different distribution channels like Pawn shops. Through those facilities many people have access to low-credit funds which in theory enables them to be economically active. However since the financial education is low, people often do not know how to use the money productively, which diminishes the purpose of microfinances.

Conclusion

SMU aimed to empower people on different levels – psychology, financially or in terms of skills. The Philippines have spent much to increase the education quality and to align the market requirements with training contents. Increased ratings in many skills show success. However, too often the ones benefitting from these new facilities are not the ones really in need. Poor people in remote areas are mostly still stuck with low-quality education which does not prepare them to be economically productive. Furthermore their access to finances is largely limited to informal sources and therefore much of their profits has to be paid back as interest. Until today a farmer from a remote place in the Philippines is in most cases still far from a self-reliant, proficient rural villager who benefits from adequate infrastructure and has easy access to funds to start successful market activities. The human empowerment needs much more attention of the government.

5.2. Assessment of Findings: Vietnam

Vietnam ranks high in the first premise, while especially the socio-cultural category is evaluated low. The composition of the society as well as the role of women receive the lowest scores.

Premise # 1: Governance and Structure: Vietnam			
	SMU imperative	Score	Findings in Vietnam
Leadership	Centrally organized but with high degree of decentralized management through participation and empowerment. Long-term commitment of leadership. Wide-scale distribution of land prior to program inception.	4	Strong government of the Communist Party and a high number of anti-poverty programs Overlap of programs and poor coordination decreases efficiency
Mix of Top-Down / Bottom-Up		4	Traditionally central governance with top-down approach Especially under NRD local government was enhanced, but the practical implementation remains often problematic due to corruption or inefficient vertical coordination
Land reform		4	Land reform has successfully been carried out with relatively equal distribution Through administrative problems and high incidents of corruption the distribution is often complicated
TOTAL SCORE		12	
Premise # 2: Socio-Cultural: Vietnam			
	SMU imperative	Score	Findings in Vietnam
Participation of Women	Establish a nation-wide campaign that people believe in, actively support, and make sure that on all levels officials and people trust each other and continue to be motivated	2	Female share in economic and political positions is high up to the middle level. High ranks are still predominantly held by men
Accountability and Transparency		3	Incentive and administrative reforms programs helped to improve transparency and accountability Overall quality however remains low as measured in World Bank indicators or people's perceptions
Homogeneous Society		2	Tensions between the ethnic majority and minority groups and between regions (North vs. South) Significant regional development discrepancies
TOTAL SCORE		7	
Premise # 3: Human and Financial Capital: Vietnam			
	SMU imperative	Score	Findings in Vietnam
Human Capital	Empower people in terms of skills and psychology and motivate everybody to participate Provide initial conditions (physical, financial) so that people can make use of their skills	3	Health and education results increased starkly on national average, but the discrepancies between rural and urban areas remain very high
Investments		3	Investment spending are high on international comparison and especially access to electricity has starkly increased Focus however lays on urban centers whereas investment in rural areas often remains low
Access to Finance		3	Availability of banking facilities and financial education offers have increased The requirements to obtain credit and financial illiteracy however often hampers poor people's access to funds
TOTAL SCORE		9	
TOTAL SCORE		28	

Table 31 Results for Vietnam

Governance and Structure

The Communist Party clearly has full leadership without real alternative political opponents. This undemocratic, authoritarian style of government might be regarded critically from a “Western” point of view, but facilitates a stable and long-term oriented policy with effective governance – as represented by the respective World Bank Governance indicators. The eradication of poverty is naturally a top priority under the communist ideology and part of many National Target Programmes, which guide government action. Vietnam however misses a government body that is in charge of coordinating the various programmes, which therefore often overlap and do not function efficiently. NRD is a comprehensive NTP and strives to enhance the economic development of rural villages by empowering the villagers. It took lessons from SMU directly and thus shows many resemblances, especially the decentralized approach which follows the empowerment idea, the step-by-step implementation or the categorization of villages along specific targets. Decentralization however does not mean that power drifts away from the CP. The CP is represented on all local levels. A major difference is that unlike for SMU, for NRD not the villages, but the communes are the target units, which makes it more difficult to specifically target the needs, because a commune in itself might be too heterogeneous. Furthermore the required sense of community is easily lost on the commune level, compared to a small village. Despite these shortcomings, the character of NRD is very similar to SMU and fulfils the structural requirement of SMU. The effectiveness of decentralized rule

however is undermined through the high corruption incident, general low quality of vertical communication between offices on the national and local level or the fact that some remote places are physically difficult to access. Additionally, rural Vietnamese still struggle with empowerment efforts, since grass root participation was developed rather recently in the late 1990s. Their commitment to or even awareness of NRD or similar programmes remains therefore low.

As a communist country Vietnam strives to distribute land equally to avoid that possession of land user rights concentrates in the hands of a few wealthy groups. The initial land law from 1988 and its reforms have relatively successfully accomplished a fair distribution and also consecutively paved the road towards private ownership. Farmers have now the right to use land up to 50 years which gives more incentives for long-term investment in the land and equipment and thereby raises productivity. Full ownership and thereby a real motivation are still prohibited by the constitution and seem unlikely to occur in the near future.

Conclusion

When looking at the SMU imperative for this category, Vietnam seems to do good in all criteria. They have a strong leadership with a long-term commitment which recently allowed for more decentralization through an empowerment programme which resembles SMU's structure. The NRD with the prior land distribution definitely helps Vietnam to follow the example of SMU. The practical effectiveness is however limited by factors such as corruption or lack of commitment by the villagers. Furthermore Vietnam lacks a central oversight body that controls all activities like it was the case with the Central Committee for SMU. Lastly the fact that South Korea had approx. 33,000 villages, compared to 80,000 villages in Vietnam is problematic. Because Vietnam implements the NRD on a communal level the crucial idea of "self-help" is weakened which might explain the low commitment of villages to NRD.

Socio-Cultural

Women in Vietnam take a strong role in politics and economic activities, where the labor force participation rate is above average. However the chances for women to reach high positions are very low for both spheres, due to traditional gender patterns and worse education opportunities. The female share is high primarily in low-skilled works such textile industry, but also agriculture. They can therefore benefit from the NRD programme. Vietnam commits to gender equality in its constitution, through many laws and international agreements – their practical chances however remain underdeveloped in a still male dominated economic and political life. Ethnically Vietnam has two dominating majorities, the Kinh and Hoa. Tensions and prejudices between them and minority groups are substantial which troubles a harmonic cooperation. However in most cases the different

ethnic groups are separated. While the Kinh and Hoa reside in urban areas, minority groups largely live in remote regions. Their interaction therefore is limited and they can cooperate in their own community. A nation-wide campaign that pronounces a sense of unity and strong tie between the government and its people however seems problematic within this context. The support for the Communist Party is decreasing and reformist politicians receive more acclaim.

Vietnam faces a high degree of corruption under a non-transparent administration. Focus to improve accountability and transparency have been highlighted in recent years with the introduction of a large Public Administration Reform programmes or Anti-Corruption projects. Misconduct is now more severely punished, rightful behavior can be awarded and whistleblowing to detect misconduct is incentivized. The results so far remain disappointing with still very low-ranked respective World Bank Governance indicators and largely negative perceptions by the people. If however Vietnam continues and manages to establish a more accountable and transparent administration, corruption can be lowered, which would allow for a better decentralized rule, which in turn would allow NRD to function more effectively.

Conclusion

Vietnam's society is split between ethnic groups and between a still different mentality in the north and south. When a commune, consisting of a few villages, as the target of NRD inhabits different ethnic groups, a harmonic cooperation might be difficult. A nation-wide campaign is even more unlikely to occur. The high engagement of women in agriculture helps them to benefit from NRD measures. In the end the success of local empowerment depends also on the success to establish accountability and transparency. Vietnam's administration is weakened by corruption which makes the effective implementation of programmes challenging.

Human and Financial Capital

Most educational and health indicators show a positive trend, which however is often limited to urban centers where the Kinh or Hoa majority resides. People living in remote areas and especially those who are poor, did not significantly improve in terms of enrollment or graduation from higher education or literacy rates. For them cost of schooling even increases more relative to urban citizens. The government has introduced programmes that focus on minority groups but their success, especially in terms of increased enrollment to higher education, is low. Vocational training or other measure to prepare farmers to be economically active have only recently been increased. They therefore often lack the skills for more productive work and continue to rely on agriculture. Their market activities are further impeded by a low quality of roads. Although a high number of infrastructure investment programmes has been carried out the quality of roads, especially in rural

areas, remains very low. Instead the focus is laid on large-scale investment which resulted in a relatively good railroad infrastructure. Helping to give people from mountainous or other remote places access to markets on the other hand is often neglected. Therefore even though agricultural productivity does increase, this results only in a modest decrease of poverty, since farmers lack sufficient possibilities to sell their products. Their access to funds is restricted as well, although the number of banking facilities has started to increase. Many villagers however have still to be considered financially illiterate, because financial education is almost not present in rural areas. Despite large reforms and a shift away from a one-tier system, the banking sector remains very strictly regulated. Farmers therefore often cannot obtain loans and have to rely on informal credit. Alternative solutions like microfinance are only little developed.

Conclusion

Bearing in mind that Vietnam is a communist country it might come as a surprise that a major challenge is the unequal degree to which people benefit from education, vocational training or bank access. While the ethnic majority and in general people in urban centers perform well on human development indicators, minority groups or villagers still struggle. People residing in remote areas are not only physically separated, but often also psychologically. They do not receive sufficient education, are often denied formal access to funds and cannot rely on a sufficient road network. Therefore those, who should be the addressees of a SMU-like programme often lack the awareness, capabilities and means to actively engage.

5.3. Comparison of the countries and Summary of Results

This chapter compares the two countries by pointing out common advantages and problems as well as highlighting comparative strengths and weaknesses of each country. This addresses the second sub-question: *“Which categories are major obstacles, which are advantageous?”* The below table gives a comparative overview of both countries’ scores per category.

Both countries perform relatively bad in the categories *“Homogeneous society”* and *“Accountability and Transparency”*. The population in both countries is very heterogeneous in terms of ethnicity, human development and wealth. Furthermore historical burdens like different standpoints towards the Marcos dictatorship or the Vietnam War create tensions between different groups. Geographical features further isolate some parts of the population, who either live in far-off islands in the Philippines or in remote mountainous regions in Vietnam and have little access to the rest of the country. It is striking that both countries perform poorly in making the progress available to those who most essentially need it.

Premise # 1: Governance		
	Philippines	Vietnam
Leadership	3	4
Mix of Top-Down / Bottom-Up	3	4
Land reform	2	4
TOTAL SCORE	8	12
Premise # 2: Socio-Cultural		
	Philippines	Vietnam
Participation of Women	3	2
Accountability and Transparency	3	3
Homogeneous Society	2	2
TOTAL SCORE	8	7
Premise # 3: Human and Financial Capital		
	Philippines	Vietnam
Human Capital	4	3
Investments	3	3
Access to Finance	4	3
TOTAL SCORE	11	9
TOTAL SCORE	27 of 54	28 of 54

Table 32 Comparison of Vietnam and Philippines

For multiple reasons including frequent corruptive behaviour, the relation between the government and the population is marked by distrust. Again owing to high degrees of corruption the accountability and transparency in the administration is low and difficult to improve. Both countries introduced major programmes, laws, penalties or awards, with limited success so far. It is therefore difficult for governments in both countries to launch a spiritual campaign that is built on the united efforts of the people and the government. The Vietnamese example of NRD shows that people are either not aware of those efforts or distrust them. Since the spiritual element was a cornerstone of the SMU campaign which motivated people and helped to create a competitive environment in which communes competed against each other, the lack thereof seriously reduces the success chances of a SMU like programme in both countries.

Both countries perform well in the categories “*Leadership*” and “*Mix of Top-Down*”. Governments in both countries commit seriously to poverty alleviation and dedicate much resources to it. While the CP in Vietnam has full authority, the Philippine government has more difficulties to implement laws on lower administrative levels. Decentralization approaches have increased in both countries latest since the 1990s. While Philippines has introduced a multitude of local empowerment programmes with different targets, like BUB or 4Ps, Vietnam largely relies on the comprehensive NRD programme. Around this also Vietnam has introduced many smaller projects. The coordination of the various programmes is handled more effectively in Philippines where NAPC and NEDA have guidance, whereas such a government body lacks in Vietnam.

Distinct advantages of the Philippines are the *human and financial capital factors*. Spending for human education have been increased early on and vocational training or other types of training helped to provide people with necessary skills to be economically active. The Philippines as a market economy provides a better environment for conducting business and Filipinos are on average more used to capitalist thinking than the communist influenced Vietnamese. Thanks to an expanding microfinance market more and more rural Filipinos have opportunities to obtain credits outside of the informal market and thus can use their financial literacy to start or increase entrepreneurial ventures.

The Philippines perform particularly poorly in distributing land equally. Even though CARP has been launched thirty years ago many poor farmers remain landless, whereas a small oligarchic group owns massive areas of land. Poor farmers therefore are stuck in a poverty gap, because they profit little from their work and can hardly receive loans due to lack of collateral.

A clear advantage of Vietnam is the launch of NRD. This is a very SMU-like programme and applies already many of the core elements of SMU. The participating communes are classified and given specific targets. Upon reaching those targets they climb out in the categories until they are considered a New Rural Village. This is almost identical to the competitive atmosphere that SMU created and which resulted in rapid development. The lack of awareness and identification with NRD however is a major impediment since in connection with other factors disallows the emergence of a spiritual movement. NRD however demonstrates that Vietnam is capable to establish a decentralized structure that supports local empowerment. Furthermore Vietnam has relatively successfully carried out a land reform which enables farmers to work independently on their farms and directly benefit from their production. This gives them motivation to invest in their land and to work hard to improve their livelihood, and is thereby one crucial reason for Vietnam's success in poverty reduction.

Vietnam lacks behind in providing disadvantaged groups the means to improve their situations. People from ethnic minorities are massively disadvantaged in education and vocational training and thereby have problems in obtaining the skills required in the employment market. Furthermore people residing in remote areas can rarely rely on sufficient infrastructure which connects them with other parts of the country or at least neighbouring regions. Especially in those remote areas the access to financial funds is extremely limited since banking facilities are only sparsely present on the communal level. People who are affected by poverty the most therefore receive only little assistance to overcome their vulnerability.

After having evaluated and compared the findings the overall research question of this Master Thesis can be answered: *“Do the Philippines and Vietnam fulfil the requirements to carry out a rural development programme similar to the South Korean Saemaul Undong?”*

As expected a definite answer to the question is difficult. As discussed in this last chapter both countries have categories which show clear similarities to SMU and some which are very different from SMU. From a total of 54 points both countries achieve around half. This does not speak strongly in favour of their capabilities to implement SMU, but rather suggests that more effort is required due to the above discussed obstacles. For both countries the crucial spiritual element is missing due to tensions in the society and distrust towards the government. The Philippines need to finish the long-lasting land distribution process and, effectively decrease corruption and improve the rule and implementation of law. Vietnam needs to ensure education, vocational training and bank facilities are accessible for those in most need. Furthermore the infrastructure in remote areas requires considerable investment.

If both countries address these categories successfully, a SMU-like programme can function. However, as especially the launch of a spiritual campaign is questionable, this process appears very difficult.

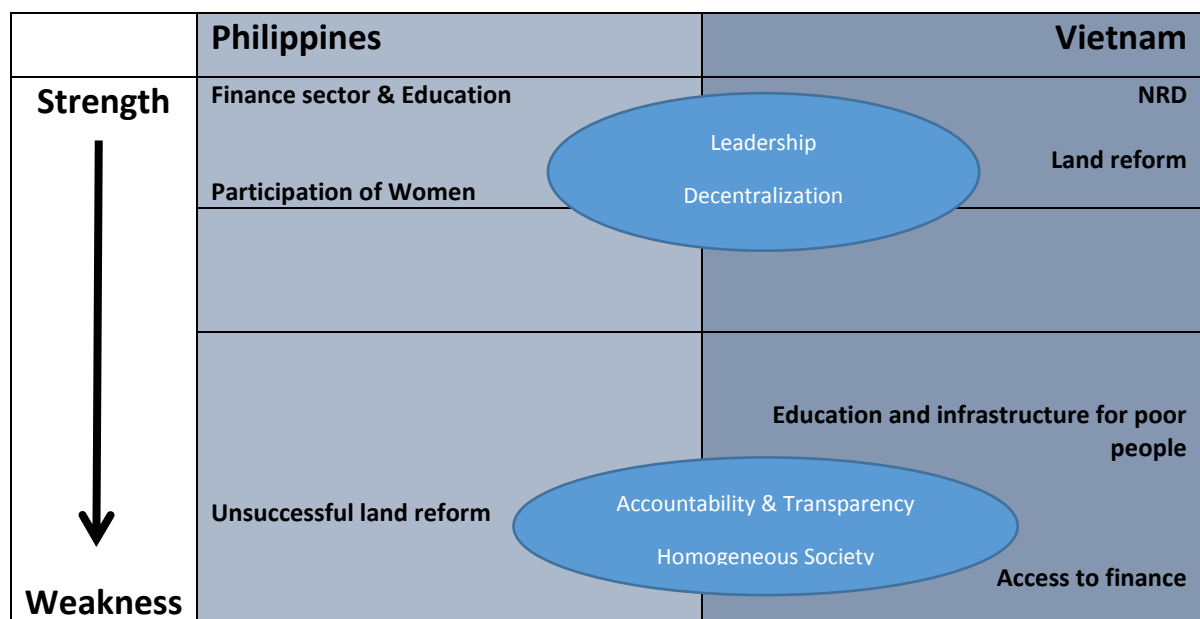


Figure 18 Strengths and Weaknesses of both countries

6. Conclusion

This Master Thesis analysed whether the Philippines and Vietnam fulfil the necessary criteria to carry out a rural development programme similar to the successful South Korean *Saemaul Undong*. The paper started by explaining the choice of topic and countries. Apart from structural parallels between the two countries and South Korea in the 1960/70s, the specific research question was formulated after field trips to Philippines and Vietnam, where interview partners repeatedly expressed the desire to implement a SMU-like programme to overcome rural poverty.

Since the research interest is practical-oriented the theoretical part was kept relatively short. The literature output on the two broad topics of this paper - economic development and poverty alleviation - was narrowed down to the level of the two countries and discussions about SMU were introduced. Poverty and economic development was reviewed from different theoretical perspectives and popular concepts of poverty alleviation were presented.

Using this input from theory, Chapter (3) introduced the methodology which is based on SMU. For this the background and content of SMU were explained, before the crucial preconditions were pointed out and grouped into three categories with each 3 sub-categories: Governance and Structure, Socio-Cultural Factors, Human and Financial Capital. Chapter (4) and (5) carried out the analysis along these categories.

The analysis revealed the countries received 27 or 28 of 54 points, with different weaknesses and strengths. Common weaknesses were found to be the heterogeneous societal composition, the relation between government and population and the low administrative transparency due to high incidences of corruption. A strong problem awareness, long-term commitment to rural poverty alleviation and clear efforts for decentralized empowerment were considered common strengths. Especially the New Rural Village programme in Vietnam shows clear parallels to SMU and has proven to be an important development tool for rural Vietnam. The Philippines have done comparatively well in increasing education, especially practical-oriented vocational training, and in establishing alternatives to the formal banking market. The Microfinance sector benefits from an established legal framework and has spread throughout the Philippines, thereby giving many poor people access to funds. These benefits however do not reach all Filipinos. Same holds for the distribution of land, which is still a big problem, as a small wealthy elite owns the majority of land, whereas many poor remain landless. An insufficient rural infrastructure makes it even more difficult for rural people to work productively and sell their products on markets. For Vietnam as well, a major bottleneck is that those in need too often do not have access to adequate infrastructure and education. Especially financial or economic literacy remains low for the ethnic minorities or people residing in remote areas. A still underdeveloped formal banking system worsens the problem, since poor people often

do not have access, and alternative banking models are still rare. A relatively successful and equal land distribution and the mentioned NRD are the two comparative strengths of Vietnam. Despite improvements however, land can still not be privately owned in Vietnam, which potentially reduces the incentive for long-term investments, and the target unit for NRD is the broader commune instead of small village level, which is why the crucial sense of unity and spiritual element does not apply as strongly as for SMU.

A score of approximately 54% does not seem positive and the discussion of findings confirmed this view. Both countries still face major challenges on their way to establish a SMU-like rural development programme. The research question was therefore answered negatively. Although for both countries a lot of positive aspects were found, the number and quality of obstacles appears too high for them to implement such a programme currently. If both governments really decided for a rural development programme based on the SMU success factors, this would require more efforts prior to inception.

On a perspective ahead of this paper, many further research projects present themselves. It would be interesting and challenging to analyse for both countries how to possibly overcome these weaknesses. For this, more research in the field would be helpful. Research in successful and in problematic regions would help to find out in more detail the roots of problems, in order to find solutions. Recently in both countries new governments started their terms. Especially President Duterte's policy approach differs from his predecessors which is why the new administrations' approaches to rural development must continue to be researched. Of course it is not mandatory to implement a SMU-like programme - there are alternatives to overcome rural poverty. Based on this paper's analysis of strengths and weaknesses, alternative concepts could be developed which make use of the specific circumstances in both countries and potentially include more than the nine categories of the framework.

The paper did not tackle those questions, but provided a good status-quo analysis of the countries' administrative structures, their societal composition, their human development, their finances and infrastructure, and for all aspects explained how the countries currently tackle these issues. This provides a useful basis for further research projects, not only for future scholarly discussions, but even more for practical ways to help people in need. Rural poverty in the Philippines and Vietnam remains a real problem and requires more research in order to be overcome. This is not a short-term project, but eventually it is possible, because:

"Poverty was not there in the beginning. It came only later and probably will be here to stay for as long as we have not found an effective strategy."

(The interviewed Isagani R. Serrano during his speech „A break for the poor at last?“ at the Conference Against Poverty, 23-24 July 1998, U.P. Diliman.)

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8. Appendix

(A) Zusammenfassung

Die vorliegende Masterarbeit überprüft die Anwendbarkeit eines ländlichen Entwicklungsmodells aus dem Südkorea der 1960/70er (Saemaul Undong) auf die aktuelle Situation in den Philippinen und Vietnam. Anlässe für diesen Vergleich sind eine ähnliche Situation bzgl. ländlicher Armut in den beiden aktuellen Fallbeispielen und dem damaligen Südkorea, sowie Rechercheaufenthalte in allen drei Ländern, bei denen philippinische und vietnamesische Interviewpartner wiederholt äußerten, dass SMU ein Vorbild für ihr Land sei.

Der theoretische Teil führt in wichtige theoretische Grundlagen zu den Konzepten Entwicklung, Armut und Armutsbekämpfung ein und knüpft Verbindungen zum Konzept Ungleichheiten. Nachdem Definitionen und Ursachen von Armut und (fehlender) Entwicklung dargestellt wurden, werden schwerpunktmäßig Modelle eingeführt, wie Armut bekämpft werden kann. Diese schließen unterschiedliche Denkschulen ein und variieren zwischen externen und internen Lösungsansätzen wie Entwicklungshilfe oder Verbesserung der eigenen „Governance“, und konkreteren Maßnahmen wie Pro-Poor-Growth, Community-Driven-Development und Microfinance.

Direkt im Anschluss an diese Armutsbekämpfungsmodelle folgt die Methodologie, welche auf dem SMU-Programm basiert. Nachdem der historische Kontext, der Inhalt und der Erfolg von SMU dargestellt wurde, wird das Framework entwickelt. Dieses besteht aus den SMU-Indikatoren, die in der Literatur allgemein hin als Erfolgsgarantien gelten und teilt sich in drei Kategorien mit je drei Unterkategorien auf: (1) Governance und Struktur (Führung, Mix of Top-Down und Bottom-Up, Landreform), (2) Sozio-kulturelle Faktoren (Homogene Gesellschaft und starkes Einheitsgefühl, Stellung der Frau, Transparenz und Verantwortbarkeit), (3) Human- und Finanzkapital (Humanentwicklung, Infrastrukturinvestments, Zugang zum Finanzsektor).

Der praktische Teil überprüft zunächst die o.g. neun Kriterien für beide Länder nacheinander, bewertet dann auf einem Punktesystem von 1-6 (6=gut, 1=schlecht) inwieweit die Kategorie die SMU-Voraussetzung erfüllt und zieht dann einen Vergleich beider Länder.

Die beiden Länder erreichen eine Gesamtpunktzahl von 27 bzw. 28 von 54 Punkten, was prinzipiell schon ihre Fähigkeit zur SMU-Implementierung bezweifeln lässt.

Beide Länder haben große Nachteile in den Kategorien „Gesellschaft“ und „Transparenz und Verantwortbarkeit“. Sehr heterogene Bevölkerungen in beiden Ländern mit tiefverwurzelten Spannungen (ethnisch, religiös oder historisch bedingt) und einem schwierigen Vertrauensverhältnis zur Regierung sowie geographisch bedingte Zersplitterung erschweren das Aufkommen einer spirituellen Bewegung, die an ein Zusammengehörigkeitsgefühl appelliert. Administrative

Transparenz und Verantwortbarkeit sind ebenfalls sehr gering, primär aufgrund der ausufernden Korruption, was dezentrales Regieren erschwert, da untere Verwaltungsebenen Richtlinien oft falsch umsetzen. Dementgegen steht in beiden Ländern eine Führung, die sehr auf das Thema ländliche Armutsreduzierung fokussiert ist und dies, im Falle der Philippinen, auch trotz Regierungswechsel konstant als oberste Priorität verfolgt. Dezentralisierungsmaßnahmen werden ebenfalls in beiden Ländern verfolgt, um die Problematiken vor Ort genauer zu erkennen und die lokalen Einwohner am Verbesserungsprozess teilnehmen zu lassen. Hierbei ist v.a. Vietnam positiv hervorzuheben, da ihr National Target Program „New Rural Development“ sich strukturell bereits sehr an SMU orientiert und vergleichbare Empowerment-Ansätze verwendet.

Dieses NRD ist ein klarer komparativer Vorteil Vietnams gegenüber den Philippinen. Darüber hinaus hat Vietnam bereits erfolgreich eine Landreform durchgeführt, die dazu geführt hat, dass das Land vergleichsweise fair verteilt wurde. Die Einschränkung, dass die private Nutzung zeitlich begrenzt ist, besteht trotz des verlängerten Zeitraums von 50 Jahren, jedoch weiterhin. Große Schwierigkeiten Vietnams liegen in der Bereitstellung sowohl von infrastrukturellen als auch finanziellen und Bildungsmöglichkeiten für benachteiligte Gruppen, um ihre Situation zu verbessern. Generelle Verbesserungen in diesen Bereichen kommen zumeist nur den ohnehin wohlhabenderen Bürgern aus Metropolregionen wie Hanoi oder Saigon zugute.

Komparative Vorteile der Philippinen sind die bessere und mehr flächendeckende Bereitstellung von Bildung (mit einigen Abstrichen), die zumindest teilweise auch daran orientiert ist, den Menschen Fähigkeiten für den Arbeitsmarkt zu vermitteln. Ein besser ausgebautes Bankensystem, das teilweise bis in ländliche Regionen reicht und sehr stark auf Microfinance setzt, ist ein weiterer Pluspunkt. Besonders negativ ist bei den Philippinen anzumerken, dass die Landreform immer noch nicht erfolgreich umgesetzt wurde.

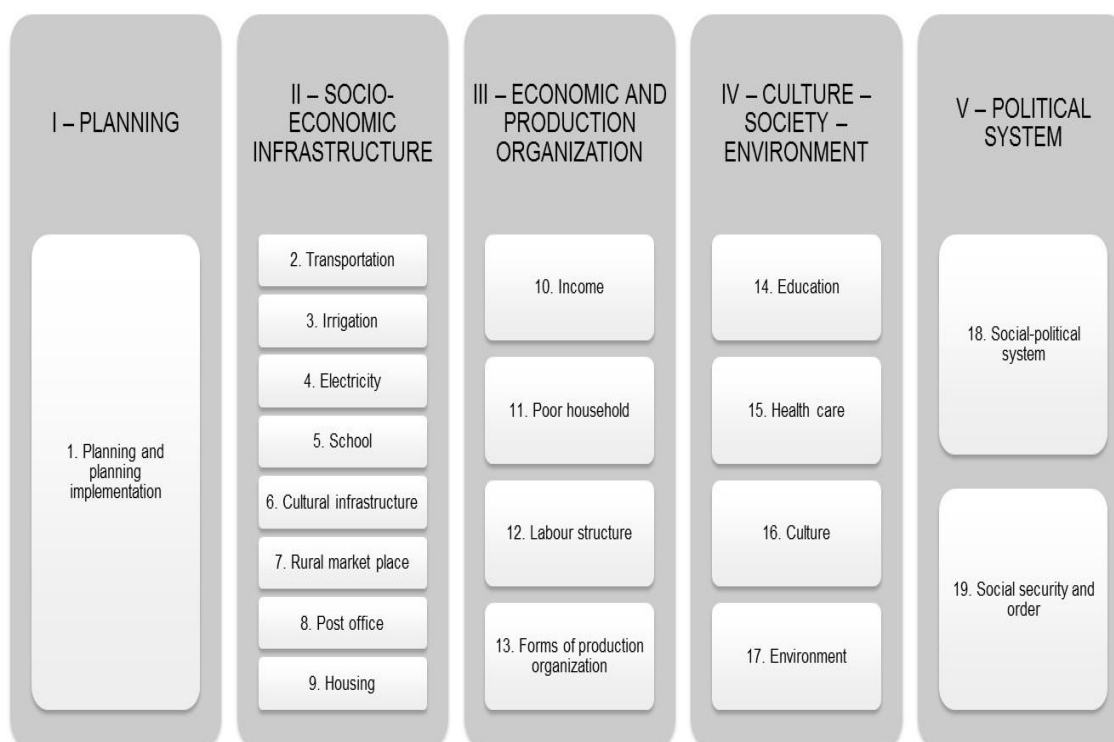
Letztendlich muss die Forschungsfrage für beide Länder negativ beantwortet werden. Zum jetzigen Zeitpunkt weisen sowohl die Philippinen als auch Vietnam zu viele Mängel auf, um ein ländliches Entwicklungsprogramm umzusetzen, das auf den Parametern von SMU basieren könnte.

Die Ergebnisse dieser Arbeit können weiteren Forschungen dienlich sein, die basierend auf dieser Arbeit zum Beispiel erforschen könnten, wie die Schwächen des jeweiligen Landes beseitigt werden könnten, oder ob evtl. ein alternatives Entwicklungsprogramm zu den Gegebenheiten des jeweiligen Landes passen könnte.

(B) List of Interview Partners

Name	Position/Function	Where	When
Aldaba, Fernando	Dean Economics Department, Ateneo University, Manila	Ateneo University, Manila	26.04.2016
Balisacan, Arsenio	Chairman of Development Academy of the Philippines (DAP)	DAP, Manila	25.04.2016
Bu, Dai Bung	Head of Economic Department, Vietnam National University (VNU)	VNU, Hanoi	30.05.2016
Capones, E.M. and Falco, R.	Under-Secretary of National Economic Development Agency (NEDA), Assistant	NEDA, Manila	25.04.2016
Dao, The Anh	President of Center for Agrarian Research and Development (CASRAD)	CASRAD office, Hanoi	02.06.2016
Esguerra, Jude	Under-Secretary National Anti-Poverty Commission	NAPC office, Manila	26.04.2016
Prof. Habito, Cielito	Chief of Party US-AID, Professor at Ateneo University, Manila	USAID, Manila	21.04.2016
Nguyen, Luan	Institute of Policy and Strategy for Agriculture and Rural Development (IPSAD), Member of the Center for Agriculture Policy Consulting (CAP) department	CAP, Hanoi	01.06.2016
Nguyen, Quoc Viet	Dean of Faculty of Development Economics, Vietnam National University	VNU, Hanoi	02.06.2016
Pham, Van Hoi	Department of Agro-ecology, Vietnam National University of Agriculture (VNUA), Hanoi	VNUA, Hanoi	31.05.2016
Raquiza, Maria Victoria	Assisting Professor, Member of Social Watch Philippines	University of the Philippines, Manila	21.04.2016
Serrano, Iragani	President of Philippine Rural Reconstruction Movement (PRRM)	PRRM, Manila	25.04.2016
Shim, Juhjung	Professor for Vietnam Studies, at Sogang University	Sogang University, Seoul	18.04.2016
Tabbada, A. and Loro, J.	Managers at Gesellschaft für Internationale Zusammenarbeit (GIZ), Manila	GiZ office, Manila	22.04.2016
Vu, Hoang Dat	Vietnam Academy of Social Sciences (VASS), Labor Market Department	VASS, Hanoi	01.06.2016

(C) 19 criteria for the New Rural Development Program (Luan 2016:5)



(D) List of big landowners in the Philippines

Landowner/Hacienda	No. of Hectares	Location
Danding Cojuangco	30,000	Negros, Isabela, Cagayan, Davao del Sur, Cotabato, Palawan
Hacienda San Antonio/Sta. Isabel (Danding Conjuangco, Faustino Dy, Juan Ponce Enrile)	12,085	Ilagan, Isabela
Nestle Farms	10,000 (but 160,000 is the target)	Isabela, Cagayan, Compostela Valley, Agusan del Sur
Floreindo Family (TADECO)	11,048	Davao del Norte
Almagro Family	10,000	Dalaguete, Cebu
Dimaporo Family	10,000	Lanao
Hacienda de Santos	9,700	Nueva Ecija
Hacienda Banilad/Palico (Roxas Family)	8,500	Batangas
Canlubang Sugar Estate (Yulo Family)	7,100	Laguna
Luisa vda. De Tinio	7,000	Nueva Ecija
Hacienda Luisita (Cojuangco Family)	6,000 +	Tarlac
Escudero Family	4,000	Southern Tagalog
Andres Guanzon	2,945	Pampanga
Reyes Family	2,257	Southern Tagalog
Sanggalang Family	1,600	Southern Tagalog
Uy Family	1,500	Southern Tagalog
Palmares and Co. Inc.	1,027	Iloilo

(E) List of Vietnam Government Programmes against discrimination (Baulch et al.

2010:63-64)

Human Development and Employment Creation	
Resolution 120/HDBT 1992	National Programmes on Employment Creation and National Fund for Employment Creation
Programme 133	National Programme on hunger Eradication and Poverty Reduction/HEPR
Programme 143	Decision on HEPR and Employment Creation
Decree No. 78/2002/ND-CP	Decree on credit for the poor and policy-targeted groups, incl. ethnic minorities
Infrastructure and other Components	
Decree 35/1997/QĐ-TTg	Programme on communal centres in the mountainous and upland areas
Programme 135	Supports for the socio-economic development of extremely difficult communes in the ethnic, mountainous, boundary, and remote areas
Decision 237/1998/QĐ-TTg	National Target Programme on Clean Water and Sanitation, Environment in rural areas
Decision 140/1999/QĐ-BNNPTNT	Design the resettlement and sedentarization component under Programme 327
Decision 22/QĐ-TTg in 1999	National Programme on Electricity Network Development in Rural Areas
Resettlement and Sedentarization	
Instruction 393/1996/CT-TTg	Residential planning for economic development in the ethnic mountainous area
Decision 140/1999/QĐ-BNN	Criteria and plans of resettlement and sedentarization
Decision 193/2006/QĐ-TTg	Guidelines for residential planning in the period 2003-2020
Decision 33/2007/QĐ-TTg	Support for migration Programmes for resettlement and sedentarization for the ethnic minorities
Policy of Support for extremely difficult ethnic minority households	
Decision 826/1995/QĐ-TTg	Policy support for extremely difficult ethnic minority households
Decision 30/2007/QĐ-TTg	Define the ethnic minority extremely difficult areas
Decision 32/2007/QĐ-TTg	Free-interest loans to ethnic minorities in extremely difficult areas up to VND 5m
Democracy	
Decree 79/2003/ND-TTg	Grass-root democracy: local people have the right to participate, supervise, and assess any projects in the local area which directly impact their local production, security, society and livings
Education	
Decision 66 in 1985	Regulations on organization and operation of boarding schools for ethnic minority children
Law on the Universalisation of Primary Education 1991	It encourages schools to use the ethnic minority languages along with Vietnamese in primary school classes in ethnic minority areas
Decision 2590/1997/QĐ-BGD	Prepare ethnic minority students for university and vocational training