Economy and Environment Program
for Southeast Asia
22 Cross Street #02-55
South Bridge Court
Singapore 048421

Phone : (65) 6438 7877
Fax : (65) 6438 4844
E-mail : hfrancisco@idrc.org.sg
Web site : www.eepsea.org

The Economy and Environment Program for Southeast Asia (EEPSEA) was established in May 1993 to support training and research in environmental and resource economics across its 9 member countries: Cambodia, China, Indonesia, Laos, Malaysia, Papua New Guinea, the Philippines, Thailand, and Viet Nam. Its goal is to strengthen local capacity for the economic analysis of environmental problems so that researchers can provide sound advice to pollcymakers.

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Can Good Governance Drive Development? – Lessons From Vietnam

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In developing communities, good governance is recognized as a key tool to tackle climate change and drive rural development. To shed light on this important issue, a new EEPSEA study from Vietnam has looked at two 'good governance' practices – leveraging social influences and social capital– to see whether they are appropriate policy tools for the country. The research is the work of a team led by Pham Khanh Nam →

A summary of EEPSEA Research Report No. 2010-RR11: 'Cooperative Behavior, Social Capital and Development: Evidence from the Mekong River Delta in Vietnam' by Mr. Pham Khanh Nam, Faculty of Development Economics, Ho Chi Minh City University of Gothenburg, 1A Hoang Dieu Street, Phu Nhuan District, Ho Chi Minh City.
Tel: +84 8 38448222 Fax +84 8 38453897
E-mail: khanhnam@ueh.edu.vn

“ Good governance can be used ...

Variables	Description	Mean	Std. dev.	Min	Max
Formal institution					
Number of institution	Number of formal associations participated in by family members	0.91	1.09	0	6
Farmers' Association	Dummy = 1 if a member of the household is a member of the Farmers' Association	0.12	0.32	0	1
Informal institution	Number of close friends	3.91	5.05	0	40
Trust	Trust in people who live in the same village	3.18	1.21	1	5
Cooperativeness (scaled)	Scaled cooperativeness	5.50	2.28	0	10
Cooperativeness (raw)	Contribution residuals before scaled	-8.4e-07	111.56	-269.82	220.36

Descriptive statistics of social capital indicators

→ from the Faculty of Development Economics at the University of Economics Ho Chi Minh City and the Environmental Economics Unit at the University of Gothenburg.

The study finds that social influence has a significant and substantial effect on the amount of money people are willing to contribute to a specific rural development project. This shows that using social influence is a good way to facilitate policy implementation. The study also finds that, in general, social capital at the individual level does not affect how farmers adapt to the climate change challenge. In Vietnam, there are only limited resources available to tackle development challenges. This study shows how good governance can be best used to address existing financial and human resource constraints.

The Good Governance Challenge

Getting good governance requires improvements in all aspects of the public sector, including the development of democratic government, empowering the poor and enlarging access to markets and participatory development. However, the good governance agenda, which has until now been largely defined by the international development community, can overwhelm developing countries' institutions. This makes it vital to carefully choose appropriate good governance ideas and programmes that can really help a developing country move forward.

This Vietnamese study assesses two governance practices that are potentially suitable for developing countries. These are: 1) leveraging social capital (which includes formal and informal institutions, trust and cooperation), and; 2) using social influences - i.e. utilizing the impact of other people's opinions and actions (also known as 'nudging').

Gauging the Effect of Social Influence

To look at the effect of social influence, the study conducted a field experiment in rural Vietnam. This experiment was designed to see what impact social influence would have on the amount of money that people would be willing to contribute to the construction of a new bridge that would benefit the whole community. In particular, the study looks at the role of two kinds of social influence: i) conditional cooperation (whether people are more willing to cooperate if others do), and; ii) the effects of the default alternative (whether people are influenced when they are presented with a default alternative as a payment choice).

Numerous studies have analyzed the role of conditional cooperation in laboratory experiments and for charitable giving. There has also been a lot of work done assessing the effects of defaults on the choice of private goods. However, no previous studies have tried to quantify the impact of conditional cooperation and default alternatives on voluntary contributions to a real 'local public good' such as the bridge highlighted in this study.

Paying to Build a Bridge

The field experiment was undertaken in Giong Trom village in the Mekong River Delta in Vietnam. The village's wooden bridge was highly degraded and could not be used by tractors or motorbikes. There were about 200 households on both sides of the old bridge, all of whom would benefit from the construction of a new one.

In the experiment, which involved all the villagers, participants were given a certain amount of money (a 'windfall' endowment of 400,000 dong) and then given the option to either keep the money for themselves or contribute some or all of it to the funding of a new concrete bridge. Some of the participants were told that their fellow villagers

to address resource constraints."

were contributing either a large (300,000 dong) or small (100,000 dong) amount of money. Others were presented with a zero 'default' payment option or with a default option equal to their endowment. The remaining participants were given no information on what others planned to pay or on defaults.

Gauging the Effect of Social Capital

To assess the impact of social capital, the study looks at how social capital affects the way that villagers adapt privately to the climate change challenge – both in terms of their farming practices and domestic water usage. Social capital is defined as the social networks and social skills that individuals possess and use to facilitate particular actions. It is thought that social networks can facilitate both the exchange of information about possible climate change effects and the diffusion of adaptation innovations. It is therefore thought that social capital can help reduce adaptation costs.

This assessment was undertaken in the same village as the 'social influences' field experiment. Farmers were asked to report the measures their families had implemented in response to climate change in the past five years. Three key questions were asked about the main local impacts of climate change: "What have you done to adapt to unpredictable weather and the unusual timing of the seasons?"; "What have you done to adapt to longer periods of drought?", and; "What have you done to adapt to saline intrusion?"

Four key components of social capital are assessed: formal institutions, informal institutions, trust, and cooperativeness. A survey was conducted to measure social capital in the form of social networks and trust, and an economic experiment was carried out to measure social capital in the form of cooperativeness. The survey was also used to collect data on farmers' awareness of and beliefs about climate change and the socio-economic characteristics of farming households.

How Villagers Respond to Climate Change

With respect to their farming practices, villagers were found to have responded to the climate change challenge in three main ways. The most common response was to vary planting or harvesting dates to ensure that critical crop growth stages did not coincide with uncomfortable climate conditions. Farmers also used different crop varieties or crop species and changed their management practices.

With respect to domestic water issues, the main problems linked to climate change were a shortage of water in the dry season (because of a prolonged drought period) and the intrusion of saline water. Villagers responded to these problems by investing more in water storage equipment and by changing their water use practices.

Social Influence Can Drive Rural Development

The study found that social influence has a significant and substantial effect on the amount of money people were willing to contribute to the construction of a new bridge. For example, if people were informed that one of the most common contributions made by others was 100,000 dong (a relatively small contribution), they tended to contribute about 67,000 dong less. Similarly, when villagers were presented with a zero default contribution, their contributions dropped by 54,000 dong compared to those presented with no default contribution.

Overall, the average contribution that villagers were prepared to make towards the bridge was more than 200,000 dong and it was clear that many of the households would greatly benefit from the bridge's construction. Consequently, the bridge was actually built.

The Wooden and New Bridge

Social Capital Not a Key Element in Climate Change Adaptation

The study finds that social capital at the individual level does not generally affect the steps villagers take to privately adapt to climate change. However, it does find that some forms of social capital, such as formal and informal institutions, do weakly influence the choices farmers make about climate change adaptation measures; in particular, membership of a Farmers' Association influences farmers' decisions to use different crop varieties or species.

These findings raise the question 'why?' It is thought that the main role that social capital plays in driving climate change adaptation is the facilitation of information and labour/financial transfer. The study therefore argues that, if any adaptation requires only low-end technology or less effort, social capital may not play an important role. For example, saline intrusion in domestic water is relatively easy to detect. Adaptation measures include storing more water and changing water use practices – these do not involve high-end technology. This means that a household does not need to rely on a formal organization for instruction, nor does it need a network of friends to confirm the reliability of any measures it takes. The research results support this argument.

The Role of Trust and Cooperation

The study also shows that trust is not associated with the private adaptation choices villagers make about their farming practices or their domestic water use. This is not surprising, as it is rational to respond to climate change in the absence of social skills such as trust and cooperation. As the present study does not measure trustworthiness, the relationship between trustworthiness and the choice of private adaptation measures is open for future research.

One interesting finding is that if a farmer has a high propensity to engage in cooperative action, this can reduce the likelihood of that farmer choosing an individual adaptation measure; specifically, it slightly reduces the probability of a farmer adopting the "more water storage" measure in response to domestic water shortage due to salinity. This means that policy makers should be careful to clarify the types of incentives they use to help villages cope with future changes in climate. For example, in communities where villagers are prone to engage in collective action, incentives should target joint adaptation measures rather than private solutions.

Moving Good Governance Policy Forward

The study's findings on social influence are important as they contribute to a general understanding of what determines peoples' contributions to a real public good in a developing country. This is important since the ability to provide the right level of public good is crucial for economic and social development.

The results are also important from a more direct policy perspective. In Vietnam, villages fund projects that provide local public good themselves. The study points to the conclusion that a 'matching fund voluntary contribution mechanism' could be a useful instrument to drive this development forward. Moreover, the results reveal that villagers' behaviour and contributions depend on how the questions they are asked are framed – something policy makers should keep in mind.

With respect to social capital, this paper's findings do not support the development of rural institutions to enhance private adaptations to climate change. This is especially the case with low-end adaptation technologies. It also shows why and how policy makers must carefully select the types of incentives they use to drive climate change adaptation.

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