

“Endogenous Institutions and cooperation in natural resource governance: Insights from an economic experiment in Cambodia”

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Summary: In Cambodia, governance of natural resources such as water relies largely on informal agreements of community groups, organized per village. The agreements are non-binding, but stimulate social norms of cooperation, such as sharing water between farmers and villages. While some groups are successful, others face an overuse of water which can lead to conflicts between water users. The overall aim of this study is to analyze under which circumstances people are willing to contribute parts of their revenues for an institutional setting which fosters cooperation. Lab-in-the-field experiments were conducted with 303 Cambodian farmers in 21 villages across three communes in Kampong Chhnang province. The subjects played one-shot public good games with an option to vote for a preferred institution. Firstly, the choice is between a costly tax system which ensures a minimum contribution to the public good, or a public goods setting which is purely voluntary. Secondly, the choice is between a costly monitoring system that discourages free-riding from the public good, or a costless monitoring system that free-riding from the public good might not be detected and punished. In both cases, contributions are made via the strategy-elicitation method, i.e. after having voted, but before knowing what others would have voted. Results show that the majority of participants voted for costly institutions that are designed to foster cooperation. They were in favor of a costly tax system that ensures a minimum contribution to the public goods, and a costly monitoring system that clearly discourage free-riding from the public goods. The likelihood of subjects choosing a costly institution is mainly explained by access to water. The findings from this study give insights into institutional designs that foster cooperation in natural resources governance.

Key words: economic experiment, cooperation, endogenous institutions, public goods.

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