

# **Government-Initiated Social Capital in Urban and Rural Areas of Laos**

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## **1 . Introduction**

Since 2009, the Center for Social Capital Studies within the Institute for the Development of Social Intelligence at Senshu University has been engaged in research activities aimed at exploring the realities of social capital in East Asia.<sup>1</sup> Prior to launching a full-scale investigation in East Asia, the Center conducted experimental and small-scale investigations in the urban and rural areas of three countries in Indochina. In Laos, one of these three countries, the Center conducted investigations in 2010 - 2011 by selecting three survey villages in Chanthabouly District, Vientiane Municipality as examples of an urban area, and two villages in Feuang District, Vientiane Province as examples of a rural area. The village sample selection and a questionnaire survey were carried out in collaboration with a local partner organization. Supplementary interviews were undertaken during the period from 2009 to 2012 to look for local partner organizations and to understand the civil society in Laos. This paper analyzes the results of the survey and interviews in an attempt to understand the social capital in Laos.

What are the theoretical issues in considering social capital in Laos? The basic concept of social capital, which finds value in citizens' voluntary social relations and horizontal reciprocity, has been used in many academic disciplines such as sociology, cultural anthropology, economics, and politics. Especially, social capital has been deemed promising in fields related to policy science for its potential to contribute to the well-being and development of society. While it is attributed to the historical context of the country, however, an analysis of social capital in Laos involves the issue of an unbridgeable gap between the realities of the socio-political and civic systems of Laos and the key concepts of social capital such as civic nature, voluntariness, and horizontalness. Under the one-party rule that has been in place since 1975, citizens in Laos have been restricted from establishing social relations voluntarily, and

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the meaning of a volunteer in the country is different from that in a civil society with a higher degree of freedom. This may be attributed to the fact that discussions on social capital have assumed advanced industrial societies and mature civil societies. When discussing Laos, it is impossible to avoid the fundamental question of whether or not freedom and voluntariness as characteristics of social capital are truly essential for the functions of social capital. This is because the majority of social capital in Laos is closely linked to “governmental” organizations such as the state, the government, and the party, which often counteract with civil society. If we cannot consider it as social capital, another question arises: how should we understand systems that are extremely similar to social capital?

This paper explores the realities of social capital in the urban and rural areas of Laos, with a particular focus on the characteristics of the norms and bonds of the government-initiated social capital, through analyses of social capital perspectives as well as questionnaire and interview surveys in the country. The following section will first explain about an analytical framework for social capital that is instrumental in understanding the situations in Laos. This is followed by descriptions of the historical changes in the urban and rural areas of Laos and the characteristics of social capital in these two areas, which will be shown based on a questionnaire survey and interviews conducted in some villages. Furthermore, the paper also attempts to categorize government-initiated social capital in Laos and describe the characteristics of each. As a whole, this paper attempts to reveal aspects of government-initiated social capital in Laos. The term “village” used in this paper refers to the community as the smallest administrative unit in Laos.

## **2 . Viewpoints for analyzing social capital**

Among varied definitions of social capital, many researchers repeatedly used and discussed definitions conceptualized by Coleman and Putnam. Coleman states that social capital is a social structural resource that is a capital asset for the individual (Coleman, 1988, 1990a). Coleman also maintains that forms of intentional organizations aimed at receiving returns on investments in social capital include business organizations and voluntary associations (Coleman, 1990b: 312-313), and that elements which affect the creation and destruction of social capital include the closed system, stability, and ideology (Ibid.: 318-319). If returns on investments in social capital can be obtained by private-sector organizations such as business organizations and voluntary associations, the government sector can also aim to obtain such returns by means of policies and other methods. In addition, the closure of systems, stability, and ideologies are primary concerns of the government as well. In fact, there have been moves to utilize social capital for development policies in developing countries (Woolcock, 1998). Putnam argues that social capital refers to the features of social organization, such as networks, norms, and trust (Putnam, 1993b, 2000), and that the efficiency of society can be improved through such coordinated actions (Putnam, 1993a: 167). Putnam also points out that social and political networks are organized horizontally, and communities respect solidarity, civil participation, cooperation, and good faith (Ibid.: 115).

The latest book written and edited by Lin, a leading researcher on social network theory (Lin, ed., 2011), summarizes the concepts, theories, and measurements of social capital. Chapter 1 of the book quotes part of the chapter titled “The General Formula for Capital” from *Capital* by Marx, and then an excerpt on human capital by Shultz, both in the original, and also shows an article on cultural capital and cultural reproduction by Bourdieu.<sup>2</sup> Lin’s intention is to return to the original meaning of capital, to follow the path to different forms of capital such as human capital and cultural capital from the original meaning, and to position social capital as a new form of capital through extended interpretations. Because social capital is a type of capital, its ultimate goal is to gain profits as returns on the investment. It is natural that movements to use social capital should be generated among not only private organizations but also public organizations. It would be necessary to accumulate empirical data that demonstrate who develops social capital and how it is developed, what kind of society creates what type of social capital, and what the features of each type of social capital are. Furthermore, exploring the realities of social capital in developing countries, where statistical data might not be well established, would contribute to the understanding of social capital under different socio-economic systems even though there are data constraints.

Useful discussions are regarding bonding social capital and bridging social capital, which are often used as classification of social capital. Bonding social capital is formed within social groups consisting of people who are closely connected to each other and that are established based on kinship and neighborhood ties, or by relatives, neighbors, and friends. This type of social capital is generated within a homogeneous social group. On the other hand, bridging social capital refers to an external link of a group with other groups (Gittell and Vidal, 1998). It involves diverse social groups, wherein horizontal and voluntary relations are created without kinship or neighborhood ties. Putnam refers to workplace ties as a good example of bridging social capital (Ibid.: 80-92) and argues that other types of bridging social capital there are, the more desirable it is for overcoming social divisions in the United States or reducing divisions among races in particular (2000: 362).

Sakata (2001: 26) points out that these discussions lack consideration on power relations between groups, and that studies need to be undertaken on how social capital is formed as the bridge with actors with whom the relations are not equal or horizontal, such as other communities, NGOs, governments, and aid agencies. As an example, he points out that the relationship between an aid agency and a community as a recipient of aid is not necessarily the one that can be described simply with the concept of bridging social capital.

Adler and Kwon argue that social capital can be divided into three types according to

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<sup>2</sup> Specifically, the citations are from: Karl Marx, *Capital: an Abridged Edition*, David McLellan (ed.), Oxford University Press, 1995 (1867, 1885, 1894), pp. 93-100. Theodore W. Shultz, “Investment in Human Capital,” *American Economic Review*, 51:1 (1961), 1-17. Richard Jenkins, “Symbolic Violence and Social Reproduction,” from Richard Jenkins, *Pierre Bourdieu*, London: Routledge, 2002, pp. 103-127.

whether it is based on external linkages, internal linkages, or both (Adler and Kwon, 2002). Linkages of actors, groups and communities with other actors, groups and communities are regarded as external ties. The internal tie of these groups are another type of social capital, and those that involve both of these linkages constitute the last type. This argument shows bridging social capital in another form. As in the case of Putnam's work, however, no consideration is given to how the power relations operate vertically.

To what extent do Putnam's strong expectations for bridging social capital and discussions by other researchers regarding methods of promoting bridging social capital apply to Laos, which has a different socio-political system? For example, the relations between the state and citizens of Laos and the relations between the public administration and a village community in the country are relations between actors who are not equal or horizontal, as Sakata points out. How is bridging social capital formed under such circumstances? Where the relations are not equal or horizontal, to what extent can be "bridging" social capital be government-initiated?

Thus, this paper focuses on government-initiated social capital and discusses how social capital formed under the government's initiative should be understood as against one based on the horizontal ties of civil society. It will also discuss whether it is participation or mobilization, whether it is an organization or voluntary ties, and what kind of bridging social capital a government-initiated one could be.

There have been many criticisms of Putnam's social capital theory regarding the relationship between citizens and the government. Maloney, et al. point out a shortcoming of Putnam's analysis, arguing that it takes a bottom-up perspective in the sense that Putnam presupposes that the civil society as the bottom influences the overall political structure and institutions. They point out that the use of a bottom-up perspective focuses on voluntary associations of citizens and misses the point that the superior political structure or organizations shape the social context of such associations' activities. Studies of social capital have paid attention to the links and networks within a civil society as they are believed to have an influence on governance. On the other hand, Maloney, et al., argue that governance also determines the quality of citizens' activities in some respects, and showed the influence of governance on social capital by using a top-down perspective (Maloney, et al., 2000: 803). The study by Maloney, et al. uses a case example of Birmingham in the United Kingdom, which shows how the city council and city organizations are related to voluntary activities of citizens' associations and how they have been contributing to the development of civil society and social capital. Interestingly, it shows that a bottom-up perspective is insufficient even in the case of the United Kingdom, which has a longer history of democracy, and that top-down elements can work in the development of social capital. Looking at the argument that the top influences the bottom and that all civil societies are characterized by their relations with political power is important especially when considering a society based on a logic that differs from that of a prototypical democratic system.

### 3 . Characteristics of the urban and rural areas of Laos

First of all, the following section provides an overview of the historical changes and characteristics of Laos and the urban and rural areas in the country. The modern history of Laos has been shaped by colonialism, civil war attributed to the Cold War, nation-building under the influence of the Soviet Union and Vietnam, and the impact of globalization. The country consisted of kingdoms until the 19<sup>th</sup> century. In 1893, it became a French protectorate, and what is now known as Laos was mostly formed as a result of territorial talks between France and the Kingdom of Siam. In 1899, Laos became part of French Indochina. The country formally declared independence in 1945 during the Japanese invasion, but returned to French rule at the end of World War II. It was recognized as an independent country in 1953. However, Laos was involved in a proxy war of the Cold War, just like its neighboring countries Vietnam and Cambodia, and there was a long civil war between factions backed up by the Soviet Union and the United States. The Lao People's Revolutionary Party came to power in 1975, and nation building was undertaken under the socialist regime. In 1986, the government decided to shift toward a market economy, following the policy change in the Soviet Union and Vietnam. It commenced full-scale economic liberalization in 1991 following the collapse of the Soviet Union. Laos became a member of the ASEAN in 1997 and rapidly strengthened its economic ties with other countries in the 2000s. The average GDP growth rate of the country between 2002 and 2011 was as high as 7.36%. In October 2012, Laos was admitted to the World Trade Organization (WTO), and will formally become a member in 2013.

The remarkable economic growth of Laos initially brought about significant changes to its capital city, Vientiane Municipality. From the increase of consumer goods, city roads flooded with cars, and new concrete buildings being constructed one after another, it is apparent that Vientiane Municipality has been undergoing the most rapid changes in Laos. At the base of these rapid changes in the built environment are not only changes derived from economic reforms following the end of the centrally-planned economy under the socialist regime, but also multiple structural changes, including changes derived from regional and global integration (Askew et al., 2006). Some researchers point out that Vientiane Municipality, as the central stage of those changes, can be called a "two-speed society" because of the expanding gap, and elements leading to dissatisfaction and indignation have been increasing (Pholsena and Banomyong, 2006: 166).<sup>3</sup> This reflects a nationwide trend that is not limited to the capital city. Based on a survey of 1,000 surveys sampled in Vientiane Municipality, Savannakhet Province, and Luangprabang Province, which was conducted in 2006, Douangngeune (2011) clarifies that the citizens desire a higher quality of life, are concerned with issues such as economic inequality, environmental destruction, and unemployment, and have come to demand government

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<sup>3</sup> Pholsena and Banomyong warn that the sense of unfairness has been growing among people. Among the references cited by these authors is the Vientiane Social Survey (1997), which contains multiple testimonies stating that people having connections with influential people are not punished even if they drink and drive and cause traffic accidents.

transparency more than ever.

The spreading sense of inequality derives primarily from the transition to a market economy. However, such social trends are also related to the historic characteristics of Laos. Evans, who wrote a history of Laos, argues that after the socialist regime was established in 1975, the old elite was wiped out, and the middle class and merchant class, though handful to begin with, fled from the country, which led to the simplification of Laos' social stratum. In addition, the national government occupied territories other than rural villages, and social classes were linked directly to the national government and bureaucracy (Evans, 2002: 202). Despite the economic prosperity, the special social structure of Vientiane Municipality does not change readily. If economic opportunities increase under these circumstances, social classes close to the political power that were created after 1975 will increase their economic power as a result of economic liberalization. How they relate to the state, administration, and political party established in 1975 will determine whether or not the people in the above-mentioned classes can make the most of chances to increase their social status and economic opportunities.

On the other hand, how have rural areas been changing? Under the socialist centrally-planned economy, production is basically nationalized through state enterprises and collective farms. Since the populations in the rural areas constitute the majority in Laos, the socialist government placed emphasis on the introduction of collective farms when it took power in 1975. However, collective farms, which commenced in 1978, were discontinued the following year because of inappropriate climate conditions and the failure to elicit the cooperation of farmers. Accordingly, most rural villages in Laos have never experienced the socialist mode of production, and the transition from the socialist centrally-planned economy to a market economy was not indeed a transitional economy in terms of the mode of agricultural production (Inuma, 2009). The same is true for the survey villages studied in this paper, where family-based production has been continued as before, in principle. According to the *Living Conditions in Lao PDR*, which shows the aggregation of data obtained through nationwide socio-economic surveys conducted in the early 1990s, the major problems faced by farm families in rural villages are drought and irregular rainfall, which was experienced by nearly 90% of the surveyed rural areas. This is followed by a shortage of farmland and harmful insects, which were the case in about 70% of the rural areas. Other problems include soil problems, a shortage of credit, problems regarding means of transportation, and food problems, as answered by around 20% of the survey villages (Committee for Planning and Co-operation, National Statistical Center (NSC), 1994: 27).<sup>4</sup> While rural villages in Laos are free from starvation, food self-sufficiency is an issue for some farm families.

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<sup>4</sup> Both the Lao Expenditure and Consumption Survey (LECS), 1992-1993, and the Social Indicator Survey (SIS), 1993, were nationwide surveys aimed at identifying the socio-economic conditions of the country. The results of these surveys are summarized in the Committee for Planning and Co-operation, National Statistical Center (NSC), *Living Conditions in Lao PDR: Basic Results from Two Sample Surveys, 1992-1993*. Vientiane: no publisher, 1994.

In Laos, population movements within the country had been restricted since 1975. The restriction was eased in the 1990s, and migrations from rural areas to urban areas were notable from the latter half of the 1990s until the first half of the 2000s. According to the *Results of the Population and Housing Census 2005*, the proportion of rural populations was 83% at the time of the national census in 1995, and declined to 73% at the time of the national census in 2005 (Steering Committee for Census of Population and Housing, 2006: 19). Above all, Vientiane Province, a survey area of this research, is among the provinces experiencing the largest population outflow, which also include Bolikhamxay Province, Xayaboury Province, and Xieng Khouang Province. Because Vientiane Province is adjacent to the capital city, Vientiane Municipality, it receives direct impact from the capital area when access roads are developed. While some rural areas remain in Vientiane Municipality, it is reported that 82% of the people in the capital city live in urban areas (Ibid.).<sup>5</sup> The survey villages in the urban and rural areas are in the midst of changes. Vientiane Municipality has been rapidly urbanized, while Vientiane Province will be one of the areas that are most readily influenced by the capital once roads have been developed.

#### **4 . Social capital in urban and rural areas**

##### **4 - 1 . Outline of the questionnaire**

We conducted a small-scale interview-based survey to reveal the realities of social capital in the urban and rural areas of Laos. We created a common questionnaire for surveys in Laos, Vietnam, and Cambodia, and translated it from Japanese into English, and then from English into each local language. For the survey in Laos, a preliminary survey for selecting the sample villages, the actual survey, and the aggregation of the collected data were outsourced to the Research & Academic Service Office of the National University of Laos as the local partner organization that assisted with this survey. Three villages in Chanthabouly District, Vientiane Municipality were selected as the urban sample villages of the survey, and two villages in Feuang District, Vientiane Province were selected as the rural sample villages. Laos is a multiethnic and multicultural country. To minimize ethnic socio-cultural attributes of the respondents, villages where the majority of residents are largely classified as people belonging to Lao ethnic groups, such as Tai Daeng, Tai Dam, and Phutai, were selected as the survey sites. The questionnaire used for the survey in Laos was almost the same as the ones used for the surveys

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<sup>5</sup> The definitions of “urban” and “rural” differ according to the conditions in each country. In Laos, there are multiple definitions of each, which are used by multiple government departments. In the Population Census conducted in 2005 by the National Statistics Center (NSC), an urban village is defined as one that is located close to district or provincial government offices, that has a population of more than 600 residents or 100 households, that has access roads for motor vehicles, in which a majority of households have electricity and running water, and that has a market in the village. On the other hand, the Law on Urban Planning in 1999 (03/99/NA) defines a city as a capital city, a center of a province, a special zone or district, etc., which satisfies conditions such as a high population density and developed infrastructure including road networks, water and sewerage systems, hospitals, stadiums, public parks, electricity, and telephone connections (Rabé et al., 2007: 7-8).

in Vietnam and Cambodia, and the Research & Academic Service Office of the National University of Laos translated it from English to Laotian. The content of the questionnaire consists of three categories: social trust, maintaining and improving livelihood, and social rituals. The respondents were selected by random sampling, and researchers from the Research & Academic Service Office interviewed the respondents and entered their answers on the questionnaire sheets. A small-scale survey was conducted in an urban area in 2010 and in a rural area in 2011, with 120 respondents each time. The number of valid responses differs from question to question. In addition to this survey, the research team conducted other forms of investigations such as supplementary interviews and participant observation as necessary.<sup>6</sup>

#### **4 - 2 . Characteristics of the survey villages**

The administrative structure of Laos is composed of provinces (khuaeng), districts (mueang), and villages (ban). Vientiane Municipality also consists of districts (mueang), and villages (ban), and does not belong to any province. Villages (ban) as the smallest units do not provide any public services. Therefore, strictly speaking, many villages derive from spontaneously formed communities and hamlets. However, some villages in the urban area, such as Phonesavang village, which will be described later, have their own financial resources and employ officers to provide public services.

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<sup>6</sup> The Japanese team conducted the following investigations: interviews with potential local partner organizations (Aug. 31 – Sept. 7, 2009); identification of a local partner organization and the collection of related information (Aug. 29 – Sept. 6, 2010); on-site inspections of the survey villages (Jan. 31 – Feb. 4, 2011); on-site inspections of the urban survey area (Nov. 2011), and on-site inspections of the rural survey area (Aug. 2012).

Figure 1: National map of Laos and the survey areas

(1. Xayaboury Province, 2. Houaphanh Province, 3. Xieng Khouang Province, 4. Bolikhamxay Province)

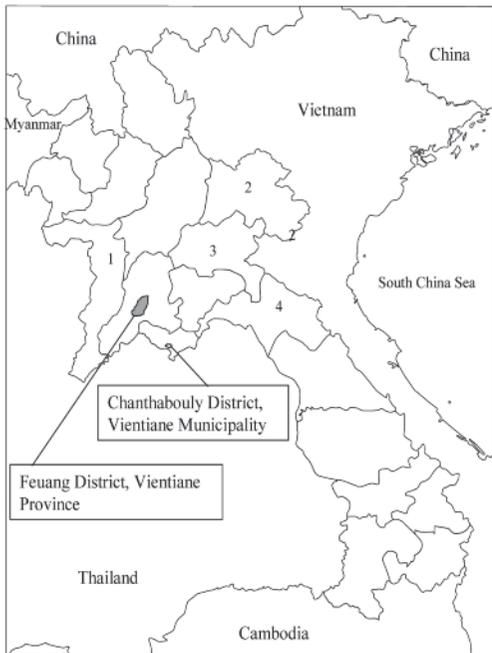


Table 1: Outline of survey areas (2011)

Geographical segmentation	Urban area (Chanthabouly District, Vientiane Municipality)			Rural area (Feuang District, Vientiane Province)	
	Phonesavang	Nongthatai	Nong Ping	Done	Nakang
Village name	Phonesavang	Nongthatai	Nong Ping	Done	Nakang
Population	4,788	2,081	2,219	464	2,338
(of which women)	2,999	1,067	1,108	229	1,092
Number of households	638	443	510	97	395
Area (ha)	-	-	-	1,100	1,815
Year of foundation	1989	circa 1920	1933	1600	1761
Ethnic composition	Tai Daeng, Tai Dam, Phutai, Khmu, Mon	Tai Daeng, Tai Dam, Mon, Phounoy	Tai Neua, Tai Daeng, Tai Dam	mainly Phutai	Tai Daeng (69.3%), Khmu (23.9%), Mon (28.2%)

Source: Interviews with village chiefs (February and November 2011)

According to the information obtained from interviews with village chiefs (for details, see Appendix 1), the characteristics of each village are summarized as follows (see also Table 1). First of all, the survey villages in Vientiane Municipality are Phonesavang Village, Nongthatai Village, and Nong Ping Village in Chanthabouly District. All of these used to be rural villages, but the populations of the villages began to increase rapidly in the 2000s. As a result, most residents are non-farm workers except around 20% of all households in Nong Ping Village. The proportion of public servants is the highest in Phonesavang Village and Nongthatai Village. In Nong Ping Village, people make a living as public servants, merchants, factory workers, or farmers.

The survey villages in the rural area are Done Village and Nakang Village in Vientiane Province, which are located 130 kilometers northwest of the capital. They can be accessed by following Route 13 North from Vientiane Municipality and an unpaved road for 37 kilometers west from Hinhearb District, which is 93 kilometers from Vientiane Municipality.<sup>7</sup> There is only one junior high school in Hinhearb District, while the two villages have elementary schools. Both are substantially traditional villages, in the sense that people make a living by farming, or paddy cultivation in particular. In Done Village, the rate of irrigation is 100%, while Nakang Village has irrigation channels and a partial water sharing system.<sup>8</sup> Both villages have irrigation associations: the one in Done Village established in 1985 and the one in Nakang Village established in 2004.

As Table 2 shows, the population increase has been remarkable in the urban survey villages. Above all, the population of Phonesavang Village increased by 41.45% during the five years from 2007 to 2011. The rate of increase of the female population in the village was 70.59%. This is due to a large influx of young unmarried women to the capital city due to the increase in employment opportunities in industries such as the garment sector. The average number of children per household in the three urban villages is 5.63, while the figure for the rural survey villages is 5.79.

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<sup>7</sup> As of early 2012, the section of this road to Feuang District was being paved. Although it is difficult to reach the district by vehicle during the rainy season on the unpaved road, with the completion of the paving work, access to Feuang District will be much easier.

<sup>8</sup> The irrigation facilities in Nakang Village were developed in 1968 with the assistance of the United States Agency for International Development (USAID). There was a sufficient amount of water in those days. As the village experienced a water shortage in 2004 due to the population increase and forest degradation, the current system and a water user's group were established under the direction of the government.

Table 2: Demographics of the urban survey villages

Village	2007			2011			Increase rate		
	Population	Female population	Number of households	Population	Female population	Number of households	Population	Female population	Number of households
Phonesavang	3,385	1,758	645	4,788	2,999	638	41.45%	70.59%	-1.09%
Nongthatai	2,013	1,006	381	2,081	1,067	443	3.38%	6.06%	16.27%
Nong Ping	1,990	1,001	410	2,219	1,108	510	11.51%	10.69%	24.39%

Sources: The 2007 data are from the National Statistics Center Population Survey. The 2011 data were obtained from interviews with the village chiefs (conducted in February and November 2011).

Hence, the survey areas encompass an urban area, where many public servants reside and which consist mainly of residential areas, and a traditional rural area, where the majority of people engage in paddy cultivation. Those in the urban area are in the midst of social changes, while the rural survey area is subject to external influences from urban areas and other places. Above all, urbanization has been in rapid progress in the urban survey villages due to the population increase. The rural survey area is experiencing an outflow of young people, although their populations have not decreased as a result of this trend.<sup>9</sup>

Let us now look at the basic social conditions and living infrastructures of the urban and rural areas through the results of the survey interviews. In this survey, variations in respondents' attributes other than area of residence (urban or rural) were minimized by selecting the areas of residence of the ethnic Lao. This allows us to assume that the basic value system, customs, religion, and other attributes do not differ greatly among respondents as they would among people from different ethnic groups. This should permit us to make clear comparisons between the social capital in an urban area and that in a rural area.

First of all, the urban and rural areas share the following characteristics. Most of the respondents in the urban and rural villages live in their own houses. Those who have lived in the villages for 30 years or longer account for 43% in the urban villages and 53% in their rural counterparts. In terms of religion, Buddhists account for 99% in the urban area and 93% in the rural villages. As for education, people who have completed junior high school constitute 32% in both areas. We can conclude that fundamental attributes such as the religious and educational background are common to the two areas.

<sup>9</sup> This trend should not be simply taken as an outflow of the rural population as a population issue involving rural and urban areas. In his cultural anthropological study of the Lao people in Northeast Thailand, Hayashi (2000) refers to a custom of young Lao males to leave their village temporarily. The purpose of leaving their village is not limited to seasonal labor. Some of them look for a bride outside their village, some visit relatives or acquaintances living in other areas of the country, and some stay at distant Buddhist temples as monks or novice monks. He also points out that there are many young men who leave their home village and settle in a place they are visiting because they find a spouse or a job there. The mobility of young Lao men is thus considered as culturally important.

Next, in what points do the urban and rural areas differ from each other? One major difference would be in the fact that the survey villages in Vientiane Municipality have the minimum infrastructure required for living, while those in Vientiane Province have no water supply or sewerage system and have limited means of transportation, despite the main road having been restored and improved for some time. However, the tap water in the urban areas is not safe to drink, and 83% of the respondents in the urban villages purchase bottled drinking water for domestic use. On the other hand, 64% of the respondents in the rural villages use well water. In the urban villages, 81% of the respondents have their garbage collected by local governments, while 97% of the respondents in the rural villages deal with their garbage themselves. Another major difference between the two areas is the income. In the urban villages, the percentage of households with an annual household income of 20,000,000 kip (194,741 yen) or more is 57%, while the figure for the rural villages is 29%. According to the federation of labor unions, the minimum annual wage in Laos was 7,452,000 kip (72,560 yen) in 2012. The proportion of households with an annual household income of 4,000,000 kip (38,948 yen) or less is approximately 8% in the urban area and 17% in the rural area. A comparison cannot be made simply based on the amount of income because it needs to be taken into account that respondents to a questionnaire tend to understate their income levels, and what is more, people in rural areas have a higher degree of subsistence living. However, these results show that the proportion of high income earners is substantially higher in the urban villages than in their rural counterparts.

The survey villages in the urban and rural areas are similar to each other in terms of ethnicity, religion, and culture. They do not differ from each other in terms of house ownership and basic education either. On the other hand, they differ significantly in terms of living infrastructure and transportation infrastructure, and there is an income gap between the two in terms of the proportion of high income earners.

#### **4 - 3 . Level of trust**

First of all, let us look at the level of trust in people, which is the most important element of social capital. As Figure 2 shows, the number of respondents who answered “Most people can be trusted” in response to the question “Do you think that, in general, people can be trusted?” was 31 (26.2%) in the urban villages and 17 (15.7%) in the rural villages, showing a statistically significant difference.<sup>10</sup> There is no clear basis for explaining the higher level of trust in the urban area, but it may be related to the fact that many of the respondents in the urban survey villages are civil servants. In any case, the combined proportion of respondents who answered “Most people can be trusted” and those who answered “A lot of people can be trusted” was 62.7% in the urban villages and 57.4% in the rural villages, which does not show a statistically significant difference between the two areas.<sup>11</sup> When the respondents who answered “Some

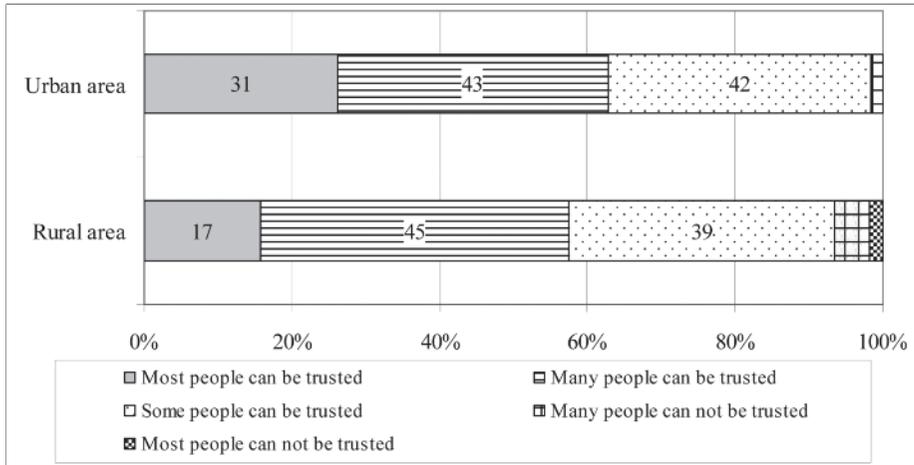
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<sup>10</sup> When the p-value is calculated using the two-sided test, it is  $p = 0.041 < 0.05$ .

<sup>11</sup> Two-sided test,  $p = 0.77 > 0.05$

people can be trusted” are added to the above, the proportion reaches 98.3% in the urban area and 93.5% in the rural area, which shows that the degree of trust in people is extremely high in both areas.

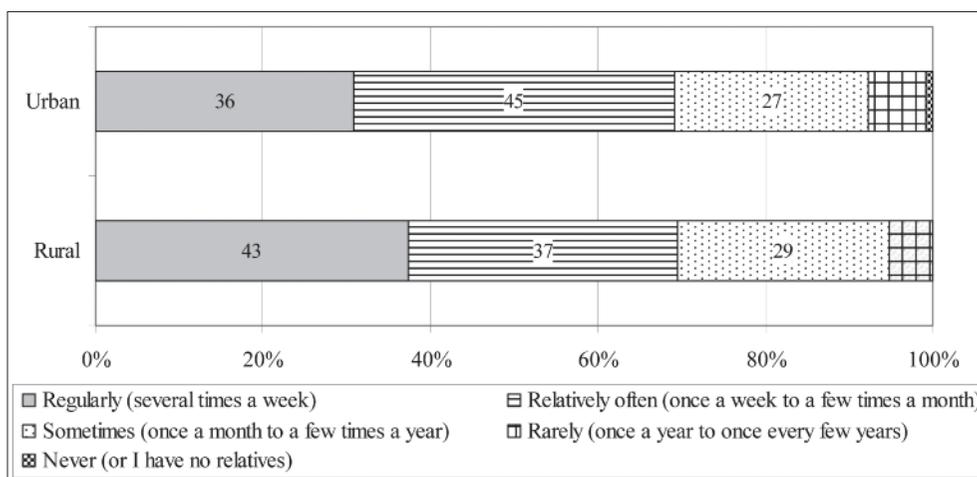
Figure 2: General trust (number of respondents) (Urban area: n = 118, Rural area: n = 108)



Where does this level of trust come from? Bonding social capital is represented by ties based on kinship, neighborhood ties, and ties with friends. In this type of relationship, priority is given to strengthening ties with relatives, neighbors, friends, and acquaintances, and mutual assistance among them. As Figure 3 shows, this survey has found that the number of respondents who answered that they meet their relatives “several times a week” was 36 (30.2%) in the urban villages and 43 (37.4%) in the rural villages. When respondents who meet their relatives “once a week to a few times a month” are added, the proportion is around 70% in both areas. We can conclude that bonding social capital based on kinship ties is extremely strong, with no differences between the urban and rural areas. With regard to the frequency of meeting with friends and acquaintances outside school and work, the number of respondents who do so several times a week or more was 43 (37.4%) in the urban area and 48 (42%) in the rural area, showing that respondents in both areas socialize with their friends and acquaintances as frequently as they do with their relatives. Regarding the relationship with their neighbors, the number of respondents who answered that they “interact with neighbors in the same way as with family” was 37 (32%) out of 115 valid responses in the urban villages and 57 (51%) out of 112 valid responses in the rural villages. This shows a statistically significant difference between the two areas, and it is highly likely that, with regard to bonding social capital, only neighborhood ties are stronger in the rural area than in the urban area.<sup>12</sup>

<sup>12</sup> Two-sided test,  $p = 0.0036 < 0.05$

Figure 3: Frequency of meeting with relatives (number of respondents) (Urban area: n = 117, Rural area: n = 115)



Bonding social capital for specific purposes can sometimes be strong in both urban and rural areas. In fact, many respondents obtain information that is useful for improving their livelihood from relatives, people in the same local communities, or friends (see Table 3). For example, the number of respondents who obtained job search information from relatives, people in the same local communities, or friends was greater than that of those who obtained the information from the city, town or village hall by more than 3 times in the urban villages and by 2.45 times in the rural villages (90 to 29 in the urban area and 130 to 53 in the rural area). Bonding social capital is the most important base of Laos’ village societies, in both name and reality, and in both urban and rural areas.

Table 3: Sources of job search information (multiple answers)

	City, town or village hall	Neighborhood organization	Civic group	Religious organization	People in the workplace	Neighbors, families, or relatives	International aid agencies	Others
Urban area	29	8	8	7	30	90	9	9
Rural area	53	12	4	5	44	130	7	1

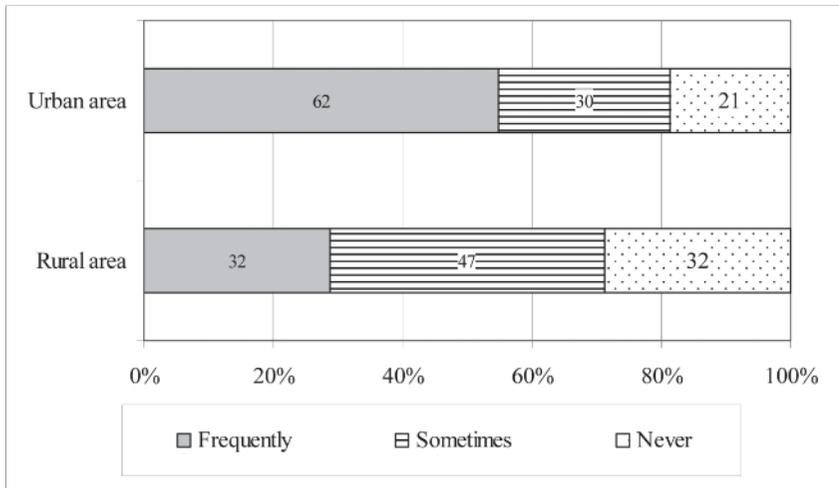
In response to a question about whom or what organization they would rely on for help with problems in daily life or worries such as unemployment, low income, illness, and food shortage, many respondents find the city, town or village hall “Very reliable,” while “Not so reliable” was the most frequent answer regarding schools or hospitals, police or firefighting organizations, the military, political parties or politicians, neighborhood organizations, civic groups, religious organizations, and colleagues.

Then, what about the situation of bridging social capital, which are the most important

attribute to the stability and efficiency of society? The following paragraphs discuss whether the respondents have formed ties or organizations with different social groups other than families or relatives, neighbors, and friends, what the characteristics of such organizations are, and in what respect (e.g., economy or livelihood) such organizations contribute to them.

With regard to the experience of participating in volunteer activities, the number of respondents who answered that they “often participate in volunteer activities” was 62 (55%) in the urban villages and 32 (29%) in the rural villages (see Figure 4). This is a highly significant statistical difference.<sup>13</sup> However, when respondents who “sometimes participate” are added to the above, the proportion is 81% in the urban villages and 71% in the rural villages, which shows that voluntary participation in those activities are quite common in both areas. The term “volunteer activities” could be interpreted as “serving other people voluntarily.” In this case, however, it would be more appropriate to understand the activities as those in which they participate “of their own free will” rather than those “for serving people.” In fact, as shown in Figure 5, the activities include sports, hobbies, and recreations, so they are not limited to those for serving people.

Figure 4: Experience of participating in volunteer activities (number of respondents) (Urban area: n = 113, Rural area: n = 111)

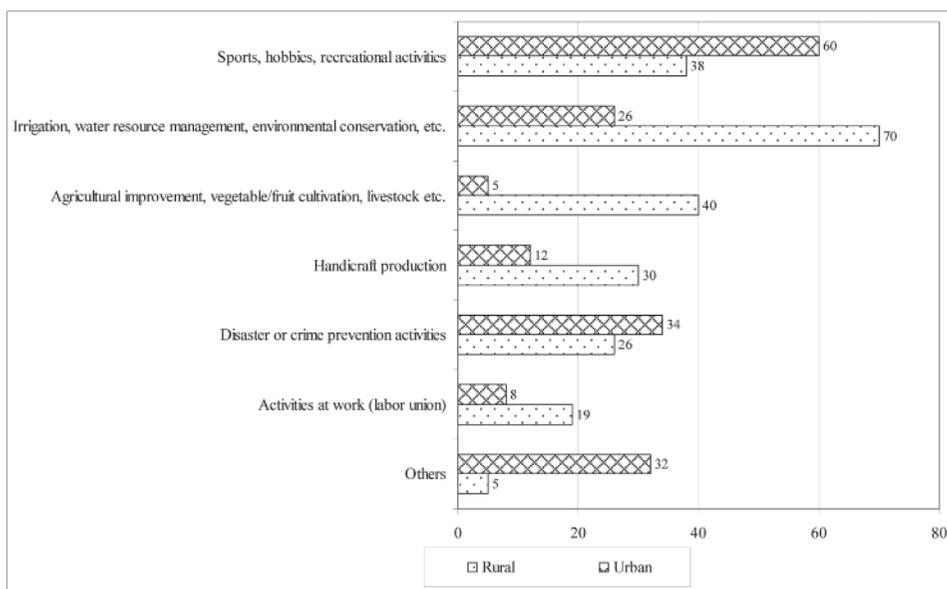


In the urban area, there are many people who participate in activities of their own free will. The majority of these people participate in sports, hobbies, and recreational activities (see Figure 5), which are not aimed at serving other people. In the capital city, there have been increasing opportunities for people to meet with friends and enjoy hobbies or engage in other

<sup>13</sup> Two-sided test,  $p = 0.0001 < 0.05$

activities together. This survey also shows that the number of respondents who have participated in sports, hobbies, and recreations was 60 out of 115 in the urban area. In the rural area, the number of respondents who participate in “irrigation, water resource management, or environmental conservation” activities was outstanding, at 70 out of 115. These activities are also seen in the urban area. Specifically, they are irrigation management in Nong Ping Village and the management of reservoirs in Nongthatai Village and Nong Ping Village. Irrigation and water resource management activities, agricultural improvement activities, and handicraft production activities are suggested by people in a village voluntarily in some cases, while in other cases they are carried out under the administrative direction of provincial or district offices that have jurisdiction over the villages. Accordingly, they are not necessarily activities in which people participate of their own free will. In addition, even if such activities are suggested by people voluntarily, they cannot carry out the activities without government permission. In Laos, disaster and crime prevention activities and labor union activities are carried out under the direction of the national government. Above all, it is mandatory to assign a person to be in charge of disaster prevention from each village under the direction of the public security bureau, and to appoint a person responsible for the labor union from each village under the direction of the party. Looking at these aspects, the activities in which people participate “of their own free will” include both those that people undertake truly of their own free will, such as sports, hobbies, and recreational activities, and those that they are obliged to participate in. The latter activities are promoted under the control of the government and the party.

Figure 5: Types of volunteer activities they have participated in (number of respondents) (multiple answers)  
(Urban area: n = 115, Rural area: n = 115)



With regard to the benefits of volunteer activities, 70% of the urban respondents answered “I have made connections with people in the local community,” and 70% of the rural respondents answered “I think that the activity has been productive.” In terms of their intentions regarding future activities, the proportion of respondents who answered “I want to start participating” was 91% in the urban villages and 93% in the rural villages. Volunteer activities or activities they participate in of their own free will, which represent the bridging social capital, vary widely from those carried out truly of one’s own free will to those initiated by the government. However, the respondents rate both types of activities highly.

What about mutual assistance, which is the next most important aspect for understanding social capital? The number of respondents whose answer to a question about hardships that the respondents have faced in terms of maintaining their livelihood (see Figure 6) was “insufficient money to live on” was remarkably high. Above all, the number of respondents who have experienced this difficulty was 88 out of 115 respondents (77%) in the urban area, where the cost of living has been rising. The proportion of respondents who “helped myself” to overcome those hardships that affected their livelihood was 76% in the urban villages and 66% in the rural villages. In response to the question “How do you think you can improve your livelihood?,” 67% of the urban respondents and 57% of the rural respondents answered that they are able to help themselves, exceeding the number of those who wait for help from others in both areas. It appears that they basically help themselves. Among the respondents who received assistance from others, the percentage of those who answered that they were helped by their relatives was 78% in both the urban and rural villages, while the others received support from their neighbors, friends, or co-workers.

The percentage of respondents who received “assistance from co-workers,” which comes under social capital, was extremely low, being 10% in the urban area and 3% in the rural area. With regard to the rural respondents, this trend may reflect the limited number of people who have co-workers because the number of company employees is small in those villages. However, the proportion of these respondents was only 10%, even in the urban villages, where the number of civil servants and company employees is high. They should have received some form of assistance from their co-workers because civil servants in the country have a custom whereby cash is collected from all the people in the workplace for major life events of each other. The above result implies that such a custom is not regarded as assistance from co-workers, or is merely a formality that cannot be referred to as assistance.

In response to the question, “When you faced hardships that affected your livelihood, from whom did you wish to receive support from in order to resolve those hardships?” (multiple answers), the most frequent answer was “Village committee or organization,” with 37 urban respondents (37%) and 31 rural respondents (27%). This may reflect their expectations for a kind of bridging social capital and may indicate the role that can be played by locally-based autonomous organizations.

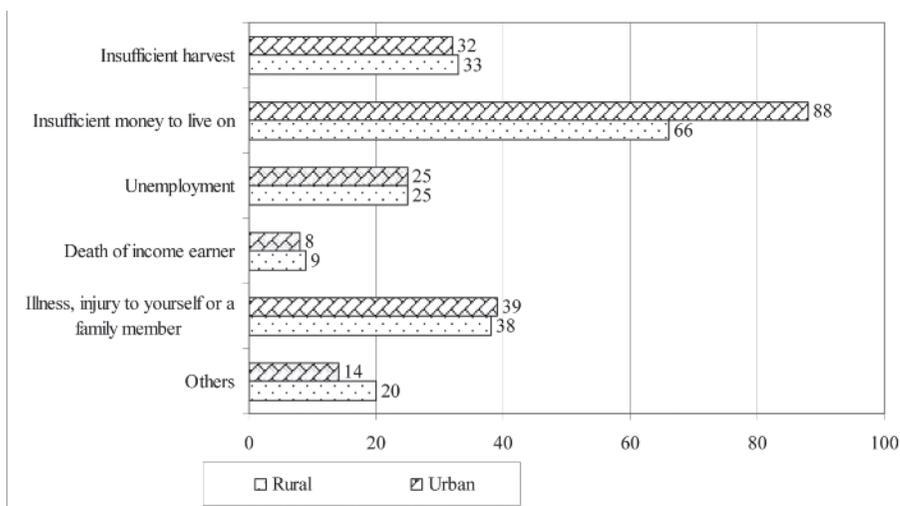
As will be described later, in Nong Ping Village as an urban survey area, a mutual assistance system has been introduced as part of the micro-finance system, under which part of

the micro-finance membership fees are used when the needs arise for members. This may be another example that demonstrates that bridging social capital is functioning in Laos. In the interviews conducted in Done Village, when someone in the village passes away, all the villagers mourn the passing of the deceased, and 10,000 kip and 1 kilogram of rice are collected from each household and given to the bereaved family. All the villagers also help each other in the event of a fire or any other disaster. This is partly a type of bonding social capital based on neighborhood ties, but we can conclude that it is also a kind of bridging social capital in that it involves not just neighbors, but all the villagers. However, both of these systems were created under government initiatives.

The specific hardships that the respondents have faced in terms of maintaining their livelihood (see Figure 6) are mostly insufficient money to live on, which is particularly notable in the urban area. Basically, most of the respondents help themselves to overcome their problems regarding having insufficient money to live on. It appears, however, that the respondents depend on bonding social capital such as kinship where they have no choice but to receive assistance from others.

Figure 6: Hardships faced in terms of maintaining livelihood (number of respondents) (multiple answers)

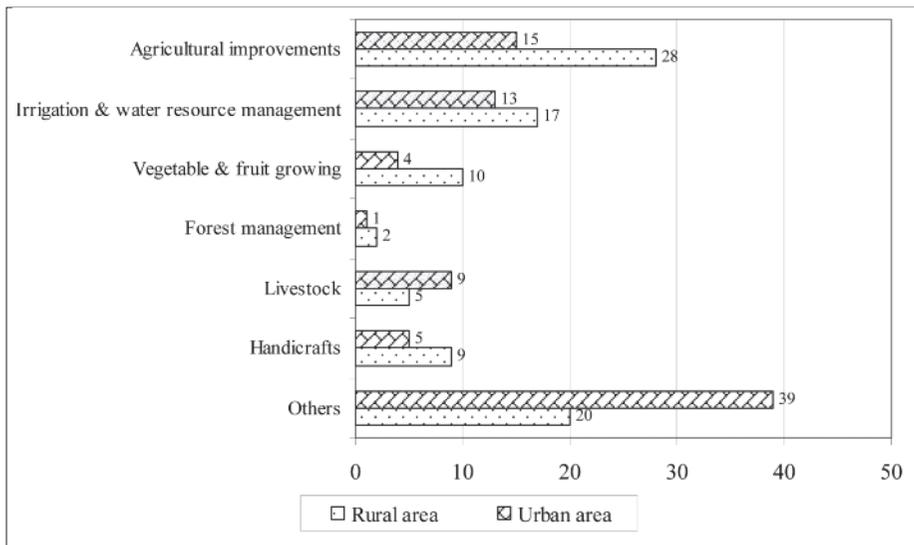
(Urban area: n = 115, Rural area: n = 114)



The number of respondents who participate in local community activity groups that could improve their livelihood was 66 out of 111 (60%) in the urban area and 68 out of 114 (60%) in the rural area, showing an equal level of participation in both. Specific activities in the rural area are agricultural improvement, irrigation, and vegetable and/or fruit cultivation, which are linked directly to their occupations (see Figure 7). Many of the respondents in the urban area undertake other activities, which reflects the diverse economic activities in the urban area. Many

of them answered that they participate in mass organizations and microfinance activities, which were not included in the choice of answers of the questionnaire.

Figure 7: Participation in local community activities that could improve their livelihood (number of respondents) (multiple answers)  
(Urban area: n = 70, Rural area: n = 70)



All the respondents in both urban and rural areas answered “There are assets or resources that are managed jointly by members of the village.” The main such assets and resources are water resources and reservoirs, forests, roads, bridges, ceremonial facilities, and cemeteries. In many cases, rural villages manage water resources and reservoirs, forests and wilderness, roads, and bridges while urban villages just manage roads and bridges. We can conclude that the communities in the rural villages manage not only the natural resources that are necessary for making a living, but also the transportation infrastructure.

According to Ayabe (1992: 140), in the Lao villages around 1960, the religious and traditional key figures were chief Buddhist monks and elementary school teachers, who were leaders and among the few intellectuals in each village. He notes that the main public buildings were Buddhist temples and schools, that were maintained at the expense of the residents. In village societies after 1975, Buddhist temples and schools have remained the main public buildings in rural villages. Society appears to have remained unchanged in this respect, but the social structure has changed completely; under the socialist regime, religions are restricted, and monks have virtually no social influence.

In terms of the succession of rituals and traditions, Done Village would be the closest to being a traditional, naturally-formed village among the surveyed villages, because it has the longest history, and the influx and outflow of residents has been limited. In the supplementary

interview survey in Done Village (conducted on August 28, 2012), we asked whether there had been any changes in social relations in recent years. The answer was “the standard of living has changed, but traditional social relations in the village, such as marriage, religion, festivals, and funerals, have remained unchanged.” However, the cohesion of the village based on religion, such as the one shown by Ayabe, was not seen in Done Village. The management of the Buddhist temple is undertaken by a person in charge among the believers, and this person serves as the liaison between monks and people in general. The Buddhist temple in Done Village has two monks, and the villagers who are responsible for their meals prepare the meals at home and take them to the temple in the morning and at lunchtime.

As a result of the above-mentioned survey in the urban and rural areas with common socio-cultural bases in terms of ethnicity and religion. As a result, we can discern some characteristics concerning the social capital of the respective areas. First of all, the level of trust is extremely high and the bonding social capital is very strong in both urban and rural villages. However, the bonding social capital based on neighborhood ties is not as strong in the urban villages as it is in the rural ones. In addition, activities undertaken of people’s free will, which are deemed to be typical bridging social capital, are carried out vigorously in both urban and rural villages, but most of these activities excluding sports, hobbies, and recreational activities in the urban area are carried out at the initiative of the government and the party. This shows that government-initiated social capital has an important presence in both urban and rural villages. The next section will look at specific examples of government-initiated social capital: those seen in top-down organizations and those related to the promotion of the country’s development.

## **5 . Government-initiated social capital**

### **5 - 1 . Social capital seen in top-down organizations**

In discussions on social capital in Laos, it is unavoidable to face with social capital that has been created or reinforced by the national government. This type of social capital may appear to be bridging social capital, but it is different from voluntary ties between citizens. Most of such systems place village organizations under their control, spread all over the country, and function in a similar way to social capital in each village. The following sections discuss aspects of this government-initiated social capital.

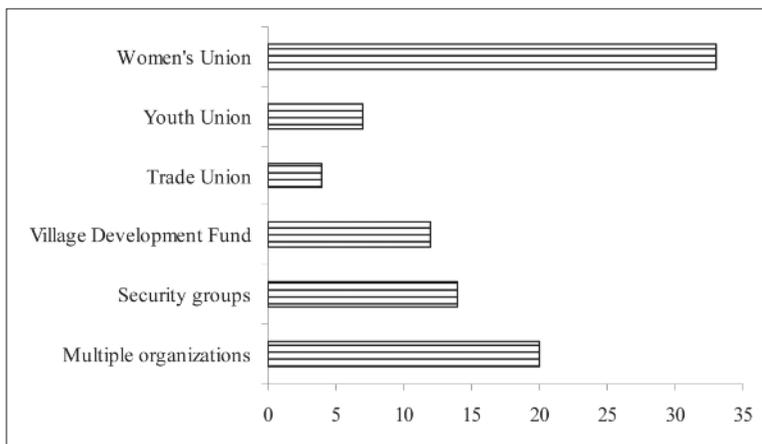
One example of such organizations is neighborhood groups, which were created nationwide under the state initiative after the socialist regime was established in 1975. Each village has groups of 10 to 15 households, which are called *neuai*. This system allows the village chief to be aware of the situations of all the households in the village. A *neuai* is headed by a group leader who works as a volunteer. The leaders transmit messages from the village chief to the households in their groups and advise the village chief promptly about the situations of the groups. To ensure smooth communications, a *neuai* plays a role that is specific to a village society. For example, when someone from a household in a group dies, the group leader advises the village chief to that effect and the village chief collects donations from all the households

in the village via the group leaders. Thus, a *neuai* has functions that are very similar to those of social capital in terms of mutual support and networks.

However, because *neuai* is a system created by the state, it has some aspects that deviate from the basic form of social capital. A group leader is considered to be a volunteer, just like the village chief and village committee members, but there is actually an administrative direction that makes it mandatory to select a group leader, and the selection of a leader is a duty imposed on each group. Accordingly, it is a system of duty and volunteer labor rather than social capital. A group leader is not chosen by a vote. Instead, the person who enjoys the greatest confidence in each neighborhood is chosen as the leader. This system, which is based on both confidence and networks, has been maintained not on a voluntary basis but in a top-down manner.

Another form of government-initiated social capital is mass organizations. Under the control of the Lao People's Revolutionary Party, organizations aimed at mass mobilization were formed as a system of the party. These organizations consist of members at the levels of the central government, provinces, districts, and villages, and they have established nationwide networks. Many citizens of Laos belong to mass organizations. Generally, young men and women belong to a youth organization called the Lao People's Revolutionary Youth Union, adult women belong to the Lao Women's Union, workers belong to the Federation of Trade Unions, and elderly people belong to the Lao Front for National Construction (Neo Lao Sang Sat). Of these, the Lao Women's Union has the largest number of members, said to be 1,011,595 nationwide in 2006, or around 34% of the total female population. In the survey areas as well, the Lao Women's Union has the largest number of members (see Figure 8). There are many people who belong to multiple organizations. For example, it is usually members of the Lao Women's Union who become involved in the activities of the village development fund. As for security units, the Youth Union has a close link to their activities.

Figure 8: Participation in organization activities in the urban area (number of respondents) (n = 90)



Security units are called *konglon*, and young men from each village are selected as the members. Generally, the members of *konglon* are selected among the members of the Youth Union in each village who are reliable and of high morals, and they are appointed by the administration of the district based on the name list submitted by the village. The members of *konglon* are volunteers. They patrol around the village to prevent crime and escort official visitors from outside the village to ensure their safety. There are many cases in which such highly-trusted young men are later elected as members of the party by the village residents. Because Laos was in a state of civil war for many years, ensuring the safety of each village was a high-priority issue. Thus, *konglon* is a system that was reinforced based on the historical experiences of villages that have gone through the period of civil war. The administrative office of the district exercises jurisdiction over the situations of each village reported by *konglon*.<sup>14</sup>

As with *konglon*, “trustworthiness” is the most important criterion when members of the Lao People's Revolutionary Party are elected in each village. The Lao People's Revolutionary Party has been increasing its members by gathering human resources at the village level. The members are required to enjoy the confidence of the village and be literate. Villagers who have become party members hold meetings once a month in the village to become aware of and confirm the situations in the village. They also hold a district-level meeting every other month and a province-level meeting every quarter, at which the situations of the individual villages and districts are reported.

As described above, there are a number of top-down organizations in each village in Laos. *Neuai* contributes to communications and mutual support between neighborhood groups. Mass organizations cover social groups based on age or gender. And *konglon* helps maintain the security of each village. All of these are organized under the state initiative, and village-level activities are carried out as unpaid volunteer activities. These organizations fulfill the conditions of social capital -- that is, networks, norms, and trust -- except for the fact that people do not necessarily participate in these activities truly of their own free will.

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<sup>14</sup> In addition to *konglon*, there is a public security bureau commonly known as *Po Kho So* (*pongkan khuam sagob*), which was established after 1975. This bureau has dedicated local government officers working for its district offices, who visit the villages once to several times a month to supervise the security of each village. In some villages, volunteer workers are sent to *Po Kho So* as its members in charge of the villages. Both *konglon* and *Po Kho So* can mobilize the villagers to get them to work for the security of the individual villages without compensation and link their activities as a whole to national defense.

**5 - 2 . Social capital in the promotion of development**

**5 - 2 - 1 . Titles of villages**

In addition to economic liberalization, the development of the country has been a major goal of the Laotian Government since the 1990s. With support for development from Western countries and international organizations, which began to increase following the collapse of the Soviet Union, the government established the National Poverty Eradication Programme (NPEP) and National Growth and Poverty Eradication Strategy (NGPES). The government also aims to exit from the status of one of the “Least Developed Countries (LDCs)” by 2020.

In this context, diverse development mechanisms have also been created at the village level. In the survey villages of this study, we saw some examples of social capital that derives from development. One is the system of giving titles to villages in the country, which was introduced by the national government of Laos. Villages that have reached certain levels in specific categories such as sanitation, culture, and security are granted awards in these categories. When a village has reached certain levels in all the categories, it is granted the title of “Development Village.” The titles are issued by the ministries in charge of the respective categories. For example, the category “sanitation” comes under the jurisdiction of the Ministry of Public Health, while “culture” comes under the Ministry of Information and Culture. A village can receive a title if it has fulfilled 80% of the criteria.

Titles that have been granted to the survey villages are shown in Table 4. The title of “Hygienic Village” requires that garbage is treated in the village. A “Healthy Village” is required to have its children vaccinated. The requirement for a “Security Village” is the absence of crime. These are examples of common titles, and Done Village has also obtained the titles of “Party Leader Village” and “Women’s Three Virtue Village,” which are unique to this village. Similarly, Nakang Village was granted the titles of “Educational Village” and “Village that has abolished shifting cultivation,” which are unique to this village.

Table 4: List of titles granted to the survey villages (2011)

	Sanitation Village	Healthy Village	Cultural Village	Security Village	Development Village
Phonesavang	v	v	v		v
Nongthatai	v				
Nong Ping	v	v	v	v	v
Done	v		v	v	v
Nakang	v			v	

These titles themselves do not create social capital directly. However, because the titles determine the rank of each village, the activities within a village are boosted toward the acquisition of titles. In fact, the village chief of Done Village said that the village had been making concerted efforts to obtain titles. However, villages with titles are subject to annual inspections, and their titles may be rescinded depending on the results of the inspections. The village chief is dismissed if the village loses its title as a result of the inspection. This system seemingly encourages villagers to be united toward achieving development goals, but it is also a strict control system under which any negative changes in situations result in the punishment of the village chiefs.

In addition to the above, there is a Mediation Committee as an organization related to titles such as “Crime Prevention Village” and “Security Village.” The Ministry of Justice began to take action in 2001 to establish the Village Mediation Program, and the program was introduced to the villages around 2004. Before 2000, more than 1,000 lawsuits were filed with each provincial court every year. The number was beyond the capacity of each court. Under the Village Mediation Program, the administrative office of each province sends lawyers to each village, where they provide one week’s training to the Mediation Committee members in the village. In the training, the members learn how to mediate between conflicting parties and what is mutual understanding for settling disputes. Committee members are selected by the village chief, *Po Kho So*, the Lao Women’s Union, the Lao Front for National Construction, and the Lao People's Revolutionary Youth Union. In Phonesavang Village, an elder man of each village would have been the mediator prior to the establishment of this system. Under the Village Mediation Program, the village chief plays the leading role. In Nong Ping Village, around 95% of disputes within the village are mediated under this new program.

These are examples showing the strong influence of government-initiated measures aimed at exiting the status of an LDC by 2020 on the approaches to cohesion and cooperation of village society. In Laos, each village has experienced the formation of goal-oriented organizations, which are aimed at achieving national development goals under the direction of the village chief.

### **5 - 2 - 2 . Social capital seen in microfinance**

Putnam advocates that voluntary cooperation is encouraged by social capital, and notes that an important example is the rotating credit association, which is an unofficial credit financial system (1993a: 167-169). Putnam admires the rotating credit association, noting that it has been operated successfully in various places around the world despite the risks of debt defaults and betrayals and the absence of punishment systems. He points out that the risks of debt defaults and betrayals are minimized by the norms of reciprocal, active participation and networks. He notes that the rotating credit association can overcome the dilemma of collective actions by using social capital. As with the cooperative association and other forms of mutual assistance and solidarity, the rotating credit association is based on voluntary cooperation and is deemed to be similar to social capital in terms of characteristics. Accordingly, Putnam notes, mutual assistance and the rotating credit association are investments in social capital.

Microfinance has come to be used widely, particularly as an effective mutual aid system for low-income groups in developing countries.<sup>15</sup> Following introductions and successful operations in developing countries, microfinance was introduced to Laos in the 1990s under development cooperation projects of the United Nations Capital Development Fund (UNCDF) and NGOs. In the 2000s, the Lao Women's Union, which received support from a civil organization in Thailand, began to operate the project nationwide as a "village development fund". The Lao Women's Union as the central organization has determined the rules and how to operate the fund, and has provided training to the village-level organizations of the Union. The leaders of the village-level organizations who received the training have been operating the fund in each village. The Lao Women's Union is a mass organization of the party, but has been functioning as the main host organization in Laos for gender-equal international cooperation (Inuma, 2013).

As mentioned earlier, microfinance activities were not included in the response alternatives of the questionnaire, but respondents raised them as examples of local community activities that could improve their livelihood. Microfinance has actually made significant achievements in the survey villages. In Phonesavang Village, the Lao Women's Union in the village introduced microfinance at the end of 2005. As of February 2011, 96 people are registered and the amount of the fund has reached 193,000,000 kip. Of the fund, 12% is appropriated for expenses required for operating the fund, and 6% is used for development activities in the village, such as improvements to elementary schools. Another 5% is used as contingent costs, and 3% is appropriated for expenses for proposers and technical instructors.

The representatives of the Lao Women's Union of Phonesavang Village are more active in microfinance activities than those in the neighboring villages, and are familiar with microfinance in the country. According to the Lao Women's Union of the village, more than 300 groups for providing microfinance services had been established nationwide by the mid-2000s, and approximately 70% of their participants are members of the Lao Women's Union.

In Nong Ping Village, after the preparatory period from 2000 to 2005, more than 200 households participated in microfinance, and the amount of the fund had reached 200 million kip as of 2011. Seventy percent of the fund is operated, and 30% is appropriated for the cost of operating the fund. The annual membership fee is 50,000 kip, which is used for mutual assistance that is similar to social security. For example, when someone from a member household dies,

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<sup>15</sup> As summarized in a Microfinance Handbook from the World Bank (Ledgerwood, 1999: 1-2), microfinance began to attract attention in the mid-1980s as a method of providing loans to poor people in developing countries via a locally-based, sustainable program. Features of microfinance include "small loans, typically for working capital, informal appraisal of borrowers and investments, collateral substitutes, such as group guarantees or compulsory savings, and access to repeat and larger loans, based on repayment performance." Organizations providing microfinance services include NGOs, savings and loan cooperatives, credit unions, government banks, commercial banks, and nonbank financial institutions.

1,500,000 kip is paid to the bereaved family as condolence money. The fund is also used for granting subsidies for hospitalization costs or the cost of complicated treatment in the event of an accident or disease. In addition to the above, donations are solicited in Nong Ping Village for joint activities for cleaning up the village and repairing temples and the maintenance of school facilities.

In the questionnaire survey, 48 of 115 respondents (42%) who gave valid responses in the urban area and 39 of 116 such respondents (34%) in the rural area answered that they had used a village development fund. With regard to the main purpose of use of the borrowed money, 14 urban respondents and 15 rural respondents answered that they used it for agricultural improvements, and 37 urban respondents and 23 rural respondents said that they used it for business. With regard to the name on the loan, 58% of users in the urban area are women, while the proportion of women is 48% among users in the rural villages. This may also be related to the fact that the urban area includes villages such as Phonesavang Village, where microfinance activities are carried out actively by women.

As described above, trust, reciprocity, ties, and networks have been established through microfinance in both urban and rural villages. We can conclude that this is a firm bridging social capital at the village level. However, the overall activities have been furthered under the direction of the Lao Women's Union, which has a large number of members in central, provincial, district, and village organizations. Under this top-down system, horizontal ties have been created in the village-level activities at the base.

Social capital in the furtherance of development is aimed at combining socio-economic resources within villages through the development of social relations in the villages, and ultimately at the development of the country. These relations are not established out of citizens' free will, but were introduced as part of the system of governance by the national government. Trust, mutual assistance, communications, and networks have become norms also for such government-initiated social capital.

## **6 . Conclusions**

This article has studied social capital in the urban and rural areas of Laos from the viewpoint of bonding and bridging social capital. It was revealed that the level of trust in people is extremely high in both the urban and rural areas, and that bonding social capital, which is established based on kinship ties, neighborhood ties, and ties with friends, is extremely strong in both areas. This strength was recognized in both the ties between people and in mutual assistance.

The majority of the aspects of social capital studied in this paper do not show statistically significant differences between the urban and rural areas. The first aspect that shows a significant difference is whether or not they "interact with neighbors in the same way as with family." The survey revealed that neighborhood bonds, which have weakened in the urban areas, are being maintained in the rural areas. There are also significant differences between the two areas in terms of the number of respondents who answered that they "often participate in volunteer activities" (meaning activities in which they participate of their own free will) and the number

of those who gave “sports, hobbies, and recreational activities” as the details of the volunteer activities. This suggests the possibility of bridging social capital in formation in urban areas through participation in hobbies and recreational activities.

In his book cited above, Ayabe describes the Lao people’s society around 1960 as follows: “It is cohesive as a village but the internal combination organization is loose, and strong regulations like those we call collectives are not considered to exist there.” He notes that there is nothing similar to the caste in India or the clan in China, and that classes and affiliations are not definitive. He observes, “The residents think in highly individualistic and relative ways. They hate to interfere much with each other and like to live freely.” (1992: 141) Interestingly from the viewpoint of social capital, he points out that “Lao hamlets do not have any particular political organization other than chiefs and deputy chiefs” and “There is no organization that is similar to age-based groups, secret societies, or clubs.” (141-142) There was nothing other than Buddhism that integrated the free, individualistic Lao societies into a single hamlet.

Such free villages without any fixed organizations are unimaginable based on the villages in Laos after 1975. Religious ties within villages, which had existed before 1975, were replaced by multi-layered village organizations created by the national government and networks linked closely to politics and public administration. The majority of people in each village participate in some organizations, most of which are linked directly to the national government. We can therefore conclude that there are strong ties in Laos as far as the national government and social relations are concerned. Information about institutional orders is communicated in a top-down manner, and information about the situations of each village is transmitted in a bottom-up manner. In the top-down network, information is transmitted from the central government, provinces, and districts to the village chiefs and village committees, and finally to the villagers via mass organizations or *neuai*. In the bottom-up network, multi-layered networks of *neuai*, security units, and mass organizations are linked to the district, province, and central government via village chiefs and village committees. Bridging social capital is created vertically by involving these organizations. Setting aside the discussion over whether or not it can be called true social capital, it serves as the base of people’s social activities. In the future, attention will be drawn to the levels of systems for collaborations of the national government and social relations that will be created under the current conditions, in which bonding social capital in the country concurrently plays the roles of mutual assistance and social security.

The few horizontal relations seen in the villages are based on sports, hobbies, and recreational activities that are seen mainly in urban areas. In addition, activities concerning irrigation and water resource management, which are seen mainly in rural areas, are based on horizontal cooperative relations involving large numbers of people and closely related to the occupations of the participants, although such activities are implemented by village organizations. New networks and ties have also been created in Laos in the name of “development.” Titles granted to villages have provided an incentive for village leaders, such as the village chief and village committee members, and villagers to be united with each other. Like microfinance activities, new horizontal relations categorized as ones for “development”

are actively encouraged. However, although individuals are related to each other horizontally, the organization that manages microfinance activities is the Lao Women's Union, a mass organization under the party that is organized highly vertically.

Since 1975, the Laotian government has created numerous systems and networks under the ethics of comprehensive mutual assistance by skillfully incorporating social relations. Trust, the norm of mutual assistance, and networks appear to be firm in both the urban and rural areas. However, most social capital in Laos is based on top-down relations. Bottom-up relations, which are typical relations of social capital, exist only for reporting village information. The viewpoint advocated by Coleman and Putnam, who advocate that systems with high cultural standards and high efficiency derive from horizontal relations, does not apply here. Under a regime that does not tolerate horizontal relations based on free will, the question is what social relations are tolerated or promoted by the government, rather than what social relations exist there. In other words, the currently existing social relations can portray the characteristics of the political power. We can conclude that the government's vision for society is revealed by looking at which social relations are inhibited and which ones are not.

In Laos, government-initiated social capital constitutes the majority, or we can also say that systems whose roles are extremely similar to those of social capital have been created. Apart from the absence of free, voluntary relations as an element of civil society, social capital formed under government initiatives can result in extremely solid organizations. Villagers answered that they "participate" in such organizations. However, the questions were based on the assumption that they participate in the organizations "voluntarily," and the questionnaire form did not include questions that would have enabled elements of "mobilization" to be identified. The question remains as to how far government-initiated social capital can be the true "bridge," but "voluntary" participation and participation resulting from "mobilization" are very closely related to each other, and the boundary between them is intricate. Movements toward the formation of social capital are expected to grow even stronger in the future, and a remaining task would be to deepen the understanding of the government-initiated creation of organizations and of the roles of voluntary social relations.

## **Appendix 1 . Overview of the survey villages (based on interviews with village chiefs conducted in February and November 2011)**

### **1 - 1 . Urban area**

Phonesavang Village was founded in 1989, when it was separated from Phonthon Village and Nongthatai Village due to population increases in these villages. Initially, the number of households in Phonesavang Village was 80, and it had increased to 628 as of 2010. The population in this village is the largest among the survey villages. In Phonesavang Village, civil servants' households constitute around 80%, and civil servants' housing in the village accommodates more than 200 households. Because most of the land of the civil servants' housing is under the jurisdiction of the Ministry of Education and the Ministry of Public Health, civil servants who belong to these ministries live in this area. Many teachers live in the section

that is under the jurisdiction of the Ministry of Education. In the area of land under the jurisdiction of the Ministry of Public Health, there is Mittaphab (Friendship) Hospital, which was founded with the support of the former Soviet Union. It later received support from India and South Korea, and it now functions as a major general hospital in the capital area. The other households in the village, which account for around 20%, are headed by day laborers, and there is no farmer in the village. Accordingly, most of the people in the village have moved there in recent years. Some households undertake sideline businesses such as weaving, sewing, and retailing. Around 30 households in the village are poor households, whose heads do not have regular jobs but engage in day labor, etc. The villages in general are run by village chiefs, deputy village chiefs, and village committees, and they do not employ officials dedicated to village management. Phonesavang village is exceptional in this regard. It has its own financial resources, and employs five or six full-time officials for village operations.

Next, with regard to Nongthatai Village, two-thirds of its residents moved into the village in 2000 or later. The majority of households are headed by civil servants or laborers, and approximately 2% are poor. There was a salt mine in this location, and there were initially six households residing in the village. Lao people started to move into the village around 1910, and they cultivated the land to grow rice. Rice farming had been the major occupation of the villagers until the 1990s, but there were no longer any rice paddies left in the village by around 2007 and 2008. Farmers began to undertake commerce or became factory workers. The other households, which constitute nearly half of all the households, are headed by civil servants, most of whom are soldiers or police officers. Some of them work for government-run companies.

The other survey village in the urban area is Nong Ping village. According to the village chief, the features of this village are its rich natural environment, large land area, and beautiful scenery. Commerce and business, civil services, and factory work are the main occupations, and full-time farmers account for around 20% (approximately 100 households). Seven or eight households are involved in forestry. There is no civil servant housing in the village. There is a large marsh in the village, so the soil quality is high and there are bountiful forests. This attracted the first eight households to the village. Initially, the marsh was called Nong Ing (Ing Marsh), and the current village name is derived from the marsh's name. In 1975, there were around 70 households. The number increased to 115 by 1990 and 500 by 2011, and the population of the village continues to grow. A waterworks system and electricity were introduced to the village in 1991. As of 2011, there were eight factories in the village, involved in sewing or the production of drinking water, furniture, and other products.

## **1 - 2 . Rural area**

Done Village in Feuang District, Vientiane Province is the oldest village in the district. According to an old village temple in a neighboring area, the village was founded around 1600. Because the name of the village is widely known, a bus that runs on the Route 13 bears a destination sign stating "Bound for Done Village." Due to its small area, Done Village does not have any new residents. It is a place of scenic beauty, known for its natural environment that is suitable

for paddy cultivation and its steep limestone cliffs. All the villagers belong to an ethnic group called Phuan, which is classified as Lao. Approximately 30% of all household heads work outside the village, including the capital city, engaging in paid work or commerce. Some people reside in the village and commute to the capital city. The occupation of the people in Done Village is rice farming, and all the households in the village consist of full-time or part-time farmers. The village has an irrigation system that uses natural rivers, and the irrigation rate of this system is 100%. The irrigation system was introduced in 1985, and the irrigation association is managed by village committee members, security units, the village police, and the council of elders. In addition to paddy cultivation, swidden cultivation is also undertaken in the village. The use of forestry products and livestock breeding are among the other jobs of the villagers.

The other survey village, Nakang Village, has the largest population in Feuang District. At the time of the survey, the village chief of Nakang was a woman, which is quite rare. It has been passed down by word of mouth in the village that Nakang Village was founded in 1761, when seven households moved there from Houaphanh Province in the north. The households are located on land where it is easy to build waterways and where the river system passes through the village into the rice paddies. The name of the village means “central rice paddies,” which expresses the importance of paddy cultivation. The main occupations of the villagers are farming, including rice cultivation and livestock breeding. Some households sell farm products at a market in a nearby area, which is their sideline business. As of 2011, 108 households in the village undertook self-sufficient farming. The irrigation rate has been 100% since 2006, but the amount of water is insufficient. As a result, in the dry season, paddy cultivation is undertaken for approximately 30% of crops compared with the rainy season. The farming area is divided into five sections, to which water is distributed on a yearly basis. The steering committee of the irrigation association consists of the village chief, deputy village chief, a representative from each of the five neighborhoods, one from the security unit, and one from the provincial forestry office. The requirements for the members of the steering committee include honesty, fairness, and authority in the village. In addition to rice, commercial crops including pineapples and bananas are also produced in the village. There are around 100 non-farming households, whose members include 120 civil servants including teachers and people undertaking commerce and paid work. The income of people who work outside the village as seasonal workers accounts for around 40% of the total income of the entire village. Every year, between 20 and 30 of the young people who are educated in the capital city get jobs in the capital and do not return to the village. These people work as doctors, civil servants, or factory workers, for example. There are three high-level government officials from Nakang Village. Despite the fact that many people are moving out of the village, its population has been growing. Many of the villagers are originally from Houaphanh Province, so there is a large population influx from this province.

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