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# Urban environmental governance innovations in China

Arthur PJ Mol

China's system of environmental governance is changing rapidly, resulting in new environmental institutions and practices. State authorities rule increasingly via laws and decentralise environmental policymaking and implementation. Non-state actors – both private companies and (organised) citizens – are given and taking more responsibilities and tasks in environmental governance. This results in new relations between state, market and civil society in environmental governance, with more emphasis on efficiency, accountability and legitimacy. The diffusion of these governance innovations throughout China as well as their environmental effectiveness will be focal points for future research.

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## Introduction

While national systems of environmental governance in most OECD countries have shown a considerable degree of stability over the past two decades, in China environmental governance is in flux [1]. Between 1991 and 2007, the staff of state environmental authorities increased from 70 000 to well over 170 000 and governmental environmental investments increased from RMB 10 billion to RMB 340 billion (and from 0.6% of GDP to 1.36% of GDP). Equally astonishing is the – still ongoing – transformation in environmental governance institutions, the subject of this review. The reasons behind these dynamics in environmental governance are manifold. A period with unprecedented economic growth and a massive increase in urbanisation have accelerated natural resource use and environmental pollution dramatically, certainly over the past decade. Secondly, both new state–market relations following the transition of the former centrally planned economy and inadequate state environmental authorities called for new modes of – and new actors in – environmental governance. Third, higher living standards of especially the urban population and

a less rigid authoritarian state provided room for more civil expressions of environmental discontent. This further pushed reforms in environmental policy-making. And lastly, the rapid integration in the world economy and polity increased international and national demands for new state policies [2<sup>•</sup>]. This article reviews some of the most important recent innovations in urban environmental governance in China.

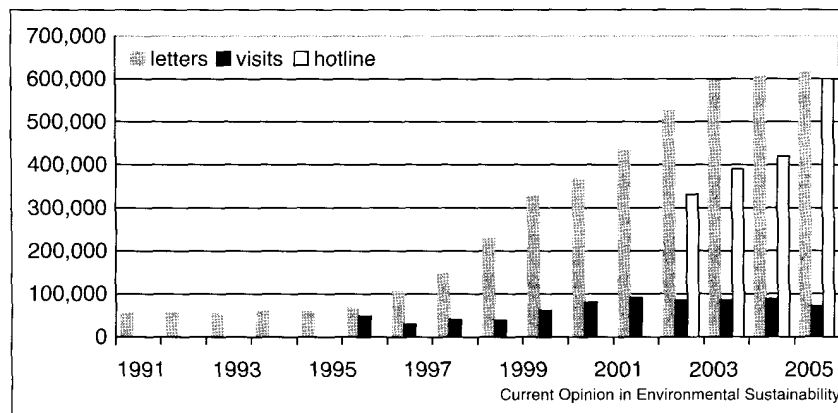
## Transitions within the environmental state system

Internally, the system of environmental state organisations in China is showing remarkable changes since the turn of the millennium, of which four deserve mentioning.

First, the content of environmental policy-making is rapidly modernised and updated. New environmental laws, such as the Cleaner Production Promotion Law (of 2002) [3], the Environmental Information Disclosure Decree (of 2008), and the Law on Promoting Circular Economy (of 2009), and new environmental policy instruments, such as voluntary agreements [4<sup>•</sup>] and emission trading [5<sup>••</sup>], point at a harmonisation of China's environmental policy with that of OECD countries. But operationalisation and implementation of these modern environmental strategies keep some of their Chinese characteristics: low fines, an emphasis on promotion rather than regulation, and a complicated division of responsibilities between horizontal and vertical lines. Regardless the strong international influence and cooperation, some typically Chinese environmental policies remain intact, such as the three simultaneous principle [6] and the National Environmental Model City program [7].

Second, decentralisation and more flexibility in environmental policy-making and implementation are paralleled by moving away from a rigid, hierarchical, command-and-control system. Increasingly local and provincial Environmental Protection Bureaus and local governments are given – and taking – larger degrees of freedom in developing environmental priorities, strategies, financial models and institutional arrangements [8]. This is motivated by past state failures in national environmental policy, but also part of a wider tendency of less centralised control. Decentralised and more flexible environmental policies may be more effective as they can be better adapted to the local physical and socio-economic situation. But citizens perceptions on the (environmental) performance of local urban governments are not very positive [9]. Hence, decentralised policies need to be

Figure 1



Environmental complaints by letters, visits and hotlines to Environmental Protection Bureaus, 1991–2006 (China Environmental Statistical Report, various editions).

paralleled by performance measurement, (environmental) auditing and accountability mechanisms, to make sure that local authorities give priority to the environmental concerns of citizens (and not to their own interest). The Quantitative Examination System for Comprehensive Urban Environmental Control and an emerging environmental auditing system are new developments in this regard [10,11,12\*\*]. They ensure some form of national control, where environmental policy-making and implementation becomes decentralised.

The third major development is also instrumental is this: the strengthening of the rule of (environmental) law. The system of environmental laws has led to the setting of environmental quality standards and emission discharge levels. For a long time, being in conflict with the law was less problematic than being in conflict with administrations and policy programmes. This is now slowly changing. The strengthening of the rule of environmental law goes together more attention and resources for enforcement [13], a more formal enforcement style of EPBs, and stronger (financial) punishments of companies. Courts are getting more involved in enforcement, also through legal procedures initiated by citizens and environmental NGOs, such as the well-known Centre for Legal Assistance to Pollution Victims (CLAPV) in Beijing [14].

This increased involvement of citizens in environmental policy-making and implementation is the fourth main development. The 2003 Environmental Impact Assessment Law – and especially its 2006 public participation provisions – includes stipulations on openness of information; safeguarding participants' rights; and procedures and methods for public involvement, including opinion surveys, consultations, seminars, debates, and hearings [15]. Through public hearings citizens also become more involved, for instance in setting prices for water and wastewater treatment at the city level [16]. Citizens are

also actively engaged in monitoring and are (financially) stimulated to file environmental complaints on environmental misbehaviour of companies and on implementation failures by lower-level environmental authorities [17,18\*\*](see Figure 1).

### Using markets and prices

Centrally planned economies did a poor job in setting the right price signals for a sustainable use of natural resources and a minimisation of environmental pollution. With a turn to a social market economy this is changing. In China, environmental protection slowly becomes part of markets, prices and competition, in four ways.

First, subsidies on natural resources (such as water and energy) are rapidly being abandoned, turning natural resource prices towards cost prices. For instance, water prices for citizens, industries and farmers, for instance, have increased sharply over the past decade, often with 10% or more per year [19,20]. Energy prices have also lost part of their subsidies. Higher energy prices contributed to higher energy efficiencies [21]. Sometimes, lower income groups are financially compensated for steep price increases. But natural resource prices seldom reflect all costs for repair of damage and environmental externalities.

Second, economic incentives, fees and taxes are increasingly used, to influence (economic) decision-making of polluters. In particular, discharge fees (related to the amount of pollution, or the amount of pollution in excess of standards) are common. In 2007 environmental authorities received around 174 billion RMB waste discharge fees, and this amount has been increasing over the past five years with 20–30% annually. Between 2000 and 2008, the average wastewater treatment charge per m<sup>3</sup> in the 36 largest cities increased with almost 300%. (*China Statistical Yearbook on Environment*, various editions). Fees are higher in heavily polluted and economically developed

areas. Many small and rural industries still managed to escape payment owing to lack of enforcement. In addition to these fees, a growing number of pilot projects on payments for environmental services can be witnessed, where resource consumers are financially compensated for less resource use (or less pollution) [22].

Third, private companies are increasingly becoming involved in executing public tasks and services on the environment. Urban service provisioning in drinking and wastewater [23<sup>\*</sup>], energy [24], and solid waste management experiences all kinds of new public–private partnership models. Private (inter)national capital is included to remove financial shortages, poor service quality and inefficient operation. Environmental service functions of provincial environmental authorities are also partly privatised and commercialised (such as monitoring, education and information dissemination; [25<sup>\*\*</sup>]).

Fourth, in the wake of China's accession to the WTO, market demand increasingly triggers transparency, information disclosure [26<sup>\*\*</sup>] and greening of products and production processes. Supply chains start to articulate environmental interests [27<sup>\*</sup>]. In China, a significant number of domestic labelling programs for green, organic, and healthy products have started, among others, in the field of food products, energy conservation, water conservation, and building materials [28,18<sup>\*\*</sup>]. Although a domestic market does exist for green labels, most of the organic food production is for the international market. While company social responsibility reporting is predominantly linked to internationally operating enterprises, both Chinese and foreign ones, certification of company environmental management (with over 10 000 ISO14000 certified companies in 2008) have been adopted by all kinds of companies [29,30<sup>\*</sup>,18<sup>\*\*</sup>].

### Civil society and information disclosure

Besides a direct involvement of citizens in the making and implementation of environmental policies, China is also providing more room for citizens to organise themselves, express their environmental concerns and set new public agendas for environmental reform [31]. A growing sector of (semi)independent non-governmental organisations addresses environmental issues. There are now over 10 000 local, provincial and national environmental NGOs in China. The truly independent Chinese NGOs, also called grassroots NGOs, have far less impacts in China than the so-called Chinese-based western NGOs, owing to less funding and lower degrees of professionalisation. Some NGOs are still related to state organisations, the so-called Government-Organised Non-Governmental Organisations or GONGOs [32<sup>\*</sup>]. The action repertoire, activities and networks of all these Chinese NGOs differ from those of NGOs in OECD countries [33]. This emerging green civil society is also noticeable in the media. A growing body of research

analyses mounting openness on environmental catastrophes in the mass media and on the Internet [34–36]. Especially on a local level and around national prestige projects as the 2008 Beijing Olympics 'conventional' reflexes of suppressing environmental criticism are still frequently reported. However, compared with sensitive issues as Tibet, the Falun Gong and Taiwan, the environment seems to experience limited reporting restrictions [18<sup>\*\*</sup>]. In the tradition of right-to-know legislation, the 2008 Environmental Information Disclosure Decree forces authorities and companies to further open up their environmental information to the public. The independent Institute for Public & Environmental Affairs build already an Internet based, publicly accessible and interactive pollutant emission register for China (<http://air.ipe.org.cn/en/wrydt.jsp?ssqybh=0>).

### Conclusion: environmental effectiveness?

The assessment of these high dynamics and innovations in Chinese environmental governance has to be balanced, though. Not all these innovations are implemented throughout China. Many experiments prevail in some (usually the richer, eastern) provinces or metropolis and are absent in the peripheral and western ones. Numerous scholars report shortcomings and ambivalences in the functioning of these upgraded and/or innovative environmental institutions. There is also debate how effective the reported changes in environmental governance institutions and practices are in protecting the environment [37,38<sup>\*</sup>]. And on all levels, economic priorities compete with other priorities. Sometimes the two are balanced and coordinated, such as in urban clean air policies in Chongqing [39<sup>\*\*</sup>], but often policy elites favour economic development above environmental protection [40].

Overall, it is evident that China no longer ignores environmental problems and environmental quality. A vast literature gives evidence of the considerable legal, economic, social and political resources spend on designing and implementing new environmental institutions and practices. These institutional innovations have delinked economic growth from pollution and resource use, but they have not contributed to absolute reductions in urban and industrial emissions and energy use. Future research will especially have to focus on (i) assessing the functioning, diffusion and environmental effectiveness of these new institutions and practices, and (ii) the designing of new institutions that decrease emission and resource use levels.

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