

Title: Dynamics of international aid in the Chinese context: case study of World Bank's Cixi Wetlands project in Zhejiang province

Abstract:

It is the scale and immensity of the People's Republic of China's (PRC) environmental degradation that contests the successfulness of its hyper-growth over the past 30 years. None of China's waters, soil, air, biodiversity and other notable environmental aspects has been immune to widespread pollution and destruction. Despite that, the problem have been clearly recognised and the ever strengthening efforts for environmental protection from Beijing, implementation and initiatives on the local level remains weak resulting from a mix of political, societal and economic factors, which has been under the spotlight of recent research on China's environment. Since the 1980s, in parallel with the PRC's increasing participation in global environmental governance by joining multilateral environmental agreements (MEAs) such as the Kyoto Protocol and the UN Framework Convention on Climate Change, a few international actors have also been allowed into China's environmental governance by means of development aid. Though the body of literature that specialises on this aspect is yet embryonic, the accounts available suggest that international involvement in local environmental projects may mitigate the constraints posed by conventional obstacles to good local environmental governance. By examining a bilateral project between the World Bank and Ningbo in Cixi, this article aims at testing the findings of the existing literature, and seeks to specify the dynamics of this partnership in two areas: the local government's commitment and the project's management and implementation, which are found to be explicitly at stake for the interaction between the international and the local partner. This inquiry answers the following three research questions: (a) How important is

the local context in the diffusion of international norms as in our case represented by World Bank policies and procedures? (b) What determinants have contributed to the World Bank's leverage role in restructuring local project governance? (c) What are the changes due to the Bank's involvement?

Introduction

Large-scale environmental transformation in China had been taking place long before the establishment of the People's Republic of China's (PRC). Mark Elvin¹ and Judith Shapiro² have demonstrated that as early as the Imperial era and during Mao's reign, China has been undergoing environmental degradation. Peace after the Second World War brought more deforestation, overgrazing and soil erosion and the Great Leap Forward in 1958-1960 saw fourfold increase in factories along with pollution and more deforestation.³ This transformation process has been intensified by recent modern economic development and the industrialization process. The Beijing central government recognised the need for environmental protection and initiatives but at the local level remains weak resulting from a mix of political, societal and economic factors. Although China has been participating in global environmental regimes as early as 1972, by joining multilateral environmental agreements (MEAs) such as the Kyoto Protocol and the UN Framework Convention on Climate Change, few international actors have been allowed in China's environmental governance, mainly by means of development aid. The latter was exemplified by the limited body of literature available on these issues but such accounts suggest that international involvement in local environmental projects may mitigate the constraints posed by conventional obstacles to good local environmental governance. By examining a bilateral project between the World Bank (henceforth refer to as the Bank) and Ningbo in Cixi,⁴ the

case study aims to test the findings of the existing literature and specify the dynamics of this partnership in two issue areas: the local government's commitment and the project's management and implementation, which are found to be explicitly at stake for the interaction between the international and the local partner.

The Cixi Global Environmental Facility- Ningbo Water and Environment Project (GEF-NWEP) was chosen as an appropriate case study for investigation due to the project's peculiarity in terms of financing. It is an aid project in which the local partner contributes the vast majority of the financing. This is important because it can help, to a large extent; remove the distraction of the money factor in the examination of the local partner's momentum for sustained cooperation thus making it easier for non-fiscal independent variables to emerge. Other than consulting secondary resources such as case studies from other regions, primary data was collected through interviews (in person and via email) and project documents. Interviews were carried out with project staff members in Ningbo and Cixi, GEF-NWEP World Bank staff in Beijing and Washington, and researchers at the China Resettlement Research Centre in Hohai University (Nanjing). Project documents were obtained from the GEF-NWEP project's webpage on the Bank website and from the project team in Ningbo. However, we regret that we were unable to interview the affected persons (APs) in this project, due to administrative and time constraints.

The article mainly focuses on three research questions: (a) How important is the local context in the diffusion of international norms as in our case represented by World Bank policies and procedures? (b) What determinants have contributed to the World Bank's leverage role in restructuring local project governance? (c) What are the changes due to the

Bank's involvement? This paper will first review the literature on China's local environmental governance and the role of international environmental aid. It will proceed to provide the background information on the relationship between the local entities and the World Bank and finally, we will evaluate the dynamics and outcomes of the project's implementation. By examining the political commitment and arrangements for project management and issues, this paper will demonstrate how the World Bank managed to entice the local actors into project specific policy dialogues and procedures that enhanced local compliance with the its practices and standards.

Effectiveness of China's environmental governance and international aid: State of the discipline

State-led environmental degradation has been documented as early as Mao's era by scholars such as Vaclav Smil⁵ and Judith Shapiro⁶. Later works by Elizabeth Economy⁷ and Han and Zhang⁸ also discuss in detail the alarming scale and rate of environmental destruction occurring in China, intensified by the open door reforms and industrialisation process. Natural resource management in the years of the early PRC was laissez faire with numerous agencies managing various components of the environment, such as forestry and fisheries, with no one holistic formal environmental protection agency. It was not until 1972, after the United Nations Conference on Human Environment in Stockholm that a formal institution for environmental protection was suggested by Premier Zhou Enlai. Named the State Environmental Protection Agency (SEPA), it only reached ministerial level in 1988. In 2007, it was reorganised into the Ministry of Environmental Protection (MEP) during the "Super Ministry Reform" (大部制改革). The MEP now constitutes the central leadership of China's

environmental protection mechanism, whilst on the local level it is the Environmental Protection Bureaus (EPBs) that are affiliated to their respective municipal governments.⁹

As is inevitable with reforms, new spaces of power emerged with the reconfiguration of administrative power and domains, especially in the case of China. Entrenched in the 'guanxi' cultural and social milieu, these new spaces are often occupied by people in friendship networks or familial links. As Fu BoJie puts it, the biggest challenge facing the reform to enhance environmental protection in China is to "regulate the behaviours and relationships of various stakeholders—different levels of government, the industrial sectors, and the public".¹⁰ Compacted by the absence of an independent judiciary sector and ambiguous environmental laws, enforcement capacity and performance is often poor due to the conflict between environmental protection and economic benefits.¹¹ However, in the past few years, there have been conscious administrative and legislative efforts to strengthen domestic environmental protection. The People's Republic of China's twelve five year plan (2011-2015) focused on issues such as controlling air and solid waste pollution, protecting the environment, enhancing management and increasing law enforcement supervision. Enhanced environmental efforts are also reflected in the number of people employed in the 'environmental industry' of China, which increased from 88,000 in 1995 to 160,000 in 2004.¹²

Barbara Sinkule and Leonard Ortolano were among the first to survey the major environmental protection mechanisms since the 1980s. They found that China's environmental initiatives were soundly formulated but limited in their implementation, which was seriously constrained by institutional shortcomings.¹³ Some World Bank experts

suggested that solving China's institutional challenges in environmental management is more critical than overcoming technical and economic challenges.¹⁴ In terms of policy formulation and policy implementation,¹⁵ as Abigail Jahiel documented, the sustainability of successful programmes were shortened by renewed economic reform initiatives in the 1990s.¹⁶ Richard Sanders additionally emphasised that it was market liberalisation, rather than the handicapped state environmental organisations, that poses as an imminent threat to effective environmental protection.¹⁷ Moreover, although the notion of environmental protection has gained legitimacy amongst party officials in big cities such as Shanghai, Beijing and Guangzhou, Tong Yanqi showed that the undervaluation of the environment in assessing bureaucrats' performance may lessen the priority of environmental protection.¹⁸

Impaired by institutional constraints and socio-political obstacles, it seems that China's local state-led environmental governance structure lacks serious capacity in practicing what it preaches. However, an emerging yet small body of literature on international environmental aid to China suggests that the 'foreign factor' may have profound positive effects on capacity building.¹⁹ Katherine Morton highlights a four dimensional framework for analysing capacity: financial efficiency, institutional cohesion, technological advance and shared responsibility (participation of non-state actors) and that the involvement of the international actors have benefited all of these four aspects.²⁰ Scholars such as Katherine Morton²¹ and Heggelund et al²² have demonstrated that collaboration between Chinese and international partners with common interest in environmental management, has increased approval. Gørild Heggelund also emphasised that the international dimension has been crucial in raising environmental awareness in China.²³ Moreover, Zusman and Turner point out that collaboration in environmental projects between China's local governments and international partners has

allowed successful introduction of international norms of good governance and accountability, which has led to increasing endorsement of such projects.²⁴ In his examination on the international actors' role in Shanghai water policy, Seungho Lee notes that there exists a co-evolutionary pattern in their interaction. Both sides have learned from each other over time, and the political economy of environmental governance has become more complicated as international partners and the transnational companies that followed are clearly visible in today's Shanghai water management.²⁵

A set of challenges to successful international environmental aid project have also been identified, of which the principle ones include the reluctance of local governments to adhere to donors' requirements and ill-synchronisation of donors' approaches to local contexts.²⁶ However, as the body of scholarship on international environmental aid in China is yet small, many questions are still open to investigation with renewed empirical findings and selected analytical tools provided by relevant works written around the same area in other regions of the world as well as useful insights from other realms on China. It is the aim of this paper to contribute to this gap of knowledge in the field of dynamics of international aid in China.

The World Bank, China and its environment

Up until 2009, the World Bank's China project portfolio has contained 309 projects and US\$46 billion in financial support, rendering China one of the largest recipients of the World Bank's development aid. Although past World Bank and International Monetary Fund projects in the world have been criticised for its harsh conditionalities resulting in many hardships bore by the poorest segment of the population,²⁷ the World Bank has been relatively successful in China. For example, the Bank supported Loess Plateau Project in

China has been one of the most successful erosion control programs in the world, using indigenous ecological engineering to allow efficient use of watershed resources and reverse soil deterioration.²⁸ The World Bank has remained most active in four sectors of China's development programme: infrastructure, rural-urban disparity, poverty alleviation and social security.²⁹ There are a total of 28 GEF projects in China, 10 were completed while 18 are on-going, broadly looking at global climate change, biodiversity, international waters, land degradation and persistent organic pollutants.³⁰ The World Bank has also been helping China integrate into Global Environmental Governance (GEG) regimes such as the Clean Development Mechanisms, Montreal Protocol and the Stockholm Convention.³¹

The partnership between the World Bank and the PRC only started 30 years ago when Beijing decided to open up to the outside world and reform its economy amid stagnation from self-isolation and Stalinist planning. It is important to point out that political trust was crucial for the Bank to win China's confidence. The Bank's insistence and swift clearance for the PRC's membership, despite the US government's unwillingness, assured Beijing that it was an autonomous institution that tolerates political plurality. The Bank's stance was reinforced by the decision to dispatch a mission to China after the 1989 Tiananmen massacre, despite international diplomatic boycott of the Chinese government. The image of being politically neutral and independent contributed to China's deepening relationship with the Bank, and it served as a source of and linkage to international expertise on development in a country where, at that time, few had overseas experience. By adopting a proactive approach, China even tailored its ministerial arrangements to smooth implementation of Bank projects. Such streamlining included enlisting the Bank's China programme as a primary

part of its National Development Plan, with which China has the best World Bank record of compliance among borrower countries.³²

To demonstrate the trust between the Bank and China, the loan Agreement between the Government of China and the Bank endorses a legal provision that states that projects are allowed to deviate from local norms and laws³³ and vice-versa such as the procurement procedure, which will be illustrated later. Although the World Bank provided vital capital and technical advice for projects showcasing economic modernisation, the most significant legacy of its support lies in the building of institutional mechanisms that spell out the rules, regulations, and standards for appropriate management of development projects. Indeed, one may well argue that to some extent the World Bank helped formulate the modern central Chinese developmental state.

As revealed in a 2005 report, the World Bank's comprehensive assistance may have been intended since its initial contact with the PRC: "in focusing on reform, the Bank was following a long tradition of outsiders who have sought 'to change China' for one reason or another."³⁴ However, the methods used by the World Bank to effectuate the envisaged changes and to elicit compliance are different from those adopted elsewhere. This has much to do with the fact that most of the World Bank's loans to China are not International Development Association (IDA) adjustment loans, a form of financial aid to which the notorious Structural Adjustment conditionality applies and that are often accessed by budget-constraining governments. Given that International Bank for Reconstruction and Development (IBRD) loans that are run on a commercial basis constitute the lion's share of Bank funding to China and the Bank's loans have never be proportionately significant

compared to China's annual Foreign Direct Investment, it is through 'soft measures' such as persuasion and example that the Bank manage to 'socialise' the Chinese government into global environmental management norms. To be more precise, the Bank was able to 'restructure local project governance', through activities such as workshops, conferences, study tours and training programmes. The Bank tried to entice decision-making officials into policy dialogues; an approach that appeals well to the pragmatism endorsed by the Chinese government.³⁵ Over time as China gains expertise and experience and more comprehensive agendas are laid out for national development, the rationale for World Bank's China Country Partnership Strategy (CPS)³⁶ has also shifted from the intention to change to the will to adapt.

Although structural and sectoral conditionality are seldom imposed on China, conditions do apply for projects in the form of rules and standards required by the Bank throughout all aspects of the project cycle, which are characterised by the World Bank's Operational Policies (OPs) and Bank Procedures (BPs).³⁷ Although the project-based conditionality was intended as a measure of quality control, it allows the World Bank to enjoy significant leverage (in terms of dictating the procedures) over the local governments that are the implementing entities and local bearers of these rules and standards.

The central government supports the Bank's emphasis on good project governance by ensuring local compliance with the relevant policies and procedures. As Pieter Bottelier, chief of World Bank's residence mission in Beijing in the 1990s notes in the extreme case of a Guangzhou agricultural project, in which local violation with Bank procurement requirements led to the withdrawal of Bank loans and the suspension of the project.³⁸

Although the punitive measures the Bank can take are not coercive, reports to Beijing can bring provide a check and balance mechanism on the conduct of local officials who are involved. Again, the Bank's principle way of eliciting local compliance does not come from punishment but rather persuasion, as will be exemplified by our case from Ningbo, Zhejiang Province.

Cixi Wetlands: Case Context and Project Implementation

As mentioned in the previous section, a pillar of the World Bank's China country strategy is to enhance the capacity to tackle its environmental challenges, particularly the collection and treatment of wastewater.³⁹ In 2004, the World Bank started a Water and Environment Project (NWEF) with Ningbo. The treatment component of NWEF was supposed to be implemented in Cixi through the construction of two waste water treatment plants (WWTPs) to the east of Hangzhou Bay Bridge. Since the WWTPs can't discharge directly into the sea given significant tidal variations and low depth of sea water, the coastal wetland option helps offset the low assimilative capacity of the inland canal system to which WWTPs discharge.⁴⁰ The constructed wetland area near the bridge was also rehabilitated to mitigate the rate of wetland degradation along the Cixi coast, which is found to be significant for migratory birds and local fishery and economically viable in the long run.

Consulting the Global Environmental Facility (GEF) Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia for managerial lessons, a new project (GEF-NWEF) consisting of three components was set up between the Ningbo/Cixi government and the Bank. They are: construction of the Constructed Wetland; establishment of the Wetland Centre and, Ecological Engineering Consultancy and Management Contract.⁴¹ Financial sources for GEF-

NWEP included a \$5 million GEF grant, an expected \$76 million of co-financing secured by the Cixi and Ningbo Municipal governments, and \$60 million from NWEP Bank loans.⁴² The land required for the project was 43.5 km³.⁴³ (Please see map 1)

(Insert Map 1 about here)

All Bank projects are defined to be within the jurisdiction of Bank operational policies and procedures, and require adherence by the client before its approval to proceed. The Bank policies and procedures cover two general categories of issues relating to the project's performance as well as the Bank's reputation. The first category includes the fiduciary issues such as financial management and disbursement, procurement and consultancy. The second category concerns other issues related to the impact on the environment and the local people.⁴⁴ Throughout the project the Bank dispatches a task team to help the client, but since every major step taken by the borrower needs the approval of the Bank, this task team actually is entitled to monitor the borrower.⁴⁵ However, local co-financing required largely outnumbers the World Bank/GEF financial commitment to the project, which up until December 2009 has cost the local partner \$26 million whilst the GEF grant is \$5 million.⁴⁶

This project was feasible for several reasons. First, the dire environmental consequences of Cixi's coastal development, which included wetland degradation as a result of enclosure and sea-dike building and the dying out of fauna because of over-fishing made the local officials more open towards the initiative. Second, Ningbo is more exposed to international influences than many other Chinese cities. This prompted the Ningbo leaders and staff to share similar views with the Bank as they are more familiar with international norms.⁴⁷ Thirdly, Ningbo also demonstrates the ability to mobilise support from the central

government. Finally, success of two previous projects with the Bank convinced both sides that the partnership is a reliable one.⁴⁸ When Ningbo first approached the World Bank some years ago, it was primarily attracted to its good standing and relatively low cost foreign exchange financing. But lately the Ningbo government placed more emphasis on technical assistance and partnership to promote the city in the international community.⁴⁹

However it may be naïve to assume that Chinese local government are solely dedicated to public interest. Lily Tsai suggests that the local government in China are often reluctant to engage in the provision of public goods given that short-term benefits are generally favoured over long-term benefits which require large initial investment⁵⁰, such as the case in Ningbo. On one hand, environmental projects may not become a leading official's priority. This is particularly the case when environmental protection projects usually take some years to show results, which means little personal gains such as promotion during their tenure. An international initiative, however, will make a difference since the success of it is seen as real global 'achievement', in terms of environmental protection.⁵¹ Therefore, one should note that in an affluent city where the need for economic growth is less urgent and local co-financing is accessible, the political capital generated from an international environmental endeavour may well compensate for the loss of short-term economic benefits. Although it should be understood, to the Bank, the most fundamental rationale for Ningbo to request for its aid was the local government's desire for new technologies, knowledge and methods of protecting the ecosystem.⁵²

The institutional arrangement for GEF-NWEP was an overarching one that concerned more than ten local entities. In Ningbo, a NWEP leading group was comprised of high-level municipal officials from the Municipal Government, Development and Reform Commission

(DRC)⁵³, Environment Protection Bureau, Water Resources Bureau, Construction Bureau, and the Finance Bureau. Together they comprised the main source of local policy direction and political authority for the GEF-NWEP. In Cixi, a leading group made up with similar Cixi governmental agencies that coordinate the project management, which were headed by a Vice Mayor and the Cixi Construction Bureau. In turn, they were aided by a Cixi Project Expert Group involving university academics, environmental specialists and utility company engineers. With this many people running the project, it was a challenge but necessary for efficient information sharing between ministries to ensure smooth coordination of the project.

Under the direction of the NWEP, a Project Management Office (PMO) was established in the Ningbo DRC as the primary contact for the Bank to remain updated on project. The PMO also are responsible for the GEF-NWEP. The implementing agencies for the project were the Cixi Municipal Sewage Company and the newly founded Wetland Centre Management Company, which were supervised by the Cixi Construction Bureau, that it represented the municipal government when dealing with all other contracted implementing entities (e.g. construction and consultancy units) and lower governmental agencies (e.g. those Cixi implementing governmental agencies). The Cixi Construction Bureau was also the World Bank's primary contact for routine concerns. In addition to all of these, a non-governmental consortium has also been set up to provide necessary expertise in ecological sciences and management for the WCMC.⁵⁴ The DRC and the Finance Bureau then represented the borrowing government when engaged in high level exchanges such as formal negotiations with the Bank.⁵⁵

As with other World Bank urban environmental projects in China, it was the DRC (Ningbo) that supervised and managed the projects because it was the strongest in terms of the executive and coordinative capacities. The DRC was informed throughout the project process, while conventionally it was only involved in the preparation and approval processes.⁵⁶ Staff from the DRC who were assigned to the projects worked full-time, in contrast to staff from other participating agencies such as the Finance Bureau, who worked part-time. The Ningbo management team was seen as a competent one by its World Bank counterpart. Two people from the Ningbo DRC and one person from the Finance Bureau constituted the bulk of the direct leadership for the project. They were the major coordinators between agencies and they were the first people responsible for settling disagreements when the Bank's ideas clashed with local practices and norms.⁵⁷

The double representation system (national and municipal level) designated for Bank projects is a promising one as it overcomes an important shortcoming of conventional local project management system, as the Bank adopts a responsible system that is characterised by respect towards local specialised expertise. There is a Bank project manager (team leader) for every project, and this person is responsible for all aspects of the construction ensuring that the client complies with Bank policies and procedures. In addition, there is a specialist for each specific project activity: procurement, financial management, environmental assessment, resettlement, disbursement and so on. The team leader must obtain the approval of each specialist in order to make a decision or evaluation. There is usually a healthy tension and cooperative spirit between the team leader and the specialist.⁵⁸

This double representation is vital as under the Chinese local system since it is the high ranking officials who gave commands not the expertise required to keep clear track of the nuts and bolts of the project. Further, although local specialists are employed to consult the leading cadres, their recommendations can be turned down in favour of the non-expert leader's decision.⁵⁹ This lack of expertise brings many problems, the most frequent being inefficient project management and waste of funds, which are revenues from tax payers' contributions. Coordination between different administrative units within or across administrative levels is also difficult. Relevant implementing agencies are often in a competitive state due to conflicting interests and in which 'everybody wants to spoil the positive outcomes whilst nobody is willing to be held responsible for the negative outcomes'.⁶⁰ Moreover, this is difficult in practice as the ministries involved tend to be protective due to competition between them.⁶¹

From the institutional arrangement for the Ningbo-Bank projects we can see a streamlined relationship between knowledge and power. First, the local government was held accountable in their dialogues with the Bank who demanded a clear understanding of the project. This means that high-status administrative officials, who speak English with an understanding of international environmental norms, will be mobilised to deal with the Bank first. This indicated the most competent human resource in the local government is dedicated to the project. The PMO, which consisted of local specialists acquiring an administrative status equivalent to an important governmental office, then provided their specialised knowledge to the on-site Cixi authorities. With the Bank supervising all major project activities, feedback in the form of specialised advice on the management of the project also served to influence higher level decision making.

Good Environmental Management through Good Governance: Fiduciary and Safeguard Issues

Other than the management issues raised above, fiduciary and safeguard issues, such as environmental impact and involuntary resettlement also receive particular attention of the Bank. The fiduciary and safeguard policies and procedures of the Bank may appear irrelevant to environmental governance in the sense that they do not tackle the environmental challenges identified in the project in any direct sense. However, they are likely to contribute to local capacity building that enables the successful delivery of good project outcomes. By comparing the Bank's and the local's ways of implementing three project tasks (procurement, knowledge dissemination and Environmental Impact Assessment [EIA] implementation), the section below will elaborate on how the Bank may help make this project of sustainable development viable through the promotion of good governance in project implementation.

Generally, procurement means to find the most competent contractor at the best cost. However, the local method used in Ningbo entails often 'drawing and casting lots', which works to reduce corruption and forms of nepotism in China. Another deviation from the Bank's method is 'rating and ranking'. This is carried out after lot drawing whereby a group of 'experts' will be called upon to review the bidding documents submitted by the companies who have prevailed in the previous round. There are three problems arising from this arrangement. First, the qualifications of these so-called experts are often dubious. Those who are equipped with the expertise required are difficult to find while those who act as experts are in many occasions are not experts at all. Second, reviewers are often given very

limited time to read the documents and finally, the lack of articulated criteria of measurements confuses the revision round which renders this procedure a superfluous formality.⁶² Moreover, procurement supervision can be hampered by the local political incentive to rush project progress before important events such as the Party Congress and National Day.⁶³ However, this method is again necessary to ensure that nepotism or corruption will be detected by third parties, should it exist in the project. These deviations from the global norms could be interpreted as innovative local ways to eradicate corruption in the government agencies.

In contrast, the World Bank issues very clear guidelines on procurement methods and procedures, and more importantly it has a qualified reserve of competent procurement specialists who understand both domestic and international norms. Four principles govern the Bank projects' bidding and procurement activities: economy and efficiency, fairness of competition, domestic preference and transparency.⁶⁴ The Bank was particularly concerned with procurement, as it was often the breeding bed for corruption, which it sought to eradicate through strict rules and regulations.⁶⁵ To combat illegal activities, the Ningbo PMO was willing to comply to the Bank's requirements and sought to enhance the implementing entities' (CMSC and Cixi Construction Bureau) procurement measures by monitoring activities and submitting documents for the Bank's review and approval.⁶⁶ After ensuring all funds were disbursed in a transparent manner,⁶⁷ the local client was held accountable for the funds made available by the Bank.

Next, most administrative cadres were often laymen and lacked the appropriate knowledge for sound project management and implementation. This has been a crucial issue given that

throughout the history of PRC, priority of “political/economic rightness” over legality and scientific objectivity is directly relevant to the many infamous human-induced disasters which were intended to meet utilitarian modernising ends.⁶⁸ In Ningbo, bad decisions tend to result from the lack of reliable source of information. Local public goods provision specialists were grouped in the local Design Institutes. As a result, the dualistic role of being governmental officials and as a business entities conflict their mandate of being a quality controller and profit seeker.⁶⁹

Moreover, although China has made impressive progress in its national level technical capacity, in terms of specificity relating to environmental and water management, local officials often do not have access to the necessary knowledge and experience, as was the case in Ningbo.⁷⁰ The World Bank found that the Cixi Construction Bureau, as the implementing entity of GEF-NWEP, was capable in regards to civil engineering but lacked the expertise in ecological science and wetland management.⁷¹ This gap was recognised by the Bank, which were then filled with advice from international consulting firms, NGOs and universities. These are the reasons why a consortium of NGOs and universities was established to help Cixi with the engineering and management design of the wetland centre. These participating third-party entities had field offices in Cixi and Ningbo and provided daily access to professional advice to the local implementing agencies. Such consultancy arrangements at least discern two dimensions of change to the local knowledge the project. First, the transfer of knowledge has become independent or at least free of interference from the client. Second, access to information source has diversified, which facilitated access to specialised knowledge.

One of the aims of World Bank projects is to promote environmental and social sustainability, and the policies and procedures for which are designed to safeguard policies areas ranging from environmental assessment and natural habitat to involuntary resettlement and gender.⁷² During the preparation phase, intellectual resources were mobilised to investigate the project location, collect data, and develop plans and designs as a precursor for site approval and implementation. Independent entities were contracted to carry out the research, which included the Wetland International-China Office, EDAW Inc. (a private international consulting firm), the South China Institute of Environmental Sciences (a non-Ningbo based governmental think tank), and for the resettlement part the China Resettlement Research Centre at Hohai University (Nanjing). The combination of foreign and local experts was a good approach as it allowed both parties to work together to adopt and adapt international environmental management norms to local societal and environmental conditions.

Next, although Environment Impact Assessment (EIA) is compulsory for development projects in China, three key differences exist between Chinese and the World Bank practices. First, EIA is only carried out in the feasibility study phase of Chinese projects, whilst it is implemented throughout the project until post-completion evaluation for Bank projects. Second, the World Bank demands that the EIA be carried out by a third party that has no relations to the client. However, for the Chinese, the entities carrying out the EIA are from the local Design Institutes which are not independent.⁷³ Third, the Bank's EIA adopts a holistic perspective, taking into account the impacts of the project on the surrounding area. For example, during the EIA for NWEF, in which the Bank was to assist with the construction

of Ningbo's new pipeline water system, it had to look at the impact on the Zhougongzhai Reservoir, even though it was not part of NWEF.⁷⁴

More importantly, when it came to involuntary resettlement activities, salient differences were also found between the local norms and Bank policies. The basic rationale for the Bank's resettlement policies was to minimise involuntary resettlement and ascertain income compensation for the affected persons (APs). On the other hand, Chinese local government generally compensate income for dam projects only. Furthermore, for the Bank, APs are compensated regardless of their legal status but in the Chinese context, only legally registered property owners can receive remuneration. Finally, the World Bank respects the APs' right for dialogue and information disclosure, and will not reach any conclusion without consensus. However, local policies dictate that APs are often only informed of pending resettlement without seeking their consent.⁷⁵ It is also worth mentioning that in Chinese projects, apart from national legal provisions, the standard of compensation is subject to the discretion of local officials who have little knowledge about the APs.⁷⁶ In fact, when local governments assess resettlement performance, it is 'no petitioning' that is the most often used criterion.⁷⁷

However, in the case of Ningbo, although the APs in GEF-NWEF numbered less than 200 aqua-culturists and fishermen, careful surveying and consulting activities were carried out by Hohai University. In the end, with the assistance of the local counterparts, the World Bank established a GEF-NWEF resettlement fund worth over 6 million *Yuan* of compensation fund. This fund was used to recruit APs to work at the Wetlands Centre and provided training for fishermen who wished to continue fishing.⁷⁸ In addition, to adhere to the Bank's full

disclosure requirement, all project documents were made available to the public through the Ningbo and Cixi libraries and the Bank's project website. Finally, stakeholder workshops involving affected citizens were organised.⁷⁹ By establishing these people-centric resettlement policies at the local context, the Bank hopes to provide a positive example for the local government to incorporate in their practices.

Discussion

The above has demonstrated how the World Bank was able to impart knowledge to the local counterparts and socialise them into the global regime of good environmental governance. According to Heggelund et al, GEF projects have contributed to raising awareness and technology development as well as boosting institutional capacity through participation in project activities and training.⁸⁰ In this case study, with these fiduciary and safeguard arrangements, the Bank sought to maintain the political, social and environmental integrity of its projects. At the same time, the Ningbo/Cixi government became better informed of the externalities that a developmental project may create and possible mitigation strategies, thus resulting in better local environmental governance. These positive changes, such as good governance of project implementation and mitigation strategies, that the World Bank had institutionalised at the local context, enhances the sustainability and reputation of GEF World Bank's projects in China. By embedding environmental and social protection into the holistic aims of a development project, environmental governance becomes a more feasible and pragmatic goal.

Although both parties are willing to allow deviations in terms of practices in areas of procurement and resettlement issues, this raises the issue of synchronisation between

global practices and local policies. In the case of procurement of goods and services, the World Bank favours the principle of fair competition that seeks to award the contract to the bidder who offers the lowest price. Although in theory this was carried out in the Chinese context, but it was often abused through bidders offering prices that diminish profit margins in order to win the contract, then sought contract modification in implementation phase.⁸¹ This is what the officials in Ningbo encountered and found troublesome when explaining the situation to the Bank, who considers such acts as a form of corruption in the procurement process.⁸² Contractor competence is another issue that worries the implementing entities when trying to conform to Bank procurement requirements. The Bank believes in economics of scale and that large amount contract procurement can reduce cost by appealing to competitive contractors. Although this is a logical rationale, what is often the case is that very few local bidders are qualified enough to meet the World Bank terms. When the principle of competitiveness is applied, it is very likely that the winner with the lowest price may be under-qualified. In the case of GEF-NWEP, six bids were tendered but only one contractor (with the highest bid) was qualified. Therefore, the original rationale of encouraging competitiveness had to be compromised.⁸³

When looking at the local context from a regional perspective, the feasibility to replicate the project's success in other locations is further constrained by China's great inter-regional disparity. The required local financial strength such as Ningbo's in securing the disproportionate co-financing and subsequent repaying of World Bank's loans may well overwhelm many of China's impoverished areas, despite their need for developmental aid. Experience from the World Bank lendings in China reflects the Mathew Effect where the relationship between the client's need for aid and the capacity to co-finance and repay it is

inversed in soliciting Bank support. Thus most of Bank projects are found in the eastern more affluent part of China.⁸⁴ Other subjective variables such as local leader's receptiveness to international norms may not be widely available in other regions either.

Finally, one should ask whether the Ningbo government will reproduce its GEF-NWEP modified practices in its own projects. Methodologically we are currently unable to answer this question due to the fact that the project cycle of our case concerned has not been completed, and the ramifications thereof remain to be evaluated due to the networking and resource constraints. Future research that seeks to address this inquiry may also turn to the feasibility of applying these new changes and practices in other locales of China, and investigate the fissures between local and national level of environmental governance.

Conclusion

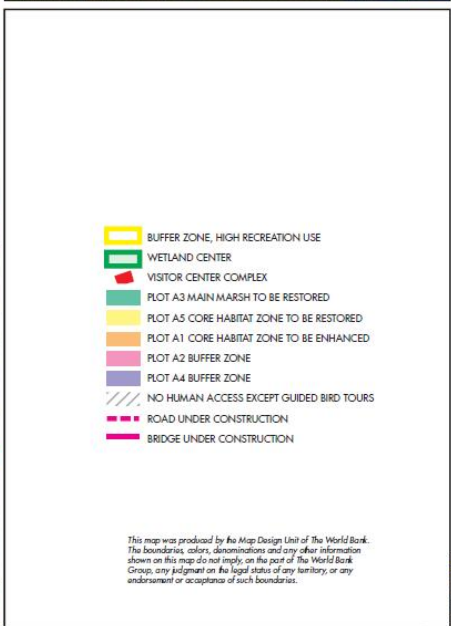
The Cixi Wetlands project is a good example how the Chinese local government is willing to accept a foreign organisation's 'conditions' by reformulating many of its traditional practices to adapt to new methods of management. Most importantly, this project demonstrates how a local entity (in this case the implementing body of the GEF-NWEP project) was willing to subject itself to the supervision of an international actor. The local government's pragmatism is significant in its endorsement and management of the project, is that it enabled international norms as represented by the World Bank's policies and procedures to transcend sovereign boundaries into concrete local actions.

For the Ningbo government, the Bank's assessment that the locals lacked the appropriate expertise was constituted as the principle reason for the local government's acceptance of

the Bank's conditionality. To the local government, this was not seen as coercive interference or conditionality for loans but in most cases reasonable advice for excellence. The Bank's AAA rating may have been profound influence in forming this attitude, as the specialised knowledge it delivers through its specialists and third-party consultancy, enhanced the locals' understanding of good governance in procurement and resettlement activities. It should also be noted that the central government's support of the Bank's efforts to elicit compliance from its clients can be an effective check on the local government, as has been the case in other World Bank China projects.

According to the interviews of the project staff members, one of the most positive aspects from the Bank project was the capacity building of their competence and of the local government's project management as well as improved access to advance expertise. As a result, the persistent local problem of unreliable advice was alleviated, and project leaders/managers were more well informed enabling them to make better decisions. Ningbo specialists not only acquired new knowledge but also receive higher status from representing the government when dealing with international organisation implementing entities. With the DRC, taking the lead role, coordination between the many agencies became more viable. Furthermore, thanks to the enforcement of the Bank's fiduciary and safeguard policies, the implementation of GEF-NWEP became more transparent and accountable to the Bank. In terms of the World Bank experience, although a good relationship with China's central government was pivotal for success, equally important was their capacity to meet local needs and provide support tailored to local contexts. Such attention to details contributed to the construction of a coherent image of the international actor as being reliable, helpful and respectful.

In summary, there are three important findings from this case study. First, technocrats who had routine responsibilities in specific project activities were more helpful than policy directing political cadres. They were involved in day-to-day management of the project, tend to offer more insightful advice and are more open to the public dissemination of information. Moreover, they were tremendously empowered in terms of knowledge transfer and information sharing with the World Bank specialists, especially in areas which required detailed knowledge, such as waste and wetlands management. Second, good environmental governance needs to be inclusive of non-environmental activities, such as the GEF-NWEP's procurement, consultancy and resettlement activities. Finally, a proactive approach to embed environmental aims into the development process, will lay the foundation for successful environmental governance of developmental projects. By focusing on the fiduciary and safeguard issues, the above approach endorses the cost/benefit analysis that treats environmental and social 'externalities' as equally significant variables when weighed against the economic gains. But to what extent the lessons learnt from Bank projects can be transferred to other Chinese provinces' development and environmental projects has to remain a question pending further research.



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