

To establish the government-civilian cooperative ecological compensation system

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Ecological compensation goes hand in hand with economic growth

- as ecological protection draws more attention from people, ecological compensation will become the core content of sustainable economic growth. China now will put more emphasis on the establishment and perfection of an ecological compensation mechanism.
- China's ecological compensation system, dominated by government through fiscal compensation, is divided into central government's relieving compensation to ecologically-deteriorating regions and ecological beneficiary region government's investment compensation to ecological contribution region's government. However, it has some drawbacks:



Central government's ecological compensation

- Central government's financial aid is normally in the mane of helping the poor, lacking the clear recognition to people's right of ecological contribution region.
- In such a transfer payment, the so-called less-developed region's ecological contribution is often ignored, it is with more political concern than ecological consideration.



- Zhangjiakou City and Chengde City in China's Hebei Province made remarkable contribution to the water source protection work of Beijing and Tianjin, through massive workload including the ecological repair of Yongding River, Chaobai River and Juma River, forbidding stock raising on hills and closing down polluting enterprises. Due to the protection on ecological establishment and water resource, Zhangjiakou City and Chengde City were both restricted in their economic development.
- According to *China's regional development Blue Book* issued by Beijing Municipal Academy of Social Sciences in 2006, per capita GDP and local revenues in poverty region around Beijing and Tianjin in Hebei Province are only 1 / 4 and 1 / 10 of those in remote suburban districts and counties of Beijing and Tianjin.



Central government's limitations

- The central fiscal transfer to carry out eco-compensation did not fully reflect the "beneficiary pays" principle, but also led to a serious shortage of compensation funds. Cumulative runoff just upstream on the estimated net benefit of 6 billion, plus loss of local industry could reach nearly 10 billion. Net benefits from Reservoirs are much higher than the ZHANG Cheng-ecological investment.
- Can be said that the long-term national ecological investment is in overdraft status, or in a state of ecological debts. Unable to maintain ecosystem stability and functioning.



Imbalanced relationship between local governments

- To take Beijing and Hebei as an example, 50% of the Miyun Reservoir and Guanting Reservoir are in Hebei, and Hebei is in up river while Beijing is in lower river. Both parties in this case want to develop their local economy and both need water. Yet, the dry climate in recent years led to the inadequacy of amount of water in both reservoirs. The lower river Party, Beijing, should have made some compensation to the upper river party but it didn't.
- To establish an upper-lower river compensation mechanism, does not only involve the relationship between Beijing and Hebei, but also serves the need to maintain an ecological balance in North China region. Sadly, Beijing has failed to build such a compensation mechanism with neighboring cities and provinces.



Beijing's limited ecological compensation for surrounding provinces and cities

- Beijing, the capital of China, has the political and economic advantage over other provinces.
- Due to lack of timely and effective equality on negotiation mechanism between regions, on the one hand, the content of a scientific and rational ecological compensation can not be determined, such as the right to use water resources, compensation, restrictions on compensation for the loss of traditional rights and interests of industrial development, ecological construction cost of compensation and other special management and protection of resources compensation for environmental damage.



The lack of legal environment for negotiations

- On the other hand, it does not have a multi-level institutional norms of compensation for the ecological environment, including the perfect relevant laws and regulations, the development of relevant evaluation criteria system of compensation, specific operating procedures and the coordination and monitoring mechanisms.
- In the past, Beijing and Tianjin have given Hebei Province a lot of assistance to compensate. However, the compensation of such assistance is often not based on the name of compensation for ecological resources, but rather to be embodied in other investment projects. And such assistance is not fixed, often temporary in nature.



Ignore the ordinary people's status as the main body in ecological compensation

- the main characteristics of Government in ecological compensation is the simple - the executive leadership when decision-making, direct - direct financial allocation, and administrative - financial transfers between governments.
- China vertical transfer payments, overwhelmingly dominant in the operation of eco-compensation mechanism and eco-environmental protection management, were involved in forestry, agriculture, water conservancy, land, and environmental protection sector, which dominates the policy formulation and implementation of the ecological protection.
- Ecological Compensation in fact becomes sector-oriented. Ecological compensation is based on "project," such as returning farmland to forest, pasture and the implementation of the ecological public forest compensation policies, which has a clear time limit, lacking in the policy sustainability and resulting in the more variables and risks.



Government efficiency is limited

- Hindsight, delay, internal friction, insufficiency.
- Hindsight refers to the lack of prior preventive and information gathering. After the deterioration of ecological environment, the government think about governance, and then study on the compensation
- delay refers to the time lag in the allocation of funds in compensation
- friction refers to the unclear responsibility in the supervision and management, difficult to form a joint force
- Insufficiency refers that the financial compensation is always less than the contribution of the region



Benefits for the public is limited

- lateral transfer payments is too little. the general ecological compensation standards is too low. the allocation of the compensation funds often leads to either “excessive compensation”, or “low compensation”.
- from the perspective of compensation effect, in accordance with the area of forest land, forest structure and other important ecological factors are not considered when implementing compensation, resulting in lack of foresters' enthusiasm in maintenance of ecological commonweal forest.



Private capital is lacking

- sources of funds for ecological compensation are inadequate. Financial transfer payment is the most important source of funding. The main body for the eco-taxes not in place, the lack of scientific basis for ecological compensation fees, the low compensation standard, it is difficult to stimulate developers to cherish the ecological resources and protect the ecological environment.
- the use of funds for ecological compensation is not sufficient, ecological protection payments and benefits are often out of touch: the departments get more but grassroots in ecological protection areas be compensated less; much material, financial compensation but the compensation for production mode switch is little and its hematopoietic function is weak.



Public supervision is weak

- ecological compensation, purely based on Government finances, lacks top-to-bottom monitoring. And there are opaque, as well as high transaction costs and other issues. And how the transfer payments are sent to those who really need the hands, the cost of information gathering is increasingly high.
- the sustainability of ecological compensation services requires management to keep costs at a low level. However, relying solely on the government finance, the ecological compensation mechanism faces an upward trend of marginal operating cost.



The civilian should be the main party in ecological compensation

- The civilian are not only regarded as passive objects of government handouts, but as an active subject of protecting the ecology. With the rule of law rather than administrative power for the ecological protection of the population, the civilian and government relations on the ecological problems will take on a qualitative change.
- Eco-environmental rights with the rule of law, can change the mandatory government administration behavior, emphasizing the natural right of public participation in order to achieve the mandate to the people. For example, in "Environmental Protection Law" and other laws, there can be a substantial increase in the relevant provisions, explicitly entitling the civilian the right to participate in the management of ecological resources.



Legal recognition of the civilian's ecological rights

- as a clear property right owners - such as local resource ownership or possession; as eco-environment providers - such as resource protection to the people who give up the right of industrial development; the right to participate in decision-making of local resources - such as the decision-making of attracting investment; the right of the maintenance of ecological environment - such as resistance to the project pollution, illegal reporting and compensation for the loss.
- now in many regions of China, investment performance in the pursuit of GDP led to environmental pollution problems, which can not be solved by local governments relying on the moral consciousness, or the administrative accountability of the central government to local governments. Above all, it's to determine the civilian's rights, especially local residents' ecological environment property, possession, use, information, decision-making, control, and rights of usufruct and so on.



Governments to be the provider of ecological environment service

- the civilian become the power holders to protect the ecological environment, and the government become the main body to serve the public.
- the civilian's voice of the ecological environment can be echoed so that the government's ex post facto nature, delay and insufficiency of ecological compensation can be changed.



Civilian to be the core interest group

- Ecological benefit is hardly quantified, equilibrium price is the result of demand and supply. Civilian from contribution regions and civilian from beneficiary regions can bargain to form the final compensation price, this is more scientific than the government-dominating approach.
- The ecological market with civilian's participation differs from markets in its more urgent need for special manpower capital and professional social agency's service. Thus, a rewarding ecological market will yield a lot of ecological service agencies.



For example: Hebei, China

- Currently, in pollution control, market mechanisms are used to reduce pollution. in order to encourage polluters to obey to emission standards and other environmental requirements, strict economic stimulus measures (such as sewage charges and fines) are taken. with participation of local people, the transactions of the costs and consequences of pollution are based on market mechanism to compensate for the ecological damage. thus, Hebei financing channels of the ecological compensation are greatly expanded.



For example: the China Alasha Society of Entrepreneurs & Ecology

- founded on 5th, June 2004, SEE is a non-profit environment-protection organization initiated by around 100 famous Chinese entrepreneurs, scattered in different places in Mainland China, HongKong SAR, Macau SAR and Taiwan Regions.
- According to its secretary general, Mr. YangPing's remarks, "the way of organizing this association is a new exploration in building government-civilian ecological compensation system".



Features of SEE's work (originality)

- the local people, especially peasant and herdsman as the main body
- SEE is just to help the localities on information, capacity, technology, market, etc.
- the use of public funds requires assessing the input-output ratio and the funds should be taken back through commercial means as far as possible.
- Entrepreneurs take on more environmental responsibility and social responsibility, following the principle of the equal participation and democratic decision-making, power balances, openness and transparency, and the public scrutiny in accordance with the "See Constitution".
- the improvement of living standards of local people is taken into account of the environmental protection. And by virtue of the good relationship between human development and the environmental resources, environmental protection is really effective.



From this example, we can see that

- China's many difficulties in making ecological compensation is not only caused by lack of fund, and it is not due to unclear property rights, poor legislation foundation, but more importantly is because China's lack of social voluntary group.
- The 2009 Nobel Prize of economics winner, Professor Elinor Ostrom, reveals that without a large amount of volunteers and social self-regulating group, the construction of public ecological will hardly reach its maturity. In this sense, the SEE is a good start, this indicates China now is trying to establish an ecological compensation system with massive participation from ordinary citizens, putting civilian and governments in a win-win situation.



Benefits from this ecological compensation mechanism

- To establish such a compensation system does not conflict with the compensation made by governments via public finance, instead, it will perfect the old system: civilian ecological compensation helps improve the efficiency of government dominating system.
- Currently, the government's executive compensation lacks participation from civilians, and it is often not transparent and causes high transaction cost. It does need such supervision from people.



Benefits from this ecological compensation mechanism

- Create more eco-compensation fund channels:
 - Market trading Channel
 - Donation Channel
 - The channels of collective accumulation
 - Volunteer Channel
 - Self-organization Channel



Benefits from this ecological compensation mechanism

- Civilian's participation in such a compensation system to some extent relieves the pressure on government. This helps the government to change its role in environmental protection. It was solely a payer in the past, and now it becomes a coordinator, establishing and maintaining an open market to nurture a platform for social volunteer group.
- From a macro scope, it gives birth to an action network with wide participation, including local participants, ecological contributor and beneficiary, central and local governments, educational organization, science and research organization and enterprise. It is also an ecological protection system with human resource capital and integrated with financial capital.



Thank you!

