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# **INSTITUTIONS FOR SUSTAINABLE DEVELOPMENT IN ECOLOGICALLY SENSITIVE AREAS IN CHINA**

## **SUMMARY FINAL REPORT**

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## I. OBJECTIVES:

The main objective of this research project was to analyze and evaluate the Chinese development policy system for the development of sustainable agriculture in ecologically sensitive areas in China. It was intended to be an exploratory contribution on how to analyze complex environmental policy systems with regard to their potential for achieving sustainable agricultural development. The research yielded results relevant to environmental assessment of international aid and technology transfer, the sustainable potential of existing technologies in developing countries as well as identifying effective institutional mechanisms for environmental policy.

The specific objectives were

- to gather and evaluate material on the Chinese policy processes relating to the national level policies and institutions for agricultural and rural development and environmental concern. This was carried out through literature reviews and a field research session in Beijing, in which interviews and observations were used to identify the main national ministries, commissions and agencies for development policy and analyze their role in policy making on sustainable development. The completion of these tasks was to be followed by internal exchange of information.
- to gather and evaluate material on the decision making on, and operation of, major domestic development projects at provincial and sub-provincial levels. This was mainly carried out through a field research session in Beijing, Henan, Jiangxi.
- to gather and evaluate material on the rural economy and farm economy in areas covered by major domestic development projects. This was mainly carried out in field studies in a number of villages in Taihe County (Jiangxi) and Xincai County (Henan).
- to gather additional information on development policies in Sichuan, in order to be able to ensure consistency and comparability. This was carried out through a brief interview session in Chengdu and Chongqing.
- to gather material on Henan, Jiangxi and Sichuan through a research session at the Chinese University in Hong Kong, whose Universities Resource Center holds relevant materials.
- to formulate and present an interim report to a meeting of Chinese and European specialists in the field of the Chinese environment, sustainable development, rural development and development cooperation in order to facilitate exchange of experiences and debate.
- to formulate and present a final research report with extended findings.

## II. METHODOLOGY

The methods adopted were investigations into the existing body of (mainly Chinese language) literature, legal and work documents, news items and scholarly debates relating to the topic. Magazines were searched such as *Shengtai Jingji*, *Nongye Quhua*, *Nongcun Jingji*, *Nongye Jingji Wenti* and *Zhongguo Nongcun Jingji*, as well as *Nongmin Ribao* (The Farmers' Daily), and *Zhonghua Renmin Gongheguo Guowuyuan Gongbao* (State Council Bulletin). A wide range of collections of papers and documents, monographs, statistical and agricultural yearbooks, maps and other such documentary material were purchased as related to the research topic.

The research focused on three nationwide programmes: The Comprehensive Agricultural Development Scheme (Zonghe Nongye Kaifa), and the Programme for the Economic Development of Poor Areas (Pinkun Diqu Jingji Kaifa). The main national ministries (commissions, offices, banks, research institutions, agencies) relevant to these programmes were visited, to mention some: The Ministry of Agriculture, The Agricultural Bank of China, The Commission for the Economic Development of the Poor Areas, The Academy of Sciences, The Academy of Agricultural Sciences, The Commission for Agricultural Zoning, and The State Science and Technology Commission, The Ministry of Finance, The Academy of Social Sciences and The State Planning Commission. The provincial level, district and county level arms of these administrative organs were also visited.

Information's on main trends and policy frameworks were extrapolated from the interviews with government officials and researchers in charge of the aforementioned programmes. The interviews were open-ended and aimed both at establishing factual data and at identifying attitudes. All interviews were conducted in Chinese, and were summarized in notes.

The methods for analyzing the material has been partly informed by the conceptualization of "fragmented authoritarianism" (a notion put forward by Kenneth Lieberthal) in the emerging school around Lieberthal, Oksenberg, Lampton and Manion. The approach is structuralist, charting out the paradigms of decision making behaviour. The empirical effort has concomitantly been concentrated on (a) gathering information on formal procedures and conditions for decision making and administration; (b) gathering information on actual decision making and administrative practice; (c) establishing an inventory on institutional frameworks regulating policy making and implementation in the fields of Comprehensive Agricultural Development, the Economic Development of Poor Areas and the Spark Plan.

Farm economy and rural economic data were obtained through meetings with county, township and village officials in Xincai and Taihe, and through long and detailed household interviews in small samples. The data thus collected has been analysed qualitatively and quantitatively.

### III. MAIN RESULTS

The main findings of the research have been focused on the fragmentation of authority and the problems of policy coordination inherent to the Chinese development policy system. Central-local and inter-sectoral cleavages and competition have an effect on the policy process, generating lack of coordination, waste, duplication, and evasion of responsibility, while conversely also creating competition, and forcing through regularisation and concentration on issues. The ramifications for policy implementation, therefore, are conducive to emphasis on local and sectoral interests.

The research has established that :

- (a) the poverty alleviation programme and the comprehensive agricultural development programme have built-in mechanisms to overcome some of the structural deficiencies of the Chinese political and administrative system. The decision making and overall direction of the projects is decided in special, *ad-hoc* committees and contact groups at state council level, which include the participation of all stakeholding authorities. The system is replicated at lower levels of authority to enhance policy coordination and structural integration.
- (b) policy making and the decision making processes in environmental and rural development policy encompass strong indicative planning procedures at all levels of authority; there is op-down policy implementation with strong financial incentives to local authorities which participate in the programmes.
- (c) the comprehensive agricultural development programme is carried through contracts. Individual contracted projects are bundled, so that they form coherent wholes, and each locality's projects are bundled with those of other localities. This ensures a combination of scale of operation and individual responsibility.
- (d) the "gift" element in the comprehensive agricultural programme is small, the main funds being rotating investment funds and bank credits. This enhances the efficient use of the funds.
- (e) the poverty alleviation programme is centrally led, but involves local financing. The main funds are used for payments in kind for labour input to local infrastructure projects, and for material supplies. Little money is spent on cash relief.
- (f) there is an explicit environmental policy element in these programmes, and the active involvement of the environmental protection authorities at central and local levels is formalized. A case of great significance is the action on the pollution of the Huai River, which was taken in the context of the comprehensive agricultural development programme, but as a separate initiative and with separate funding (in cooperation between the Ministry of Water Conservancy and the Environmental Protection Agency).
- (g) the programmes broadly speaking make sense in terms of sustainability, both in the structural requirements which underlie them and the relation of individual projects with the local farm economy.
- (h) there have been and continue to be serious problems of implementation in the financial administration of programmes; reforms of the systems which are presently being carried out are likely to ameliorate the situation.
- (i) the size and stability of grain crops in the two places surveyed during this research project can be improved through better irrigation facilities. In Xincai relatively inexpensive tube wells equipment are needed, and in Taihe, albeit more expensive hydraulic works (adequate reservoirs and canals) could alleviate droughts.

(k) the peasant incomes in Xincai and Taihe to a large extent rely on hog-breeding. There is little cash crop production, in Xincai due to a very high man-land ratio, and in Taihe due to quasi-monocultivation of rice. While grain production covers their own needs for food grain, it does not provide for sufficient cash incomes, due to the fact that the price of inputs is barely recovered from sales. Traditional ways of hog-breeding save grain (due to huge use of green forage), but the meat is poor (more fat than meat), and unsuitable for outside markets. In order to improve the meat production, the fattening methods for hogs should be improved, using more grain for feed. It is therefore rational to increase grain output by improving the irrigation facilities, and at the same time to build an appropriate feed industry in Xincai giving added value to the corn production, or in Taihe by processing the broken rice.

(l) development of cattle or goat breeding in Xincai with possible development of the hide industry, as in Liqian Township, and grain saving production of eggs, as in Lecheng Township, or special products, such as the development of the Taihe Chicken, are all to be encouraged.

(m) the projects in Xincai and Taihe are all sensible: they all contribute to higher grain production and increase local value added to the crops by improvements in animal breeding. The significance of the projects is that they both increase production and the peasants' earning capacity.

(n) some projects funded under the programmes, however, have a limited effect on the local economy in general, and mainly contribute to the wealth of a few people. These include mainly fish farming and some private enterprises

#### IV. SCIENTIFIC INTEREST AND POLICY RELEVANCE

##### **(i) scientific interest and novelty**

The two main elements of the research contributed differently to the existing knowledge on Chinese development policy and the ways in which the Chinese deal with problems of the environment.

In terms of policy analysis this project put the various types of formalized *ad-hoc* institutions for policy coordination on the research agenda, and indicated the mechanisms by which the Chinese leadership seeks to overcome institutional fragmentation, inter-sectoral cleavages and central-local friction. It analysed the ways in which policy making is directly entangled in planning procedures, and the evolution of planning procedures. A new perspective was taken on the link between the international development community and Chinese domestic concepts of development, environmental protection, and sustainability.

The project allowed a more detailed understanding of the policy processes than in the existing literature, and enabled an understanding of the dynamics of development policies in the context of the Chinese reforms.

The empirical examination of the farm economy in the context of this research has been used to answer fundamental questions about the linkage between policy, project, and peasant behaviour.

##### **(ii) policy relevance**

The direct policy relevance lies in the importance of an understanding of Chinese development thinking, programmes and implementation among those who are engaged in cooperation with China on developmental and environmental issues. The wider context of bargaining and policy coordination in *ad hoc* groups, and the fitting in of overseas funding into domestic development plans, has a direct impact on the ways in which cooperation with China on the issues can be pursued.

Overseas (including European) partners' participation in development and environmental cooperation often has one entrance point to the Chinese development and environmental institutions. This entrance point determines the cooperation's place in a much wider context of Chinese policies and programmes; it may have an upsetting effect on the balance between Chinese institutions and on the order of priorities. It may reduplicate existing Chinese structures. In some cases it can complement existing structures and contribute to further development.

The findings of this report cannot and do not intend to point to specific types of action by European policy makers other than seeking to increase the awareness of the nature of the dynamics which govern Chinese development policy making.

The maintenance of contacts between professionals of development and environment in Europe and China, however, is one of the greatest challenges that this project has achieved.

A workshop was held in Brussels in which eight Chinese specialists in development (seven presently working in China, and one in an international organization) and a large number of specialists from European Union Member States and from the European Commission participated. The meeting was very effective in generating mutual

understanding of general development problems, but also indicated the difficulty of reconciling European and Chinese perceptions of development and environment.