IWRM Action Hub

CASE STUDY

China: Eco-Compensation for Watershed Services

Summary

With one of the lowest per capita freshwater resources in the world, China have been investing in and seeking new ideas and methods for improving both supply side and demand side management of water resources. This has included numerous experiments in "eco-compensation". These experiences demonstrate that eco-compensation should be considered as a potential tool for IWRM to address financing shortfalls, identify management pitfalls, and convince key stakeholders to participate.

Background

Water is possibly the single most pressing resource bottleneck to the ongoing economic growth of the People’s Republic of China (PRC) over the next 10–15 years. Annual per capita freshwater resources in China are among the lowest in the world and effective water resources are further reduced by pollution. According to the country’s Macro Strategic Research Report on the Environment (2011), a large proportion of people in China do not have access to safe drinking water. In the face of these challenges, the central and the provincial governments have been investing in and seeking new ideas and methods for improving both supply side and demand side management of water resources. This has included numerous experiments in “eco-compensation”, which shares characteristics with payments for ecological services.

In 2010, the Government completed a national function-based land zoning plan to serve as the basis for a more comprehensive system of environmental planning and management. This involves also reforms to the public sector fiscal system to better apportion funding for environmental management and target key ecological function zones. A revision and evaluation of the performance of local officials is also required in order to place greater emphasis on environmental and sustainable development targets. Eco-compensation is to serve as a key component of this system.

Actions taken

The National Development and Reform Commission (NDRC) have taken a number of important steps toward developing the Eco-Compensation Ordinance. The work has been developed in three phases: The establishment of a steering committee, working groups, and an expert consultative committee for the development of the draft ordinance. Survey work and solicitation of public and expert input. The draft ordinance working group was divided into seven research groups to conduct surveys in 13 provinces, with high-quality research reports produced at the end of each survey.

The NDRC has also been eliciting both public and expert feedback on the draft ordinance. It established a page on its website to elicit online public feedback, and has been hosting annual international conferences, with the support of the Asian Development Bank (ADB). Develop the draft ordinance and key policy documents involving the development of a core framework for the Eco-Compensation Ordinance and the drafting of a preparatory policy document entitled Several Opinions Regarding Establishing and Refining Eco-Compensation Mechanisms. This document is a critical, formal step for the establishment of a national ordinance.

To date, the document has gone through three central government revisions and two formal reviews from the State Council, and has received significant feedback and suggestions from the country's 31 provinces, municipalities, and autonomous regions in three separate symposia.

Outcomes

The Government of the PRC has invested significant technical and financial resources into addressing its chronic water and environmental issues. It should now ensure a return on those investments by adopting a more comprehensive management system. The development of the Eco-Compensation Ordinance is an important step in the process of Integrated River Basin Management. The ordinance helped to identify key obstacles achieving sustainable watershed management which serve as valuable platforms for engagement and negotiation between the key stakeholders regarding watershed protection— helping address the underlying issues of rights and responsibilities, equity, and effectiveness.

A larger social dimension to the issue of NPS pollution exists and has been frustrating the government's many thoughtful attempts to deal with the problem. Eco-compensation addressed these social dimensions by providing direct incentives to change farmers' preferences and behaviour regarding fertilizer use, land management, and technological adoption.

Lessons Learned

Consider eco-compensation as a potential tool for Integrated River Basin Management (IRBM) to address financing shortfalls, identify management pitfalls, and convince key stakeholders to participate in water source protection.

Balance between creating a strong regulatory framework to ensure compliance, allowing for flexibility in how outcomes are achieved so as to allow for and catalyse local-level innovation and adaptation of central policies to fit local needs and constraints.

Also productive, future discussions on the development of an eco-compensation regulatory framework should focus on principles and desired outcomes rather than operational details.

Take account of the scale of actors and include all levels of potential buyers and providers of ecological services, from central government to individual land users, within a common framework.

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