

# Dynamics of International Aid in the Chinese Context: A Case Study of the World Bank's Cixi Wetlands Project in Zhejiang Province\*

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## Abstract

Environmental degradation in China, intensified by open-door reforms and industrialization, has been increasing at an alarming scale. Domestically, environmental governance has been poor, often due to institutional constraints and lack of “good practices.” However, recently there have been studies on how the “foreign factor” might have profound positive effects on capacity building in China and how international actors could lead to the successful introduction of good environmental governance. In this article, we present a study of a successful case: the World Bank Global Environmental Facility Cixi Wetlands project in Ningbo, China. The article examines the following: (a) the unique local context enabling the diffusion of international norms; (b) the factors which contribute to the World Bank's leverage role in restructuring local project governance; and (c) the changes in local environmental governance arising from the Bank's involvement. By evaluating this project, the article will demonstrate how the World Bank managed to introduce and socialize local actors into project-specific policy dialogues and procedures that enhanced local compliance with its international practices and standards.

**Keywords:** environmental governance; World Bank; Global Environmental Facility; China

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## China's Environmental Governance and Its Effectiveness

State-led environmental degradation in China has been documented as occurring as early as during Mao's era by scholars such as Vaclav Smil<sup>1</sup> and Judith

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1 Smil 1984.

Shapiro.<sup>2</sup> Later works by Elizabeth Economy<sup>3</sup> and Shi and Zhang<sup>4</sup> have also discussed in detail the alarming scale and rate of environmental destruction occurring in China, intensified by the open-door reforms and industrialization. Natural resource management in the early years of the People's Republic of China (PRC) was *laissez-faire*; numerous agencies managed various components of the environment, such as forestry and fisheries, with no single holistic formal environmental protection agency. The central government in Beijing recognized the need for environmental protection initiatives, but at the local level these remained weak as a result of political, societal and economic factors. 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 reorganized into the Ministry of Environmental Protection (MEP) during a "super ministry reform" (*dabuzhi gaige* 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 that are affiliated to their respective municipal governments.<sup>5</sup>

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*" 关系 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 China's reforms to enhance environmental protection is to "regulate the behaviours and relationships of various stakeholders – different levels of government, the industrial sectors, and the public."<sup>6</sup> Enforcement capacity and performance are often poor due to the conflict between environmental protection and economic benefits, compounded by the absence of an independent judiciary sector and ambiguous environmental laws.<sup>7</sup> Impaired by institutional constraints and socio-political obstacles, it seems that China's local state-led environmental governance structure lacks the capacity to practice what it preaches. However, in the past few years there have been conscious administrative and legislative efforts to strengthen domestic environmental protection. The PRC's twelfth Five-Year plan (2011–15) 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 China's "environmental industry," which increased from 88,000 in 1995 to 160,000 in 2004.<sup>8</sup>

2 Shapiro 2001.

3 Economy, 2005.

4 Shi and Zhang 2006.

5 Tilt 2007.

6 Fu 2008, 611.

7 Seymour 2005.

8 Carter and Mol 2007, 4.

Barbara Sinkule and Leonard Ortolano were among the first to survey major environmental protection mechanisms since the 1980s. They found that China's environmental initiatives were soundly formulated but limited in their implementations, which were seriously constrained by institutional shortcomings.<sup>9</sup> Some World Bank experts have suggested that solving China's institutional challenges in environmental management is more critical than overcoming technical and economic challenges.<sup>10</sup> In terms of policy formulation and implementation,<sup>11</sup> Abigail Jahiel has documented that the sustainability of successful programmes was shortened by renewed economic reform initiatives in the 1990s.<sup>12</sup> Richard Sanders has emphasized that it was market liberalization, rather than the handicapped state environmental organizations, that posed an imminent threat to effective environmental protection.<sup>13</sup> Moreover, although the notion of environmental protection has gained legitimacy amongst Party officials in major cities, Tong Yanqi has shown that the undervaluation of the environment in assessing bureaucrats' performance may lessen the priority of environmental protection.<sup>14</sup>

China has been participating in global environmental regimes since 1972, joining multilateral environmental agreements such as the Kyoto Protocol and the UN Framework Convention on Climate Change. However, only a few international actors have been allowed into China's environmental governance, mainly by means of development aid. 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.<sup>15</sup> Katherine Morton highlights a four-dimensional framework for analysing capacity: financial efficiency, institutional cohesion, technological advance and shared responsibility (participation of non-state actors). She notes that the involvement of international actors has benefited all of these four aspects.<sup>16</sup> Scholars such as Morton<sup>17</sup> and Heggelund et al.<sup>18</sup> have demonstrated that collaboration between Chinese and international partners who share a common interest in environmental management increases approval. Gørdil Heggelund also emphasizes that the international dimension has been crucial in raising environmental awareness in China.<sup>19</sup> Moreover, Zusman and Turner point out that collaboration in environmental projects between China's local governments and international partners has allowed the successful introduction of international norms of good governance and accountability, which has led to increasing endorsement

9 Sinkule 1995, 200–202.

10 Heggelund et al. 2005, 323–348.

11 Jahiel 1997, 96–100.

12 *Ibid.*, 100–103.

13 Sanders 1999.

14 Tong 2007.

15 Morton 2005; Zusman and Turner 2005; Lee 2006, 231–276; Heggelund et al. 2005.

16 Morton 2005, 179–180.

17 *Ibid.*

18 Heggelund et al. 2005, 323–348.

19 Heggelund 2003.

of such projects.<sup>20</sup> In his examination of the role of international actors in Shanghai water policy, Seungho Lee notes that there exists a co-evolutionary pattern in their interaction. Both sides have learned from each other, and the political economy of environmental governance has since become more complicated as international partners and the transnational companies that followed are clearly visible in today's Shanghai water management.<sup>21</sup>

In particular, the World Bank Global Environmental Facility (GEF) projects in China warrant a close examination. The World Bank's contributions to China's environmental governance have hitherto been little researched, despite China being one of the largest recipients of its development aid. Up until 2009, the World Bank's China project portfolio contained 309 projects and US\$46 billion in financial support. Although past World Bank and International Monetary Fund projects elsewhere in the world have been criticized for their harsh conditionalities which result in hardships being borne by the poorest segment of the population,<sup>22</sup> 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 to reverse soil deterioration.<sup>23</sup> The World Bank has remained most active in four sectors of China's development programme: infrastructure, rural–urban disparity, poverty alleviation and social security.<sup>24</sup> In terms of GEF projects, there are a total of 28 projects (ten have been completed while 18 are on-going), broadly looking at global climate change, biodiversity, international waters, land degradation and persistent organic pollutants.<sup>25</sup> The World Bank has also been helping China integrate into global environmental governance regimes such as the Clean Development Mechanisms, Montreal Protocol and the Stockholm Convention.<sup>26</sup>

The partnership between the World Bank and the PRC 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 reluctance, 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,

20 Zusman and Turner 2005, 145.

21 Lee 2006, 273–275.

22 Mohan et al. 2000; Easterly 2007.

23 Varley 2003, 9.

24 Worldbank.org, "China Country Brief," <http://go.worldBank.org/5UOVPS6LY0>, accessed 18 April, 2010.

25 Worldbank.org, "Global Environmental Facilities (GEF) Projects in China," <http://web.worldBank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN0,,contentMDK:20585167~pagePK:1497618~piPK:217854~theSitePK:318950,00.html>, accessed 26 January 2011.

26 Worldbank.org, "Results: Ongoing Progress in China," <http://go.worldBank.org/Q4PPPKBTR0>, accessed 18 April 2010.

despite an 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.<sup>27</sup>

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 laws.<sup>28</sup> This will be illustrated later through the procurement procedure described in this case study. Although the World Bank provided vital capital and technical advice for projects showcasing economic modernization, 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. The Chinese government, by accepting global norms through this legal provision, ensures that there is a transfer of skills and capacity building at the local level.

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."<sup>29</sup> However, the methods used by the World Bank to effect 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 adjustment loans – a form of financial aid to which the notorious structural adjustment conditionality applies and which are often accessed by budget-constraining governments. Rather, International Bank for Reconstruction and Development loans that are run on a commercial basis constitute the lion's share of Bank funding to China. Furthermore, the Bank's loans have never been proportionately significant compared to China's annual foreign direct investment. Hence, it is through "soft measures" such as persuasion and by example that the Bank manages to "socialize" 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

27 Bottelier 2007, 242–243.

28 Email communication with former GEF-NWEP task team manager, 9 April 2010.

29 The World Bank 2005, 6.

Chinese government.<sup>30</sup> Over time, as China has gained expertise and experience, and more comprehensive agendas have been laid out for national development, the rationale for the World Bank's China country partnership strategy<sup>31</sup> has also shifted from the intention to change to the will to adapt.

Although structural and sectoral conditionalities 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 characterized by the World Bank's operational policies and Bank procedures.<sup>32</sup> These project-based conditionalities are intended as a measure of quality control, which 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 also supports the Bank's emphasis on good project governance by ensuring local compliance with the relevant policies and procedures. Pieter Bottelier (chief of World Bank's resident mission in Beijing in the 1990s) notes that in the extreme case of a Guangzhou agricultural project, local violation of Bank procurement requirements led to the withdrawal of Bank loans and the suspension of the project.<sup>33</sup> Indeed, reports to Beijing can bring a check-and-balance mechanism to bear on the conduct of local officials who are involved. A set of challenges to successful international environmental aid projects have also been identified, which include the reluctance of local governments to adhere to donors' requirements and poor synchronization of donors' approaches to local contexts.<sup>34</sup>

In this article, however, we present a case study of a successful GEF project: the Cixi 慈溪 Wetlands in Ningbo, Zhejiang province. Instead of focusing on the challenges, implementation gaps and failures which dominate World Bank/GEF literature, it is our aim to look at the factors contributing to its success, and how they could be duplicated elsewhere. While this case study was not chosen to be representative, these dynamics could suggest conditions for adaption in other GEF projects in China and elsewhere. The Cixi Global Environmental Facility–Ningbo Water and Environment Project (GEF-NWEP or *GEF-Ningbo shuihuanjing xiangmu* GEF-宁波水环境项目) was also chosen as an appropriate case study because of 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 largely removes the distraction of the money factor in the examination of the local partners' rationales for sustained cooperation, thus making it easier for non-fiscal independent variables to emerge.

30 *Ibid.*, 7–9.

31 The country partnership strategy is the general guideline reference with which the Bank assesses and decides upon the projects it will support over the period of time covered. For more see this World Bank webpage: <http://go.worldbank.org/L1AOU35JC0>.

32 *ibid.*, 8–9; Also see the Worldbank.org, "Policies and Procedures," <http://go.worldbank.org/2G5SSZAET0>, accessed on 5 April 2010.

33 Bottelier 2007, 251.

34 Morton 2005, 165–168; Lee 2006, 265–267; Heggelund et al. 2005, 342–343.

Primary data were collated from interviews (in person and via email), and we also used secondary resources such as case studies from other regions and GEF 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 in this project, due to administrative and time constraints.

Our article mainly examines the following: (a) the unique local context enabling the diffusion of international norms; (b) the ways which contribute to the World Bank's leverage role in restructuring local project governance; and (c) the changes in the local environmental governance due to the World Bank's involvement. We first provide background information on the GEF Cixi Wetlands project, and then evaluate how the World Bank managed to prompt positive changes in Ningbo's governance through fiduciary and safeguard issues. Finally, we discuss the dynamics and outcomes of the project's implementation. By examining this project, this paper will demonstrate how the World Bank managed to introduce and socialize local actors into project-specific policy dialogues and procedures that enhanced local compliance with its international practices and standards.

### **Background Information on the GEF in Cixi Wetlands, Ningbo**

One of the pillars of the World Bank's China country strategy is to enhance the capacity to tackle its environmental challenges, particularly the collection and treatment of waste water.<sup>35</sup> In 2004, the World Bank started a Water and Environment Project with Ningbo (NWEP). The treatment component of NWEP was supposed to be implemented in Cixi through the construction of two waste-water treatment plants to the east of Hangzhou Bay Bridge. Since the treatment plants could not discharge directly into the sea, due to significant tidal variations and low depth of sea water, the coastal wetland option helped offset the low assimilative capacity of the inland canal system to which the plants discharge.<sup>36</sup> The constructed wetland area near the bridge was rehabilitated to mitigate the rate of wetland degradation along the Cixi coast, which has been found to be significant for migratory birds and local fisheries, and economically viable in the long run.

Consulting the GEF Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia for managerial lessons, three components in this project were set up between the Ningbo/Cixi government and the Bank. They

35 The World Bank Group 2006, 24.

36 World Bank Document, Report No.: AB 1776, "Project Information Document: Concept Stage," August 2005, 2–3.

were: construction of the wetland; establishment of the wetland centre; and an ecological engineering consultancy and management contract.<sup>37</sup> Local co-financing required from the Cixi and Ningbo municipal governments greatly exceeded the World Bank/GEF financial commitment to the project, which up until December 2009 cost the local partner US\$26 million against a GEF grant of US\$5 million; the remaining US\$50 million came from NWEF Bank loans.<sup>38</sup> The land required for the project was 43.5 square km.<sup>39</sup>

The institutional arrangement for GEF-NWEF was an overarching one that concerned more than ten local entities. In Ningbo, a NWEF leading group (*lingdao xiaozu* 领导小组) was made up of high-level municipal officials from the municipal government, Development and Reform Commission (DRC),<sup>40</sup> environment protection bureau, water resources bureau, construction bureau, and the finance bureau of Ningbo. Together they comprised the main source of local policy direction and political authority for the GEF-NWEF. In Cixi, a leading group made up of similar Cixi governmental agencies coordinated the project management, 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 to share information efficiently between ministries to ensure smooth coordination of the project.

Under the direction of the NWEF, a project management office was established in the Ningbo DRC as the primary contact for the Bank to remain updated on project. This office was also responsible for the GEF-NWEF. The implementing agencies for the project were the Cixi Municipal Sewage Company (CMSC) and the newly founded Wetland Centre Management Company. These were supervised by the Cixi construction bureau, which 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 was set up to provide necessary expertise in ecological sciences and management for the Wetland Centre Management Company.<sup>41</sup> The DRC and the finance bureau of Ningbo then represented the borrowing government when engaged in high-level exchanges such as formal negotiations with the Bank.<sup>42</sup>

37 For a detailed description of the project components, see annex 4 of the Bank's "Project Appraisal Document," 20–25.

38 Aide Memoire, World Bank Supervision Mission, December 2009, 6.

39 World Bank Document, Report No.: 36424, "Project Appraisal Document on a Proposed Grant from the GEF Trust Fund to the PRC for a GEF Ningbo Water and Environment Project," 6 June 2006, 22.

40 The DRC is usually the most important local body of policy direction on domestic development and international investment. For an English-language introduction to the Ningbo DRC, see [http://www.nbdpc.gov.cn/en\\_view.aspx?CategoryId=160](http://www.nbdpc.gov.cn/en_view.aspx?CategoryId=160).

41 World Bank Document, "Project Appraisal Document," Annex 6, 28–29.

42 Interview with Ningbo DRC staff, 27 March 2010.



As with other World Bank urban environmental projects in China, it was the DRC (Ningbo) that supervised and managed the projects because it had the strongest executive and coordinative capacities. The DRC was consulted throughout the whole process, including the implementation stage, although conventionally it would only be involved in the preparation and approval processes.<sup>43</sup> Staff assigned to the project from the DRC 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 of Ningbo 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.<sup>44</sup>

### **Good Environmental Management through Good Governance: Fiduciary and Safeguarding Issues**

According to World Bank procedures, all Bank projects are defined to be within the jurisdiction of Bank operational policies and procedures, and require adherence by the client before it gives 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 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.<sup>45</sup> 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 is actually entitled to monitor the borrower.<sup>46</sup>

This project was feasible (which contributed to its success) mainly due to its local environmental and economic factors. First, the dire environmental consequences of Cixi's coastal development – which had 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 were more familiar with international norms.<sup>47</sup> Third, Ningbo also demonstrated the ability to mobilize support from the central

43 *Ibid.*

44 Telephone interview with NWEF-experienced World Bank senior social specialist, 18 March 2010.

45 Worldbank.org, "Policies and Procedures," <http://go.worldBank.org/2G5SSZAET0>, accessed on 5 April 2010.

46 Worldbank.org, "Project Cycle," <http://go.worldBank.org/GI967K75D0>, accessed on 5 April 2010. Also see BP 13.05, "Project Supervision," *The World Bank Operational Manual*, 392–402.

47 Telephone interview with former GEF-NWEF experienced World Bank senior social specialist, 15 and 18 March 2010.

government. Finally, the success of two previous projects with the Bank convinced both sides that the partnership was a reliable one.<sup>48</sup> 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 later the Ningbo government placed more emphasis on technical assistance and partnership to promote the city in the international community.<sup>49</sup>

However, it may be naïve to assume that Chinese local governments are solely dedicated to public interest. Lily Tsai suggests that the local governments 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 investment,<sup>50</sup> such as the case in Ningbo. As such, environmental projects may not become a leading official's priority. This is particularly the case as environmental protection projects usually take some years to show results, which means little personal gain (such as promotion) during the official's 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.<sup>51</sup> 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. Nevertheless it should be understood that, to the Bank, the most fundamental rationale for Ningbo to request its aid was the local government's desire for new technologies, knowledge and methods of protecting the ecosystem.<sup>52</sup>

The double representation system (national and municipal levels, as described above) designated for Bank projects is a promising one as it overcomes an important shortcoming of the conventional local project management system. In turn, the Bank adopts a responsible system that is characterized by respect towards local specialized expertise. There is a Bank project manager (team leader) for every project: 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.<sup>53</sup>

This double representation is vital because under the Chinese local system commands are given by high-ranking officials, who lack the expertise required

48 Email from GEF-NWEP experienced World Bank environmental specialist and former task team leader for GEF-NWEP, 10 and 16 April 2010.

49 Email from former task team leader for GEF-NWEP, 9 April 2010.

50 Tsai 2007, 235–236.

51 Interview with NWEP project management office staff, 15 November 2009.

52 Telephone interview with NWEP experienced World Bank senior social specialist, 18 April 2010.

53 Email from former GEF-NWEP task team leader, 9 April 2010.

to keep clear track of the nuts and bolts of the project. Furthermore, although local specialists are employed to advise the leading cadres, their recommendations can be turned down in favour of the non-expert leader's decisions.<sup>54</sup> This lack of expertise brings many problems, the most frequent being inefficient project management and waste of funds, which are revenues from taxpayers' 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 in which "everybody wants to spoil the positive outcomes whilst nobody is willing to be held responsible for the negative outcomes."<sup>55</sup> Moreover, this is difficult in practice as the ministries involved tend to be protective due to competition between them.<sup>56</sup>

From the institutional arrangement for the Ningbo–World Bank project, we can see a streamlined relationship between knowledge and power. First, the local government is held accountable in their dialogues with the World Bank, who demand a clear understanding of the project. This means that high-status administrative officials, able to speak English and with an understanding of international environmental norms, are mobilized to deal with the Bank first. Thus, the most qualified personnel in terms of qualifications and language skills in the local government are dedicated to the project. The project management office, which consists of local specialists acquiring an administrative status equivalent to an important governmental office, then provides their specialized knowledge to the on-site Cixi authorities. With the Bank supervising all major project activities, feedback in the form of specialized advice on the management of the project also serves to influence higher-level decision making.

Other than the management issues raised above, fiduciary and safeguarding issues, such as environmental impacts and involuntary resettlements, also receive the Bank's particular attention. The fiduciary and safeguarding policies and procedures of the Bank may appear irrelevant to environmental governance, in the sense that they do not directly tackle the environmental challenges identified in the project. However, they are likely to contribute to the local capacity building that enables the successful delivery of good project outcomes. By comparing the Bank's and the locals' ways of implementing three project tasks (procurement, knowledge dissemination and environmental impact assessment [EIA] implementation), the following section will elaborate on how the Bank has managed to effect positive changes such as good governance and transparency in the project implementation process.

### *Procurement*

Generally, procurement means to find the most competent contractor at the best cost. However, the local method used in Ningbo often entails "drawing and

54 Interview with project management office staff, 9 March 2010.

55 Interview with project management office staff, 7 November 2010.

56 Heggelund et al. 2005, 336.

casting lots,” which works to reduce corruption and forms of nepotism in China. Another deviation from the Bank’s method is “rating and ranking,” 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 of lot-drawing. 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 required expertise are difficult to find, while those who act as experts frequently lack any expertise. Second, reviewers are often given very limited time to read the documents. Finally, the absence of articulated criteria of measurements confuses the revision round which renders this procedure a superfluous formality.<sup>57</sup> 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.<sup>58</sup> However, this method is 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.<sup>59</sup> The Bank is particularly concerned with procurement as it is often the breeding bed for corruption, which it seeks to eradicate through strict rules and regulations.<sup>60</sup> To combat illegal activities, the Ningbo project management office was willing to comply with 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.<sup>61</sup> After ensuring all funds were disbursed in a transparent manner,<sup>62</sup> the local client was held accountable for the funds made available by the Bank.

### *Knowledge dissemination*

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, the prioritizing of “political correctness” (*zhengzhishang zhengque* 政治上正确) over legality and scientific

57 Interview with project management office staff, 7 November 2009.

58 Interview with Wetland Centre Management Company staff, 20 April 2010.

59 OP 11.00

60 OP 11.00. Also see Liu 2004.

61 World Bank Document, “Project Appraisal Document,” Annex 8, 34–35; World Bank Document, Report No.: 41624, “GEF-NWEP Procurement Plan,” November 2007.

62 World Bank Document, “Project Appraisal Document,” Annex 7: Financial Management and Disbursement Arrangements, 30–33.

objectivity has been directly relevant to many infamous human-induced disasters which were intended to meet utilitarian modernizing ends.<sup>63</sup> In Ningbo, bad decisions tend to result from the lack of reliable sources of information. Local public-goods provision specialists were grouped in the local design institutes (*she-jiyuan* 设计院). As a result, the dualistic role of being governmental officials and business entities brought their mandates of being quality controllers and profit seekers into conflict.<sup>64</sup> 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.<sup>65</sup> 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.<sup>66</sup>

This gap was recognized by the Bank, which then filled it with advice from international consulting firms, NGOs and universities. 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 for the local implementing agencies. Such consultancy arrangements indicate at least two dimensions of change to the local knowledge system for the project. First, the transfer of knowledge had become independent or at least free of interference from the client. Second, access to information sources had diversified, which facilitated access to specialized knowledge.

### *Environmental impact assessment*

One of the aims of World Bank projects is to promote environmental and social sustainability: the procedures for such projects are designed to safeguard policy areas ranging from environmental assessment and natural habitat to involuntary resettlement and gender.<sup>67</sup> During the preparation phase, intellectual resources were mobilized 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 the China Resettlement Research Centre at Hohai University in Nanjing. The combination of foreign and local experts

63 See as exemplified by Shapiro 2001 and Dai 1994. However, one must also note that this is an issue not confined to authoritarian contexts but one that is problematic for “development” and “modernity” in general worldwide (see for example Ferguson 1990 and Holston 1989).

64 Note from field trip with project management office Inspection Team to the project site, 25 March 2010.

65 Interview with project management office staff, 7 November 2009.

66 Aide Memoire, World Bank Supervision Mission, November 2005, p. 9.

67 OP/BP 4.01-4.37. More can be found via this link: <http://go.worldbank.org/WTA1ODE7T0>.

allowed both parties to work together to adopt and adapt international environmental management norms to local societal and environmental conditions.

Next, although 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.<sup>68</sup> 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 周公宅 Reservoir, even though it was not part of NWEF.<sup>69</sup>

More importantly, when it came to involuntary resettlement activities, salient differences were also found between the local norms and Bank's policies. The basic rationale for the Bank's resettlement policies was to minimize involuntary resettlement and ascertain income compensation for the affected persons. On the other hand, Chinese local governments generally compensate income for dam projects only. Furthermore, for the Bank, affected persons 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 affected persons' rights for dialogue and information disclosure, and will not reach any conclusion without consensus. However, local policies dictate that affected persons are often only informed of pending resettlement, without their consent being sought.<sup>70</sup> 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 affected persons.<sup>71</sup> In fact, when local governments assess resettlement performance, it is "no petitioning" (*wu shangfang* 无上访) that is the most often used criterion.<sup>72</sup>

One of the most important changes that the World Bank was able to encourage in the case of Ningbo was that 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 fees for approximately 200 aquaculturists and fishermen. This fund was used to recruit affected persons to work at the Wetlands Centre and provided training for fishermen who wished to continue fishing.<sup>73</sup> In addition, to adhere to the Bank's full disclosure

68 Jin 2006, 124.

69 Telephone interview with NWEF-experienced World Bank senior social specialist, 18 March 2010.

70 Email communication with China Resettlement Research Centre staff, Hohai University, 16 April 2010.

71 Interview with project management office staff, 19 November 2009.

72 Telephone interview with NWEF-experienced World Bank senior social specialist, 18 March 2010.

73 Aide Memoire, World Bank Supervision Mission, October 2007, 4-5.

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 organized.<sup>74</sup> By establishing these people-centric resettlement policies at the local context, the Bank hoped 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 their local counterparts and socialize them into the global regime of good environmental governance. According to Heggelund et al., GEF projects have contributed to raised awareness and technology development, and have boosted institutional capacity through participation in project activities and training.<sup>75</sup> 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 that the World Bank managed to institutionalize in the local context enhanced the sustainability and reputation of the 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 were willing to allow deviations in terms of practices in the areas of procurement and resettlement, these raised the issue of synchronization 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, it was often abused through bidders offering prices that diminished profit margins in order to win the contract, only to later seek contract modification during the implementation phase.<sup>76</sup> This is what the officials in Ningbo encountered and found troublesome when explaining the situation to the Bank, which considers such acts as a form of corruption in the procurement process.<sup>77</sup> Contractor competence is another issue that worries the implementing entities when trying to conform to Bank procurement requirements. The Bank believes in economies of scale and that large-scale contract procurement can reduce costs by appealing to competitive contractors. Although this is a logical rationale, it is often the case that very few local bidders are sufficiently qualified to meet the World Bank terms. When

74 World Bank Document, Report No.: AC2001, "Integrated Safeguards Datasheet-Appraisal Stage," 4–10. Available via this shortened URL: <http://alturl.com/fj4ti>, accessed 16 April 2010.

75 Heggelund et al. 2005, 341.

76 Zhang and Cui 2006, 93.

77 Interview with project site supervision staff, 25 March 2010.

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.<sup>78</sup>

When looking at the local context from a regional perspective, the feasibility of replicating 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 World Bank loans in China reflects the "Mathew Effect"<sup>79</sup> 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 the Bank projects are found in the more affluent eastern part of China.<sup>80</sup> Other subjective variables, such as local leaders' 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 has not been completed, and its ramifications remain to be evaluated. Future research that seeks to address this question may also turn to the feasibility of applying these new changes and practices in other locales of China, and investigating the fissures between local, national and international levels of environmental governance.

## Conclusion

The Cixi Wetlands project is a good example of how the Chinese local government is willing to accept a foreign organization's "conditions" by reformulating many of its traditional practices to adapt to new methods of management. More significantly, 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, in that it enabled international norms as represented by the World Bank's policies and procedures to transcend sovereign boundaries to become 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

<sup>78</sup> Interview with project management office staff, 9 March 2010.

<sup>79</sup> Mathew Effect refers to the phenomenon of the rich getting richer and the poor getting poorer, due to differentiated access to resources.

<sup>80</sup> Wu 2007, 23.



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 as reasonable advice to help achieve excellence. The Bank's AAA rating may have been a profound influence in forming this attitude, as the specialized 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. However, one may also argue that this global rhetoric of "good practice" and "transparency" can be an extension of the central government's control over provincial governments.

According to our interviews with project members, one of the most positive changes arising from the Bank project was increased project management capacity for the local government and improved access to advanced expertise. As a result, the persistent local problem of unreliable advice was alleviated: project leaders were better informed, enabling them to make better decisions. Ningbo specialists not only acquired new knowledge but also gained higher status through representing the government when dealing with international organization implementing entities. Furthermore, thanks to the enforcement of the Bank's fiduciary and safeguard policies, the implementation of GEF-NWEP became more transparent and accountable. 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, tended to offer more insightful advice and were 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 could be transferred to other Chinese provinces' development and environmental projects remains a question pending further research.

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