

The Logic and Effects of Chinese-Style Decentralised Environmental Governance

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Abstract

The internal logic of Chinese-style decentralised environmental governance suggests that while promoting high-quality economic development, it is necessary to balance the relationship between centralisation and decentralisation of power, especially in environmental governance, and that incentives, power distribution and operational mechanisms should be considered comprehensively in order to realise the coordination between environmental protection and economic development. The Chinese-style decentralised environmental governance logic involves three main aspects: organisational structure (power distribution), incentive mechanism and operational mechanism. These factors interact with each other and together constitute the framework of Chinese-style decentralisation. In the long history of Chinese national governance, the relationship between the central and local authorities has always been an important issue. A centralised system helps to maintain national unity and social stability, while decentralisation stimulates local government initiative and social progress. Therefore, dealing with the relationship between centralisation and decentralisation is also an important element of Chinese-style decentralisation.

Keywords

Chinese-style decentralisation; Environmental governance; Organisational structure; Operational mechanisms

1. Introduction

Promoting the construction of an ecological civilisation is an important part of the great rejuvenation of the Chinese nation, and it is a long-standing ruling objective of the Communist Party of China (CPC). General Secretary Xi Jinping attaches great importance to the construction of ecological civilization, and has repeatedly stressed that "to build an ecological civilization, it is necessary to establish a systematic and complete ecological civilization system" and "to deepen the reform of ecological civilization system, the key is to give full play to the system's functions of guiding, regulating, incentivizing and restraining. ". From 1972, when China sent a delegation to the United Nations to organise the Conference on the Human Environment, 1973, when the first national conference on environmental protection was held, and 1974, when the State Council's Environmental Protection Leading Group was formally established, China's environmental governance system has been continuously reformed and improved. Focusing on the objectives of governance efficiency and governance effectiveness, the logic and effects of environmental governance can be analysed from a Chinese-style decentralisation perspective by examining the evolution of China's environmental governance system.

2. Institutional Background

The breakdown of China's environmental governance authority mainly involves two levels, central and local, as well as different government departments and agencies. According to the

Guiding Opinions on Building a Modern Environmental Governance System issued by the General Office of the Central Committee of the Communist Party of China (CPC) and the General Office of the State Council, the environmental governance system includes a number of aspects, such as a system of leadership responsibility, a system of corporate responsibility, a system of action by the whole population, a system of supervision, a system of markets, a system of credit, and a system of laws, regulations and policies. These systems are designed to achieve benign interaction between government governance and social regulation and corporate autonomy, and to strengthen governance at the source and form a synergy of efforts, providing a strong institutional guarantee for promoting a basic improvement in the ecological environment and building an ecological civilisation and a beautiful China.

In the Reform Programme for the Division of Fiscal Authority and Expenditure Responsibility between the Central and Local Governments in the Field of Ecology and the Environment, issued by the General Office of the State Council, the fiscal authority and expenditure responsibility of the central and local governments in the field of ecology and the environment are clearly defined. This includes the division of ecological and environmental planning and system development, ecological and environmental monitoring and law enforcement, ecological and environmental management affairs and capacity building, and environmental pollution prevention and control. For example, national ecological and environmental planning and cross-regional ecological and environmental planning are the responsibility of the central government's fiscal authority, while local ecological and environmental monitoring and law enforcement inspections are the responsibility of local fiscal authority. In addition, the programme emphasizes the need to optimize the direction of fund use, improve the performance of fund use, support the fight against pollution and meet the people's growing need for a beautiful ecological environment.

Existing studies have shown that the unclear division of environmental authority between governments is symptomatic of the environmental problems in China. The environmental governance system can also be examined from the perspective of the division of environmental governance authority between the central and local governments, that is, measured from the perspective of centralisation and decentralisation. Since the reform and opening up, China's decentralisation reform under the political centralisation is essentially an adjustment of the relationship between the central and local governments, which involves not only the financial power, but also the decentralisation of the governance of public affairs, such as medical care, health, education and the environment. Some scholars call the decentralisation in China incentive-based decentralisation, where the central government designs an incentive system according to the governing objectives, and the central and local governments compete vertically and horizontally under the incentive system, and these two directions of competition together determine the government's behaviours in promoting economic development and the governance of public affairs. Jin et al. summarise traditional decentralisation theories by saying that, compared to the central government, local governments have a better understanding of the wishes and preferences of the residents of their regions. Jin et al. summarise the traditional decentralisation theory by stating that local governments have a better understanding of the wishes and preferences of local residents than central governments, and can provide public goods that are more suitable to the needs of local residents, and that inter-jurisdictional competition provides incentives to ensure that the supply of public goods is better matched to the preferences of local residents, which is also evident in its contribution to market cultivation and economic growth. The role of centralisation should not be overlooked, as political centralisation avoids local protectionism and helps to maintain the balance of national interests. The study of the internal mechanism of the division of environmental affairs provides us with a possible way to improve the effectiveness of environmental governance, i.e., by changing the objective function and the preference transfer mechanism among the central government, local

governments and residents to improve the effectiveness of environmental governance. Meanwhile, the focus of environmental institutional reform under the perspective of centralized decentralisation is to find the optimal degree of decentralisation between the central and local governments in environmental governance matters in order to improve the quality of the environment. And it is worth exploring how the division of environmental governance affairs between the central and local governments will affect the effectiveness of environmental governance.

3. The Logic of Environmental Governance under Chinese Decentralization

3.1. Organisational structure under Chinese-style decentralisation (distribution of power)

In terms of organisational structure, Chinese-style environmental decentralisation emphasises the distribution of power, i.e. the distribution of environmental protection responsibilities and powers between different levels of government. This decentralisation model includes the separation of decision-making, executive and supervisory powers in order to build a mutually constraining yet coordinated power structure and operating mechanism, which exceeds the purely administrative separation of powers. However, organisational structures under Chinese-style environmental decentralisation also face some challenges. For example, some studies have shown that environmental decentralisation has a significant positive effect on the level of carbon emissions, implying that the current system of environmental decentralisation may not be conducive to carbon governance. This may be related to factors such as insufficient incentives for local governments to spend on environmental protection and the lack of independence of local environmental protection departments.

3.2. Incentives under Chinese-style decentralization

3.2.1. Economic incentives

Economic incentives under Chinese-style decentralisation are mainly embodied in fiscal and administrative institutional arrangements that are designed to promote local governments' incentives in economic development. While this decentralised system has played an important role in China's fast-growing economy, it has also posed a number of challenges and side effects. First, Chinese-style decentralisation decentralises fiscal power to local governments, enabling them to better formulate and implement economic policies in accordance with local conditions. This fiscal decentralisation increases the autonomy and motivation of local governments in economic development, which is conducive to promoting local economic growth and innovation.

However, this decentralised system has also created some problems. For example, local governments may focus more on short-term economic growth at the expense of long-term sustainable development and improvement of social welfare. In addition, competition among local governments may lead to irrational allocation of resources and market segmentation, exacerbating unbalanced development among regions.

In terms of industrial policy, Chinese-style decentralisation also has important implications for the effectiveness of industrial policy implementation. Research suggests that increased fiscal decentralisation may reduce the contribution of government subsidies and tax breaks to firm productivity growth. This implies that under a decentralised system, there is a need for more effective coordination of policy objectives between the central and local levels to ensure the effectiveness of industrial policy implementation.

3.2.2. Political incentives

Political incentives under Chinese decentralisation are mainly reflected in the competition for promotion of government officials. Since the reform and opening up, China's political system has been characterised by "economic decentralisation and political centralisation", under which local officials face both economic incentives and political promotion incentives. Economic decentralisation has enabled local governments to formulate and implement economic policies according to local conditions and to have greater financial and administrative autonomy, which has increased local governments' motivation and innovation in economic development. However, it has also led to the possibility that local governments may focus more on short-term economic growth to the detriment of long-term sustainable development and improvement of social welfare.

In terms of political promotion incentives, local officials in China usually face strong incentives to pursue GDP growth and economic development, as this is directly related to their political performance and promotion opportunities. This promotion mechanism, in which economic growth is the main assessment criterion, leads local officials to tend to invest more resources and energy in areas that can quickly boost economic figures, while possibly neglecting other important areas of public service and social development. This incentive mechanism has, to a certain extent, promoted local economic development, but it has also brought about problems such as environmental pollution and unbalanced regional development.

In addition, political incentives under Chinese-style decentralisation are also reflected in the biased structure of fiscal spending. As a result of competition among local governments, the structure of public expenditure tends to favour areas that can bring about rapid economic growth, such as capital construction, to the detriment of investment in human capital and public services. This bias in the structure of expenditure has, to some extent, exacerbated interregional development imbalances.

3.2.3. Social Incentives

Social incentives under Chinese decentralization are mainly reflected in the behaviour and motivation of local governments in the provision of public services and social management. With regard to social incentives, education indicators are chosen to measure social incentives from the perspective of "building a service-oriented government that satisfies the people". Providing satisfactory public services to the people is the responsibility of the government, and it is also an important manifestation of the government's role as a "social person", and the social incentives triggered by it urge the government to provide public goods, and in this process, decentralisation of the local government is conducive to the improvement of the quantity and efficiency of the provision of public goods, which is one of the conclusions of the early decentralisation theories. Under the Chinese decentralised system, social incentives are conducive to the provision of public goods, and the ecological environment, as one of the public goods, will naturally be improved.

In the area of public services, the impact of Chinese-style decentralisation on the provision of public goods should not be overlooked. Research suggests that increased fiscal decentralisation may reduce the contribution of government subsidies and tax breaks to enterprise productivity growth. This implies that under a decentralised system, there is a need for more effective coordination of policy objectives between the central and local levels to ensure the effectiveness of industrial policy implementation.

3.3. Operational mechanisms under Chinese-style decentralization

In terms of operational mechanisms, the initiative and responsibility of local governments in environmental governance is emphasised by the organisational structure of the Chinese-style decentralised environment. This includes the role of local governments in the formulation and

implementation of environmental policies, the supervision of compliance with environmental laws and regulations, and the handling of environmental emergencies. Firstly, based on the personnel power, resource allocation power, responsibility division and corresponding incentive mechanism among governments, around the political incentive index, carry out "promotion competition", "ruler competition", "qualification competition" among local governments, and the local governments' role in environmental policy formulation and implementation, as well as supervision of compliance with environmental regulations and handling of environmental emergencies." In addition, local governments will also compete for fiscal revenues due to economic incentives, such as the financial package system since the 1980s, which has strengthened the financial and economic incentives of local governments. From the central to the grass-roots level "layer by layer" phenomenon is the phenomenon of "layers of subcontracting" of the administrative system and incentive mechanism. The second is the interaction between the government and society, which is manifested in the decentralisation of the government to society. The bottom-up feedback of public opinion, while serving to monitor grass-roots governments, also helps the government to understand public preferences, on the basis of which local governments may compete for the provision of public goods that meet the preferences of residents.

To sum up, the logic of Chinese decentralisation is: the central government concentrates personnel and resource allocation powers, local governments are allocated certain administrative, economic management and financial powers, while the grassroots have a certain degree of autonomy; political promotion, economic taxation and social identity become the competitive incentives for local governments. These two points enable the government organisation to form a perfect operating mechanism around its goals, thus giving Chinese decentralisation a strong inner vitality.

4. Effectiveness of Environmental Governance under Chinese-style Decentralization

4.1. Distribution of rights and the effectiveness of environmental governance

In China, the logic of environmental governance is strongly influenced by Chinese-style decentralisation. Under this decentralised system, the distribution of power, incentives and operational mechanisms of local governments have important implications for the effectiveness of environmental governance. On the one hand, the economic and political incentives of local governments may be detrimental to environmental governance, as it may lead them to focus more on short-term economic growth than on long-term environmental sustainability. On the other hand, social incentives may have a positive impact on environmental governance, as they facilitate the provision of public goods, which is favourable to environmental governance.

In addition, the equitable distribution of environmental rights is at the centre of achieving environmental justice. Environmental rights include the right to environmental survival and the right to environmental development, emphasising the right of citizens to live in a clean and healthy environment. The fulfilment of these rights helps to promote environmental protection while safeguarding citizens' basic survival needs and the right to health.

In a pluralistic environmental governance system, the shift in the function of administrative power and the path of safeguarding it are also key. In the context of the new system, the shift in the function of environmental administrative power will be towards balancing the interests of multiple subjects, promoting interaction and collaboration among the subjects of environmental governance, realising the interface between discretionary power and control power, and focusing on the implementation of the principle of due process. This shift will not only help to balance the powers and responsibilities between the Government and social actors,

but will also help the Government to better carry out its regulatory responsibilities in a pluralistic environmental governance system.

Overall, the relationship between the distribution of rights and the effectiveness of environmental governance involves a number of aspects, including the incentives of local governments, the equitable distribution of environmental rights, and the pluralistic and shared governance model in the environmental governance system. These factors together contribute to the effectiveness of environmental governance and need to be considered and adjusted in an integrated manner to ensure the realisation of environmental protection and sustainable development.

4.2. Incentives and the effectiveness of environmental governance

The relationship between incentives and the effectiveness of environmental governance is multifaceted, involving market mechanisms, government policies, legal systems, and many other dimensions.

First, incentive-based environmental governance emphasises the central role of market mechanisms in environmental governance. This governance model uses price signals, competition mechanisms and the law of supply and demand to incentivise enterprises to comply with environmental laws and regulations, guide their production decision-making behaviour, and achieve governance of environmental pollution through finance, taxation, trading of sewage rights, deposit systems and extended producer responsibility. This model, with enterprises as the main body, emphasises economic incentives, ex ante prevention and endogenous motivation, and has the advantages of lower costs, lasting effects and incentives for innovation.

Secondly, a modern environmental governance system requires the joint participation of the Government, enterprises and social organisations. The Government should play a leading role in consolidating the responsibility of governments at all levels to promote environmental governance, forming an environmental governance pattern in which the central government coordinates, the provinces take overall responsibility, and the municipalities and counties take charge of implementation. At the same time, it is necessary to fully mobilise the enthusiasm of enterprises, establish a sound incentive mechanism for them to promote environmental governance, guide them to practice green production methods, and strengthen the construction of a system of responsibility for corporate environmental governance and the disclosure of environmental information. In addition, it is necessary to mobilise social organisations and public participation, incorporate environmental protection into the national education system, and guide the public to form a simple and moderate, green and low-carbon lifestyle.

Finally, it is also crucial to accelerate the formation of incentive and constraint mechanisms for reducing pollution and carbon emissions. This requires adhering to the two-handed approach of the Government and the market, strengthening scientific and technological and institutional innovation, deepening reforms in energy and related fields, and forming an effective incentive and constraint mechanism. For example, by improving the accounting system, perfecting the system and standards, strengthening policy incentives, giving full play to market functions, and promoting scientific and technological innovation, we can accelerate the formation of an effective incentive and constraint mechanism.

In summary, the relationship between incentive mechanisms and the effectiveness of environmental governance is complex and multifaceted, and requires the joint efforts of governments, enterprises and social organisations, as well as the support of market mechanisms and the legal system, in order to achieve effective environmental governance.

5. Conclusions and Insights

The revelation of the centralisation and decentralisation of Chinese-style environmental governance suggests that while promoting high-quality economic development, there is a need to balance the relationship between centralisation and decentralisation, especially in environmental governance, where incentives, power distribution and operational mechanisms should be considered in an integrated manner in order to achieve coordination between environmental protection and economic development. Reviewing the course of China's environmental system change, we find that the reform of the environmental system and the financial system are different, both in terms of content and time, which indicates that environmental decentralisation cannot be replaced by financial decentralisation in its entirety, and its connotations are not the same. However, environmental decentralisation is general and ambiguous, and specific research needs to be further refined. Residents' preference for environmental quality has been increasing with the development of China's economic level, and the government has been facing increasing pressure on environmental governance. There is no doubt that the uneven development of China's regions and the heterogeneity of environmental governance in each region make it an indispensable task for local governments to increase their efforts in environmental governance. The findings of this paper have the following policy implications for the reform of China's environmental system and the improvement of the government's environmental governance: firstly, the authority of EIA approval can be gradually delegated to local governments to improve efficiency and promote economic development, provided that the political risk is controllable; secondly, it is necessary for the central government to strengthen centralised environmental supervision and improve the quality of the environment through the environment; thirdly, it is necessary to guide the local governments to carry out environmental protection, which can be achieved not only by carrying out the reform of the environmental system, but also by carrying out environmental protection and environmental management. Thirdly, it is necessary to guide local governments in environmental protection, not only by carrying out environmental reforms, but also by adjusting incentive and punishment mechanisms; and fourthly, it has become possible to improve the effectiveness of environmental governance by changing the very mechanism of transmitting preferences.

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