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## **Progress and Prospect of Ecological Compensation Mechanism in Dongjiang River Basin**

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### **1. Background**

Dongjiang River is one of the three major rivers of the Pearl River, rising in Ganzhou City, Jiangxi Province. In the People's Republic of China (PRC), Dongjiang is one of the typical rivers with drinkable water. It is an important source of drinking water for the major cities in the Pearl Delta Economic Circle and the Hong Kong Special Administrative Region of the PRC, with an average annual water resources quantity of about 2.92 billion cubic meters flowing into Dongjiang River. Known as "the water of life" and "the economic water," Dongjiang accounted for more than 70% of Hong Kong, China's water consumption for more than 40 million people in the Pearl River Delta and Hong Kong, China.

Though they lack the funding to protect Dongjiang River, the counties of Xunwu, Anyuan and Longnan, etc., which are located in the source area of Dongjiang River, invests over CNY100 million each year to protect the ecological environment of the source area. According to relevant statistics of Ganzhou City, in order to protect Dongjiang River, the Dongjiang River source region has, in recent years, rejected more than 750 projects deemed not conducive to environmental protection, such as those which are highly polluting and energy-intensive. Since the 12th national Five-Year Plan, 2,540 firms have been closed or moved.

It is thus important and urgent to establish and improve the horizontal ecological compensation mechanism of Dongjiang River Basin.

## 2. Progress of the Establishment of Horizontal Ecological Compensation Mechanism

### 2.1 *The Main Contents of the Agreement*

On October 19, 2016, the provinces of Jiangxi and Guangdong signed the “Horizontal Ecological Compensation Agreement of Dongjiang River Basin Upstream and Downstream” in Nanchang Province. The agreement stipulates that, based on the water-quality assessment of cross-provincial watershed area, the two provinces will set up the horizontal compensation mechanisms for the water environment in the upstream and downstream of Dongjiang River Basin. Jiangxi and Guangdong provinces will also jointly set up a horizontal compensation fund, with each province contributing CNY100 million annually. According to the completion of assessment objectives, the funds are appropriated and the central government awards funds of about CNY300 million per year. The central incentive funds allocated to the province at the source of Dongjiang, Jiangxi Province, are specifically for the water pollution control and ecological environment protection and construction work of Dongjiang’s source.

The term of the horizontal ecological compensation agreement for upstream and downstream along the Dongjiang River Basin is tentatively fixed at 3 years, with the goal of making the cross-provincial boundary water quality reach an annual average of Class III and improving year-by-year.

### 2.2 *The Characteristics of Compensation Mechanism*

The horizontal ecological compensation agreement for upstream and downstream along the Dongjiang River Basin basically made several references to the successful experience of the ecological compensation mechanism in Xin’an River Basin.

Xin’anjiang is the country’s first pilot on cross-provincial ecological compensation mechanism, the first phase of which was conducted in 2012 to 2014. A mid-term performance assessment of the pilot issued by the Chinese Academy for Environmental Planning shows that in the downstream area along the river, the Qiandao Lake’s Trophic State Index<sup>1</sup> has begun to decline, and it is consistent with the trend of water quality change in the upstream along Xin’anjiang. This proves that the pilot’s aim of maintaining and improving the environmental benefits of Xin’anjiang’s water quality has gradually been achieved.

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<sup>1</sup> The Trophic State Index (TSI) is a classification system designed to assess individual lakes, ponds and reservoirs based on the amount of biologically useful nutrients, such as nitrogen and phosphorus, occurring in the water (Lake Water Atlas. <http://www.lake.wateratlas.usf.edu/>).

### 3. Outlook: Tasks and Challenges

- a) *Task:* phase out a large number of polluting enterprises  
*Challenges:* decrease of fiscal revenue and separation of responsibilities
- b) *Task:* carry out a comprehensive, whole-basin government water environmental protection, water pollution control, and ecological restoration project  
*Challenge:* shortage of funds
- c) *Tasks:* establish and improve the mechanisms for joint monitoring, joint rescue and recovery efforts during the flood season, joint law enforcement, and emergency linkages; jointly monitor, pilot and establish third-party assessment mechanism for cross-provincial boundary water quality  
*Challenges:* capacity building and technical upgrading
- d) *Tasks:* actively explore the legislation of compensation mechanism so that the benefited areas are obliged to pay compensation to the areas with an attribution; promote normalization and sustainability of the compensation mechanism and the national-level transfer payments  
*Challenge:* coordination and sustainable development of upstream and downstream areas along the Dongjiang River Basin