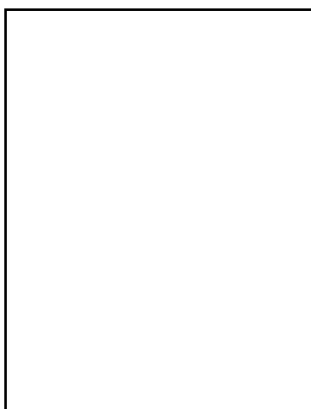


# Environmentally Sound Technologies in China

## Project development and financing

Peng Sizhen

China, like many other countries, has long been convinced of the benefits of environmentally sound technologies (ESTs). Indeed it formulated its own Agenda 21 in 1994, just two years after the Rio Summit. With all this governmental sense of purpose, however, China has been encountering various problems in disseminating the adoption and transfer of ESTs on a nationwide basis. One critical element is the financing of EST-related projects. This article discusses the problems that China has been facing and what it has been doing, at policy, finance and other levels, to solve them.



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### Introduction

As one of the largest developing countries in the world, China has achieved rapid industrialization and growth exceeding 12 per cent per annum over the past two decades. This, however, has brought in its wake its own problems. Industry has become the major environmental polluter in China, and is responsible for about 70 per cent of the total pollution, which in turn caused economic losses in 1995 of about 10 per cent of GDP. It is reported that the total amount of environmental losses is about US\$ 34.2 billion every year, and is caused by wastewater and air pollution, ecological destruction and natural disasters, and other pollutants.

China's strategy for growth, therefore, has two prongs. On the one hand, it is moving from extensive to intensive growth. On the other, it is replacing cen-

tral planning with a social market economy system, in order to increase efficiency, reduce costs, improve energy and prevent pollution.

Undoubtedly, environmentally-sound technologies (ESTs) provide the most cost-effective solutions for China to attain sustainable industrial development. In fact, there is increasing awareness of economic, environmental and technological benefits of ESTs in the country in recent years. But, there is no holistic mechanism or strategy as yet to link EST seekers with suppliers, financial sources and policy makers.

Of late, however, China has been initiating various strategic programmes for financing transfers and applications of ESTs.

### ESTs in China

From the early 1980s, a lot of new terminology related to environmental tech