

Iraq

Chinese Development Finance, 2000-2023



Country Profile

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JulieAnn Sickell, Brooke Escobar, and Oshin Pandey



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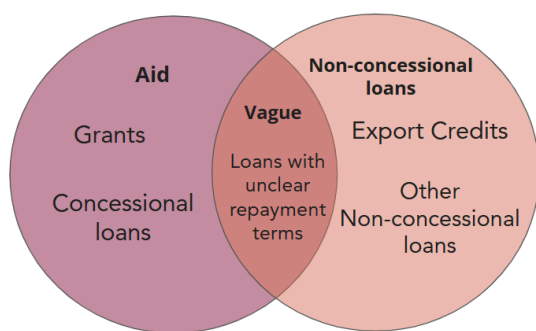
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Key concepts: aid, non-concessional loans, and vague flows

In this profile, China's official development finance portfolio is represented across three main categories: aid, non-concessional loans, and vague. Loans from Chinese state-owned entities can either qualify as aid or non-concessional loans, based on how their borrowing terms compare to regular market terms (i.e., the level of financial concessionality) and whether or not they have development intent (i.e., if the primary purpose of the financed project/activity is to improve economic development and welfare in the recipient country). Aid from Chinese state-owned entities includes grants, in-kind donations, and concessional loans with development intent. The "non-concessional loans" category captures loans from Chinese state-owned entities that are provided at or near market rates and those that primarily seek to promote the commercial interests of the country from which the financial transfer originated. An export credit is a specific type of loan issued by a Chinese state-owned bank or company that requires an overseas borrower to use the proceeds of a loan to acquire goods or services from a Chinese supplier. Export credits are not considered aid since they have a commercial rather than a development purpose. See Appendix B for more details.



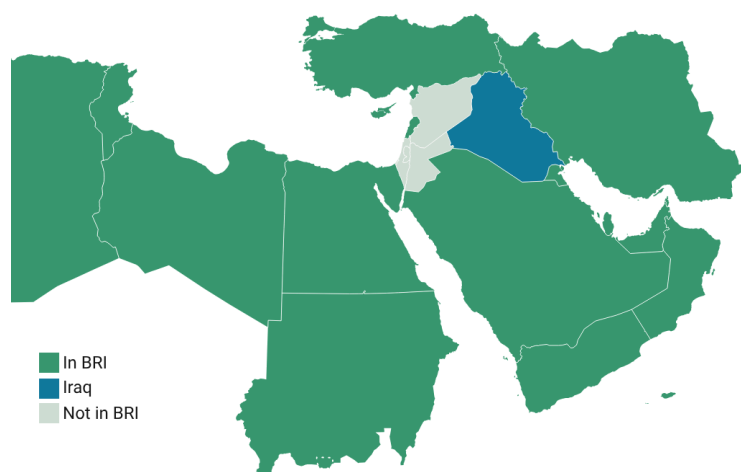
Key concept: What is concessionality?

Concessionality is a measure of the generosity of a loan or the extent to which it is priced below-market rates. It varies from 0% to 100%, with higher values representing more concessional loans.

Non-concessional loans are those provided at or near market rates. The Organisation for Economic Co-operation and Development (OECD) determines which official sector financial flows constitute "aid" based on a grant element threshold for concessionality. Given that China does not report its loans or lending terms to the OECD, some of its official sector financial flows cannot be classified as "aid" or "non-concessional." In this report, such loans are assigned to the "vague" category.

Executive Summary

- China's financial relationship with Iraq has two distinct chapters: a massive debt write-off followed by a surge of oil-backed infrastructure lending. Between 2000 and 2023, official sector lenders and donors from China committed \$19.3 billion across 68 projects, making Iraq the fifth largest recipient of Chinese aid and credit in the Middle East and the 29th largest in the world. Nearly half of that total (\$8.6 billion) reflects a single 2010 debt forgiveness agreement. The other half arrived primarily after 2016, when Chinese lenders began extending oil-secured credit for power plants, schools, airports, and oil field development.
- An oil-backed framework agreement signed in 2018 has made Iraq one of the few countries to receive substantial new Chinese infrastructure lending in the post-pandemic period. Under a \$10 billion credit facility backed by Iraqi crude oil exports, AidData has identified 15 loans worth approximately \$6.6 billion between 2020 and 2023. Nearly \$3 billion was issued in 2023 alone. This places Iraq among a small group of countries that continued to attract large-scale Chinese infrastructure commitments at a time when Beijing was pulling back from such lending globally.
- Energy dominates China's lending portfolio in Iraq, reflecting the country's role as a strategic oil supplier. Power generation and oil field development account for \$6.3 billion, or 33% of all grant and loan commitments. Industry, mining, and construction add another \$2.5 billion at 13%.
- Iraq's debt composition tracks closely with upper-middle-income country averages. Public debt accounts for 80.5% of total Chinese loan commitments, modestly above the 69% average for upper-middle-income countries.
- China accounts for nearly half of Iraq's total external public debt, though the burden remains modest relative to the size of the economy. By the end of 2024, Iraq owed an estimated \$6.2 billion in outstanding public and publicly-guaranteed debt to Chinese creditors, equivalent to about 48.5% of its total external PPG debt but just 2.2% of GDP.
- Iraq shows no signs of financial distress on its Chinese loans, but its fiscal position is increasingly vulnerable to oil market disruptions. The 2026 Iran conflict has severely disrupted Iraqi oil exports through the Strait of Hormuz, cutting production from 4.3 million barrels per day to below 1.3 million. Under the 2018 framework agreement, Iraq committed to selling at least 100,000 barrels per day to Chinese importers, and it is unclear whether Baghdad has met that obligation in 2026.
- Political instability and armed conflict have repeatedly delayed Chinese-financed infrastructure projects in Iraq. The 1,260MW Salah Al-Din thermal power plant took five years longer than planned to complete after ISIS attacks forced the evacuation of over 1,000 Chinese workers in 2014 and later rocket strikes damaged the facility in 2021. The Al Anbar and North thermal power plants have faced similar disruptions.



Iraq and China's Belt and Road

Iraq, a key player in the Middle East and North Africa, deepened ties with Beijing in 2015 when Prime Minister Abadi visited China. The two countries announced a strategic partnership during the visit, paving the way for Iraq to join the Belt and Road Initiative later that year.

Historic relationship

The Republic of Iraq and the People's Republic of China established diplomatic relations in 1958, following the establishment of the Iraqi Republic. The Gulf War in 1990 caused the suspension of economic, trade, and military relations between the two countries in accordance with UN resolutions. The UN's Oil-for-Food Program allowed China to resume trade with Iraq in 1996. Chinese diplomats evacuated the country in March 2003 when the U.S.-led coalition launched the Iraq War. After 2003, the international community made concerted efforts to support reconstruction efforts in Iraq. Chinese aid to Iraq began during this reconstruction era.

Present-day relationship

China's engagement with Iraq rests on two pillars—legacy debt relief and oil-backed lending that scaled up during the late-BRI period. In 2010, Beijing agreed to relieve 80% of Iraq's \$10.9 billion outstanding debt obligations (representing \$8.6 billion in debt relief). During the BRI era, Iraq and China signed a \$10 billion oil-backed loan framework agreement. As a part of this agreement, Chinese state creditors extended finance for infrastructure activities such as power generation and upstream oil field development, with repayments secured against crude oil exports.

An especially notable project linked to this massive framework agreement is the 1,000 schools project committed in 2021. As part of this deal, Iraq borrowed \$1 billion under the \$10 billion agreement to finance the rapid construction of 1,000 schools—an atypical application of oil-collateralized credit. China's oil-secured lending is typically concentrated in energy and other economic infrastructure activities.

For Beijing, oil-secured arrangements deliver dual benefits: they mitigate repayment risk while locking in future crude oil supplies. These mechanisms have reinforced Iraq's role as a strategic energy partner. By 2024, Iraq ranked as China's fourth-largest crude supplier, and by 2025 bilateral cooperation extended further, with new agreements in oil and exploratory nuclear power partnerships. The 2026 U.S.–Iran conflict has posed significant risks to Beijing's ability to secure crude oil from Iraq: Iran's blockade of the Strait of Hormuz—through which the vast majority of Iraq's oil exports transit—forced Iraq to halt southern oil exports entirely for over a month before a partial resumption in April 2026, with ongoing instability continuing to threaten both export capacity and production volumes.

Overview: Chinese development finance in Iraq from 2000-2023

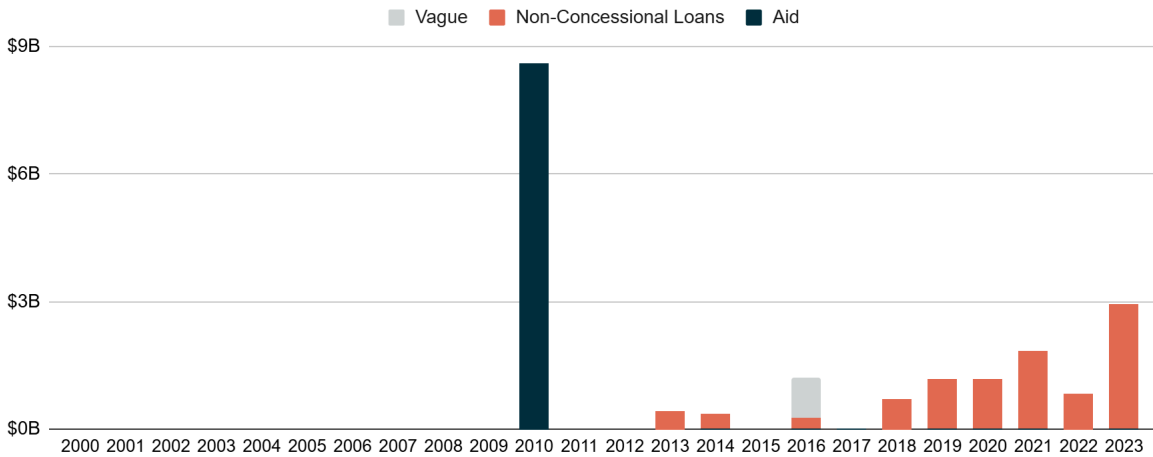
\$19.3 billion
in grants and loans provided by official sector donors and lenders from China.

54.9%
of Chinese development finance is provided via loans.

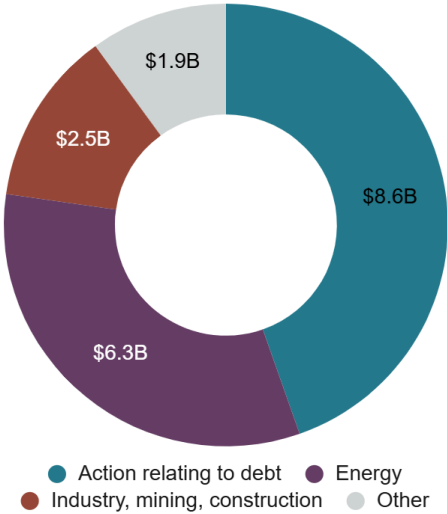
36
grants, technical assistance, and training activities offered.

5th
largest recipient of Chinese aid and credit in the Middle East.

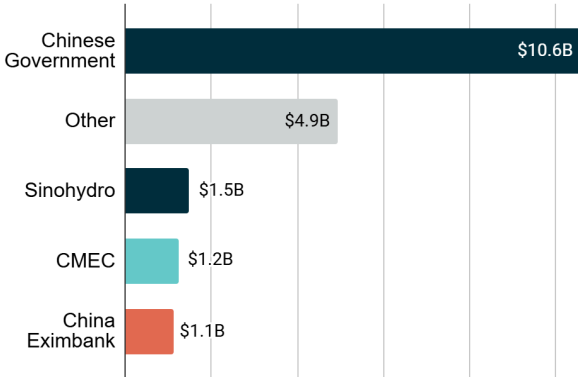
Official sector financial commitments from China to Iraq, 2000-2023¹



Portfolio by sector



Portfolio by funder



Sinohydro: Sinohydro Corporation Limited; CMEC: China Machinery Engineering Corporation; China Eximbank: The Export-Import Bank of China

¹For definitions of the categories of aid, non-concessional loans, and vague, please see Key Concepts on page 2 or Appendix B.

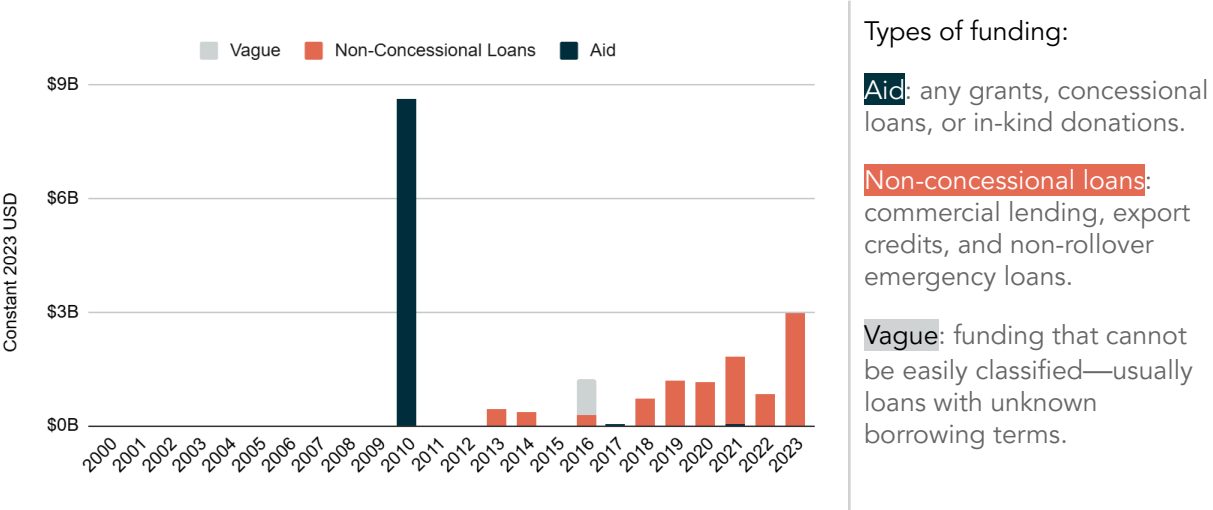
How much development finance has China provided to Iraq since 2000?

Iraq, one of the world’s largest exporters of crude oil, has maintained close relations with China through trade for the past two decades. As a BRI participant since 2015, Iraq has received more Chinese credit in recent years to support infrastructure projects (see Figure 1.1). For a list of bilateral diplomatic visits between China and Iraq in the BRI era, see Appendix A.

Between 2000 and 2023, official sector lenders and donors from China provided grant and loan commitments worth \$19.3 billion for 68 projects and activities in Iraq. That makes Iraq—a country with a relatively large economy (GDP: \$268 billion) and small population (45 million residents)—the fifth largest recipient of Chinese aid and credit in the Middle East and the 29th largest recipient in the world.² The largest financial commitment provided as part of China’s portfolio in Iraq was aid allocated in 2010. Here, the Chinese government formally reduced the government of Iraq’s outstanding debt obligations in 2010, accounting for \$8.6 billion of aid.

Years later, the BRI ushered in a distinct phase of infrastructure lending. Between 2016 and 2023, Chinese lenders committed \$9.8 billion for infrastructure projects, with nearly \$3 billion in non-concessional loans arriving in 2023 alone.

Figure 1.1: Official sector financial commitments from China to Iraq



Since 2004, China and Iraq have built a growing interdependence through crude oil sales, with China now accounting for nearly 40% of Iraq’s oil exports. This relationship has influenced Chinese financing arrangements, including a 2018 framework agreement with Sinosure for up to \$10 billion of credit for infrastructure projects backed by oil sales.³ Due to this arrangement, Iraq is one of the few countries to secure large Chinese infrastructure loan commitments between 2021 and 2023, totaling over \$5.5 billion.

Under the 2018 framework agreement signed with Sinosure, AidData has identified 15 oil-backed loans worth approximately \$6.6 billion that Chinese state-owned creditors provided to Iraq between 2020 and 2023. The projects supported by these borrowings include:

²The global ranking includes high income countries.
³ The framework agreement can be accessed in its entirety via <https://china-contracts.aiddata.org/>.

- The 1260MW Salah Al-Din Oil-fired Thermal Power Plant Construction Project committed in 2020.
- The Construction of 1,000 Schools Project in 2021.
- The Al-Nasiriyah International Airport Renovation and Expansion Project in 2021.
- The Baghdad Sewerage Projects in 2021.
- The 100 Bed Hospital Project in 2021.
- The Al Anbar Combined Cycle Power Plant Completion Project in 2021.
- The Wasit Power Plant Overhaul Project in 2022.
- The Basra Water Pipeline Project in 2022.
- Phase 1 of the Block-9 Al-Faihaa Oil Field Central Processing Facility (CPF) Project in 2022.
- The Nasiriyah Oil Depot Construction Project in 2023.
- The Power Stations Reconstruction Project in 2023.
- The 750MW Solar Power Plant Project in 2023.
- Phase I of the North Thermal Power Plant Project in 2023.
- Phase I of the Al-Shanafiya Steam Power Plant in 2023.
- Phase 1 of Conversion of Simple Gas Turbine Stations Project in 2023.

How does China compare to other development partners?

From 2000 to 2023, the United States was the largest bilateral development partner active in Iraq (see Figure 1.2), providing \$53.6 billion in aid to the country. China ranked second at \$19.3 billion, roughly a third of the U.S. total. The United States' role as a major development partner in Iraq stems largely from its extensive reconstruction efforts following the Iraq War in the early 2000s. The U.S. provided aid to remove safety risks remaining from the war (such as explosives and landmines), support the UNDP in its Stabilization Project to return people home, and other projects focused on promoting good governance in Iraq (such as Electoral Commission training for local elections).⁴ For multilateral partners, the World Bank Group was the largest partner, providing \$5.3 billion in aid and non-concessional loans.

China did not provide any export credits to Iraq between 2000 and 2023. The lack of Chinese export credits in Iraq is unusual as export credits are one of China's key financing instruments.

Figure 1.2: Top bilateral and multilateral development partners, 2000-2023

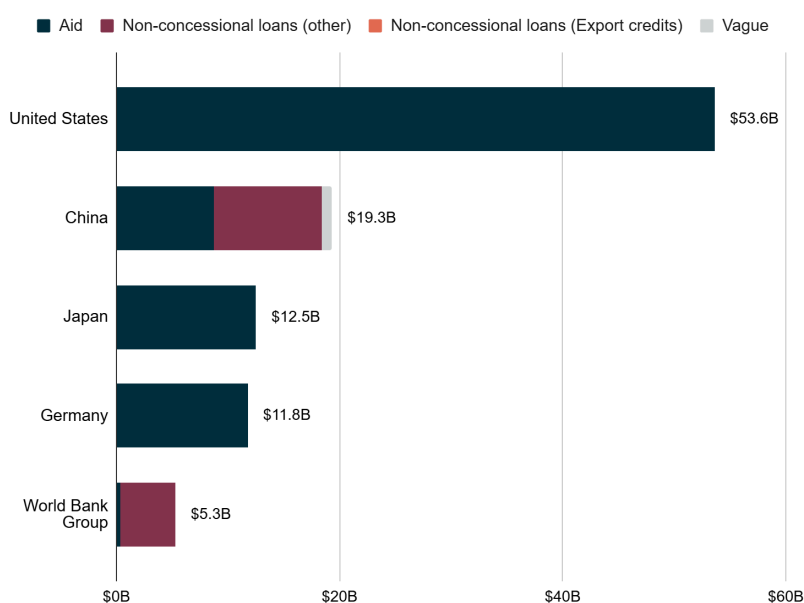


Figure 1.2 contains the top five development partners providing aid and other financing to the DRC. However, only China has detailed bilateral export credit flows to the DRC. This level of granularity is not available for other development partners as the OECD does not provide export credit data for bilateral relationships, it only provides data on total export credit flows by two aggregate donor groupings, G7 and DAC member countries.

Total export credits from G7: \$4.1 billion.

Total export credits from DAC member countries (including G7): \$5.7 billion.

How does China use export credits?

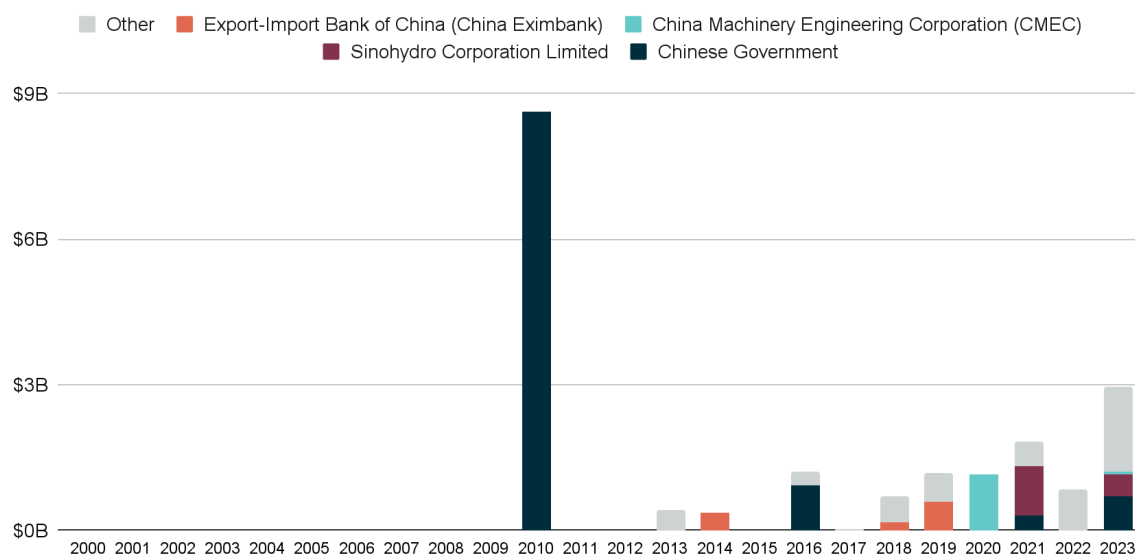
The central role that export credits play in China's overseas lending portfolio sets it apart from other official sector creditors: Under a so-called "Gentlemen's Agreement" on Officially Supported Export Credits, OECD member countries agreed in 1978 to "tie their own hands" and voluntarily abide by a set of international rules that limit the provision of *subsidized* export credits to domestic companies with overseas operations. However, China never agreed to participate in the "Gentlemen's Agreement" and it has consistently used concessional export credit to help its firms gain a competitive edge in overseas markets.

⁴For more information about the role of the U.S. in post-war reconstruction, visit the U.S. Department of State archive: <https://2001-2009.state.gov/p/nea/rls/rpt/60857.htm>

Which donors and lenders from China are active in Iraq?

Between 2000 and 2023, 26 official sector donors and lenders from China provided aid and non-concessional loans to Iraq. This number falls in line with the rest of China's development finance portfolio, which averages 22 state-owned donors and lenders in a given country. 74.5% of China's development finance portfolio is provided through four main donors and lenders (see Figure 1.3). The remaining 25.5% is provided by 22 other agencies, including regional or municipal government agencies and state-owned companies.

Figure 1.3: Top Chinese donors and lenders



Between 2000 and 2009, the Chinese government provided four small grants to the Iraq government for teaching materials, office and educational equipment to the Iraqi Ministry of Foreign Affairs, container inspection equipment, and humanitarian aid. Then, on April 1, 2010, China's State-owned Assets Supervision and Administration Commission of the State Council and the Iraqi Ministry of Finance signed an agreement to cancel 80% of Iraq's debt contracted prior to 2000 (\$8.6 billion out of an estimated \$10.9 billion).⁵ This debt relief action was provided by China in alignment with the agreement reached under the Paris Club framework to reduce Iraq's outstanding debt obligations by 80% (in net present value terms).⁶ The Paris Club agreement was provided in 2004, soon after the U.S.-led invasion of Iraq.

By 2013, China began lending to Iraq once again with China National Petroleum Corporation providing a loan to a local Iraqi subsidiary to acquire an ownership stake in West Qurna-1 oil field from ExxonMobil. From 2014 to 2019, financing began to scale up even more with China Eximbank issuing \$1.1 billion in lending commitments across four major projects: Phase 4 of Erbil Oil Refinery Expansion Project, the Maysan Oil Refinery, the 730MW Al-Rumaila Combined Cycle Gas power plant, and the 840MW Maisan Combined Cycle power plant. Chinese financiers have remained active in Iraq with infrastructure lending even after the pandemic, sustained by the oil-backed framework agreement. Under this agreement with Sinosure, multiple Chinese companies and banks have provided financing to Iraq, including China Machinery Engineering Corporation (CMEC) and Sinohydro Corporation Limited.

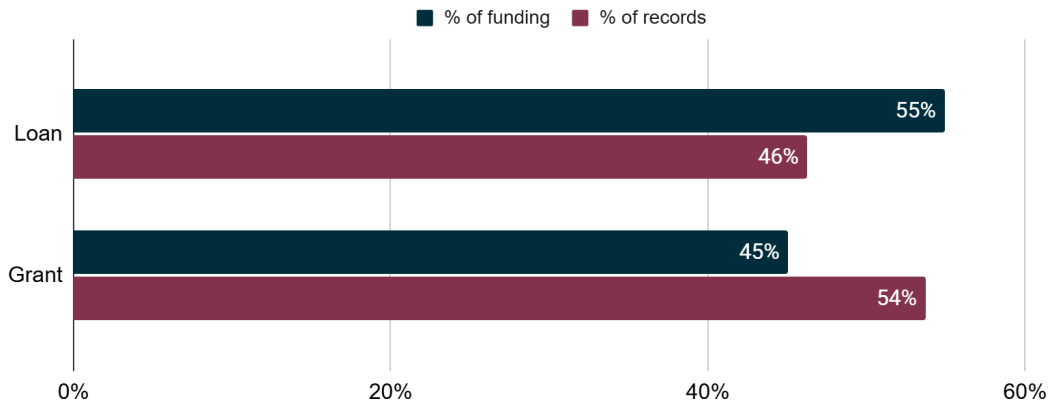
⁵ This estimated debt was accrued pre-2000 and therefore not within the scope of AidData's CLG 1.0.

⁶ Net present value (NPV) terms means the repayment burden over the life loan, as it was worth in 2004 (when the Paris agreement was signed). So rather than a nominal reduction by 80%, the Paris agreement called for a reduction in net present value by 80%.

What kinds of financial and in-kind support does China offer Iraq?

AidData captures each instance of a grant or in-kind donation as one record, so analyzing the record counts can help provide a better picture of China's activities in Iraq. When looking at record counts, grants account for 54% of all activity records in Iraq (equivalent to 36 activity records between 2000 and 2023).

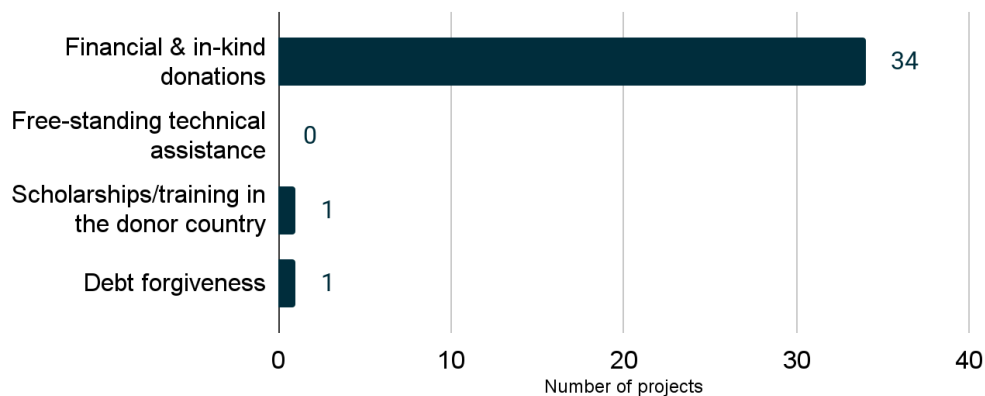
Figure 1.4: Top financial instruments used by China in Iraq



Note: Debt rescheduling and Vague records are excluded from this visual since they are neither loans nor grants.

55% of China's official sector financial commitments to Iraq take the form of loans (totaling \$10.6 billion), while 45% (\$8.7 billion) comes in the form of grants and in-kind donations. Grant funding to Iraq is unusually high due to the massive debt cancellation agreement (debt cancellation or forgiveness is treated as a grant).

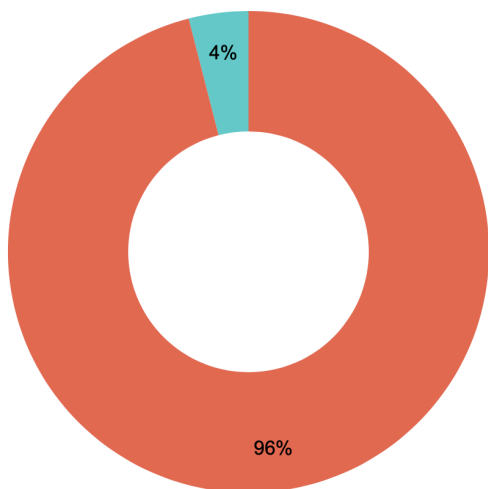
Figure 1.5: Breakdown of grants by project count



From 2000 to 2023, Iraq received \$8.7 billion across 36 grants from official sector Chinese entities. Nearly 99% of Chinese aid to Iraq was from the massive debt forgiveness agreement in 2010. This agreement made Iraq the second-largest recipient of Chinese grant financing in the world during the full time period, behind only North Korea. Besides debt forgiveness, China has provided over \$44 million in humanitarian aid grants to Iraq. This includes support for Palestinian refugees, Syrian refugees, and internally displaced persons (IDPs) forced to move due to the war with the Islamic State. In 2023, employees of the Iraqi General Secretariat of the Council of Ministers traveled to China to participate in an e-government training, constituting the first training activity recorded since 2000. Other 2023 grants included the donation of

school supplies to local schools by Zhenhua Oil and PowerChina as well as the construction of one primary school by Zhenhua Oil.

Figure 1.6: Breakdown of lending by purpose

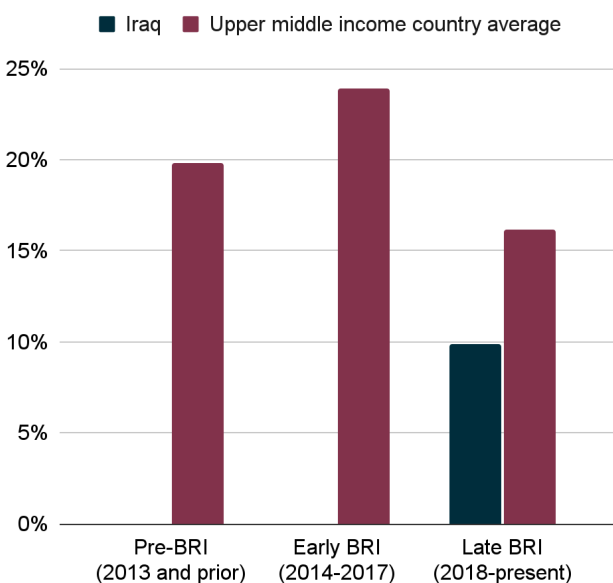


Infrastructure: loans to support the construction, rehabilitation, or maintenance of a physical structure.

Corporate: loans for mergers and acquisitions, working capital loans.

By 2023, 96% of China’s official sector lending to Iraq supports infrastructure projects, like the construction of power plants or expressways. Almost all Chinese-financed infrastructure projects in Iraq are implemented by at least one Chinese entity, such as a Chinese state-owned company or a Chinese private sector company. 4% of lending accounted for corporate transactions, like loans for mergers and acquisitions or working capital loans. All corporate lending is from one \$427 million loan provided by China National Petroleum Corporation to a local Iraqi subsidiary to acquire a 25% ownership stake in West Qurna-1 oil field from ExxonMobil in 2013.

Figure 1.7: Grant element over time



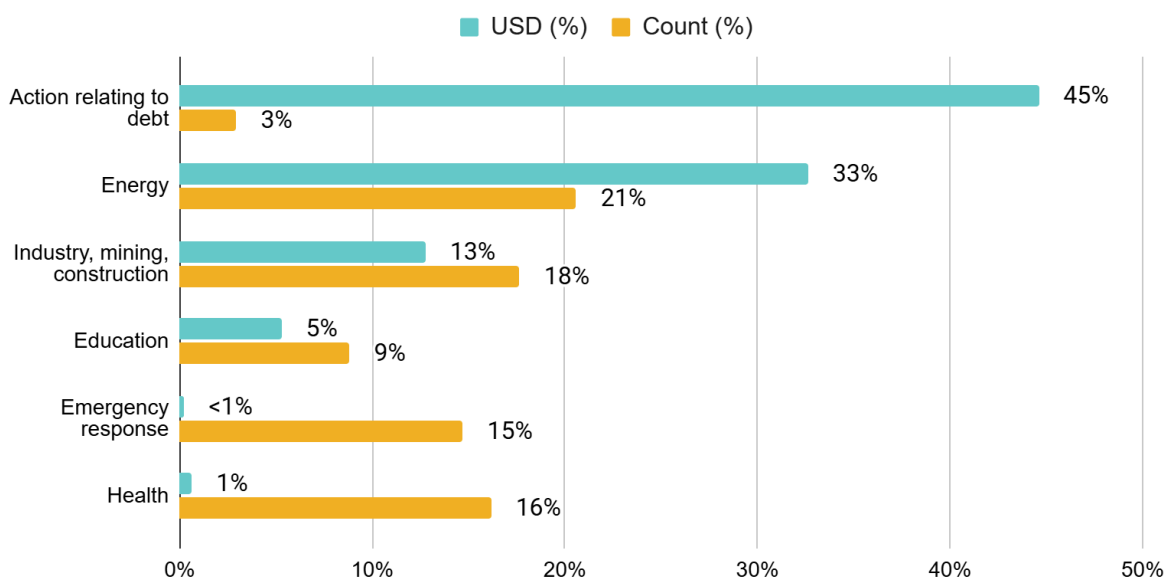
A loan’s grant element is a measure of how concessional (i.e. favorable) its terms are relative to market rates. It ranges from 0% (not concessional) to 100% (fully concessional). The grant element of China’s upper-middle income lending portfolio fluctuated between 16% and 24% from 2000 to 2023. However, in Iraq, there is only one loan with discoverable loan terms (a requirement to calculate the grant element). This loan is the 2021 Bank of China contribution to a \$360 million syndicated PxP facility for the Basrah Natural Gas Liquids Facility Construction Project. The grant element for this loan is 9.9%, below the upper-middle income country average.

In which sectors is China most active?

Top sectors for China’s aid and credit in Iraq differ greatly when comparing monetary value and record count. Certain sectors, such as health and education, represent a large percentage of records but offer small or no transaction amounts. In Figure 1.8, AidData has provided the top sectors by both monetary value and record count to demonstrate this dichotomy.

Figure 1.8: Selected top sectors

Sectors by monetary value and record count



China’s financing to specific sectors in Iraq is unique compared to its development finance portfolio in other countries—the following four sectors represent 96% of China’s grant and loan commitments (by monetary value) to Iraq between 2000 and 2023.

- **Action relating to debt:** This sector refers to the relief, forgiveness, or rescheduling of outstanding debt for a recipient government or agency. 45% of China’s portfolio in Iraq is dedicated to this sector, attributable to the \$8.6 billion in debt forgiveness issued by the Chinese government. After the U.S.-led invasion of Iraq and the fall of the Saddam Hussein regime, the international community, and in particular the United States, sought to reduce and restructure the Government of Iraq’s outstanding debt obligations to external creditors to facilitate the reconstruction of Iraq. In November 2004, an agreement was reached under the Paris Club framework that provided for an 80% debt relief in net present value (NPV) terms. After this agreement was signed, negotiations with non-Paris Club debt holders (including China) began with the aim of obtaining comparable treatment on the rest of the Iraqi Government’s external debts. In 2007, China and Iraq signed a debt exemption protocol, which came into effect in 2010.
- **Energy:** This sector is the second largest sector by financial value with \$6.3 billion in funding (or 33% of China’s entire portfolio). It encompasses the generation and distribution of renewable and non-renewable sources, as well as hybrid and nuclear power plants. Noteworthy activities in this sector include a \$1.2 billion oil-backed loan for the Salah Al-Din oil-fired thermal power plant and a \$928 million loan for the Basra combined-cycle power plant expansion, via an Engineering, Procurement,

Construction-Finance (EPC+F) arrangement with CMEC. In 2023, activities included a \$700 million oil-backed loan for the Al-Shanafiya Steam Power Plant Project and a \$650 million oil-backed loan for the Conversion of Simple Gas Turbine Stations Project.

- **Industry, mining, construction:** This sector, second-largest by record count, includes manufacturing fossil fuels, mining for coal, gas, metals, minerals, and construction. Projects in this sector represent \$2.5 billion in funding (or 13% of funding). Noteworthy activities include a \$427 million loan from CNPC Finance (HK) Limited in 2013 for the acquisition of a 25% stake in the West Qurna-1 oil field from ExxonMobil, and a \$505 million loan in 2022 for the first phase of the Block-9 Al-Faihaa oil field central processing facility. In 2023, activities include a \$349 million oil-backed loan for the Nasiriyah Oil Depot Construction Project.
- **Education:** This sector encompasses schooling at the primary, secondary, and post-secondary levels, as well as technical and advanced training activities. Education activities represent almost \$1 billion in funding (or 5% of funding). By far the largest commitment in the education sector was a \$1 billion oil-backed supplier's credit loan in 2021 from PowerChina for the Construction of 1,000 Schools Project. Other activities mostly include the donation of school supplies. In 2023, Zhenhua Oil committed a \$2.1 million grant for the construction of the Demonstration Primary School in Baghdad.

While smaller in financial value, two additional sectors—emergency response and health—stand out as significant priorities for China when measured by the number of activities, together accounting for 31% of all activities in Iraq.

- **Emergency response:** This sector represents a total of 10 records (or 15% of the total record count), and includes activities such as humanitarian assistance and disaster relief. The largest transactions in this sector include four humanitarian aid donations between 2014 and 2017 from the Chinese government to Iraqi government agencies worth a combined \$39.6 million. China channeled an additional \$5.2 million in humanitarian aid to Iraq in 2016 and 2017 through UN agencies such as the World Health Organization and the United Nations High Commissioner for Refugees. Since 2017, China has provided no further aid in the emergency response sector for Iraq.
- **Health:** This sector includes medical care, infrastructure, equipment, and control activities. This sector is the second-largest sector by record count, with activities in the health sector representing 11 records in China's portfolio in Iraq (or 16% of records). Notable activities include the donation of over 1.8 million doses of Sinopharm vaccines and other COVID-19 anti-epidemic relief material, such as medical masks. Recorded activities in the health sector exclusively happened in 2020 and 2021.

At a glance: last 5 years (2019-2023)

- The energy sector was the top-funded sector in Iraq during the 2019-2023 period, receiving \$4.7 billion in financial commitments (or 59% of all financial commitments).
- For the first time in 2021 and 2022, Chinese financiers supported two projects in the water supply and sanitation sector, worth a combined \$443 million: the Basra Water Pipeline Project and the Baghdad Sewerage Projects.

What are the characteristics of Iraq's debt to China?

31
loans
issued

\$10.6 billion
total loan
commitments

80.5%
of total loan
commitments
are public debt

0%
of total loan
commitments showing
signs of financial distress

\$6.2 billion
total public debt
outstanding as of
2024

What is "public debt"?

Public debt (PPG debt)

Loans issued directly to public institutions, loans that have sovereign repayment guarantees, or loans extended to special purpose vehicles or joint ventures that are majority-owned by one or more public sector institutions. Often referred to as public and publicly-guaranteed (PPG) debt.

Potential public debt

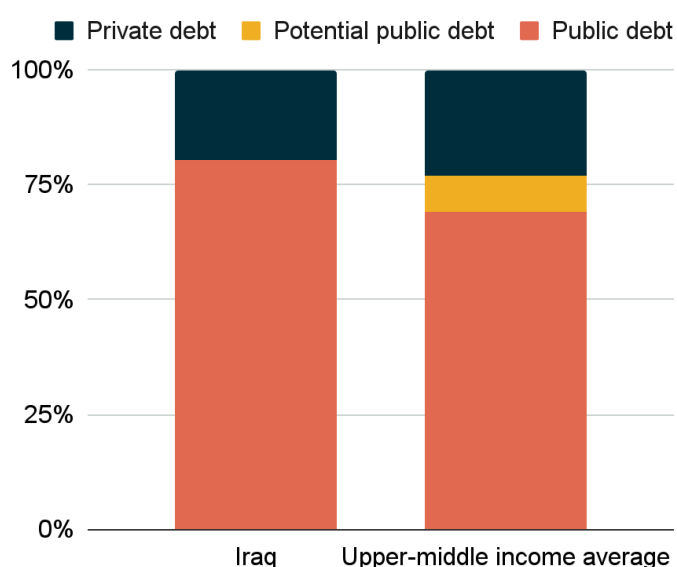
Loans to special purpose vehicles or joint ventures in which recipient governments hold minority equity stakes.

Private or opaque debt

Loans to private sector borrowers and entities with opaque ownership structures.

Figure 1.9: Composition of debt from China by level of public liability

Total debt, 2000-2023—Iraq: \$10.6 billion. Upper-middle income country average: \$8.8 billion.



Iraq's public debt (80%) is above the average (69%) for upper-middle income countries. Notably, Iraq lacks any potential public sector debt, which makes up 8% of all debt to the average upper-middle income country. Private or other debt accounts for 20% of Iraq's total debt, closely aligned with the average private debt in other countries (23%). All of Iraq's private debt is associated with two projects—the 840MW Maisan Combined Cycle Power Plant in 2019 and the Dabin Cement Plant Construction Project in 2023.

To date, there is no evidence that China's cumulative loan commitments to Iraq are in financial distress. Evidence of financial distress can include borrowers accruing principal or interest arrears, defaulting on their repayment obligations, filing for bankruptcy, or renegotiating loan terms (including suspensions of principal or interest payments). However, the IMF noted in its 2025 staff report that a reduction in public investment, weaker trade balance, and financing constraints led to the accumulation of arrears on domestic debt in Iraq.⁷ Thus, Iraq's external debt to China cannot be considered a sign of broader fiscal health.

⁷ See the IMF's Iraq 2025 Article IV Consultation Report at <https://www.imf.org/-/media/files/publications/cr/2025/english/1irqea2025001-source-pdf.pdf>

The 2026 U.S.–Iran conflict has significantly compounded these pressures: Iran's closure of the Strait of Hormuz caused Iraq's oil production to fall from approximately 4.3 million barrels per day in February 2026 to below 1.3 million barrels per day, costing the country an estimated \$200 million per day in lost revenue.⁸ Under the 2018 framework agreement, Iraq's state-owned oil marketing company (SOMO) agreed to sell no fewer than 100,000 barrels of crude oil per day to two Chinese state-owned oil importers. It is unclear if Iraq has been able to meet this obligation in 2026. Should disruptions persist in the Strait of Hormuz, the risk of financial distress across Iraq's portfolio of debt obligations to Chinese official sector creditors will likely increase.

⁸ Al-Maleki, Y. 2026. "Iraq's oil export vulnerability exposes the cost of unresolved disputes," April 7. Available at <https://www.atlanticcouncil.org/blogs/menasource/iraqs-oil-export-vulnerability-exposes-the-cost-of-unresolved-disputes/>

What does Iraq's current public debt exposure to China look like—and what payments are due?

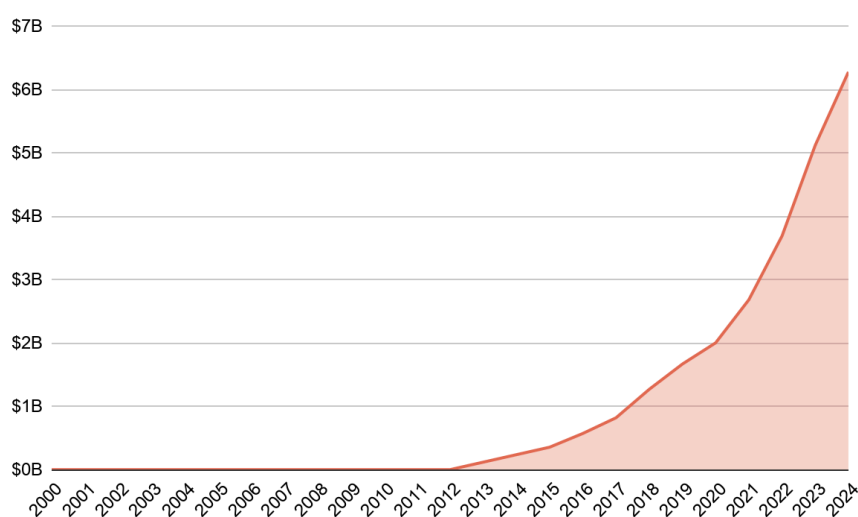
What is "public debt exposure"?

After a loan agreement is signed, financial outflows and reflows take place over many years through a sequence of disbursements (from the creditor to the borrower) and repayments (from the borrower to the creditor).

To understand the timing and magnitude of these financial flows, the 2.0 version of AidData's Chinese PPG Loan Performance Dataset (LP 2.0) tracks PPG loan disbursements, repayments, arrears, and restructuring events—and how much debt is owed—over time.

Unlike loan commitment totals—that measure what was initially promised—LP 2.0 measures what is still owed at specific points in time and how repayment pressures evolve over time. A country's level of "public debt exposure" refers to its outstanding PPG repayment obligations. All financial amounts in this section are reported in nominal USD.

Figure 1.10: Outstanding Chinese PPG Debt Stock (nominal USD)



Note: This data is drawn from AidData's Chinese PPG Loan Performance Dataset, Version 2.0. For more information, please see the methodology.

Figure 1.10 shows Iraq's outstanding Chinese PPG debt stock, which is the total amount of principal that has been disbursed and remains unpaid at the end of each year as well as any unpaid interest or fees. These estimates are based on loan-level data on disbursements and repayments, which are used to track how outstanding balances evolve over time.

By the end of 2024, Iraq owed an estimated \$6.2 billion in outstanding PPG debt to official sector creditors in China. This was equivalent to about 48.5% of Iraq's total PPG external debt stock to all external creditors, suggesting that China accounts for nearly half of Iraq's external public debt portfolio.⁹ Other official sector lenders play a minimal role in Iraq's external debt portfolio. Iraq's oil revenues have funded the vast majority of government expenditure, reducing demand for external borrowing, while persistent security risks and governance concerns further deter engagement from bilateral and multilateral creditors.¹⁰ Since Iraq's total

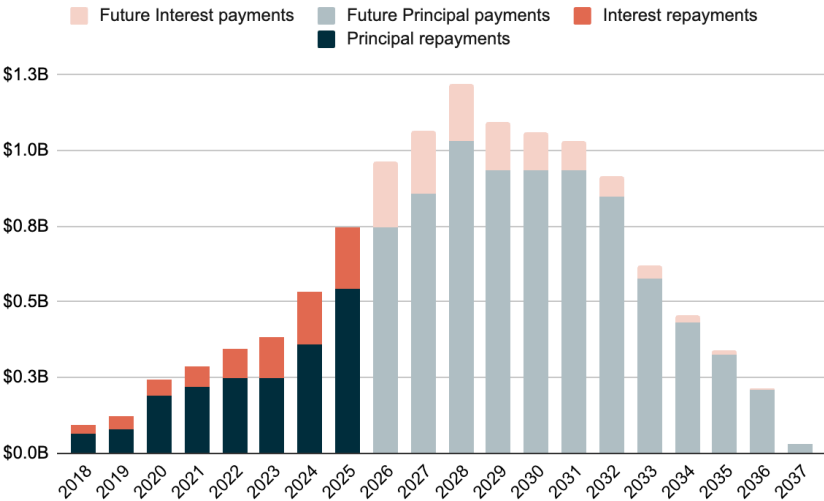
⁹World Bank, International Debt Statistics.

¹⁰ Governance concerns include widespread U.S. sanctions on Iraqi banks. See Roubanis and Khalkhali. 2025. "Washington Leans on Iraqi Banks to Choke Iran's Dollar Supply," *The New Arab*, April 30. At <https://www.newarab.com/analysis/washington-leans-iraqi-banks-choke-irans-dollar-supply>

PPG external debt stock is relatively small compared to the size of its economy, debt owed to China represented only 2.2% of GDP in 2024.

Iraq’s outstanding debt to China is tied to 25 active loans. Of these, 17 loans remain in their original grace period and eight loans are in their original repayment period. By contrast, one loan has been fully repaid or otherwise closed out by 2024. Based on existing loan commitments through 2023, Iraq is expected to continue paying down its debt to Chinese creditors until 2037.

Figure 1.11: Iraq’s principal and interest payments to Chinese creditors under PPG loans



Note: This data is drawn from AidData’s Chinese PPG Loan Performance Dataset, Version 2.0. For more information, please see the methodology.

Figure 1.11 shows Iraq’s principal and interest payments due to Chinese creditors. Specifically, it displays principal and interest payments from 2018-2025 and future principal and interest payments from 2026-2038.

The estimated principal payments are calculated by adding all principal payments due each year. Future interest and principal payments are projected from loan terms.

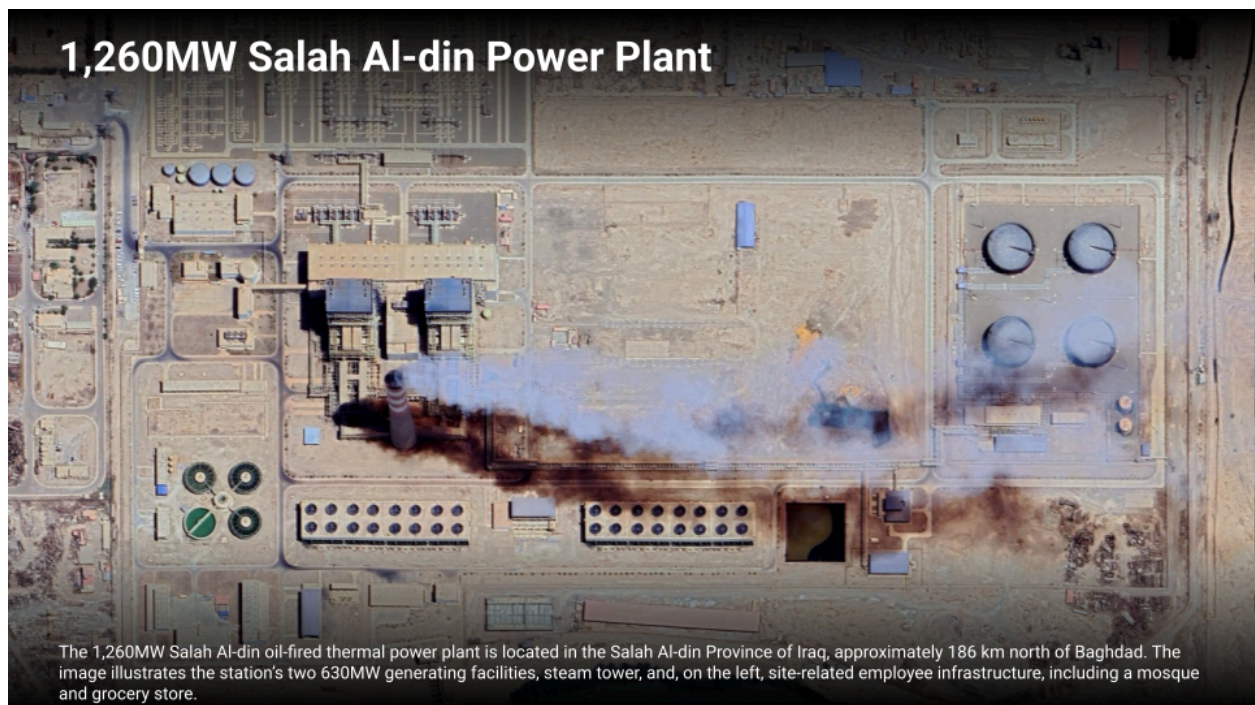
Between 2018 and 2025, Iraq’s annual principal and interest payments increased from about \$94 million in 2018 to \$747 million in 2025. As Iraq has taken on more debts under the 2018 framework agreement with Sinosure and those loans move out of their grace periods, Iraq will see a sharp increase in its principal and interest payments due over the next ten years. Beginning in 2026, Iraq is projected to face even larger repayments to Chinese creditors, including nearly \$1 billion in principal and interest payments in 2026 and peaking at close to \$1.3 billion in 2028.

Iraq’s repayment profile is also shaped by a major 2010 debt restructuring agreement. Under that agreement, China reduced Iraq’s outstanding debt obligations by 80 percent, while the remaining 20 percent (estimated \$1.5 billion) was restructured. This restructured amount would be repaid through annual principal payments of about \$117.4 million over 13.5 years, from mid-2015 to June 2029. This restructured debt creates a recurring repayment obligation through the late 2020s, alongside Iraq’s newer Chinese-financed project debt.

What kind of project implementation challenges has China faced in Iraq?

Chinese-financed infrastructure projects in Iraq:	Examples of infrastructure implementation risks:
35 infrastructure projects supported by grants and loans from China	Environmental: increase in air or water pollution, biodiversity loss, deforestation, increased carbon footprint, or natural resource depletion.
\$10.2 billion in loan and grant commitments supporting infrastructure projects	Social: poor labor law compliance, human rights abuses, displacement of local residents, or archaeological or cultural heritage site degradation.
	Governance: corruption, money laundering, lack of transparency, and non-competitive bidding processes.

From 2000 to 2023, infrastructure projects accounted for 64.5% of China's development finance portfolio in low- and middle-income countries. These infrastructure projects often face project implementation delays caused by environmental, social, and governance (ESG) risks, episodes of debt distress, or political instability in the recipient country. In Iraq, project implementation challenges are due to internal political instability and governance risks.



The 1,260MW Salah Al-din oil-fired thermal power plant project is one key example of implementation delays caused by internal political instability. China Machinery Engineering Corporation (CMEC), a Chinese state-owned enterprise (SOE), and the Ministry of Electricity of Iraq (MOELC) entered into a contract for the plant's construction in late 2011. CMEC would construct two 630 MW generation units, with the first planned to be completed in 41 months

and the second in four months after that. Construction works began in August 2012. Then, in June 2014, more than 1,000 CMEC workers were evacuated due to nearby attacks against the Iraqi government by Islamic State of Iraq and the Levant (ISIS). Several evacuation attempts were made before the successful extraction of the contractors.

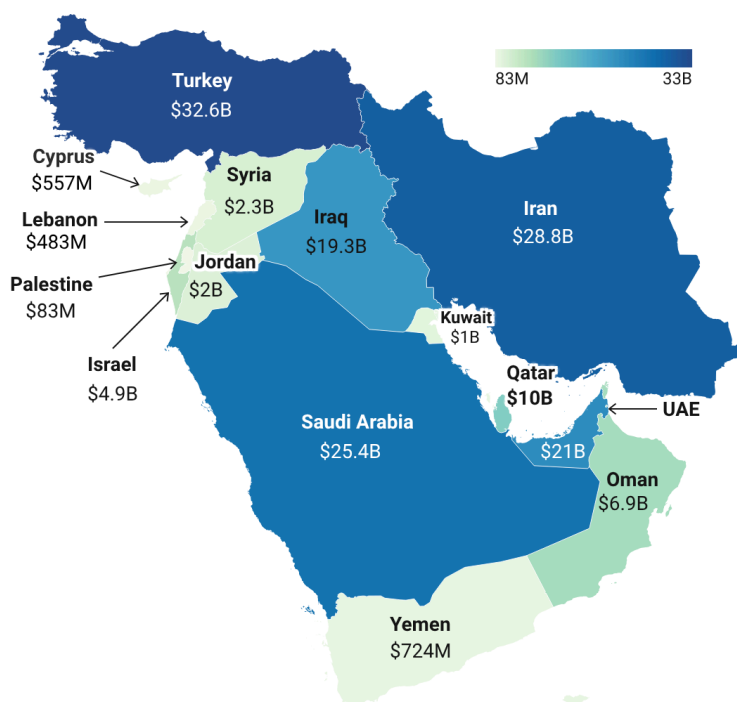
Construction resumed in November 2019, when MOELC and CMEC expanded and amended the EPC contract, allocating \$140 million of additional funding to conduct additional repairs, facilitate further inspection work, and to construct a new 132kV substation. Chinese lenders didn't participate in the project until 2020 when the oil-backed arrangement was signed. Unit 1 commenced trial operations on June 2, 2021. However, the power plant was directly targeted by ISIS later that month when the group launched a set of targeted Katyusha rockets at the plant and severely damaged parts of Unit 1. In spite of these challenges, CMEC's hand over of Unit 1 occurred only a year later in July 2022. The full 1,260MW power plant was officially commissioned on November 21, 2022, approximately five years after its planned completion in 2017.

The 1,642MW Al Anbar combined cycle power plant and the North thermal power plant—which secured Chinese financing in 2021 and 2023, respectively—were likewise impacted by implementation delays due to ISIS activities and regional instability. Both power plants are currently under construction by Chinese state-owned contractors. However, all three of these power plants were financed by the oil-backed framework agreement with Sinosure. As a result, an emerging challenge for project implementation of China's infrastructure portfolio in Iraq is the impact of external geopolitical pressure on China's oil-backed loans to the country. In 2023 alone, Chinese financiers have committed six additional loans to Iraq under its framework agreement worth almost \$3 billion, including funding for the North thermal power plant. These loans are backed by Iraq's oil sales, however, as the 2026 Iran war has broken out and disrupted critical energy infrastructure as well as commercial transit through the Strait of Hormuz, oil sales and export in the Middle East has been severely disrupted. It remains to be seen how this external geopolitical factor will affect the implementation of Iraq's infrastructure project and the subsequent repayment of these oil-backed loans.

How does Chinese financing in Iraq compare to other countries in the Middle East?

Between 2000 and 2023, Chinese official sector financiers directed 1,157 loans and grants to Middle Eastern countries worth \$157 billion. Figure 1.12 provides a cumulative view of China's aid and credit portfolio in the region. Nearly 75% (\$118 billion) of China's financing to the region occurred between 2014 and 2023, the early and late BRI periods. The average annual financing during these years was \$11.8 billion, with commitments exceeding \$17 billion in peak years such as 2016 and 2019, and a notable dip during 2020 (with commitments at \$4 billion) due to the onset of the COVID-19 pandemic.

Figure 1.12: Cumulative financial commitments from China to the Middle East, 2000-2023¹¹



Iraq received 12% (\$19.3 billion) of Chinese financing to the Middle East, making it the fifth-largest recipient in the region. Turkey is the largest recipient in the region, receiving 21% (\$32.6 billion) of financing, followed by Iran (18% or \$28.8 billion of the region's financing), Saudi Arabia (16% or \$25.4 billion), and the UAE (13% or \$21 billion).

Among the least financed recipients in the region are Kuwait (\$1 billion), Yemen, (\$724 million), Cyprus (\$558 million), Lebanon (\$484 million), and Palestine (\$83 million).

China's financing to the Middle East is largely driven by its partnership with oil rich countries like Iraq, Iran, Saudi Arabia, and the UAE. In Iraq, Chinese official sector creditors have provided the majority (63%) of lending via oil-backed loans, which is unusually high within the region. Other Middle Eastern countries that received oil-backed loans from Chinese creditors include Iran (12% of lending), Saudi Arabia (10%), and Oman (6%). By far, the largest transaction in this region was the \$8.6 billion in debt forgiveness provided to Iraq in 2010. Other big-ticket transactions include a \$5 billion drawdown under a currency swap agreement made by Turkey's central bank in 2021, a \$2.7 billion oil-backed loan provided by Hakan Energy in 2023 for the second phase of the Imam Khomeini International Airport Expansion Project in Iran, a \$2.7 billion loan provided by China Eximbank for a Social Housing Project in the UAE, and a \$2.1 billion loan provided by CNPC Finance (HK) Limited in 2010 to finance CNPC's acquisition of a 35% ownership stake in Syria Shell Petroleum Development, which, at the time of the acquisition, had interests in three production licenses for oilfields in Syria.

¹¹Israel, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates are high income countries.

Appendix A: Public opinion and bilateral diplomatic visits between China and Iraq in the BRI era

Iraq has held neutral views towards China since 2008. Data captured by Gallup between 2008 and 2024 shows that Iraqi citizens held an average approval rate of 50.9% toward China.¹² This is roughly nine percentage points lower than the global average of 59.5% over the same period. When data was collected, the approval rate was highest at 66% in 2010, when China provided large-scale aid to Iraq, and lowest at 36% in 2021. In 2023, the approval rate was at 40%.

Figure A.1: Iraq’s approval of Chinese leadership, 2006-2024¹³

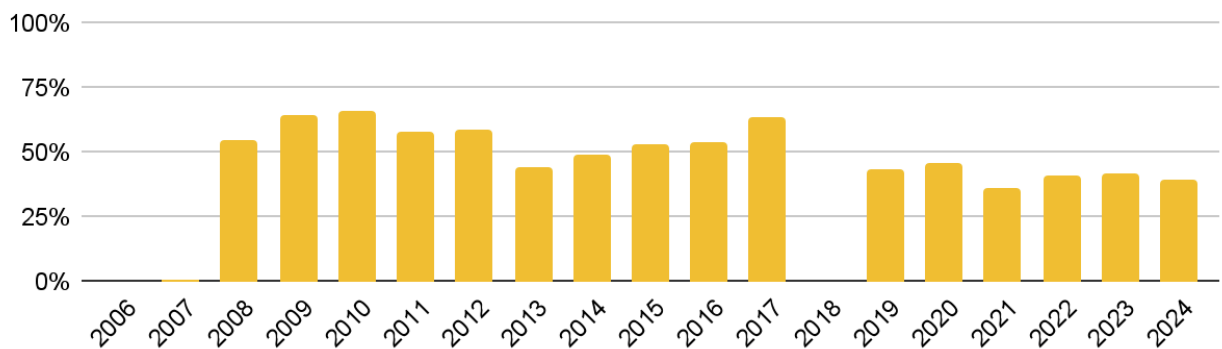


Figure A.2: Bilateral diplomatic visits between China and Iraq

2014 FEB	Chinese Foreign Minister Wang Yi visited Iraq.
2015 JUN	Iraqi Foreign Minister Jaafari visited China.
2015 DEC	Iraqi Prime Minister Abadi visited China. During this visit, China and Iraq issued a joint statement announcing the establishment of a strategic partnership.
2018 APR	Vice Chairman of the Standing Committee of the National People's Congress Chen Zhu went to Baghdad to attend the Middle East and North Africa Regional Conference of the International Federation of Red Cross and Red Crescent Societies.
2019 SEP	Iraqi Prime Minister Abdul Mahdi visited China.
2022 DEC	Chinese President Xi Jinping met with Iraqi Prime Minister Sudani during the first China-Arab Summit.
2024 MAY	Iraq’s Deputy Prime Minister met with Foreign Minister Wang Yi during the 10th Conference of the Chinese-Arab States Cooperation Forum in Beijing.

¹²This data comes from Gallup’s World Poll which started in 2005. Gallup conducts the survey in various frequencies on a country-by-country basis; therefore, the years we have data for vary and there are gaps pre-2006 and, in some cases, between 2006 and 2022. For Iraq, data is available for 2008-2017 and 2019-2024. For more information on the Gallup methodology, see <https://www.gallup.com/178667/gallup-world-poll-work.aspx>

¹³The data for the graph and approval rate is based upon Gallup’s Rating World Leaders’ report and dataset.

Appendix B: Methodology & definitions

Capturing Chinese development finance methodology:

The insights in this profile are derived from AidData's China Global Loans and Grants 1.0 dataset. For more details regarding the methodology used to assemble the data, please refer to the Tracking Loans and Grants from China to Low-, Middle-, and High-Income Countries: An Application of AidData's TUFF 4.0 Methodology. All financial values reported in this profile represent USD Constant 2023 prices, unless otherwise stated.

Definitions of finance types:

- Aid: Includes any grant, in-kind donation, or concessional loan (i.e., loans provided at below-market rates and categorized as ODA in CLG 1.0).
- Non-concessional loans: Captures export credits and loans that are priced at or near market rates (i.e., non-concessional and semi-concessional debt categorized as OOF in CLG 1.0).
- Vague: Any official financial flows that could not be reliably categorized as "aid" or "non-concessional loans" because of insufficient information in the underlying source material.

Definitions of instrument types:

- Grant: The donation of money or an in-kind donation of goods from an official sector institution in China (e.g. donations of supplies or equipment, humanitarian aid or disaster relief, or financing for the construction of a government building, school, hospital, or sports stadium).
- Free-standing technical assistance: Skills training, instruction, consulting services, and information sharing by official sector entities and experts from China. Training provided by Chinese entities outside of China is classified as technical assistance.
- Scholarships/training in the donor country: Funding from an official sector institution in China that allows a citizen from the host country to study at a Chinese university or other educational institution. This includes training programs and activities that are sponsored by an official sector institution in China and held for host country citizens in China.
- Debt forgiveness: The total or partial cancellation of debt owed by a borrowing institution in the host country to a Chinese government or state-owned entity.

Development finance to Iraq from other donors

All data on development finance from other donors came from the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) Creditor Reporting System (CRS). The CRS is the OECD's aid activity database, which compiles activity-level statistics from all providers who report to the OECD. For the analysis in Figure 1.2, 'Aid' represents Official Development Assistance (ODA) grants and loans. Non-concessional loans represent the Other Official Flows (OOF) measure. However, the flows captured in CRS (which are project-level records) specifically exclude export credit flows (due to their potentially sensitive nature). Data on export credits is available in OECD's DAC2B database in aggregate form. DAC2B provides data on OOF loans and grants and gross export credits. However,

consistent and comprehensive data on export credits from one development partner to a specific country are not available. Gross export credits to a specific country are available at an aggregate level, such as G7 or all DAC Members.

Financial Distress:

This profile includes a measure of “financial distress,” defined as loans that show evidence of principal or interest arrears, default on repayment obligations, borrower bankruptcy, or the renegotiation of loan terms (including suspensions of principal or interest payments). The inclusion of restructured loans in this definition represents a methodological change; as a result, the share of cumulative loan commitments classified as distressed in this version of the profile may be higher than in previous versions.

Project implementation challenges methodology:

To better understand the implementation challenges within China’s overseas infrastructure portfolio, AidData developed a new coding framework to systematically identify and categorize environmental, social, and governance (ESG) problems associated with Chinese-financed infrastructure projects in low- and middle-income countries. Under this framework, AidData flags projects when there is credible evidence of a significant environmental, social, or governance issue arising before, during, or after the implementation of a Chinese-financed infrastructure project.

Common ESG challenges in infrastructure projects:

- Environmental: Negative effects on the environment due to building, rehabilitating, or maintaining a physical structure. These include an increase in air or water pollution, biodiversity loss, deforestation, increased carbon footprint, or natural resource depletion.
- Social: Negative effects on different groups of people due to the infrastructure project, such as employees, nearby residents, Indigenous populations, or community members. Such negative effects include poor labor law compliance, human rights abuses, displacement of local residents, or archaeological or cultural heritage site degradation.
- Governance: Negative effects related to the infrastructure project’s financial, legal, and ethical management during the design and implementation of the project. These can include corruption, money laundering, lack of transparency, and non-competitive bidding processes that lead to higher project costs and/or poor project quality.

Loan Performance Methodology

AidData’s Chinese PPG Loan Performance Dataset 2.0 is a loan-level dataset that tracks the disbursement, repayment, arrears, restructuring, and outstanding debt trajectories of public and publicly guaranteed (PPG) loans issued by Chinese state-owned creditors to low- and middle-income countries. Building off the detailed loan commitment records captured in the 3.1 version of AidData’s Global Chinese Development Finance dataset, the 2.0 version of the Loan Performance dataset tracks 3,100 Chinese PPG loans issued to 124 borrowing countries between 2000-2022. The dataset synthesizes over 11,000 independently-sourced, loan-level performance observations drawn from public debt reports and repositories, stock exchange filings, bond prospectuses, and audited financial statements. These pieces of information are leveraged in conjunction with amortization schedule modeling techniques to create the best approximation of each loan’s financial performance over time.

Each loan is represented through three complementary amortization models. The “planned model” constructs an amortization schedule based only on original commitment terms and assumes full and timely repayment without deviations. The “perfect compliance” model incorporates observed disbursements and time-varying interest rate benchmarks (for floating-rate instruments) while still assuming payments occur as scheduled. The “actual performance” model integrates observed disbursement and repayment behavior, time-stamped debt stock values, and credit events including arrears, missed payments, and restructuring agreements (e.g., DSSI-related deferrals) to reconstruct each loan’s realized trajectory. Together, these models enable comparisons between the repayment burdens implied at signing and the repayment burdens realized over time, and they support consistent aggregation of debt service and debt stock across loans and countries.

The debt stock statistics in this profile are calculated from “actual performance” model outputs and are aggregated across all PPG loans for a given borrower country and calendar year. Figure 1.10 displays the country’s outstanding Chinese PPG debt stock by year. This measure captures the estimated balance of loan amounts outstanding at the end of each calendar year across all Chinese PPG loans to the borrower. The measure combines observed debt stock data with modeled amortization schedules and includes both remaining principal and any unpaid interest charges. Figure 1.11 shows the country’s annual debt service payments on Chinese PPG loans, including both principal and interest payments. These variables include normal debt service as well as altered payments associated with debt service suspensions and restructuring agreements.

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The insights in this profile are primarily derived from the 1.0 version of AidData's China's Global Loans and Grants dataset and the 2.0 version of AidData's Chinese PPG Loan Performance Dataset, although it also draws upon ancillary data from other sources. CLG-Global 1.0 is a uniquely comprehensive and granular dataset that captures 33,580 projects across 217 low-, middle-, and high-income countries supported by loans and grants from official sector institutions in China worth \$2.2 trillion. It tracks projects over 24 commitment years (2000-2023) and provides details on the timing of project implementation over a 26-year period (2000-2025). An accompanying report, [Chasing China: Learning to Play by Beijing's Global Lending Rules](#), analyzes the dataset and provides myth-busting evidence about the changing nature, scale, and scope of China's overseas finance program.

For the subset of grant- and loan-financed projects and activities in the dataset that have physical footprints or involve specific locations, AidData has extracted point, polygon, and line vector data via OpenStreetMap URLs and produced a corresponding set of GeoJSON files and geographic precision codes. The GCDF 3.0 geospatial data and precision codes are provided in [AidData's Geospatial Global Chinese Development Finance Dataset, Version 3.0](#) (Goodman et al, 2024).

For any questions or feedback on this profile, please email china@aiddata.org.



AidData & William & Mary,
PO Box 8795, Williamsburg, VA 23185.
www.aiddata.org | @AidData