

Laos

Chinese Development Finance, 2000-2023



Country Profile

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JulieAnn Sickell, Brooke Escobar, and Oshin Pandey



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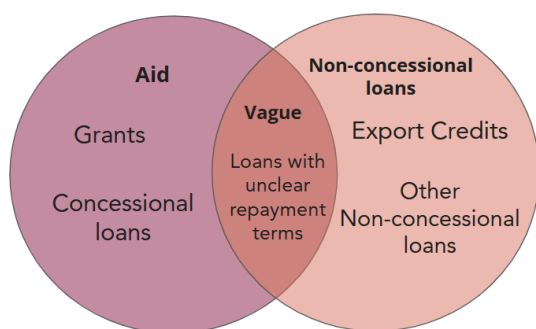
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Key concepts: aid, non-concessional loans, and vague flows

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

- Laos is China's most financially exposed borrower in Southeast Asia. Between 2000 and 2023, Laos received \$22.5 billion in cumulative loan and grant commitments from Chinese official sector donors and lenders, making China its largest creditor and development partner by a wide margin. China provides roughly ten times more financing than any other bilateral or multilateral source. For a country with a GDP of just \$16.5 billion and a population of 7.7 million, the scale of this relationship is significant.
- China's engagement is overwhelmingly infrastructure-focused, anchored by the energy and transport sectors. 88% of Chinese lending to Laos supports infrastructure projects, with the energy sector alone accounting for 50% of the total portfolio (\$11.2 billion). The Laos-China Railway—financed through two China Eximbank loans totaling approximately \$3.6 billion—stands as the defining symbol of China's footprint in the country and a cornerstone of the China-Indochina Peninsula Economic Corridor.
- A large share of Laos' debt is "hidden." While 50% of Chinese loan commitments to Laos constitute formal public debt, an additional 33% (\$7 billion) qualifies as potential public sector debt—primarily tied to the Laos-China Railway's special purpose vehicle, which carries no formal government repayment guarantee but represents a contingent liability too large from which the government to credibly walk away if it were to fall into distress. This hidden debt substantially understates the true scale of Laos' exposure.
- Laos is in active debt distress. 45% of China's cumulative loan commitments to Laos show signs of financial distress—more than the 29% average across low- and middle-income countries. The depreciation of the Lao kip and COVID-19 fiscal pressures have left Laos reliant on Chinese debt deferrals, with China providing more than \$2.6 billion in cash flow relief between 2020 and 2024. The IMF confirmed Laos remains in active external debt distress as of 2025.
- China's role in Laos extends beyond creditor to economic anchor. Laos owed an estimated \$8.6 billion in outstanding PPG debt to Chinese creditors by end-2024—equivalent to 85% of its total external public debt and 52% of GDP, the highest debt-to-China ratio among all low- and middle-income countries. Rather than seeking relief through multilateral frameworks such as the G20 DSSI, Laos has negotiated bilaterally with China, deepening a financial relationship in which economic and political ties are increasingly difficult to disentangle.
- In-kind and grant support complement, but do not define, China's portfolio. While 96% of Chinese financing to Laos takes the form of loans, China has provided 236 grants and in-kind activities worth \$761 million, including significant COVID-19 aid (totaling \$150 million and over 8.6 million vaccines), hospital construction, and over 250 scholarships. These smaller-scale activities reinforce the bilateral relationship alongside big-ticket lending.
- Key infrastructure projects have faced significant implementation challenges. The Laos-China Railway experienced years of delays due to land concession disputes, inadequate compensation for over 4,400 displaced families, and concerns about the project's long-term fiscal sustainability.

South-east Asian countries that have joined the BRI



Laos and China's Belt and Road

Laos formally joined the BRI in 2018. Located along the China-Indochina Peninsula Economic Corridor (CICPEC), one of the six international economic corridors associated with BRI, Laos' participation in BRI was critical for connecting China and Southeast Asia. The Lao-China railway is key to trade and tourism in this economic corridor—connecting Laos to Mohan, China and eventually, China to Singapore.¹

Historic relationship

The Lao People's Democratic Republic and the People's Republic of China have maintained an uneven diplomatic relationship since the early 1950s. During Laos' period of political transition, the country shifted its formal recognition between the People's Republic of China and the Republic of China (Taiwan) in the years between 1953 and 1962. Laos officially established a stable diplomatic relationship with the PRC in 1975, following Pathet Lao's consolidation of power. This relationship has remained steady since, with sustained cooperation on defense, trade, and infrastructure over the past five decades.

Present-day relationship

The present-day relationship between China and Laos is characterized by close cooperation on trade, infrastructure, and energy—anchored by flagship projects such as the Laos-China Railway, which physically connects the two countries. Laos and China describe their bilateral ties through the framework of the "Four Goods": good neighbours, good friends, good comrades, and good partners.² This formulation is used by Chinese officials to characterize close relations with neighboring and ideologically aligned states. In August 2025, China's Ministry of Foreign Affairs reported that Laos had joined the Shanghai Cooperation Organization (SCO), the regional political, economic, and security body that evolved from the Shanghai Five grouping and is headquartered in Beijing.³

Laos' financial relationship with China has deepened significantly since 2020, when the severe depreciation of the Lao kip and fiscal pressures from the COVID-19 pandemic left Laos unable to meet its repayment obligations to China, its largest external creditor. The result is a relationship in which economic and political ties are increasingly difficult to disentangle.

¹For more on the importance of Laos in BRI, see <https://documents1.worldbank.org/curated/en/648271591174002567/pdf/Main-Report.pdf>

²Lao, Chinese PMs hold talks on bilateral ties. (2021, April 24).

https://www.vientianetimes.org.la/freeContent/FreeContent_Lao_Chinese_24Apr.php

³Ministry of Foreign Affairs (2025). "Wang Yi Meets with Lao Foreign Minister Thongsavanh Phomvihane." https://www.fmprc.gov.cn/eng/wjbxhd/202508/t20250816_11691216.html.

Overview: Chinese development finance in Laos from 2000-2023

\$22.5 billion

in loans and grants provided by official sector donors from China.

96.4%

of Chinese development finance is provided via loans.

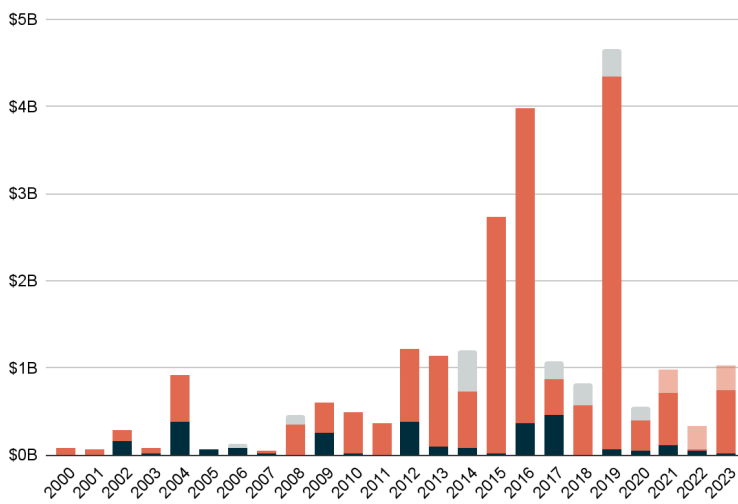
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grants, technical assistance, and training activities offered.

5th

largest recipient of Chinese aid and credit in Southeast Asia.

Official sector financial commitments from China to Laos, 2000-2023



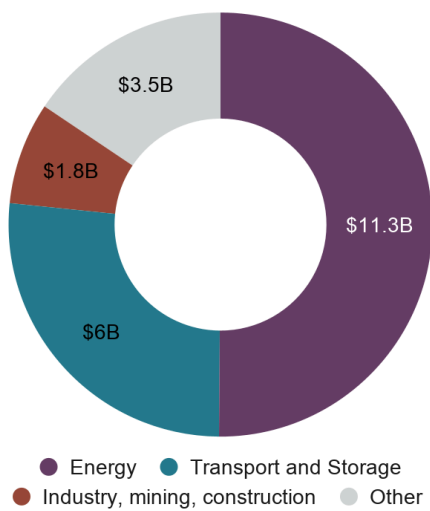
Aid: any grants, concessional loans, or in-kind donations.

Non-concessional loans: commercial lending, export credits, and non-rollover emergency loans.

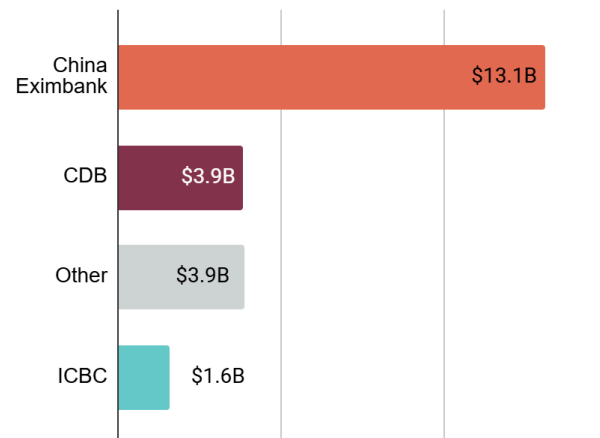
Non-concessional loans - rollover: emergency short-term rollover loans used to repay earlier debt.

Vague: funding that cannot be easily classified—usually loans with unknown borrowing terms.

Portfolio by sector



Portfolio by funder

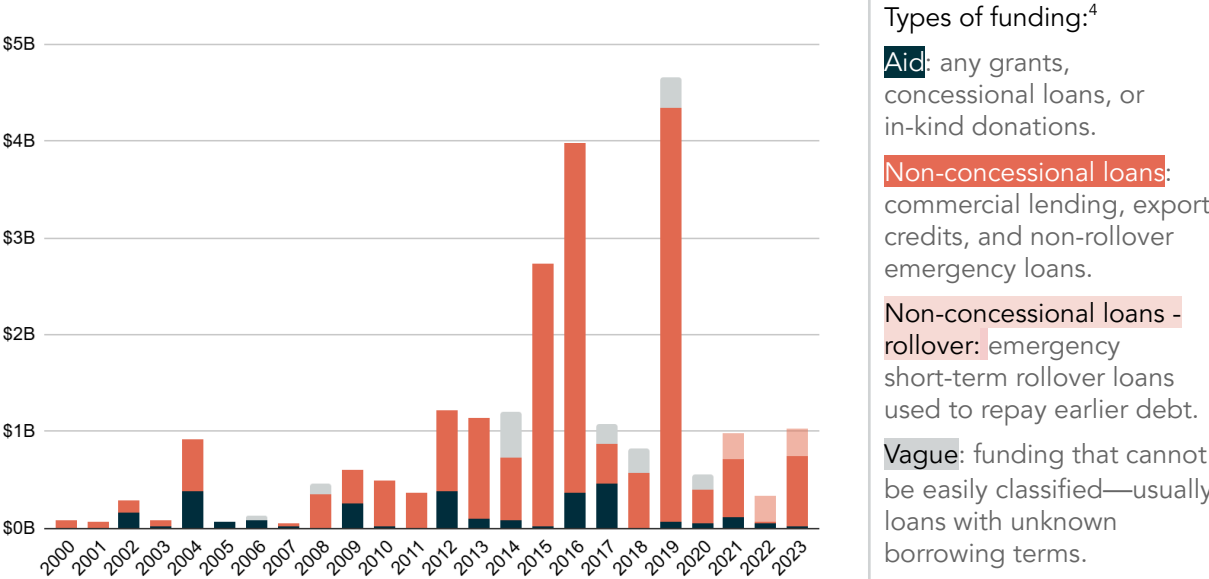


China Eximbank: Export-Import Bank of China; CDB: China Development Bank; BOC: Bank of China; ICBC: Industrial and Commercial Bank of China

How much development finance has China provided Laos since 2000?

Laos joined China’s BRI in 2018. However, even before the agreement was signed, China had established itself as a major lender to Laos (see Figure 1.1). China is Laos’ largest creditor and bilateral donor. Between 2000 and 2023, official sector lenders and donors from China provided grant and loan commitments worth \$22.5 billion for 367 projects and activities in Laos. This amount excludes emergency rollover facilities used to refinance maturing debts (a subset of emergency rescue lending).

Figure 1.1: Official sector financial commitments from China to Laos



Includes emergency lending facilities that are routinely drawn down and repaid to provide liquidity support to Laos and help avoid default on its debt payments.

Types of funding:⁴
Aid: any grants, concessional loans, or in-kind donations.
Non-concessional loans: commercial lending, export credits, and non-rollover emergency loans.
Non-concessional loans - rollover: emergency short-term rollover loans used to repay earlier debt.
Vague: funding that cannot be easily classified—usually loans with unknown borrowing terms.

Emergency rescue loans are loans from Chinese state-owned entities to government borrowing institutions in low-income and middle-income countries that are used for at least one of three purposes: (1) repaying existing debts, (2) financing general public expenditures, or (3) shoring up foreign exchange reserves. There are different varieties of emergency rescue loans, including currency swap borrowings, liquidity support facilities, foreign currency term financing facility agreements, deposit loans, and commodity prepayment facilities.

Since 2020, the PBOC has provided emergency rescue loans to Laos through a currency swap borrowing mechanism. A bilateral foreign currency swap is an agreement between the central banks of two countries to exchange cash in their national currencies at predetermined interest rates for a period of time. The bank that draws down on the swap line (Laos’ central bank) becomes the borrower and the other bank, the People’s Bank of China (PBOC), becomes the lender; thus, currency swap drawdowns are considered to be borrowings.

By the end of 2023, the Bank of Laos had an outstanding balance of \$250 million under its currency swap mechanism with the PBOC. Preliminary evidence shows this has continued through mid-2026. Laos has used these funds for balance of payments support and to shore up

⁴For more information on these categories, please see Appendix B.

gross reserves during times of financial distress, with the first drawdown coming during the height of COVID-19 in 2020. Given that these borrowings were continuously repaid and renewed (or rolled over through maturity extensions) from 2021 to 2026—rather than increasing the country’s public debt stock—they are not included in the cumulative estimates of aid and credit commitments presented in this profile.⁵

Figure 1.1 also decomposes non-concessional lending into net increases in emergency lending that increase debt levels and rollover emergency lending that refinances maturing debt but does not represent new debt. All other visuals and data points in this profile exclude these rollover facilities. For more information on rollover emergency lending, see Appendix B.

When emergency rescue rollover loans are excluded, Laos—a country with a relatively small economy (GDP: \$16.5 billion) and population (7.7 million residents)—is the fifth largest recipient of Chinese aid and credit in Southeast Asia and the 23rd largest recipient in the world.

⁵ To illustrate how rollover lending can work, consider a fictionalized example: Laos draws down \$100 million from its PBOC swap. This \$100 million borrowing has a (de jure) maturity period of one year. When the borrowing reaches maturity in 12 months, Laos repays the debt in full and immediately re-borrows another \$100 million from the swap line. If the new drawdown has a (de jure) maturity period of one year, Laos still owes \$100 million to China; however, by 'rolling over' the original drawdown under the swap line into a new drawdown, it has effectively secured a 1-year maturity extension (extending its final repayment date from 12 months to 24 months).

How does China compare to other development partners?

China is Laos’ largest development partner (see Figure 1.2), providing roughly 10 times more financing than any other bilateral or multilateral source. A large portion of China’s activities in Laos represent commercially-oriented export credits, totaling over \$7.8 billion between 2000-2023. The World Bank is the country’s second-largest development partner, focusing on health, education, and governance sectors. Japan and the Asian Development Bank rank third and fourth, respectively. China also outspends all of these partners on aid alone — an unusual pattern, given that aid from bilateral and multilateral donors typically dwarfs Chinese aid in comparable developing countries.

Laos previously relied on United States (U.S.) foreign assistance for unexploded ordnance (UXO) clearance. According to the Department of State, the U.S. has contributed over \$391 million to these efforts since 1995.⁶ The 2025 U.S. withdrawal has left a critical funding gap in this sector.

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

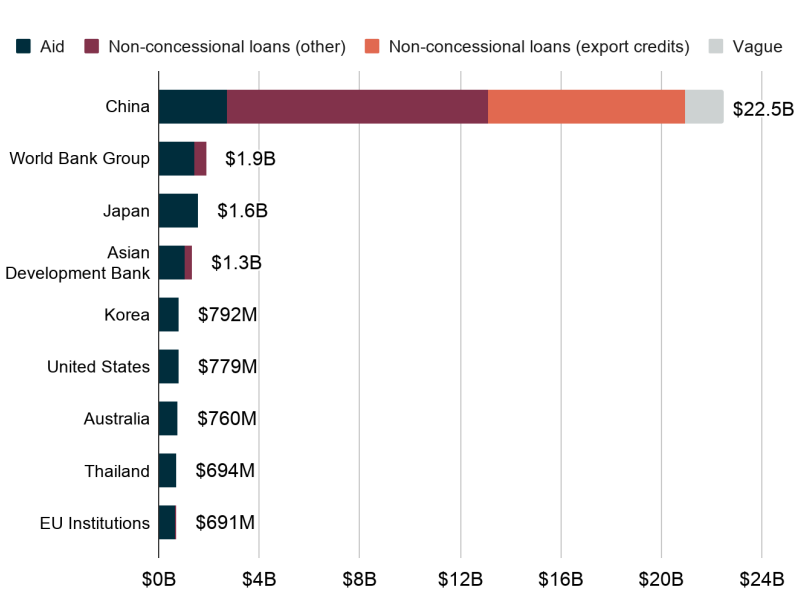


Figure 1.2 contains the top nine development partners providing aid and other financing to Laos. However, only China has detailed bilateral export credit flows to Laos. This level of granularity is not available for other development partners as the OECD does not provide export credit data for bilateral 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: -\$358 million.⁷

Average annual export credits from G7 between 2014-2023: \$3.1 million.

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.

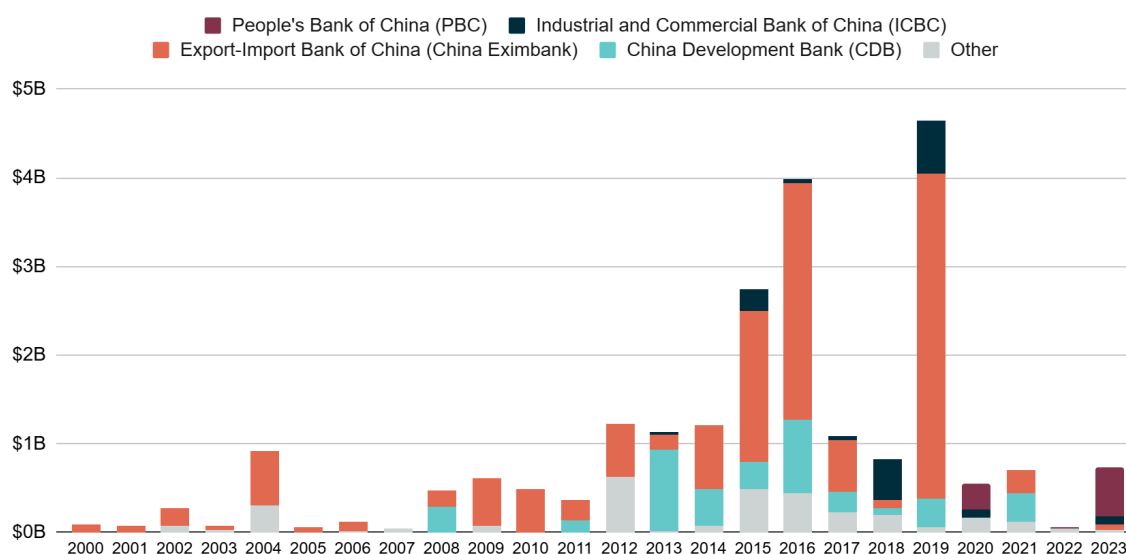
⁶U.S. Conventional Weapons Destruction Program in Lao PDR. (n.d.). United States Department of State. Retrieved from <https://www.state.gov/bureau-of-political-military-affairs/releases/2024/10/u-s-conventional-weapons-destruction-program-in-lao-pdr/>

⁷Export credit totals from 2000-2010 were uncharacteristically negative, likely due to currency fluctuations and weak domestic production. To provide a more relevant picture of recent export credits from G7 donors, we have provided an annual average of gross export credit flows during the BRI period to Laos during this time period as part of Figure 1.2.

Which donors and lenders from China are active in Laos?

Between 2000 and 2023, 60 official sector donors and lenders from China provided aid and non-concessional loans to Laos. 86% of China’s development finance portfolio is provided through four main donors and lenders (see Figure 1.3). The other 14% is provided by a diverse array of government agencies (including central, regional, or municipal government agencies), state-owned commercial banks, and state-owned companies.

Figure 1.3: Top Chinese donors and lenders



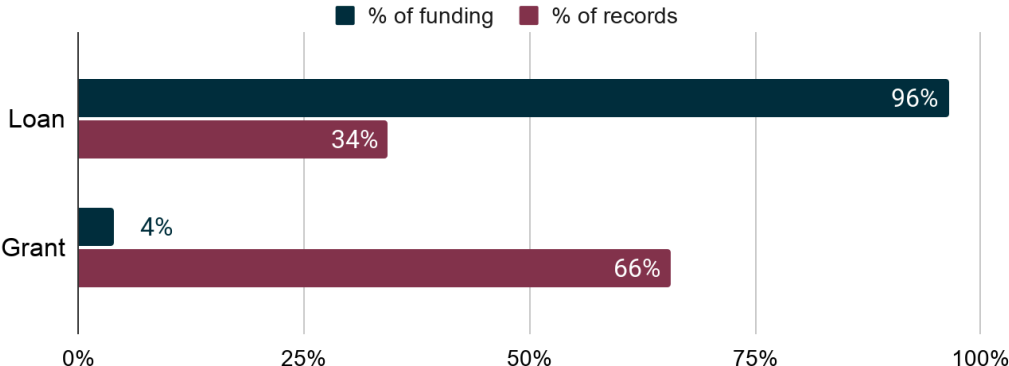
The Export-Import Bank of China (China Eximbank) was the first Chinese lender to engage with Laos in the 2000s. This first loan was a \$83 million concessional loan for the construction of the Vang Vieng Cement Plant II. Overall, China Eximbank has provided \$13.1 billion in financing to Laos for hydropower plants, cement factories, the Laos-China Railway (LCR), electrification projects, and more. The Laos-China Railway accounts for 32% of all China Eximbank’s lending to Laos. It provided two loans: one \$523 million loan to the Government of Laos in 2016 to support the government’s equity contribution to the project and another \$3.6 billion loan to the special purpose vehicle, Laos-China Railway Company (LCRC), for construction. This megaproject is a hallmark of Chinese development finance in Laos.

Other major lenders include China Development Bank (CDB), the Industrial and Commercial Bank of China (ICBC), and the People’s Bank of China (PBOC). One of CDB’s major contributions focused on the Nam Ou hydropower plant. CDB provided \$1.5 billion for the project, covering over 50% of the total project cost (\$2.6 billion). Over two phases and nine years, this project led to the construction of seven hydropower stations, which became the backbone of Laos’ power grid making up 28% of the country’s 4538MW total power generation capacity when it was completed in 2021. ICBC’s major contributions were also in the energy sector. The bank provided a \$519 million loan for the National Grid Expansion project and a \$245 million loan for the 135MW Nam Bi Hydropower construction project. PBOC supports Laos through rescue lending rather than major infrastructure projects. The initial agreement, worth RMB 6 billion, was signed in 2020 and renewed for another three years in 2023. The World Bank and International Monetary Fund suspect Laos’ central bank is using drawdowns under the swap line for balance of payments support and shoring up gross reserves rather than liquidity management or day-to-day bank operations.

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

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 Laos. When looking at record counts, grants account for 66% of all activity records in Laos (representing 236 records capturing activities taking place between 2000 and 2023).

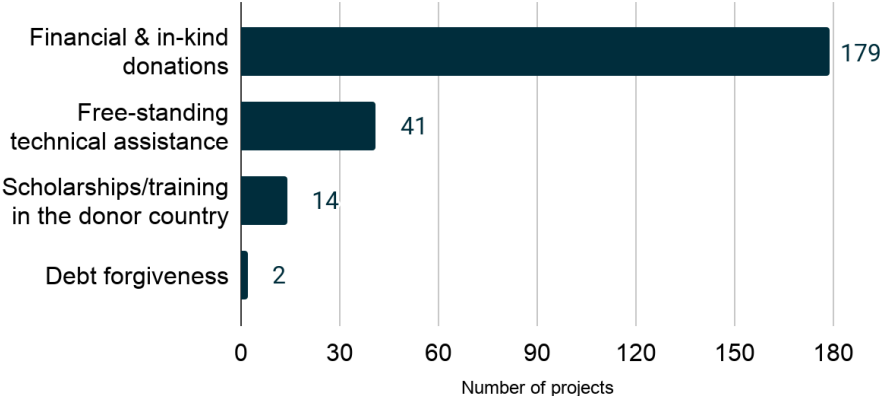
Figure 1.4: Top financial instruments used by China in Laos



Note: Debt rescheduling and Vague records are excluded from this visual since they are neither loans or grants.

96% of China’s official sector financing to Laos takes the form of loans (totaling \$21.6 billion in cumulative loan commitments), while 4% (\$761 million) comes in the form of grants and in-kind donations. In-kind donations are difficult to monetize, so the monetary values of these activities are likely underrepresented.

Figure 1.5: Breakdown of grants by project count

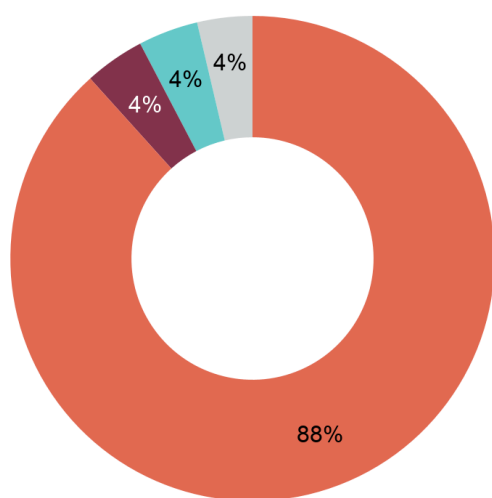


From 2000 to 2023, Laos received \$761 million across 236 grants from official sector Chinese entities. Around 20% (\$150 million) of Chinese aid to Laos was provided during the COVID-19 pandemic. Donations during this time included personal protective equipment (PPE), medical devices, and 8.6 million vaccines. Other major donations include two grants from the Chinese Ministry of Commerce (MOFCOM): one \$93 million grant to upgrade the Mahosot General Hospital and a \$45 million grant for the construction of the Lao People’s Revolutionary Party Central Office.

Besides financial and in-kind donations, China has also provided technical assistance and scholarships predominately in the education and health sectors. Technical assistance between

2000 and 2023 consisted of over 11 teams of youth volunteers who have gone to Laos to teach Chinese and English language as well as 15 different medical teams. Six of these medical teams were sent in 2023 with three different teams sent by the People’s Liberation Army and others coming from Guangxi and Yunnan. Additionally, China has provided over 250 scholarships to university students across Laos. The final type of grant Laos has received from China is debt forgiveness. Both instances of debt forgiveness (worth over \$13 million collectively) occurred in the early 2000s and applied to loans signed between 1970 and 1999.

Figure 1.6: Breakdown of lending by purpose



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

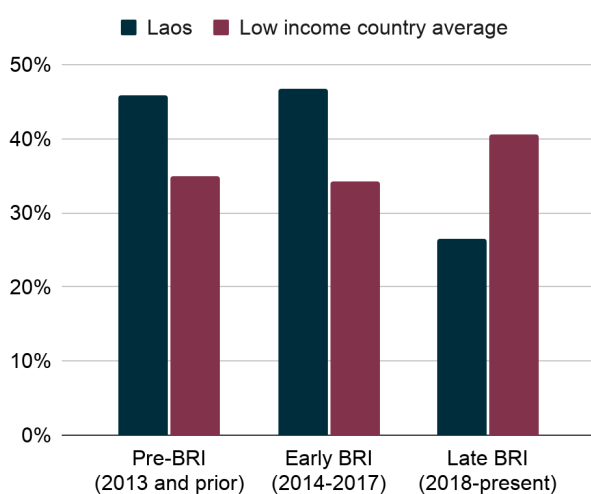
Emergency Lending: emergency rescue loans and rollovers meant to support a country’s liquidity.

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

Other: loans for equipment acquisition or unspecified purposes, and inter-bank loans.

88% of China’s official sector lending to Laos supports infrastructure projects. Nearly all of this infrastructure financing (91%) is implemented by at least one Chinese entity, such as a Chinese state-owned or private company. Beyond large-scale infrastructure, China’s lending to Laos is more modestly distributed: 4% has come from emergency rescue loans extended to Laos’ central bank to bolster liquidity. 4% consists of corporate activities such as mergers and acquisitions, including equity purchases in PanAust Limited, a gold and copper producer. The other 4% is inter-bank lending between CDB and the Bank of Lao PDR for on-lending to local SMEs and the acquisition of a MA60 aircraft.

Figure 1.7: Grant element over time



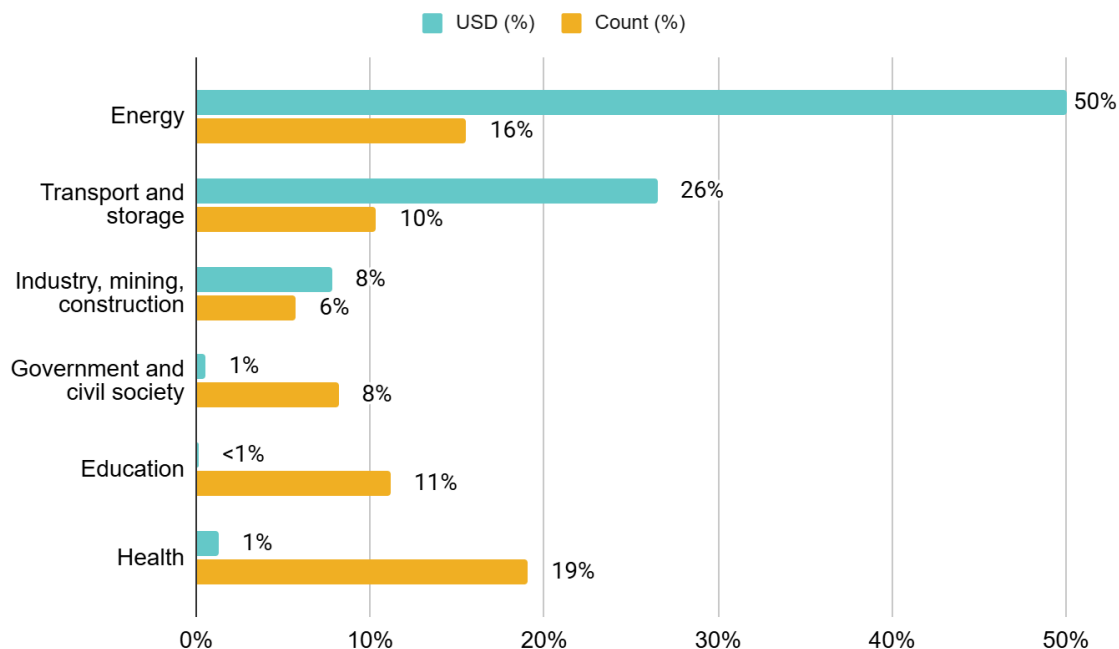
A loan’s grant element is a measure of how concessional (i.e. favorable) its terms are relative to market rates. It ranges from 0% (not concessional) to 100% (fully concessional). The grant element of China’s low income lending portfolio fluctuated between 34% and 41% from 2000 to 2023. In Laos, the concessionality of Chinese lending was especially high during the pre- and early-BRI eras (46-47%). In more recent years, the average concessionality has dropped, driven by a series of loans for the Vientiane-Vang Vieng Expressway Project issued in 2021 with relatively high interest rates between 4.5% and 5.5%.

In which sectors is China most active?

Top sectors for China's aid and credit in Laos differ greatly when comparing monetary value and record count. Certain sectors, such as health and education, often represent a large percentage of records but offer small or no transaction amounts. In Figure 1.8, we have 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



In terms of monetary value, 84% of China's grant and loan commitments to Laos supported three core infrastructure ("hardware") sectors: energy, transport and storage, and industry, mining, and construction between 2000 and 2023.

- **Energy:** This sector is the largest sector by financial value with \$11.2 billion in funding (or 50% 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 the energy sector include a \$1.2 billion buyer's credit loan from China Eximbank for the 480MW Nam Ngum 3 Hydropower Project and \$1.5 billion from CDB for Nam Ou Hydropower Project. This sector saw its first commitment since COVID-19 when China Eximbank provided a \$60 million loan for the 500kv Attapeu-Banna-Banthad Transmission Line project in 2023.
- **Transportation and storage:** This sector refers to the construction and maintenance of road, rail, air, and water transit infrastructure and is characterized by high-value infrastructure projects. 26% of China's development finance portfolio in Laos is specifically dedicated to this hardware sector, representing \$5.9 billion in aid and non-concessional loans. The largest financial commitment from a single source is a \$3.6 billion loan from China Eximbank for the Laos-China Railway Project. This project is a notable BRI project due to its importance in ensuring the success of the

China-Indochina Peninsula Economic Corridor (CICPEC). There have been no new commitments to this sector since 2021.

- **Industry, mining, construction:** This sector includes manufacturing fossil fuels, mining for coal, gas, metals, minerals, and construction sector policy. Projects in this sector represent only 6% of activity counts in Laos and 8% of monetary value (\$1.7 billion). The largest financial commitment from a single source in this sector is a \$779 million loan provided by Bank of China and CDB to Guangdong Rising H.K. for the acquisition of all ordinary shares in PanAust Limited—owner of the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation in Laos. Through this acquisition, PanAust Ltd. became a wholly owned subsidiary of Guangdong Rising H.K., which is a Chinese state-owned company. This sector saw its first commitment since 2017 when ICBC provided a \$100 million loan for expansion of the Laos Potash Mine in 2023.

China is also heavily engaged in other sectors, such as health, education, and governance. China's footprint in these sectors is difficult to represent, however, because the activities in these sectors usually attract smaller grant and loan commitments, or represent some form of in-kind donation, technical assistance, etc.

- **Health:** This sector includes medical care, infrastructure, equipment, and control activities. In total, activities in the health sector represent 70 records in China's portfolio in Laos (or 19% of records). Activities in this sector include a \$93 million grant for Mahosot General Hospital Upgrading Project and multiple donations of medical supplies and procedures. Most notably, Laos received around \$150 million in COVID-19 donations as well as 8.6 million vaccines. In 2023, three medical teams from the People's Liberation Army went to Laos to provide assistance for around six months.
- **Education:** This sector encompasses schooling at the primary, secondary, and post-secondary levels, as well as technical and advanced training activities. Education activities represent less than one percent of funding but 11% of China's total record count, with 41 records. Notable activities in the education sector include multiple grants from different Chinese state-owned companies, such as China Southern Power Grid Corporation Limited and China Road & Bridge Corporation, for the construction and expansion of school buildings, as well as the donations of school supplies.
- **Government and Civil Society:** This sector encompasses activities that address public procurement, subnational government support, elections, democratic participation, and human rights. Activities in this sector are captured in a total of 30 records (or 8% of the total record count). China's activities in this sector include a \$52 million grant from the Chinese government for construction of the Lao People's Revolutionary Party Central Office and construction grants for other convention and banquet halls. In 2022, the Consulate General in Luang Prabang donated a van to Luang Prabang Provincial Department of Foreign Affairs, which falls into this sector.

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

- In recent years, grant and loan commitments directed towards transport and storage have surpassed the amounts directed towards energy, becoming the largest sectors by monetary amount. This change is driven by the Laos-China Railway and the Vientiane-Vang Vieng Expressway.
- The Banking and financial services sector has also increased from the bilateral currency swaps between the Bank of the Lao PDR (BoL) and the People's Bank of China (PBOC).

What are the characteristics of Laos' debt to China?

124
loans
issued

\$21.7 billion
total loan
commitments

50%
of total loan
commitments
are public debt

45%
of total loan
commitments showing
signs of financial distress

\$8.6 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

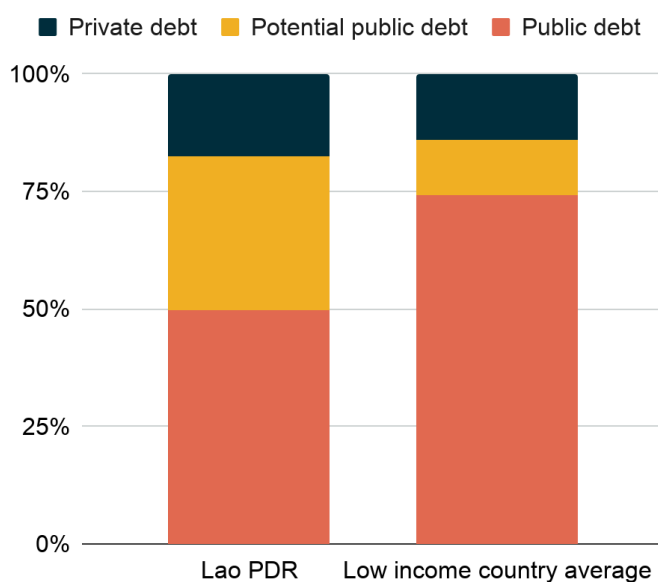
Loans to special purpose vehicles or joint ventures in which recipient governments hold minority equity stakes.

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— Laos: \$21.6 billion. Low income country average: \$5.5 billion.



With 124 loans over a 24-year period, China's official sector lending to Laos is over four times the low income country average of 30 loans. The composition of its lending to Laos is also quite different from its lending to other low income countries in two areas: public debt and potential public sector debt. 50% of its lending to Laos qualifies as public debt, as compared to the low income average of 74%. Potential public sector debt accounts for most of the difference: 33% (\$7 billion) of China's official sector lending to Laos qualifies as such.

Potential public sector debt represents "hidden debt" in that it is not a formal liability of the host government, but it may benefit from an implicit public sector repayment guarantee and could become a host government liability in the event of default by the original borrowing (SPV or JV) entity. The majority of Laos' hidden debt (33%) is tied to the Laos-China Railway Project. The JV that is responsible for the project (LCRC) does not have a formal repayment guarantee from the Government of Laos, but its debts represent contingent public sector liabilities because the megaproject is potentially "too big to fail" (i.e., the Laotian authorities may face

political, reputational, and/or moral pressures to bail out LCRC if it faces cash flow problems). This source of potential public debt exposure is particularly problematic for Laos, given its high level of public indebtedness to China overall.

45% of China's cumulative loan commitments to Laos are in financial distress—more than the 29% average across low- and middle-income countries. Signs of financial distress include borrowers accumulating principal or interest arrears, defaulting on their repayment obligations, filing for bankruptcy, or renegotiating loan terms (including suspensions of principal or interest payments). In Laos' case, the country has deferred billions of dollars of principal and interest payments to Chinese creditors due to economic shocks from the COVID-19 and an extreme devaluation of the national currency, the Lao kip, in 2022. Instead of participating in the G20-initiated Debt Service Suspension Initiative (DSSI), Laos and China separately agreed to reprofile multiple loan agreements. China provided debt service payment deferrals that gave Laos more than \$2.6 billion of cash flow relief (\$2.19 billion in deferred principal payments and \$470 million in deferred interest payments) between 2020 and 2024.

Laos has also tried to ease some of its repayment obligations and avoid default by selling a part of the country's electricity transmission grid to a Chinese state-owned enterprise for \$600 million (in an apparent debt-for-equity swap). Despite these efforts, Laos is still in active external and overall debt distress according to the IMF's 2025 Staff Report.⁸

⁸For more information on the IMF's analysis of Laos' external debt, please see <https://www.imf.org/-/media/files/publications/cr/2026/english/1laoea2026001-source-pdf.pdf>

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

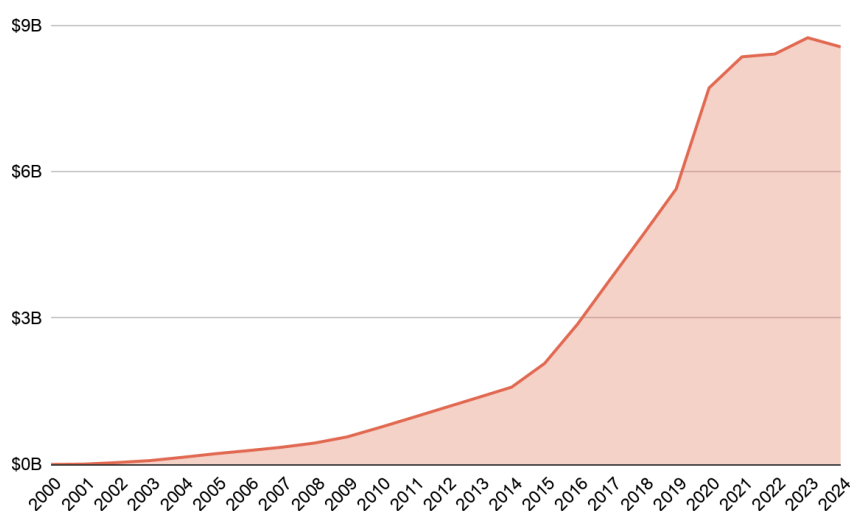
What is "public debt exposure"?

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

Figure 1.10 shows Laos' 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.

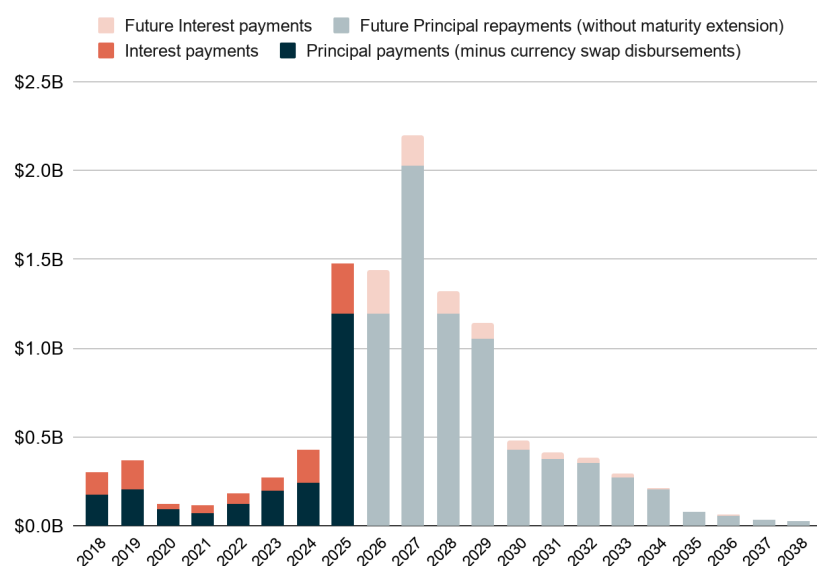
By the end of 2024, Laos owed an estimated \$8.6 billion in outstanding PPG debt to official sector creditors in China. This amount is equivalent to roughly 85% of Laos' total PPG debt stock to all external creditors, which makes China the country's most important bilateral creditor.⁹ Laos' total Chinese PPG debt stock represented 52% of the country's GDP in 2024. This is the highest Chinese PPG debt-to-GDP ratio among all low- and middle-income countries, which means that Laos' public debt exposure to China is particularly high in relation to the size of the country's economy.

Laos' outstanding PPG debt to China is tied to 55 loans: 13 of these loans are in their original repayment periods and 42 have been subjected to debt restructuring agreements with China.

⁹World Bank, International Debt Statistics.

By contrast, 17 PPG loans have been fully repaid. Based on existing loan commitments through 2023, Laos is expected to continue paying down its public debt to Chinese creditors until 2041.

Figure 1.11: Laos' principal and interest payments to Chinese creditors under PPG loans



Note: This figure shows (i) interest payments between 2018-2025, (ii) estimated future interest payments in 2026-2029, (iii) principal payments minus currency swap disbursements between 2018-2025, and (iv) estimated future principal payments for 2026-2029.

Figure 1.11 presents Laos' annual interest and principal payments on PPG debt owed to official sector creditors in China. The estimated principal payments are calculated by first adding all principal payments due each year, and then subtracting currency swap drawdowns each year (to account for serial rollovers). Future interest and principal payments are projected from the borrowing terms of the loans and assume the PBOC currency swap drawdowns are not renewed in 2027, though this may be unlikely since they have continued for nearly 10 years.

Laos' principal repayment burden rises in the mid-2020s, reflecting both maturing project loans and the country's continued reliance on debt service deferrals to manage near-term liquidity pressures.

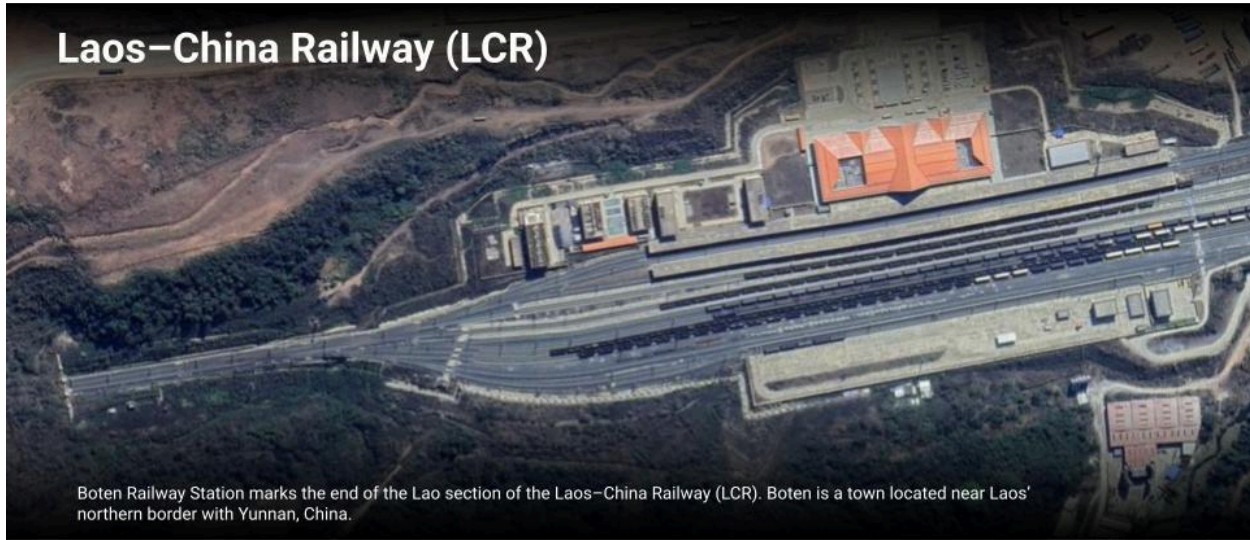
Laos has relied on repeated debt service deferrals from Chinese creditors since 2020. The authorities requested this form of liquidity relief to address unsustainable large repayment obligations to external creditors, which resulted from the depreciation of Laotian kip and fiscal pressures associated with the COVID-19 pandemic. The IMF's 2025 Article IV Debt Sustainability Analysis (DSA) suggests that these deferrals were likely extended through 2025, with a 50 percent principal repayment deferral assumed in 2026. The DSA further estimates the total principal payments in 2025 and 2026 will be approximately \$560 million and \$250 million lower, respectively, than they would have been under their original repayment schedules.¹⁰ However, this source of cash flow relief effectively pushes principal payments further into the future. They are now expected to be repaid between 2027 and 2040. Laos has therefore avoided sharp repayment spikes in 2025 and 2026, but its public debt burden remains unsustainable and it is increasingly dependent on China for future refinancings, rollovers, payment deferrals, and bailouts.

¹⁰ IMF Article IV, 2025

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

<p>Chinese-financed infrastructure projects in Laos:</p>	<p>Examples of infrastructure implementation risks:</p> <p>Environmental: increase in air or water pollution, biodiversity loss, deforestation, increased carbon footprint, or natural resource depletion.</p> <p>Social: poor labor law compliance, human rights abuses, displacement of local residents, or archaeological or cultural heritage site degradation.</p> <p>Governance: corruption, money laundering, lack of transparency, and non-competitive bidding processes.</p>
<p>161 infrastructure projects supported by grants and loans from China</p>	
<p>\$19.5 billion in loan and grant commitments supporting infrastructure projects</p>	

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 Laos, the China-Laos Railway (CLR)—sometimes also referred to as the Laos-China Railway (LCR)—illustrates protracted implementation delays due to negotiation disagreements and concurrent controversies, concerns related to financial distress resulting from the project, and the displacement and inadequate compensation of locals.



The LCR is the 414 kilometer Laotian section of rail line that runs between Laos’ capital, Vientiane, to Boten, a town located on Laos’ northern border across from Yunnan, China. This section is known as the Boten–Vientiane railway. The project is a part of a larger, strategic railroad known as the Kunming–Singapore Railway, stretching from Kunming to Singapore, passing through Laos, Thailand, and Malaysia. Chinese media described the LCR as “a golden corridor” and part of the “New Silk Road.” This narrative echoes the Laotian initiative to

transform the country from a “land-locked to a land-linked” country through the railroad partnership.

Both the Laotian and Chinese governments approved the project in 2009. A feasibility study and an environmental and social impact assessment (ESIA) reportedly began in late 2010. However, because the railway was considered a “priority” project, the ESIA allegedly passed without intensive review. The railway was supposed to begin construction in April 2011, but numerous controversies halted the development. In particular, Laotian officials claimed that the deal gave large land concessions on either side of the railway to Chinese entities. However, the details which caused Laos to rebuff the deal have never been made public. Talks restarted in 2015.

In 2016, Laotian and Chinese officials created a joint venture company, Lao-China Railway Company (LCRC), in order to begin construction. The joint venture was majority owned (70%) by three Chinese state-owned enterprises and minority owned (30%) by one Lao state-owned enterprise. LCRC then signed a build-operate-transfer (BOT) concession agreement with the Government of Laos for the project. The finalized BOT agreement does not appear to address the land concession controversies between Chinese and Laotian officials. On December 25, 2016, a groundbreaking ceremony was held in Luang Prabang.

During the project’s implementation, controversies regarding local displacement and the families’ requisite compensation arose. In 2017, the deputy minister of the Lao Ministry of Public Works and Transport, Rattanamong Khounnivong, stated that an estimated 4,411 families were required to relocate from their land along the line’s planned route in exchange for compensation. Studies of the families impacted by the project’s relocation initiative noted confusion about compensation procedures, rates, and timelines. The families found resettlement compensation was not adequate and undervalued their land, though it was calculated by the formula for compensation packages provided by Luang Prabang Provincial Governor’s Agreement No. 78. Some displaced families received no compensation at all; as of 2021, many families still reported that they had not been paid for their land and property concessions.¹¹

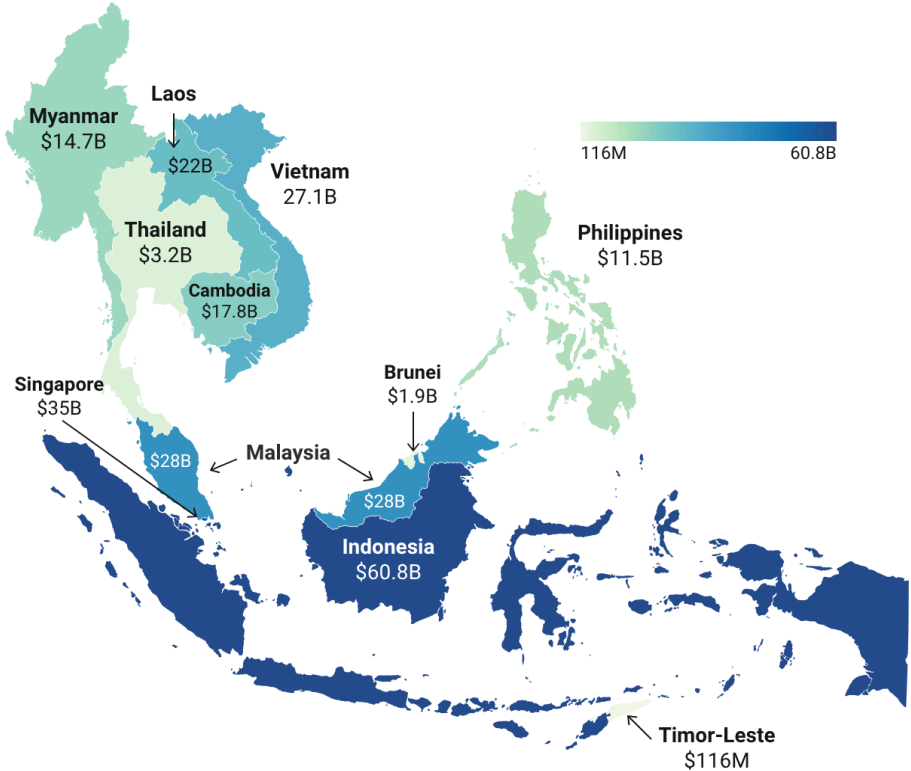
Despite these issues, the railroad fully opened on December 3, 2021. Now, the rail line operates five scheduled passenger trains, including four 160 km/hour speed trains and one 120 km/hour ordinary train across twelve passenger stations. The rail line also has an additional 20 cargo stations to support its shipping capacity.

¹¹ DiCarlo, J. (2020). Mind the Gap: Grounding Development Finance and Safeguards through Land Compensation on the Laos-China Belt and Road Corridor. https://www.bu.edu/gdp/files/2021/01/GCI_WP_013_Jessica_DiCarlo.pdf

How does Chinese financing to Laos compare to other countries in Southeast Asia?

Between 2000 and 2023, Chinese official sector financiers directed 3,377 loans and grants to Southeast Asia worth \$222 billion. Figure 1.12 provides a cumulative view of China’s aid and credit portfolio in the region. Nearly 62% (\$138 billion) of China’s aid and credit to the region took place between 2014 and 2023, the early and late BRI periods. The average annual financing committed during these years was \$13.8 billion with notable dips during 2020 and 2021 as a result of the COVID-19 pandemic. Laos received 10% of all Chinese financing to the region, making it the fifth largest recipient.

Figure 1.12: Cumulative financial commitments from China to Southeast Asia, 2000-2023¹²



Laos is a part of an important multilateral cooperation mechanism within Southeast Asia called the Lancang-Mekong Cooperation (LMC). It derives its name from the river that runs from Qinghai Province in China down through Cambodia, Laos, Thailand, Myanmar, and Vietnam. The goal of LMC is sustainable economic and social development of the sub-region through concrete projects, high-level exchanges, and joint working groups. During the official launch of the LMC mechanism in March 2016, Li Keqiang, the Premier of China, proposed a special fund be set up by China to support small and medium cooperation projects between the countries. The Lancang-Mekong Special Fund would provide \$300 million in concessional loans over 5 years. One successful Lancang-Mekong project in Laos is the Lancang-Mekong Sweet Spring Water project. The purpose of the project was to resolve villagers' difficulty obtaining water and collecting unclean drinking water by constructing three deep wells, pump rooms, high-level water tanks and water supply systems.

¹²Brunei and Singapore are high income countries.

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

Laos' citizens have maintained a relatively favorable view towards China. Per data captured by Gallup between 2006 and 2024, Laotian citizens held an average approval rate of 73.7% toward China.¹³ This is significantly higher than the global average of 59.5%. The most notable trend in recent years is the decrease in favorability from 81% in 2021 to 67% in 2022. One reason for this decrease could be Laos' growing economic reliance on China.

Figure A.1: Laos' approval of Chinese leadership, 2006-2024¹⁴

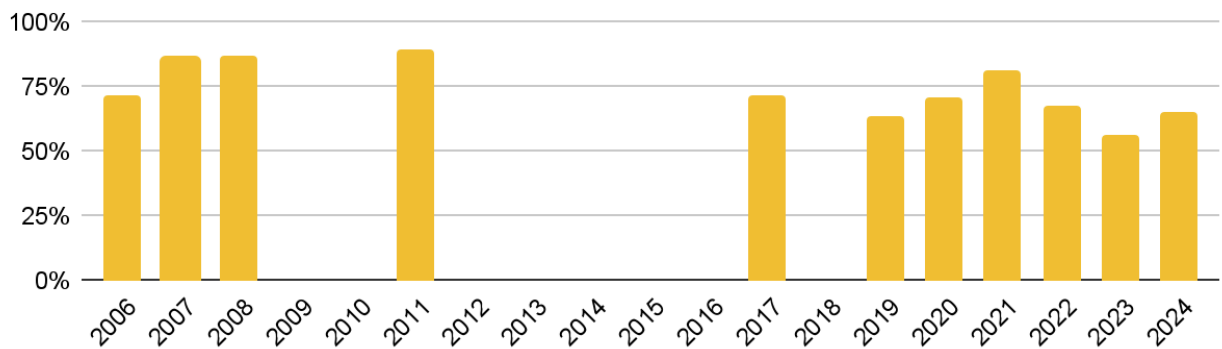


Figure A.2: Bilateral diplomatic visits between China and Laos

2016 SEP	Chinese Premier Li Keqiang visited Vientiane and met with Laotian Prime Minister Thongloun Sisoulith where 20 agreements, including loans and infrastructure agreements, were signed.
2017 NOV	President Xi Jinping paid an official visit to Laos where he met Laotian President Bounnhang Vorachit and held diplomatic talks to deepen bilateral cooperation.
2019 APR	Laotian President Bounnhang Vorachit visited China and met with Chinese Prime Minister Li Keqiang ahead of the Belt and Road Forum for International Cooperation.
2022 NOV	Laotian President Thongloun Sisoulith visited Beijing and met with President Xi Jinping and discussed developing bilateral ties.
2023 OCT	Laotian President Thongloun Sisoulith met with President Xi in China to hold diplomatic talks ahead of the Belt and Road Forum for International Cooperation.
2024 OCT	President Xi met with the President of Laos, Thongloun Sisoulith, in Kazan, Russia for the 16th BRICS Summit.

¹³This 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 AidData has data for vary and there are gaps pre-2006 and, in some cases, between 2006-2024. For Laos, data is available for 2006-2008, 2011, 2017, and 2019-2024. For more information on the Gallup methodology see <https://www.gallup.com/178667/gallup-world-poll-work.aspx>

¹⁴The 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.

Emergency rescue lending & rollover facilities:

Emergency rescue loans are loans from Chinese state-owned entities to government borrowing institutions in low-income and middle-income countries that are used for at least one of three purposes: (1) repaying existing debts, (2) financing general public expenditures, or (3) shoring up foreign exchange reserves. Such loans include borrowings via currency swap agreements, liquidity support facilities, foreign currency term financing facility agreements, deposit loans, commodity prepayment facilities, and so-called "sovereign loans"¹⁵.

Short-term emergency rescue loans represent an increasingly important part of China's overseas portfolio of loans to LICs and MICs. Nearly all of these borrowings, which are typically used to refinance maturing debts, carry de jure maturities of one year or less (i.e., they are initially scheduled for repayment in 12 months or less). However, it is not unusual for financially-distressed LICs and MICs to receive short-term emergency rescue loans from the same Chinese creditor in a series of consecutive years. This relatively new feature of China's overseas lending program raises an important question about how to accurately estimate the cumulative stock of official financial flows—or lending commitments—from China to the developing world. In countries that receive roll-over emergency rescue loans, this profile reports the full transaction amount (including short-term roll-over facilities) for Figure 1.1. All other visuals exclude these short-term rollover facilities.

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).

¹⁵Parks et al. (2023)

- 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 Laos 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. To capture the full breadth of the Chinese PPG lending relationships, the Loan Performance dataset also retains some PPG loans supporting defense and security purposes (rather than development purposes). 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