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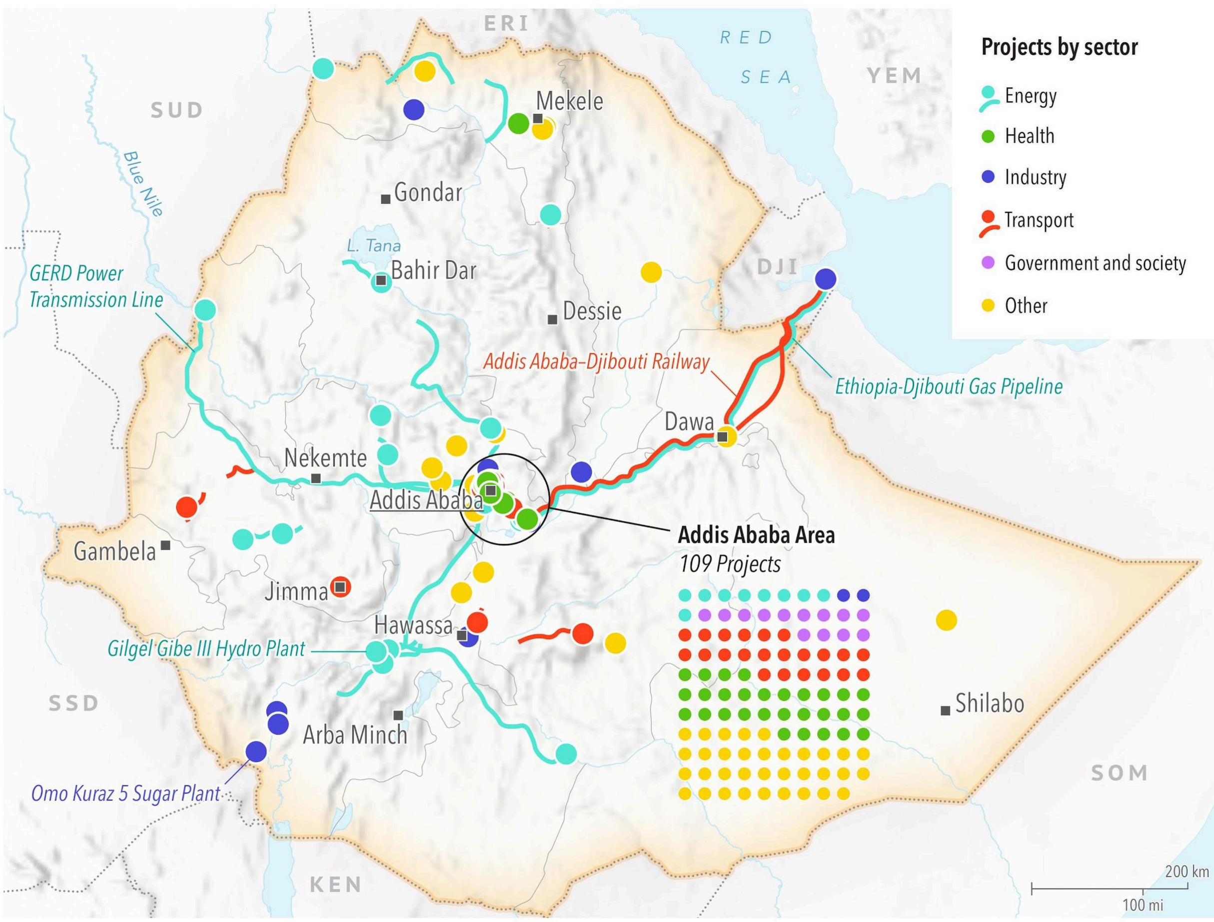
Ethiopia

The Scale, Scope, and Composition of Chinese Development Finance

October 2025



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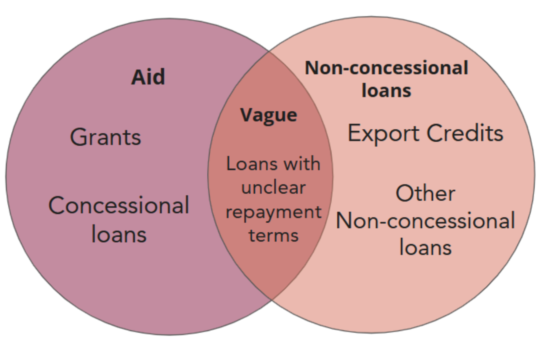
Key concepts: aid, non-concessional loans, and vague flows

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.

Ethiopia and China’s Belt and Road

In 2018, Ethiopia and China signed a “Memorandum of Understanding on Jointly Formulating a Plan for Cooperation to Promote the Construction of the Belt and Road,” officially marking Ethiopia's entry into the BRI. The agreement positioned Ethiopia as a key partner in Beijing’s flagship initiative, given its strategic location in the Horn of Africa and its role as a regional hub for trade and diplomacy. Since then, Ethiopia has emerged as one of the largest recipients of Chinese financing on the continent, particularly for transport, energy, and industrial infrastructure.

Historic relationship

The Federal Democratic Republic of Ethiopia and the People’s Republic of China have maintained a diplomatic bilateral relationship since 1970. Between 1987 and 1991, the People’s Democratic Republic of Ethiopia ruled over Ethiopia as a socialist regime, allowing China to maintain close party-to-party relations. Once Meles Zenawi rose to power in 1991 first as Prime Minister and then as President, Ethiopia aligned more closely with China’s state ideology, especially with Meles’s dislike of the neoliberal economic paradigm and his Marxist beliefs.[1] Multiple high-value projects started under Meles, including a project geared towards telecommunications infrastructure, the Addis Ababa-Djibouti Railway, and the Great Ethiopian Renaissance Dam (GERD) Project.

Present-day relationship

China and Ethiopia’s partnership has endured despite major political shifts in Ethiopia during the 2010s. Today, the relationship is defined by China’s large-scale infrastructure investments—such as the Addis Ababa–Djibouti Railway and the Grand Ethiopian Renaissance Dam. In 2018, Ethiopia transitioned from Meles Zenawi’s long-standing authoritarian rule to a more liberal government under Prime Minister Abiy Ahmed. As of October 2023, the two countries have elevated their relationship to an “all-weather strategic partnership,” meaning they expect the relationship to remain strong despite changes in international politics.[2] In 2025, Ethiopia’s Ministry of Finance reported that Chinese companies signed deals worth $1.7 billion for energy and mineral investments into Ethiopia.[3]

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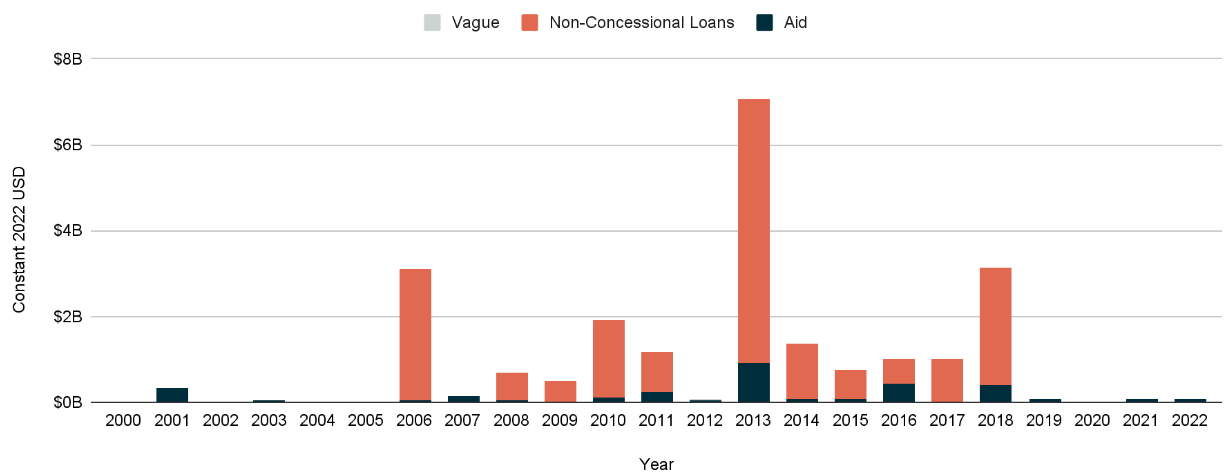
[1]Kibsgaard, D. (2020). Sino-ethiopian relations from Meles Zenawi to Abiy Ahmed: The political economy of a strategic partnership.
[2]Xiang, H. (2023). What "partnerships" does China have?
[3]Reuters (2025). “Ethiopia agrees minerals, energy deals worth $1.7 billion, chiefly with Chinese firms.” https://www.reuters.com/sustainability/climate-energy/ethiopia-agrees-minerals-energy-deals-worth-17-billion-chiefly-with-chinese-2025-05-14/.

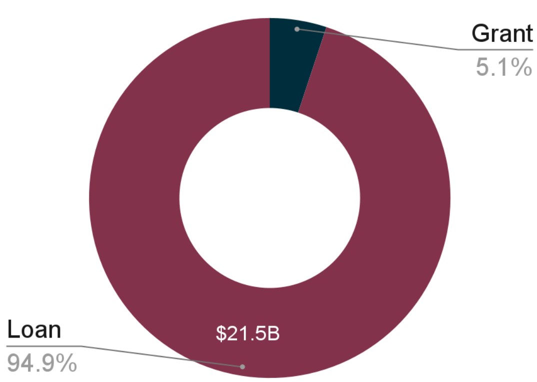
Overview: Chinese development finance in Ethiopia from 2000-2022

$22.6 billion in loans and grants provided by official sector donors from China.	95% of Chinese development finance is provided via loans.	184 grants, technical assistance, and training activities offered.	3rd largest recipient of Chinese aid and credit in Africa.	76% of China's infrastructure portfolio has significant ESG risk exposure.

Official sector financial commitments from China to Ethiopia, 2000-2022[4]

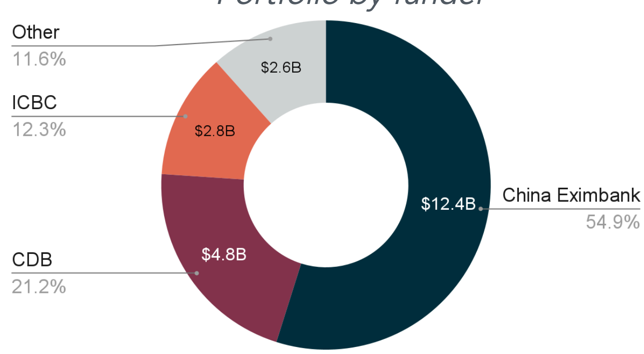


Portfolio by type of finance



Loans include concessional and non-concessional loans.

Portfolio by funder



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

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

Section 1: China's development finance portfolio

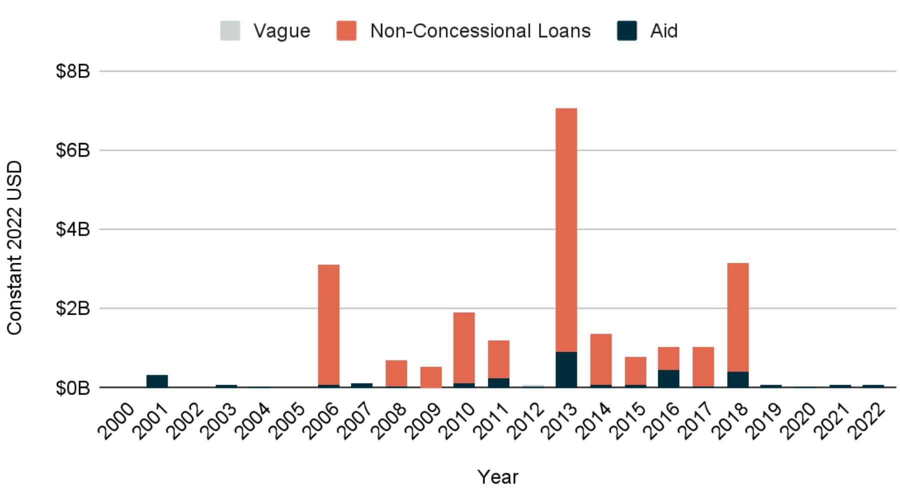
Ethiopia joined China's BRI in 2018. However, even before the agreement was signed, China had established itself as a major lender to Ethiopia (see Figure 1.1). China is one of Ethiopia's largest trading partners and bilateral donors. For a list of bilateral diplomatic visits between China and Ethiopia in the BRI era, see Appendix A.

How much development finance has China provided Ethiopia since 2000?

Between 2000 and 2022, official sector lenders and donors from China provided grant and loan commitments worth $22.6 billion for 295 projects and activities in Ethiopia. That makes Ethiopia—a country with a relatively large economy (GDP: $163.7 billion) and population (128.6 million residents) compared to other African countries—the third largest recipient of Chinese aid and credit in Africa and the 15th largest recipient in the developing world.

While Ethiopia didn't formally join BRI until 2018, it has received infrastructure and other types of financing from China since the BRI's launch—as demonstrated by the $13.1 billion in aid and non-concessional loan commitments in between 2013 (when the BRI was announced by China) and 2018 (see Figure 1.1). Since 2018, Ethiopia has only received $249 million in new aid commitments, likely due to the country's ongoing civil conflict and debt distress.

Figure 1.1: Official sector financial commitments from China to Ethiopia



Types of funding:[5]

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

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

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

[5]For more information on these categories, please see Appendix B.

How does China compare to other development partners?

China is Ethiopia's second-largest development partner after the World Bank Group (see Figure 1.2) when looking at aid, non-concessional loans, and export credits. In terms of aid provision specifically, the World Bank Group, United States, United Kingdom, and African Development Bank all rank higher than China. Aid from these states and organizations, especially the World Bank Group and the United States, is largely humanitarian relief to help the government of Ethiopia and its citizens with various environmental and social hardships. China's development finance portfolio in Ethiopia, on the other hand, focuses on infrastructure projects like the Addis Ababa-Djibouti railway via non-concessional lending, including significant export credit flows.

- ➔ United States: In 2023, the United States Agency for International Development (USAID) paused aid delivery to the Tigray region of Ethiopia due to illicit diversions occurring in the country.[6] Now, with the drastic downsizing of USAID in February 2025, Tigray and other areas of Ethiopia will continue to have unmet humanitarian needs.
- ➔ China: In order to address public debt distress, China has provided debt relief via reschedulings rather than new loan commitments in recent years.

Figure 1.2: Top bilateral and multilateral development partners, 2000-2022

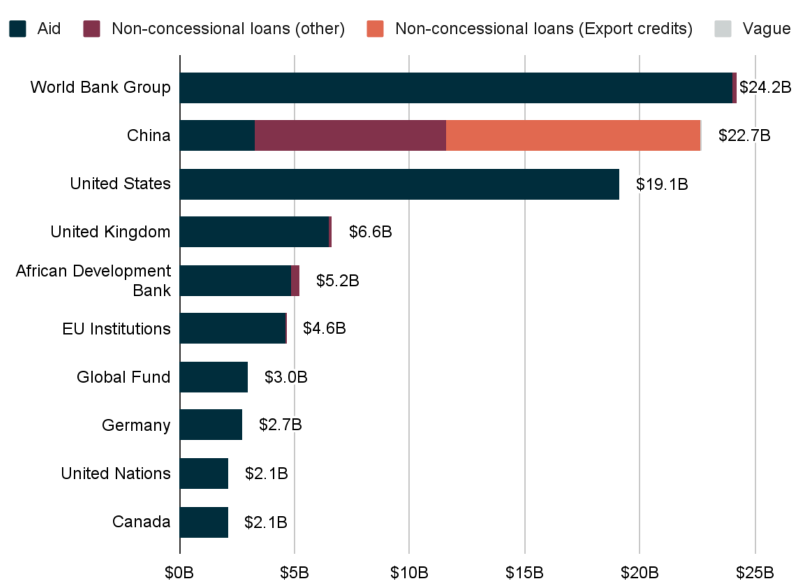


Figure 1.2 contains the top 10 development partners providing aid and other financing to Ethiopia. However, only China has detailed bilateral export credit flows to Ethiopia. This level of granularity is not available for other development partners as the OECD does not provide export credit data for 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: $2.2 billion.

Total export credits from DAC member countries (including G7): $3.17 billion.

How does China use export credits?

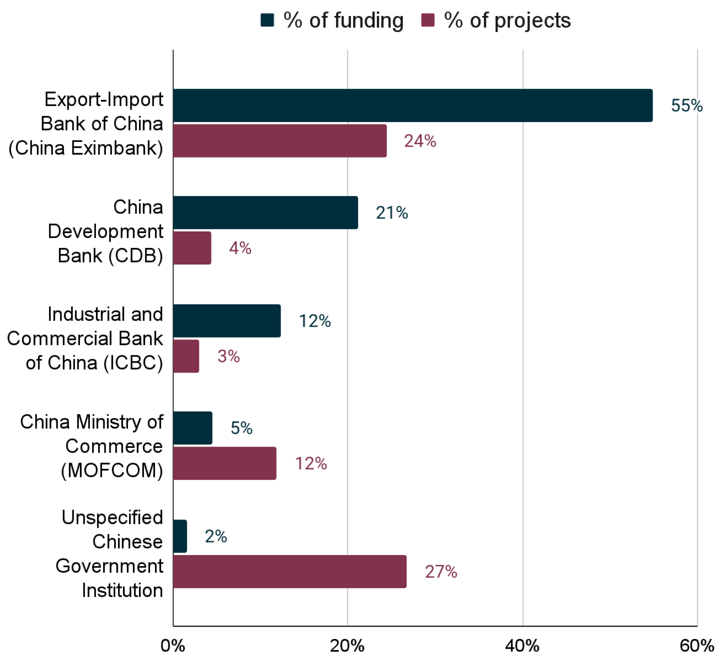
The central role that export credits play in China's overseas lending portfolio sets it apart from other official sector creditors: Under a so-called "Gentlemen's Agreement" on Officially Supported Export Credits, OECD member countries agreed in 1978 to "tie their own hands" and voluntarily abide by 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.

[6] *USAID says it is halting all food aid to Ethiopia amid diversions.* (2023). Al Jazeera. Retrieved from https://www.aljazeera.com/news/2023/6/8/usaid-says-it-is-halting-all-food-aid-to-ethiopia-amid-diversions

Which donors and lenders from China are active in Ethiopia?

Between 2000 and 2022, 40 official sector donors and lenders from China provided aid and non-concessional loans to Ethiopia. 95% of China's development finance portfolio is provided by 5 main donors and lenders (see Figure 1.3). The other 5% 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



China Eximbank: state-owned policy bank that primarily provides concessional loans and export credits.

CDB: state-owned policy bank that provides less concessional lending than China Eximbank.

ICBC: state-owned commercial bank that provides non-concessional loans.

MOFCOM: government agency providing grants and zero-interest loans.

Unspecified Chinese Government Institution: a blanket category for when the specific funder is unknown, but it is clear the funder is part of the Chinese government or official sector institution.

The top funding agencies are both state-owned policy banks. The Export-Import Bank of China issued 72 loans worth $12.4 billion for projects and activities, accounting for over half of total official sector financial flows from China to Ethiopia between 2000 and 2022. China Development Bank (CDB) issued 13 loans worth $4.8 billion (21% of total official sector financial flows from China to Ethiopia between 2000 and 2022). Nearly all financing from these two policy banks (98%) was provided for infrastructure projects in Ethiopia.

The Industrial and Commercial Bank of China (ICBC) issued 9 loans worth $2.8 billion (12% of total lending). ICBC's most recent activity was debt rescheduling for the Omo Kuraz 5 Sugar Plant Project via a maturity extension for the original loan in 2019.

China's Ministry of Commerce (MOFCOM) provided 35 grants and interest-free loans worth $1 billion, or 5% of total official sector financial flows from China to Ethiopia from 2000 to 2022. Two MOFCOM projects reached completion in 2022—the Addis Ababa River Bank Green Development Project and the Pushkin Square-Gotera Interchange Road Project.

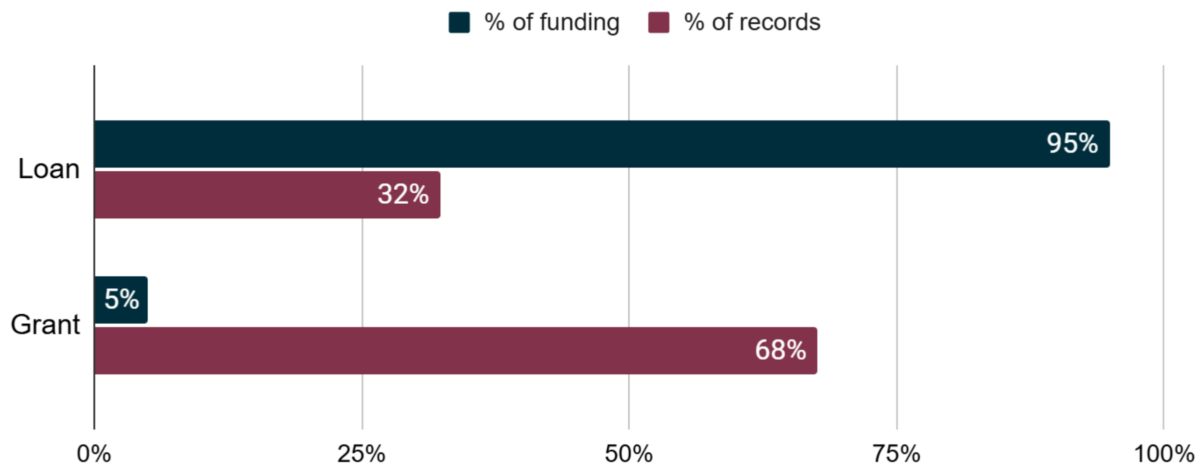
27% of all activities in Ethiopia come from unspecified Chinese government agencies. Unspecified Chinese Government Institution is a residual category for cases in which the specific funding agency is unknown, but the funder is clearly part of the Chinese government or is an official sector institution from China. Most of the activities funded by these institutions include donations of medicine like COVID-19 vaccines, dispatching medical teams, and scholarships.

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

95% of China's official sector financing to Ethiopia takes the form of loans (totaling $21.5 billion), while 5% ($1.1 billion) 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.

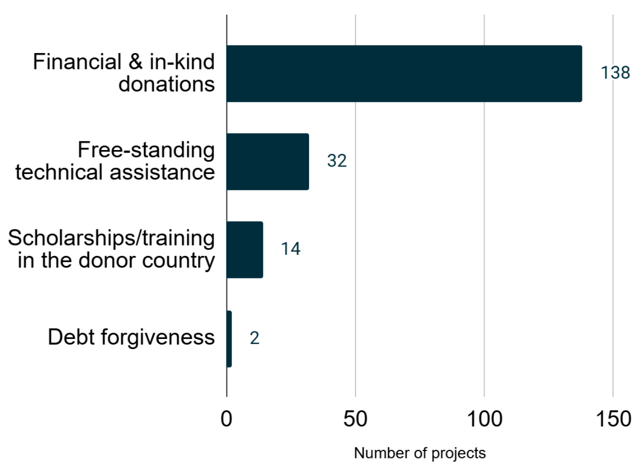
AidData captures each instance of a grant or in-kind donation as one record, so analyzing the record counts can help provide a better picture of China's activities in Ethiopia. When looking at record counts, grants account for 68% of all activity records in Ethiopia (representing 186 records capturing activities taking place between 2000 and 2022).

Figure 1.4: Top financial instruments used by China in Ethiopia



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

Figure 1.5: Breakdown of grants by project count



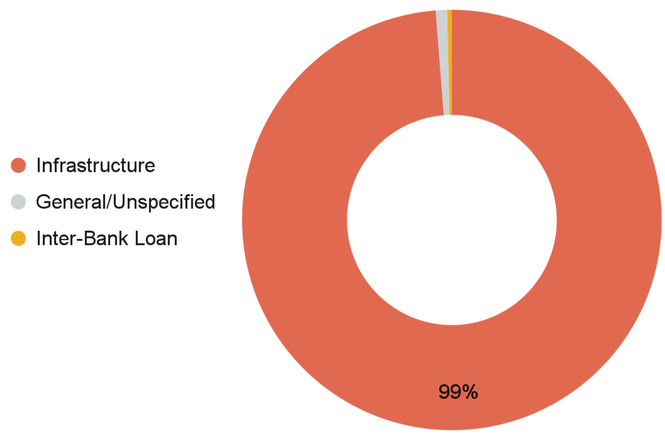
Ethiopia ranked 7th for most Chinese COVID-19 aid received, totaling $149 million in donations and over 15.9 million vaccines. In 2022, non-health-related donations included 2,160 tons of food aid to internally displaced persons and air-water generators.

Free-standing technical assistance is predominantly medical teams. China has sent 23 teams to Ethiopia.

China has awarded over 900 scholarships to students in Ethiopia.

Debt forgiveness also qualifies as a grant. Ethiopia received $341 million in debt forgiveness in 2001 and 2007.

Figure 1.6: Breakdown of lending by purpose



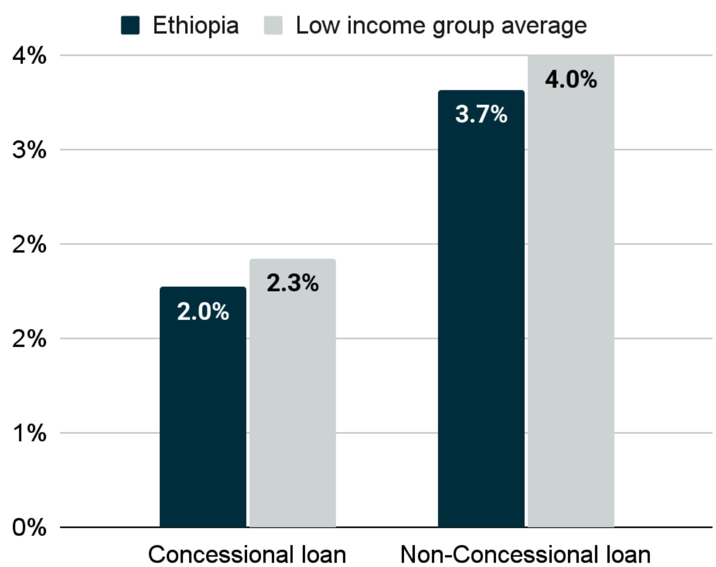
Infrastructure: loans to support the construction, rehabilitation, or maintenance of a physical structure.

General/Unspecified: loans for equipment acquisition or unspecified purposes.

Inter-Bank Loans: loans from a Chinese bank to a recipient country bank that can support on-lending or other bank needs.

99% of China's official sector lending to Ethiopia supports infrastructure projects. 95% of all Chinese-financed infrastructure projects in Ethiopia are implemented by at least one Chinese entity, such as a Chinese state-owned or private sector company. Less than 1% ($55 million) of China's official sector lending is inter-bank loans provided to the Development Bank of Ethiopia by CDB for on-lending to local SMEs.

Figure 1.7: Borrowing terms



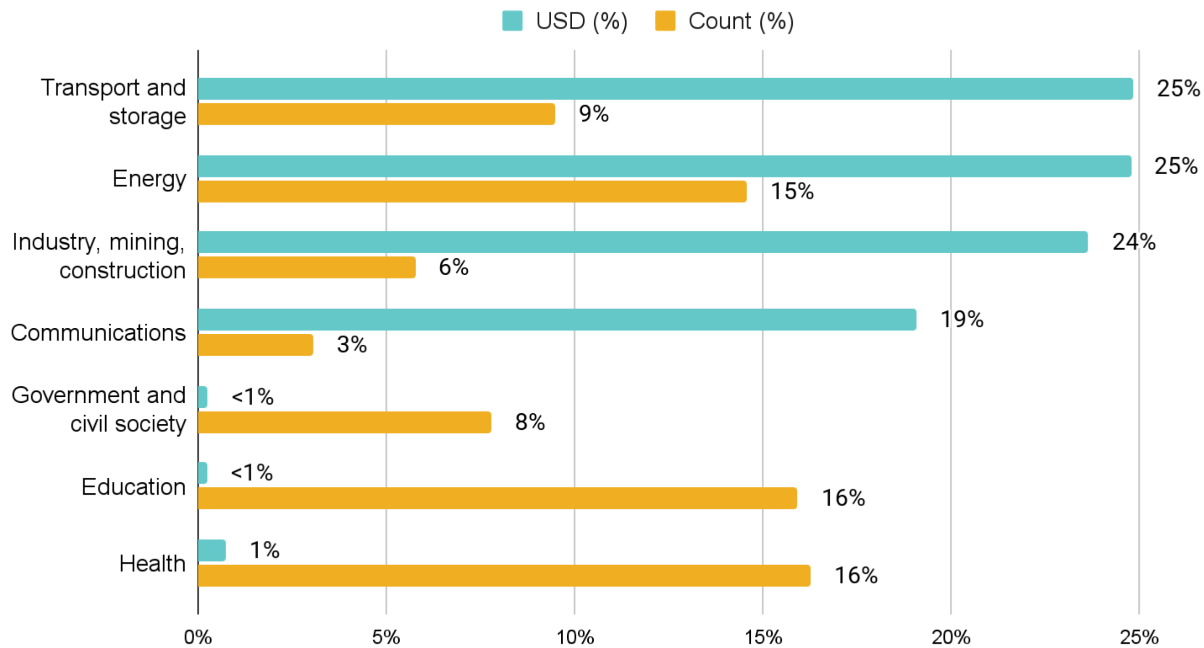
Between 2000 and 2022, China's concessional lending (which is considered to be aid) to Ethiopia carried a weighted average interest rate of 2.0% and a weighted average maturity of 17 years. By comparison, China's non-concessional lending to Ethiopia carried a weighted average interest rate of 3.7% and a weighted average maturity of 15 years. These borrowing terms are in line with those found in China's broader development finance portfolio in low income countries.

In which sectors is China most active?

Top sectors for China's aid and credit in Ethiopia 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, 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



In terms of monetary value, 92% of China's grant and loan commitments to Ethiopia supported four core ("hardware") sectors: transport and storage, energy, industry, mining, construction, and communications between 2000 and 2022.

- ➔ 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. 25% of China's development finance portfolio in Ethiopia is dedicated to this sector, representing $5.63 billion in aid and non-concessional loans (representing only 9% of project activities). The largest financial commitment from a single source is $2.8 billion in buyer's credit loans for the Addis Ababa–Djibouti Railway. This railway has been key in connecting otherwise landlocked Ethiopia with ports in its neighboring country, Djibouti. This project has faced significant financial distress due to the inability to generate revenue through fare pricing and flooding of the railway, causing service interruptions. The most recent activity in this sector was the debt restructuring for the Addis Ababa–Djibouti Railway in 2018, when China Eximbank extended the maturity and grace periods for the various financial agreements tied to the railway.
- ➔ Energy: The energy sector is defined by the generation and distribution of renewable and non-renewable resources, as well as hybrid and nuclear power plants. 25% of all Chinese official sector funding in Ethiopia fell in this sector, amounting to $5.61 billion

in funding. One noteworthy activity in this sector is the 500kV Power Transmission Line of the Great Ethiopian Renaissance Dam (GERD), which received a $1.3 billion supplier's credit from China Electric Power Equipment and Technology Co, Ltd (CET). In 2019, this project was restructured to reduce total principal and interest payments by 50% over a 5-year period. The debt restructuring agreement reportedly provided $18 million of annual cash flow relief to the borrower (a state-owned electric utility company).

➔ Industry, mining, construction: This sector includes manufacturing fossil fuels, mining for coal, gas, metals, minerals, and construction. Projects in this sector represent 6% of activity counts in Ethiopia, but account for 24% or $5.4 billion of China's entire funding portfolio in Ethiopia. The largest financial commitment from a single source in this sector is a $2.5 billion loan provided by China Eximbank, China Development Bank (CDB), and the Industrial and Commercial Bank of China (ICBC) for the construction of 767 km Ethiopia–Djibouti Gas Pipeline. Construction has not commenced due to political and security risks to the oil and gas sector in the region; however, AidData has not yet identified evidence that the loan commitment was suspended or cancelled.

➔ Communications: This sector encompasses the provision and access of telecommunications and information services, such as telephone, radio, and TV networks. Projects in the communications sector account for $4.3 billion in funding (or 19% of China's development finance portfolio). All except one project in this sector involves Zhongxing Telecom Corporation (ZTE). ZTE has donated phones, sponsored events, provided training, and received $2.7 billion in seller's credit from CDB for on-lending to the state-owned company, Ethiopian Telecommunications Corporation.

China is also heavily engaged in the "software" 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 training and services care, construction of medical buildings, and COVID-19 control activities. This sector is the highest by record count with 48 total projects (or 16% of records). Notable activities include 23 known medical teams sent to Ethiopia and the construction of the Tirunesh-Beijing Hospital. This hospital is a part of China's promise from the first Forum of China-Africa Cooperation to build 30 hospitals across Africa. Ethiopia also ranked 7th for most Chinese COVID-19 aid received, totaling $149 million in donations and over 15.9 million vaccines.

➔ Education: This sector encompasses support of schooling at the primary, secondary, and post-secondary levels, building of schools, and technical training activities. Education activities represent 16% of China's total record count, with 47 recorded activities. Notable activities in the education sector include the construction of multiple schools, donations of equipment and supplies, and the opening of Confucius institutes. In 2022, the Chinese embassy funded a new round of scholarships for $42,000 to support students at Addis Ababa University (AAU).

➔ Government and Civil Society: This sector encompasses activities that address public procurement, subnational government support, elections, democratic participation, and human rights. This sector represents a total of 23 records (or 8% of the total record count). In 2022, the Chinese government donated $600,000 worth of equipment to the Ethiopian Federal Police to promote security within Ethiopia and limit terrorism and piracy.

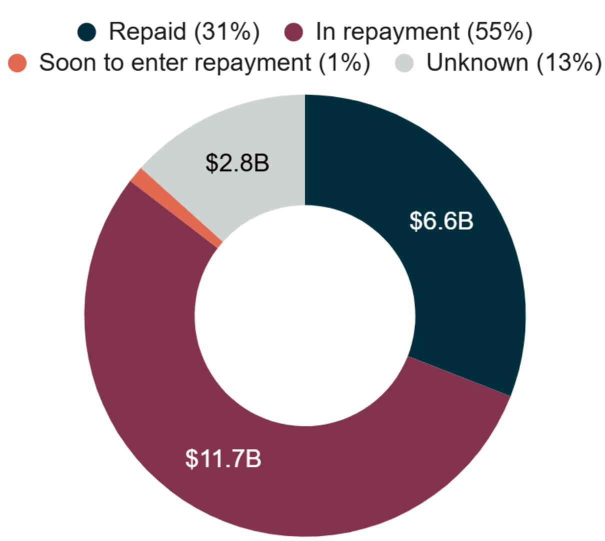
Section 2: Ethiopia's debts to China

89	$21.5 billion	46.5%	87%
loans issued	cumulative value of loan commitments (13% of GDP)	of total debt shows signs of financial distress	public debt

What is "public debt"?		
Public 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.	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.

In this section, AidData examines Ethiopia's debts to China based upon their repayment profiles and levels of public liability. A loan's repayment period begins when the grace period—the time after the issuance of a loan when a borrower is not expected to make repayments—has ended. This information, in conjunction with information about the extent to which the recipient government may eventually be liable for the repayment of a given loan, makes it easier to understand the nature of Ethiopia's debt exposure to China.

Figure 2.1: Repayment status for all loans from China

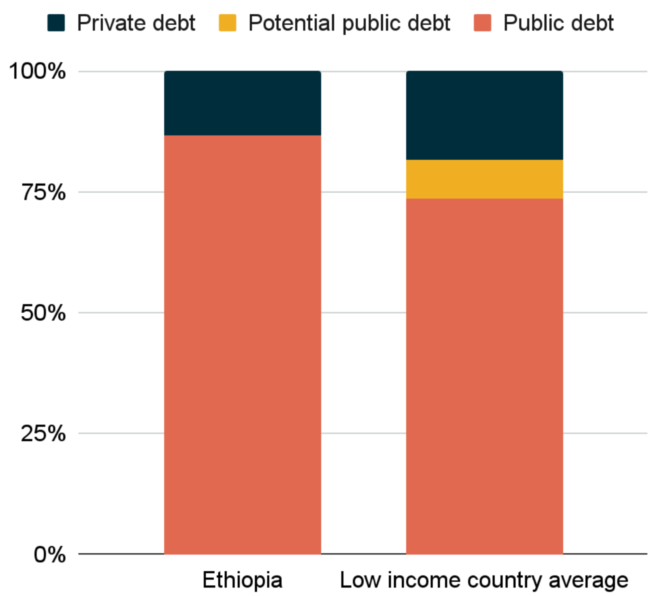


There are currently 81 loans for which AidData has access to repayment details. 46 of those loans (worth $11.7 billion) are currently in their repayment periods. 33 loans (worth $6.6 billion) have exited their repayment periods—meaning they have been repaid according to the original repayment schedule. The remaining two loans (worth $258 million) will enter their repayment period in the coming years.

However, the amount in repayment may be higher since there are eight loans (worth $2.8 billion) for which AidData has insufficient repayment details.

Figure 2.2: Composition of debt from China by public liability

Total debt, 2000-2022—Ethiopia: $21.5 billion. Low income country average: $6 billion.



Ethiopia's debt is largely public debt (87%). This is roughly 13% higher than the average (74%) for all low income countries.

Its private debt to China (13%) is 5 percentage points lower than the low income average. This difference is significant because, during the late BRI period (2018-2022), China pivoted to fund more projects and activities via private debt. Ethiopia notably does not follow this global trend—all of its private debts to China were secured during the pre- and early-BRI periods (2000-2017).

Ethiopia has no potential public sector debt.

Ethiopia's portfolio of loans with Chinese creditors shows extensive signs of financial distress. In total, 46.5% of China's cumulative loan commitments to Ethiopia are in distress—more than double the 21% average across low- and middle-income countries. This problem culminated in 2019 when ICBC invoked a cross-default clause, suspending $67 million in planned loan disbursements. Shortly thereafter, China Eximbank halted $339 million in loan disbursements for 12 additional projects. These actions were likely due to arrears on principal or interest payments or outright defaults.

To address liquidity pressures, Ethiopia concluded a debt restructuring agreement with China Eximbank in 2019, which adjusted the government's repayment obligations under a set of loan agreements worth $2.5 billion for the Addis Ababa–Djibouti railway project. This restructuring contributed to a decline in the public debt-to-GDP ratio—from 59.5% in 2018 to 57% in 2019. However, in2019, the World Bank-IMF Debt Sustainability Analysis (DSA) still classified Ethiopia as being at high risk of debt distress.

In 2020, to help alleviate debt burdens during the pandemic, China Eximbank participated in the G20-initiated Debt Service Suspension Initiative (DSSI). Through the DSSI framework, China suspended nearly $115 million in principal and interest payments due to China Eximbank from Ethiopia between May 2020 and June 2021. This was not debt forgiveness—the suspended payments must be paid back on a net present value (NPV)-neutral basis.[7] The suspended payments are scheduled to be repaid through 2026. China Eximbank did not opt to grant DSSI suspensions for the last DSSI period (July - December 2021).

More recently, under the G20 Common Framework, the Ethiopian authorities reported in August 2023 that China had agreed to suspend debt service payments through July 7, 2024. While this measure provides temporary fiscal space, the terms of the deal remain opaque. T Neither the amount of suspended debt service nor the nature of Ethiopia's repayment

[7]Net present value (NPV)-neutral basis means that the Chinese lenders would still receive full repayment and interest payments after the suspension period is over. For more information, please see https://doi.org/10.5089/9798400248504.001

obligations after July 2024 are known. Ethiopia's external debt totaled $28.2 billion as of March 2023.

In August 2024, it was reported that China Eximbank, CDB, and Ethiopia had negotiated a debt restructuring plan, though the details of the plan are unclear.[8] Apart from DSSI and the comprehensive restructuring plan, some Chinese state-owned creditors (ZTE, ICBC, CET, and MOFCOM) have provided debt relief on a case-by-case basis between 2013 and 2023 for 19 loans via maturity and grace period extensions. A key example is the multi-loan restructuring for the Addis Ababa–Djibouti railway project. The loans that financed this project received several rounds of relief—initially in 2018, again under the DSSI in 2020 and 2021, and most recently with a 1.5-year principal suspension from January 2023 to July 2024. The serial nature of debt restructurings for this project highlight Ethiopia's continued challenges in meeting repayment obligations to Chinese creditors.

In the 2024 World Bank-IMF DSA, Ethiopia is classified as being in external debt distress.[9]

[8]Yewondwossen, M. (2024). China pledges support and debt relief in major economic restructuring deal. Capital Newspaper. https://capitalethiopia.com/2024/08/05/china-pledges-support-and-debt-relief-in-major-economic-restructuring-deal/

[9]For more information on the World Bank-IMF's analysis of Ethiopia's external debt, please see http://documents.worldbank.org/curated/en/099102224093016712/BOSIB11a27836b03d1a4c211e54390293db

Section 3: ESG risk profile of China's grant- and loan-financed infrastructure portfolio

Chinese infrastructure in Ethiopia with ESG risk exposure:		
76 infrastructure projects supported by grants and loans from China	$16.5 billion in loan commitments supporting infrastructure projects	76% of infrastructure lending with ESG risk exposure

Examples of global ESG risks

Environmental: increase in air or water pollution, biodiversity loss, deforestation, increased carbon footprint, or natural resource depletion.

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.

In the *Belt and Road Reboot* report, AidData developed a set of metrics that identify the environmental, social, and governance (ESG) risk exposure of Chinese-financed infrastructure projects overseas, as well as the steps it has taken to build safeguards into its programs to combat these risks. (See Appendix B for details on the ESG risk exposure methodology).[10]

Figure 3.1: Distribution of China's infrastructure projects with significant ESG risk exposure

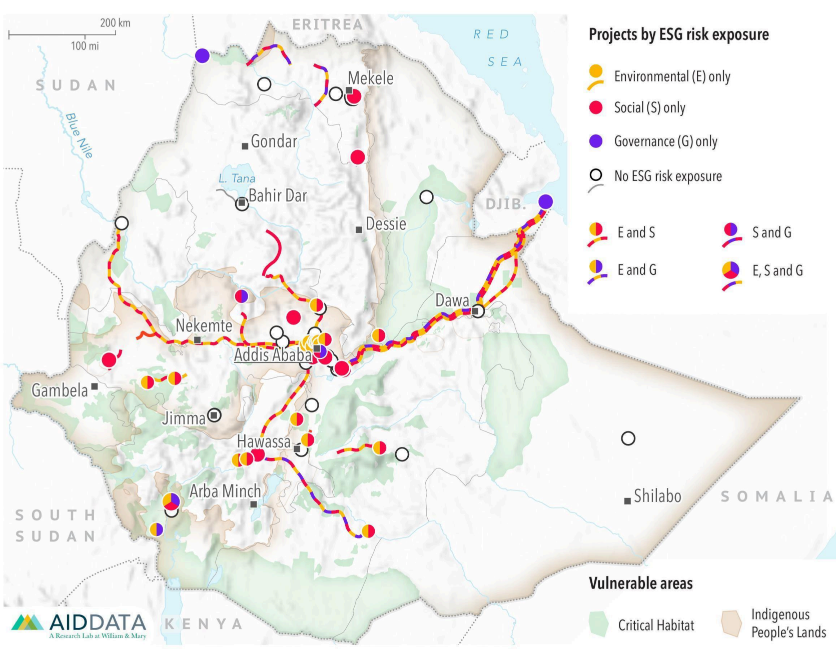


Figure 3.1 presents the geographic locations of all Chinese-financed infrastructure projects in Ethiopia according to their environmental, social, or governance risk exposure. There are not many infrastructure projects in Ethiopia that do not face some sort of ESG risk. Some, like the Addis Ababa-Djibouti railway, face all three types of risk.

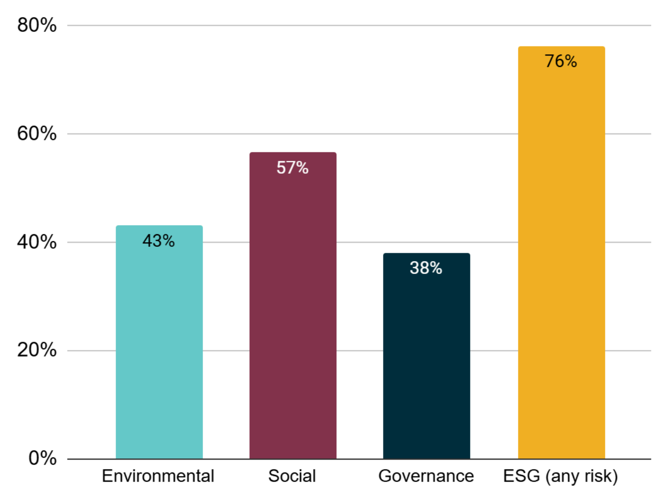
[10] For more information, see AidData's 2023 "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative" report. https://www.aiddata.org/publications/belt-and-road-reboot.

In China's broader grant- and loan-financed infrastructure project portfolio in the developing world, the cumulative percentage of financing with significant ESG risk exposure increased from 12% to 54% from 2000 to 2021, demonstrating that China's signature infrastructure initiative is facing major implementation challenges. In Ethiopia, ESG risks are above the global average, with 76% of China's grant- and loan-financed portfolio identified with significant ESG risk exposure from 2000 to 2022 (including new data incorporated for 2022 infrastructure commitments).

What is the level of ESG risk exposure in China's grant- and loan-financed infrastructure portfolio?

76% of China's grant- and loan-financed infrastructure project portfolio in Ethiopia has significant ESG risk exposure. This part of the portfolio consists of 76 infrastructure projects supported by Chinese grant and loan commitments worth $16.5 billion (see Figure 3.2). Social risk is more prominent than both environmental and governance risks in these projects. However, many of these projects are exposed to more than one type of ESG risk.

Figure 3.2: Percentage of infrastructure project portfolio with ESG risk exposure



ESG issues observed in Ethiopia

Environmental: murder of animals, ecosystem destruction (e.g. Addis Ababa-Djibouti Railway, Gilgel Gibe III Hydropower Project).

Social: violent conflict, inadequate resettlement policies, lack of land compensation (e.g. Mekelle City Water Supply Project, Phase II of Aysha Wind Power Project).

Governance: corruption, bribery, lack of competitive tender (e.g. Omo Kuraz 5 Sugar Plant, Omo Kuraz 3 Sugar Factory Construction).

Figure 3.3: Cumulative proportion of Chinese infrastructure financing with ESG risk exposure

Ethiopia (2022): 76%. Low income country average (2022): 55%.

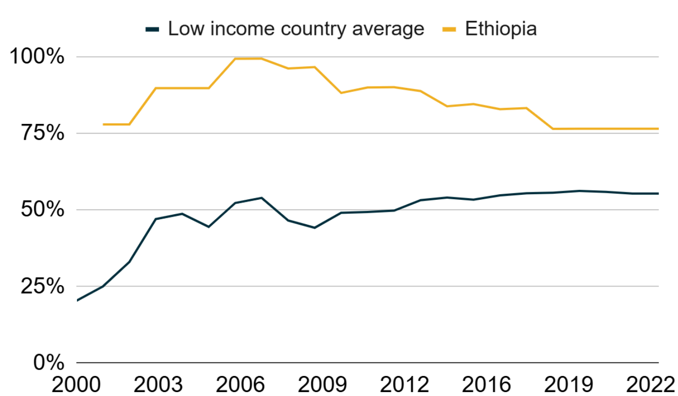


Figure 3.3 shows the increase in proportional ESG risk exposure over time compared to other low income countries. The risk exposure in Ethiopia is higher than comparable countries. Since 2018, however, there have been no new infrastructure projects with significant ESG risk exposure in Ethiopia. This closely mirrors the low-income country average, which has plateaued in recent years due to a lack of new infrastructure projects directed to such countries.

Section 4: New ESG safeguards in China’s infrastructure project portfolio

Percent of infrastructure portfolio with strong ESG safeguards	What are ESG safeguards? ESG safeguards are formal provisions written into financing contracts (grant or loan) to mitigate environmental, social, and governance risks during an infrastructure project’s implementation and operation.
21% 2000-2022	

Chinese lenders and donors have responded to rising levels of ESG risk in their portfolio across the developing world by putting in place increasingly stringent safeguards via changes to their contractual provisions on infrastructure funding. These safeguards can include, among others, contractual provisions that mandate Environmental and Social Impact Assessments (ESIA), Environmental Management Plans (EMP), Resettlement Action Plans (RAPs), Open Competitive Bidding (OCB) processes, and the preparation and submission of financial statements that meet International Financial Reporting Standards (IFRS).

To implement these safeguards, Beijing is increasingly outsourcing risk management to other lending institutions with stronger due diligence standards and safeguard policies. It is dialing down its use of bilateral lending instruments and dialing up the provision of credit through collaborative lending arrangements with Western commercial banks and multilateral institutions (called syndicated lending).

Through this pivot in financing strategy, China’s overseas infrastructure portfolio has gone from having no ESG safeguards in place in 2000 to 57% of its infrastructure project portfolio having strong ESG safeguards in place by 2021. Chinese grant- and loan-financed infrastructure projects that are subjected to strong ESG safeguards present fewer ESG risks during implementation. They are also less likely to be suspended or canceled. Perhaps most importantly, Chinese grant- and loan-financed infrastructure projects with strong ESG safeguards do not face substantially longer delays than those with weak ESG safeguards, showing that China has succeeded in pairing speed and safety when it has implemented ESG safeguards in its infrastructure portfolio.

Key aspects of infrastructure projects with strong ESG safeguards
Present fewer ESG risks during implementation
Less likely to be suspended or canceled
Speed of implementation is not delayed compared to projects with weak ESG safeguards

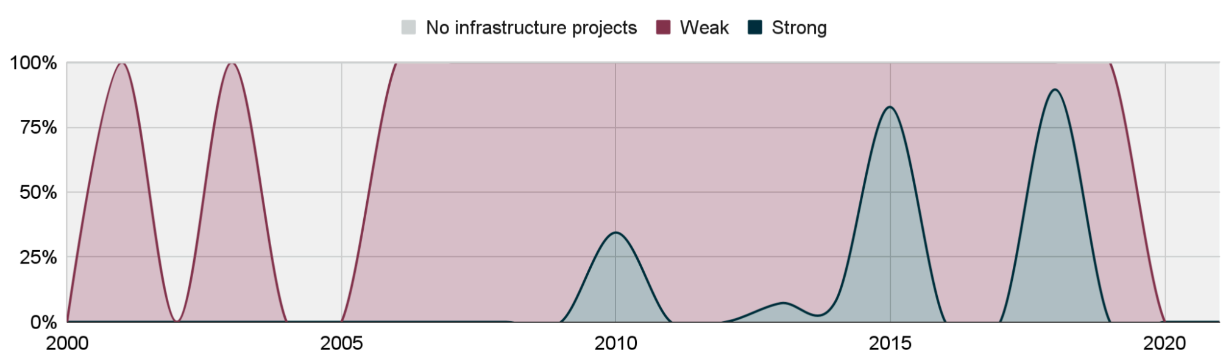
Has China increased ESG safeguard stringency in its infrastructure portfolio in Ethiopia over time?

Between 2000 and 2022, 23% of China's grant- and loan-financed infrastructure project portfolio had strong contractual ESG safeguards in place across all developing countries. China's infrastructure project portfolio in Ethiopia is broadly consistent with this global trend, with only 21% of its grant- and loan-financed infrastructure projects meeting the same standard on average.

For much of the period, China's lending to Ethiopia carried only weak ESG safeguards. Exceptions came in 2010, 2015, and 2018, when the share of projects with strong safeguards briefly spiked—reaching 34% in 2010 and peaking at 90% in 2018. These peaks were linked to the greater involvement of the Industrial and Commercial Bank of China (ICBC), a state-owned commercial bank that typically applies stronger contractual ESG safeguards than its peers. In 2015, ICBC financed the Omo Kuraz 5 Sugar Plant through a bilateral loan, while in 2018 it joined China Eximbank and China Development Bank in a syndicated loan for the Ethiopia–Djibouti Gas Pipeline. Such syndicated deals, when they include a state-owned commercial bank like ICBC, tend to incorporate more robust ESG safeguards that are less common in Ethiopia's other Chinese grant- and loan-financed infrastructure projects.

Trends across China's global infrastructure portfolio suggest there will be an increase in strong ESG safeguards in future years. In Figure 4.1, the highs and lows of ESG safeguards in Ethiopia are visualized alongside the years with no infrastructure projects (gray area).

Figure 4.1: Infrastructure project portfolio with strong contractual ESG safeguards[11]
Percent of infrastructure project portfolio committed each year



[11]This graph shows all years of Chinese funding regardless of if there was an infrastructure project in that year. Those years are represented by the gray or "no infrastructure projects" area.

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

Ethiopia's citizens have maintained favorable views towards China. Per data captured by Gallup between 2012 and 2022, Ethiopian citizens held an average approval rate of 81% toward China's political leadership.[12] This is over 20% higher than the global average of 60.1%. Favorability peaked at 90.6% in 2015, possibly due to the opening of the Addis Ababa Light Rail and the beginning of power generation at the Gilgel Gibe III Dam—two Chinese-funded projects. By 2022, the approval rate reached 78.7%.

Figure A.1: Ethiopia's approval of Chinese leadership, 2006-2022[13]

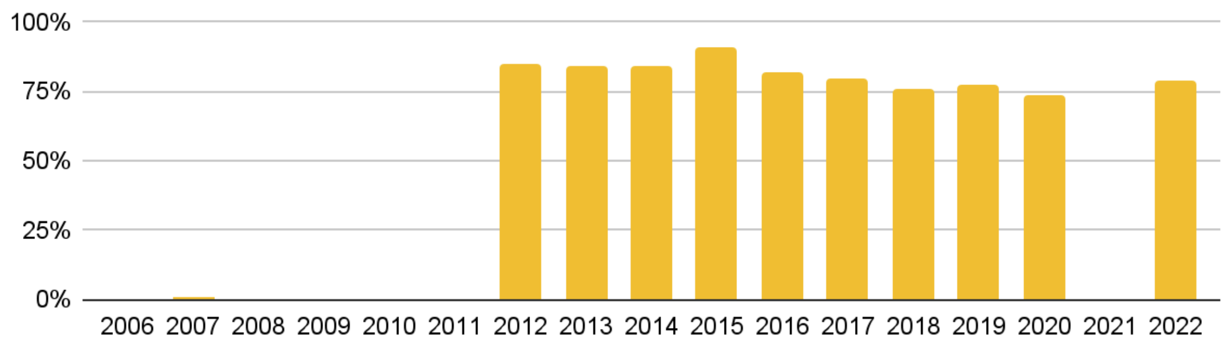


Figure A.2: Bilateral diplomatic visits between China and Ethiopia

2014 MAY	Chinese Premier Li Keqiang visited Addis Ababa and signed 16 loan and cooperation agreements.
2016 JAN	Chinese Foreign Minister Zhang Ming met with Ethiopian Prime Minister Hailemariam Desalegn in Addis Ababa ahead of the African Union Summit.
2017 JUN	Chinese Foreign Minister Wang Yi visited Addis Ababa and held diplomatic talks with Ethiopian Foreign Minister Workineh Gebeyehu.
2019 APR	New Ethiopian Prime Minister Abiy Ahmed Ali visited China, met with President Xi Jinping ahead of the Belt and Road Forum for International Cooperation, and held talks about deepening bilateral ties.
2023 OCT	Prime Minister Ali visited China and met with President Xi to elevate their bilateral relationship to that of an all-weather strategic partnership.
2024 SEP	Prime Minister Ali met with President Xi ahead of the Forum on China-Africa Cooperation (FOCAC) in Beijing.

[12]This 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 and 2024. For Ethiopia, there is no Gallup data prior to 2012 and no data for 2021. For more information on the Gallup methodology see https://www.gallup.com/178667/gallup-world-poll-work.aspx

[13]The 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 preliminary 2000-2022 Global Chinese Development Finance (GCDF) dataset, which has not yet been published. By nature of AidData's data collection process, AidData uncovered new sources and information related to projects across all commitment years, and as such, there may be movements in the underlying data since the previous version of the profile. For more details regarding the methodology used to assemble the data, please refer to the Tracking Underreported Financial Flows (TUFF) 3.0 Methodology. All financial values reported in this profile represent USD Constant 2022 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-like in GCDF 3.0).
- 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-like in GCDF 3.0).
- 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 Ethiopia 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. AidData determined that these additional financial flows would not substantially change Figure 1.2.

Calculating loans from China within repayment periods

Figure 2.1 shows the percentage of official sector lending from China to Ethiopia that represents loans within their repayment periods as of 01/01/2025 date. To determine when each loan will enter repayment, each loan's grace period is added to its commitment date. This figure represents when loans will reach their repayment period according to their original borrowing terms, although many loans have been rescheduled (often involving an extension of the loan's grace period and/or maturity). When the grace period is not available, AidData assumes the grace period is 0.

ESG risk exposure methodology:

AidData's ESG risk exposure metric is a composite, project-level score based on five criteria. First, AidData identifies whether a given infrastructure project is located in an environmentally sensitive area. Second, AidData analyzes whether the project is located in a socially sensitive area—specifically, in an area where Indigenous populations are often denied free, prior, and informed consent (FPIC). AidData assesses whether the project is located in a geographical area that is vulnerable to political capture and manipulation by governing elites in host countries. Fourth, AidData evaluates if the Chinese lender/donor relied on a contractor sanctioned for fraudulent and corrupt behavior to implement the project. Fifth, AidData identifies whether a significant environmental, social, or governance challenge arose before, during, or after the implementation of the project.

Common ESG Risks 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.

ESG safeguard methodology:

In addition to metrics of ESG risk exposure, the *Belt and Road Reboot* report introduced a measure of China's responses to ESG risks through its own grant and loan financing agreements. AidData obtained a large cache of unredacted infrastructure financing agreements that provide detailed information about whether financiers, at the time that they signed the agreements with their host country counterparts, identified behavioral expectations related to ESG risk management and mechanisms to monitor and enforce compliance with those expectations. AidData used these agreements to create indicators that measure the formal stringency of China's ESG safeguards built into its infrastructure grant and lending instruments. It then applied these metrics to the full GCDF 3.0 dataset.

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The insights in this profile are primarily derived from AidData's preliminary 2000-2022 Global Chinese Development Finance (GCDF) dataset, although it also draws upon ancillary data from other sources. This preliminary dataset has not yet been published. It builds upon AidData's publicly available GCDF 3.0 dataset, incorporating an additional commitment year of data and new information across all commitment years based on sources uncovered during the data collection process. GCDF 3.0 is a uniquely comprehensive and granular dataset that captures 20,985 projects across 165 low- and middle-income countries supported by loans and grants from official sector institutions in China worth $1.34 trillion. It tracks projects over 22 commitment years (2000-2021) and provides details on the timing of project implementation over a 24-year period (2000-2023). An accompanying report, *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*, analyzes the dataset and provides myth-busting evidence about the changing nature, scale, and scope of China's overseas development 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).

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