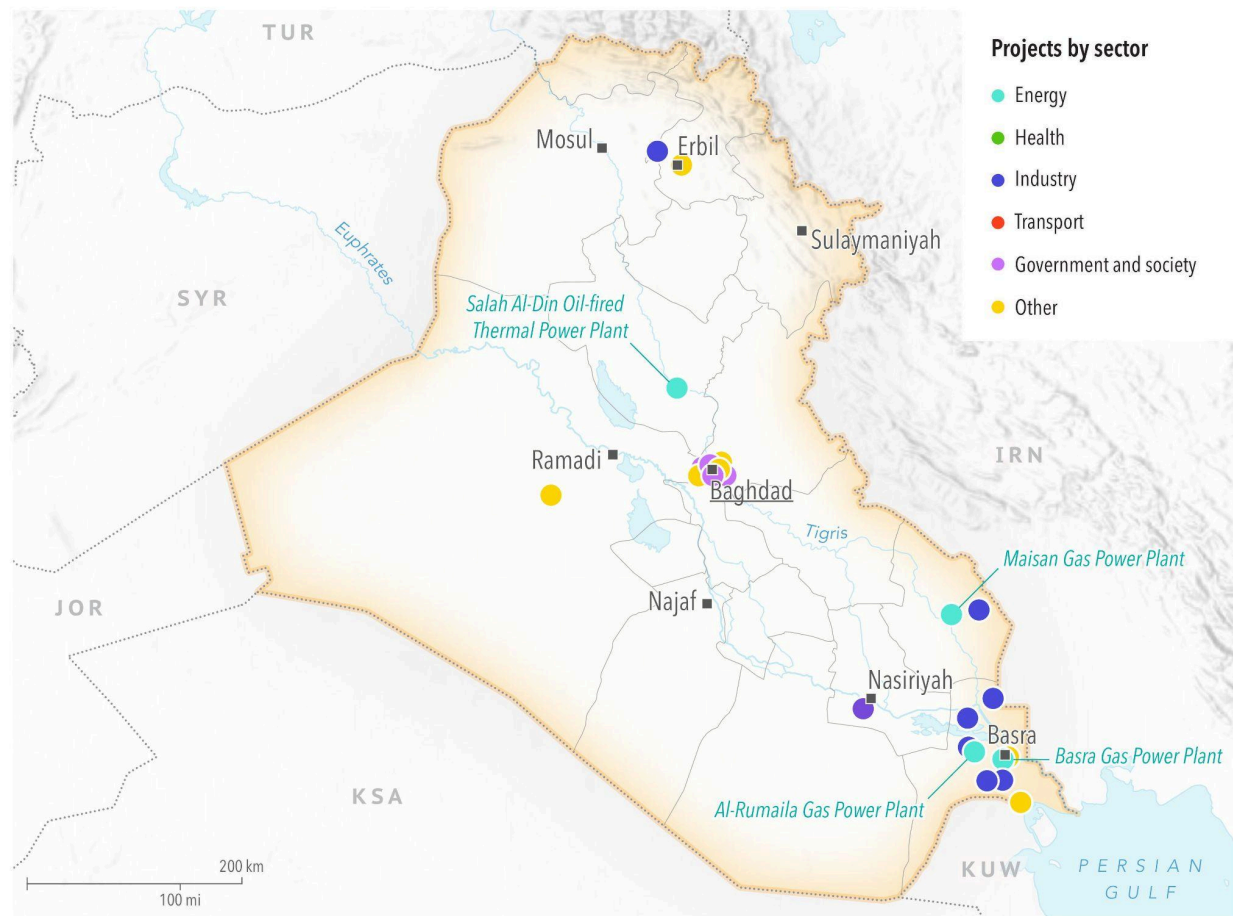


Iraq

The Scale, Scope, and Composition of Chinese Development Finance

October 2025



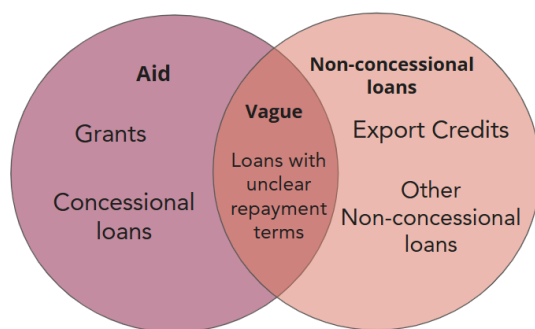
Lea Thome, Brooke Escobar

Table of contents

Country Overview: China's relationship with Iraq	3
General overview of Chinese development finance in Iraq (2000-2022)	4
Section 1: China's development finance portfolio	5
Section 2: Iraq's debts to China	15
Section 3: ESG risk profile of China's grant- and loan-financed infrastructure portfolio	17
Section 4: New ESG safeguards in China's infrastructure project portfolio	19
Appendix A: Public opinion and bilateral diplomatic visits between China and Iraq in the BRI era	21
Appendix B: Methodology & definitions	22

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.

Country overview: China's relationship with Iraq

Middle East / North African countries that have joined the BRI



Iraq and China's Belt and Road

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

Historic relationship

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

Present-day relationship

China's engagement with Iraq rests on two pillars—legacy debt relief and oil-secured development finance that has scaled up during the later BRI years. Beijing finalized an 80% write-off of Iraq's \$8.5 billion legacy obligations in 2010 (representing \$9.1 billion in debt relief). During the BRI era, Iraq emerged as a priority borrower for oil-backed loans. Chinese state creditors extended finance for infrastructure activities such as power generation and upstream oil field development, securing repayment against crude oil exports.

An especially notable project linked to oil exports is the 1,000 schools project committed in 2021. As part of this deal, Iraq secured two oil-backed loans worth \$1.6 billion to finance the rapid construction of 1,000 schools—an atypical application of oil-collateralized credit. China's oil-secured lending is typically concentrated in energy and other economic infrastructure activities, which makes this large-scale education project both a rare outlier globally and a standout within China's Iraq portfolio.

For Beijing, oil-secured arrangements deliver dual benefits: they mitigate repayment risk while locking in future crude oil supplies. These mechanisms have reinforced Iraq's role as a strategic energy partner. By 2024, Iraq ranked as China's fourth-largest crude supplier, and by 2025 bilateral cooperation extended further, with new agreements in oil and exploratory nuclear power partnerships.

Overview: Chinese development finance in Iraq from 2000-2022

\$17.6 billion

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

48%

of Chinese development finance is provided via loans.

31

grants, technical assistance, and training activities offered.

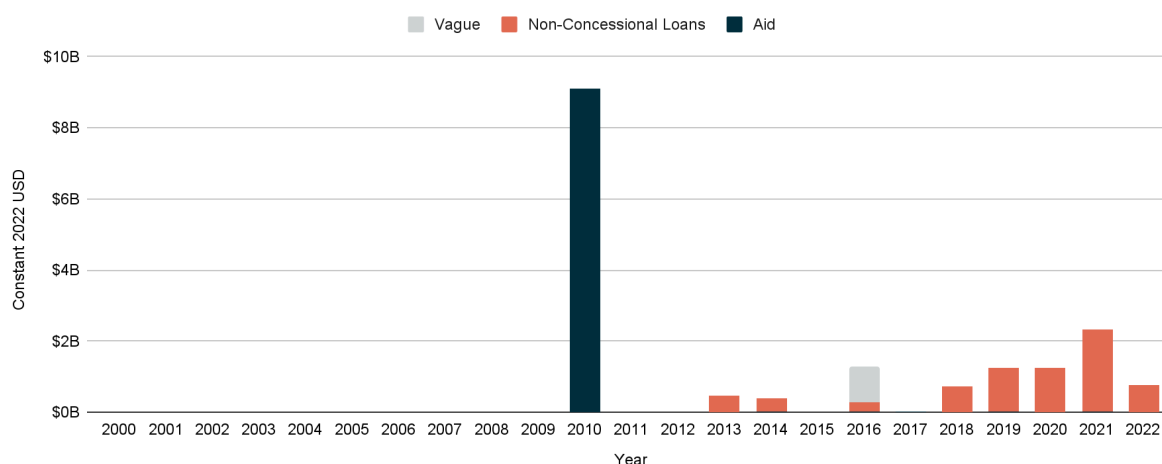
2nd

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

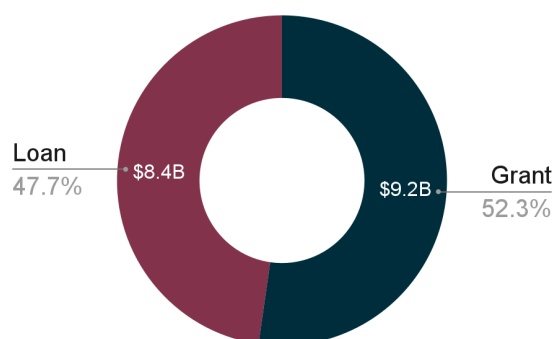
25%

of China's infrastructure portfolio in Iraq has significant ESG risk exposure.

Official sector financial commitments from China to Iraq, 2000-2022¹

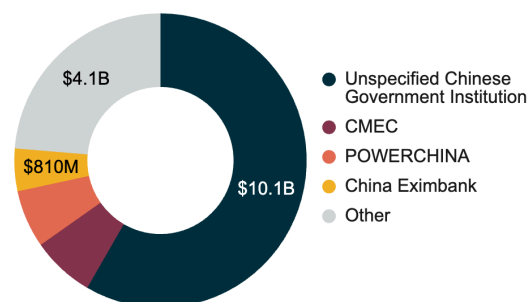


Portfolio by financial instrument



Loans include concessional and non-concessional loans.

Portfolio by funder



Unspecified Chinese Government Institution; CMEC: China Machinery Engineering Corporation; POWERCHINA: Power Construction Corporation of China; China Eximbank: Export-Import Bank of China

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

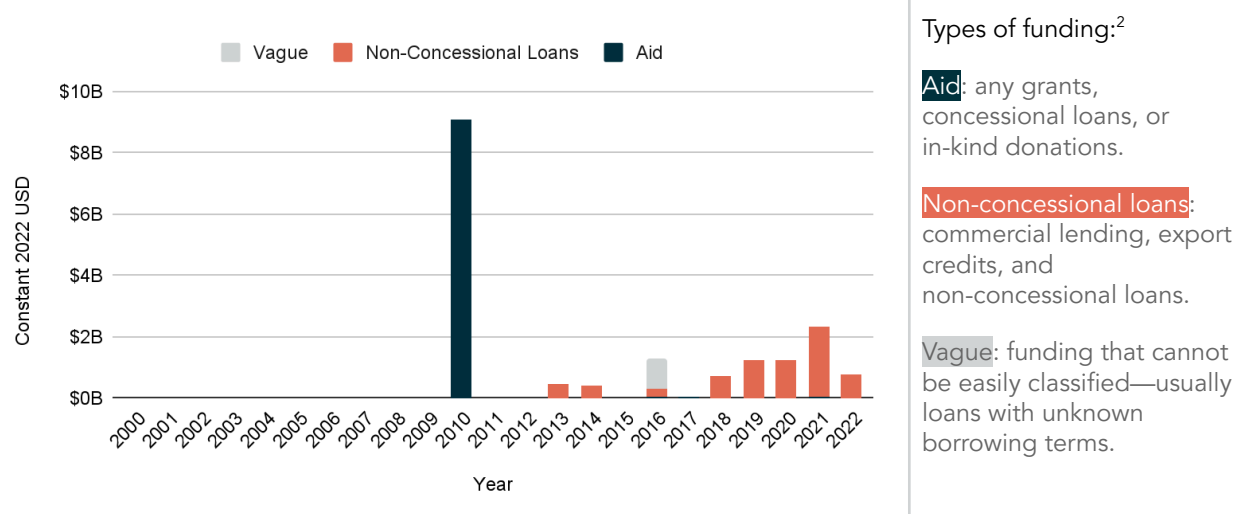
Section 1: China's development finance portfolio

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

How much development finance has China provided Iraq since 2000?

Between 2000 and 2022, official sector lenders and donors from China provided grant and loan commitments worth \$17.6 billion for 56 projects and activities in Iraq. That makes Iraq—a country with a relatively large economy (GDP: \$286 billion) and small population (44 million residents)—the second largest recipient of Chinese aid and credit in the Middle East and the 25th largest recipient in the developing world. The largest financial commitment provided as part of China's portfolio in Iraq was aid allocated in 2010. Here, the Chinese government formally reduced the government of Iraq's outstanding debt obligations in 2010, accounting for \$9.1 billion of aid. BRI ushered in a new era of financing to Iraq through lending for infrastructure projects. Between 2016 and 2022, Chinese official sector lenders committed \$6.6 billion for infrastructure projects. In 2022, Iraq received \$505 million in non-concessional loans.

Figure 1.1: Official sector financial commitments from China to Iraq



Since 2004, China and Iraq have built a growing interdependence through crude oil sales, with China now accounting for nearly 30% of Iraq's oil exports. This relationship has influenced Chinese financing arrangements, including a 2018 framework agreement with Sinasure for up to \$10 billion of credit for infrastructure projects backed by oil sales.³

Due to this arrangement, Iraq is one of the few countries to secure large Chinese infrastructure loan commitments in 2021 and 2022, totaling over \$2.4 billion. AidData's preliminary internal data also indicate that Iraq borrowed very substantial amounts—through the same framework agreement with Sinasure—for multiple additional infrastructure projects in 2023.

²For more information on these categories, please see Appendix B.

³ The framework agreement can be accessed in its entirety via <https://china-contracts.aiddata.org/>.

Under the 2018 framework agreement signed with Sinosure, AidData has identified 9 oil-backed loans worth approximately \$4.5 billion that Chinese state-owned creditors provided to Iraq between 2020 and 2022. The projects supported by these borrowings include:

- The 1260MW Salah Al-Din Oil-fired Thermal Power Plant Construction Project committed in 2020.
- The Construction of 1000 Schools Project in 2021.
- The Al-Nasiriyah International Airport Renovation and Expansion Project in 2021.
- The Baghdad Sewerage Projects in 2021.
- The 100 Bed Hospital Project in 2021.
- The Al Anbar Combined Cycle Power Plant Completion Project in 2021.
- The Wasit Power Plant Overhaul Project in 2022.
- The Basra Water Pipeline Project in 2022.
- Phase 1 of the Block-9 Al-Faihaa Oil Field Central Processing Facility (CPF) Project in 2022.

Since 2022, AidData has collected information about six additional, oil-backed loans worth approximately \$2.95 billion for infrastructure projects under the Sinosure framework agreement. These projects include:

- The Nasiriyah Oil Depot Construction Project in 2023.
- The Power Stations Reconstruction Project in 2023.
- The 750MW Solar Power Plant Project in 2023.
- Phase I of the North Thermal Power Plant Project in 2023.
- Phase I of the Al-Shanafiya Steam Power Plant in 2023.
- Phase 1 of Conversion of Simple Gas Turbine Stations Project in 2023.

How does China compare to other development partners?

From 2000 to 2022, the United States was the largest bilateral development partner active in Iraq (see Figure 1.2), providing \$51.4 billion in aid to the country. China was the second largest bilateral partner to Iraq, providing \$17.3 billion (or less than a third of the United States' total commitments). The United States' role as a major development partner in Iraq stems largely from its extensive reconstruction efforts following the Iraq War in the early 2000s. The U.S. committed aid to remove safety risks remaining from the war (such as explosives and landmines), support the UNDP in its Stabilization Project to return people home, and other projects focused on promoting good governance in Iraq (such as Electoral Commission training for local elections).⁴ For multilateral partners, the World Bank Group was the largest partner, providing \$4.6 billion in non-concessional loans.

China did not provide any export credits to Iraq between 2000 and 2022. The lack of Chinese export credits in Iraq is abnormal as export credits are one of China's key financing instruments.

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

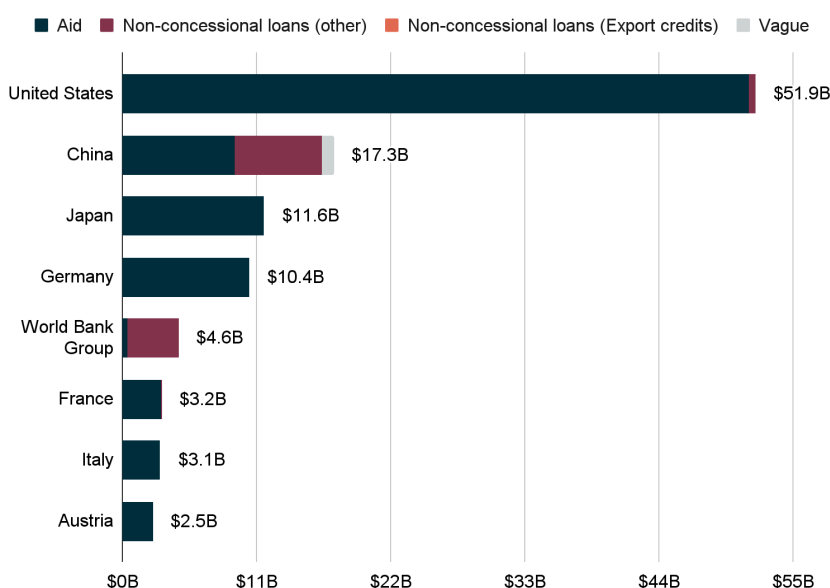


Figure 1.2 contains the top eight development partners providing aid and other financing to Iraq. However, only China has detailed bilateral export credit flows to Iraq. This level of granularity is not available for other development partners as the OECD does not provide export credit data for bilateral 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 Countries: \$3.9 billion

Total export credits from DAC member countries (including G7): \$5.3 billion.

How does China use export credits?

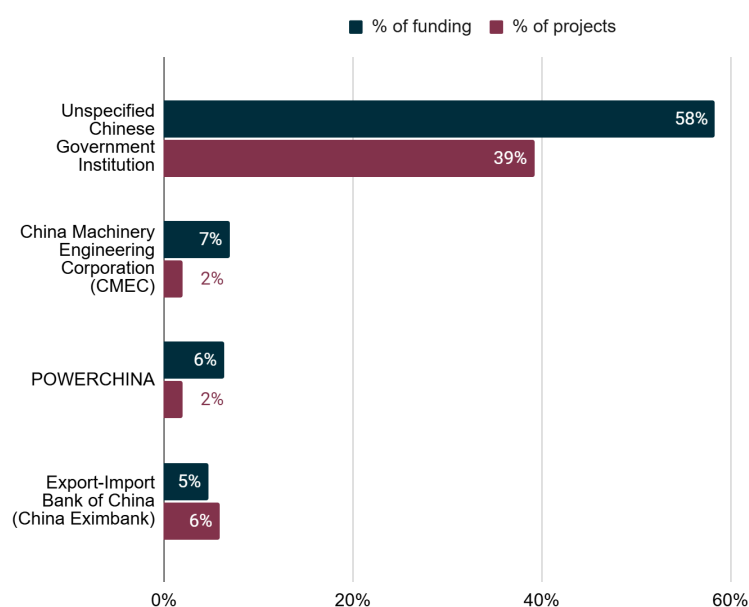
The central role that export credits play in China's overseas lending portfolio sets it apart from other official sector creditors: Under a so-called "Gentlemen's Agreement" on Officially Supported Export Credits, OECD member countries agreed in 1978 to "tie their own hands" and voluntarily abide by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

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

Which donors and lenders from China are active in Iraq?

Between 2000 and 2022, 22 official sector donors and lenders from China provided aid and non-concessional loans to Iraq. This number approximately falls in line with the rest of China's development finance portfolio, which averages 19 state-owned donors and lenders in a given country. 76% of China's development finance portfolio is provided through 4 main donors and lenders (see Figure 1.3). The remaining 24% is provided by 16 other agencies, including regional or municipal government agencies and state-owned companies.

Figure 1.3: Top Chinese donors and lenders



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.

China Machinery Engineering Corporation (CMEC): state-owned company providing an oil-backed loan.

POWERCHINA: a state-owned company providing subsidiary buyer's credit facility agreements.

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

58% of China's official sector financing in Iraq comes from Unspecified Chinese Government Institutions. This is a residual category for when the specific funder is unknown, but the funder is clearly part of the Chinese government or another official sector institution. This percentage is particularly high because a \$9.1 billion debt relief package was provided in 2010 by a Chinese government institution, but the identity of the institution remains unknown. Other activities recorded with these unspecified government funding institutions include donations of COVID-19 vaccines and supplies, as well as refugee relief. In Iraq, 22 projects worth over \$10.1 billion were provided by such institutions.

China Machinery Engineering Corporation (CMEC), a state-owned company, is the second largest lender in Iraq, providing an oil-backed loan worth approximately \$1.2 billion in 2020 to finance the construction of the 1,260 MW Salah Al-Din Oil-fired Thermal Power Plant.

Power Construction Corporation of China (POWERCHINA) is a state-owned company that provided one oil-backed loan through a subsidiary buyer's credit facility agreement to the Government of Iraq in 2021. This loan—worth approximately \$1.1 billion—allowed Iraq's government to construct the 1000 Schools Project, which focused on constructing schools across the country. This loan was provided jointly with a separate Chinese company that also provided a loan worth approximately \$496 million.

The Export-Import Bank of China (China Eximbank), a state-owned policy bank that provides concessional loans and export credits, issued three loans to Iraq between 2000 and 2022, totaling \$806 million. Two of these were syndicated deferred payment (seller's credit) agreements: one for \$621 million to support the 840 MW Maisan Combined Cycle Power Plant (MCCPP) Project, and another for \$185 million for the 730 MW Al-Rumaila Combined Cycle Gas Power Plant Project. The value of the third loan, also a syndicated loan for the Maisan power plant, remains unknown. China Eximbank has not extended new loans in Iraq since 2019, when it committed the loan for the 840MW Maisan Combined Cycle Power Plant.

To finance some of these new infrastructure projects after 2018, the government of Iraq drew on a special framework agreement between China Export & Credit Insurance Corporation (Sinasure) and Iraq's Ministry of Finance. The two entities signed an export credit insurance cooperation framework agreement, by which Iraq's Ministry of Finance could borrow up to \$10 billion via subsidiary buyer's credit facility agreements with PRC banks and/or commercial contracts with deferred payment clauses (i.e. supplier's credits) with Chinese companies (exporters). This lending was backed by a Crude Oil Sales Agreement, wherein Iraq's state-owned oil marketing company (SOMO) agrees to sell no fewer than 100,000 barrels of crude oil per day to an unspecified Chinese oil importer, and the Chinese oil importer agrees to make payments to SOMO under the Crude Oil Sales Agreement by depositing U.S. dollars (or another foreign currency) in a lender-controlled bank (escrow) account.

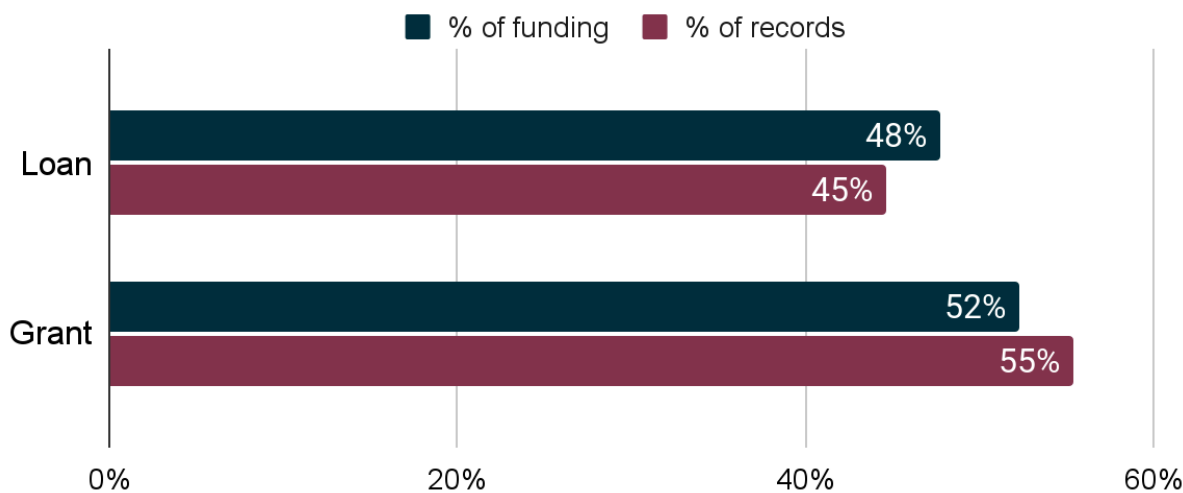
Between 2000 and 2022, 66% of China's official lending to Iraq took the form of supplier's credits and export seller's credits backed by deferred payment agreements (DPAs)—a striking departure from the global average of just 1.9%. The use of these instruments also led to an increase in credit enhancements—74% of loans benefited from credit enhancements compared to 48% of China's global lending portfolio globally. Credit enhancements are a financial tool lenders may utilize to minimize repayment risks, which can include collateralization, repayment guarantees, or loan insurance.

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

48% of China’s official sector financial commitments to Iraq take the form of loans (totaling \$8.4 billion), while 52% (\$9.2 billion) comes in the form of grants and in-kind donations. Grant funding to Iraq is unusually high, driven by an uncharacteristic massive debt cancellation agreement that included canceling 80% of the country’s outstanding debt (debt cancellations are treated as grants).

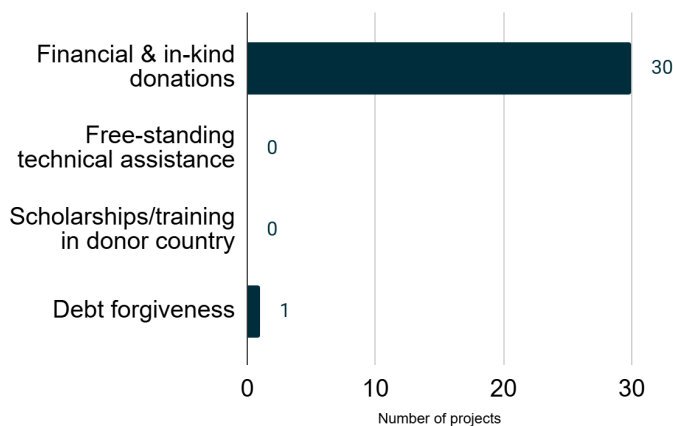
AidData captures each instance of a grant or in-kind donation as one record, so analyzing the record counts can help provide a better picture of China’s activities in Iraq. When looking at record counts, grants account for 55% of all activity records in Iraq (equivalent to 31 activity records between 2000 and 2022).

Figure 1.4: Top financial instruments used by China in Iraq



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

Figure 1.5: Breakdown of grants by project count

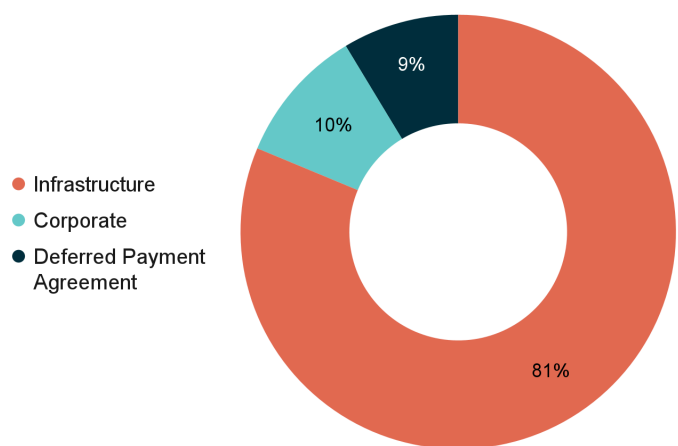


The most common types of in-kind donations from China to Iraq include COVID-19 anti-epidemic materials, humanitarian and refugee relief, and book donations. Debt forgiveness also qualifies as a grant.

There has been one debt forgiveness event, worth \$9.1 billion in 2010.

In Iraq, no scholarships, training activities, or technical assistance have been recorded between 2000 and 2022.

Figure 1.6: Breakdown of lending by purpose



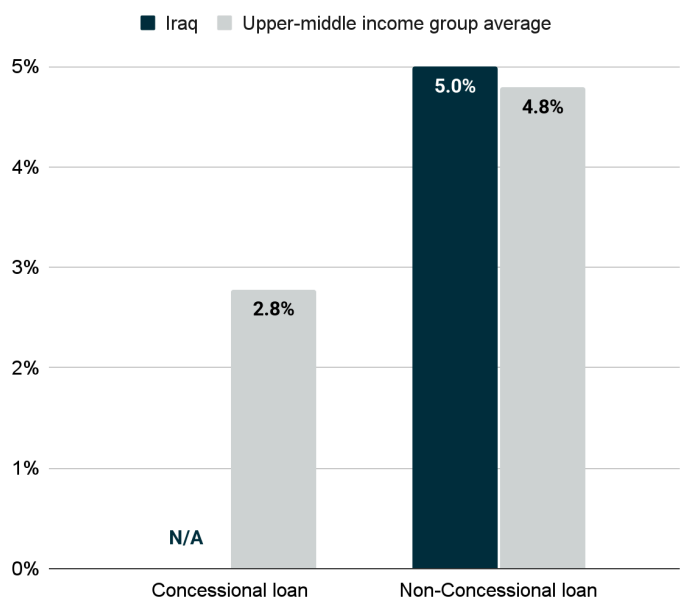
Infrastructure: loans to support the construction, rehabilitation, or maintenance of a physical structure.

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

Deferred Payment Agreement (DPA): loans where the Chinese contractor is also the lender to the project owner.⁵

By 2022, 81% of China’s official sector lending to Iraq supports infrastructure projects, like the construction of power plants or expressway construction. 99.7% of these infrastructure projects in Iraq are implemented by at least one Chinese entity, such as a Chinese state-owned company or a Chinese private sector company. 10% of lending accounts for corporate transactions, which included the acquisition of a 25% equity stake by CNPC of the West Qurna-1 oil field in 2013. The remaining 9% accounted for a Deferred Payment Agreement (DPA) supporting the management services provision of the Majnoon oilfield in southern Iraq in 2021.

Figure 1.7: Borrowing terms



Between 2000 and 2022, China did not extend any concessional loans to Iraq. China’s non-concessional lending to Iraq carried a weighted average interest rate of 5% and a weighted average maturity of almost 14 years. While the weighted average interest rate of China’s non-concessional lending to Iraq was less generous than that found in China’s broader portfolio of official sector loans to upper-middle income countries, the weighted average maturity was slightly more generous in comparison to other countries in the same income group—14 years in Iraq compared to 9.2 years among all upper-middle income countries.

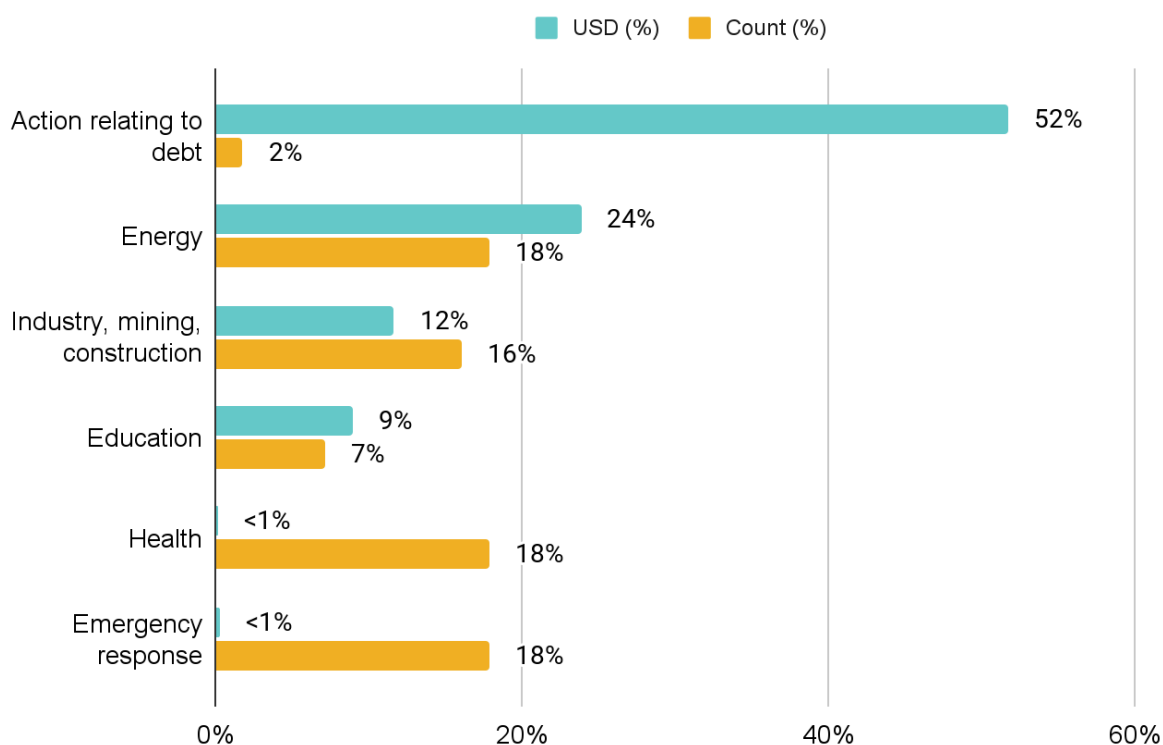
⁵The Chinese company will assign receivables in their contract to a Chinese bank(s). The Chinese bank then releases funds to the Chinese company so it can discharge its obligations under the DPA as a lender.

In which sectors is China most active?

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

Figure 1.8: Selected top sectors

Sectors by monetary value and record count



China's financing to specific sectors in Iraq is unique compared to its development finance portfolio in other countries—the following four sectors represent 96% of China's grant and loan commitments (by monetary value) to Iraq between 2000 and 2022.

- ➔ **Action relating to debt:** This sector refers to the relief, forgiveness, or rescheduling of outstanding debt for a recipient government or agency. 52% of China's development finance portfolio in Iraq is specifically dedicated to this sector. The largest and only financial commitment in this sector is the \$9.1 billion in debt forgiveness issued by the Chinese government. After the U.S.-led invasion of Iraq and the fall of the Saddam Hussein regime in 2003, the international community, and in particular the United States, sought to reduce and restructure the Government of Iraq's outstanding debt obligations to external creditors to facilitate the reconstruction of Iraq. In November 2004, an agreement was reached under the Paris Club framework that provided for an 80% debt relief in net present value (NPV) terms.⁶ After this agreement was signed, negotiations with non-Paris Club debt holders (including China) began with the aim of

⁶Net present value (NPV)-neutral basis means that lenders would still receive full repayment and interest payments after the suspension period is over.

obtaining comparable treatment on the rest of the Iraqi Government's external debts. In 2007, China and Iraq signed a debt exemption protocol, which came into effect in 2010.

- **Energy:** This sector is the second largest sector by financial value with \$4.2 billion in funding (or 24% 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 almost \$1.1 billion in an oil-backed loan for the 1260MW Salah Al-Din Oil-fired Thermal Power Plant Construction Project and a \$850 million loan for the Basra 650MW Combined-Cycle Power Plant Expansion Project, via an Engineering, Procurement, Construction-Finance (EPC+F) arrangement involving CMEC. No additional energy projects have been financed since 2020.
- **Industry, mining, construction:** This sector, third-largest by record count, includes manufacturing fossil fuels, mining for coal, gas, metals, minerals, and construction. Projects in this sector represent \$2.1 billion in funding (or 12% of funding). Activities in Iraq's industry, mining, and construction sector include a \$454 million loan by CNPC Finance (HK) Limited for the acquisition of a 25% equity stake in the West Qurna-1 oil field from ExxonMobil. In 2022, the Government of Iraq secured a \$505 million loan for the first phase of the Block-9 Al-Faihaa oil field central processing facility, its most recent loan in this sector.
- **Education:** This sector encompasses schooling at the primary, secondary, and post-secondary levels, as well as technical and advanced training activities. Education activities represent \$1.6 billion in funding (or 9% of funding). Notable activities in the education sector include the Government of Iraq securing two oil-backed loans worth \$1.6 billion for the construction of the 1000 schools project in 2021, with the two other activities including the donation of school supplies. The scale and nature of the 2021 school construction project make it an exceptional case in China's education funding portfolio in Iraq.

While smaller in financial value, two additional sectors—emergency response and health—stand out as significant priorities for China when measured by the number of activities, together accounting for 36% of all activities in Iraq.

- **Emergency response:** This sector represents a total of 10 records (or 18% of the total record count), and includes activities such as humanitarian assistance and disaster relief. China's activities in this sector with low or no transaction values include the Government of China granting the World Health Organization \$84,000 for the Syrian refugee crisis response in Iraq in 2017, as well as a grant via the United Nations High Commissioner for Refugees for Palestinian refugees in Iraq. Since 2017, China has provided no further aid in the sector of emergency response.
- **Health:** This sector includes medical care, infrastructure, equipment, and control activities. This sector is the second-largest sector by record count, with activities in the health sector representing 9 records in China's portfolio in Iraq (or 18% of records). Notable activities include the donation of over 1.8 million doses of Sinopharm vaccines and other COVID-19 anti-epidemic relief material, such as medical masks. Recorded activities in the health sector exclusively happened in 2020 and 2021.

Section 2: Iraq’s debts to China

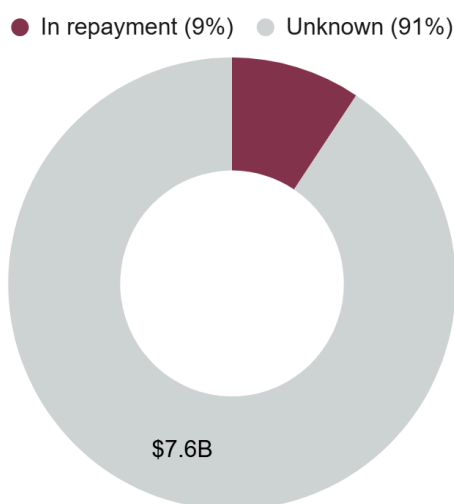
25 loans issued	\$8.4 billion cumulative value of loan commitments (3% of GDP)	0% of total debt shows signs of financial distress	88% public debt
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What is “public debt”?

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.
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In this section, AidData examines Iraq’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 Iraq’s debt exposure to China. Of Iraq’s \$8.1 billion in loan commitments from China, only 9.7% (\$786 million, or 6 loans) has repayment information available. The other \$7.3 billion represents 14 loans where repayment information was not available from open sources.

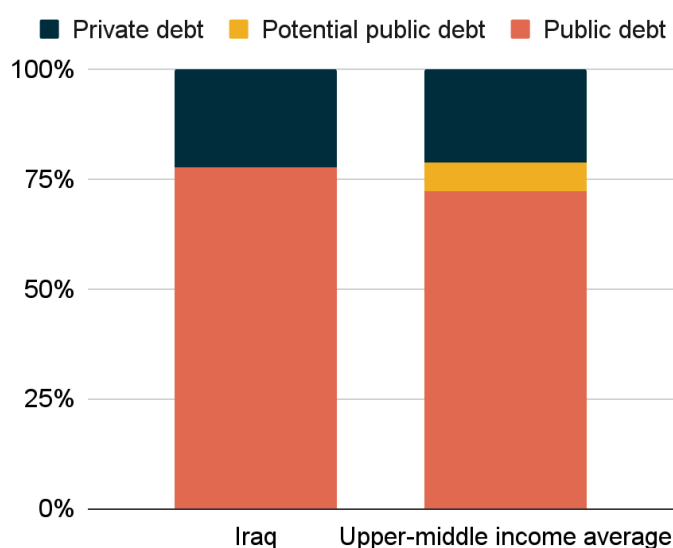
Figure 2.1: Repayment status for all loans from China



There are currently six loans for which AidData has access to repayment details. All six loans (worth \$786 million) are currently in their repayment periods. Two loans are expected to exit their repayment period in 2026, while the remaining four are in repayment until 2032. However, the amount in repayment may be significantly higher, since there are 14 loans (worth \$7.6 billion) for which AidData has insufficient repayment details information.

Figure 2.2: Composition of debt from China by public liability

Total debt, 2000-2022—Iraq: \$8.4 billion. Upper-middle income country average: \$9.9 billion.



The composition of Iraq's debt by level of public liability departs from the average across China's development finance portfolio in upper-middle income countries, especially in terms of potential public debt. Iraq's public debt (78%) is slightly above the average (72%) for upper-middle income countries. Private or other debt accounts for 22% of Iraq's total debt, closely aligned with the average private debt in other countries (21%). Iraq has no potential public debt, while the average in other upper-middle income countries is 6%.

All of Iraq's private debt is associated with one project—a \$621 million loan provided by ICBC as part of a syndicated deferred payment agreement for the construction of the 840MW Maisan Combined Cycle Power Plant in 2019. The direct recipient agencies of this loan were two Chinese state-owned companies and one Iraqi private sector company (Raban Al-Safina for General Contracting Ltd).

To date, there is no evidence that China's cumulative loan commitments to Iraq are in financial distress. Evidence of financial distress includes, among other things, borrowers accruing principal or interest arrears, defaulting on their repayment obligations, or filing for bankruptcy. According to our dataset, none of Iraq's loans with Chinese state-owned creditors show signs of financial distress. According to the IMF, an expected decline in oil prices could put public debt at high risk of distress over the medium term.⁷

In order to rebuild Iraq after the U.S.-led invasion of Iraq and the fall of the Saddam Hussein regime in 2003, the international community, and in particular, the United States, sought to reduce and restructure the government of Iraq's outstanding debt obligations to external creditors. By 2007, the Chinese and Iraqi governments signed a debt exemption protocol and, in 2010, China agreed to cut 80% (\$6.7 billion) of Iraq's debt. The remaining 20% (\$1.58 billion) was restructured to be paid off through annual principal payments of \$117.4 million over 13.5 years (from 2015 to June 2029).

⁷ See the IMF's Iraq 2024 Article IV Consultation Report at <https://www.imf.org/en/Publications/CR/Issues/2024/05/15/Iraq-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-State-ment-by-the-Executive-549028>

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

Chinese infrastructure in Iraq with ESG risk exposure:			Examples of global ESG risks
5 infrastructure projects supported by grants and loans from China	\$1.9 billion in loan commitments supporting infrastructure projects	25% of infrastructure lending with ESG risk exposure	
			<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>

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

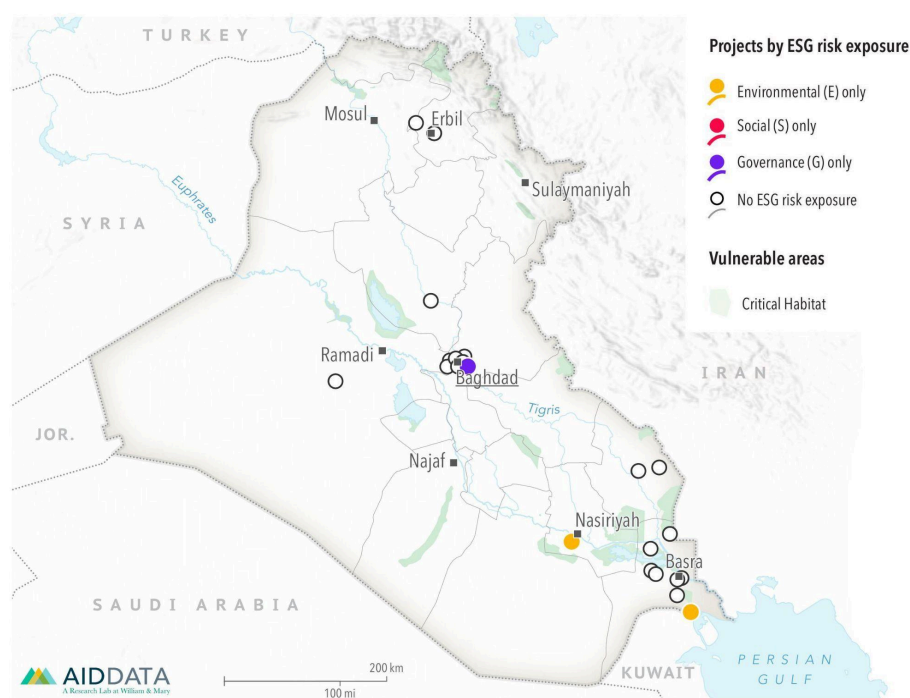


Figure 3.1 presents the geographic locations of all Chinese-financed infrastructure projects in Iraq according to their environmental, social, or governance risk exposure.

Of China's 56 total projects in Iraq, only five infrastructure projects are associated with significant ESG risks. Three of these are located near major urban centers—Baghdad, Nasiriyah, and Basra—while the remaining two do not have precise location data (representing two loans supporting the 1000 Schools project).

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.⁸ See Appendix B for details on the ESG risk exposure methodology.

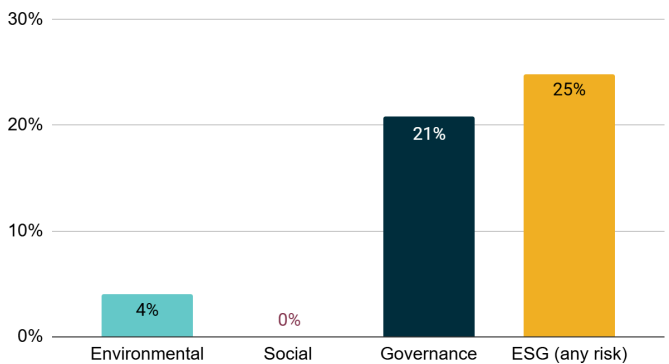
⁸For more information, see AidData's 2023 "Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative" report. <https://www.aiddata.org/publications/belt-and-road-reboot>.

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% over the same 22-year period, showing China's signature infrastructure initiative is facing major implementation challenges. China's infrastructure project portfolio with ESG risk exposure in Iraq hits below the global average, with only 25% (or \$1.9 billion) of its \$7.5 billion portfolio identified with significant ESG risk exposure.

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

Among the five projects with significant ESG risk exposure, two projects featured environmental risks: the Al-Nasiriyah International Airport Renovation and Expansion Project and the Container Inspection Equipment Project (with the equipment present at the Safwan Border Crossing and the Umm Qasr Port). These projects are close to environmentally sensitive areas in the country. Three additional project loans faced governance risks. The \$2.2 million grant from the Chinese government to the United Nations High Commissioner for Refugees (UNHCR) for humanitarian assistance for Palestinian refugees in Iraq was directed to the hometown of political leaders (putting it at risk of political capture). The Construction of 1000 Schools project, supported by two Chinese companies, also faced governance risks, accounting for the sharp increase in ESG risk exposure in Iraq due to the large amounts of financing committed.

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



ESG issues observed in Iraq

Environmental: proximity to environmentally sensitive areas (e.g. Al-Nasiriyah International Airport Renovation and Expansion Project).

Social: no social risk has been observed in Iraq's infrastructure projects.

Governance: funding directed to hometowns of political leaders (e.g. Humanitarian Assistance to Palestinian Refugees in Iraq).

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

Iraq: 25% (2022). Middle income country average: 51% (2022).

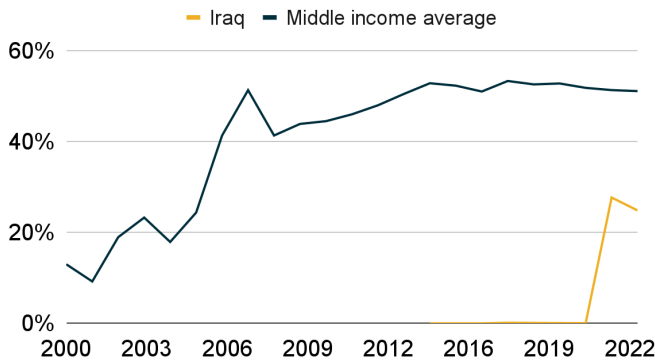


Figure 3.3 illustrates how Iraq's proportional ESG risk exposure has evolved over time compared to the average for middle income countries. From 2000 to 2022, Iraq's infrastructure financing with ESG risks remained well below the average. However, ESG risk exposure rose sharply in 2021, driven by two major projects: the Al-Nasiriyah International Airport Renovation and Expansion Project and the 1,000 Schools construction initiative.

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.
61% 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 Iraq over time?

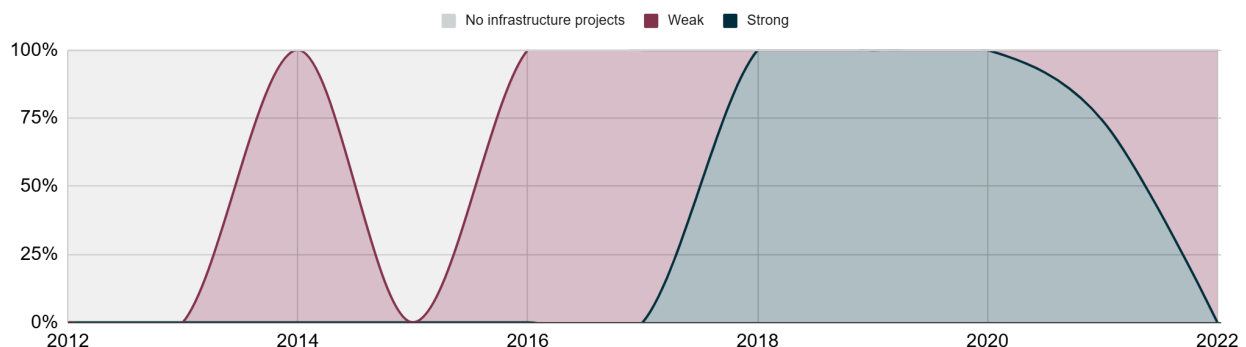
Between 2000 and 2022, 61% of China's grant and loan-financed infrastructure project portfolio in Iraq had strong contractual ESG safeguards in place. This places Iraq greatly above the average in the developing world of 23% during the same time period.⁹ However, the annual percentage of the portfolio with strong safeguards has changed significantly over time.

Figure 4.1 shows that before 2014, there were no Chinese-financed infrastructure projects in Iraq. In 2014, 2016, and 2017, all recorded projects had weak ESG safeguards. A shift occurred between 2018 and 2021, when 74%-100% of new grant- and loan-financed infrastructure project commitments featured strong ESG safeguards, largely tied to major projects representing syndicated lending arrangements involving state-owned commercial banks or multilateral banks (both of which are associated with strong ESG safeguards). However, this progress reversed in 2022, when every Chinese-financed infrastructure project in Iraq was associated with weak ESG safeguards.

Trends across China's global infrastructure portfolio suggest there will be an increase in strong ESG safeguards in future years. Iraq already displays this trend, but it is yet to be seen whether 2022 was a reversal of this trend or an outlier. In Figure 4.1, these highs and lows of ESG safeguards in Iraq are visualized alongside the years with no infrastructure projects (gray area).

Figure 4.1: Infrastructure project portfolio with strong contractual ESG safeguards¹⁰

Percent of infrastructure project portfolio committed from (2012-2022)



⁹During the same 22-year period, 23% of China's grant- and loan-financed infrastructure project portfolio across all low- and middle-income countries had strong de jure environmental, social, and governance safeguards in place.

¹⁰This 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 Iraq in the BRI era

Iraq has held positive views towards China since 2008. Data captured by Gallup between 2008 and 2022, with eight years of data collection not available, shows that Iraqi citizens held an average approval rate of 52.3% toward China.¹¹ This is roughly eight percent lower than the global average of 60.1% over the same period. When data was collected, the approval rate was highest at 66.1% in 2010, when China provided large-scale aid to Iraq, and lowest at 36.1% in 2021. In 2022, the approval rate was at 41.1% in Iraq.

Figure A.1: Iraq’s approval of Chinese leadership, 2006-2022¹²

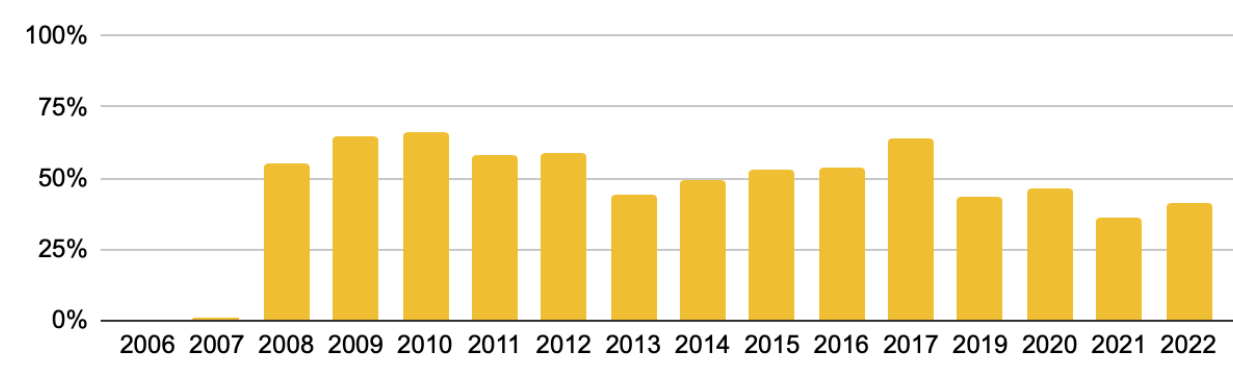


Figure A.2: Bilateral diplomatic visits between China and Iraq

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

¹¹This data comes from Gallup’s World Poll which started in 2005. Gallup conducts the survey in various frequencies on a country-by-country basis; therefore, the years we have data for vary and there are gaps pre-2006 and, in some cases, between 2006 and 2022. For Iraq, data is available for 2008-2017 and 2019-2024. For more information on the Gallup methodology, see <https://www.gallup.com/178667/gallup-world-poll-work.aspx>

¹²The 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 Iraq from other donors

All data on development finance from other donors came from the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) Creditor Reporting System (CRS). The CRS is the OECD's aid activity database, which compiles activity-level statistics from all providers who report to the OECD. For the analysis in Figure 1.2,

'Aid' represents Official Development Assistance (ODA) grants and loans. Non-concessional loans represent the Other Official Flows (OOF) measure. However, the flows captured in CRS (which are project-level records) specifically exclude export credit flows (due to their potentially sensitive nature). Data on export credits is available in OECD's DAC2B database in aggregate form. DAC2B provides data on OOF loans and grants and gross export credits. However, consistent and comprehensive data on export credits from one development partner to a specific country are not available. Gross export credits to a specific country are available at an aggregate level, such as G7 or all DAC Members. 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 Iraq that represent 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. 2022 data on ESG risk exposure at the global level is currently only available through 2021.

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).

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