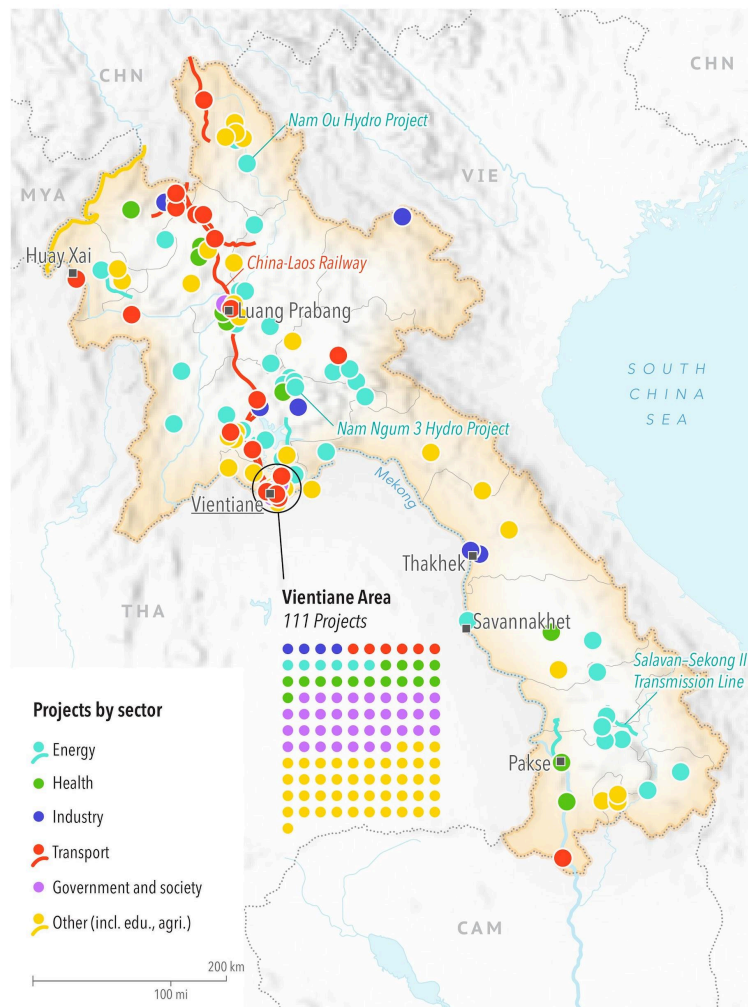


Laos

The Scale, Scope, and Composition of Chinese Development Finance

October 2025



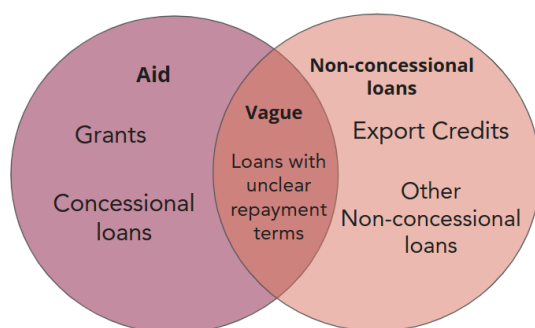
JulieAnn Sickell, Brooke Escobar

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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.

Country overview: China's relationship with Laos

Southeast Asia countries that have joined the BRI

■ In BRI ■ Laos ■ Not in BRI



Laos and China's Belt and Road

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

Historic relationship

The Lao People's Democratic Republic and the People's Republic of China have maintained on and off relations since 1953. Due to changes in governance of the Lao People's Democratic Republic, Laos has switched recognition between China and the Republic of China (Taiwan) four times since 1953. Laos officially reestablished a diplomatic relationship with China in 1975. This relationship has remained steady since its re-establishment, with cooperation on issues such as defense, trade, and infrastructure over the past 50 years.

Present-day relationship

The present-day relationship between China and Laos is characterized by close cooperation on trade, infrastructure, and energy—defined by projects such as the Laos-China Railway, land-linking the two countries. Laos and China share a special relationship categorized by the “Four Goods”: good neighbours, good friends, good comrades, and good partners.² This is a slogan used by Chinese officials to describe close bilateral relations between China and neighbouring and/or communist states and was originally introduced in November 2017, alongside President Xi's visit to Laos the same month. Along with their comprehensive strategic cooperative partnership, Laos and China are close allies politically and economically. In August 2025, China's Ministry of Foreign Affairs reported that Laos joined the Shanghai Cooperation Organization, the follow-up political, economic, and security organization to the Shanghai Five and headquartered in China.³

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

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

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

³Ministry of Foreign Affairs (2025). “Wang Yi Meets with Lao Foreign Minister Thongsavanh Phommvihane.” https://www.fmprc.gov.cn/eng/wjzbhd/202508/t20250816_11691216.html.

Overview: Chinese development finance in Laos from 2000-2022

\$22.5 billion

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

96%

of Chinese development finance is provided via loans.

218

grants, technical assistance, and training activities offered.

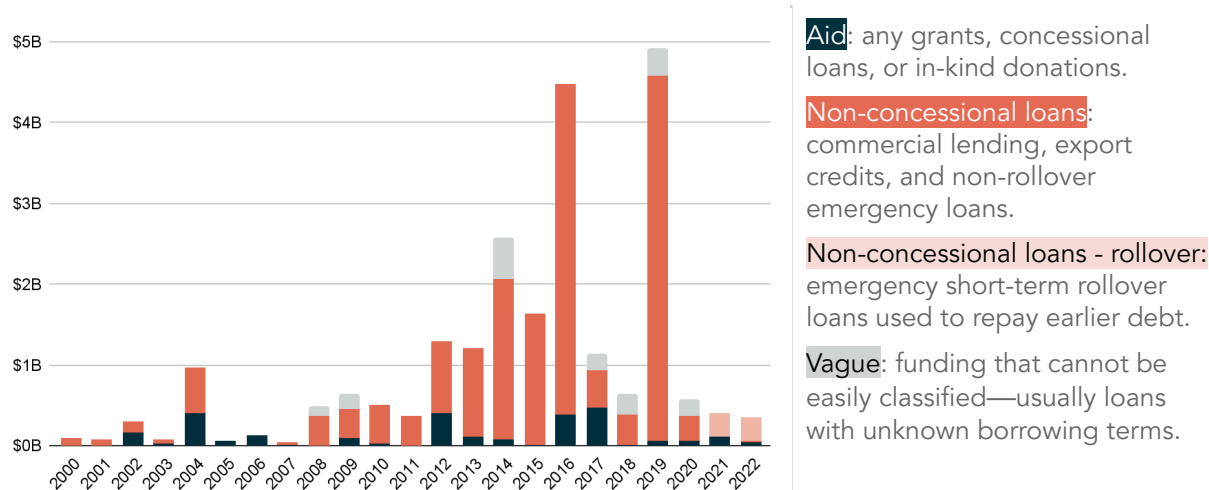
4th

largest recipient of Chinese aid and credit in Southeast Asia.

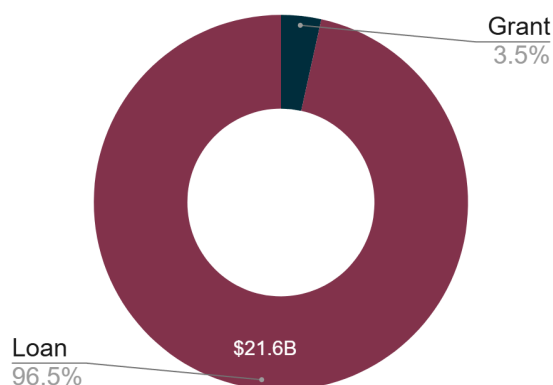
67%

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

Official sector financial commitments from China to Laos, 2000-2022

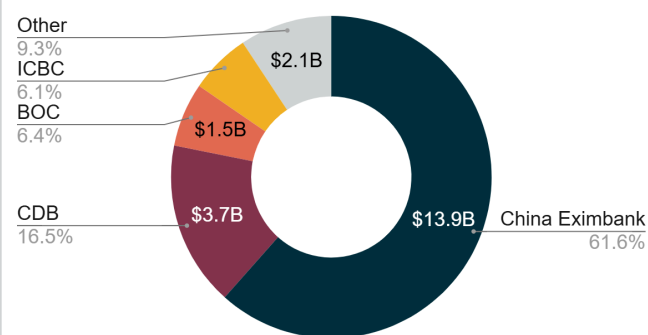


Portfolio by type of finance



Loans include concessional and non-concessional loans.

Portfolio by funder



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

Section 1: China's development finance portfolio

Laos joined China's BRI in 2018. However, even before the agreement was signed, China had established itself as a major lender to Laos (see Figure 1.1). China is Laos' largest creditor and bilateral donor. Laos has received some emergency rescue lending from China—out of the 28 countries that have received emergency rescue lending from China, Laos ranks 20th for most emergency rescue borrowing in China's portfolio. For a list of bilateral diplomatic visits between China and Laos in the BRI era, see Appendix A.

How much development finance has China provided Laos since 2000?

Between 2000 and 2022, official sector lenders and donors from China provided grant and loan commitments worth \$22.5 billion for 334 projects and activities in Laos. This amount excludes emergency rollover facilities used to refinance maturing debts (a subset of emergency rescue lending).

Emergency rescue loans are loans from Chinese state-owned entities to government borrowing institutions in low-income and middle-income countries that are used for at least one of three purposes: (1) repaying existing debts, (2) financing general public expenditures, or (3) shoring up foreign exchange reserves. There are different varieties of emergency rescue loans, including currency swap borrowings, liquidity support facilities, foreign currency term financing facility agreements, deposit loans, and commodity prepayment facilities.⁴

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

By the end of 2022, the Bank of Laos had an outstanding balance of \$307 million under its currency swap mechanism with the PBOC. Laos has used these funds for balance of payments support and to shore up gross reserves during times of financial distress, with the first drawdown coming during the height of COVID-19 in 2020. Given that these borrowings were continuously repaid and renewed (or rolled over through maturity extensions) in 2021 and 2022—rather than increasing the country's public debt stock—they are not included in the cumulative estimates of aid and credit volumes presented in this profile.⁵

Figure 1.1 also decomposes non-concessional lending into net increases in emergency lending that increase debt levels and rollover emergency lending that refinances maturing debt but

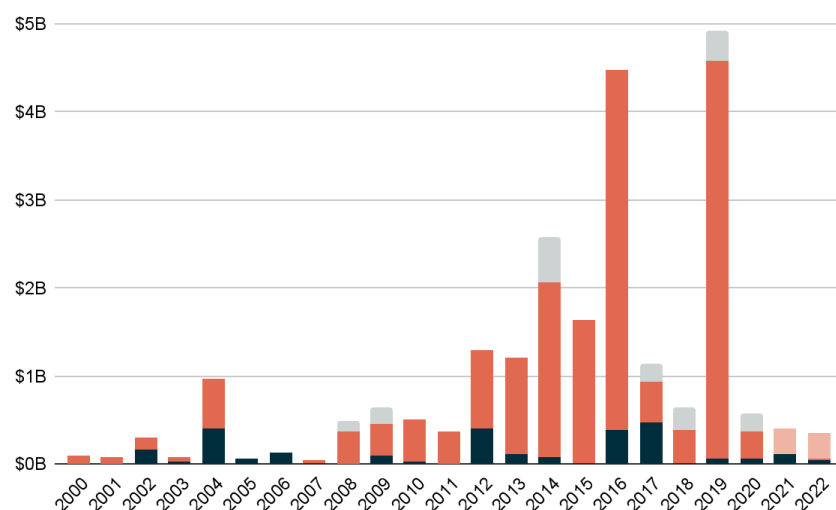
⁴Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary.

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

does not represent new debt. All other visuals and data points in this profile exclude these rollover facilities. For more information on rollover emergency lending, see Appendix B.

Figure 1.1: Official sector financial commitments from China to Laos

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



Types of funding:⁶

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

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

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

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

When emergency rescue rollover loans are excluded, Laos—a country with a relatively small economy (GDP: \$15.8 billion) and population (7.6 million residents)—is the fourth largest recipient of Chinese aid and credit in Southeast Asia and the 16th largest recipient in the developing world.

⁶For more information on these categories, please see Appendix B.

How does China compare to other development partners?

China is Laos' largest development partner (see Figure 1.2), providing roughly 10 times more financing than any other bilateral or multilateral source. Japan is the country's second-largest development partner, focusing on health, education, and governance sectors. The World Bank and the Asian Development Bank rank third and fourth, respectively. China outspends all of these development partners in terms of aid as well. This highlights the special relationship China has with Laos, as aid from other bilateral or multilateral donors often dwarfs aid from China to comparable developing countries.

- **United States:** Laos relies on United States (U.S.) foreign assistance for unexploded ordnance (UXO) clearance. According to the Department of State, the U.S. has contributed over \$391 million to these efforts since 1995—a majority of which was funneled through the United States Agency for International Development (USAID).⁷ The drastic downsize of USAID in 2025 will impact aid delivery to Laos in this sector.

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

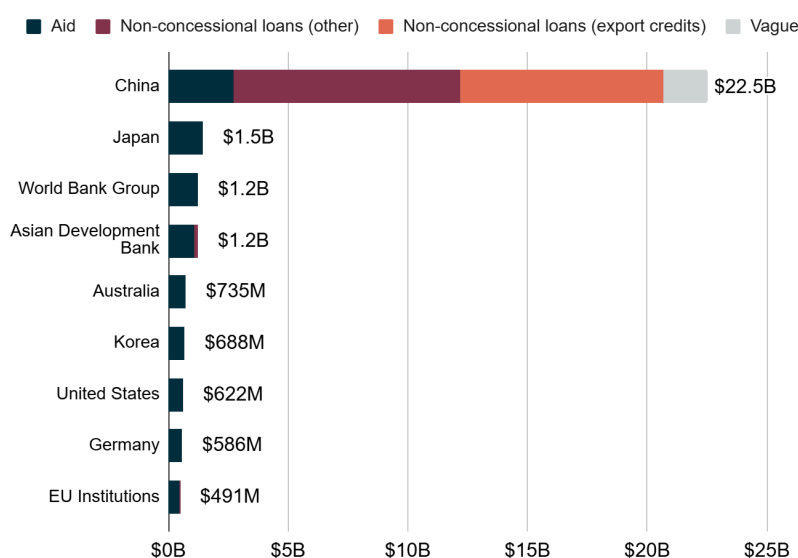


Figure 1.2 contains the top nine development partners providing aid and other financing to Laos. However, only China has detailed bilateral export credit flows to Laos. This level of granularity is not available for other development partners as the OECD does not provide export credit data for bilateral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

Total export credits from G7: ~\$329 million.⁸

Annual export credits from G7 between 2014-2022: \$3.4 million.

How does China use export credits?

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

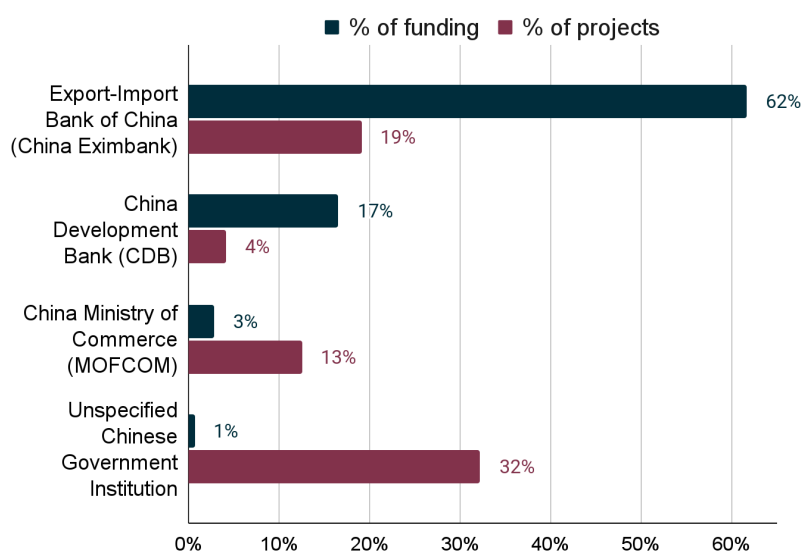
⁷U.S. Conventional Weapons Destruction Program in Lao PDR. (n.d.). *United States Department of State*. Retrieved from <https://www.state.gov/bureau-of-political-military-affairs/releases/2024/10/u-s-conventional-weapons-destruction-program-in-lao-pdr/>

⁸Export credit totals from 2000-2010 were uncharacteristically negative, likely due to currency fluctuations, and weak domestic production. To provide a more relevant picture of recent export credits from G7 donors, we have provided an annual average of gross export credit flows during the BRI period to Laos during this time period as part of Figure 1.2.

Which donors and lenders from China are active in Laos?

Between 2000 and 2022, 57 official sector donors and lenders from China provided aid and non-concessional loans to Laos. 82% of China's development finance portfolio is provided through 4 main donors and lenders (see Figure 1.3). The other 18% 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.

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 64 loans worth \$13.8 billion for projects and activities, accounting for over half of total official sector financial flows from China to Laos between 2000 and 2022. China Development Bank (CDB) issued 14 loans worth \$3.7 billion. The value of these loans represents 18% of total official sector financial flows from China to Laos between 2000 and 2022. CDB loans are usually less concessional than those provided by China Eximbank, despite both entities' status as a state-owned policy bank. Neither of these banks provided new commitments in 2022.

China's Ministry of Commerce (MOFCOM) is a government agency which serves as the lead administrator of China's grant and interest-free loan program for developing countries. It provided 42 grants and interest-free loans worth \$644 million—or 3% of total official sector financial flows from China to Laos from 2000 to 2022. In 2022, MOFCOM provided equipment and materials to support distance learning across Laos as well as technical support for the use of these materials.

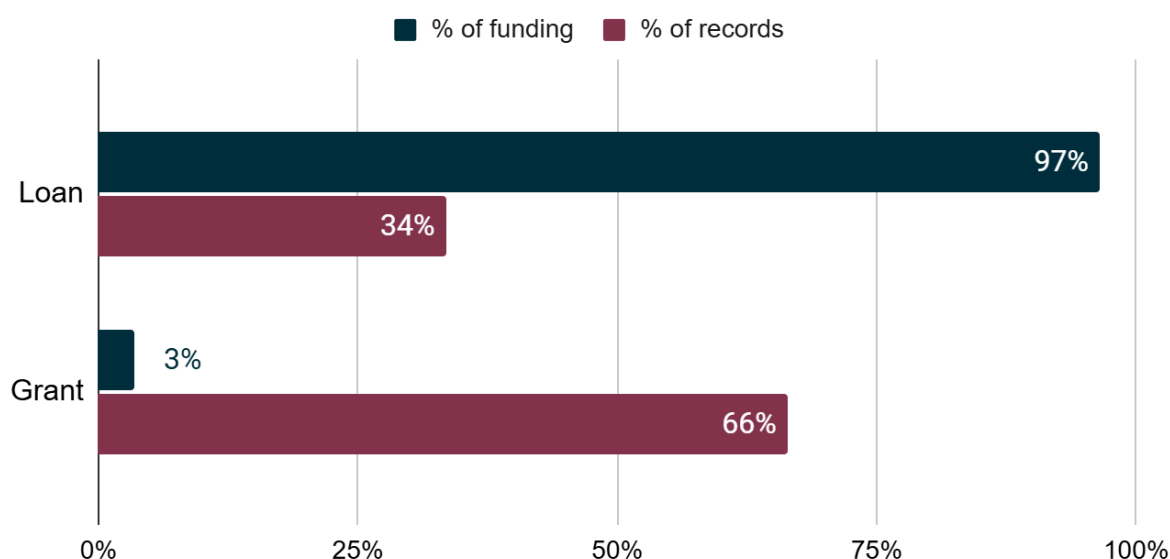
32% of all activities in Laos come from unspecified Chinese government agencies. Unspecified Chinese Government Institutions is a blanket category for when the specific funder is unknown, but the funder is clearly part of the Chinese government or official sector institution. Most of the activities funded by these institutions include donations of COVID-19 vaccines and supplies, emergency response, and dispatching of youth volunteer teams.

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

97% of China's official sector financing to Laos takes the form of loans (totaling \$21.6 billion), while 3% (\$777 million) comes in the form of grants and in-kind donations. In-kind donations are difficult to monetize, so the monetary values of these activities are likely underrepresented.

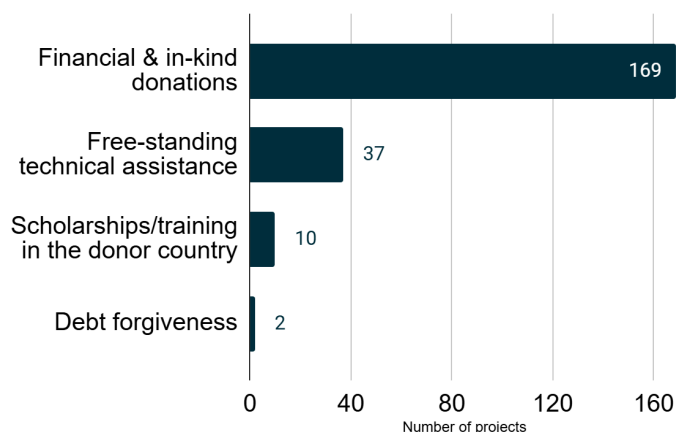
AidData captures each instance of a grant or in-kind donation as one record, so analyzing the record counts can help provide a better picture of China's activities in Laos. When looking at record counts, grants account for 66% of all activity records in Laos (representing 218 records capturing activities taking place between 2000 and 2022).

Figure 1.4: Top financial instruments used by China in Laos



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

Figure 1.5: Breakdown of grants by project count

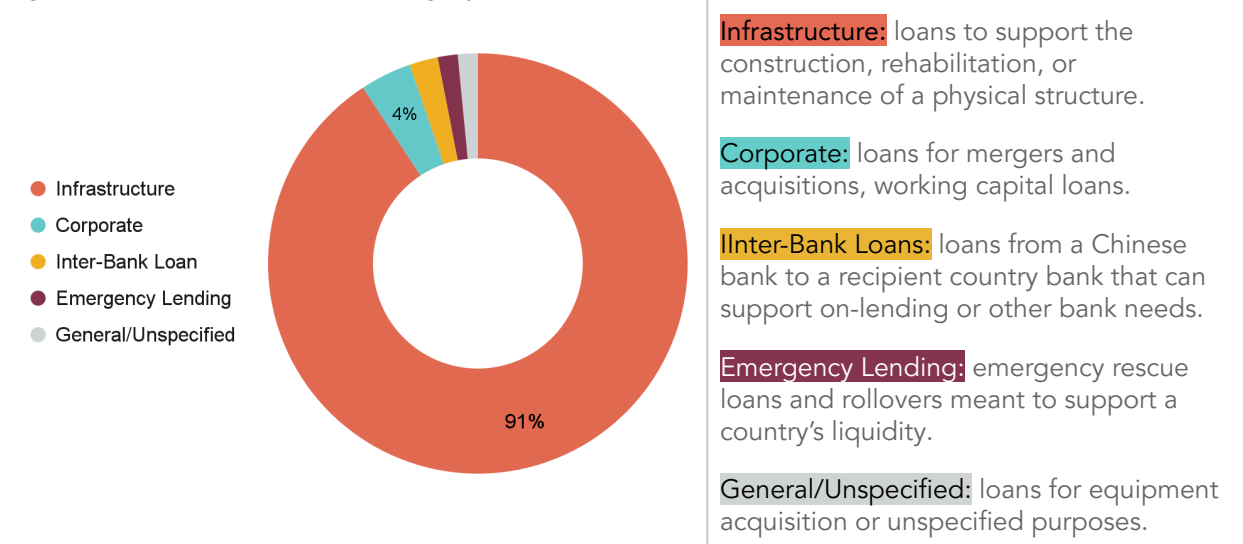


Laos has received 169 financial or in-kind donations from China. Many of these donations are related to COVID-19 aid, including 8.6 million donated vaccines. Other donations include emergency response and construction grants.

In 2022, China provided 12 new grants including remote education materials, agricultural equipment, street lights, and a \$12 million grant for construction of the Laos Institute of Posts and Telecommunications.

China provided more technical assistance in the education and e-commerce sectors as well.

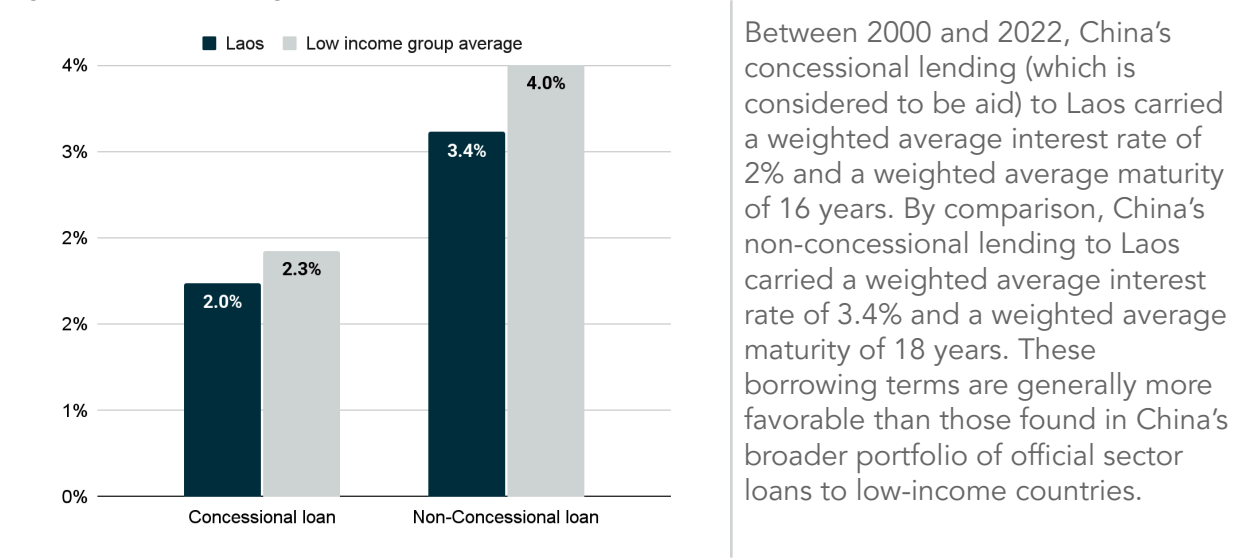
Figure 1.6: Breakdown of lending by purpose



91% of China's official sector lending to Laos supports infrastructure projects. Nearly all of this infrastructure financing (91%) is implemented by at least one Chinese entity, such as a Chinese state-owned company or private company.

Beyond large-scale infrastructure, China's lending to Laos is more modestly distributed: 4% has supported corporate activities such as mergers and acquisitions, including equity purchases in PanAust Limited, a gold and copper producer; less than 2% has gone to inter-bank lending between CDB and the Bank of Lao PDR for on-lending to local SMEs; 1.5% has taken the form of emergency rescue loans extended to Laos' central bank to bolster liquidity; and another 1.5%—classified as "General/Unspecified" in Figure 1.6—has financed agricultural equipment, MA60 aircraft, and an e-governance and electronic ID project.

Figure 1.7: Borrowing terms

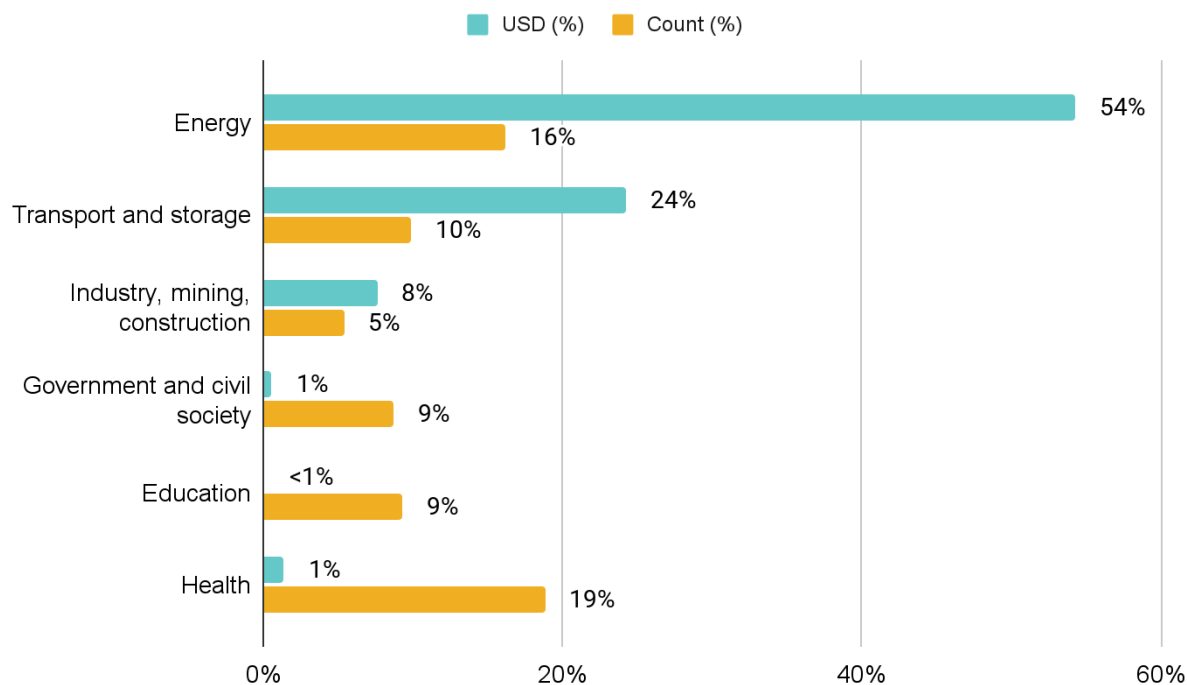


In which sectors is China most active?

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

Figure 1.8: Selected top sectors

Sectors by monetary value and record count



In terms of monetary value, 86% of China's grant and loan commitments to Laos supported three core infrastructure ("hardware") sectors: energy, transport and storage, and industry, mining, and construction between 2000 and 2022.

- **Energy:** This sector is the largest sector by financial value with \$12.2 billion in funding (or 54% of China's entire portfolio). It encompasses the generation and distribution of renewable and non-renewable sources, as well as hybrid and nuclear power plants. Noteworthy activities in the energy sector include a \$1.2 billion buyer's credit loan from China Eximbank for the 480MW Nam Ngum 3 Hydropower Project and a \$770 million buyer's credit loan from CDB for Phase 2 of Nam Ou Hydropower Project. There were no commitments to this sector in 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. 24% of China's development finance portfolio in Laos is specifically dedicated to this hardware sector, representing \$5.4 billion in aid and non-concessional loans. The largest financial commitment from a single source is a \$3.5 billion loan from China Eximbank for the China-Laos Railway Project. This project is a notable BRI project due to its importance in ensuring the success of the

China-Indochina Peninsula Economic Corridor (CICPEC). There were no commitments to this sector in 2022.

- **Industry, mining, construction:** This sector includes manufacturing fossil fuels, mining for coal, gas, metals, minerals, and construction sector policy. Projects in this sector represent only 5% of activity counts in Laos and 8% of monetary value (\$1.7 billion). The largest financial commitment from a single source in this sector is a \$745 million loan provided by Bank of China and CDB to Guangdong Rising H.K. for the acquisition of all ordinary shares in PanAust Limited—owner of the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation in Laos. Through this acquisition, PanAust Ltd. became a wholly owned subsidiary of Guangdong Rising H.K., which is a Chinese state-owned company. There were no commitments to this sector in 2022.

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

- **Health:** This sector includes medical care, infrastructure, equipment, and control activities. In total, activities in the health sector represent 63 records in China's portfolio in Laos (or 19% of records). Activities in this sector include a \$100 million grant for Mahosot General Hospital Upgrading Project and multiple donations of medical supplies and procedures. Most notably, Laos ranked 6th in most Chinese COVID-19 aid received out of all developing countries, totaling \$161 million in donations and over 8.6 million vaccines. Approximately 1.9 million of these vaccines were donated in 2022, making these vaccines the only 2022 commitments in the health 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 less than one percent of funding but 9% of China's total record count, with 31 records. Notable activities in the education sector include multiple grants from different Chinese state-owned companies, such as China Southern Power Grid Corporation Limited and China Road & Bridge Corporation, for the construction and expansion of school buildings, as well as the donations of school supplies. Two grants committed in 2022 in this sector fall under a project called the Laos Distance learning project (援老挝远程教育工程 (配套物资) 项目).⁹ This project provides distance education equipment, including computers, servers, projectors, recording and broadcasting systems, and assistance from Shanghai Century Publishing Company to 20 different teaching locations in Laos.
- **Government and Civil Society:** This sector encompasses activities that address public procurement, subnational government support, elections, democratic participation, and human rights. Activities in this sector are captured in a total of 29 records (or 9% of the total record count). China's activities in this sector include a \$52 million grant from the Chinese government for construction of the Lao People's Revolutionary Party Central Office and construction grants for other convention and banquet halls. In 2022, the Consulate General in Luang Prabang donated a van to Luang Prabang Provincial Department of Foreign Affairs, which falls into this sector.

⁹ This project falls under a larger initiative called the "Eight Major Projects in Assistance to Laos" (援老八大工程), further abbreviated as the Four 100 project ("四个100"工程).

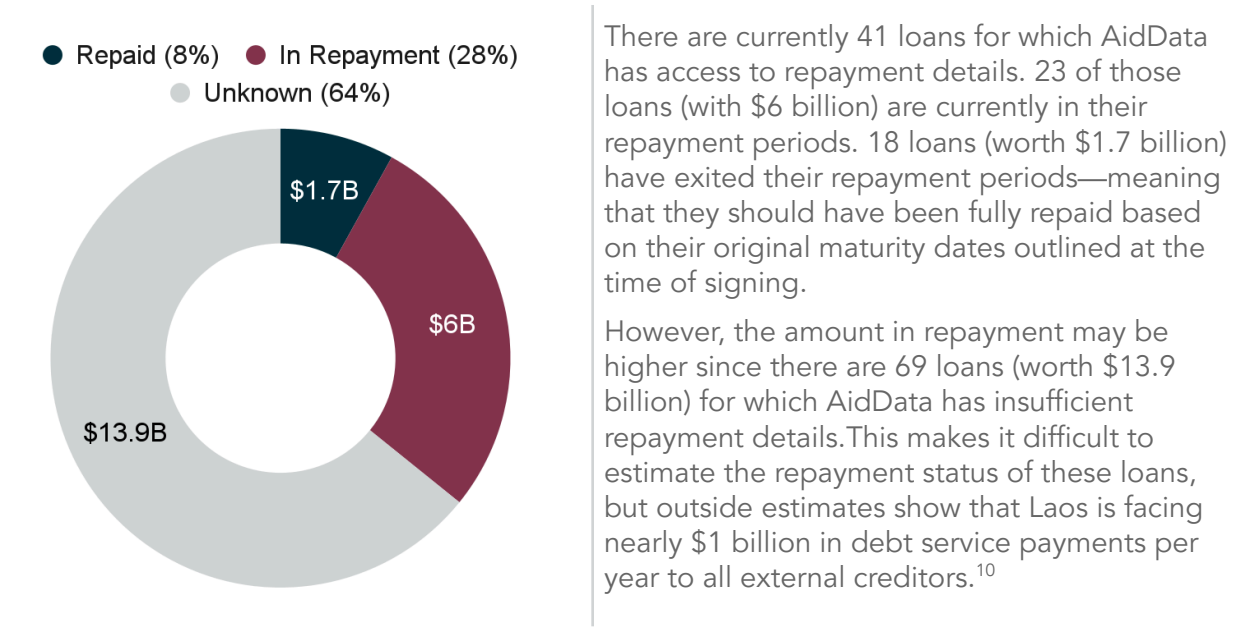
Section 2: Laos’ debts to China

110 loans issued	\$21.6 billion cumulative value of loan commitments (137% of GDP)	1% of total debt shows signs of financial distress	51% 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.

In this section, AidData examines Laos’ 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 Laos’ debt exposure to China.

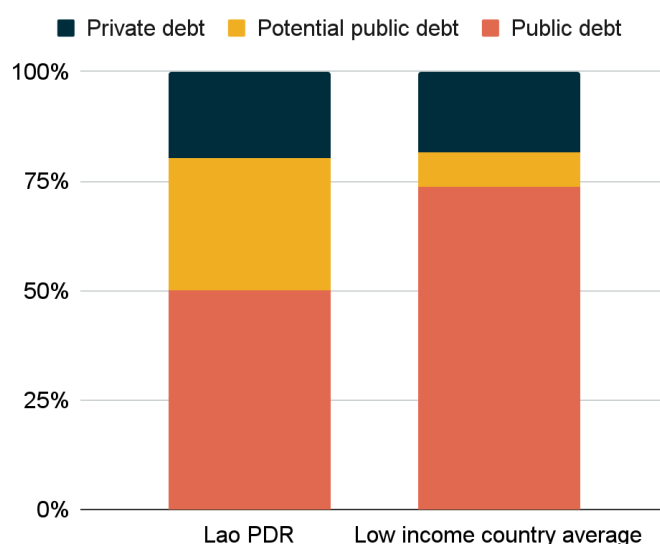
Figure 2.1: Repayment status for all loans from China



¹⁰Heijmans, Philip J. 2024. Laos Weighs Debt-to-Equity Swap With China to Avoid a Default. BNN Bloomberg. <https://www.bnnbloomberg.ca/investing/2024/07/25/laos-weighs-debt-to-equity-swap-with-china-to-avoid-a-default/>

Figure 2.2: Composition of debt from China by public liability

Total debt, 2000-2022— Laos: \$21.6 billion. Low income country average: \$6 billion.



With 111 loans over a 22-year period, China's lending to Laos is nearly three times the developing country average of 39 loans. The composition of Laos' debt by level of public liability is quite different from the low income country average in two areas: public debt and potential public sector debt. Laos' public debt is only 50% in comparison to the low income average of 74%. Most of this difference is made up in potential public sector debt. 30% (\$6.5 billion) of China's official sector lending to Laos qualifies as "potential public sector debt."

Potential public sector debt represents 'hidden debt'—it is not a formal liability of the host government, but it may benefit from an implicit public sector repayment guarantee and could become a host government liability in the event of default by the original borrowing SPV or JV entity. The majority of Laos' hidden debt (64%) is tied to the China-Laos Railway Project. The project does not have a formal repayment guarantee from the government of Laos, but it is a contingent liability for the Government of Laos because it is potentially "too big to fail," leading the Laotian authorities to potentially face political, reputational, and/or moral pressures to bail out the LCRC in the case of the project facing cash flow problems. This hidden debt is particularly problematic for Laos given its high level of indebtedness to China overall.

When we examine China's cumulative loan commitments to Laos, there are only two instances of financial distress at the loan level, which accounts for 1% of all Chinese lending in Laos. Financial distress can include borrowers accruing principal or interest arrears, defaulting on their repayment obligations, or filing for bankruptcy. In the case of Laos, there have been issues repaying a \$180 million loan from China Eximbank issued in 2009 for the 230kV Hin Heup-Luangprabang 2 Power Transmission Line Project due to low gross foreign exchange reserves from 2019 to 2021 and the increase in ratio of public debt to GDP.

The second instance of financial distress is with the \$53 million loan from China North Industries Group Corporation Limited (NORINCO Group) in 2018 for the Savanakheth Province Road Upgrading Project. The Lao Ministry of Public Works and Transport failed to honor its repayment obligations in 2020 (due to the Covid-19 pandemic); however, NORINCO Group did not seek any legal or punishable action towards the borrower because in the company's project history with the Laotian government it had always been paid back and there was little political risk in the country.

While Laos' loan-level financial distress is still significantly lower than the average 21% of financial distress in China's portfolio across all lower and middle income countries, it's clear from the continued increase in the public debt to GDP ratio (estimated as 137% using total loan commitments to Laos between 2000-2022) that Laos is in financial distress. In a joint

report from the World Bank and IMF on Debt Sustainability Analysis, Laos is classified as in external and overall debt distress.¹¹

Laos has petitioned China Eximbank for debt relief due to challenges making debt service payments during and after the Covid-19 pandemic. Between 2000 and 2024, China Eximbank provided more than \$2 billion of cash flow relief via debt service payment deferrals to Laos. However, according to the IMF, no debt service payment deferrals will be granted in 2025.

To relieve some of its repayment obligations and avoid default, the Laotian authorities have previously sold a large part of the country's electricity transmission grid to a Chinese state-owned enterprise for \$600 million (in an apparent debt-for-equity swap). Still facing liquidity problems and possible default, the Laotian authorities are reportedly considering additional debt-for-equity swaps in the future.¹²

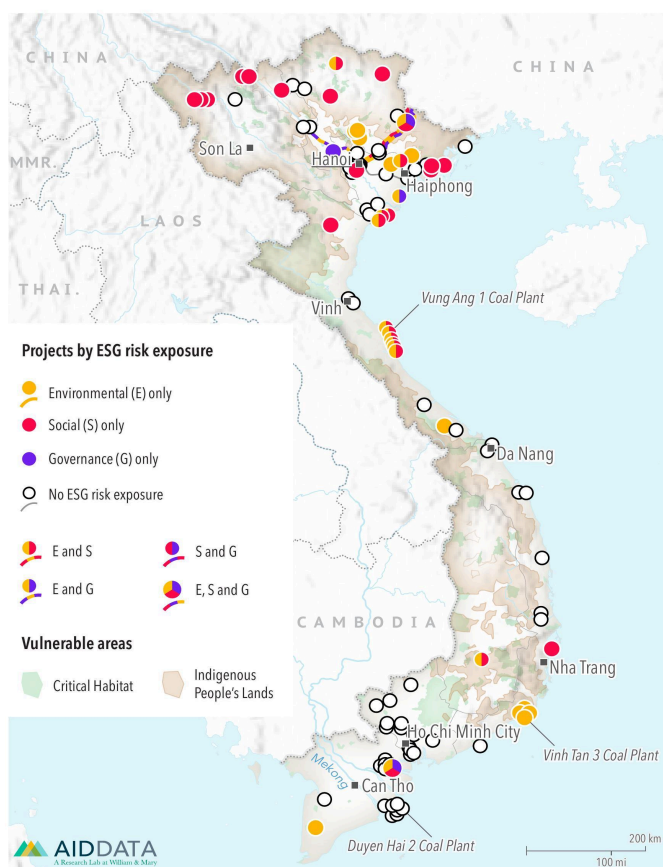
¹¹For more information on the World Bank-IMF's analysis of Laos' external debt, please see <http://documents.worldbank.org/curated/en/099052623123026086/BOSIB0afc1bfc00e8087590295de5276823>

¹²Heijmans, Philip J. 2024. Laos Weighs Debt-to-Equity Swap With China to Avoid a Default. BNN Bloomberg. <https://www.bnnbloomberg.ca/investing/2024/07/25/laos-weighs-debt-to-equity-swap-with-china-to-avoid-a-default/>

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

Chinese infrastructure in Laos with ESG risk exposure:			Examples of global ESG risks
52 infrastructure projects supported by grants and loans from China	\$13.4 billion in loan commitments supporting infrastructure projects	67% 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



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.¹³ (See Appendix B for details on the ESG risk exposure methodology).

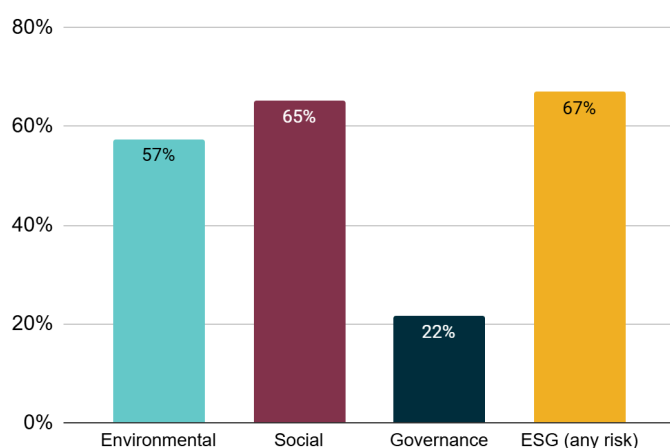
Figure 3.1 presents the geographic locations of all Chinese-financed infrastructure projects in Laos according to their environmental, social, or governance risk exposure. Social risk is predominant among most infrastructure projects in Laos with a concentration directly outside of the capital, Vientiane.

¹³ 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>.

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

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. In Laos, ESG risks are above the global average, with 67% of China's grant- and loan-financed portfolio identified with significant ESG risk exposure (compared to 54% in the developing world writ-large). The projects facing ESG risk exposure consist of 52 infrastructure projects supported by Chinese grant and loan commitments worth \$13.4 billion. Among the projects with significant ESG risk exposure, exposure to environmental and social risk is dominant. Social risk is particularly frequent as citizens are often relocated to accommodate these large-scale infrastructure projects. However, many of these projects are exposed to more than one type of ESG risk (see Figure 3.2).

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



ESG issues observed in Laos

Environmental: habitat destruction, biodiversity loss (86MW Nam Phay Hydroelectric Power Plant).

Social: displacement and resettlement, lack of adequate compensation for land, loss of livelihood (e.g. China-Laos railway, National Stadium Construction Project).

Governance: internationally sanctioned contractors (Nam Ngiep 2 Hydropower Plant, Pakbeng Mekong Bridge Project).

Figure 3.3: Cumulative proportion of Chinese infrastructure financing with ESG risk exposure
Laos (2022): 67%. Low income country average (2022): 55%.

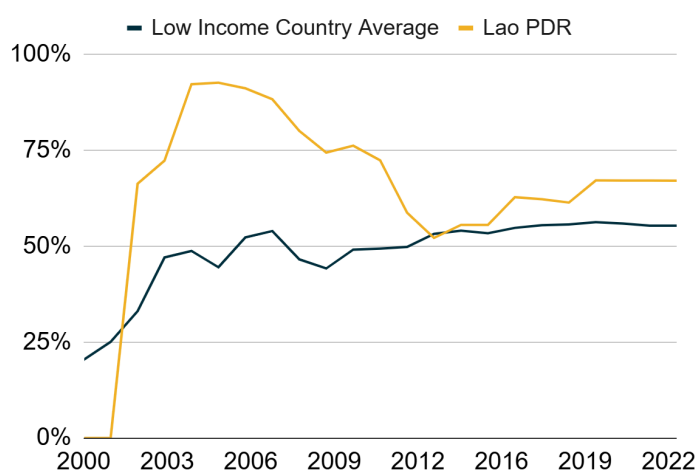


Figure 3.3 shows the increase in the proportional ESG risk exposure over time compared to other low income countries. ESG risk exposure for Chinese-financed infrastructure projects in Laos spiked in 2002 with the start of the Laos Section of the Kunming-Bangkok Highway and the Nam Mang 3 Hydropower Station Project. While ESG risk exposure declined between 2005 and 2013, the start of BRI brought multiple new hydropower plants and transmission lines raising the proportional ESG risk above average again. ESG risk has plateaued in recent years with no new infrastructure projects in 2021 or 2022.

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. New data shows 25% of infrastructure commitments in 2022 had strong ESG safeguards, nearly halving the rate in 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

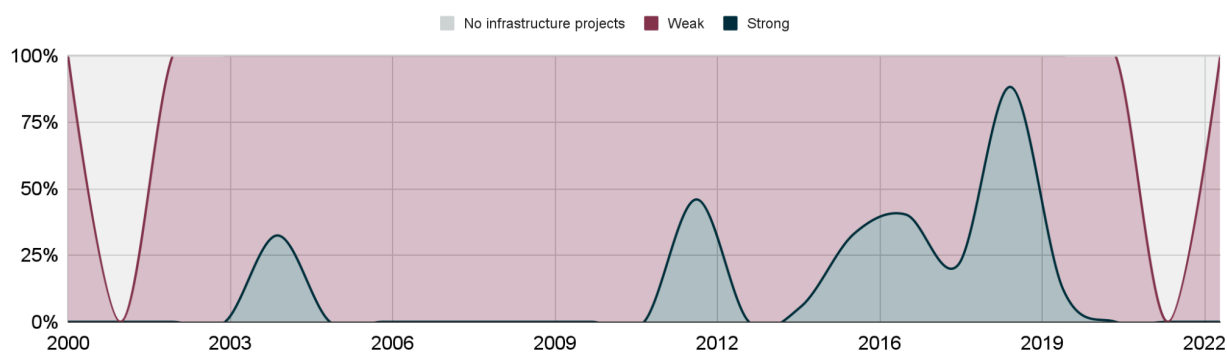
Has China increased ESG safeguard stringency in its infrastructure portfolio in Laos over time?

Between 2000 and 2022, 21% of China's grant- and loan-financed infrastructure project portfolio in Laos had strong contractual ESG safeguards in place.¹⁴ For most years, safeguards were weak, with the lone early exception in 2004 when the share briefly rose to 32%. From 2014 to 2019, however, every year included at least some lending commitments with strong safeguards—peaking at 88% in 2018. These strong safeguards were driven by increased lending from state-owned commercial banks as well as increased syndicated lending (a collaborative lending arrangement that tends to have stronger ESG contractual safeguards when involving state-owned commercial banks or western participants). The lending with stronger safeguards supported projects such as the Vientiane-Vang Vieng Expressway Project, Phase 2 of Nam Ou Hydropower Project, and the Smart Meter Supply and Installation Project.

Since 2020, infrastructure lending to Laos has slowed sharply compared to the pre-COVID era, and the few projects that have gone forward feature exclusively weak safeguards. This diverges from China's global portfolio, where the trend has been toward stronger ESG protections in recent years.

Figure 4.1: Infrastructure project portfolio with strong contractual ESG safeguards¹⁵

Percent of infrastructure project portfolio committed each year



¹⁴During 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* (contractual) environmental, social, and governance safeguards in place.

¹⁵This 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 Laos in the BRI era

Laos’ citizens have maintained a relatively favorable view towards China. Per data captured by Gallup between 2006 and 2022, Laotian citizens held an average approval rate of 76.7% toward China.¹⁶ This is significantly higher than the global average of 60.1%. The most notable trend in recent years is the decrease in favorability from 81% in 2021 to 67% in 2022. One reason for this decrease could be Laos’ growing economic reliance on China.

Figure A.1: Laos’ approval of Chinese leadership, 2006-2022¹⁷

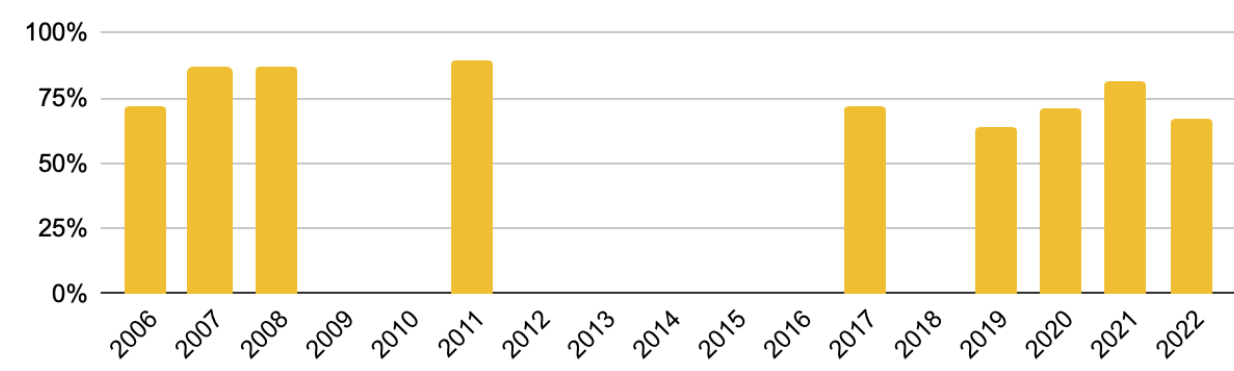


Figure A.2: Bilateral diplomatic visits between China and Laos

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

¹⁶This 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 2006-2022. For Laos, data is available for 2006-2008, 2011, 2017, and 2019-2024. For more information on the Gallup methodology see <https://www.gallup.com/178667/gallup-world-poll-work.aspx>

¹⁷The 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.

Emergency rescue lending & rollover facilities:

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

Definitions of instrument types:

- Grant: The donation of money or an in-kind donation of goods from an official sector institution in China (e.g. donations of supplies or equipment, humanitarian aid or disaster relief, or financing for the construction of a government building, school, hospital, or sports stadium).
- Free-standing technical assistance: Skills training, instruction, consulting services, and information sharing by official sector entities and experts from China. Training provided by Chinese entities outside of China is classified as technical assistance.
- Scholarships/training in the donor country: Funding from an official sector institution in China that allows a citizen from the host country to study at a Chinese university or

other educational institution. This includes training programs and activities that are sponsored by an official sector institution in China and held for host country citizens in China.

- Debt forgiveness: The total or partial cancellation of debt owed by a borrowing institution in the host country to a Chinese government or state-owned entity.

Development finance to Laos from other donors

All data on development finance from other donors came from the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) Creditor Reporting System (CRS). The CRS is the OECD's aid activity database, which compiles activity-level statistics from all providers who report to the OECD. For the analysis in Figure 1.2, 'Aid' represents Official Development Assistance (ODA) grants and loans. Non-concessional loans represent the Other Official Flows (OOF) measure. However, the flows captured in CRS (which are project-level records) specifically exclude export credit flows (due to their potentially sensitive nature). Data on export credits is available in OECD's DAC2B database in aggregate form. DAC2B provides data on OOF loans and grants and gross export credits. However, consistent and comprehensive data on export credits from one development partner to a specific country are not available. Gross export credits to a specific country are available at an aggregate level, such as G7 or all DAC Members. 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 Laos 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.

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.

We thank Sheng Zhang for providing data analysis support; John Custer for supporting the formatting and data visualization design of the profile; Sasha Trubetskoy for providing cartographic support; and William Olichney for conducting a final copy-edit of the profile.

AidData gratefully acknowledges financial support from the Swiss Agency for Development and Cooperation (SDC), the United States Agency for International Development (USAID), and the Ford Foundation. The findings and interpretations in this profile are entirely those of the authors. AidData's research is guided by the principles of independence, integrity, transparency, and rigor. A diverse group of funders support AidData's work, but they do not determine its research findings or recommendations.

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.
