

## China : Guangxi Chongzuo Border Connectivity Improvement Project

### 1. Project Information

|                                   |  |                        |                            |
|-----------------------------------|--|------------------------|----------------------------|
| Project ID:                       | P000357  | Instrument ID:         | L0357A                     |
| Member:                           | China  | Region:                | Eastern Asia               |
| Sector:                           | Transport  | Sub-sector:            | Roads                      |
| Instrument type:                  | <input checked="" type="checkbox"/> Loan:249.00 Euro million<br><input type="checkbox"/> Guarantee   | Lead Co-financier (s): |                            |
| ES category:                      | A  | Borrowing Entity:      | Ministry of Finance, China |
| Implementing Entity:              | Municipal Government of Chongzuo, China  |                        |                            |
| Project Team Leader:              | Anzheng Wei  |                        |                            |
| Responsible DG:                   | Gregory Liu  |                        |                            |
| Responsible Department:           | INF2   |                        |                            |
| Project Team Members:             | Bernardita Saez, Project Counsel;<br>Christopher Damandl, Alternate Counsel;<br>Yi Geng, OSD - Financial Management Specialist;<br>Susrutha Goonasekera, OSD - Social Development Specialist;<br>Chongwu Sun, OSD - Environment Specialist;<br>Guoping Yu, OSD - Procurement Specialist;<br>Bo Shi, OSD - Procurement Specialist;<br>Yuyou Guo, Project admin    |                        |                            |
| Completed Site Visits by AIIB:    | Jul, 2020<br>Jul. 2-10, 2020 Pre-Identification Mission (virtual)<br>Aug, 2020<br>Aug. 9-14, 2020 Identification Mission<br>Oct, 2020<br>Oct. 26-30, 2020 Preparation Mission<br>Mar, 2021<br>Mar. 23-30, 2021 Appraisal Mission<br>Apr, 2023<br>Apr. 11-14, 2023 Implementation Support Mission<br>Dec, 2023<br>Dec. 11-13, 2023 Implementation Support Mission |                        |                            |
| Planned Site Visits by AIIB:      | Dec, 2024<br>Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues.<br>Jun, 2024<br>Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues.                                 |                        |                            |
| Current Red Flags Assigned:       | 0  |                        |                            |
| Current Monitoring Regime:        | Regular Monitoring   |                        |                            |
| Previous Red Flags Assigned:      | 0  |                        |                            |
| Previous Red Flags Assigned Date: | 2023/04  |                        |                            |

### 2. Project Summary and Objectives

The project's objective is to improve the cross border connectivity around Shuolong port and expand economic and trade activities between China and Viet Nam.

The project comprises four components:

1. Component A: Construction of the last section of the Wuzhou - Shuolong Expressway with a total length of 17.679 km, starting from the Neitun Interchange, which is the crossing point with the existing Chongzuo-Jingxi Expressway, and ending at the Shuolong Port bordered with Viet Nam.
2. Component B: Improvement of an existing border road with a length of 13.632 km connecting Shuolong Port to the Detian (Pan Gioc) Waterfall scenic spot, which is a Cross-border Tourism Cooperation Zone.
3. Component C: Construction of the Shuolong Port (Shuolong Main Gate-Phase 2), including the approaching road, parking space, inspection service buildings and relevant facilities and landscaping at the Shuolong Main Gate.
4. Component D: Technical support and project management, including the pilot based Infratech application in the project.

### 3. Key Dates

|                |               |                        |               |
|----------------|---------------|------------------------|---------------|
| Approval:      | Jun. 24, 2021 | Signing:               | Aug. 17, 2021 |
| Effective:     | Dec. 09, 2021 | Restructured (if any): |               |
| Orig. Closing: | Apr. 30, 2027 | Rev. Closing (if any): |               |

### 4. Disbursement Summary (EUR million)

|                   |        |                                       |                     |
|-------------------|--------|---------------------------------------|---------------------|
| Contract Awarded: |        | Cancellation (if any):                | 0.00                |
| Disbursed:        | 29.00  | Latest disbursement (amount/date):    | 29.00/Nov. 03, 2023 |
| Undisbursed:      | 220.00 | Disbursement Ratio (%) <sup>1</sup> : | 11.65               |

### 5. Project Implementation Update

#### A: Overview.

1. The institutional structure for the implementation is well established and functional.
2. Procurement is progressing well. There are in total 10 contracts in the latest Procurement Plan (V6) that Bank have reviewed and provided no-objection in Nov. 2022, 7 of which have been signed and are under implementation, including the works contract of GCBCIP-Works- 01 and GCBCIP-Works-02 under Component A, works contract of GCBCIP-Works-04 under Component B, and 4 consulting services contracts of GCBCIP-Supervision-01, GCBCIP-Supervision-02, GCBCIP-Supervision-04 and GCBCIP-MTP.
3. Both the Environmental and Social Monitoring Consultant and the Resettlement Monitoring Consultant have been hired and are on board beginning June 2022, and have been preparing the bi-annual monitoring reports in a timely manner.
4. The development of the Digital Project Management & Control Platform is ongoing and on track.
5. However, the construction progress is severely behind the plan, with the approval process for use of land becoming a major obstacle.
6. Delay in the construction progress leads to the disbursement lagging behind the original plan. There is only one disbursement of EUR 29 million in Nov. 2022.

**B: Land Issue.** The policy and procedure for the use of land approval process changed in China in 2022/2023 after the loan signing in 2021. It has slowed the project implementation and becoming the major obstacle to be resolved at the moment. There are two main processes involved in acquiring land for the Project. One is the process of 'applying the user right of the land and the other is related to 'the land acquisition and resettlement'. Currently, the

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

project progress is delayed due to the processing of the Land use right application. Specifically, Component A has involved the obtaining of a 275.16mu (around 18 hectares) of basic farmland, which requires the submission of an application of the land use right to the Central Government (Ministry of Natural Resources) for approval. This application requires the completion of a comprehensive package of supporting documents (originally 25 documents and now increased to 28) as a pre-condition for submission. The preparation of the newly required documents have taken much more time than expected due to the significant evolvement of the land related policies in China between 2022 and 2023 (which is becoming more stringent) after the loan signing in 2021. Particularly, since 2022, the central government requires each province to develop its own National Space Master Plan (NSMP). Guangxi is now still working on it. Without the availability of this NSMP, if a project is involving the basic farmland or environmental sensitivity land, a separate report needs to be prepared to clarify the linkage of the use of the specific project lands to the uncompleted NSMP and get separate approval as one of the required supporting documents. The agreement in the compensation with the affected people is also one of the required supporting documents. Because the compensation policy has been adjusted in 2023, thus the Implementing Agency has to repeat the land acquisition process with the adaptation of the updated standards. It has consumed longer time. Chongzuo is lack of the quota of the basic farmland, thus it needed to complete the procurement process of the farmland quota from other cities, it required around CNY 100mn and could not be supported by loans. Securing these government's funds also took long time, which was as the top priority discussed during April 2023's visit and now have been resolved. It is estimated that the whole package of the land use right application for Component A can be ready and submitted to Provincial Natural Resource Department by Jan. 2024 and get clearance in Q1 2024. Following this, it will be submitted to the Ministry of Natural Resource involving the review of six departments, which often takes 8-12 months in average. In the wrap up meeting of Dec. 2023's visit, AIIB requested the Provincial Government to support the process during the process at the Provincial and Central levels.

**Advanced use of Land.** Along with the more stringent new regulation government issued after the loan signing, the government also provide some flexibility to support the urgent needs of infrastructure project, Advanced use of land is one of them. Once the policy was released, PMO/PIO has been actively working on it and finally, on Oct. 30, 2023, the Ministry of Natural Resources has approved the Advanced use of Land for this project of 395 mu (around 26 hectares), concentrated in the Package No. 1 of Component A. It is the first project in Guangxi province that is successfully granted the approval of the advanced use of land. With the granted land, some structures (eg. Neitun interchange and Long Chang Lang tunnel) under the Package No. 1 of Component A can start construction in early 2024. Component B does not involve basic farmland, and its land user right needs to get provincial level approval. The update of the compensation standards and change of regulation requirements have delayed the process. In November 2023, the agreements with the affected people adopting updated compensation standards were completed and resubmitted. It was tabled to the provincial Natural Resources Department on Dec. 8. It is expected to receive the approval in Dec. 2023 or Jan. 2024. Component B does not involve basic farmland, and its land use right needs to get provincial level approval. The update of the compensation standards and change of regulation requirement have delayed the process. In Nov. 2023, the agreements with the affected people adopting updated compensation standards have been completed and resubmitted. It was tabled to the provincial Nature Resources Department on Dec. 8, 2023. It is expected to receive the approval in Jan. 2024.

| Components  | Physical Progress   | Environmental & Social Compliance  | Procurement   |
|---|---|--|---|
| Component A: Construction of the last section of the Wuzhou - Shuolong Expressway with a total length of 17.679 km, starting from the Neitun Interchange, which is the crossing point with the existing Chongzuo- | The tendering of two major civil work contracts (packages Contract 1 and 2 were completed and signed on July 27, 2023. Both contractors are on board. The Package No.1 (The Contractor is China Construction) has completed an investment of around | Two contracts have been signed for Component A and the contractors have been mobilized. Due to land issues, the contractors did not carry out any substantive construction activities, but preparation work. There have ES staff in contractor's team responsible for ES activities, including EHS works, GRM management, as well as coordination and communication with local communities. With | GCBCIP-Works-01 and GCBCIP-Works-02: Both the 2 contracts were signed on July 27, 2023, with the contract amounts of CNY1.0580 billion and CNY675.78 million respectively and the contract duration of 30 months for each. The Contractor for GCBCIP-Works-01 has commenced |

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|---|---|--|---|
| Jingxi Expressway, and ending at the Shuolong Port bordered with Viet Nam.  | CNY 7.4 million, mainly for the preparation works including building camps and laboratory, setting up the concrete mixing station, building the service roads and other per-construction works. The Package No.2 (The Contractor is China Rail No. 12 Bureau) has completed investment of around CNY 6.5 million, only preparation works as well. | proposed design changes, new regulations on land acquisition, and changing timelines, the project team recommended that the updating of Resettlement Plan should be undertaken with immediate effect. It was agreed in the Dec. 2023's visit, the Resettlement Plan will be updated and provided to Bank by Feb. 2024.   | the execution of the works, while the Contractor for GCBCIP-Works-02 has not commenced the construction due to the land use right issues.   |
| Component B: Improvement of an existing border road with a length of 13.632km connecting Shuolong Port to the Detian (Pan Gioc) Waterfall scenic spot, which is a Cross-border Tourism Cooperation Zone.                    | The construction is ongoing though slower than expected. It has completed the physical investment of around CNY 23 million, accounting for 15.5% of the total contract value. The construction of Lvdao tunnel has progressed well and only 10% left to achieve the tunnel through.   | Low construction progress except tunnel was experienced, due to land issue. In contractor's team, there have staff responsible for EHS, GRM management and communication with local communities. The project team also learnt that some contractors had proceeded with civil works prior to the land being legally transferred and had been fined by the local authorities for violation of local regulations. | GCBCIP-Works-04: The contract was signed on August 15, 2022, with the contract amount of around CNY149.42 million and the contract duration of 20 months. The project team was noted in the Dec. visit that the construction progress has also been seriously delayed due to the land issues. |
| Component C: Construction of the Shuolong Port (Shuolong Main Gate-Phase 2), including the approaching road, parking space, inspection service buildings and relevant facilities and landscaping at the Shuolong Main Gate. | N/A   | N/A  | GCBCIP-Works-05: The procurement is under preparation, and the Bill of Quantities (BOQ) has been finalized and the procurement notice is expected to be published in the first quarter of Year 2024.  |
| Component D: Technical support and project management, including the pilot based Infratech application in the project.  | The construction supervisors of component A and Component B are in place, with sufficient staffs in the field. No significant physical progress due to no substantial construction progress. The 3rd party ES   | N/A  | Consulting services contracts of GCBCIP-Supervision-01, GCBCIP-Supervision-02, GCBCIP-Supervision-04 and GCBCIP-MTP have been signed and are under implementation.  |

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|--|--|--|--|
|  | <p>monitoring consultant have provided two reports and progress is on track. Digital Platform has some further development comparing to the progress in April 2023 and not much. It is mainly because of the slow of the construction progress. PMO/PIO are to develop Digital Platform Management Manual with Bank's support to guide all relevant users (contractor, supervisor, designer and PIO) before the substantial construction starts.</p> |  |  |
|--|--|--|--|

**Financial Management:**

Key project financial staffs are in place since project inception to maintain project accounts and financial statements. The first project audit was conducted by Guangxi Provincial Audit Office and the audit report including audited project financial statements covering the period from project start till December 31, 2022 has been submitted to the Bank and deemed as acceptable. According to the project financial statements for period ended September 30, 2023, total expenditures and prepayment to contractors increased from RMB64.7 million (as of March 31, 2023) to RMB232 million, including RMB183 million land acquisition/resettlement and RMB10.5 million prepayment to contractors. Total counterpart funds received increased from RMB110 million (as of March 31, 2023) to RMB224 million. According to the total financing plan, GCUCIDG has mobilized RMB300 million national bonds as counterpart funds to pay land acquisition and resettlement cost. For the remaining RMB700 million, the GCUCIDG has applied to provincial finance bureau to issue earmarked bonds of RMB300 million, the approval status will be available next April. Additionally, GCUCIDG is contacting with China Agriculture Bank to get commercial loan of RMB400 million. GCUCIDG will keep the Bank timely informed about the financing progress and funds availability status. Project Designated Account in EUR is managed by Guangxi Provincial Finance Bureau, an initial advance of EUR29 million (11.65% of the loan size) was released in 2022. Implementation and payment of civil work contracts were delayed due to the obstacles of land acquisition and resettlement, it is agreed that documentation to the DA will be done in early 2024 after cumulative payment of RMB183 million (advance payment of major civil work contracts).

**6. Status of the Grievance Redress Mechanism (GRM)**

The project team fielded an implementation support mission in from December 11 to 13, 2023 and confirmed that only some of the suggested improvements had been fulfilled from the last mission. More improvements are needed. The mission in April 2023 had recommended to the PIO to work with the external monitors to update the GRM disclosure template to reflect the agreed structure, including details of AIIB's Project affected Peoples Mechanism (PPM), as per the Project's ESMP and RP. The project team recommends that this is undertaken with immediate effect and to share an updated GRM disclosure template with the Bank by January 15, 2024. In addition,

the project team also noted the need for a worker grievance mechanism and the need to record the grievances received.

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**7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)**

**Remarks:**

Due to the impact of COVID-19, Shuolong Port was not opened in 2021 and 2022. During the Dec. visit, Bank team is informed that the Shuolong Port is expected to reopen in the 1st half of 2024 after completion of relevant domestic procedures.

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| Project Objective Indicators  | Indicator level | Unit of Measure | Cumulative Target Values |       |        |        |        |        |        |        |        |        |        |        |                            |        |        |                            |        |                            |            |        | Frequency | Responsibility | Comments                   |        |                            |  |     |       |  |  |    |   |    |  |
|---|-----------------|-----------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------------------|--------|--------|----------------------------|--------|----------------------------|------------|--------|-----------|----------------|----------------------------|--------|----------------------------|--|-----|-------|--|--|----|---|----|--|
|   |                 |                 | Baseline                 |       | 2020   |        | 2021   |        | 2022   |        | 2023   |        | 2024   |        | 2025                       |        | 2026   |                            | 2027   |                            | End Target |        |           |                |                            |        |                            |  |     |       |  |  |    |   |    |  |
|   |                 |                 | Year                     | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target                     | Actual | Target | Actual                     | Target | Actual                     | Year       | Target |           |                |                            | Actual |                            |  |     |       |  |  |    |   |    |  |
| Heavy trucks travel time between Neitun Interchange and Shuolong Port (Yanying Gate)            | Project         | Minutes         | 2020                     | >55   | >55    |        |        | NA     |        | NA     |        |        | NA     |        | NA                         |        |        | NA                         |        |                            |            |        |           |                | ≤40                        |        | ≤40                        |  | ≤40 |       |  | ≤40  |    | Every year after completion of Component A. | IU |  |
| Increase in the annual volume of cross-border trade between China and Viet Nam at Shuolong Port | Project         | 1,000 tons      | 2020                     | 19    | 19     |        |        | NA     |        | NA     |        |        | NA     |        | NA                         |        |        | >15% YOY growth in average |        | >15% YOY growth in average |            |        |           |                | >15% YOY growth in average |        | >15% YOY growth in average |  |     | ≥250  |  | Every year after completion of Component A.        | IU |   |    |  |
| Number of In /Out travelers at Shuolong Port  | Project         | 1,000 persons   | 2020                     | 90    | 90     |        |        | NA     |        | NA     |        |        | NA     |        | NA                         |        |        | >15% YOY growth in average |        | >15% YOY growth in average |            |        |           |                | >15% YOY growth in average |        | >15% YOY growth in average |  |     | ≥250  |  | Every year after completion of Component A, B & C. | IU |   |    |  |
| Passenger customs passing time at Shuolong Port (Main Gate)                                     | Project         | minutes         | 2020                     | NA    | NA     |        |        | NA     |        | NA     |        |        | NA     |        | ≤20                        |        |        | ≤20                        |        | ≤20                        |            |        |           |                | ≤20                        |        | ≤20                        |  |     | ≤20   |  | Every year after completion of Component C.        | IU |   |    |  |
| Passengers travel time between Neitun Interchange and Detian Waterfall Scenic Spot              | Project         | minutes         | 2020                     | >60   | >60    |        |        | NA     |        | NA     |        |        | NA     |        | ≤37                        |        |        | ≤37                        |        | ≤37                        |            |        |           |                | ≤37                        |        | ≤37                        |  |     | ≤37   |  | Every year after completion of Component A and B.  | IU |   |    |  |
| Number of the tourists12 to the Detian (Pan Gioc) Cross-border Tourism Cooperation Zone         | Project         | Million persons | 2020                     | 1.34  | 1.34   |        |        | NA     |        | NA     |        |        | NA     |        | >10% YOY growth in average |        |        | >10% YOY growth in average |        | >10% YOY growth in average |            |        |           |                | >10% YOY growth in average |        | >10% YOY growth in average |  |     | >3.00 |  | Every year after completion of Component A and B.  | IU |   |    |  |

|  |         |     |      |     |     |  |    |  |    |  |    |  |      |  |      |  |      |  |      |  |      |  |      |  |   |    |  |
|--|---------|-----|------|-----|-----|--|----|--|----|--|----|--|------|--|------|--|------|--|------|--|------|--|------|--|---|----|--|
| Reduction in the average IRI for Component B | Project | IRI | 2020 | 6.2 | 6.2 |  | NA |  | NA |  | NA |  | ≤4.2 |  | ≤4.2 |  | ≤4.2 |  | ≤4.2 |  | ≤4.2 |  | ≤4.2 |  | Every year after completion of Component B. | IU |  |
|--|---------|-----|------|-----|-----|--|----|--|----|--|----|--|------|--|------|--|------|--|------|--|------|--|------|--|---|----|--|

| Project Intermediate Indicators  | Indicator level | Unit of Measure | Cumulative Target Values |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |            |        | Frequency | Responsibility | Comments |   |    |  |
|--|-----------------|-----------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|--------|-----------|----------------|----------|---|----|--|
|  |                 |                 | Baseline                 |       | 2020   |        | 2021   |        | 2022   |        | 2023   |        | 2024   |        | 2025   |        | 2026   |        | 2027   |        | End Target |        |           |                |          |   |    |  |
|  |                 |                 | Year                     | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Year       | Target |           |                |          | Actual  |    |  |
| Kilometers newly-constructed expressway/Class -1 highway connecting to Shuolong Port | Project         | Kilometers      | 2020                     | 1.34  | 1.34   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |            |        |           |                |          | Annually after the construction completion of Component A | IU |  |
| Kilometers improved national road connecting Shuolong to Detain Water Fall           | Project         | Kilometers      | 2020                     | 0     | 0      | 0      |        |        | 0      |        |        |        | 13.6   |        | 13.6   |        |        | 13.6   |        |        |            |        |           |                |          | Annually after the construction completion of Component B | IU |  |
| Parking lots in the Shuolong Main Gate   | Project         | Number          | 2020                     | 0     | 0      | 0      |        |        | 0      |        |        |        | 0      |        | 283    |        |        | 283    |        |        |            |        |           |                |          | Annually after the construction completion of Component C | IU |  |
| Application of the Digital Platform system in the project implementation             | Project         | Yes/No          | 2020                     | No    | No     | Yes    |        |        | Yes    |        |        | Yes    |        | Yes    |        | Yes    |        | Yes    |        |        |            |        |           |                | Yes      | Annually  | IU |  |