

Project Implementation Monitoring Report (#5)

Reporting Period From 2024/01 To 2024/06

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 <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:	Konstantin Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Christopher Damandl, Alternate Counsel; Yi Geng, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Chongwu Sun, OSD - Environment Specialist; Guoping Yu, OSD - Procurement Specialist; Bo Shi, OSD - Procurement Specialist; Liu Yang, Project Counsel; Yuyou Guo, Project admin		
Completed Site Visits by AIIB:	Jul, 2020 Jul. 2-10, 2020 Pre-Identification Mission (virtual) Aug, 2020 Aug. 9-14, 2020 Identification Mission Oct, 2020 Oct. 26-30, 2020 Preparation Mission Mar, 2021 Mar. 23-30, 2021 Appraisal Mission Apr, 2023 Apr. 11-14, 2023 Implementation Support Mission Dec, 2023 Dec. 11-13, 2023 Implementation Support Mission		
Planned Site Visits by AIIB:	Dec, 2024 Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues. Jun, 2025 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:	2023/12		

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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:	259.25	Cancellation (if any):	0.00
Disbursed:	29.00	Latest disbursement (amount/date):	29.00/Nov. 03, 2022
Undisbursed:	220.00	Disbursement Ratio (%) ¹ :	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 (V7) that Bank has reviewed and provided no-objection on April 4, 2024, seven of which have been signed and are under implementation, including works contract of GCBCIP-Works- 01 and GCBCIP-Works-02 under Component A; works contract of GCBCIP-Works-04 under Component B; and four consulting services contracts of GCBCIP- Supervision-01, GCBCIP-Supervision-02, GCBCIP- Supervision-04 and GCBCIP-MTP under Component D.
3. Component A has begun its construction works on the Longchanglan tunnel, approaching road

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

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of Neitun interchange and substructure of the section

K1+620 ~ YK1+770、K7+450 ~ K7+550、ZK7+620 ~ ZK7+680. All these activities are on the pieces of land which were received the Advanced used of land approval in Oct 2023. Majority of the land of the Component A is still in the ongoing land utilization approval process following national policy and regulations..

4. Both the Environmental and Social Monitoring Consultant and the Resettlement Monitoring Consultant have been hired and on board beginning June 2022, and have been preparing the bi-annual monitoring reports in a timely manner. The most recent site visit of the Environmental and Social Monitoring Consultant was carried out in the first week of June 2024. The Environmental and Social Monitoring Report is expected to be received in mid of July.
5. The development of the Digital Project Management & Control Platform is ongoing and on track.
6. The construction progress is behind the plan, mainly because of the slow progress of the approval process for the use of land.
7. 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. This change has slowed project implementation and has become 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 for the land use right and the other' is related to 'the land acquisition and resettlement'. Currently, the Project progress is delayed due to the processing of the Land use right application. Specifically, Component A involves obtaining 275.16mu (around 18 hectares) of basic farmland, which requires the submission of a land use right application to the Central Government (Ministry of Natural Resources) for approval. This application requires the completion of a comprehensive package of supporting documents according to the new government regulations as a pre-condition for submission. The preparation of these newly required documents have taken much longer time than expected due to significant changes in land related policies in China since 2022, which have become more stringent.. Because the compensation policy has been adjusted in 2023, the Implementing Agency requires to repeat the land acquisition process in accordance with the updated standards, further consuming time.

Chongzuo lacked the quota of basic farmland, thus it needed to complete the procurement process of the farmland quota from other cities. This required around RMB 100 million and could not be supported by loans. Securing these government's funds also took long time. This issue was discussed as the top priority discussed during April 2023's visit and was resolved in early 2024.

On April 28, 2024, the land use right application with its updated supporting package, was submitted to the provincial Natural Resources Bureau. On May 8, it was rejected with 38 questions to be addressed. By June 25, all issues have been/ are about to be addressed, except one : according to the most recent policy, the client needs to complete the full payment of the required social insurance for the land-lost farmers as part of their compensation, prior to the submission of the land use right application to the national level authority.

Advanced use of Land. Along with the more stringent new regulation government issued after the loan signing, the government provided 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 actively worked on it and finally, on Oct. 30, 2023, the Ministry of Natural Resources approved the Advanced use of Land for this project covering 395 mu (around 26 hectares), concentrated in Package No. 1 of Component A. This is the first project in Guangxi province to be successfully granted approval for the advanced use of land All currently ongoing construction under Component A is being carried out on these pieces of advanced use of land. Component B does not involve basic farmland, and its land use right needs to get provincial level approval. The update of compensation standards and changes in regulatory requirement have significantly slowed down the process.

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Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>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.</p>	<p>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 RMB7.1mn, mainly for <u>Longchanglan tunnel, approaching road</u> of Neitun interchange and substructure of the section K1+620 ~ YK1+770、K7+450 ~ K7+550、ZK7+620 ~ ZK7+680. The Package No.2 (The Contractor is China Rail No. 12 Bureau) has completed investment of around RMB13mn, 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..</p>	<p>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 proposed design changes, new regulations on land acquisition, and changing timelines, the Resettlement Plan has been updated and reviewed by Bank in March. It is now in the process to finalize the updated version with incorporating Bank’s comments and is expected to be disclosed on both the Client’s and Bank’s website in July 2024.</p>	<p>GCBCIP-Works-01 and GCBCIP-Works-02: Both the two contracts were signed on July 27, 2023, with the contract amounts of RMB1.0580bn and RMB675.78mn respectively and the contract duration of 30 months for each. Both contractors have commenced the execution of the works, but with limited construction progress due to the land use right issues. GCBCIP-Works-03: The technical specifications and drawings have been prepared and the tendering process is expected to start in June 2025.</p>
<p>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.</p>	<p>The construction is ongoing though slower than expected. It has completed the physical investment of around RMB25mn, accounting for 17% of the total contract value. The construction of Lvdao tunnel has progressed well and only 10% left to achieve the tunnel through.</p>	<p>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.</p>	<p>GCBCIP-Works-04: The contract was signed on August 15, 2022, with the contract amount of around RMB149.42mn and the contract duration of 20 months. The construction progress has also been seriously delayed due to the land issues.</p>
<p>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.</p>	<p>No Progress</p>	<p>No Progress</p>	<p>GCBCIP-Works-05: The tender documents are under preparation and are expected to be finalized in August 2024 and the procurement notice is expected to be published in August 2024.</p>

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<p>Component D: Technical support and project management, including the pilot based Infratech application in the project.</p>	<p>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 monitoring consultant has 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>	<p>N/A</p>	<p>Consulting services contracts of GCBCIP-Supervision-01, GCBCIP-Supervision-02, GCBCIP-Supervision-04 and GCBCIP- MTP have been signed and are under implementation. GCBCIP-Supervision-03: The Request for Expression of Interests (REOI) is expected to be issued in July 2024.</p>
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Financial Management:

Key project financial staffs are in place since project inception to maintain project accounts and financial statements. According to the project financial statements for period ended March 31, 2024, total expenditures and prepayment to contractors increased from RMB232mn (as of September 30, 2023) to RMB505mn, including RMB202mn land acquisition/resettlement and RMB205mn payment to contractors. Total counterpart funds received increased from RMB224mn (as of September 30, 2023) to RMB266mn. Project Designated Account in EUR is managed by Guangxi Provincial Finance Bureau, an initial advance of EUR29mn (11.65% of the loan size) was released in 2022, total loan proceeds of EUR26mn (RMB204mn equivalent) has been paid to contractors.

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.

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

On track.

Remarks:

Due to the impact of COVID-19, Shulong Port was not opened in 2021 and 2022. Bank team is informed that the Shulong Port is currently going through the final inspection procedures by Customs Authority, it is expected to reopen in the 2nd half of 2024.



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Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments				
			Baseline		2020		2021 - 2023		2024		2025		2026		2027		2028		2029		End Target								
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual				Year	Target	Actual	
Heavy trucks travel time between Neltun Interchange and Shuolong Port (Yanying Gate)	Project	Minutes	2020	>55	>55			NA		NA																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			>15 % YOY growth in average	>15 % YOY growth in average	>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			>15 % YOY growth in average	>15 % YOY growth in average	>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			≤20	≤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		≤37	≤37		≤37	≤37	≤37		≤37		Every year after completion of Component A and B.	IU	
Number of the tourists ¹² to the Detian (Pan Gioc) Cross-border Tourism Cooperation Zone	Project	Million persons	2020	1.34	1.34		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		≤4.2	≤4.2		≤4.2	≤4.2	≤4.2		≤4.2		Every year after completion of Component B.	IU	



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Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments	
			Baseline		2020		2021-2023		2024		2025		2026		2027		2028		2029		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							12.2/5.4		12.2/5.4		12.2/5.4		12.2/5.4		12.2/5.4		12.2/5.4	Annually after the construction completion of Component A	IU		
Kilometers improved national road connecting Shuolong to Detain Water Fall	Project	Kilometer	2020	0	0			0		0		13.6		13.6		13.6		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		283		283		283		283		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		Yes	Annually	IU		