

Project Implementation Monitoring Report (#3)

Reporting Period From 2023/10 To 2024/03

China : China Zhengzhou International Logistics Hub Expansion

1. Project Information

Project ID:	P000386	Instrument ID:	L0386A
Member:	China	Region:	Eastern Asia
Sector:	Transport	Sub-sector:	Multimodal logistics
Instrument type:	<input checked="" type="checkbox"/> Loan:132.50 Euro million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, China
Implementing Entity:	Zhengzhou International Logistics Hub Development and Construction Co. Ltd.		
Project Team Leader:	Runze Yu		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Liu Yang, Project Counsel; Bernardita Saez, Alternate Counsel; Rui Xiang, OSD - Financial Management Specialist; Chongwu Sun, OSD - Environment & Social Development Specialist; Yunlong Liu, OSD - Procurement Specialist; Bo Shi, OSD - Procurement Specialist; Wenjing Pu, Back-up PTL; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Dec, 2019 AIIB Mar, 2020 AIIB (Virtual) Aug, 2020 Project Identification Mission Sep, 2020 Fact-finding Mission Nov, 2020 Preparation Mission Feb, 2021 Pre-appraisal Mission Mar, 2021 Appraisal Mission (Virtual) May, 2021 Appraisal Mission, Appraisal Mission Mar, 2023 Kick-Start Supervision Mission Jan, 2024 Project Supervision Mission		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags	2023/09		

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Assigned Date:

2. Project Summary and Objectives

The project provides long-term Sovereign-Backed Financing (SBF) to Zhengzhou International Hub Development and Construction Co., Ltd. (ZIH) for the expansion of its freight facilities, including Multimodal Cold Storage Facilities, Type-B Bonded Logistics Center, Vehicle Imports Facility, and CR Express Logistics Information Platform Upgrade. These facilities are integral value-added components to the China Rail (CR) Express operated by ZIH, connecting China and European/Central Asian countries.

The Project is to facilitate cross-border trade by enhancing freight service efficiency of the containerized CR Express trains connecting Zhengzhou China to Europe and Central Asia.

3. Key Dates

Approval:	Jan. 26, 2022	Signing:	Jul. 11, 2022
Effective:	Nov. 08, 2022	Restructured (if any):	
Orig. Closing:	Jun. 27, 2027	Rev. Closing (if any):	

4. Disbursement Summary (EUR million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	0.33	Latest disbursement (amount/date):	0.33/Nov. 08, 2022
Undisbursed:	132.17	Disbursement Ratio (%) ¹ :	0.25

5. Project Implementation Update**Current Status:**

After the Client notified the Bank of the project site relocation, a mission was conducted to Zhengzhou in January 2024:

Both the Henan Department of Finance (DOF) and the Henan Zhongyu Port Group (ZIH's parent company) affirmed their commitment to utilizing the AIIB loan, with plans for ZIH to commence construction within 2024.

This is in line with directives from the Henan Provincial Government to launch CR Express services from the new location within the year.

The new site's land has been identified, although further steps for land acquisition are pending.

The consultants for the Feasibility Study Report (FSR) and Environmental and Social Impact Assessment (ESIA) for the new project site are being procured.

Key Issues:

Completion of the required land acquisition procedures is anticipated to be time-consuming, potentially impacting the Project's implementation timeline.

Forthcoming resettlement efforts may elevate the Project's E&S category from B to A.

Follow up actions:

A follow-up supervision mission to Zhengzhou is scheduled for the second quarter of 2024 to evaluate implementation planning and address environmental and social (E&S) as well as procurement issues. Prerequisites for this mission include: 1) ZIH reaching consensus with the owner of the new site's land on land price and acquisition conditions; 2) Commencement of work by the FSR and ESIA consultants.

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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Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Multimodal Cold Storage Facilities	0%	No non-compliance identified.	No issue.
Component 2: Parallel Vehicle Imports Facility	0%	No non-compliance identified.	No issue.
Component 3: Bonded logistics Center	Since March 2022, Client mobilized self-owned funds for constructing the cross-border e-commerce warehouse and the storage yard.	No non-compliance identified.	No issue.
Component 4: Multimodal Logistics Information Platform Upgrade	17.14%	No non-compliance identified.	No issue.

Financial Management:

Bank received the Annual Audit Report of 2022 on July 31, 2023. The auditor has expressed that the financial statement is presented fairly in all material aspects and prepared in accordance with Chinese accounting standards and system, and the requirement of the project loan agreement.

According to the audited financial statements, by the end of Dec 31, 2022, as the project has just become effective, there has no loan disbursement from AIIB, all the cumulative expenditures of RMB 39.2 million has been covered by counterpart fund, accounting for 2.39% to total budget.

During the compliance test, the auditor has identified some issues in Accounting and Construction Management. ZIH should strengthen the contract management of project investment and maintain the consistency of relevant information and statistical caliber.

6. Status of the Grievance Redress Mechanism (GRM)

There was no complaint received since project effectiveness.

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

ZIH updated the results monitoring framework as the loan became effective in October 2022 and main thrust of implementation started in 2023.

The Bank team reviewed the updated results monitoring framework and agreed. The Bank received the first semi-annual project implementation progress report on August 2, 2023 and have provided comments.

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Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values															Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		2025		2026		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual
Cross-Border Trade - Container volume	Project	TEU	2021	90,200	90,200		94,300		98,400		102,500		110,700		118,900		2027	147,600		Semiannually	ZIH	
Cross-Border Trade - Number of trains	Project	Number	2021	1,100	1,100		1,200		1,300		1,400		1,500		1,650		2027	1,800		Semiannually	ZIH	
Operational Efficiency - Annual average load factor - Inbound	Project	%	2021	80%	80%		80%		80%		80%		82%		84%		2027	90%		Semiannually	ZIH	
Operational Efficiency - Return trip ratio	Project	%	2021	40%	40%		40%		40%		40%		41%		42%		2027	45%		Semiannually	ZIH	

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values															Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		2025		2026		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual
Component 1: Multimodal Cold Storage Facilities - Cold storage capacity	Project	ton	2021	0	0		0		0		0		0		50,000		2026	50,000		Annually	ZIH	
Component 2: Parallel Vehicle Imports Facility - Area for vehicle imports facility	Project	sqm	2021	0	0		0		0		0		0		89,800		2026	89,800		Annually	ZIH	
Component 3: Bonded logistics center - Area of bonded logistics facilities	Project	sqm	2021	0	0		0		0		0		0		68,000		2026	68,000		Annually	ZIH	
Component 4: Multimodal Logistics Information Platform Upgrade - Quotation time	Project	minute	2021	55	55		55		55		55		55		15		2026	15		Annually	ZIH	

Component 4: Multimodal Logistics Information Platform Upgrade - Booking time	Project	minute	2021	30	30		30		30		30		30		15		2026	15		Annually	ZIH	
Jobs Creation - Total number of new jobs created	Project	number	2021	0	0		0		0		0		0		145		2026	145		Annually	ZIH	
Jobs Creation - Total number of female employees newly hired	Project	number	2021	0	0		0		0		0		0		74		2026	74		Annually	ZIH	