

## 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:	Not Applicable		
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; 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		
Planned Site Visits by AIIB:	Nov, 2023 Second supervision mission.		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/03		

## 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	Most recent disbursement (amount/date):	0.33/Nov. 08, 2022
Undisbursed:	132.17	Disbursement Ratio (%) <sup>1</sup> :	0.25

## 5. Project Implementation Update

### Component 1 - Multimodal Cold Storage Facilities

ZIH is promoting the preparation work before the start of the project in accordance with the procurement plan and disbursement plan of the project. Currently, the detailed design of the project plan is underway.

### Component 2 - Vehicle Imports Facility

ZIH is promoting the preparation work before the start of the project in accordance with the procurement plan and disbursement plan of the project. Currently, it is carrying out detailed design work for the automotive parts warehouse, modification warehouse, turnover warehouse, and General plot plan engineering, as well as the application for the construction of logistics business district.

### Component 3 - Bonded Logistics Center

At present, the construction of the cross-border e-commerce warehouse, which is also used as customs detention warehouse, has started, the main structure has been completed, and the secondary structure masonry and roof steel structure are under construction; The construction of the open-air storage yard has been completed. The current progress was financed through the Client's own funding.

### Component 4 - Multimodal Logistics Information Platform Upgrade

At present, the development and online operation of the Multimodal BL (bill of lading) service information platform have been completed. ZIH is promoting the preliminary work for the start of construction of the digital train system, document platform, Beidou positioning reconstruction, and General control platform, according to the project bidding procurement plan and disbursement plan. It was expected to release a bidding announcement in August 2023, ZIH will try to complete the bidding and start construction of the project as soon as possible.

<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.

On September 6, 2023, ZIH together with the Henan Provincial Department of Finance and Zhengzhou Municipal Finance Bureau visited AIIB's headquarter and informed the Bank of the potential material changes:

1. The Project will be relocated to the Zhengzhou Airport Economy Zone from the Zhengzhou Economic and Technological Development Zone, following a master plan approved by Henan Provincial Government aiming to consolidate the capacity of the Xin Zheng Airport, the railway dry port, and inland waterway ports.
2. There is no change the project objective, namely, to facilitate cross-border trade by enhancing freight service efficiency of the containerized China Railway (CR) Express trains connecting Zhengzhou China to Europe and Central Asia.
3. The Project, after relocation, will anticipate higher capacity than originally planned, in terms of number of block trains annually.
4. There would be no change to the total AIIB loan amount: EUR132 million (USD150 million equivalent).
5. The expected timeline for project completion would be by the end of 2024.
6. Project Implementation Entities remain the same.

The Bank clarified the procedures for handling project changes after approval and required ZIH to provide the Bank team the updated project Feasibility Study Report at the soonest.

ZIH has engaged the previous ESIA consultant and is about to commence consulting services. Bank team is assisting the Client on the ToR.

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 (34.46% progress) and the storage yard (52.46% progress).	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.

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

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There was no complaint received since project effectiveness.

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

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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:**

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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	90,200	94,300	13,384	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	1,100	1,200	1,165	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%	85.7%	80%		80%		82%		84%		2027	90%		Semiannually	ZIH	
Operational Efficiency - Return trip ratio	Project	%	2021	40%	40%	40%	40%	49.01%	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	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	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	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	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	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	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	0	0	0	0	74	2026	74	Annually	ZIH	