

## 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; 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:	Oct, 2023 Second supervision mission.		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:			
Previous Red Flags 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	Most recent disbursement (amount/date):	0.33/Nov. 08, 2022
Undisbursed:	132.17	Disbursement Ratio (%) <sup>1</sup> :	0.25

### 5. Project Implementation Update

The project implementation had commenced. Client started implementation of Component 4 since April 2021 with the counterpart funds. Since March 2022, Client mobilized self-owned funds for constructing the cross-border e-commerce warehouse and the storage yard, both (under Component 3) to be completed by September 2023.

The Client expressed their key concerns over the phasing for implementing all project components. Firstly, the short-term prospect of the cold-chain market demand remains sluggish due to the rigorous quarantine control during the pandemic time. Secondly, the fiscal support to ZIH from municipal finance, which was very stable during the pre-pandemic time, is now distressed. Last but not the least, the overall foreign trade landscape in China looks challenging this year and post-pandemic recovery would take a few more quarters. While still confident in materializing all project components, the ZIH management is now cautious on capacity expansion and taking a very prudent approach for prioritizing relevant activities.

With this context, the Bank Team discussed with the Client specifically over the work program for 2023. It was agreed that ZIH will kick-start the construction of integrated service center, business center, and customs clearance hall (total construction area: 55,376.32 square meters) within AIIB's financing scope under Component 3, as completion of these activities will complement the sub-components now under construction and enable the functioning of bonded services area. Tentative bidding for these activities would be June 2023 and corresponding disbursement of AIIB's loan proceeds within 2023 was estimated around RMB80 million.

<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.

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, both (under Component 3) to be completed by September 2023.	No non-compliance identified.	No issue.
Component 4: Multimodal Logistics Information Platform Upgrade	Client started implementation of Component 4 since April 2021 with the counterpart funds.	No non-compliance identified.	No issue.

**Financial Management:**

ZIH confirmed that the accounting and financial reporting system has been properly established as per agreed arrangements proposed during project preparation. ZIH, guided by provincial and municipal finance departments, is in the process of forming the detailed FM arrangements and procedures to be incorporated in the Project Operation Manual, including but not limited to FM institutional arrangement, funds flow management, accounting, and reporting etc., to regulate and standardize FM practice for day-to-day operation on FM.

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

There was no complaint received since project effectiveness. The Bank team highlighted during the recent supervision Mission the importance of GRM that should be remained and operated meaningfully during the entire project life cycle. Media monitoring report is also an important aspect to be included in ZIH's daily management work, as well as in semi-annual Project Progress Report.

**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 Octpber 2022 and main thrust of implementation started in 2023.

The Bank team reviewed the updated results monitoring framework and agreed.

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	100,376	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	1,165	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%	88.49%	80%		80%		82%		84%		2027	90%		Semiannually	ZIH	
Operational Efficiency - Return trip ratio	Project	%	2021	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		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		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		68,000		2026	68,000		Annually	ZIH	
Component 4: Multimodal Logistics Information Platform Upgrade	Project	minute	2021	55	55		55	55	55		55		55		15		2026	15		Annually	ZIH	

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