



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 05-May-2020 | Report No: PIDC29213

**BASIC INFORMATION****A. Basic Project Data**

Country Vietnam	Project ID P173588	Parent Project ID (if any)	Project Name Phu Quoc Sustainable Water Management Project (P173588)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Dec 07, 2020	Estimated Board Date Feb 26, 2021	Practice Area (Lead) Water
Financing Instrument Investment Project Financing	Borrower(s) Socialist Republic of Vietnam	Implementing Agency Phu Quoc Economic Zone Management Board	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve security and integrated management of Phu Quoc Island's water resources. This will be achieved through: (i) increasing water storage capacity and supply coverage; (ii) improving wastewater management; and (iii) reducing flood risks

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	188.30
Total Financing	188.30
of which IBRD/IDA	110.70
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	110.70
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Non-World Bank Group Financing

Counterpart Funding	77.60
Borrower/Recipient	77.60



Environmental and Social Risk Classification

High

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- Vietnam has had one of the fastest GDP per capita growth rates (averaging 5.5 percent a year) since the early 1990s**, yielding a three-and-a-half-fold increase in average income. The country has also been one of the best performer worldwide in terms of poverty reduction and shared prosperity, with more than 40 million people lifted out of poverty between 1990 and 2014; with consumption growth of the bottom 40 percent of the population growing by 6.8 percent annually over the same period. Tourism is expected to play an increasingly important role, supporting GDP growth and creation of sustained livelihoods. In 2019, Vietnam received 18 million international visitors, in addition to the 80 million registered domestic tourists. Tourism's direct contribution to Vietnam's economy is increasing with its share of GDP rising from 6 percent in 2013 to 7.9 percent in 2017. Furthermore, there are some 1.3 million people who derive livelihoods from tourism in Vietnam (2.5 percent of the total workforce in the country).
- Economic and demographic evolutions, along with climate change, are placing new demands on the development model, highlighting a need to adapt and become more resource efficient.** Vietnam's current population of around 96 million and is expected to level off at around 120 million by 2050 (CPF 2017). At the same time urban areas, are growing with an increasing contribution to GDP (currently around 50 percent). The emergence of an upwardly mobile urban middle class is placing new pressures on public services, with rising expectations in terms of quality of life, access to improved municipal services that they want and will pay for, and greater voice and choice in decision making. In addition, Vietnam is heavily affected by natural disasters and climate change, due to the concentration of a high proportion of its population and economic assets in vulnerable coastal lowlands and deltas. Specifically, 70 percent of the population are at risk from typhoons, floods, droughts, sea water intrusion, landslides, forest fires and occasional earthquakes, and average annual disaster related losses are approximately US\$2.4 billion, or almost 1.5 percent of GDP. As Vietnam strives to become a modern, industrialized economy by 2035 - economic growth will need to adapt to become more resource efficient and to address the consequences of climate change.
- Vietnam has been negatively impacted by the health and economic crises caused by the COVID-19 pandemic, including tourism.** While disease spread has been relatively low¹, restrictive measures are having an impact on the economy, with the country reporting a GDP growth rate of only 3.8 percent in the first quarter of 2020. This represents the lowest growth rate since 2009 and is partially attributed to the COVID-19 outbreak. The tourism sector, in particular, has been one of the hardest hit by the COVID-19 pandemic. Monthly international tourist numbers dropped from a peak of 1.9 million people in January to less than 450,000 in March 2020. Coupled with similar trends for domestic tourism, hotel occupancy rates declined from 90% to less than 15%, with many closures observed during this period². Moreover,

¹ 271 confirmed cases as of May 5, 2020.

² Source: General Statistics Office, Vietnam Hotel Association, and Vietnam National Administration of Tourism



the impacts have been far reaching, affecting travel and tourism value chains across Vietnam, placing thousands of jobs and livelihoods at risk. In response to the economic impacts, in March 2020, the authorities announced a credit package totaling VND 250 trillion (about 3.3 percent of GDP) from the banking sector, designed to support affected firms and households. In addition, the government is developing a post-COVID-19 economic recovery and fiscal stimulus package that is designed to create temporary jobs and ensure equitable growth.

Sectoral and Institutional Context

4. **Phu Quoc is the largest island of Vietnam, located in the Gulf of Thailand in Kien Giang Province in Mekong Delta region.** Phu Quoc Island has an area of about 567 km² and resident population of around 110,000 and is home to a vibrant and rapidly expanding tourism industry. Phu Quoc is earmarked to become a 'special administrative - economic unit' with an aim to create growth poles and spillover effects for Kien Giang province and the broader Mekong Delta region.

5. **Phu Quoc's Master Plan leverages the island's geographical advantages, including rich natural environment and tourism potentials.** It aims to support the Island's transformation to an international tourism destination and a science and technology hub for the Southeast Asian region, balancing economic development with the protection of the environment and preservation of historic monuments and cultural heritage. This Plan has enabled substantial investment over the past ten years, helping to establish Phu Quoc as one of the key holiday destinations in Vietnam for national and international tourists. There are 70-80 flights per day with the Phu Quoc International Airport is being upgraded to handle 7.0 million visitors per year by 2030. The tourist sector directly employs 36,000 workers and indirectly support jobs / livelihoods for a further 80,000 in 2020.

6. **The tourism boom and rapid urban growth has however had its downside, including water pollution, urban flooding and water scarcity – issues which are now placing hard earned development gains at risk.** The Island's civil infrastructure has not kept pace with rapid tourism expansion, including the challenge of meeting high demands during peak periods. The existing water supply system for example, serves less than half Island current demands, storage is grossly inadequate placing the water balance in a precious position of insecurity. In March 2020, the Phu Quoc district administration reported that the water level in Duong Dong storage reservoir was less than 20% capacity - projected to dry up by May 2020, if the current drought conditions continue. As a result, of water security threats - many new tourist resorts have constructed their own independent supplies, including poorly regulated groundwater abstraction from sensitive coastal aquifers.

7. The coverage and capacity of municipal drainage, solid waste and wastewater management systems is very low or non-existent and as a result unabated pollutant loads are now entering and contaminating the sensitive natural environment. Such pollution, including plastic waste, is having visible and damaging effects on fragile marine eco-systems, now threatening the Island's natural assets and intrinsic values for which the tourism industry was founded and has thrived to date. Once pristine, beaches are often littered with trash and the river waters such as Duong Dong have become foul with wastewater from the town (domestic, hotels and restaurants, fish source factories, etc.). Moreover, only two towns have some form of drainage and flood management system, which were developed ad hoc over time, such systems are overwhelmed - subject to blockage and localized flooding each rainy season. In 2019, flood waters reached up to 1.0m high in some areas. Wastewater from houses, hotels, resorts, restaurants and other commercial properties is mixed into the stormwater, spilling into public spaces, or conveyed in open drains to the beaches and the ocean – presenting a risk to public health that could damage the island's reputation and its tourist industry.

8. **Economic losses for Phu Quoc are projected to increase as weather related development impacts intensify in**



the face of climate change. Increased rainfall intensity and frequency of extreme rainfall events will further overload the drainage system causing more extensive flooding. Sea level rise will impact hydraulic performance of the drainage system and increase the flood risks. As for the water supply sector there is a higher risk of depletion of water resources due to saline intrusion, rainfall decrease in dry periods and increased numbers of dry days and drought events. Such issues will have damaging economic impacts, creating a barrier to achievement of Phu Quoc Island's long-term sustainable development goals.

9. **It is within this context that the Phu Quoc Sustainable Water Management Project has been proposed by Kien Giang Province.** Through infrastructure financing and technical support activities, the project will help increase Phu Quoc's water security, build resilience to climate change and reduce threats from flooding and inadequate wastewater and solid waste management. Providing support for the integrated development of critical 'back-bone' water infrastructure and environmental management necessary for long-term sustainable development and inclusive growth.

C. Proposed Development Objective(s)

10. The Project Development Objective (PDO) is to improve security and integrated management of Phu Quoc Island's water resources. This will be achieved through: (i) increasing water storage capacity and supply coverage; (ii) improving wastewater management; and (iii) reducing flood risks.

Key Results (From PCN)

11. It is envisaged that the project will support resilient infrastructure for water supply, drainage, flood retention, wastewater and solid / plastic waste collection, in targeted areas - critical for long-term sustainable development of the Island. Water security will be enhanced through supporting preparation and implementation of an integrated water resource management plan for the Island, which will guide relevant and holistic practices for sustainable surface and groundwater use and promote demand management. In addition, the project will support resilient infrastructure for water supply, drainage, flood retention, wastewater and solid waste management, in targeted areas - critical for long-term sustainable development of the Island. Such interventions collectively will support the achievement of the PDOs, to be measured through the following Key Results indicators.

- Increase in water storage capacity (months of storage for projected demand)
- People provided with access to "improved water sources" (number, including female)
- People provided with access to "improved sanitation services" (number, including female)
- Reduced area prone to floods in the area covered by the project interventions (hectares)
- Volume (mass) BOD pollution load removed by the treatment plant supported under the project (tons/year)
- Solid and plastic waste removed from the new and rehabilitated drainage system supported under the project (tons/year)

D. Concept Description

12. At Concept Stage, the project has been structured under five components, including activities designed to ensure that future development on Phu Quoc will balance economic growth with investments to conserve and protect the natural environment and strengthen resilience to climate change, as described further below.

13. **Component 1 – Construction of Cua Can Multi-purpose Reservoir.** This Component will finance activities (goods, works and services) to support phase 1 development of the Cua Can multi-purpose, off-stream water storage reservoir. A



high priority, strategic infrastructure investment necessary for the island's water security, to build long-term resilience to climate change. Whilst the primary purpose is water supply, Cua Can reservoir will also be designed for some limited flood control, helping to reduce pressure on downstream drainage systems in urban areas. Other projected secondary benefits include amenity and associated recreational facilities and activities. The construction Cua Can water storage reservoir is aligned with Prime Ministers Decision No. 633/QD-TTg (2010) and will supply the proposed Cua Can water treatment plant with a Phase 1 capacity (2025) of 20,000 m³/day and Phase 2 capacity (2030) of 50,000 m³/day. The required volume of the reservoir, taking into consideration the dry season, will be 3.7 million m³ in phase 1 with scope to expand to 10.5 million m³ in subsequent phases.

14. **Component 2 – Expanding Water Supply Transmission and Distribution Networks.** Component 2 will finance goods, works and services for expansion of the water supply distribution system, with a focus on increasing coverage in underserved areas of the Island. The Master Plan to 2030 identifies four new water treatment plants at Cua Can (capacity of Phase 1 – 20,000 m³/day; Phase 2 – 50,000 m³/day), Suoi Lon (15,000 m³/day), Rach Ca (8,000 m³/day) and Rach Tram (10,000 m³/day). Cua Can WTP Phase 1 (20,000 m³/day) is considered the priority for the current project proposal which will integrate with the existing water supply system to supply Duong Dong town and supply urbanizing areas to the north in Cua Can, Cau Duong and Ganh Dau communes. Specifically, the project will finance transmission, distribution infrastructure along with support for household connections and provide technical assistance to leverage private sector finance for development of the proposed water treatment plant under a PPP model (design-build and operate).

15. **Component 3 – Wastewater Collection and Treatment, Solid Waste Collection, and Environmental Sanitation.** Component 3 will finance goods, works, and services to support: (1) the rehabilitation and expansion of the stormwater drainage system in identified hotspots, (2) the development of a new separated wastewater collection and treatment system, and (3) improved solid / plastic waste collection. The Master Plan identifies the need for a separated sewerage system with five wastewater treatment plants at Duong Dong, An Thoi – Bai Truong, Bai Dai resort Ham Ninh – Bai Vong urban area, and Mui Dat Do resort, with priority given to Duong Dong and An Thoi towns. As a first phase, Component 3 will support development of Duong Dong stormwater and wastewater collection and treatment systems, with remaining areas to be covered under subsequent phases of development. The project will also address basic collection and classification (separation) of household solid waste, plastics and install trash screens at stormwater inlets and rainwater outlets in order to trap garbage before it can block the drainage system.

16. **Component 4 – Resettlement and Compensation.** The project, to the extent possible will avoid and minimize the need for resettlement and compensation. However, the proposed sub-projects, especially the Cua Can multi-purpose storage reservoir, will require some resettlement. This component will support the management of resettlement activities in compliance with applicable World Bank policies and procedures, local regulations and relevant Vietnamese laws.

17. **Component 5 – Project Management and Technical Assistance.** Component 5 will finance project management-related activities, including monitoring and evaluation (M&E), project and entity audits, training, safeguards and fiduciary management, beneficiary satisfaction surveys, managing a beneficiary feedback mechanism, including a grievance redress mechanism, and all associated project operating costs. It will also support preparation activities for phase 2 investments including feasibility studies along with institutional investments and environmental and social assessments and priority technical assistance. Given the nature of the project, which provides an integrated approach to water supply, drainage, wastewater and solid waste management, Component 5 will provide not only project management, but also capacity building in sustainable management and operation, community education programs, and innovation to make the most of global best practice.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

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APPROVAL

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