

## **CHAPTER 3**

# **THE EXISTING CONDITION OF THE VIENTIANE WATER SUPPLY SYSTEM**

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### **3.1      Organization**

#### **3.1.1      Organization of the NPVC**

##### **(1)      Short history**

The Lao Water Supply Enterprise, an ancestor of Nam Papa Lao, was established in 1959 and its production unit was turned into a business system according to new mechanisms introduced with the introduction of new economic reforms in 1985. The new name of the company was The Lao Water Supply Company. It was named by the Resolution of the Council of Ministers No.67/CCM, 1985, and was turned to into a business in accordance with the Resolution of the Directive Committee of Business Alteration No.021/DCBA, in 1987.

In 1988, it became a self-sustaining business as part of the national economy and a governmental business unit, according to the Resolution No.19/CCM. Later, in 1994, the National Assembly approved Business Law No.03/NA, and Nam Papa Lao Company improved its enterprise corresponding to contents of the law and was renamed Lao Water Supply Enterprise (NAMPAPA LAO). The serviced area of Nam Papa Lao today is limited within Vientiane Capital City, therefore it is called the Nam Papa Vientiane Capital City (NPVC).

##### **(2)      Goals and Functions**

According to the Regulation of the Lao Water Supply Enterprise, 1999, NPVC is a part of the national economy and a governmental business unit that has the following functions.

The following descriptions are based on the above mentioned 1999 document and the review draft is currently being prepared and is under discussion.

- i) To manage and provide general services concerning the water supply of Vientiane Capital City.
- ii) To give advice and instruction on water supply business operations.
- iii) To give information to businesses related to water supply.
- iv) To provide services for the testing and provision of pure water production and utilizing water from water supply sources which obtain water from the main water supply including swimming pools.
- v) To supply society with tap water as stipulated by government regulations.

- vi) To provide maintenance and to repair machinery, equipment, materials used in the production of water and formulate plans and designs related to the water supply throughout the country, if required.
- vii) To provide design expertise for the development of the water supply system nationwide.
- viii) To supply water as designed in the goals planned. Partnership of the enterprise is in conjunction with the state fund and therein is a public company according to the regulations of the enterprise.
- ix) To be able to exchange the property of the enterprise with other sectors for its benefits as agreed by the government throughout the country, if needed.
- x) To approve loans of a non- commercial nature for personnel within the organisation in order to support them with better living according to the objectives of the enterprise.
- xi) To establish branches or agent offices of the enterprise inside and outside the premises
- xii) To coordinate with branches and concerned agents in order to distribute water, simultaneously title deeds, licenses, concession patents or other privileged papers needed for running the business of the enterprise shall be in safekeeping.
- xiii) To prepare proposals for vital licenses and registration, which benefit the businesses of the enterprise.
- xiv) To guarantee the common person running to the enterprise that they can continue to run it as a business under the Law of Lao PDR.
- xv) To engage agents for the enterprise in order to provide services as a network.
- xvi) The enterprise is entitled to issue shares priced higher than the shares assessed according to the actual situation. The Board of Directors of the enterprise shall be responsible for the management of the enterprise as a whole and the Directive Committee and Management Committee shall monitor the business operation of the water supply enterprise under the approval of the Board of Directors. This is done in order to make sure that the enterprise is being regulated and administered in a fashion that adheres to the policy and constitution of the water supply enterprise.
- xvii) The enterprise has the right to associate with other countries in order to develop the water supply effectively for serving the local public of Laos.  
It can directly or indirectly receive aid from foreign countries to set up projects that propose to support and cooperate with the enterprise to progressively improve the water system, or to set up new concession projects especially in the area of Vientiane to enable a sufficient water supply.
- xviii) The enterprise is entitled to extend its business related to the water supply, e.g. factories to produce accessories, materials, engines, pipes and other items that are perceived to be necessary for the enterprise. This can be done provided that the competence can be

proved, and with the agreement of the government.

**(3) Basic principles of business**

The basic principles and function of the enterprise are as follows:

NPVC shall run its business under the regulations and laws of Lao PDR legislated and presently validated. Under this regulation, NPVC is under the direction of the MCTPC and the management of the Ministry of Finance, the investor on behalf of the Government. The Administrative Council shall be entrusted with the direction and management of the enterprise in order to assure the enterprise achieves the stated goals and obligatory works with absolute economic and financial effectiveness.

The task methodology of the enterprise shall be implemented on the basis of the democratic centralization principle. The enterprise is seen by the government as an independent entity and is free to function creatively. Any changes in personnel in the Administrative Council Committee and Board of Directors, shall be given in writing. All documents of the enterprise can be used officially only when they are sealed and signed by authorities of the enterprise with stamps of the names of committee members.

**(4) Organization Structure**

**1) Administrative Council**

The Administrative Council consists of 11 members. They have rights and obligations to hold regular sessions once every 3 months, or to convene extraordinary sessions in special cases. The rights and duties as follows;

- i) To approve strategies for the operation of the business.
- ii) To evaluate the outcomes of the business operation of the enterprise.
- iii) To propose for appointment or discharge of the general manager.
- iv) To fix the salary and pension of the general manager and deputy general manager based on the regulations decreed by the MCPTC.
- v) To stipulate the composition of the capital.
- vi) To stipulate the ratio of outstanding loans to capital.
- vii) To assess the capability that the enterprise shall have for its implementation.
- viii) To sell debentures to personnel of the business, workers of the enterprise or to the public.
- ix) To approve the appointment of the accounting executive based on the proposition of the General Manager of the enterprise.
- x) To propose for the acceptance of auditors.
- xi) To propose modifications to capital and regulations of the enterprise.

- xii) To have no right to directly manage daily works of the general manager, except if he himself is a member of the Administrative Council Commission.

The Administrative Council supervises the general manager but is not to manage the daily operations of the general manager, except if a member of the Administrative Council is appointed as the general manager of the enterprise. This is an important limitation of the regulations because the general manager should be protected from political intervention from outside regarding routine operations of the enterprise. This limitation ensures that the enterprise will be managed on a commercial basis.

## **2) Chairman of the Administrative Council**

The Chairman is appointed and discharged by the Minister of Finance with the agreement of the Mayor of Vientiane Capital City. The Chairman has rights and functions as follows:

- i) To convene meetings of the Administrative Council, both regular sessions and extraordinary sessions, directly or according to the request of more than half of all members of the Administrative Council.
- ii) To formally open and close meetings of the Administrative Council.
- iii) May be the delegate of the enterprise when dealing with outside organisations and policy decisions.
- iv) To receive the report of functions of the enterprise before opening the meeting of the Administrative Council.

## **3) Vice-Chairman of the Administrative Council**

The Vice-Chairman is appointed by the same means as the Chairman and represents the Chairman when he is absent. The authorization of the Vice-Chairman depends on the necessity of the enterprise.

## **4) Administrative Council Commission**

The Administrative Council Commission consists of a group of members from a delegation of personnel-workers from the enterprise, while the rest of the members are qualified persons who have business experience and are appointed by the Minister of Finance.

**5) The Board of directors**

13 members of the Board have been appointed to form the Administrative Council Commission.

The names of the people who attended the meeting that was held on 13 August 2002 are as follows:

The Name of Members of Board of Directors, NP Lao

| No | Name                       | Position                                       | Remarks |
|----|----------------------------|--|---------|
| 1  | Dr. Bounleuam Sisoulath    | Chairman                                       |         |
| 2  | Ms. Khamphai               | Deputy Chairman                                |         |
| 3  | Dr. Khamlieng Phonsena     | Member   |         |
| 4  | Mr. Silisay Vilaihong      | Member   |         |
| 5  | Mr. KhamAai Vanhnachanh    | Member   |         |
| 6  | Mr. Sithon SenBouthalad    | Member   |         |
| 7  | Mr. Daopphet Bouapha       | Manager  |         |
| 8  | Mr. Bounnhou Homsombad     | Deputy Manager                                 |         |
| 9  | Mr. Somlith Silaphet       | Deputy Manager                                 |         |
| 10 | Mr. Bouakeo Pheingmavongsa | Deputy Manager                                 |         |
| 11 | Mr. Sichanh Suphan Thavong | Head of Administration Department              |         |
| 12 | Ms. Pheuansaeng Xaynakham  | Head of Planning & Financial Department        |         |
| 13 | Mr. Khambai Vongxaialad    | Deputy Head of Planning & Financial Department |         |

\* Attendants of the meeting held on 13 August 2002

**6) The General Manager**

NPVC is an organization which provides water for the inhabitants of the Vientiane community. When such an organization implements the works, a person is necessary to represent and to make contracts etc. on behalf of the organization. This person is the general manager. To run a water supply most effectively and efficiently, an appointment of a competent General Manager is essential. The General Manager is appointed and discharged by the Minister of Finance according to the recommendations of the Administrative Council. The General Manager has the rights and obligations as follows:

- i) To administrate and manage all daily works of the enterprise.
- ii) To be responsible to the Administrative Council for the administration and management of the enterprise relevant to the strategic goals and plans approved by the Administrative Council.
- iii) To be entitled to enter into discussions on behalf of the enterprise, in the scope defined by the Administrative Council.
- iv) To periodically propose plans, property balance sheets, annual reports and other particular

reports required by the Administrative Council before opening the meeting.

**7) Deputy General Managers**

The deputy general managers are appointed or discharged by the Administrative Council through the recommendation of the General Manager. They have rights and obligations according to their fields of responsibility as assigned by the general manager.

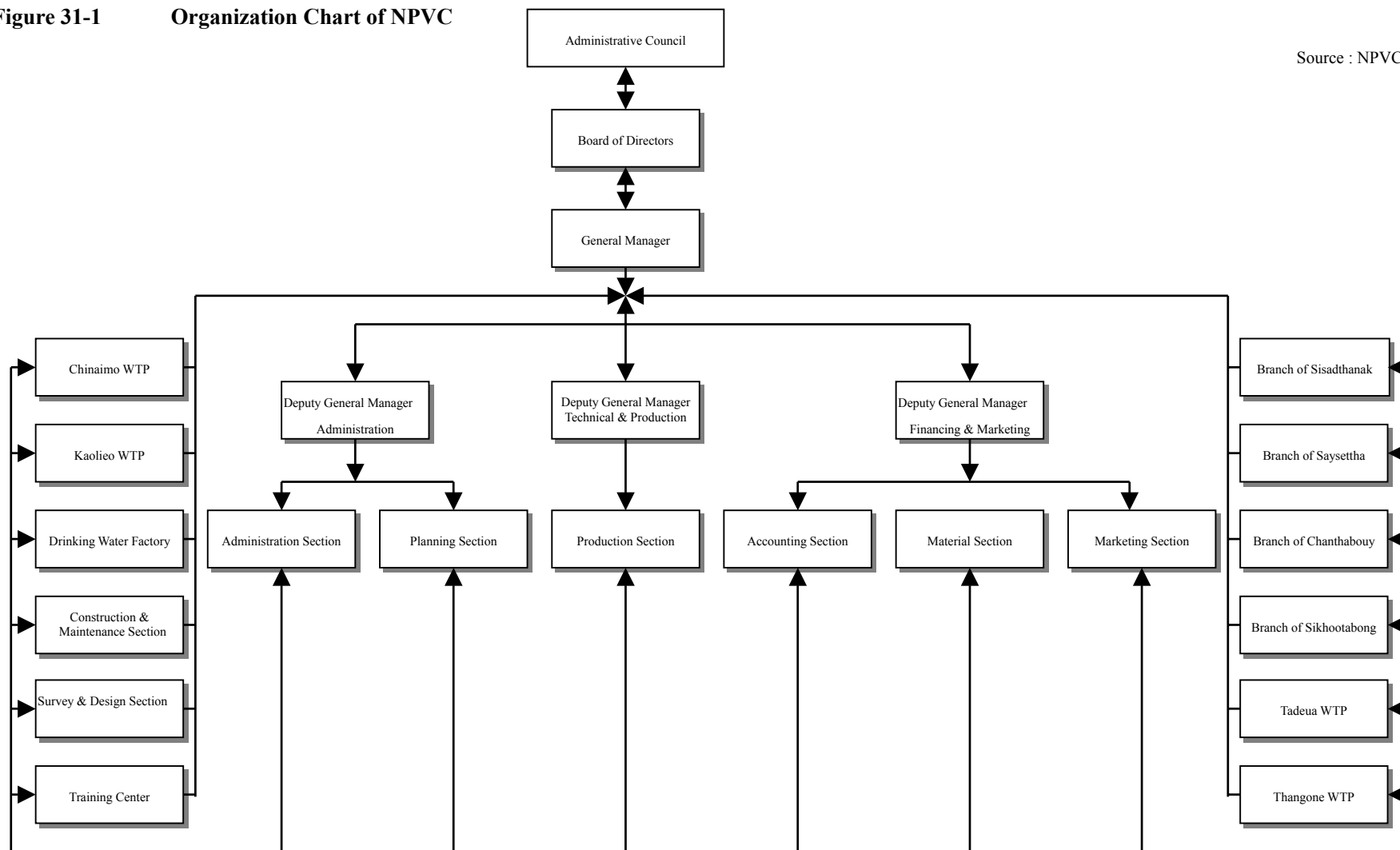
**8) Managers of Division or Section**

Division or Section Managers are appointed or discharged by the General Manager with the approval of the Board of Directors. Their rights and obligations are relevant to their fields of responsibility, and are ascribed by the general manager.

The organizational structure of the NPVC has been revised twice since 1991. The structure in 1991 consisted of one general manager, three deputy general managers and 15 section managers. In 2001, the NPVC had one general manager, three deputy general managers and 19 section managers, and in 2003, one general manager, three deputy general managers, and 18 section managers. The current organization chart is shown in Figure 31-1.

**Figure 31-1      Organization Chart of NPVC**

Source : NPVC





Analysis of the organizational chart shows that six sections are under the direct control of three Deputy GMs. In addition, there are another 12 divisions, divided on either side of the chart. These organizations are not directly connected to the major six sections. However, the major six sections under the direct control of the deputy general managers, can direct the 12 outside organizations relating to the specific authority as the staff.

The graph represents a line and staff organization model. These kinds of systems are often believed to prevent over enlargement of organizations and are thought to enhance effective management operations.

The number of staff employed by the NPVC totals 425 staff members, of those, 322 are permanent staff and 103 are contract employees.

### **3.1.2 Headquarters**

The functions of the headquarters are conducted by the 6 major sections under the 3 Deputy GM, they control and direct all other organizations outside of the headquarters in the service area.

### **3.1.3 Branch Offices**

The NPVC's service area is divided into 7 areas, made up of 4 Branches and three zones, namely the Special, Thangone and Thadeua zones. The Branches mainly conduct meter reading and bill collection, new service pipe connection, disconnections and the repair of faulty equipment. The organization of a Branch is fairly simple, the bill collection and its related works which are regarded as the financial and sustainable foundation of water supply management, are carried out relatively effectively. Further, these works are important because they are conducted close to customers.

**Data for Meter reader**

| Zone  | Name of Branch     | Connections | Staff | Task* | Water Sale** |
|-------|--------------------|-------------|-------|-------|--------------|
| 1     | Sikhottabong       | 8,713       | 8     | 1,175 | 356,221      |
| 2     | Chanthabouli       | 9,675       | 8     | 1,231 | 372,585      |
| 3     | Saysettha/Xaythany | 12,699      | 12    | 1,069 | 476,559      |
| 4     | Sisattanak         | 10,340      | 9     | 1,252 | 451,282      |
| 5     | Special Zone       | 1,051       | 3     | 369   | 758,733      |
| 6     | Thangone           | 530         | 1     | 530   |              |
| 7     | Thadeua            | 1,534       | 2     | 767   |              |
| Total |                    | 44,588      | 43    | 1,111 | 758,733      |

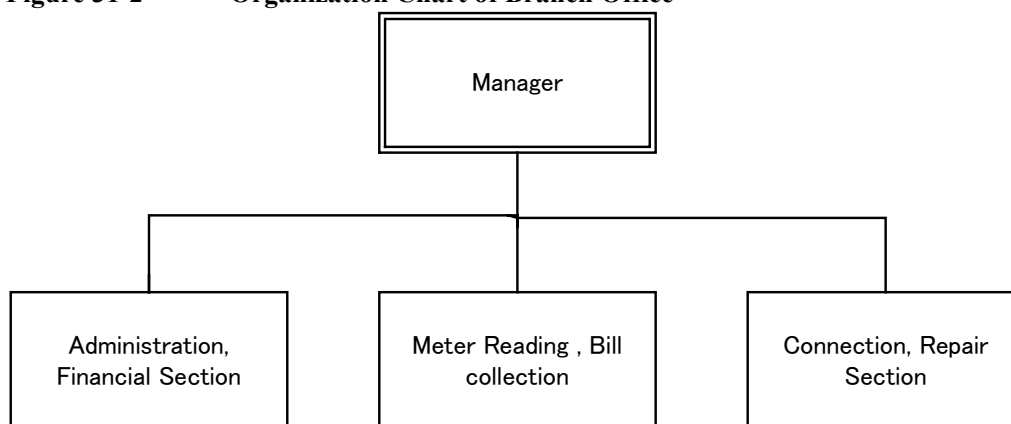
Note:                      \* The task means the number of jobs a meter reader should handle in a month.

                              \*\* Unit of water sale is 1,000kip

Of the 4 Branches, Sisathanrk Branch will be used as an example. (Figure 31-2), Under a Manager and Deputy Manager, there are 3 sections and a total workforce of 30 personnel.

|   |     |                                |
|---|-----|--------------------------------|
| Manager, Deputy manager                 | ... | 2                              |
| Administration & Financing Section      | ... | 6                              |
| Meter reading & Bill collection Section | ... | 11 ( meter reader 9 included ) |
| Connection & Repairing Section          | ... | 11                             |
| Total                                   | ... | 30                             |

**Figure 31-2                      Organization Chart of Branch Office**



### **3.1.4 Staff employment and Training of newly employed staff**

#### **(1) Recruitment, Promotion, Retirement and Remuneration**

##### **1) Policy**

- i) The enterprise employs seemingly qualified and disciplined personnel within the constraints of the approved budget.
- ii) The government considers and selects the officials at the level of chairman, vice-chairman and general manager.
- iii) The general manager selects the officials at managerial level and chiefs of divisions and officials at other levels and proposes these to the Administrative Council.
- iv) It is the enterprises policy to give Lao nationals priority when selecting its employees.

##### **2) Category of Employment**

Staff of the NPVC are classified into 4 categories as follows,

- i) Regular and permanent employees---Status that the employee achieves when the enterprise perceives that an employee can perform his or her task properly, and certifies that he or she has passed the required probation period.
- ii) Contract employee---the enterprise enters into an employment contract with an individual for a fixed period, defined in the contract. Generally this is for 24 months as the employee may be reshuffled or the contract may be renewed after that time..
- iii) Temporary employee---the enterprise employs an employee to work for any project for a short term.
- iv) Daily employee---the enterprise employs an employee to work on a daily basis, as needed.

##### **3) Recruitment**

The enterprise announces vacancies internally and externally in order to select competent and qualified applicants to assign them for the required positions.

The enterprise considers and searches for competent and qualified employees to assign, the selected employees are either appointed from outside or promoted or reshuffled from inside the organisation.

##### **4) Recruitment Procedure**

The enterprise approves and interviews each applicant, and if it is found that the applicant has the necessary qualifications for the vacancy, the enterprise will agree to accept the applicant and enter into a contract to employ that applicant.

When an person applies for a position they are required to submit an application form stating personal data, educational institutions attended, qualifications and any relevant work experience with their application. All the information written in the application form will be authentic. In the event that incorrect or misleading information is supplied by the applicant on the application form, the enterprise will nullify the employment immediately and if a crime has been committed, the matter will be sent to court.

As a condition of employment, all new employees sign a confidentiality agreement. The employment contract states that the employee is prohibited from disclosing business information of the NPVC and information about customers of the NPVC without permission. All new employees must have a physical examination certified by a medical officer of the enterprise or a government hospital. If it is found that staff have a criminal record, the enterprise will dismiss them immediately.

#### **5) Probation**

An employee who has passed the 3-month probation period, and is perceived to have displayed satisfactory performance and behaviour in their work duties, is confirmed as an official of the enterprise. The NPVC issues a notice to the person to confirm their employment status with the NPVC

#### **6) Retirement**

- i) Voluntary retirement  
Female staff who are 55 years of age and over, and male staff who are 60 years of age or over, can voluntarily retire.
- ii) Age of retirement  
For staff who are 60 years of age, if the enterprise still needs them to continue to work, their contracts will be renewed through the agreement of the Administrative Council or an authorized person.
- iii) An official, who voluntarily retires must give written notice to the NPVC, advising them of their plans 3 month before retirement commences.
- iv) In the case of an official who has reached retirement age, the enterprise gives 3 months notice in advance. The official then has time to prepare for retirement and the Board of Directors of the enterprise has time to approve their pension.

## **(2) Remuneration for permanent staff**

### **1) Policy**

The enterprise offers a fair salary, at levels fitting the actual work conditions and levels of each employee. The conditions provided by the enterprise for their personnel are stated below:

- i) To provide conditions and maintain quality that encourage the diligence of personnel for the enterprise.
- ii) To ensure that all personnel remain faithful to the enterprise.
- iii) To enhance the lifestyles of the personnel's families and to progressively improve their economic position.
- iv) To support a skillful and effective personnel to continue the competent performance of set tasks.

### **2) Permutation of personnel grades and salaries**

The personnel are classified into 5 salary rates according to the grades, as follows:

- i) Administrative level: Inclusive of managers of divisions who have had at least 15 years work experience.
- ii) Managerial level: Inclusive of managers of administrative, engineering and accounting sections that have had at least 10 years work experience.
- iii) Skilled employee level: Inclusive of employees in marketing, technical and accounting fields and others who have had at least 5 years work experience.
- v) Semi-skilled employees level: Inclusive of technical assistants.
- vi) Unskilled employees level: Inclusive of drivers and messengers.

### **3) Salary**

- i) Level A: more than 500,000 kip per month
- ii) Level B: 500,000 > 350,000 kip per month
- iii) Level C: 300,000 > 250,000 kip per month
- iv) Level D: 250,000 > 200,000 kip per month
- v) Level E: 200,000 > 150,000 kip per month

### **4) Training of newly employed staff**

Newly employed staff's training period (OJT) is dependant on their qualification level and is divided into 3 categories, 1) university graduate:• 1 and half years training, 2) high school graduate:•• 6 months training, 3) lower grade education:•• 3 months training.

## 3.2 Basic Framework of the Water Supply System

### 3.2.1 Service Area

The service area of the NPVC is shown on Figure 32-1. The service area which is supplied by Kaolieo and Chinaimo Treatment Plants covers the central part of the capital city and the northern area along Road No. 13 and Thangone Road. Thadeua Treatment Plant supplies water to the area along the Mekong River near from the Friendship Bridge. Thangone Treatment Plant covers a limited area in Thangone.

The NPVC service area is divided into seven zones, with each zone managed by a NPVC branch office. Table 32-1 shows the jurisdiction of each branch office.

**Table 32-1 NPVC Zones and Branch Offices**

| Zone | Branch Office   | District               |
|------|---|------------------------|
| 1    | Sikhottabong  | Sikhottabong           |
| 2    | Chanthabouli  | Chanthabouli           |
| 3    | Saysettha/Xaythany  | Saysettha and Xaythany |
| 4    | Sisattanak  | Sisattanak, Hadxaifong |
| 5    | Special zone for large consumers such as hotels, large industries, large institutions, army camps, embassies, and foreign residents. This zone covers the whole service area. |                        |
| 6    | Thangone  | Xaythany               |
| 7    | Thadeua   | Hadxaifong             |

Source: NPVC

Zones 1 to 4 are further divided into sub-zones. Meter reading and bill collection are based on the unit of the sub-zone. Sub-zones under each zone are as shown on Table 32-2 and villages included in each sub-zone are shown in Annex 6.

**Table 32-2 NPVC Sub-Zones**

| Zone | Branch Office      | Sub-Zones   |
|------|--------------------|---|
| 1    | Sikhottabong       | 1, 2, 3, 4, 5, and 7                                      |
| 2    | Chanthabouli       | 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19, 20, 21, 25, and 28 |
| 3    | Saysettha/Xaythany | 16, 19, 21, 22, 23, 24, 26, 28, 29, 32, 33, 34, and 35    |
| 4    | Sisattanak         | 14, 15, 16, 17, 18, 26, 27, 30, 31, and 36                |

Source: NPVC