GENERAL DIRECTOR’S ADDRESS

“It is with a real pleasure that I present my first Madevie newsletter as General Director of Nampapa Nakhoneluang. This special issue covers two quarters and the format has changed on this occasion. During this period, we had the pleasure to welcome many valuable guests, starting with Mr Cambon, deputy President of Sedif accompanied by representatives from Milwaukee municipality in February. In March, Mr Parent from AFD carried out a monitoring visit on AEP 2 project and finally Mr Naulet from Gret visited us in April.

This month, I led a delegation of five members from NPNL who were invited by Sedif to Paris for a one-week visit to share experiences on technical, financial and commercial management with our partner. It has been a busy and encouraging semester. You will find in this newsletter, details about the project progress.”

Mr Khampeuy Vongsakhamphoui
General Director of NPNL

1. MANAGEMENT AND STRATEGY

During the last day of the mission in Paris, NPNL and Gret have discussed the outlines of the next expertise missions from Gret. One mission will focus on NPNL communication strategy towards users and NPNL supervisory authority.

Gret will provide assistance to NPNL for the analysis of customers’ water demands and perceptions on NPNL services.

A second mission will be carried out to help NPNL follow-up of the non-revenue water strategy and the improvement of the use of the existing tools and data. Missions should start in the two coming months.

2. FINANCE - COMMERCE

New missions from Gret experts on finance, accounting and tariff policy are under preparation. NPNL is willing to progress on the implementation of recommendations from the first mission by Gret in May 2012. The request from NPNL to increase water tariff has not been answered yet. One idea supported by NPNL to increase its revenues and recover the depth would be to raise the tariff of the first consumption category. NPNL is committed to improve its global performances through a better analysis of its financial and accounting situation. In this regards, NPNL plans to organize a financial audit in the coming months, ideally before Gret experts’ missions.

Nampapa Nakhoneluang water tariff structure

<table>
<thead>
<tr>
<th>Consumption categories (for domestic &amp; non-domestic)</th>
<th>Tariff Rate In Kip/m³ (usd/m³)</th>
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<tbody>
<tr>
<td>A - 0 - 5 m³</td>
<td>A - 500 (0.06)</td>
</tr>
<tr>
<td>B - 6 - 30 m³</td>
<td>B - 1,000 (0.12)</td>
</tr>
<tr>
<td>C - 31 - 100 m³</td>
<td>C - 1,350 (0.16)</td>
</tr>
<tr>
<td>D - &gt;100 m³</td>
<td>D - 2,700 (0.32)</td>
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The Sedif/Milwaukee delegation at Dong Bang water treatment plant on the 02/02/12

Working meeting between NPNL delegation and Sedif experts in Sedif office in Paris on the 11/05/12
2. FINANCE - COMMERCE (continued)

The action plan on the upgrading of the existing billing system has been presented in January. This project consists in the replacement of the existing billing system based on a stand-alone architecture to a centralized database system and in the improvement of the billing software with the introduction of new functions like the debit/credit that will give the possibility to pay bills partially or in advance. NPNL will acquire IT equipments (server, wireless devices and line printers) and software, needed for the new client architecture under development.

The GIS and asset management project will enable NPNL to link billing information to the future GIS. The AMO will ensure that the two projects are well coordinated on this point.

3. TECHNICAL SKILLS - PHYSICAL ASSET MANAGEMENT

Liemmaniseng Company is about to complete 60% of its contract for old pipes and valves replacement (47 km). Work progress has been affected by the access restrictions from some land owners.

The training on network modeling with Watercad by BRLi expert has been organized in Vientiane from the 20th to 25th of February. 11 staff from NPNL technical and survey and design sections participated to the training.

Two new electromagnetic flow headmeters have been installed in Chinaimo WTP in February. The improvement of the water production measurement at the water treatment plants is equivalent to 3% of the total estimated water losses.

WTA in partnership with ESRI Thailand was selected for the GIS development and asset management project. The consulting group will start working on July.

4. PUBLIC PRIVATE PARTNERSHIP PILOT PROJECT IN PAK NGUM

The concession contract for the management of the water supply scheme in Pak Ngum has been signed between the district administration of Pak Ngum and the GREAT construction company on the 8th of February 2012.

The system will supply water to 6’500 people in four villages. Nampapa team assisted by Gret has been facilitating the negotiation process between the district authority, the project owner, and its concessionaire. The two pieces of land needed for the water production sites have been identified.

The concessionaire is finalizing the detail designs of the two independent water production and distribution systems. He plans to use groundwater during the first year of production until the future extension and the use of surface water from the Nam Ngum river.

NPNL is considering to extend the contract of WTA company to include Pak Ngum work supervision. Discussion with WTA are still going on.

One new headmeter installed on the outlet pipe of Chinaimo water treatment plant

Map of Pak Ngum site showing the locations of the 4 villages and the 2 water production sites

... and next quarter

- Signature of the contract between NPNL and WTA/ESRI Thailand and launching of the GIS development and technical assistance on asset management.
- Starting of the construction work of Pak Ngum water supply scheme.
- Acquisition of IT hardware and software for the billing system.
- Launching of procurement procedures for the domestic water meters.
- Missions of Gret expert on NRW strategy and NPNL communication strategy.