

# OFFICE MEMORANDUM

DATE: 07/10/2013 02:54 PM  
FROM: Jamal Saghir, AFTSN  
EXTN: 32789  
TO: See Distribution Below  
SUBJECT: Malawi National Water Development Project

Dear Ms. Watanabe

Kindly find below the additional clarifications regarding the Pre-paid Metering Pilot Project in Mzuzu City under the Malawi National Water Development Project, based on the information available to the Bank.

*Voluntary nature of the pilot* : The Northern Region Water Board (NRWB) has confirmed to the Bank in writing on May 29, 2013 that participation in the pilot project is voluntary, and that customers are being advised of the pilot's voluntary character and can opt for either a pre-paid or post-paid meter. Participation is equally voluntary for any schools or hospitals in the pilot area. The Task Team has verified the respective wording in the NRW's information leaflets and installation agreements to that end.

*Evaluation of the Pilot:* We were informed by the NRW that the pilot operation will undergo a review and analysis throughout the process, with assistance from the Government, and the information collected will inform subsequent decisions on any further roll-out of the pre-paid meter scheme under the project. If it is decided to expand the pilot scheme to high density/low-income areas under the project, the Task Team will make additional efforts to assess related potential risks to low-income households. Moreover, we understand that the Water and Sanitation Program (a multi-donor partnership administered by the World Bank) is undertaking a separate study on the impact of prepaid water meters on low-income households in Africa that will play a useful role in informing the pilot.

*Monitoring:* The NRW, with assistance of the Project Management Unit (PMU) in the Ministry of Water Development and Irrigation, is engaging relevant stakeholders (affected households, community groups and CSOs) to seek their inputs and feedback as part of the monitoring and evaluation of the pre-paid meter scheme before they consider applying it on a broader scale under the project. The PMU is also assisting NRW to establish a monitoring system, which will assess customer feedback and satisfaction including any adverse impacts, technology employed, impact on the finance of the utility and the potential for scale up. Stakeholder engagement allows NRW to gather critical feedback for improvements to be made during the course of the pilot.

Water tariff: There is no difference in tariffs charged to pre-paid meters. Post-paid water bills and pre-paid water credits use the same tariff structure. The tariff structure is a "rising block tariff", i.e., the higher the consumption, the higher the unit rate. The tariff is based on a unit rate (MK/m<sup>3</sup> consumed) set nationally through a Government gazette. There is no difference between the tariff applied to the pre-paid credits and the post-paid bills. There are no installation, connection, or other additional charges related to the pilot. However, there are differences in payment method. While post-paid water bills are invoiced at the end of the month, and required to be paid within 30 days; pre-paid credits are purchased as desired by the customer and expire once the volume of water purchased has been consumed. As such, monthly service and minimum consumption charges have been programmed to be deducted on a daily basis for pre-paid customers. In addition, the post-paid system also involves late fees for unpaid bills, which eventually can lead to disconnection. Once disconnected a reconnection fee must be paid to re-establish service.

Best Regards

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