

Eimi Watanabe
Chairperson

IPN REQUEST RQ 13/04

July 12, 2013

**MEMORANDUM TO THE EXECUTIVE DIRECTORS OF INTERNATIONAL
DEVELOPMENT ASSOCIATION**

Request for Inspection
Malawi: Second National Water Development Project (P124486)
Notice of Receipt of a Request for Inspection and Decision Not to Register the Request

Introduction

In accordance with paragraph 17 of the Resolution¹ establishing the Inspection Panel, I hereby inform you that on May 22, 2013, the Inspection Panel (the "Panel") received a Request for Inspection related to the Malawi: Second National Water Development Project - Additional Financing (P124486). The Request for Inspection is included as Attachment 1.

The Request

The Request was submitted by Citizens for Justice (CfJ)² ("the Requesters") on behalf of other Malawian organizations and "*on behalf of a number of concerned, potential and affected residents*" in areas where the Northern Region Water Board (NRWB) has and will install prepaid water meters in Mzuzu. The Requesters state that some of the signatories "*would prefer to be kept anonymous in fear of reprisal.*"

¹ The World Bank Inspection Panel, International Bank for Reconstruction and Development and International Development Association, Resolution No. IBRD 93-10 and Resolution No. IDA 93-6, dated September 22, 1993.

² The Citizens for Justice non-governmental organization defines itself as "*a Malawian based organization, employing a human rights based approach to ensure that development furthers the realization and principles of equity, participation, empowerment, non-discrimination, accountability, transparency, rule of law and environmental sustainability.*"

The Project

The Second National Water Development Project (the “SNWDP”) was approved by the Board of Executive Director of International Development Association (IDA) on May 24, 2007, and supported by an IDA Credit in the amount of \$50 million equivalent. The Board approved Additional Financing for it in November 2011, through an IDA Credit in the amount of \$120 million equivalent, to cover unanticipated cost overruns and scaling up of the impacts. The Republic of Malawi is the Recipient of the IDA funds. IDA then entered into five separate Project Agreements with five different Regional Water Boards (Blantyre, Central Region, Lilongwe, Northern Region, and Southern Region), as Project Implementing Agencies. The objectives of SNWDP are to: (a) increase access to sustainable water supply and sanitation services for persons living in cities, towns, villages, and market centers; and (b) improve water resources management at the national level. The closing date of SNWDP is October 31, 2015.

The SNWDP includes piloting of prepaid water meters in Northern Region, including in Mzuzu, implemented by the Northern Region Water Board.

Concerns raised in the Request

The Request concerns the piloting of prepaid water meters in Mzuzu by the Northern Region Water Board (NRWB), through the replacement of currently installed household meters with the prepaid water meters (PWMs) under the SNWDP. The Requesters are concerned with the following aspects, or impacts, of the pilot.

Absence of prior consultations and/or disclosure of information. The Requesters claim that no consultations or disclosure of information were undertaken in accordance with accepted procedures of the Bank safeguards, prior to the installation of prepaid water meters in affected households.

Impact on the poor and on children. The Requesters state that Bank’s failure to conduct due diligence in accordance with its policies will cause harm by denying access to water to poor households and increasing water borne diseases. The Requesters also state that Malawi has a high rate of child-headed households and orphans who have no source of stable income, and thus will have serious challenges adapting to the system. Street children going to several public schools might suffer negative impacts as the new system may not support the water and sanitation structures found in most public schools.

Increase in water tariffs. The Requesters claim that the pilot has increased the water tariff through two ways: (1) they believe that they are paying an additional daily fee (of MK53.00 covering meter cost and not water consumption); and, (2) the residents who used to pay an average of about \$10 a month are now paying an increased tariff, of about \$15 a month. They state that this contravenes the water tariffs which have been set and accepted by the Government of Malawi.

Lack of prior assessment of impacts. The Requesters claim that the Bank team has suggested that they think the potential issues could be resolved through an update of an older Poverty and Social Impact Assessment (PSIA). The Requesters consider this to be an inadequate response to serious concerns, and believe that due diligence would have required an ex-ante approach.

Human Rights implications. The Requesters claim two issues of Human Rights are ignored. First, their right to participation and free and prior informed consent was not respected when the Water Board did not consult let alone seek resident's consent in piloting the prepaid water meters, thus not allowing residents to decide whether they want to participate in the pilot or not. Secondly, the Requesters argue that their right to water was not respected, as the Requesters consider that the pilot stands against the entitlements contained in the right to water, and deprives people of the equal opportunity to enjoy their right to water.

Other claims of harms. The Requesters also list as possible impacts from the installation of prepaid water meters: i) the disruption of the social fabric; ii) the increase in the incidence of communicable diseases; iii) the emergence of conflicts over natural resources; and, iv) the creation of social conflict and/or inequity.

The Requesters state that they believe that the pilot violates the Bank's own screening policies and its "*safeguard credence of 'Do No Harm'*". They also state that specific provisions of some Bank Policies have been violated: these include OP 1.00 on Poverty Reduction, OP 4.01 on Environmental Assessment, OP 4.02 on Environmental Action Plans, OP 4.07 on Water Resources Management, and OP 4.20 on Gender and Development. The Requesters conclude that they trust that the "*Inspection Panel, the World Bank project team, the Ministry and the Water Boards will continue the engagement with residents, other stakeholders and CFJ in order to find best possible solutions.*"

Panel's Determination

Following the receipt of the Request for Inspection, and because of the insufficient information concerning the pilot in SNWDP-related documents, the Inspection Panel has had several interactions, both verbal and written with Citizens for Justice, as representative of the Requesters, and Bank Management, to seek factual clarification concerning the pilot. The Panel is grateful for the full cooperation that both parties have extended to it during this period.

The Panel notes that the Requesters and Management share similar concerns about distributional impact of the installation of prepaid water meters to poor communities and expressed the need for monitoring and assessment of the pilot. Both Requesters and Management confirmed that the pilot of installing prepaid water meters, currently being implemented under the SNWDP, covers middle and high income households in communities with existing post-paid water meters.

The Request raises three key issues namely: i) the voluntary nature, or lack thereof, of participation in the pilot (i.e., procedures of opting-in and possibilities of opting-out); ii) the

potential negative impact of prepaid water meters on poor households and children; and, iii) how lessons from the pilot will inform decisions on any potential further roll-out. The Requesters note the need for studies/assessments that look at potential risks for poor and vulnerable households should the prepaid water meters be introduced beyond middle and high income households. A future roll-out may potentially include communal standpipes and public institutions such as primary schools and health centers. The Requesters are critically concerned with the potential impact at the roll-out stage. They are specifically concerned that a poorly designed and executed program of installing the prepaid water meters may deprive low-income households of their right to safe, clean, accessible and affordable drinking water. The Requesters are concerned that negative impacts such as reported to have occurred in Soweto, South Africa, and in the United Kingdom, would occur in Malawi.

On July 10, 2013, Bank Management provided to the Panel additional clarifications regarding the prepaid metering pilot in Mzuzu City under the SNWDP (See Attachment 2). Management note includes information and clarification regarding the voluntary nature of the pilot, its evaluation and monitoring, and water tariffs.

Regarding the voluntary nature of the installation of PWM, Management sought and received confirmation from the NRW on May 29, 2013, *“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.”* Management relayed to the Panel that informative leaflets and installation agreements currently reflect the voluntary nature of the operation.

Regarding the monitoring and evaluation of the impacts from the installation of prepaid water meters, Management relayed NRW’s commitment to engage with relevant stakeholders (affected households, community groups and CSOs) to seek their inputs and feedback, before it considers the pilot for a broader area. Management states that NRW will establish a monitoring system, which will assess customer feedback (satisfaction, adverse impacts, technology employed, impact on the finance of the utility and the potential for scale up). According to Management, the pilot operation will undergo a review and analysis throughout the process, and the information collected will inform subsequent decisions on any further roll-out of the prepaid water meter scheme. In addition, Management notes its commitment to make additional efforts to assess related potential risks to low-income households if it is decided to expand the pilot scheme to high density/low-income areas. Management informed the Panel 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, which will inform the pilot.

In its note, Management also clarifies that there are no increases in tariffs charged. Management confirms that postpaid water bills and prepaid water credits use the same tariff structure, which is based on a unit rate (MK/m³ consumed) set nationally through a Government gazette. Management confirms that no installation, connection, or other additional charges related to the pilot are included in the tariffs. The difference is actually in the method of payment.

As outlined above, the Panel notes the measures being taken by Management and NRW to address the issues raised by the Requesters, as they relate to the pilot and potential roll-out of the prepaid water meters to poor communities. The Panel notes that the pilot installation of PWM is voluntary and that the issue of potential adverse impacts on low income households will be assessed prior to any possible roll-out based on the monitoring and evaluation of the pilot, with the engagement of relevant stakeholders (affected households, community groups and CSOs). The Panel notes that the Requesters' remaining concerns of harm relate to any possible roll-out of the prepaid water meters, rather than the current installation of prepaid meters under the pilot. The possibility of harm at the roll-out stage is predicated on a decision to expand the installation of prepaid water meters to low-income communities, which is yet to be made.

In light of the foregoing, the Inspection Panel is not registering the Request for Inspection at this time. The Panel notes that the Requesters have the right to submit a new Request for Inspection, if they believe that, in a subsequent roll-out, their rights and interests are, or would likely be, directly affected by the Bank's own actions or omissions in relation to compliance with its operational policies and procedures.

Yours sincerely,



Emi Watanabe
Chairperson

Attachments

Mr. Jim Yong Kim, President
International Development Association

The Executive Directors and Alternates
International Development Association

Mr. Reinford Mwangonde
Citizens for Justice, Lilongwe, Malawi

Mr. D.K. Botha
Mzuzu, Malawi