

Malawi

Enabling Energy Access through Demand-Side Subsidies (DSS)



Country	Malawi
Technologies	Off-grid solar products; improved cookstoves
Target group	Poorest and poorer households as defined by Unified Beneficiary Registry
Project period	08/2022 - 09/2025
Budget	EUR 4.900.000
Co-financed by	Directorate-General for International Cooperation (DGIS) of the Netherlands Ministry of Foreign Affairs
Implemented by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Coordinated by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Netherlands Enterprise Agency (RVO)
Partners	Government of Malawi, World Bank
Projected results	Energy access for up to 200,000 people in Malawi

Global Overview: EnDev's Demand-Side Subsidies (DSS) Component

Energy access is central to both achieving the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change. While significant progress has been made towards fulfilling SDG 7, millions remain unable to afford even the most basic energy products. Demand-side subsidies (DSS) seek to complement other market development interventions to address this affordability gap and ensure that **no one is left behind**.

DSS reduce the price of energy products for intended end-users without eliminating the price completely, thereby improving affordability whilst ensuring ownership. DSS mechanisms, when well-designed, complement and bolster other interventions, such as supply-side support. However, knowledge on and experience with DSS for off-grid energy access is limited to date.

EnDev is currently implementing a component focusing on piloting innovative DSS mechanisms to facilitate access to modern energy services for low-income and/or displaced populations who are not currently reached by commercial markets. The component operates in four countries in sub-Saharan Africa: Liberia, Malawi, Niger, and Uganda. The overarching aim is to contribute to global learning and knowledge-sharing on innovative DSS designs as well as provide recommendations for future replication at scale.

DSS in Malawi

Malawi is a least-developed country in south-eastern Africa with a population of 20 million. The country has one of the lowest electrification rates in the world, with only 11% of the population connected to the grid and another 7% reached by off-grid solar (OGS) products. Access to energy-efficient cooking technologies remains limited, with 98.8% of all households using firewood or charcoal fuels for cooking.

The Government of Malawi (GoM) has put in place a strong enabling environment for off-grid electrification, including market development initiatives such as the World Bank-funded Malawi Electricity Access Project (MEAP). However, off-grid solar products and cookstoves remain unaffordable for a significant share of the population, especially the poorest and most vulnerable.

The DSS pilot therefore aims to bridge the affordability gap for the most vulnerable in Malawi by targeting those classified as 'poorer' and 'poorest' in the GoM's United Beneficiary Registry, a nation-wide social registry system. The pilot is initially being implemented in four rural districts, with the possibility to expand into additional districts.

EnDev utilises a results-based financing (RBF) approach to deliver subsidies to eligible beneficiaries and support access to a range of quality-certified products, including OGS and improved cookstoves (ICS). Each beneficiary is able to purchase one subsidised cookstove and one subsidised solar product. Given the local market context, the pilot currently only supports locally produced, wood-burning ICS, but may expand into other eligible stoves if possible. Compensation to participating suppliers (private companies or NGOs selling products on a commercial basis) follows an RBF approach, with payments delivered upon verification of eligible sales and other milestones.

Based on EnDev's previous experience implementing RBF projects in Malawi, it is expected that the pilot generates positive spill-over effects in the form of increased sales at commercial rates in the implementation areas, thus supporting market growth and maximising impact.

Projected Impact



Through its demand-side subsidy schemes, EnDev Malawi will:

1. directly enable up to 200.000 people to have access to modern energy services,
2. indirectly contribute to providing energy access for millions more through scale-up and replication.

Strategic Partnerships for Learning and Scale

EnDev collaborates closely with the GoM and the World Bank to align activities, capitalise on synergies, and share insights between EnDev's pilot and the MEAP and. The World Bank's Ngwee Ngwee Ngwee Fund under the MEAP provides working capital to selected solar companies as well as a small, untargeted DSS to reach those within higher income quintiles that are still unable to afford energy products. The Fund may benefit from EnDev's DSS experience to provide more targeted subsidies in the future. As such, EnDev seeks to share technical insights and lessons learned on DSS, coordinate activities to maximise impact, and discuss possibilities for eventual scale up with the Government and the World Bank.

Lessons learned on implementing DSS schemes targeting the poorest and most vulnerable are shared with the wider international community through [the End-User Subsidy Lab](#).

Funded by:



Ministry of Foreign Affairs of the Netherlands



Coordinated by:



Published by:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
E info@giz.de
I www.giz.de

Contact:

Energinising Development
E endev@giz.de
I www.endev.info
As of: October 2023

Photos:

©Energinising Development Malawi / Khadija Sungeni Mussa, Sharon Ulaya
Author/Editor: Olivia de Vesci, Sarah-Melissa Leitner, Myrte van der Spek
Printed on 100% recycled paper