Energy Through Demand-Side Subsidies

Concept Note

Malawi

endev

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Abbreviations	
ATP	ability to pay
CM	Chitetezo Mbaula
CUMO	Concern Universal Microfinance Operations
DSS	Demand Side Subsidy
DoSW	Department of Social Welfare
EnDev	Energising Development
ESMAP	Energy Sector Management Assistance Program,
FM	Fund Manager
GoM	Government of Malawi
GDP	gross domestic product
HH	Households
HTC	higher-tier cooking
ICS	Improved Cookstoves
IVA	independent verification agent
IIED	International Institute for Environment and Development
LDC	least developed country
LNOB	leave-no-one-behind
LPG	liquefied petroleum gas
MEAP	Malawi Electricity Access Project
MWK	Malawi Kwacha
MoE	Ministry of Energy
MoGCDSW	Ministry of Gender, Community Development & Social Welfare
NCSC	National Cookstoves Steering Committee
NDC	Nationally Determined Contributions
NNNF	Ngwee Ngwee Ngwee Fund
ODK	Open Data Kit
OGS	off-grid solar
PAYG	pay-as-you-go
RBF	Results-Based Financing
SCTP	Social Cash Transfer Programme
SADC	Southern African Development Community
SDG	Sustainable Development Goals
SHA	Self Help Africa
UBR	Unified Beneficiary Registry
USD	United States Dollar
WB	World Bank
WTP	willingness to pay

1. Context

Malawi is a landlocked country in south-eastern Africa and is a member of the Southern African Development Community (SADC). The country has a population of around 20 million inhabitants with a gross domestic product (GDP) per capita of USD 636.80 (World Bank 2020). By 2030, the population is projected to grow to 25.8 million. Malawi is ranked 169th out of 191 countries on the Human Development Index (2021 UNDP Human Development Report), with 50.7% of the population living under the poverty line and 20.5% in extreme poverty.[1]

Malawi has one of the lowest electrification rates in the world, with only 11.3% of the population connected to the grid[2] and another 14.6% with access to OGS energy. This leaves about 3.6 million households without access to electricity.

The Malawi National Energy Policy of 2018 commits to universal access by 2030. This is to be achieved through grid electrification for 30% of the population and off-grid solutions for the remaining 70%. A First-Order Geospatial Least-Cost Electrification Plan, conducted in 2019 with support from the World Bank (WB), confirms that off-grid solutions will play a significant electrification role for about 3.7 million households by 2030[3]. In addition, the updated Malawi Nationally Determined Contributions (NDCs) of 2021 lists OGS among their measures, acknowledging both its mitigation and adaptation benefits.

Access to clean energy is also inscribed in the wider socioeconomic development agenda of the country. Malawi has developed an ambitious long-term development plan to achieve upper middle-income status by 2063 (Malawi Vision 2063). Clean, reliable, and sustainable energy supply is cited as a key enabling and cross-cutting element to achieve this goal. The Government of Malawi (GoM) has thus put in place a strong enabling environment for off-grid electrification, including enhanced regulations and the removal of various taxes and levies, and market development initiatives, such as the World Bank supported Malawi Electricity Access Project (MEAP).

However, affordability of OGS solutions on the commercial market is a major barrier to achieving universal energy access and broader development objectives. About 80% of the off-grid population in Malawi cannot afford OGS products providing tier-1 access at prevailing market prices.[4] As such, complementary interventions addressing the affordability gap are needed.

Regarding cooking energy, 98.8% of all households use solid fuels as their main cooking fuel (79.1% firewood, 18.5% charcoal and 1.2% electricity). Especially in rural areas, people depend on firewood (90.9%), mainly for use in open fires. Accessibility and affordability of clean cooking options remain low. Insufficient access to modern cooking solutions is resulting in a continuous depletion of forests (2.6% per year) and limited forest regeneration, as well as causing soil erosion, increased risk for respiratory diseases, and greater exposure of women and children to risk of sexual harassment while collecting firewood or staying at home alone.

The availability of higher-tier cooking (HTC) solution in Malawi is very limited. In urban areas, liquefied petroleum gas (LPG) and electric cooking is available to some extent (about 0.2%

[1] As of 2019/20, the extreme and moderate poverty lines stood at MK101,293 (~US$125) and MK165,879 (~US$210) per person per year. For comparison purposes, the extreme and moderate poverty lines were converted to monthly amounts and an average household size of 4.4 members was used, as per the 2018 Population and Housing Census." *UNICEF-Malawi-2021-2022-Social-Protection-Budget-Brief.pdf

[2] Malawi National Energy Compact

[3] Malawi population is projected to be of 5.5 million households by 2030, at current pace of growth. 3.7m households represent 67% of the population.

[4] Tier 1 refers to the Multi-Tier Framework (MTF) for energy access. The affordability analysis is presented in section 4.2.

use LPG and 6.1% electricity), but more traditional methods (firewood 18.9% and charcoal 74.5%) are still the most widespread. However, commercialisation and market development have their limits in a socio-economic context like Malawi. Although the market price of the stove is comparably low, the ability to pay remains lower. Such difficult market conditions demand smart initiatives, especially approaches that follow the 'leave-no-one-behind' rationale, as captured by the Governments Clean Cooking Compact from 2022[5].

2. Objective

The objective of this pilot project is two-fold:

- Address the affordability barrier to accessing OGS products and improved cookstoves (ICS) for people in ultra-poor, vulnerable settings who would otherwise not be reached by the commercial market or existing public initiatives. The pilot aims to reach (provisionally) 153,800 people with ICS products and around 70,200 people with OGS.
- Pilot and identify scalable demand-side subsidy models in different districts and contexts and develop a concrete scale-up strategy with support from the GoM and WB.

3. Beneficiary targeting

3.1 Target population

The project will target the poorest populations of Malawians living in rural areas. The Department of Poverty Reduction and Social protection of the Ministry of Economic Planning and Development established the Malawi Social Registry (MSR), formerly called the Unified Beneficiary Registry (UBR), which provides a central, digital repository for data on household geographic, demographic, and socioeconomic characteristics, and was developed to support the implementation of various social protection and other programmes in Malawi. Based on proxy-means-testing (PMT), the households registered in the MSR are classified into five income categories, as follows[6]:

- Rich – about 1% of the population
- Better off – about 29% of the population
- Poor– about 20% of the population
- Poorer– about 40% of the population
- Poorest– about 10% of the population

In addition, Malawi's Social Cash Transfer Programme (SCTP) provides unconditional and conditional cash transfers to the poorest 10% of ultra-poor, labor-constrained households. The DSS pilot targets the 'poorer' and 'poorest' categories in the MSR as well as social cash transfer (SCTP) recipients.

The DSS pilot is implemented in districts across the southern, northern, and central regions. Initially the pilot was implemented in four districts therein (Dedza, Salima, Balaka, Nkhata Bay), and was subsequently expanded to three additional districts (Dowa, Mzimba, Kasunga) to improve outreach.

[5] https://www.un.org/sites/un2.un.org/files/2021/09/2021-09-20_malawi_cleaner_cooking_energy_compact.pdf
[6] These numbers have been calculated based on 11 districts with 100% data (for poorer and poorest) and with data from 3 districts (for better off and rich) and are considered realistic.

Table 1 – Selected Districts for DSS Pilot Implementation

District	#HH Poorer (%)	#HH Poorest (%)	TOTAL Target HH
Balaka – Southern Region	52,840	6,945	59,785
Nkhata Bay – Northern Region	20,046	1,294	21,340
Dedza – Central Region	117,226	26,627	143,853
Salima – Central Region	72,001	10,027	82, 028
Mzimba	103,292	9,063	1,12,355
Dowa	131,675	20,956	1,52,631
Kasungu	156,707	20,488	1,77,195

Implementation districts are selected based on the following main criteria and based on preliminary data provided by UBR to the EnDev team:

- 100% availability of UBR data (data available at 100% only for 15 out of 28 districts as of July 2023)
- Low electrification rate
- Presence of ICS and OGS suppliers
- Presence of the project Fund Managers, SHA and/or CUMO
- One district is the one with the highest loss of forest cover in Malawi (Nkhatabay). Representation of different regions.

3.2 Targeting mechanism

The identification of beneficiaries combines demographic and geographic targeting to facilitate energy access for those classified as 'poorer' and 'poorest' within the selected districts. Thus, demographic targeting is done by adopting data from the MSR, geographic targeting through district selection.

Instruments and tools:

DSS can generate significant market distortion and challenge long-term sustainability if poorly designed. It is necessary to confirm the eligibility of target beneficiaries at the point of sale in order prevent product leakage, fraud, or abuse. Therefore, EnDev utilizes a digital tool provided by KOBO Toolbox to confirm beneficiary eligibility, specify the requisite subsidy level per technology, and register sales to ensure that beneficiaries cannot purchase more than one product within each product category.

4. Affordability gap and subsidy level

4.1 Eligible products

The pilot project promotes ICS and OGS products, as follows:

ICS: Only locally manufactured, wood-burning stoves are supported with DSS. The decision not to promote other stove/fuel combinations is based on the following considerations:

- The poorest in Malawi predominantly cook outdoors with wood-fuel (mostly available for free in rural areas). Other available wood-burning ICS in Malawi are fixed, indoor ICS, which are disadvantageous with regards to air circulation.

- Charcoal is often produced illegally and at a high environmental cost, which is why EnDev Malawi generally does not support charcoal-fired ICS.
- There are only few pellet-fuelled stoves in the Malawian market and fuel distribution chains are not sufficiently developed in rural areas.

ICS must comply with the following minimum eligibility criteria:

- Fulfil national quality standards, confirmed/certified by the Malawi Bureau of Standards
- Generate fuel savings of >40%
- Have a credible warranty of at least 1 year
- Be marked with a running serial number to facilitate tracking and verification.

Figure 1 shows the wood-fired Chitetezo Mbaula (CM) stove, which meets these criteria and is considered the most suitable entry-level solution for the target group given their socioeconomic situation and fuel-usage patterns. The CM stove is available across all districts in Malawi (given well-established distribution chains) and is currently promoted through EnDev core funding.

Figure 1: Chitetezo Mbaula



Sources: Malawi Cookstove Database

OGS: The pilot supports SHS categorised as Tier-1 by the Multi-Tier Framework for Measuring Access to Electricity (MTF).[7]

More details are shown in Figure 2 below, including the average market price for products in Malawi.

Figure 2: Tier 1 OSG products

[7] The Multi-Tier Framework for Measuring Access to Electricity. Energy Sector Management Assistance Program (ESMAP). Available at: Electricity | Multi Tier Framework (esmap.org)



The choice to support Tier 1 SHS is based on the limited purchasing power and socio-economic context of the target group.

OGS products must comply with the following minimum **eligibility criteria**:

- Be VeraSol-certified[8]
- Have at least a 2-year warranty
- Are available for sale with PAYG
- Have capacity of >6W PV size (W) and > 12Wh/day available power, and at least 3 light bulbs
- Not contain a lead acid or nickel cadmium battery

4.2 Affordability gap and subsidy level

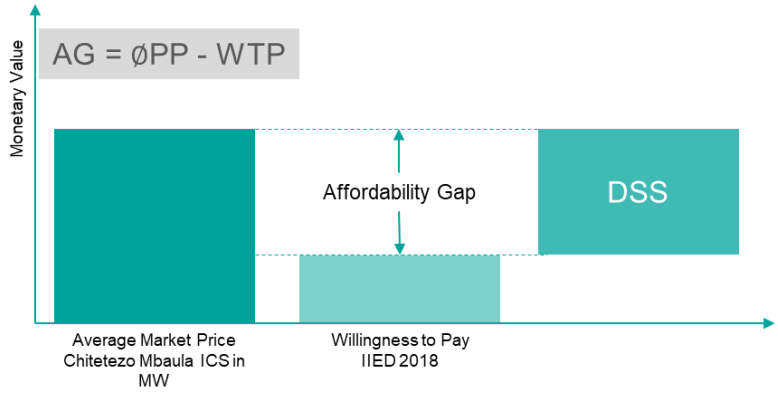
Ability to pay (ATP) and willingness to pay (WTP) vary for ICS and OGS products and, therefore, the preliminary subsidy calculations are presented separately. All subsidy calculations are indicative and may be reassessed and adjusted during implementation.

ICS: The CM ICS currently costs between MWK 1,500 (EUR 1.39) and MWK 2,500 (EUR 2.29) in the market. However, this price does not reflect the true cost of supplying a cookstove to a household's doorstep, as distribution costs (including purchasing from producers, transportation costs, and mark-up by last-mile agents) are currently subsidised across the country. The real price for CM ICS lies in the range of EUR 6.51 to EUR 7..

The method used to calculate DSS incentive levels consists of establishing the affordability gap of the target population according to the formula in Figure 3[9]:

Figure 3: Affordability Gap Calculation ICS

[8] https://verasol.org/
[9] AG = affordability Gap
PP = Product Price
WTP = Willingness to Pay



For ICS, data from the International Institute for Environment and Development (IIED, 2018) indicates that SCTP beneficiaries[10] are willing to pay between MWK400 (EUR 0.34) to MWK600 (EUR 0.51) for the CM ICS, i.e. an average of MWK500 (EUR 0.43).[11] Proxies for the "poorer" and "poorest" are calculated by assuming that the 'poorer' households have +10% willingness to pay above the average (EUR 0.47) and the "poorest" have -20% willingness to pay below the average (EUR 0.34).

Additionally, the following assumptions were made to calculate the DSS value for ICS:

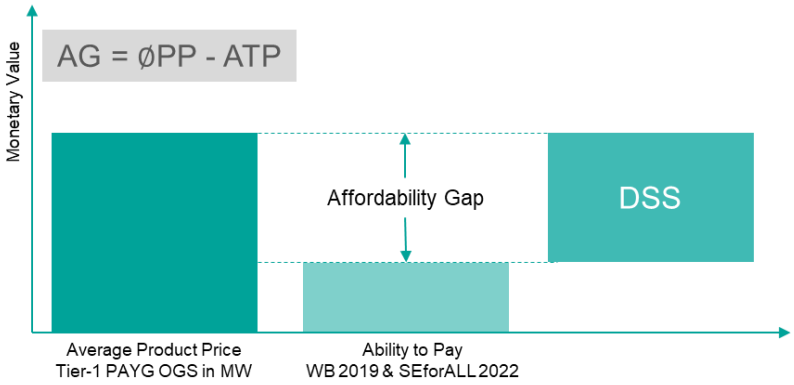
- DSS will be applicable to cash-based sales only.
- To be able to maintain the **current market price of EUR 1.39-2.32**, the DSS project needs to continue to subsidise the distribution costs mentioned above in addition to cover the affordability gap between the current market price and beneficiaries' ability / willingness to pay. Changes in the distribution costs due to economic challenges or fuel price hikes are routinely assessed and subsidy levels adjusted.

The affordability gap (i.e. the subsidy level) was thus calculated by taking the difference between the lowest market price (EUR 1.39) and the proxy average willingness to pay for "poorer" (**EUR 0.47)** and "poorest" (**EUR 0.34)**, respectively. These end-user contributions have remained constant throughout the project period. Combined with the support for distribution costs (EUR 4.20), the total subsidy level per ICS amounts to EUR 5.12 and EUR 5.25 respectively. Thus, the current subsidy levels (combining demand side and supply side) are 91.54 % and 93.85 % for poorer and poorest customers respectively.

OGS: The method used to calculate DSS subsidy level consists of establishing the affordability gap of the target population, based on the difference between the estimated ability to pay (ATP) and the average cost for Tier 1 SHS with PAYG.

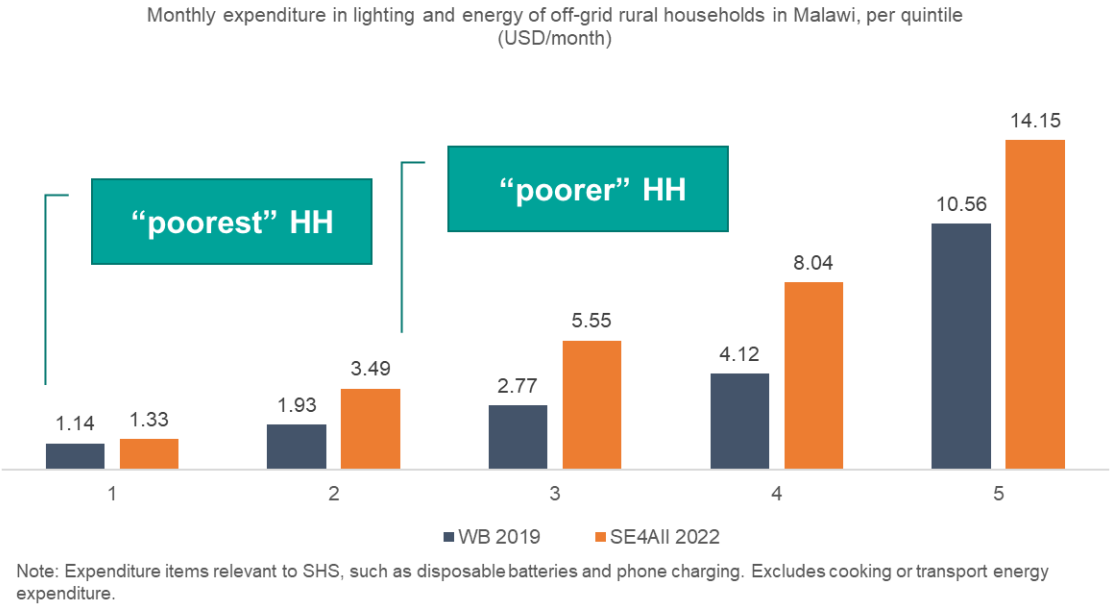
Figure 4: Affordability Gap Calculation OGS

[10] SCTP beneficiaries are to be found both within the "poorer" and "poorest" populations.
[11] July 2023 Exchange Rate



Data on the ability to pay from the World Bank (2019)[12] and SEforALL (2022)[13] was used for the preliminary calculations.[14] As a proxy for ability to pay (ATP) for OGS, the average was taken between SEforALL and World Bank estimates on the average rural household lighting expenditure by the two lower quintiles of the Malawian population (~40%), see Figure 5 (below).[15] For the calculations presented here, the expenditure of the lower quintile[16] has been assigned to the "poorest" rank (USD 1.235/month, or 1.11 EUR/month) and that of the second lower quintile to the "poorer" rank" (USD 2.71/month, or 2.44 EUR/month).[17]

Figure 5: Monthly expenditure in lighting of off-grid rural households in Malawi



Note: Expenditure items relevant to SHS, such as disposable batteries and phone charging. Excludes cooking or transport energy expenditure.

The following additional assumptions were made to calculate the DSS value for OGS:

- No distribution costs will be extended for OGS products.

[12] World Bank (2019). Malawi Energy Expenditure Survey
[13] SEforALL (2022). Malawi Stand Alone Solar (SAS) Market Update. Available at: https://www.ace-taf.org/kb/stand-alone-solar-sas-market-update-malawi/
[14] Note for ICS WTP is used, while for OGS ATP is used. This is simply due to data availability.
[15] It is intended to attempt to get more accurate ability to pay data (ATP) from the UBR data on the two social classifications, for which a service provider will be engaged in the month of October 2023.
[16] A quintile corresponds to 20% of the population.
[17] July 2023 exchange rate of 1:0.8987.

- The average price for OGS products available in Malawi (EUR 174.08) was established using the PAYG price[18] of 10 products from 11 suppliers available in the market in Malawi that comply with eligibility criteria.
- The down-payment will be equal to the ATP.
- The PAYG repayment period will be 18 months.

The total subsidy level per SHS would thus amount to **EUR 127.72** for the poorer and **EUR 152.99** for the poorest. This subsidy level calculation is preliminary and will be reassessed during implementation.

5. Subsidy delivery

5.1 Delivery channel

EnDev uses a results-based financing (RBF) approach to channel DSS through companies to eligible beneficiaries. Sales agents utilise KOBO Toolbox to confirm eligibility at the point of sale for each product type. Once proven eligible, beneficiaries are able to purchase an ICS and/or OGS product at the subsidised price.

Funds are directly disbursed to participating suppliers upon verification of eligible sales (see Section 6) by an **independent verification agent (IVA)** and approval of the claims and verification reports by EnDev.

EnDev has hired Self Help Africa (SHA) and CUMO Microfinance Limited (CUMO) to jointly act as the **Fund Manager (FM)**. The FM accompanies the company application process, handle incentive disbursements, and coordinate the submission of sales reports to EnDev.

The selection of suppliers for participation in the project is done competitively and transparently via requests for proposals. Detailed company eligibility criteria will be further defined and may include e.g. formal registration with relevant entities and existing operations in Malawi for a number of years. The opportunity is open to both local and international suppliers, but international suppliers need to have a local partner to ensure sustainability and leverage existing distribution channels. To be eligible to participate in the DSS project, suppliers must fulfil the following criteria:

- Registered with Malawi Government's Registrar General
- For international suppliers only: Partnership with local partners for sustainability.
- Established company and in operation for at-least 2 years.
- Existing presence in remote area or willingness to extend presence into remote areas.
- Experience in the distribution of high-quality energy products with working warranty (one year for cookstoves, two years for OGS products) and after- sales service.
- Experience in selling clean cookstoves and / or solar, including credit and pay as you go (PAYG) payment options (if applicable).
- Experience in setting up and working with existing distribution networks and market structures.
- Prior experience in targeting vulnerable populations and remote areas or working with national social support structures or projects is advantageous.

[18] Data available is for 24 months PAYG price, i.e. it is expected that prices will be lower for 18 months contracts.

5.2 Subsidy disbursement

Advance payment of subsidy: Given cashflow and foreign currency constraints, both OGS and ICS suppliers – who have submitted claims and are undergoing verification – may request an advance payment to support their ongoing operations. Only one advance payment may be issued at any given time. The advance is capped at 40% of the total incentive value of submitted claims for OGS suppliers and 60% of the total submitted claims for ICS suppliers.

Suppliers benefiting from the WB supported and MoE implemented *Ngwee Ngwee Ngwee* Fund or potentially other sources that provide access to concessionary working capital finance, are not eligible to receive an advance payment.

Upon verification of sale: The FM delivers the subsidy directly to suppliers for every eligible, independently verified sale. Suppliers are allowed to submit claims after reaching a minimum of subsidised sales for one or several districts. Suppliers are also requested to report regular sales (i.e. non-subsidised sales) to monitor potential spill-over effects from the DSS intervention. Incentives are paid in one instalment per claim.

Special cases: In the case of theft, malfunction, reselling, PAYG default, or other problem, suppliers are required to report each case for assessment by the FM and EnDev, who will advise the suppliers on appropriate actions. Suppliers are required to comply with warranty statements and offer after-sale services to beneficiaries.

6. Verification and monitoring

Suppliers will be required to submit sales reports for eligible products to the FM for verification by the IVA. The sales report will include the product name, product brand and model, serial number, as well as customer information such as the customer's name, ID number, phone number (or that of a nearby contact), address (village, landmark, GPS coordinates), etc.. Additionally, suppliers will submit a list of customers that have had technical issues and how these were addressed, as well as the list of customers with active credit or PAYG plans.

The IVA will verify sales using three steps: data and document verification, phone interviews, and field visits (see EnDev RBF Verification Product for more details). Verification will ensure that the subsidised products are sold only to eligible beneficiaries, that beneficiaries have not already received a subsidy, and that beneficiaries do not resell products for a profit. The project operations manual will describe the verification procedures and methodology in more detail.

EnDev will also track retail prices in commercial markets close to the targeted locations to monitor potential market distortion. Pricing data will be collected through random quarterly or bi-annual market visits.

7. Communication and outreach

Clear communication and awareness raising will be crucial to ensure successful implementation and minimise market distortion risks (see Section 8 for details). Beyond the provision of information on supported products, subsidy levels, and eligibility criteria,

messages will also focus on increasing awareness of supported technologies to build trust and ensure proper usage.

Government and community leaders will play a key role in sensitising targeted communities and will be consulted closely in the design, communication, and implementation of activities. Any communication will be developed considering literacy rates among beneficiaries and gender sensitive messaging.

Key communication channels will include, but are not limited to:

Printed communication material and local radio programs designed for target beneficiaries: These additional communications channels will complement awareness raising activities during organised meetings. Apart from providing general information on products and sales modalities, these materials will also help to sensitise the broader community on the need to support the target group through subsidies to avoid social tension.

These awareness raising activities as well as marketing efforts of participating companies are likely to reach the broader community and may create positive spill-over effects by increasing unsubsidised sales.

8. Risk mitigation

Risk	Probability	Potential impact	Mitigation measures
Leakage of subsidised products into the commercial market (e.g. through reselling, theft, ineligible customers)	Medium	High	• Building strong partnerships with government and community leaders to 1) support sensitisation on eligibility criteria, sales conditions, and theft prevention as well as 2) jointly design and enforce penalties in case of violation of sales conditions or theft • Clear communication on eligibility via individualised vouchers and eligibility check at voucher collection and point of sale (incl. identification) • Continual verification of old and new sales through IVAs
Fraud or collusion by participating companies	Low	Medium	• Development of stringent application process and thorough vetting prior to contracting • Continual verification of old and new sales through IVA (incl. ad hoc spot checks at company premises, if required)
Misappropriation of funds by fund manager	Low	High	• External audit of the fund manager (incl. commercial suitability check prior to contracting) • Oversight of activities implemented by fund manager through EnDev team • Independent contracting of IVAs via EnDev
Risk of social tensions due to perceived inequality	Low	High	• Use of known and accepted governmental categorisation for social protection programmes • Transparent process and inclusion of a range of different product types

Low demand due to limited willingness / ability to pay	Medium	Medium	• Continual monitoring and possible adaptation of subsidy levels / design in case of persisting inability to pay • Accompanying awareness raising to highlight benefits of (subsidised) clean energy products and potential to expand geographic scope
Limited financial or technical capacity of individual companies to implement activities	High	Medium	• Identification of possible pre-financing options for solar companies struggling with cash flow together with WB (incl. potential pre-payment, collaboration with MEAP, etc.) • Provision of technical trainings to companies on usage of digital tools

9. Key implementation stakeholders

9.1 Roles and responsibilities

EnDev Malawi leads on the design, implementation, and monitoring of the DSS pilot project. The operations manual is developed by EnDev in consultation with the FM and details implementation processes and procedures, required tools and documents, as well as the final subsidy amounts and schedules. EnDev is also responsible for hiring an FM and IVA, approving sales verification reports and therewith disbursements, selecting eligible companies together with the FM, and overseeing the implementation. EnDev also coordinates closely with the following stakeholders:

9.1.1 Ministry of Energy (MoE)

The political partner of the project is the MoE. The project coordinates regularly with the MoE and seeks their guidance, especially with the project implementation unit of the WB-funded MEAP.

The MEAP includes the *Ngwee Ngwee Ngwee* fund, which provides working capital to selected OGS companies to scale their operations and end-user subsidies to reach 200,000 households with Tier-1 OGS products. Unlike EnDev's DSS, the subsidies provided under the *Ngwee Ngwee Ngwee* fund target the population closest to being able to afford tier-1 OGS products at commercial prices.

EnDev coordinates and exchanges closely with MoE and WB to ensure synergies, avoid duplication and prepare a potential scale-up through a WB-funded government programme (see Section 10 for further details).

9.1.2 Government of Malawi (GoM)

Beneficiary data is held under the Malawi Social Registry (MSR) digital platform run by the Department of Economic Planning and Development under the Ministry of Finance.

The project leverages partnerships with the respective district authorities for outreach and coordination. EnDev engages with the MSR office concerning the data requirements for the DSS project, as well as sharing beneficiary data for the duration of the project.

9.1.3 The World Bank and the End-User Subsidy Lab

Besides the coordination with the WB on the MEAP project, EnDev conducts regular exchanges with the WB's Energy Sector Management Assistance Programme (ESMAP) team and the End-User Subsidy Lab (EUSL). EnDev is an active member of the End-User Subsidy Lab (EUSL) whose members include ESMAP, the Global Off-Grid Lighting Association (GOGLA), and the Clean Cooking Alliance (CCA). Exchange with the World Bank team, ESMAP, and the EUSL facilitates knowledge exchange and support the development of new DSS designs.

9.1.4 Independent verification Agent (IVA)

The IVA is responsible for:

- Verifying claims for various ICS and OGS suppliers, as instructed by EnDev.
- Clarifying outstanding questions with suppliers.
- Preparing and sharing verification reports with EnDev, the FM, ICS, and OGS suppliers.

9.1.5 Fund Manager (FM)

The FM is responsible for:

- Maintaining relevant accounts and managing the DSS funds, including keeping track of claims and disbursements to suppliers, processing disbursements upon approval by EnDev, filing reports (invoices/reports), etc.
- Developing standard payment forms and procedures for the DSS project together with EnDev.
- Supporting the call for proposals for suppliers and participating in the selection of eligible suppliers for the DSS project.
- Signing contracts with the suppliers.
- Acting as the first point of contact for participating suppliers.
- Supporting the claiming process.
- Coordinating with authorities of the selected districts.
- Facilitating information sessions and other methods of communication.

9.2 Coordination and stakeholder engagement

OGS: EnDev coordinates with the WB MEAP project, as well as provides regular updates and knowledge sharing on DSS to the Renewable Energy Industry Association of Malawi (REIAMA) working group.

ICS: EnDev utilises existing national coordination groups, such as the National Cookstoves Steering Committee (NCSC) chaired by the MoE, to provide updates and receive feedback from the sector.

10. Exit strategy

10.1 Scale-up

It is envisaged that a successful pilot be scaled through a government fund with support from the WB. The existing WB-funded *Ngwee Ngwee Ngwee* Fund under the Malawi Energy Access Project (MEAP) provides demand-side subsidies with the objective of scaling the

market. Their subsidy is calculated to plug the affordability gap of the off-grid rural population that is closest to being able to afford commercial prices. Their subsidies are thus significantly lower and less targeted than the ones proposed under this pilot. The *Ngwee Ngwee Ngwee* Fund (or other government project) could utilize lessons learned from EnDev's pilot to provide more targeted subsidies to beneficiaries at lower income levels and in other geographic areas, thereby taking the pilot to scale.

Close coordination with the WB and Government of Malawi is needed throughout the implementation to facilitate a later scale-up, including through e.g. coordination calls for routine communication and coordination of activities, as well as opportunities for collaboration.

10.2 Phase out

In case a scale-up through the government and WB, as described above, is not possible, the project aims to facilitate a smooth phase out at the end of the project period. Potential phase out measures may include e.g. the use of specific language (i.e., "discount" instead of "subsidy", "limited time / availability", etc.) in communication materials from the start, and clear communication to all involved stakeholders ahead of the project end-date. Where feasible, individual project outcomes, developed tools or materials are captured and handed over to local partners for continued use after the end of the project.