Demand-Side Subsidies in Humanitarian Settings: Reaching the Most Vulnerable

endev



Key Messages

- In humanitarian and displacement settings, DSS can serve both as an affordability mechanism and a catalyst for market development, but require complementary investment in supply chains, distribution, and company capacity where markets are thin or absent.
- Equal subsidy levels for displaced and host communities can support social cohesion, but disaggregated monitoring is needed to identify and address differences in access.
- Community-based sales networks can expand reach and reduce delivery costs in fragile and displacement-affected settings, while creating opportunities for women and youth from host and displaced communities.
- Verification design in displacement settings needs to account for population mobility, limited connectivity, and access restrictions, requiring flexible approaches and contingency plans.

What the DSS Component did

The EnDev Energy Access through Demand-Side Subsidies (DSS) component targeted displaced populations in Uganda and Niger.

In Niger, EnDev worked in the Maradi and Tahoua regions with communities hosting refugees and internally displaced people (IDP). Activities were implemented in a nearly non-existent solar market and against a backdrop of extreme political volatility and ongoing security challenges. Subsidies of up to 82% were applied to basic solar home systems (SHS) and lanterns, with end-user contributions derived from socioeconomic baseline studies combined with company tendering via a reverse auction system. Given the low maturity of the market and the high operational risk for companies, specific targets for sales to displaced households were deliberately not set. Instead, the programme prioritised company financial sustainability and gradual market development. Uptake by displaced households proved to be considerably lower than expected. Solar lanterns – initially foreseen primarily for displaced households – were not attractive enough, while SHS were too expensive given significantly lower incomes of IDPs. While EnDev initially sought to increase refugee and IDP sales through dedicated awareness raising, uptake only improved once the SHS subsidy for displaced households was increased, resulting in an end-user price reduction from EUR 24,30 to EUR 12,10.

To make DSS work in the Nigerien context, extensive supply-side support was needed. EnDev provided infrastructure for sales points, training for women and youth from host and displaced communities to become local sales agents, and transport to reach remote communities. Additionally, advance payments were made directly to manufacturers on behalf of companies to resolve the persisting national stock shortage. Verification was also adapted to the context: phone verification

was prioritised over field verification to reduce costs, and second-hand verification via neighbours or family members was accepted where displaced households had returned home or relocated and taken the product with them.

In Uganda, the DSS component targeted refugee-hosting districts in Northern and Western Uganda, promoting both off-grid solar and clean cooking technologies. Subsidy levels were informed by willingness and ability to pay assessments resulting in discounts of 52–68% for solar products and 42–67% for clean cooking technologies. An advance payment of up to 30% of the contract value was made available to companies to offset the working capital risk of expanding into higher-cost operating areas. A soft sales target requiring refugees to have an equal share in sales was set to ensure companies reached both refugee and host community households benefitted equally.

While solar companies easily achieved this 50/50 ratio and met their targets, cooking companies struggled to serve refugee households. Key challenges included expectations of free give aways, cuts in humanitarian aid resulting in less disposable incomes, and higher than expected costs of serving this target group. In response, EnDev increased the subsidy cap for ICS from EUR 2,15 to EUR 4,30 and provided partial transport support. Additional awareness campaigns showcasing products and focusing on community engagement were conducted, which positively impacted sales. Throughout the implementation period, EnDev coordinated with the Office of the Prime Minister to ensure political buy-in, ensure coordination, and facilitate access to refugee hosting areas for companies.

What we learned

When delivering DSS in low maturity markets supply-side support must be a core component of project design. In Niger, the solar market had not reached the scale required for serving large numbers of **displace**d and host community households. DSS in this context functioned primarily as a market stimulation instrument: the subsidy unlocked demand, but only parallel investment in supply chain and distribution infrastructure as well as companies' operational capacity made it possible for the demand to be met.



DSS need to account for the true cost of expanding to and operating in humanitarian settings or be accompanied by dedicated support for expanding last-mile operations. Standard market-based approaches, which derive subsidy levels from prevailing market prices or company cost breakdowns, may significantly underestimate what it costs to serve displaced communities – as seen in the Uganda cooking pilot. Transportation to remote settlements, staff access requirements, dedicated awareness raising activities, and administrative compliance with humanitarian coordination systems all add to company operating costs. If these costs are not accounted for in DSS levels or additional supply-side programme support, companies will prefer easier-to-reach customers over harder-to-reach displaced households.



Self-targeting – offering subsidised products that naturally seem to favour the intended beneficiary group – needs to carefully balance affordability, willingness to pay, and aspiration to work. In both Niger and Uganda, tier 1 pico PV products offering light and phone charging were included to serve displaced communities. While basic, the portable nature, services offered, and low cost seemed to meet profile of targeted displaced households. However, demand remained low throughout implementation. Displaced customers proved to be more aspirational and willing to pay a higher price for a SHS. This was especially the case if the difference between the subsidised price of a pico PV product and a SHS was relatively small compared to service gained.

Equal subsidy levels do not automatically generate equitable outcomes. Programmes should monitor sales disaggregated by population group and have a pre-agreed protocol for adjusting subsidy levels and implementing additional measures when evidence shows the most vulnerable are not being reached.

Verification **systems must be designed for displacement realities**. Population mobility, limited connectivity, language barriers and restricted access to settlements all require verification approaches that differ substantially from those used in regular markets. Phone-based verification, local enumerators, and contingency pathways for verifying sales where field access is blocked should be standard design elements.

Community-based sales networks are amongst the most cost-effective approaches tested in the pilot. In Niger, training women and youth from host and displaced

communities as sales agents reduced the need for companies to deploy staff to difficult-to-access areas, built community trust in the programme, created livelihood opportunities, and helped address cultural and linguistic barriers to sales. This model is particularly well-suited to contexts where company presence is limited or where there are security constraints.

Overall, the DSS component showed that DSS schemes for displacement settings cannot follow a standard or slightly adapted model; they require a distinct approach based on careful market assessment, targeting, subsidy calculation, supply-side support, as well as suitable verification methods. Agile management is also key in such fragile contexts where dynamic developments require flexible design adaptations to ensure effectiveness and efficiency.

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