Targeting Demand-Side Subsidies: Balancing Inclusion, Feasibility, and Scale

endev



Key Messages

- Targeting is a core design choice that affects **subsidy levels**, delivery models, verification, company participation, customer experience, and perception of fairness.
- Effective targeting balances precision with what is feasible in terms of data, implementation capacity, and market conditions.
- More precise targeting enables higher subsidy levels and reduces market distortion, but comes with greater cost, complexity, and implementation time.
- Targeting should account for differences in access and barriers within the eligible population and not assume that all eligible customers face the same constraints.

What the DSS component did

The EnDev Energy Access through Demand-Side Subsidies (DSS) component applied different targeting mechanisms across Liberia, Malawi, Niger, and Uganda depending on country and market context, data availability, product type, and operational feasibility.

In Malawi, EnDev used socioeconomic targeting through the Malawi Social Registry (MSR), which provided a systematic basis for identifying eligible customers and aligning subsidy levels more closely with the affordability gap of the target group. The pilot targeted households in the lowest two categories of the MSR using differentiated subsidy levels.

In Niger, EnDev combined geographic targeting with status-based identification in select displacement settings. Host communities, refugees, and internally displaced persons (IDP) were eligible for subsidised products. Refugees were identified through UNHCR registration cards and IDP through lists provided by local authorities. Host-community members had to provide an official form of identification. The experience pointed to the risk of exclusion due to official ID requirements. Subsidy levels were initially the same across all groups to avoid social tensions. However, following low uptake among displaced customers, the subsidy level for displaced people was increased.

In Uganda, EnDev applied a mixed model combining geographic and socioeconomic targeting. The pilot focused on refugee-hosting districts, including both refugee and host communities. Refugees were identified through registration documentation, while host communities required national ID. Subsidy levels were the same for both groups to promote fairness and avoid tensions. Uganda also provided an important lesson on targeting for different product types: strict eligibility checks proved to be a barrier for improved

cookstoves (ICS) and were later removed, while being retained for solar products.

In Liberia, the pilot primarily focused on geographic targeting due to a lack of comprehensive socioeconomic data. The subsidy targeted counties with high multi-dimensional poverty, while also considering the state of market development. This was complemented by a small voucher-based sub-pilot for vulnerable women, which explored a more targeted approach. The sub-pilot used existing group structures and available beneficiary lists in two counties to reach a clearly defined group requiring higher subsidies, while minimising spill-over. Though successful, the sub-pilot required significant facilitation and administrative oversight.

What we learned

Future DSS programmes should begin by defining the targeting objective clearly. Reaching the poorest households, reaching displaced populations, expanding access in underserved areas, and supporting early-stage markets are related but distinct objectives. Each point to different targeting approaches and levels of acceptable cost and complexity.

Targeting should be designed together with subsidy levels, delivery channels, and verification systems. The more targeted the subsidy, the more important it becomes to confirm eligibility. The higher the subsidy level, the stronger the targeting needs to be to justify them. And the more complex the targeting process, the more support companies need to apply it correctly. Targeting is therefore the bedrock of the implementation system.



Where a national social registry or other credible database exists, it should be used for subsidy implementation. In Malawi the MSR provided a practical basis for poverty targeting and enabled better matching of subsidy levels with the affordability gap of the target groups. Registry-based targeting supports inclusion and coherence across social support programmes while helping to manage the risk of market distortion. However, registry-based targeting needs to be actively managed; data gaps, outdated records, and exclusion errors can occur. If households are not in the registry, they may be excluded from the DSS even if they meet the eligibility criteria. Companies also need simple and reliable ways to check customer eligibility and apply the correct subsidy level while ensuring that the customers data is protected. Similarly, verification agents need clear processes for confirming eligibility without creating excessive delays. Digital tools can make larger-scale registry-based targeting more feasible.



Status-based or list-based targeting can be particularly relevant in humanitarian and displacement-affected settings but requires careful design. Requirements for official identification can create exclusion risks, for example for female-led households lacking official IDs. Future programmes using ID-based or list-based targeting should assess who is likely to be missing from official records and whether alternative pathways are needed.

Geographic targeting remains important where more precise data is unavailable or where fairness considerations are central. In nascent markets, it may be the only realistic option. It is also appropriate in humanitarian settings, where both refugees and their hosts face significant constraints and where restricting support to one group may create tensions. Making all households in a defined area eligible can be simpler, more transparent, and more socially acceptable. The limitation is that there is less certainty on who is reached.

Other accepted data sources may also be useful, such as lists maintained by local authorities, organisations working with people with disabilities, humanitarian actors, women's groups, or agencies such as UNHCR. Clearly defined vulnerable groups can be reached more easily, especially when the aim is targeted support rather than broad market activation. However, these approaches depend heavily on data-sharing arrangements, trust, data quality, and the willingness of partners to cooperate. They also require careful handling to avoid confusion over eligibility or perceptions that some groups have been selected unfairly.

The level of targeting effort should be proportionate to the value of the product, the size of the subsidy, the risk of distortion, and the intended customer group. A strict eligibility process may be justified for a higher-value solar home system, where the subsidy amount is larger and the risk of market distortion higher. For lower-cost products, such as ICS, checks became a sales barrier.

Targeting systems should be reviewed during implementation. If the mechanism is slowing sales, excluding intended customers, or creating tensions, it should be

adapted. Responsible targeting is not about designing the most sophisticated eligibility system possible. It is about finding a workable balance between inclusion, fairness, cost-efficiency, and scale.

Overall, the DSS component's experience suggests that there is no single best targeting mechanism. A programme aiming to reach the poorest households may need more precise targeting and higher subsidy levels, accepting higher administrative costs. A programme aiming to expand access in underserved markets may rely more on geographic targeting, while monitoring who is reached and adjusting if poorer households remain excluded. A programme targeting a small vulnerable group may use vouchers or partner lists, while recognising that such models require significant hands-on management and have limited potential for scale.



Should DSS programmes require sales ratios for different target groups?

A mandated sales ratio can help ensure that companies do not focus only on easier-to-reach or higher-income customers within a target area. In Uganda, the 50/50 refugee-host community ratio helped maintain attention to both groups. However, the experience also showed that ratios can become difficult to apply where demand, affordability, product suitability, or sales conditions differ significantly between groups. In Uganda, the sales ratio was not applied to higher-tier cookstoves and proved less successful for ICS than for solar products. Niger did not include a mandates sales ratio between host communities and displaced people. Combined with initially equal subsidy levels, this contributed to very low initial uptake among displaced customers. The Niger experience suggests that where programmes expect companies to reach groups with lower ability to pay or higher last-mile delivery costs, eligibility alone may not be sufficient. A ratio, differentiated subsidy levels, or other incentives may be needed to achieve certain objectives. However, such measures should only be applied if they are proportionate to the product category and if it is realistic for companies to serve the intended target group.

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