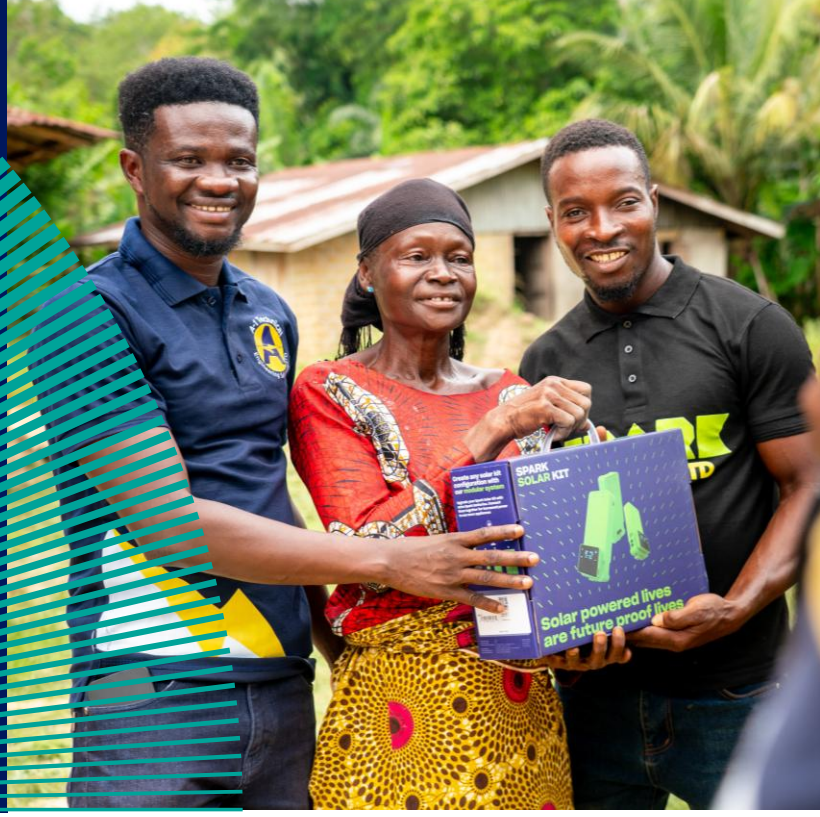
Verification of Demand-Side Subsidies: Balancing Accountability and Practicality

endev



Key Messages

- Verification in DSS schemes is more demanding because it does not only confirm the sale, but also customer eligibility, product compliance, and right subsidy application.
- Effective verification balances accountability with cost, speed, company liquidity, customer reach, and fair treatment of participating companies.
- Verification requires clear rules and escalation pathways, while allowing flexibility for issues beyond companies' control.
- Verification is more than a fraud-control mechanism; it affects reimbursement speed, company liquidity, customer trust, and companies' ability to sustain service delivery; it's a design decision.

What the DSS Component did

The EnDev Energy Access through Demand-Side Subsidies (DSS) component used independent verification services to confirm whether subsidised sales were eligible according to EnDev requirements before companies were reimbursed. Verification covered whether the sale had truly taken place, the customer and the product were eligible, the product was received and functioning, and consistency of the sales information submitted by the company with EnDev records.

The pilots differed in how frequently claims could be submitted and how verification was organised. In Liberia, verification was organised on a rolling basis through company-initiated claims rather than centralised verification rounds. Companies submitted claims once they reached a minimum of 200 sales. Uganda and Malawi opted for verification rounds every two months. Niger used the most frequent cycle, with monthly verifications to support company liquidity.

Across all pilots, only a sample of customers was verified using various verification methods such as desk checks, phone verification, and field verification. The sample size was calculated using statistical methods with confidence levels ranging from 90% - 95% and a margin of error between 5% and 7,5%. Given the pilot and learning nature of the component as well as high subsidy levels, EnDev opted for more intensive verification than may otherwise be necessary to monitor for potential fraud.

Differences in sampling parameters, shares of phone and field verification (see Table 1), thresholds, and escalation mechanisms reflected country-specific assumptions about customer reachability, product types, implementation risks, and the consequences of rejecting claims.

Table 1 – Verification parameters by DSS pilot country

Country	Sampling from previous claim	Geographic clustering (Field sample)	Phone Verification	Field Verification	Phone reachability threshold	Verification pass threshold
Liberia	No	Yes	80%	20%	65%	90%
Niger	Yes	Yes	70%	30%	50%	95%
Malawi	Yes	Yes	70%	30%	50%	90%
Uganda	No	No	90%	10%	50%	90%

Some countries included specific verification features to address reachability constraints of certain customers. E.g. in Malawi, companies were required to collect four phone numbers for each customer, including numbers of neighbours, relatives, or local leaders, substantially improving reachability. In other countries, additional routes to confirmation were used where customers were difficult to reach, such as community-level follow-up, field observation, or checking company payment systems where appropriate.

Verification approaches were adjusted during implementation as evidence on cost, reachability, risk, and company performance emerged. After consistently strong verification results, Liberia adapted its approach from a 50/50 to an 80/20 phone-field ratio to reduce the cost of field verification. Similarly, Malawi reduced sampling parameters, following consistently strong verification results from participating companies. These adaptations reflect a gradual move towards more risk-based verification, while keeping stronger checks available where results, data quality, or company performance indicated higher risk.

Verification results were not extrapolated to the full claim. Instead, individual sales that failed verification were deducted from the claim, while the remaining sales were paid. However, high failure rates triggered additional follow-up, warnings, or stronger programme responses.

Claim-processing and verification timelines were monitored in all countries, as these directly affected company liquidity. Processing timelines varied across countries (see Table 2).

Table 2 -Claim processing timelines by DSS pilot country

Country	Planned verification time	Planned total claim-to-payment time	Actual timelines	Observations/ Main issues
Liberia	13-24 working days	25 – 47 working days	40 days total claim processing	
Niger	15 working days	30 days	70 days	Verification was originally to be conducted quarterly, but given companies' limited working capital, it was decided that it should be conducted monthly to support company liquidity. Safety concerns and the complexity of working in targeted areas also affected timelines.
Malawi	16-23 days	30-46 days	23 days for verification; and 40 days for total claim processing	Internal administrative constraints of the fund manager affected the ability to make timely disbursements to companies and generated delays of over 2 months.
Uganda	20 days max. for IVA checks	30–45 days	28 days for verification and 32 days for total claim processing	Due to IVA contracting and performance issues, cookstove verification and payments were delay.

What we learned

Verification carries significant weight in demand-side subsidies, as DSS require a more customer-specific assessment and timely disbursement of subsidies to minimise companies' financial risk. The subsidy is not simply attached to a product sale; it is attached to a specific customer who qualifies for support, receives an eligible product, and pays a subsidised price under pre-defined conditions. Verification therefore also needs to confirm that public funds reached the intended target group in the intended way. But companies also carry financial risk when they sell products at subsidised prices before reimbursement. Verification needs to be rigorous enough to protect public funds, while remaining clear, consistent, and timely enough to avoid imposing disproportionate losses or liquidity pressure on companies.

Sampling needs to balance statistical confidence with operational reality. Verification for targeted customer groups is not straightforward. Customers may be working in fields during the day, relocate, or rely on shared phones. Verification systems therefore need multiple routes to confirmation, such as repeated phone attempts, alternative contact numbers, field visits, visible product checks, and supporting company records. Local leaders, neighbours, or company agents may help locate a customer. Overall, high confidence levels and small error margins increase reliability but also increase sample size, cost, and time required before companies can be reimbursed. Field verification provides stronger evidence than phone verification where customers are difficult to reach, but it is slower and more expensive, especially in remote or insecure areas. Phone verification is faster and more cost-efficient, but depends on accurate phone numbers, reachability, and network coverage. The balance between phone and field checks, the level of statistical confidence, and the use of escalation measures shapes the cost, speed, and reliability of verification. It is key to define a proportionate approach that reflects the realities on the field.

Desk verification is often underestimated. Data submitted by companies for claiming needs to be checked for completeness, inconsistencies, eligibility, and overall alignment with programme rules. Poor data quality can slow the entire process. Where companies are less professionalised or use paper-based systems, the burden of data cleaning, claim reconciliation, and manual correction can become substantial. Better digital tools, automated checks, and clearer data standards can reduce delays, but only if companies are trained and able to use the systems consistently.

Field verification should be treated as both an assurance tool and an operational cost driver. It can resolve cases that cannot be assessed remotely, provide stronger evidence of product ownership and improve confidence in the claim. However, finding customers can take significant time. In fragile or conflict-affected areas, field plans may also need to change quickly in response to security conditions. Programmes should therefore budget sufficient time and resources for field verification, especially where hard to reach groups are the target.

Verification intensity can evolve with evidence. High verification intensity may be justified at the start of an intervention, especially where subsidy levels are high, companies are new to the mechanism, or the programme is still testing whether it is reaching the intended customers. Over time, consistently strong results can justify lower sampling parameters, faster processing, or more targeted checks. Conversely, weak data quality, low reachability, high failure rates, or company-specific concerns should trigger additional scrutiny.

The organisation of verification cycles has direct implications for company liquidity and IVA efficiency. Rolling, company-specific claims allow verification to start sooner for individual companies but may be harder for IVAs to organise efficiently across dispersed sales locations. Rounds-based verification makes IVA planning easier, especially if field teams need to verify multiple sales but can also extend waiting periods for companies. Monthly verification, as used in Niger, was designed to reduce this liquidity pressure, but still depends on the capacity of companies, the Fund Manager, the IVA, and EnDev to keep each step moving. Frequency should thus be treated equally as a liquidity and an administrative design choice.

The independence of verification agents is important for DSS but may need to be balanced with the realities of reaching customers. In some cases, local leaders, trusted community members, or company agents may need to help to locate customers. This should remain a last resort, and the role of these actors should be clearly documented. Independence should refer to who makes the assessment, not to an unrealistic expectation that the independent verification agent can always find every customer without local support.

Clear decision rules are essential and should be defined as much as possible before starting implementation. Verification protocols should specify what happens if customers cannot be reached, product accessories are missing or malfunctioning, customers have relocated, sales records are incomplete, or products are stolen. If not anticipated, verification can slow down significantly while implementation teams agree on how to proceed. Realistic thresholds are also important: a phone-reachability target that is reasonable in a connected area may be too strict in remote or humanitarian settings. Rules that work for large claims may have disproportionate consequences on smaller claims. But standardisation can also make sense: e.g. all pilots shared the same approach for sales that failed verifications. Only individual sales that failed verification were considered for deductions in payment claims. Not to extrapolate failed sample results to the full claim was considered appropriate given the financial exposure created by high subsidies and the practical need to geographically cluster field verification as opposed using full random sampling required for extrapolation. Extrapolation could have imposed disproportionate losses on companies. High failure rates still required follow-up, warnings, or stronger programme responses.

Verification agents may require training, particularly where products include multiple components or accessories, or where products differ substantially in design, use, and customer handling. Independent verification agents need to understand what constitutes a functioning product, what should be considered a minor technical issue, and what should lead to a failed sale. Without this training, issues may be assessed inconsistently, creating both accountability risks and fairness concerns for companies.

Overall, the experience of the DSS component showed that verification should be risk-based, proportionate, and adaptive. It needs to be rigorous enough to protect the integrity of a targeted subsidy, but practical enough to work in remote, low-connectivity, and fragile settings. It should be designed with the same care as targeting, subsidy levels, delivery channels, and disbursement.

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