

Malawi

Enabling Energy Access through Demand-Side Subsidies (DSS)



Country	Malawi
Technologies	Solar home systems (SHS), improved cookstoves (ICS)
Target group	Poorest and poorer households as defined by Malawi Social Registry
Project period	08/2022 - 09/2026
Budget	EUR 4,866,000
Financed by	Directorate-General for International Cooperation (DGIS) of the Netherlands Ministry of Foreign Affairs
Implemented by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Fund management by	Self Help Africa (SHA), Concern Universal Microfinance Operations (CUMO)
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 224,000 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 21.7 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 15% reached by off-grid solar (OGS) products. Access to improved cooking technologies remains limited, with over 90% of all households using traditional cookstoves.

The Government of Malawi (GoM) has put in place a strong enabling environment for off-grid electrification, including market development initiatives supported under 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 Malawi Social Registry, a nationwide social registry system. The pilot is implemented in seven rural districts: Balaka, Dedza, Dowa, Kasungu, Mzimba, Nkhata Bay, and Salima.

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 solar home systems (SHS) and improved cookstoves (ICS). Given the local market context, the pilot only supports locally-produced, wood-burning ICS, called Chitetezo Mbaula. Each beneficiary is able to purchase one subsidised cookstove and one subsidised solar product. Customer eligibility is checked at the point of sale with an eligibility tool hosted by Kobo Toolbox.

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. Self Help Africa (SHA) and Concern Universal Microfinance Operations (CUMO) act as fund managers and key implementing partners of the RBF.

Based on EnDev's previous experience implementing RBF projects in Malawi, it is expected that the pilot generates positive spill-over effects, thus supporting market growth and maximising impact.

Projected Impact



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

1. directly enable up to 224,200 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 MEAP. The World Bank's Ngwee Ngwee Fund under 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](#).

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