Meeting in the Council for Development Policy on October 14, 2021
Agenda Item No.

1. Overall purpose:	*For discussion and recommendation to the Minister*
2. Title:	*Danish support to the Sustainable Energy Fund for Africa (SEFA)*
3. Presentation for Programme Committee:	*10 June 2021*
4. Previous Danish support to SEFA presented to UPR	*Yes, Danish contribution to SEFA of DKK 300 million presented to UPR 29 October, 2019.*

Additional Danish support to

Sustainable Energy Fund for Africa (SEFA) 2.0

September, 2021

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Abbreviations list

ADF	African Development Fund
AEEP	Africa-EU Energy Partnership
AfDB	African Development Bank Group
AREF	Africa Renewable Energy Fund
BoD	Board of Directors
DEPP	DEA Energy Partnership Programme
DFI	Development Financing Institutions
ESAP	Environmental and Social Assessment
ESMAP	World Bank Energy Sector Management Assistance Program
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GW	Gigawatt
IEA	International Energy Agency
IFU	Investment Fund for Developing Countries
INDC	Intended Nationally Determined Contributions
MDP	Market Development Programme
MW	Megawatt
NDC	Nationally Determined Contributions
NDE	National Designated Entities
NDEA	New Deal on Energy for Africa
NSO	Non-sovereign Operations
OC	Oversight Committee
P4G	Partnership for Green Growth and the Global Goals
PAP	Process Action Plan
PECG	Climate Change and Green Growth Department
PEVP	President of Energy, Climate and Green Growth Complex
PPF	Project Preparation Facility
PPG	Project Preparatory Grants
PSF	Project Support Facility
RBF	Results-Based Finance
RE	Renewable energy
SDG	Sustainable Development Goal
SEFA	Sustainable Energy Fund Africa
TA	Technical Assistance
ToC	Theory of Change

1. Introduction

This Project Document presents the rationale, justification and objectives for the Danish contribution of DKK 100 million to the second phase of the Sustainable Energy Fund for Africa (SEFA 2.0). This contribution complements the first Danish contribution of DKK 300 million made back in 2011 and the second contribution of DKK 300 million made in 2019 when SEFA was turned into a Special Fund. The purpose of increasing the support to SEFA is to emphasise the strong Danish commitment to close the energy gap in Africa and support an accelerated green energy transition in Africa. The Covid-19 pandemic has also put green energy access investment on reverse and there is an urgent need to support African government's efforts to Build Back Better and Greener, and to continue efforts to achieve SDG7 on access to affordable clean energy.

SEFA 2.0 is a multi-donor trust fund managed by the African Development Bank (AfDB). The objective of SEFA is to contribute to universal access to sustainable, reliable, and affordable energy services and reduce greenhouse gas (GHG) emissions stemming from the energy sector. The Fund is focusing on three strategic priorities: (i) *Green Baseload* with the aim of increasing the penetration of grid-connected renewable energy to provide system stability as alternative to fossil-fuel baseloads, (ii) *Green Mini-Grids* accelerating electricity access to underserved populations through clean energy mini-grid solutions, and (iii) *Energy Efficiency* improving the efficiency of energy services delivered through a variety of technologies and business models, including for clean cooking. In addition, SEFA 2.0 is also targeting gender mainstreaming in the energy sector, enhancing social inclusion and has a special focus on fragile countries.

To achieve its objective, SEFA 2.0 has been restructured as special fund with two funding windows supporting (i) upstream *Technical Assistance* (TA) by building capacity and an enabling environment to unlock green energy investment, and (ii) a *Concessional Financing* window addressing commercial viability gaps through loans, equity investment and mitigation of investment risks. The new structure allows SEFA to meet the needs of the evolving energy markets in Africa and embrace the opportunities of more cost competitive prices on renewable energy. It will also enable SEFA to provide financial instruments beyond TA grants and by this place SEFA/AfDB at the forefront of mobilising private financing for green energy projects through blended financing mechanisms.

SEFA was established in 2011 by AfDB in partnership with Denmark. Since then, SEFA has developed to become a leading energy fund in Africa and has received financial commitments from Germany, Italy, Nordic Development Fund, Norway, Spain, Sweden, UK and USA. Almost USD 400 million has been committed and pledged to SEFA. This makes SEFA one of the largest Trust Fund in AfDB and a critical fund for the AfDB in providing catalytic finance to unlock private sector investments in renewable energy and to build an ambitious pipeline of renewable energy and energy efficiency projects. Denmark is recognised a founding donor to SEFA and is also acting as the lead donor to SEFA, which allows Denmark to take central coordinating role between donors and the SEFA Technical Unit.

2. Strategic considerations, justification and context

2.1. Geographic, political and institutional context of SEFA

Today more than half of the population in Sub-Saharan Africa does not have access to electricity and some 900 million people lack access to clean cooking. For the first time since 2013, the Covid-19 pandemic has put progress on energy access in Sub-Saharan Africa into reverse. The number of people lacking electricity in Sub-Saharan Africa was rising to more than 590 million people in 2020; an increase of 2% compared to 2019.

Closing the energy access gap in Sub-Saharan Africa will require concerted efforts, including new policy frameworks, innovative investment designs and blended finance models. Without additional efforts it is estimated that about 620 million people globally will remain without access to energy in 2030, 85% of them located in Sub-Saharan Africa.

Despite being home to 17% of the world's population, Africa currently accounts for just 4% of global power supply investment and only 2-3 % of the Global GhG emissions. Achieving reliable electricity supply for all would according to IEA require an almost fourfold investment increase, to around $120 billion a year through 2040. Mobilising this level of investment will require setting up adequate policy and regulatory measures to improve operational efficiency of utilities, increase off-grid investment and use public funds to catalyse private capital. Energy efficiency and a transition to an electrification of infrastructure development such as transport and cooking solutions should be considered in the long-term energy outlook.

Africa has the potential to leapfrog to cost-efficient renewable energy solutions to increase universal and reliable energy for all. Since 2010, the cost of renewable energy has dropped by 82% for photovoltaic solar, by 47% for concentrated solar energy (CSP), by 39% for onshore wind, by 29% for wind offshore and similar reductions in prices for batteries. Africa is gifted with the richest solar resources in the world but has only installed 5 gigawatts (GW) of solar photovoltaics (Solar PV), less than 1% of the global total. However, the falling technology costs on renewable energy can drive double-digit growth in deployment of utility-scale and distributed solar PV, and other renewables, across the continent. Yet, mobilization of private investments and building a more reliable power system that can integrate more renewable energy remains a challenge, particular for fragile and the poorest countries in Africa.

SEFA contributes to achieve AfDB's 'New Deal on Energy for Africa' (NDEA) with the goal of achieving universal access to energy in Africa by 2025. Though a difficult target to achieve, it has guided the work of AfDB to collaborate with governments, the private sector, and bilateral and multilateral energy sector initiatives to develop a platform for public-private transformative partnerships for innovative financing in Africa's energy sector. SEFA has been a cornerstone in spearheading AfDB's engagement in mini-grids and played a catalytic role in the preparation and financial close of the Africa Renewable Energy Fund (AREF) and the Facility for Energy Inclusion – some of the first pan-African equity funds for renewable energy. SEFA is the main energy fund within the AfDB and key vehicle to achieve NDEA by focusing particularly on early-stage project finance, renewable energy, off-grid connectivity and energy sector country programs. Further, SEFA prioritizes first-of-a-kind projects in African markets by taking on early stage risks, thereby enabling investment by more risk-adverse investors. Of the 42 trust funds and thematic/special funds hosted by the AfDB, SEFA is the largest, and the only one that focuses on renewable energy and energy efficiency.

2.2. Rationale and justification of support

The additional Danish contribution to SEFA 2.0 is based on an urgent need to accelerate access to energy in Sub-Saharan Africa where the World's energy gap increasingly is concentrated to achieve universal access to electricity by 2030.

Further, in the midst of the Covid-19 pandemic, it is critical to provide green recovery capital and design new financial models to support both financial constrained utility companies and off-grid energy developers. By this, the Danish support to SEFA contributes to a Build Back Better and Greener approach that can support

African countries to spearhead a sustainable and people-centered green energy transition. Further, the project pipeline for SEFA 2.0 demonstrates both scale and innovation for accelerating a green energy transition in Africa. It is currently a main vehicle for mobilizing blended financing to renewable energy and energy efficiency in Africa.

SEFA has demonstrated a unique approach to also include fragile states in their project portfolio where more than one-third of approved projects are located in fragile states. Hence, SEFA is filling a crucial gap for countries that would otherwise have no or limited access to project preparation facility support. SEFA 2.0 will in particular provide support to AfDB's Desert-to-Power Initiative, which aims to connect 250 million people with renewable energy in the Sahel region. SEFA is also a key initiative to close the energy gap and ensuring that no-one is left behind. Further, SEFA is also supporting many countries in designing some of their first integration of renewable energy sources in the grid.

SEFA focuses on leveraging blended capital for first-of-a-kind projects and is supporting African countries to leapfrog to new technologies while closing the energy gap and improving energy efficiency. This is well-aligned with the Danish Government's long-term global climate strategy, which emphasises the Danish efforts to raise the global ambitions on SDG7, including closing the access to energy gap in Sub-Saharan Africa and to support a green energy transition for developing countries. Further, the Danish contribution to SEFA is also an important building block for Denmark's new Strategy for Development Cooperation 'The World We Share'. The Strategy outlines that Denmark will contribute to accelerate clean energy access to unserved communities, support a green energy transition in developing countries, mobilize private financing for renewable energy, improve national green energy planning and influence the multilateral development banks to drive forward a green energy transition. The three strategic areas of SEFA – green baseload, mini-grid and energy efficiency - all contribute to meet the expectations set out in both the above mentioned strategies.

SEFA contributes to several of the UN sustainable development goals (SDGs), particularly to SDG 7 (sustainable energy for all) and SDG 13 (climate change). Access to modern and sustainable energy is an important for enabler for achieving many of the other SDG's, for enhancing climate resilience and for achieving human rights by contributing to an adequate standard of living and access to education. The strong Danish commitment to SEFA also underpins the Danish leadership on SDG7 where Denmark has been a co-chair in both 2019 towards the UN Climate Summit and towards Un High Level Dialogue on SDG7 in 2021.

The support to SEFA is not only pivotal in the Danish dialogue with the AfDB but is also aligned with other multilateral agencies that Denmark supports. There is a potential for collaboration with the Copenhagen Center on Energy Efficiency which could support the strengthening of SEFA's energy efficiency component. SEFA is also collaborating with other relevant multilateral funds such as the Green Climate Fund and the Global Environment Facility which are co-financing projects. Denmark supports SEFA to expand its networking to other Danish supported partners such as UNDP, ESMAP, IRENA, NDF, UNEP and SEforALL. Denmark will also propose that SEFA contributes to the Global Plan and Action for Sustainable Energy Solutions for Situations of Displacement and UNHCRs Green Energy Challenge for refugees and forcibly displaced populations. Below is inserted an overview of some of Danish supported energy institutions and type of support they are providing (see also Annex 13 which include a brief narrative regarding SEFA as a policy convener).

Table 2: Examples of Danish supported energy-related institutions (draft, subject to further work)

	Technical assistance (country level)	Research/knowledge work	Global analysis/policy recommendations	Project preparation and readiness	Financing RE investments
CIF			√	√	√
DEA	√	√			
ESMAP (WB)	√	√	√	√	√
GCF				√	√
GEF				√	√
IEA	√	√	√		
IFU				√	√
IRENA	√	√	√		
NDF				√	√
SEFA (AfDB)	√	√		√	√
SEforALL		√	√		√
UNEP		√	√	√	
WRI	√	√	√		

Bilaterally, a priority will be to strengthen synergies to our work in priority countries, particularly in the Sahel region. SEFA's Desert-to-Power project will be a key deliverable and a priority for the additional Danish support to SEFA. Synergies to the new Danish country program in Mali has already been established and ongoing outreach to other Sahel countries will be a priority to enhance synergies between Danish multilateral and bilateral engagements. There are also opportunities to strengthen more direct dialogue with Danish bilateral engagement in Kenya, Ethiopia and Uganda, incl. to strengthen synergies between the Beyond the Grid for Africa Fund and SEFA in Uganda. Further, Denmark will also seek to build closer collaboration with the SEFA team in their global knowledge and outreach work. Denmark will also aim to become a more visible lead donor. By this, SEFA will also become an integrated part of the Danish efforts to lead-by-example on SDG7. Finally, possibilities to strengthen synergy to the MFA green partnership with Danish civil society and with IFU will also be explored.

2.3. Rationale for SEFA restructuration, lessons learned and results

Based on seven years of operational experience and recommendations from external reviews, SEFA was restructured into a special fund in 2018-2019. As founder and a lead donor, Denmark has played a key role in the restructuration of SEFA. The overall scope and thematic areas of SEFA 2.0 are well aligned with Danish policy priorities of accelerating a green energy transition in Africa and close the energy gap.

The rational for restructuring of SEFA as a special fund was to enable SEFA to provide financial instruments beyond technical assistance grants and to meet the demand for both catalytic finance and technical support without having to seek the Board for a waiver from the trust fund policy on each investment project. As a special fund, SEFA is able to provide both technical assistance and concessional investments for private sector renewable energy projects from early stage development to project commissioning. Hereby, SEFA 2.0 is customizing its scope to the rapid development in the renewable energy landscape in Africa where new business models have emerged, several renewable energy sources have become mainstream and private sector participation is more active due to more cost-competitive prices of renewable energy. The new structure also enable SEFA to unlock investments in fragile countries and will be a key delivery platform for the AfDB's "Desert-to-Power" initiative.

Since its launch in 2012, SEFA 1.0 has delivered funding to 71 projects for a total of US$ 80.5 million. This splits into 25 *project preparation*, 24 *enabling environment* and 22 *equity investment* projects. Results from closed operations, demonstrates support to deployment of 91 MW on the ground and approximately 120,000 households connected. In total, SEFA 1.0 expects to lead to 250,000 new connections providing access to about 1.6 million people, and 600 megawatt (MW) of renewable energy generation capacity, with an equivalent reduction of 12 million tons of $CO2$[1].

Overall, SEFA performance is seen as delivering cutting-edge renewable energy projects and it has influenced AfDB's energy sector priorities towards sustainable, privately-led renewable energy solutions, particularly in smaller scale and off-grid contexts. SEFA has particularly managed to push deployment of renewable energy to riskier and fragile country contexts, and SEFA has been crucial in addressing the market gap of financing early-stage project preparation for green energy baseload. The external evaluation in 2018 concluded that SEFA's involvement has been reported as being instrumental for bringing investors on board new renewable energy investments as SEFA allows sponsors a degree of comfort in experimenting with new business models and in structuring projects in ways that would otherwise be considered too risky. A high level of recognition has been achieved across the region, evidenced by the very large number of fund applications received

Based on a mid-term review (2016) and an external evaluation (2018) of SEFA performance, a joint Danish/Norwegian pre-appraisal mission was conducted in 2019. It concluded that SEFA as a special fund will have significant potential to deliver outcomes which will lead to significant economic, social, and environmental benefits. It also found that the SEFA Secretariat had followed up on the recommendations from the previous review and further recommended that Denmark should positively consider the request from AfDB to replenish SEFA. However, it also observed that there was still need for SEFA to address under-representation of energy efficiency projects in the portfolio, strengthen gender focus as well as a need to address acceleration of project implementation and disbursement rates.

Since the launch of SEFA 2.0 in 2020, seven projects have been approved and these initial investments are expected to catalyze investments that generate over 1600 MW installed renewable energy capacity and provide access to electricity and clean cooking solutions to ca. 1,45 million households and support creation of more than 2000 direct jobs.

One example is the technical assistance support to the AfDB flagship initiative Desert-to-Power in the Sahel region. The technical assistance is supporting analytical knowledge work to integrate renewable energy (primarily solar) in the grid. It also supports feasibility assessments for solar hybridization of existing isolated grids and builds capacity to support the utility in Chad in integrating the first solar power project into the grid system.

3. Strategic objectives, funding windows and Danish priorities

3.1. Objectives and funding windows for SEFA 2.0

The objective of SEFA is to contribute to universal access to sustainable, reliable, and affordable energy services and reduce GHG emissions stemming from the energy sector. This is done by focusing on three thematic

[1] Sustainable Energy Fund for Africa: Conversion to a Special Fund and Scale Up (2019).

areas of interventions that can mobilise renewable energy investments in early stage and high risk markets[2]. It also a main vehicle to produce bankable renewable energy project to the AfDB and other financing vehicles.

The three thematic areas are:

Green Baseload: SEFA will support the scale-up of renewable energy to displace or reduce the use of fossil fuel generation, particularly from coal. The program will support the deployment of renewable sources of energy by providing (i) technical assistance for power system optimization, integrated resource planning and project preparation; (ii) concessional to buy-down technology and financing costs and mitigate risks, so as to reduce the tariffs to comparable levels to fossil-fuel alternatives; and (iii) capacity-building in new technologies, including battery storage. The program will complement other climate and commercial funds in the renewable energy space and create new pipeline opportunities. SEFA will support technologies that have the potential to displace fossil fuels and delivering alternatives to fossil-fuel baseload generation options.

Green Mini-Grids (GMG): SEFA will continue to support GMG investments as one of the main avenues for providing electricity access to underserved populations in rural areas. In this regard, SEFA will provide enabling environment support, focusing increasingly on programmatic approaches at country level, complemented by concessional investments to mitigate key project risks and address commercial viability gaps, including through results-based financing.

Energy Efficiency: SEFA will improve the efficiency of energy services delivered through a variety of technologies and business models, including for clean cooking and pico-solar technologies. It will enable energy efficiency investments and by this optimize energy intensity of African countries. SEFA will also support fuel-switching, including clean cooking, and demand-side energy efficiency targeting public and private beneficiaries along with residential consumers.

SEFA 2.0 will deploy resources from two financing windows (se also below figure): the technical assistance window and the concessional investment window.

The *technical assistance window* will provide support through grants and reimbursable grants for project preparation and enabling environment to unlock renewable energy investments. Enabling environment activities, therefore, will have a stronger focus on downstream activities, such as, the design and structuring of procurement schemes to assist national authorities in contracting new generation capacity. TA grants are available to public and private sector entities.

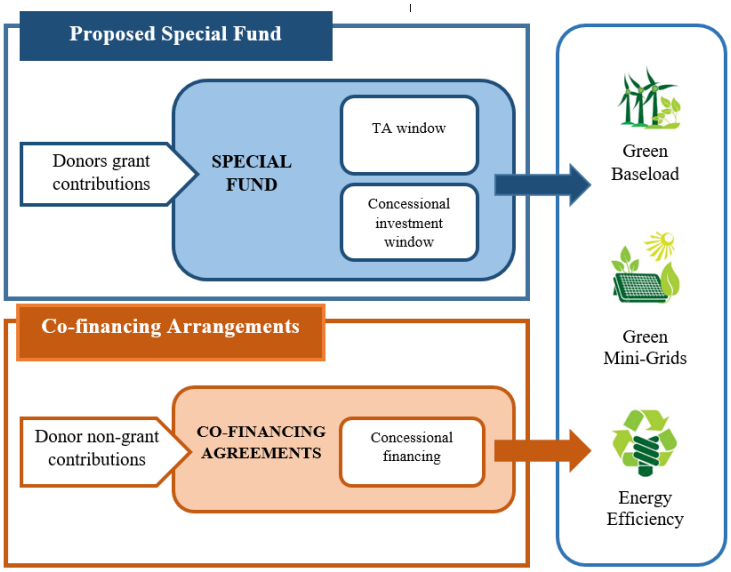
The *concessional investment window* will provide catalytic risk capital and viability gap financing by deploying investment grants (including results-based financing grants), junior equity, and concessional debt. Concessional investments from SEFA will in most cases be "blended" with commercially-priced investments from other sources, including but not limited to AfDB's ordinary capital resources.

SEFA may also mobilize concessional financing through separate co-financing arrangements (figure 1) to finance SEFA-related project pipeline. Though SEFA 2.0 is a new facility, much of its mission remains the same and will be focused on catalysing private investments in sustainable energy by mobilising the necessary concessional financial resources to blend with the AfDB and more commercial financiers. SEFA 2.0 aims to raise

[2] Strategic priorities, including the programmatic themes described, will be reviewed and revised by SEFA on a periodic basis.

up to USD 500 million in grant contributions and with this funding mobilise more than USD 3 billion in co-financing from global facilities, public sector, MDB's and private investors.

Figure 1: SEFA programmatic areas and financing windows.



3.2. Danish priorities for the additional funding

As the founding partner to SEFA and the largest donor, Denmark has played a key role in the design and implementation of SEFA as a Special Fund. The Ministry of Foreign Affairs of Denmark has participated actively in the restructuring of SEFA and in identifying the three thematic components. All components are well aligned with Danish development priorities for energy by supporting a green energy transition in Africa, closing the energy gap and improving energy efficiency measures.

Denmark will therefore not target the additional contribution to a specific thematic component. Rather, the purpose is to strengthen the convening power of SEFA to close the energy gap in Africa and allow governments to leapfrog to renewable energy solutions and identify energy efficient pathways.

Denmark will our role as a lead donor actively work to strengthen a number of priorities during the next three years. The below areas indicate some of the Danish priorities for the coming years.

(i) Refine and strengthen the results framework and reporting

The SEFA results framework has been strengthened significantly the past two years. It is a critical tool for the donors and SEFA-TU to monitor progress and become a learning organization. The annual and semi-annual reports are important tools for reflections and monitoring. Denmark will continue to propose ways to strengthen reporting, data collection and reflections for lessons-learned. Key priorities to strengthen SEFA reporting are highlighted below.

Topic	*Means of action*
Refinement of results framework to strengthen 'means for verification and inclusion of cross-cutting topics such	*Dialogue in GC and technical review mission*

as fragility, climate change, job creation, gender, youth and energy-water-food nexus.	
Annual report should expand its focus on project implementation/progress/results and not only on 'funds committed' the particular year.	*Proposal to CG and technical review mission*
SEFA should be a learning organisation by demonstrating lessons learned from deploying first-of-a-kind renewable energy projects in fragile or poor countries with limited experience integrating renewable energy in grid mobilising private financing.	*CG proposal to strengthen annual reporting*
Increase gender focus in results framework, incl. gender disaggregated data where relevant.	*Dialogue in GC and technical review mission*

(ii) Communication and multi-annual planning

SEFA is exceeding its fundraising targets and it is considered one of global leading energy facilities for a green energy transition in developing countries. Therefore, communication of SEFA's results and lesson learned should strengthened towards national global target groups, particularly through SoMe and media. SEFA should also be a more integrated part in the Danish SDG7 communication. Finally, the strong donor commitment also allow SEFA to establish a multi-year work plan. Below topics will be Danish priorities.

Topic	*Means of Action*
SEFA should strengthen media outreach and communication of lessons learned.	*Ongoing dialogue with SEFA-TU*
SEFA should form part of external Danish SDG7 communication and collaboration.	*Internal MFA communication on SDG*
As fundraising targets meet expectations, SEFA should develop a multi-year work plan allowing for better CG involvement, planning and alignment with results framework.	*Technical review field mission*

(iii) Efficient operations and compliance

SEFA's transition to a Special Fund also calls for efficient operational management and procedures. To spearhead investments and financing of first-of-a-kind energy projects will require an efficient back office. Further, Denmark will monitor compliance to international standards and improve procedures for involving the GC in high-risk projects.

Topic	*Means of Action*
SEFA should review its compliance related issues such as child labour, health and safety and compliance to UN Global Compact, incl. responsible sourcing.	*Up-date of Operations Procedure Document (OPD).*

Strengthen procedures for informing the GC on environment and social safeguard issues early in the process as SEFA will enter in co-financing energy projects.	*Establish new procedure for Category A projects*
Staff resource should reflect the growing project portfolio. This include consideration for a full-time coordinator or a full time deputy coordinator.	*Review of staff resources*
Monitoring efficiency in operational management and project implementation, e.g. efficiency between signing new commitment and first disbursement to partner.	*Monitor cash flows and project implementation in CG meetings*

Denmark will follow-up on these three overall priority areas through the planned technical review and participation in GC meeting. Further, Denmark will seek pro-active coordination and dialogue with the other donors – particular the Nordic – and the SEFA Technical Unit (SEFA-TU).

A specific priority for Denmark will also be to continue SEFA's special focus on fragile countries including in specific support of the AfDB's Desert-to-Power Initiative. This initiative aims to support an energy transformation in the Sahel region by developing and implementing on-grid and off-grid solar projects through project preparation, improved regulatory environment and capacity building for public authorities, and concessional finance instruments to unlock private sector participation. SEFA 2.0 I identified as main delivery vehicle for the Desert-to-Power Initiative.

4. Theory of Change and results framework

4.1. Theory of Change of SEFA 2.0

During the restructuration of SEFA to a special fund, a Theory of Change has been developed which forms part of the up-dated strategic framework. The framework lays the foundations for SEFA's activities and deliverables across the three thematic areas of intervention and two funding windows. It supports SEFA's overall aim to contribute to a low carbon development and increasing access to energy consistent with SDG7 and SDG13, as well as to implementing NDCs, the Paris Agreement and the NDEA.

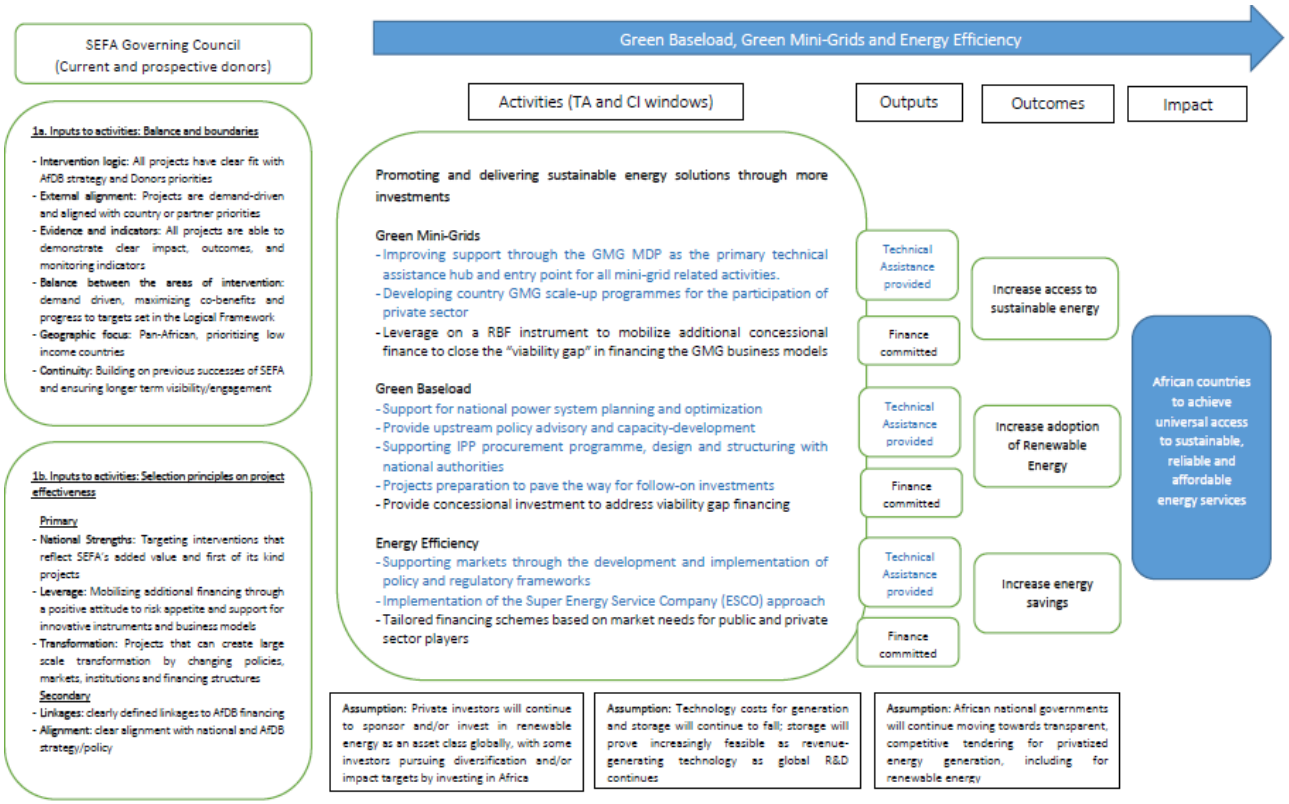
The Theory of Change will demonstrate how SEFA will contribute to overcome some of the barriers to accelerate deployment of renewable energy in Africa, which include (i) high transaction costs in technical/financial feasibility assessment and project development; (ii) higher upfront investment costs, (iii) lack of access to affordable long-term capital for the increased upfront costs, (iv) real and perceived technology risks, (iv) limited technical and/or commercial skills, information and knowledge.

The main assumptions are that private investors will have a continued investment interest in renewable energy which include well-designed projects in Africa. Further, technology costs for renewable energy and storage will continue to fall making the business case for bankable projects even stronger. Finally, that African national governments will continue moving towards transparent, competitive tendering for privatized renewable energy generation. To achieve this, SEFA will collaborate and work with regional member countries, private enterprises, public sector agents, private project developers, and public institutions through open and transparent calls for proposals and tenders.

SEFA will strive to allocate resources evenly across countries and technologies, with a special focus on supporting projects in countries with limited experience of deploying renewable energy and/or limited access to climate finance instruments. Projects should also have a demonstration and replication potential, such as a novel financial structure or "first-of-a-kind" technology deployment in a given context. Further, projects should pursue to contribute to cross-cutting issues that addresses fragility, climate change, job creation, empowerment of women and youth and energy-water-food nexus.

The Theory of Change also illustrates the transformation of SEFA 2.0 into a Special Fund and by this a more investment-oriented facility offering both technical assistance and concessional finance. The theory of change also follows the three thematic areas (i) - Green Baseload aiming at deploying greener power alternatives to fossil-based options to meet baseload requirements in the energy system, (ii) Green Mini-Grids accelerating energy access in Africa for underserved population sin rural areas, (iii) Energy Efficiency contributing to optimizing energy systems resulting in more efficient infrastructure and appliances (see also Annex 3).

SEFA 2.0 Theory of Change



4.2. Summary of results framework

The results framework will serve as the framework for monitoring the performance of SEFA (see annex 4). Updates on progress on achievement of the logical framework will be presented in SEFA's annual and semi-annual reports and progress presented in the quarterly Governing Council meetings. Furthermore, project-level results measurement frameworks will feature indicators, baselines and targets that directly relate to the SEFA logical framework. Not all SEFA indicators will be relevant to every project, and additional project-

level indicators may be justified by the project's context, but every effort should be made to ensure that project-level results can be captured into SEFA development impact reporting.

The following key outcome and output indicators have been selected from the SEFA log-frame by Denmark. Overall reporting will be published in the SEFA annual report. The SEFA reporting framework is aligned with the AfDB standard log-frame using standard sector indicators in line with NDEA, Power Africa, and SEforAll:

Project title		Sustainable Energy Fund for Africa	
Project objective		Contribute to universal access to sustainable, reliable and affordable energy services though early stage technical assistance, catalytic co-financing and support for the enabling environment.	
Impact Indicators		Cumulated energy mix in Africa (% of installed MW from renewable energy technology)	
Baseline	Year	2013	17 % (REmap 2030, IRENA)
Target	Year	2030	49 % (REmap 2030, IRENA)
Outcome		Catalyse finance for renewable energy and energy efficiency	
Outcome indicator		Total volume of investment mobilized by SEFA commitments (USD million)	
Baseline	Year	2019	457
Target	Year	2025	1800
Target	Year	2030	3100
Outcome		Increase access to sustainable energy	
Outcome indicators		People with new electricity connections (number of people)	
Baseline	Year	2019	9000
Annual target	Year 5	2025	3,300,000
Target	Year 10	2030	7,500,000
Outcome		Increase adoption of Renewable Energy	
Outcome indicators		Reduction of carbon emissions or emissions avoided (Tons of carbon dioxide equivalent -tCO2e)	
Baseline	Year	2019	-
Annual target	Year 5	2025	3,300,000
Target	Year 10	2030	5,500,000
Outcome		Increase energy savings	
Output indicator		Energy savings from new investments (MWh/year)	
Baseline	Year	2019	0
Annual target	Year 5	2025	730,000
Target	Year 10	2030	1,350,000

5. Budget

The additional Danish contribution to SEFA 2.0 will be a total of DKK 100 million. The Danish contribution will not be preferenced to specific funding windows, thematic areas or geographies. As Denmark is the co-founder of SEFA and lead donor to SEFA, it is considering an important signal to provide funding to all funding areas and windows. However, the Danish funding can only be targeted countries on OECD DAC list of recipient countries.

The ambition of SEFA is to raise up to USD 500 million in both direct SEFA Special Fund grant contributions and separate co-financing contributions managed by the SEFA Special Fund, e.g. from the Global Environment Facility and the Green Climate Fund. In total, SEFA 1.0/2.0 had achieved a total donor commitment and pledge of approx. USD 400 mill. from nine different donors by mid-2021. The SEFA 2.0 Special Fund will have a duration of 10 years, which can be extended with GC approval to enable SEFA to continue to operate and deliver on its mandate. Further, both Denmark and Germany have made significant pledges in 2021 amounting USD 121 million.

The GC is composed by SEFA donors and AfDB representatives and provides general oversight and strategic guidance for SEFA operations. The GC will establish the overall strategy and priorities of SEFA and approve the SEFA Technical Unit's work program and budget accordingly. The approved indicative operational budget for 2021 – 2023 is included in Annex 5.

The Danish support will follow the overall indicative allocations of resources across the three thematic windows. These allocations are reflective of the average project sizes and types of instruments for each of the market segments:

- Approximately 50% of the operational fund will flow to the Green baseload thematic areas as these projects tend to be larger in scale as they are connected to the grid.
- Approximately 35% of SEFA's resources will be allocated the Green Mini-Grids area as these project tend to be smaller village electrification projects where volume is achieved through programmatic approaches.
- Approximately 15% of SEFA's operational resources will be delegated to the Energy efficiency area and will mainly be provided through technical assistance.

These allocations are indicative and will be subject to revisions and modifications, based on market conditions and demand from clients. The AfDB takes a 5% administration fee.

6. Institutional and management arrangements

The SEFA 2.0 is a special fund under Article 8 of the AfDB Agreement and accordingly will not enjoy separate legal status. All grant contributions from donors to the SEFA Special Fund will be made to the AfDB, as the administrator and trustee of the SEFA Special Fund.

The SEFA 2.0 builds on the structure from the first phase. The primary oversight body for SEFA is the Governing Council (GC). Some investment decisions will require the approval of the AfDB's Board of Directors (BoD), in line with AfDB policies and procedures. The SEFA Special Fund will have a Technical Review Committee (TRC) which will review all SEFA-related projects and make recommendations for approval by the relevant approval authority. The SEFA Technical Unit will administer SEFA on a day-to-day basis.

The initial technical screening and eligibility verification will be managed by the SEFA Technical Unit independently from AfDB operations. Final appraisal reports for all SEFA transactions will be presented to the TRC, which may (i) reject, (ii) provide a conditional recommendation for approval by the approving authority, or (iii) provide an unconditional recommendation for approval by the approving authority. SEFA concessional investments may also benefit from being reviewed in the manner as linked non-concessional investments by the AfDB, which will go through standard AfDB appraisal and approval processes. Grants of over the equivalent of USD 1 million will be cleared by the GC on a non-objection basis, and submitted for approval by the BoD in accordance with AfDB's rules and procedures. For concessional investment window operations, the GC will review and recommend for approval all transactions on a non- objection basis.

Denmark main entrance for dialogue, monitoring and influence of SEFA's operations, strategy and priorities is through the membership in the GC and through the Nordic-Indian constituency's representative on the BoD in the AfDB. The GC is comprised of SEFA donors and contributors, and AfDB senior management, and will provide general oversight and strategic guidance for SEFA operations and priorities. Denmark will continuously monitor if staff resources are sufficient to deliver the expected quality and progress on implementation of SEFA 2.0.

7. Financial Management, planning, monitoring and reporting

AfDB is a triple AAA rated financial institution by both Standard & Poor as well as Fitch rating agencies, indicating a financially sound institution with ability to pay back the debt and manage resources according to its mandate. It also implies an institution with policies and practices and a sound financial management system in place to ensure safeguarding of the institution's resources. AfDB has maintained its AAA rating for 15+ years.

The AfDB financial statements are subject to annual audits by an internationally recognised audit firm appointed by the BOD on 5-year contract. The auditor is selected through an open procurement process based on a set of comprehensive terms of reference. Unqualified auditor's opinion for the past historical period, indicating a sound financial management and safeguard system.

The activities of the SEFA will be subject to reporting as well as accounting, financial control and auditing in accordance with Danida's Guidelines for Accounting and Auditing of Grants[3] channeled through Governmental, Parastatal and International Organisations.

Management of funds for SEFA, including financial management and procurement is in accordance with the AfDB's administration and financial management procedures and SEFA is subject to AfDB's system of safeguards. SEFA has, as prescribed by AfDB trust fund procedures, been subject to annual financial audits by the external auditor of AfDB. Throughout, SEFA trust fund financial statements have received unqualified audit opinion.

AfDB has anti-corruption policy and procedures in place. The Integrity and Anti-Corruption Department monitors the adherence to the policy and procedures and has the mandate to carry out independent investigation into allegations of corruption and other sanctionable practices in all Bank operations, including trust funds.

[3] Note that guidelines are planned to be revised during 2021.

The department is independent from operations and reports directly to the BOD and the President of the Bank.

It is emphasised that Denmark maintains a strict policy of zero tolerance towards corruption in all its forms. Maximum openness and transparency is essential when fighting corruption, and information concerning the public sector is generally accessible to the general public in accordance with the Danish Public Administration Act and the Danish Act on Access to Public Administration Files. Therefore any reports on corruption will be made publically available by the MFA.

SEFA will administer, manage and report on the reflows from concessional investments, including loans, equity and reimbursable grants deployed from special fund resources. Reflows will flow back into the Special Fund and may be re-deployed for new projects.

External co-financing will be governed by separate co-financing agreements. These will follow the AfDB's existing templates and will be deployed on their own terms and conditions. The special fund and AfDB will not carry any financial risk associated with these co-financing arrangements[4].

SEFA has an established monitoring and reporting system and will continue to monitor and track project performance. Project completion reports are required for all SEFA projects. These completion reports are used to evaluate the relevance, efficiency, and effectiveness of SEFA support. SEFA beneficiaries are required to submit annual reports and audit reports until the implementation of the activities financed are finalized. SEFA will also provide annual and semi-annual reports to the GC. The SEFA Technical Unit will report on the overall portfolio with reference to the SEFA Special Fund's results measurement framework contained in the Operational Procedures, and highlight the risks and mitigation measures for the portfolio. A mid-term evaluation will be commissioned within 5 years of commencement of SEFA as a Special Fund.

Funds from Denmark to the SEFA will be disbursed once per year and with a foreseen annual disbursement of DKK 25,0 million between 2021 and 2024. The Danish Ministry of Foreign Affairs reserves the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the program. After termination of the program support, Denmark reserves the right to carry out evaluation in accordance with this article.

The financial target of SEFA Special Fund was USD 500 million (total for both window 1 and window 2) to be raised from grants from donors during the projected 10-year life span of the SEFA Special Fund with USD 300 million to be raised before 2025. Based on the new commitments from donors, and it is foreseen that the goal for 2025 seems to be reached in 2021, and the USD 500 million goal for 2030 is within reach. Considering this, Denmark will propose to review the staff required to manage such a large fund and at least to have full time dedicated manager to SEFA.

8. Risk and mitigation measures

The AfDB Board document identifies the risks and outlines mitigation measures associated with the SEFA Special Fund. SEFA Special Fund risk and mitigation measures will be in accordance with AfDB policies, guidelines, and procedures. Below are the main risks identified for SEFA 2.0:

[4] For avoidance of doubt, no co-financing agreement will be structured in a way that requires the special fund to bear the risk of default.

Contextual risks:

SEFA has a focus on fragile states, therefore SEFA projects face risks of being affected by political instability or unrest, which potentially can affect implementation negatively. To mitigate this risk, SEFA will carry out due diligence of funding request including environmental and social assessment procedures. Denmark will also seek bilateral advice at relevant embassies to review investment risks.

There is a risk in that the enabling environment in partner countries do not encourage renewable energy and energy efficiency deployment. To respond to the risk SEFA will support development of enabling environment through TA support addressing key bottlenecks identified in regional member countries. More complex barriers could be addressed through coordinated intervention with AfDB or ADF. The lack of interest, policies and regulations could also affect the interest from private investors to enter into blending financing projects.

There is also high risk of corruption in the countries where SEFA is operating. Therefore all SEFA projects will be subject to AfDB's Whistle Blowing and Complaints Handling Policy. If firms or individuals breach policy, including corrupt, fraudulent, collusive, coercive and obstructive practices, the AfDB will impose relevant sanctions regulated in the AfDB's Sanctions Procedures.

Programmatic risk

Public sector constraints in regional programmes and limited capacity of local partners can negatively affect implementation of projects. To respond to this risk AfDB staff in regional and country offices should be engaged to provide close coordination with project implementation units and provide targeted development support for partners.

There is a programmatic risk in selecting proposals aligned to SEFA objectives and priorities, incl. the specific focus on low-income and fragile states. SEFA has established an independent screening process with a track record of selecting project proposals that are aligned to the SEFA objectives. Initial risk screening takes place where after SEFA-TU undertakes a due diligence process. Hereafter, the Governing Council and the Technical Review Committee are engaged. Finally, AfDB operational and fiduciary departments are involved in the final approval process.

Introducing a concessional financing window in SEFA 2.0 will also increase requirements for meeting international standards for human rights and environmental due diligence for both concrete investment and sourcing of materials. SEFA should also be state-of-the-art when it comes to meeting new standards for green and responsible investment, and complying with AfDB safeguards and international standards.

Financial risks

The financial risks, including of defaults for concessional investments provided by SEFA Special Fund will be borne by SEFA alone. SEFA will manage this risk through a stringent due diligence process and with support from the Bank's credit risk team.

Given the catalytic nature of SEFA concessional investments, the risk of default is expected to be above the levels faced by other debt and equity investors, even with mitigation measures in place.

The financial risks under co-financing arrangements managed by AfDB/SEFA will be borne by the co-financing provider alone and with no recourse to the grant contributions to SEFA Special Fund.

The lack of clear rules for special funds could create the impression with rating agencies, that the fiduciary risks associated with SEFA are not appropriately ring-fenced and could spill over to the Bank's risk bearing capital. Denmark will work with partners to ensure that a policy and guidelines for Special Funds are developed by AfDB.

Covid-19 impose an additional risk for credit ratings of utilities and accessing capital for the nascent off-grid solar energy sector. SEFA has adjusted to this reality by developing a COVID-19 strategy and progressing with specific operations and extending closure dates for several legacy projects to allow extra time for completion of technical activities on the ground.

Institutional risk:

There is an institutional risk in connection to SEFA staffing and continuity of operations. SEFA has largely operated with consultants, which is a key-risk for the continuity of operations as the one-year term of the contracts do not synchronize with the multi-year duration of the projects. SEFA has increased full-time long-term (multi-year) contracts (i.e. project staff) for key positions. Short-term consultants will continue to be deployed to meet specific capacity and skills constraints.

Follow-up on risks

In order to follow-up on identified risks and other recommendations from the appraisal report, the MFA plans to field a technical review mission that to can take stock on risks and Denmark's engagement with SEFA. A dialogue on the monitoring and reporting mechanism, including furthering a common understanding of the refined results framework, and how SEFA can monitor and report on achievements against the annual work plan and budget. The review will also look into key risks associated to operational management such as adequate staffing level and compliance to international standards.

9. Closure and sustainable exist

SEFA's legacy project portfolio will transition into the SEFA Special Fund and continue implementation in a "business as usual" manner. Though still for internal review, it is planned any unspent amounts and reflows from the SEFA multi-donor fund should be made available for new commitments under the SEFA Special Fund. The SEFA Special Fund commence its operations in 2020 and the SEFA Special Fund will have a duration of 10 years, which can be extended with GC approval to enable SEFA to continue to operate and deliver on its mandate.

Traditionally, under the AfDB's special funds, withdrawal provisions were not provided as it was envisaged that the donors will remain with the special fund until the termination date. SEFA donors have requested that specific withdrawal provisions to be included in the Instrument, where a donor may withdraw from the SEFA Special Fund by written notice to AfDB and the withdrawal shall become effective six (6) months after the communicated date of receipt of the notice by AfDB to the participant. The participant shall, however, remain liable for the payment of any portion of the amount of its commitment based on which the SEFA Special Fund has made commitments to recipients. Further to the withdrawal, AfDB shall return to the donor its pro-rata share of uncommitted funds, unless AfDB and the donor agree for the use of the pro rata share

otherwise. It must however be noted that where withdrawal(s) from the SEFA Special Fund is of such significance that the resources remaining in the account of the SEFA Special Fund would be insufficient to continue its operations, such event would be treated as an early termination of the SEFA Special Fund.

The SEFA Special Fund will administer, manage and report on the reflows from concessional investments, including loans, equity and reimbursable grants deployed from its resources. Reflows will flow back into the SEFA Special Fund and may be re-deployed for new projects *(note: this part is still for internal discussion)*. If the SEFA Special Fund ceases to exist prior to receiving reflows from its concessional investments, the SEFA Special Fund's account would continue to be managed under the SEFA Special Fund enabling legal instrument and operational procedures document, and would be deployed for purposes that the GC and AfDB may agree at such time.

The appraisal found that the legal instrument establishing SEFA Special Fund sufficiently outlines the procedures if a donor wish to withdraw from participation and likewise the procedures for termination and winding up of the Special Fund. The arrangements for exit of donors from the trust fund is considered sound and in line with normal practice for similar funds.

Annex 1: Context Analysis

SEFA is demand-driven has an active portfolio. Several[5] SEFA projects are in fragile or conflict-affected countries. In principle, all the AfDB's 54 Regional Member Countries (RMCs[6]) are eligible for support under SEFA.

1. Overall Development Challenges, Opportunities and Risks
Summarise key conclusions from the analyses and implications for the strategic frameworks/programs/projects regarding each of the following points:
- The COVID19 pandemic has caused more disruption to the energy sector than any other event in recent history, leaving impacts that will be felt for years to come. Reversing several years of progress, the number of people without access to electricity in sub-Saharan Africa is set to rise. Around 580 million people in sub-Saharan Africa lack access to electricity, three-quarters of the global total, and some of the impetus behind efforts to improve this situation has been lost (IEA 2020). - However, the COVID19 pandemic also represent an opportunity to accelerates the pace of change and ensure longer-term social, economic, and environmental sustainability. At the heart of such objectives is access to modern energy, with its immense potential to spur the achievement also of other Sustainable Development Goals and global climate objectives (IEA 2020, SDG Tracker). - Guided by the New Deal on Energy for Africa, the African Development Bank (AfDB) has committed to facilitating efforts aimed at achieving universal access to energy by 2025, to supporting Africa's transition to green growth pathways and to play a lead role in advising Regional Member Countries on adopting a more holistic approach to achieving sustainable energy systems that are cost effective, reliable, affordable, and appropriate from an environmental standpoint. Accordingly, in recent years the AfDB has deployed a significant amount of resources towards Africa's transition to green growth, much of it targeting renewable energy generation investments. SEFA provides a vehicle for AfDB's delivery on the New Deal for Energy for Africa objectives. However, much remains to be done to address the barriers to renewable energy (SEFA Strategic Framework, (SEFA 2019: conversion to a special fund). - Renewables, are playing a larger role in providing access to energy, in part spurred by decentralised RE technologies. Of the 190 million who gain access by 2030, 68% do so via grid connections (of which two-thirds from renewables) and 32% from decentralised renewables. New business models making use of decentralised power generation technologies have considerable potential for both households and for productive uses, especially in rural and remote areas. Africa is rich in energy resources, with well over 10 TW of solar potential, 350 GW of hydroelectric potential, 110 GW of wind potential and an additional 15 GW of geothermal potential.

[5] Component I project preparation support and Component III enabling environment support, have an active portfolio in 4 and 6 fragile/conflict affected countries, respectively.

[6] AfDB RMCs are grouped based on the Bank's Credit Policy classification, which determines each RMC's eligibility for either concessional resources from the African Development Fund (ADF) (category A), non-concessional resources (category C), or a combination of both concessional and non-concessional resources (category B, or blend countries). A further sub-division of category A is i) countries eligible for ADF grants and loans; ii) Only eligible for ADF loans on hardened terms. Category Ai): Benin, Botswana, Burkina Faso, Burundi*, Central African Rep.*, Chad*, Comoros*, Congo DRC*, Eritrea*, Ethiopia, Gambia*, Guinea*, Guinea-Bissau*, Liberia*, Madagascar*, Malawi, Mali*, Mozambique, Niger*, Rwanda, Sierra Leone*, Somalia*, South Sudan*, Sudan*, Tanzania, Togo*, Uganda, Zimbabwe*; Category Aii): Côte d'Ivoire; Djibouti*, Ghana, Lesotho, Mauritania, Sao Tome & Principe; Category B): Cameroon, Kenya, Senegal, Zambia: Category C): Algeria, Angola, Cape Verde, Republic of the Congo, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria (graduating to group C), Seychelles, South Africa, Swaziland, Tunisia. (* = the 20 fragile/conflict-affected RMCs).

- However, lack of sufficient innovative and appropriate financing, of bankable projects, of appropriate policy and regulatory environments, of pricing incentives and of coordination hamper progress. Renewable energy projects in Africa continue to stall because of a lack of readiness, high risk in early stage development, and viability gaps. New technologies such as battery storage are now available to help manage the variability of renewable energy, but deployment in Africa is still lagging behind. Thus, there is an urgent need for more risk capital and concessional project financing to stimulate investments in new technologies and businesses, optimize project economics to ensure financial sustainability and catalyze additional private investments into the sector. SEFA prioritizes first-of-their-kind projects in African markets by taking on early stage risks, thereby enabling investment by commercial investors (SEFA 2019: conversion to a special fund).

Green Baseload

- Energy services in Sub-Saharan Africa are unreliable and of poor quality. Despite high tariffs, most utilities and off-takers are unable to recover operating costs. As a result, networks suffer from weak management and under-investments in critical areas, and are unable to provide sufficient generation to meet current and future demand (SEFA strategic Framework). Using renewable power in the African grids through a correct use and optimal combination of the resources available in a given location, VRE technologies can be utilized for continuous, stable energy generation. For instance, Malawi, Lesotho, Zambia or Ethiopia have energy mixes relying on hydro, resulting in them being affected by lower levels of water due to climate change.
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- Using its comparative advantage as being a trusted advisor to African Governments, the AfDB/SEFA engage with African Governments in to plan for the use of VRE technologies in planning networks that will allow VRE to be used as baseload power (SEFA Strategic Framework). SEFA providing technical assistance for power system optimization, integrated resource planning and project preparation; concessional to buy-down technology and financing costs and mitigate risks, so as to reduce the tariffs to comparable levels to fossil-fuel alternatives; and capacity-building in new technologies, including battery storage.

- During the COVID19 pandemic and the resulting economic shutdown, electricity demand has declined. A decline in energy sales to profitable industrial and commercial consumers has resulted in a 70% decline in sub-Saharan electric utilities' revenues as well as increased costs due to extra costs and large fixed costs. This has acute consequences for the financial health of smaller providers of utility services and off-grid companies (IFC 2020).

Green Mini grids

- The national power grid to remote and sparsely populated rural areas in Africa is costly and has often limited impact on economic development because people only can afford to pay a small amount of money for electricity. The World Bank "Africa's Pulse" recommends initially targeting grid extension to areas with higher potential for significant uptake and expansion of productive uses, while pursuing smaller-scale alternatives, such as mini-grids, in other areas (World Bank 2018).

- However, considering the relative nascence of the sector and comparatively small investment transaction sizes, there is significant challenges in inducing private sector mini-grid investments, due to lack of confidence in costs recovery. SEFA's flexible capital base allows it to de-risk investment as well as support innovative, demonstrative, "first-of-a-kind" transactions that can deliver important industry-building effects (SEFA work plan, World Bank 2018).

Energy Efficiency

- Despite existing significant energy efficiency potential across their economic sectors, African countries have not yet succeeded in scaling up investments in energy efficiency, which could help countries in lowering energy bills and improving energy services (SEFA work plan). The World Bank "Africa's Pulse" notes that improved electricity sector governance is a top priority for effectively expanding electricity access in Sub-Saharan Africa, with priorities being to take steps to rationalize electricity pricing, reduce

regulatory barriers that limit private sector investment in grid or off-grid power production, make utility operations more efficient and transparent, and foster more independent sector regulation (World bank 2018).

- Most initiatives to promote investments in energy efficiency in African countries have focused on regulatory and voluntary mechanisms, including training and technical assistance programs, small scale demand side interventions, such as energy efficient light bulbs distribution, standards and labelling, minimum energy performance standards and building codes. In general, there has been no focus on long term programs that can address market barriers for long-term energy efficiency practices and projects, including adoption of cost-effective energy efficiency technologies and innovative financing mechanisms (SEFA work plan).
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Status on SDG Progress:

SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all

- The world has made striking progress over the past decade—far more than in previous decades—in increasing access to electricity. However, the global advance in access to electricity since 2010 masks unequal progress across regions, with the world's access deficit increasingly concentrating in Sub-Saharan Africa. In 2018, Sub-Saharan Africa was home to about 548 million people who lacked access—more than half of the region's population and nearly 70% of the global population without access. Without further efforts, 36% of the population of Sub-Saharan Africa would be without access in 2030 if current and planned policies are continued (SDG tracker).

- Especially in Nigeria and the Democratic Republic of Congo, the pace of electrification is not enough to keep up with population growth. In addition, expanding access to electricity—especially for clean technologies like renewable energy mini grids and off-grid electrification—remains underfunded. Financing for off-grid electrification represented just 1.2% of total funding for energy access in 2017. As public financing will likely remain limited over the next few years, universal access will not be achieved by 2030 without unlocking private financing. Available public resources are best spent on measures likely to attract private sector finance and on extending access to populations living in areas unlikely to attract private financing, as well as on subsidizing service for those who simply cannot afford it. Mini grid and off-grid solutions that are likely to serve much of the unelectrified population are often considered high-risk investments by commercial financiers. Therefore, one of the imperatives identified in the latest off-grid market trends report is to unlock financing from local commercial banks (SDG7 Tracker).
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- In order to address market gaps in in early stage energy project development in Africa, especially for new technologies and business models, SEFA prioritizes first-of-their-kind projects in African markets by taking on early stage risks, thereby enabling investment by commercial investors. Compared to other climate funds, SEFA is unique insofar as it is focused on (i) a hands-on early stage approach; (ii) renewable energy and energy efficiency; (iii) Sub-Saharan Africa; and (iv) leveraging AfDB financing and expanding its scope of operations (SEFA Strategic Framework).

SDG13- Take urgent action to combat climate change and its impacts

- IRENA's Global Energy Transformation Report (2019) shows that actual carbon dioxide (CO2) emission trends are not yet on track. Under current and planned policies, (including NDCs under the Paris Agreement), the world would exhaust its energy-related carbon budget in less than 20 years. Especially in Africa, Service providers and utilities are struggling to establish reliable energy services to meet growing demands from industry and commercial sectors critical for economic growth while at the same time meet commitments in the Nationally Determined Contributions (NDC) for the energy sector (SDG tracker). Keeping the global temperature rise below 2 °C requires the global energy system to undergo a profound transformation, replacing the present system that is largely based on fossil-fuels. The total share of renewable energy must rise from around 14% of total final energy consumption (in 2016) to around two-thirds by 2050 (IEA 2019).

State of democracy:

- Though democracy across the world has taken a hit due to government-imposed restrictions in response to the COVID19 pandemic, democratic backsliding is especially occurring in Sub-Saharan Africa and North Africa. According to The Economists Democracy Index 2020, on a scale on 1-10, the average score for Sub-Saharan Africa fell by 0.1 between 2019 and 2020, to 4.16, which is by far the worst score recorded by the region since the start of the index in 2006, when it recorded an average score of 4.24. In 2020, 31 countries in Sub-Saharan Africa were downgraded, 8 stagnated and only 5 improved their scores (EDI 2020). Loss of faith in civilian authorities and democratic institutions and sense of marginalization in remote regions is occurring all over Sub-Saharan Africa due to bloody activities of jihadist groups, however, jihadism has taken off particularly in the Sahel region (EDI 2020).

- SEFA has projects specialised to operate in fragile and conflict-affected environments such as Sub-Saharan Africa. AfDB's/ SEFA's flagship initiative The Desert to Power programme harness the vast solar energy potential in the G5 Sahel countries, by removing hurdles to investments in clean energy solutions to close the severe regional energy deficit. Through technical studies for the integration of variable renewable energy (primarily solar) in the grid, feasibility assessments for solar hybridization of existing isolated grids and capacity building to support the utility in Chad in integrating the first solar power project into the grid system, SEFA expects to deliver increased access to and affordability of electricity, GHG emissions reductions and enhancing climate resilience.

List the key documentation and sources used for the analysis:

High-level Political Forum for Sustainable Development (HLPF) documentation (July 2018).
World Bank and other custodian agencies: The Energy Progress Report – tracking SDG7.
IRENA Global Energy Transformation report – a Roadmap to 2050 (April 2019):
SDG7: https://sustainabledevelopment.un.org/sdg7
UN: Progress on SDG 13 (climate change) in 2017.
AfDB: The Bank Group's Strategy for The New Deal on Energy for Africa 2016 – 2025
World Bank: Africa's Pulse, Vol 17, April 2018.
IEA: Global Energy Outlook 2017 (see Chapter 4: Energising development in sub-Saharan Africa).
IRENA press release on RE jobs in low-carbon economic growth: http://www.irena.org/newsroom/pressreleases/2018/May/Renewable-Energy-Jobs-Reach-10-Million-Worldwide-in-2017
AEEP: Mapping of Energy Initiatives and Programs in Africa (2016)
AfDB: Outcome Document - 5th SEforALL Africa Workshop - May 2018
SDG7 tracker – The Energy Progress Report 2020 by IEA, IRENA, UN statistics Division, World Bank & WHO.
SEFA strategic Framework 2019 version 3
SEFA Work Plan 2020
EDI 2020 – The economist Democracy Index 2020 at: **democracy-index-2020.pdf (eiu.com)**
IFC 2020: EMCompass_Note_90-web.pdf (ifc.org)

2. Political Economy and Stakeholder Analysis

Summarise key conclusions from the analyses and implications for the strategic frameworks/programs/projects regarding each of the following points:

Stakeholder analysis

SEFA 1:

- Component I[7]: Main beneficiaries for are private enterprises or public-sector agencies with the goal of becoming either an independent power producer (IPP) or entering into a public–private partnership (PPP); and they can get support (on a cost sharing basis, with minimum 30% funded by the beneficiary) for activities required to bring the project to financial close.

[7] Project preparation grants

- Component II[8]: Target beneficiaries are the private project developers with independent power RE projects in solar, wind, biomass, hydro, geothermal and certain other technologies. Support is available for equity investments, as well as technical capacity building in relation to project design and execution.
- Component III[9]: Target beneficiaries are public institutions such as AfDB RMC governments, sector agencies, parastatals and regional entities (economic blocks, power pools, power utility and regulator associations), i.e. a wide range of mainly public-sector stakeholders with key mandates related to the enabling environment for RE and EE. As noted in the foregoing, SEFA is currently active in about 25 countries, but almost 30 additional countries are potentially eligible for support.

SEFA 2: Target beneficiary groups will not differ substantially from SEFA 1.

How stakeholders (in the SEFA context) communicate, coordinate, and cooperate:

- Within AfDB, the Technical Review Committee (TRC) is one of the formal vehicles for engagement of other departments, and there are also other steps in the project cycle including procurement, auditing etc. that involves other stakeholders within AfDB. For SEFA projects above USD 1 million, the approval is vested in the OC and AfDB's Board of Directors, where a broader range of stakeholders are involved.

For SEFA donors, the oversight committee is the main forum for coordination and cooperation.

Stakeholder involvement during the preparation and formulation process:

- There has been a long-standing donor dialogue in the framework of the OC on SEFA 2. A draft SEFA Concept Note 2.0 dated September 2017, has been a basis for this dialogue, and an updated draft version of the SEFA 2 Concept Note was received from the SEFA team in June 2019. The operational guidelines for SEFA will be an important part of the basis for the further development of the Danida concept note for possible replenishment of SEFA.

An important part of stakeholder involvement in the preparation process has been the independent External Review of SEFA, which was commissioned by AfDB and which was undertaken in the first half of 2018. The Review comprised a survey of stakeholders and multiple interviews. Desirable to engage with end users during formulation while drawing on the survey undertaken by the External Review of SEFA 1 in early 2018.

Which stakeholders offer the best overall prospects in terms of possible partnerships and why? The current stakeholder focus for SEFA seems appropriate.

- ***Key documentation and sources used for the analysis:***

- **Afrobarometer is an African series of national public attitude surveys on democracy, governance, and society**
- **Freedom house assess the level of freedom in each country in the world, with a numerical score and ranking as Free,**
- **Partly Free, or Not Free.**
- **Political/economy analysis, stakeholder analysis, capacity assessments, Drivers of Change or Power Analysis**
- **Information on the governance regime can be found in power studies, political-economy studies, and drivers of changes studies.** https://eba.se/rapporter/201909-democracy-in-african-governance-seeing-and-doing-it-differently/11528/
- **SEFA 1 Operational Guidelines.**
- **Material submitted to OC meetings**
- **External Review of SEFA 1 final report**

3. Fragility, Conflict and Resilience

[8] Equity investments through SEFA equity capital deployed through the Africa Renewable Energy Fund (AREF) and technical assistance resources under the Project Support Facility (PSF) also via AREF.
[9] Support for the enabling environment.

Summarise key conclusions from the analyses and implications for programs/projects regarding each of the following points:

- The people awaiting energy access tend to be the world's poorest and most vulnerable, living in slums, remote rural areas, indefinite term displacement areas, or fragile, conflict, violence zones. As Energy access serves as a prerequisite to underpin economic and prosperity growth, access to modern energy, has an immense potential to spur the achievement of Sustainable Development Goals also within peace-building (IEA 2020, SDG Tracker, The discourse). In the IEA energy outlook for Africa 2017, energy access measures are frequently included in the adaptation component of NDCs, highlighting the importance of access to modern energy for increasing resilience.

- The IEA energy outlook 2017 for Africa also notes that progress on energy access also can contribute to reducing the pressures in Africa to migrate for better opportunities. An EU funded study on "The Role of Sustainable Energy Access in the Migration Debate" concluded that while there is insufficient data to acknowledge energy poverty as a direct driver of migration, it certainly contributes to other recognised drivers such as food insecurity, vulnerability, lack of access to sufficient resources and social services. The study identified two main root causes of migration as directly related to energy access: economic and environmental drivers.

- In the Sahel region in Sub-Saharan Africa, more than 2.7 million people have been forced to flee their homes and at least 13.4 million are in dire need of humanitarian assistance due to poverty, economic insecurity and armed conflict over resources (UNHCR). AfDB's/ SEFA's flagship initiative The Desert to Power programme harness the vast solar energy potential in the G5 Sahel countries, by removing hurdles to investments in clean energy solutions to close the severe regional energy deficit. Through technical studies for the integration of variable renewable energy (primarily solar) in the grid, feasibility assessments for solar hybridization of existing isolated grids and capacity building to support the utility in Chad in integrating the first solar power project into the grid system, SEFA expects to deliver increased access to and affordability of electricity, GHG emissions reductions and enhancing climate resilience.

List the key documentation and sources used for the analysis:'

IEA: Global Energy Outlook 2017 (see Chapter 4: Energising development in sub-Saharan Africa).
EUEI PDF: The Role of Sustainable Energy Access in the Migration Debate (2017).
SEFA Workplan 2020
UNHCR - www.unrefugees.org/news/sahel-crisis-explained/

4. Human Rights, Gender, Youth and applying a Human Rights Based Approach

Summarise key conclusions from the analyses and implications for the strategic frameworks/programs/projects regarding each of the following points:

Human Right Standards (international, regional and national legislation)

- SEFA operates in accordance with AfDBs safeguards. With an Integrated Safeguards System the Bank promotes best practices in within environmental and social development challenges, and encourages greater transparency and accountability. By providing project-level grievance and redress mechanisms which allow voices of concerns during project planning and implementation to be heard and addressed in a structured, systematic and managed way, SEFA/AfDB upholds the voices of people who are affected by Bank-funded operations, especially the most vulnerable communities (AfDB 2014).

- AfDB, hereunder SEFA, consider economic and social rights an integral part of human rights, and accordingly affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples' Rights. The AfDB also encourages member countries to observe international human rights norms, standards, and best practices on the basis of their commitments made under the International Human Rights Covenants and the African Charter of Human and Peoples' Rights (AfDB 2014).

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Universal Periodic Review

Human Rights Based Approach (HRBA) Principles

- AfDB's overall 10-year Strategy 2013-2022 emphasises governance and accountability and emphasises how the Bank will support the development of capable states founded on effective institutions, good governance and regulation for economic growth—specifically, property rights, equal access to effective justice and greater participation in decision-making.

- AfDB country strategy papers address economic inclusion issues. SEFA's operational guidelines do not explicitly address the PANT principles or a human rights-based approach to development, but these principles are addressed in different ways. The guidelines have specific requirements for descriptions of project preparation activities, including environmental and social impact assessment, gender analysis, etc.

- On transparency, the 2020 Aid Transparency Index Report, released by Publish What you Fund, has ranked the African Development Bank 4th among 475 development organizations, lifting the Bank by six positions since 2016.

Gender

- According to AfDB's study "Empowering Women in Africa through Access to Sustainable Energy," women and men have different energy needs linked to their gender roles; women are poorer than men (both in resources and time); and women are generally disadvantaged in terms of ownership and access to land, natural resources, credit, information and decision-making at all levels. As cooks and fuel gatherers, women and their children are disproportionately susceptible to harmful household air pollution as they rely on traditional uses of biomass, kerosene, or coal (SDG tracker).

- Among the study's recommendations were a shift from the traditional supply-side approach (primarily focusing on technology solutions) towards a demand-side approach (energy as an aspect of the social and cultural setting), ensuring that projects addressing women's energy needs take into account the types of value-added productive activities typically done by women, that women should be encouraged to become involved in producing and distributing new energy technologies and services, and that gender-sensitive disaggregation of data should be adopted.

- Despite examples of women as producers, technicians and entrepreneurs in sustainable energy, the traditional energy sector is still one of the least gender-inclusive sectors. According to UNDP, women represented only 6%, 4% and less than 1% of the technical, decision making and top management positions, respectively, in the energy sector. Women entrepreneurs are hindered through structural inequality, in the form of discrimination in law and practice, including in access to credit. There are however several examples of women as producers, technicians and entrepreneurs in sustainable energy.

- As a cross-cutting issue, SEFA activities will prioritize the mainstreaming of gender. In order to do so, SEFA plan to upgrade its existing guidelines on gender and better integrate gender issues in operations in 2021. Though the SEFA semi-annual report 2021 contain few references to gender, the SEFA operational Procedure manual has a strong emphasis on the gender aspect with an annex on Gender Mainstreaming in Project Preparation Activities including gender assessment and analysis; participatory consultative process balancing gender realities; modalities for enhancing gender benefits and minimizing gender risks; impact indicators for SEFA projects include direct and indirect employment with breakdown by gender. The AfDB Project Completion Report format has a mandatory Section 6 – "Assessment on the performance of gender equality in the operation". Identify key challenges and opportunities for gender equality.

Youth

- In access-deficit countries in Sub-Saharan Africa, a sizable percentage of children spend time gathering fuels. In addition, based on WHO statistics, the procurement of fuels is predominantly done by girls over boys. This imbalance creates a bias from an early age as girls spend more time procuring fuels instead of other activities, for example, receiving education.

- AfDB will strive to allocate resources of the SEFA Special Fund evenly across countries and technologies, with a special focus on supporting crosscutting issues like empowerment of youth (SEFA strategic framework).

List the key documentation and sources used for the analysis:

IRENA press release on RE jobs in low-carbon economic growth: http://www.irena.org/newsroom/pressreleases/2018/May/Renewable-Energy-Jobs-Reach-10-Million-Worldwide-in-2017
Danish Institute on Human Rights: Linking the UPR to the SDGs.
Mary Robinson Foundation: "Incorporating Human Rights into Climate Action"
AfDB: "Empowering Women in Africa through Access to Sustainable Energy" (2016)
UNDP: Gender and sustainable energy.
ENERGIA: gender mainstreaming in energy.
The World Bank ESMAP has launched a new initiative on social inclusion in the energy sector, with a specific initial focus on gender: Energy and gender.
Publish What you Fun : 2018 Aid Transparency Index Report
AfDB: Youth Entrepreneurship and Innovation (YEI) Multi-Donor Trust Fund.
AfDB: 2016-2025 strategy Jobs for Youth in Africa (JfYA)
AfDB JfYA: Implementation Progress Report
AfDB JfYA: Information and Innovation Lab Curbing the African Migration Crisis through Job Creation
AfDB brochure Jobs for Youth in Africaes and reporting requirements. Similarly, much more attention needs to be given to the role of sustainable energy in job creation for African youth and the benefits to African youth of SEFA 2.
Publish What you Fund: Aid Transparency Index 2020
SEFA strategic Framework 2019 version 3
SEFA Work Plan 2020
Danish institute for Human rights: "https://www.humanrights.dk/sites/humanrights.dk/files/media/migrated/upr_folder_final_0.pdf"
OHCHR: https://www.ohchr.org/EN/Issues/HRAndClimateChange/Pages/HumanRightsMechanisms.aspx"

5. Inclusive sustainable growth, climate change and environment

Summarise key conclusions from the analyses and implications for the strategic frameworks/programs/projects regarding each of the following points:

- Political will and the institutional and human capacity to implement policies and strategies on sustainable growth and climate change varies considerable between AFDB's 54 Regional Member Countries (RMCs). All 54 RMCs have signed the Paris Agreement on Climate Change and submitted ambitious Intended Nationally Determined Contributions (INDCs) and have ratified the Nationally Determined Contributions (NDCs). However, as found by AfDB, "most INDCs submitted by African countries were hastily put together and, in most cases, did not take long term effects on national development goals into consideration. Consequently, they do not truly reflect national needs and potential to fully contribute to global targets of achieving a low-carbon and climate-resilient pathway by mid-century".
-
- AfDB's Climate Change and Green Growth Department (PECG) has established the Africa NDCs Hub to serve as a resource pool for RMCs, and to coordinate sector activities with a view to fulfilling obligations related to the Paris Agreement. The Hub's activities include analytical work to align country-NDCs with national development agenda, and to explore options to raise ambition necessary for low carbon and climate resilience growth on a long-term trajectory; engage global climate funds and the private sector to cater for both conditional and unconditional pledges of African NDCs; provide a platform for coordination of NDC support activities on the continent for the efficient use of limited resources. This is also important in terms of ensuring SEFA's focused contribution to climate goals. The AfDB PEGG Department is also the anchor for AfDB's role in the "International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting" and manages the active use of the AfDB GHG emission estimation tool, which is based on a robust methodology in line with standards applied by other IFIs.

Relevant references and guidance may include:

AfDB Environmental and Social Assessment Procedures (ESAP) **Revised 2015**
AfDB **Second Climate Change Action Plan**
AfDB **Africa NDC Hub**
UNFCCC (interim) **NDC Registry**

6. Capacity of public sector, public financial management and corruption

Summarise key conclusions and implications for the country strategic frameworks/ programs /projects:

- According to The World Bank/SEforAll Regulatory Indicators for Sustainable Energy (RISE), most of AfDBs Regional member countries need action to streghen the enabling environment. RISE is a well-established set of indicators to help compare national policy and regulatory frameworks for sustainable energy. RISE assesses countries' policy and regulatory support for each of the three pillars of sustainable energy—access to modern energy, Energy efficiency, and Renewable energy. RISE classifies countries into a green zone of strong performers in the top third, a yellow zone of middling performers, and a red zone of weaker performers in the bottom third. RISE indicators are available for 39 RMCs and among them, 7 are in the green zone, 15 in the yellow zone, and 17 in the red zone.
-
- AfDB has in June 2018 launched its Electricity Regulatory Index (ERI) for Africa. ERI is expected to become a benchmarking tool that will track progress made by African countries as they align the regulatory frameworks governing their electricity sectors with international standards and best practices. It is noted that ERI does not only cover sustainable energy as RISE does, but a lot other energy sources for electricity. The ERI report finds that "Although many sample countries had established the legal and institutional frameworks for electricity sector regulation, regulators are yet to build an adequate level of capacity and develop appropriate mechanisms to effectively carry out their mandates and make decisions under key aspects of regulatory substance".

Anti-corruption:

- Transparency International in its regional analysis (February 2018) noted that "Despite being the worst performing region as a whole, Africa has several countries that consistently push back against corruption, and with notable progress. Botswana, Seychelles, Cabo Verde, Rwanda and Namibia all score better on the index compared to some OECD countries".

- AfDB has an Integrity and Anti-Corruption Department with an overriding mandate to carry out independent investigations into allegations of corruption, fraud and other sanctionable practices in Bank Group Financed Operations. Sanctionable Practices have been defined in the Bank's procurement policies as corrupt, fraudulent, collusive, coercive and obstructive practices in relation to Bank Group financed operations. AfDB's Integrity Strategy comprises proactive prevention through risk assessments, sensitization programs, due diligence, and other activities, mainstreaming integrity issues into Bank Group operations and activities, providing technical support to regional member countries in integrity issues and enhancing accountability, participation in international and regional integrity initiatives, and investigations, sanctions and other deterrence processes. There are separate Codes of Conduct for AfDB staff and Executive Directors.

List the key documentation and sources used for the analysis:

- World Bank ESMAP: Regulatory indicators for Sustainable Energy (RISE)
- AfDB: Electricity Regulatory Index (ERI) for Africa.
- **Transparency International: A Redefining Moment for Africa and Corruption Perceptions Index**
- AfDB: policy on integrity and anti-corruption and policy on sanctionable practices

7. Matching with Danish strengths and interests, engaging Danish actors and seeking synergies

Summarise key conclusions and implications for the country strategic frameworks/ programs /projects:

- Through an active role in the SEFA the Oversight Committee and the Board of AfDB, Denmark can influence sustainable energy development in Africa.
- Denmark can – jointly with other Nordic countries and other donors – also continue to influence AfDB's energy policy.
- The approach of the Nordic countries to energy related programmes, projects and advisory services in AfDB has been described in a separate document latest updated on 14 February 2018. Key policy priorities: integration of NDCs in RMC medium-term public expenditure frameworks, budgets and annual activity plans; contribute to the implementation of NDCs and raise the ambition of the

NDCs through periodic reviews; highest possible returns in terms of limiting GHG emission both directly from the project and indirectly through its multiplication effects; leveraging additional concessional and private financing in support of strategies and investments designed to accelerate the transition to a low carbon and climate resilient development; phasing-out of fossil fuel subsidies; use of carbon pricing; trans-boundary infrastructure investments that enable countries to tap their various renewable sources and use energy more effectively and efficiently; AfDB reporting on how it is following up on its climate commitments in its energy portfolio, including with a breakdown into operations involving fossil fuels, RE and energy conservation, efficiency and with a specification of how much of the energy portfolio that is classified as climate related operations; policy based lending with focus on overall direction and speed of the transition to a low carbon and climate resilient energy future.

- While AfDB should focus on RE and EE, it may exceptionally choose to support projects based on fossil fuels with state of the art technology guaranteeing the lowest possible GHG emissions, transformative change (job creation, general welfare of the population based on the most climate friendly technology, creating a strong push for the use of renewable sources of energy, EE or energy conservation), and avoid locking into a pattern of non-sustainable forms of energy generation.

Mapping of Danish foreign policy engagement, commercial engagement, trade relations and investment, Danish local and central authorities, civil society organizations, IFU and academia. Identify concrete opportunities for synergies

Areas where there is potential for increased commercial engagement, trade relations and investment as well as involvement of Danish local and central authorities, civil society organisations and academia:

- The Danish grant support to the SEFA MDTF is untied and therefore not directly associated with Danish commercial interest. However, there are many potential opportunities for commercial and substantive engagement of the Danish resource base in RE and EE solutions in Africa.
- Regarding business opportunities under AfDB supported activities, it is noted that the agencies responsible for implementing projects in recipient countries are responsible for procuring goods, works and services to implement the projects. Further guidance can be found here.
- The Danish development and demonstration programme for energy technology (EUDP) supports new energy technology that can contribute to Denmark's goals in energy and climate change. The EUDP strategy 2017-2019 identifies Danish strongholds and business potentials in energy technology and energy-related research and development, highlighting Denmark as a world leader in wind technology; Denmark as relatively well positioned within EE in lighting, low-energy buildings, building materials and processes, as well as reduction of energy consumption in existing buildings; identifies a Danish stronghold position in the biomass area; and a strength in smart grids and system integration of variable RE.
- The Danish Energy Agency is engaged in bilateral energy cooperation in Ethiopia and South Africa. The State of Green is also a good source of information on the Danish resource base in this field.
-

Donor landscape and coordination:

- Denmark became a member of the African Development Fund (ADF) in 1973 and of AfDB in 1982.
- Denmark supports several AfDB trust funds and the African Guarantee Fund that was set up to meet the investment needs of SMEs and to develop the capacity of financial institutions.
- As a follow-up to the commitments made in the Africa Commission, Denmark in 2010/ 2011 granted DKK 300 million to establish SEFA. The vision was that the initial Danish contribution would allow AfDB to attract other interested partners once SEFA had been established. The initial

single donor arrangement with Denmark was turned into a multi-donor trust fund (MDTF) arrangement in 2014 when first USAID and later, UK, Italy, Norway and Spain joined. Sweden is also considering support of SEFA. Coordination on SEFA takes place through the Oversight Committee, and wider coordination takes place though the AfDB Board of Directors, where Denmark is represented together the other Nordic countries and India. As noted above, the Nordic countries have a coordinated approach and policy stance on energy-related activities in AfDB.

- The External Review of SEFA 1 contained an analysis of critical success factors for project preparation facilities in Africa and assessed SEFA strengths weaknesses opportunities and threats (SWOT) against these factors. The conclusion was that the area where SEFA focuses is a key gap that is not sufficiently or appropriately covered by any other support, in particular for innovative projects, and that SEFA is the right instrument to bridge the gap of project preparation financing. The SWOT analysis however, did not cover SEFA's Component III, support for the enabling environment – but the Review noted that this component overlaps with other initiatives such as ESMAP, ECREEE and SEforAll, which also focus on enabling environment activities.
- Denmark contributes to several other multilateral and bilateral climate change and sustainable energy initiatives with which there are potentials for synergy with SEFA 2, including:
  - The World Bank Energy Sector Management Assistance Program (ESMAP), which supports the improvement of the enabling environment and policy reforms, influences World Bank lending, and serves as a global knowledge hub under SEforALL - and in this capacity is key to development of major tools such as the Energy Progress Report tracking of progress against SDG7 targets, the Regulatory Indicators for Sustainable Energy (RISE), the Multi-tier Framework for energy access, etc. Also: Lighting Africa.
  - The Green Climate Fund (GCF). AfDB notes that Africa has not succeeded as much as other regions of the world in mobilizing the funding needed to implement climate-smart initiatives. With new GCF funds now available to be channelled through the AfDB, African countries will have additional resources to access. AfDB will focus efforts on working with member states to bring funding proposals forward for submission to the GCF.
  - The UNEP-DTU Partnership and its Copenhagen Centre on EE (CCEE), which is the global EE hub in the international energy architecture;
  - The Climate Technology Centre and Network (CTCN) that is the operational arm of the UNFCCC Technology Mechanism and provides demand-driven support to countries in Africa and other parts of the world. See for example the regional Africa forum for NDE and TNA focal points.
  - The International Energy Agency (IEA) that provides global and regional energy outlooks and scenarios and supports the energy transition in emerging economies with a specific focus on EE. IEA has signed an agreement with the African Union on a strategic partnership on sustainable energy for all goals in Sub-Saharan Africa.
  - The DEA Energy Partnership Programme (DEPP) and other DEA bilateral cooperation (Ethiopia, South Africa).
  - There are also ongoing discussions with the SEforAll Global Team and IRENA about Danish support.

Key documentation and sources used for the analysis:

State of Green
EUDP report
The approach of the Nordic countries to energy related programmes, projects and advisory services in the African Development Bank (Amended version/14 February 2018).
AEEP: Mapping of Energy Initiatives and Programs in Africa (2016)
AfDB: Outcome Document - 5th SEforAll Africa Workshop - May 2018
And links in the text above.

Annex 2: Partner assessment

Summary of stakeholder analysis

Target beneficiary groups for SEFA 2 will not differ from SEFA 1, and thus be comprised of private enterprises, public sector agents, private project developers, and public institutions such as the AfDB and regional member countries governments.

Engagement with SEFA will be demand driven through concrete request to SEFA for support and through the subsequent process of SEFA support and due diligence in the approval process and later trough support in project implementation. Within AfDB, the Technical Review Committee is one of the formal vehicles for engagement of other departments, and there are also other steps in the project cycle including procurement, auditing etc. that involves other stakeholders within AfDB. And for SEFA projects above USD 1 million, the approval is vested in the Oversight Committee and AfDB's Board of Directors.

Brief presentation of key partner features:

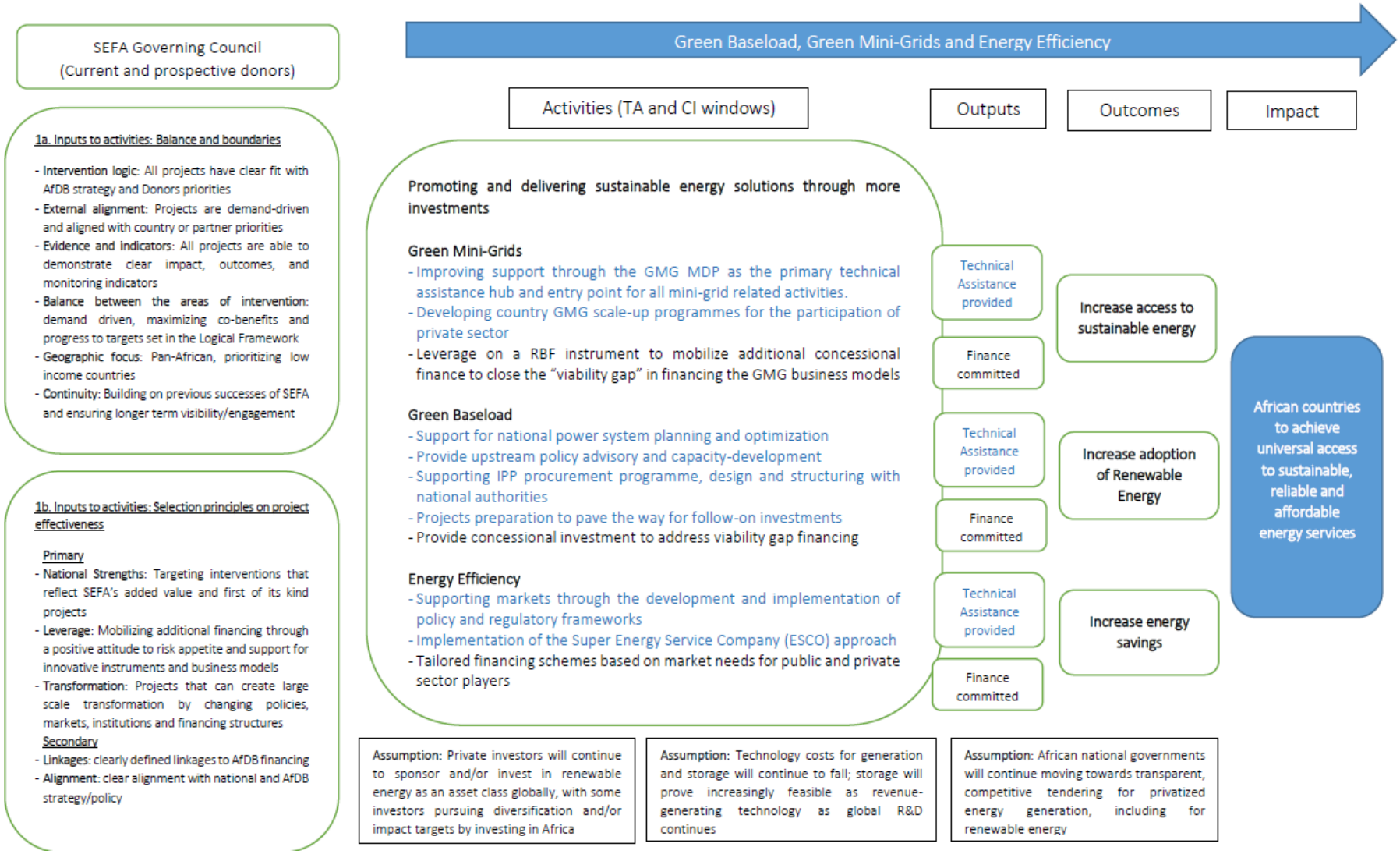
AfDB was chosen for its mandate and role in sustainable energy development in Africa and is a trusted partner for Danish development cooperation in Africa in several areas, including the ongoing first phase of SEFA. The conclusion from the context analysis is that SEFA is highly relevant in responding to key challenges and opportunities and is also prepared to take risks in terms of supporting the energy transition in fragile and conflict-affected contexts. SEFA operates in a context with many multilateral and bilateral development partners involved in supporting sustainable energy solutions in Africa. As the Africa regional hub within the Sustainable Energy for All architecture, AfDB is well placed to ensure such synergies and complementarity while avoiding the risk of overlap with other initiative.

AfDB is responsible for the overall administration and accountability of SEFA. AfDB has ample capacity to carry this responsibility, but the SEFA team capacity has been limited throughout the first phase of SEFA, however this will be changed in SEFA 2 by converting consultancy position to project contract positions.

Partner name	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
AfDB	Mobilizing and allocating resources for investment in regional member countries. Providing policy advice and technical assistance to support development efforts.	Medium. In comparison to the African Development Bank's annual turnover SEFA is small. However, SEFA interventions have often been complementary to AfDB and SEFA is thus a high priority for the bank. The SEFA rationale is to target small/medium transactions where AfDB has not been active, to engage the bank in RE projects that would otherwise not be viable for the bank.	Medium AfDB serves as the Trustee and secretariat for SEFA and is thereby the legal owner and administrator. AfDB therefore acts as both strategic and financial stakeholder. Nevertheless, it is the Oversight Committee, and thereby the donor countries, which is the decision making entity and who approve funding requests.	Through the SEFA Secretariat, the AFDB issues calls for proposals and manages the technical review process for submitted proposals. As Trustee, AfDB receives funds and is in charge of coordination of disbursements. AfDB is also responsible for the project implementation for specific projects.	SEFA has adequate capacity to implement the program efficiently. SEFA's strength lies in its facilitating response to implementing partners' key challenges and opportunities at the preparatory stages of renewable energy interventions.	SEFA Special Fund which has an expected lifetime of 10 years that is extendable. After this time, two options are proposed in the project document: (i) phasing out SEFA and redeploying its capital elsewhere as agreed by donors; (ii) Phasing out SEFA and disbursing remaining funds to donors on a pro rata basis. Denmark will reviwt makes sense to keep the options open until nearer the time-end of the Special Fund.

Annex 3: Theory of change, Scenario and Results framework

III. THEORY OF CHANGE



SEFA Results Based Logical Framework

	RESULTS CHAIN	PERFORMANCE INDICATORS	BASE-LINE	TARGET (US$ 300m) (2025)	TARGET (US$ 500m) (2030)	MEANS OF VERIFICA-TION	ASSUMPTIONS/DRIVERS
IMPACT	African Countries to achieve universal access to sustainable, reliable and affordable energy services	African population with access to electricity (percentage) (SDG7) Cumulated energy mix in Africa (% of installed MW from renewable energy technology) Energy intensity (MJ/USD PPP 2011) (SDG7)	44 (2017) 17 (2013) 7.3 (2016)	100 (2030) 49 (2030) 5 (2030)	100 (2030) 49 (2030) 5 (2030)	SDG progress report IRENA SDG progress report	Assumption: African national governments will continue moving towards transparent, competitive tendering for privatized energy generation, including for renewables Driver: Energy is the foundation for productive growth in an economy
OUTCOMES	Increase access to sustainable energy Increase adoption of Renewable Energy Increase energy savings	People with new electricity connections (number) New renewable power capacity installed(MW) Energy savings from new investments (MWh/year) Direct employment (number), of which are women (%)	9,000 88 0 105 (11%)	3,300,000 1,500 730,000 1,000 (50%)	7,500,000 3,000 1,350,000 2,160 (50%)	SEFA Annual Operations and Results Report	Assumption: Private investors will continue sponsoring and/or investing in renewable energy as an asset class globally, with some investors pursuing diversification and/or impact targets by investing in Africa

			Reduction of carbon emissions - tons of carbon dioxide equivalent (tCO2e)	N/A	3,300,000	5,500,000		Driver: Public resources are insufficient to address the energy gap in Africa
			Total volume of investment mobilized by SEFA commitments (USD m)	457	1,800	3,100		Pursuing a low-carbon/green growth pathway is almost universally agreed by policy makers and private power sector operators
OUTPUTS	Promoting and delivering sustainable energy solutions through more investments	Green Baseload projects and programs deployed	Technical Assistance to projects/programs (number)	0	9	15	SEFA semi-annual and annual progress reports	Assumption: Technology costs for generation and storage will continue to fall; storage will prove increasingly feasible as revenue-generating technology as global R&D continues
			Finance committed by SEFA (USD m)	0	143	238		
			Number of people trained, of which (%) are women	0	1,200 (50%)	2,000 (50%)		
		Mini-grids projects, assistance and programs deployed	Technical Assistance projects/programs (number)	0	9	15		Relatively high transaction costs and information asymmetry and/or lack of data will continue to hinder investment in African renewable energy, though at a rate slowly declining over time
			Finance committed by SEFA (USD m)	0	105	175		
			Number of people trained, of which (%) are women	0	300 (50%)	500 (50%)		
		Energy Efficiency projects and programs deployed	Technical Assistance projects/programs (number)	0	6	10		Driver: Public utility models may not be best suited at reaching currently
			Finance committed by SEFA (USD m)	0	30	50		

			Number of people trained, of which (%) are women	0	72 (50%)	120 (50%)		un(der)powered areas of some African countries
KEY ACTIVITIES	COMPONENTS/PROGRAMMES			INPUTS				
	1 - Green Baseload 2 - Green Mini-Grids 3 - Energy Efficiency			Grant contributions to the Special Fund and co-financing arrangements – target of US$500 million AfDB expertise and staff resources				

Annex 4: Risk Management

Contextual risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Vested interests and fossil fuels subsidy regimes in RMCs hamper SEFA efforts to increase RE and EE.	Likely	High	Through SEFA and wider AfDB awareness-raising and capacity development, support the momentum toward the green energy transition demonstrating the benefits of RE deployment and increased EE, the avoidance of stranded assets, etc.	Medium	The price of fossil-fuels based energy is an important factor in in promoting and uptake of RE and EE. There is growing recognition of the negative consequences of fossil fuels subsidies, but this is controversial and changes in subsidy schemes have led to social unrest in many countries and there are strong vested interests. Lower prices on renewable energy and increasing awareness is positive.
SEFA projects affected by political instability or unrest, leading to lack of engagement and commitment with stakeholders and potential danger to project participants.	Likely	High	Careful due diligence of funding requests including environmental and social assessment procedures (ESAP). Investment mobilisation integrate high risk on investment return in fragile states from the beginning in project design.	Low	SEFA currently operates in several RMCs that area fragile/conflict affected. Component I project preparation support and Component III enabling environment support, have an active portfolio in 4 and 6 fragile/conflict affected countries, respectively. Among the total of 54 RMCs that are eligible for SEFA support, 20 are fragile/conflict-affected.
Political commitments to a green energy transition in	Likely	Medium	SEFA alignment to robust international frameworks including the relevant SDGs and the Paris Agreement on Climate	Low	There is always the possibility of a change of government and related shift in policy priorities in RMCs and not least in the fragile/ conflict affected RMCs this could undermine political commitment

RMCs could be undermined due to changes of government and/or political priorities.			Change. Awareness-raising and capacity development, and demonstration of benefits of the energy transition. Undertake political economy analysis for enabling environment support. Facilitate the sharing of impact and success stories among peers also in other countries with comparable framework conditions.		to strengthening the enabling environment for RE and EE. The robust international framework of the SDGs and the Paris Agreement on Climate Change as well as the "power of the example" from other countries with similar conditions can help mitigate this risk. AfDB's strong credibility and leverage with RMCs is also a positive factor.
NDCs (and national sectoral policies and strategies) with which SEFA projects will align, could prove to be vague and unambitious or are not enacted.	Likely	Low	With regard to NDCs, the AfDB Africa NDC Hub is an important initiative with which SEFA should liaise closely provide inputs to raising the level of ambition in NDCs by 2020.	Low	The Africa NDC Hub provides an opportunity for the Bank and its partners to engage national, sub-national, non-state actors and private sector representatives on appropriate policies, strategies and actions tailored to suit individual needs of African countries to enable them deliver their climate change commitments under the Paris Agreement. The NDC Hub will also support African countries in mobilizing finance at scale to support national sustainable development imperatives.
Over-supply of energy in some RMCs, but too limited focus on transmission and distribution hampers sustainable energy development objectives.	Likely	Low	SEFA's focus and comparative strengths are in RE deployment and EE improvements off-grid, in green mini grids (GMGs) and also on-grid - with a focus on the end user of energy. With regard to transmission, SEFA should strive for synergy and complementarity with other AfDB lending.	Low	The SEFA team notes that Africa has a transmission and distribution problem that is often ignored in favour of new generation capacity. AfDB has a major lending portfolio of transmission and distribution infrastructure with which SEFA should maximise synergies and complementarities.
Enabling environment in partner countries does not	Likely	High	In its enabling environment SEFA focus supporting project developer and governments	Medium	The World Bank/SEforALL Regulatory Indicators for Sustainable Energy (RISE) is a comprehensive diag-

facilitate RE deployment and EE.			in addressing key bottlenecks that are identified in RMCs for instance though the RISE and ERI diagnostics.		nostic tool that identifies constraints and opportunities in the enabling environment for RE and EE. AfDB has recently launched its Electricity Regulatory Index for Africa (ERI) that also is a country-by-country assessment highlighting key areas in regulatory design and practice that require improvement and reform.

Programmatic risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
SEFA might duplicate existing activities by other development partners and sources of finance or fail to recognise interfaces and synergies with other initiatives in a crowded arena.	Unlikely	Low	SEFA is well-informed about other initiatives but could consider undertaking a SWOT analysis that also covers its enabling environment support to ensure focus and additionality.	Low	SEFA operates in a crowded and extremely dynamic field with many development partners, and the incentives for coordination and synergy may not always be effective. There is no comprehensive up-to-date overview of initiatives in the wide field of RE and EE in Africa, but AfDB and its country offices are active in development partner cooperation in sustainable energy and climate change mitigation. The AfDB's role as the SEforALL regional hub for Africa also contributes to its ability to keep informed about other initiatives and seek additionality. The External Review of SEFA undertook a limited SWOT analysis of SEFA's role as a project preparation grant facility and found that it fills a gap; however, the Review also indicated possible issues regarding focus and additionality of the SEFA enabling environment support component.

Public sector constraints in RMC negatively affect implementation progress in enabling environment grants.	Likely	High	Engage AfDB staff in the regional units and country AfDB offices to provide close coordination with project implementation units and address constraints in development partner coordination groups with RMC Governments.	Medium	SEFA has experienced delays in implementation of enabling environment grants due to bureaucratic delays in RMC government departments.
Limited capacity of local partners impedes implementation progress and results.	Likely	High	As above, engage AfDB regional staff and country offices. Provide targeted capacity development support with clear goals and performance indicators.	Medium	Developing the capacity of political decision maker and practitioners in long-term energy planning as an important part of this project.

Institutional risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient continuity and capacity in SEFA team staffing.	Likely	High	SEFA has largely operated with consultants, which is a key risk for the continuity of operations as the one-year term of the contracts do not synchronize with the multi-year duration of the projects. SEFA is moving towards full-time long-term (multi-year) contracts (i.e. project staff) for key positions. Short-term consultants will continue to be deployed to meet specific capacity and skills constraints.	Medium	The supply of SEFA funds and SEFA processing is simply limited by the resources available and the External Review found that “There is a strong consensus that staff and resources are severely stretched, given the workload”.

Unrealistic expectations to project impact in terms of CO_2 emission reductions and financial leverage.	Likely	Medium	Proactively use impact drivers in SEFA 2 Theory of Change. Use the AfDB greenhouse gas emission estimation tool for both RE and EE projects and include relevant assessments of emission reductions in SEFA results reporting. Make the methodology for assessing SEFA's financial leverage explicit and report accordingly.	Low	As the Danish contribution to SEFA2 is proposed to be funded from the Climate Envelope, the mandatory core indicators include emission reductions and financial leverage.

Annex 5: Budget details

The indicative allocations of operational resources across the entire programme has been confirmed in the June 2021 CG meeting. Though Energy Efficiency investment is below the planned budget, a pipeline is currently being constructed:

Thematic Area	%
Green Baseload	50%
Green Mini-Grids	35%
Energy Efficiency	15%
Total	100%

These allocations are reflective of the average project sizes and types of instruments for each of the market segments.

Green baseload projects tend to be larger in scale and connected to the grid, requiring larger volumes of investment capital, mainly in the form of concessional loans. It is expected that nearly half of SEFA's resources (50%) will flow to this component.

Green Mini-Grids are generally small village electrification projects where volume is achieved through programmatic approaches to deliver results-based grants. This should represent approximately 35% of SEFA's resources.

Energy efficiency are often the smallest types of projects and, in the context of SEFA, will be primarily of a technical assistance nature, with investment activities focused on small lines of credit. This is expected to change over time as the market develops in Sub-Saharan Africa. This should represent approximately 15% of SEFA's resources.

These allocations are indicative and will be subject to revisions and modifications, based on market conditions and demand from clients. They will be evaluated with implementation progress as well as during SEFA's reviews in years four and seven of SEFA operations, as stated in the OPD.

SEFA Operational Budget 2021, 2022 and 2023.

SEFA Thematic Area	# of projects	2021 US$	2022 US$	2023 US$
Green Baseload (GBL)	7	15,890,000	30,100,000	31,000,000
Technical Assistance	6	5,890,000	5,100,000	1,000,000
Concessional Investments	1	10,000,000	25,000,000	30,000,000

Green Mini-Grids (GMG)	4	25,000,000	12,000,000	6,000,000
Technical Assistance	2	3,000,000	2,000,000	1,000,000
Concessional Investments	2	22,000,000	10,000,000	5,000,000
Energy Efficiency (EE)	3	11,800,000	3,000,000	8,000,000
Technical Assistance	2	1,800,000	3,000,000	3,000,0000
Concessional Investments	1	10,000,000	0	5,000,000
Total Project commitments	14	52,690,000	45,100,000	45,000,000
Administrative Budget	-	1,107,000	1,500,000	1,500,000
Bank Management Fee	-	2,634,500	2,255,000	2,250,000
TOTAL		56,431,500	48,855,000	48,750,000

Donor contribution to SEFA 1.0 and SEFA 2.0 (as of 31 December 2020)

Donor pledged contributions		Total Committed
SEFA 1.0	DANIDA (DK 300 million)	$51,933,100
	USAID ($ 20 million)	$20,000,000
	FCDO (GBP 25 million)	$32,685,704
	Italy (EUR 7.4 million)	$8,091,160
	NORAD (NOK 35 million)	$4,112,773
	Spain (EUR 4 million)	$4,445,086
SEFA 2.0	DANIDA (DK 300 million)	$45,264,595
	NORAD (NOK 200 million)	$21,700,000
	SIDA (SKK 125 million)	$14,165,955
	NDF (EUR 9.2 million)	$10,920,620
	BMZ (EUR 50 million)	$60,781,365
TOTAL		**$274,100,359**

Annex 6: List of Supplementary Materials

SKAL OPDATERES

#	Documents / Material	Source
	SEFA Annual Report 2020	SEFA 12 July, 2021
	SEFA Semi-Annual report 2020	SEFA, April, 2021
	Sustainable Energy Fund for Africa: Conversion to a Special Fund and Scale Up	SEFA, 2 July 2019
	External Review of the Sustainable Energy Fund for Africa, Draft Final Report, v2	ECo. Ltd, 9 July 2018
	SEFA Annual Report 2018	SEFA, July 2018
	SEFA Quarterly update 2nd quarter 2019	SEFA, July 2018
	SEFA Work Programme 2018 for OC	SEFA, June 2018
	The approach of the Nordic countries to energy related programmes, projects and advisory services in the African Development Bank	Amended version, 14 February 2018.
	SEFA Multi-donor Arrangement signed by Denmark	Signed by MFA Africa Department 20 June 2014
	The African Development Bank Group's Second Climate Change Action Plan (2016–2020)	AfDB, 5 June 2018
	The Bank Group's Strategy for The New Deal on Energy for Africa 2016 – 2025	AfDB, 2016
	Outcome Document 5th SEforAll Africa Workshop	SEforAll Africa Hub, May 2018
	SEFA Operational Procedures	SEFA, 12 November 2014
	SEFA Mid-Term Review Final Report	MFA TAS, 26 February 2016
	MOPAN 2015-2016 Assessments of AfDB	MOPAN, 2016

Annex 7: Communication of Results

SEFA has progressed on the (re)branding in order to establish a stronger and more coherent recognition of SEFA. Several proposals were presented and approved in Q2 2021, based on a preliminary internal consultation with the objective of assessing how SEFA brand is perceived. The logo approved enhances the different sources of energy and makes a clear reference to the African continent while staying simple and adaptable to the different formats used within SEFA and the Bank. The new logo and branding package have already been used for the Annual Report 2020, which was published in the Bank's website.

SEFA is also positioning the fund in a wide variety of events and through own and partners publications. Communication targeted bilateral countries with engagement and donor countries continues to be weak. This is partly due to vacant position as communication officer for which the recruitment process has not been completed. SEFA should also be better at communicating "success stories" in annual report and in international media

The MFA of Denmark will also seek to actively promote and brand that we back in 2011 were the co-found of SEFA. Today SEFA is considered one of the "Big 7" facilities globally to support the energy transition process. Denmark will actively seek to co-host or participate in international events with but also directly refer to SEFA in high-level communication from Minister-level. As an example of this, Denmark and SEFA is currently planning a joined side-event at COP26.

Below is overall 5-year SEFA communication plan:

What? (the message)	When? (the timing)	How? (the mechanism)	Audience(s)	Responsible
SEFA is an important actor in the green re-building post COVID-19	2020 - 2025	SEFA is supporting a continuous growth in the renewable energy transition in Africa. Creating policy dialogues and knowledge products demonstrating pathways for a green recovery.	African SME's, financial institutions and GOGLA members.	SEFA
SEFA is a visible and credible Special Fund in Africa.	2020-2025	Refreshing the identity of SEFA through a new branding strategy, a new logo and a new communications website, in order to establish a stronger and more coherent recognition of SEFA. New identity and branding profil was approved in April 2021.	The public, potential and existing donors, development partners, civil society, media professionals, opinion makers, experts and internally in the institution.	SEFA

		SEFA initiates its path in social media on Youtube; Linkedin; others.		
SEFA is an influential and impactful investment fund of reference within the renewable energy and energy efficiency sector in Africa.	2020-2025	Through attendance, participation and organisation of events and meetings, SEFA will improve its position as a knowledge broker and increase SEFA's visibility as a partner of choice. In context of COVID-19, virtual events provide the strongest platform for SEFA's to do so.	The public, potential and existing donors, development partners, civil society, media professionals, opinion makers, experts and internally in the institution.	SEFA
SEFA deliver tangible and important results.	2020-2025	Publish Annual Reports on project approvals, completion of operations per strategic priority area and instrument and completion of operations per strategic priority area and instrument. Publish biannually reports on Progress achieved against the SEFA Annual Work Plan and Budget. SEFA communicates its achievements through press releases, contribution to newsletters articles and interviews.	. leveraging its know-how and experience through the production, communication, and dissemination of knowledge products; Annual Report Semi-annual report	SEFA
Case(s) on SEFA success story on supply of renewable energy.	When a relevant major success story is documented.	State of Green: https://stateofgreen.com/en/sustainable-energy-to-power-the-future/ Stories as social media	Danish resource base and wider development community.	MFA Public Diplomacy.

Annex 8: Process Action Plan (PAP)

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
Prepare draft organisational strategy	April- May		
Confirm agenda item for Programme Committee	22 April		
Submit concept note to Danida Programme Committee including public consultation	17 May		
Danida Programme Committee	10 June		
Integrate recommendations from programme committee	10-30 June		
Submit for appraisal	15. July		
Appraisal	15. July – 27. August		
Incorporate recommendations from appraisal into programme documentation	29. August – 17. September.		
Confirm submission to Council for Dev. Policy	3. September		
Programme document to management approval	20-24. September		
Submit to Council for Development Policy	27 September		
Council for Development Policy meeting	14 October		
Approval of the programme by the minister	30 October		
Prepare “aktstykke”	30 October		
Meeting in the Finance Committee	1-15 November		
Signing of first payment	15-30 November		
First disbursement	30 November		

Annex 9: Summary of recommendations of appraisal

Title of Programme/Project	**Additional Danish Contribution to SEFA Special Fund 2021**
File number/F2 reference	**2021 - 18898**
Appraisal report date	**09-09-2021**
Council for Development Policy meeting date	

Summary of possible recommendations not followed

The Formulation Team agrees with the proposed recommendations.

All recommendations will be attempted to be followed. However, several of the recommendation will depend on the ability to get support from other donors and SEFA Technical Unit (SEFA-TU).

Overall conclusion of the appraisal

It is recommended to finalise the preparation of the programme documentation, giving due considerations to the recommendations from the appraisal, and present the proposal for approval. Continued support to SEFA Special Fund is well justified and aligned to both Danish policies, AfDB's policies, as well as actions needed to reach SDG7 targets for Africa. There is a funding need for African countries to SDG7 targets. The SEFA Special Fund delivers on targets, which makes it eligible for financing under the climate frame. The AfDB as Special Fund trustee is well justified. A good dialogue with SEFA-TU and key donors has informed the preparation phase. SEFA-TU has been successful in brings new donors on-board and the target for financial inflow to the Special Fund is likely to be reached well in advance of the timeline, which enables SEFA-TU to significantly scale up on operations. Denmark has a crucial role as lead donor.

Recommendations by the appraisal team	**Follow up by the responsible unit**
Project Level	
Results Frame	

# 1: *Denmark to call for dialogue in the Governing Council in order to agree on a request for SEFA-TU to open a Results Framework Forum for discussions with the donors aiming at developing a common understanding and refinement of the elements in the results framework.*	As emphasised in the appraisal, SEFA has improved results reporting and it is being improved on a continuous basis. It is agreed that further refinements are still needed. Denmark will initially seek support for this work with the Nordic donor group where after the proposal for making a strategic up-date of the results framework will be presented to the SEFA-TU and at a GC meeting. The refinement of the results framework has been included as an action in the project document under Chapter 3.2.
Monitoring, Review & Donor-role	
# 2: *Denmark to field a technical review mission to take stock on Denmark's engagement with SEFA, and dialogue on the monitoring and reporting mechanism, including furthering a common understanding of the refined results framework and how SEFA can monitor and report on achievements against the annual work plan and budget, as well as improving the quality of the reporting on women and jobs and cross-cutting issues.*	The formulation team agrees that field mission to review and keep longer assessment of the SEFA will be conducted. The planned review has been included in the project document in Chapter 8 under Risk and Mitigation Measures.
# 5: *Expand the project document with text on Denmark's ambition to continue an active donor role and as the SDG7 lead to support SEFA in their external policy dialogues.*	The Danish contribution to SEFA makes up a cornerstone to the Danish SDG7 leadership related to closing the energy gap in Africa. Denmark will seek to establish a closer dialogue regarding external communication with the SEFA-TU. Text has been added in Chapter 3.2.
# 8: *Update the project document and develop a list of issues which is of special interest to Denmark to which Denmark will give special attention in the future dialogues around SEFA and annex this to the project document.*	Chapter 3.2 has been up-dated with the Danish priorities for the coming years at the GC.
Operations	

# 3: *Denmark to suggest the Governing Council analyse the staffing situation of SEFA-TU and consider the need for a full-time SEFA-coordinator or as a minimum a full time deputy coordinator.*	Similar concerns have also been expressed by other donors (e.g. Norway) and Denmark will enter a dialogue with the SEFA-TU on this issue. Additional text has been included project document under Chapter 3.2. and Chapter 7.
# 4: *Denmark to follow-up in Governing Council on the request for SEFA-TU to develop a 3-year rolling planning scenario with corresponding projective budget for a 3-year period 2022-2025 disaggregated for each intervention area to the output level.*	Denmark will propose to GC that a 3-year working plan will be developed and that general planning of CG meetings will be improved. Text included in Chapter 3.2.
# 6: *The project document to be updated with clear information on the requirement for compliance with Denmark's policies on anti-corruption, child labour, sexual exploitation, abuse and harassment.*	The project document already contains information related to Danish requirements on anti-corruption. However, further compliance issues such as health and safety, gender and meeting international standards on responsible sourcing and UN Global Compact will be reviewed in operational guidelines and procedures. Text has been added in Chapter 3.2.
Communication	
# 7: *Denmark call for the SEFA-TU to identify communication opportunities that may represent good opportunities for increasing SEFA's visibility as a lead initiative to support energy access and a green energy transition in Africa and to report on concrete results and lessons learned to the wider stakeholder group, including the public in Denmark.*	It is agreed that Denmark can "cash-in" by being the co-found and largest donor to SEFA. Denmark will seek to actively engage SEFA in relevant international events and make references to SEFA in high-level events. As a follow-up, Denmark is already planning a joined side-event at COP26 with SEFA in AfDB pavilion. Annex 7 on communication has been up-dated.

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed 

Appraisal Team leader/ELK representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in…….on the……

Head of Unit/Embassy

Annex 10: SEFA 1 Results Log Framework

RESULTS CHAIN		PERFORMANCE INDICATORS				
		Indicator	Baseline	Target	ACTUAL VALUES	Commitments based on projects approved
						Total
IMPACT	Promoting job creation, private sector led growth, and human development through the use of sustainable (affordable, reliable, clean) energy	Energy Development Index (EDI) Human Development Index (HDI)*	2012 HDI value and EDI value for each country	N/A	N/A	N/A
OUTCOMES	Access to modern energy increased for SMEs and households	New connections (number) for projects	0 (2012)	150000 (2018)	500	335,848
	Funding raised for RE projects (financial leverage)	Total volume (of equity and debt raised for RE projects $ million) for component 1 and 2	0 (2012)	1,000 (2018)	383	1,516
	Increase in RE in the energy mix	Aggregate installed RE capacity (MW) for component 1 and 2	0 (2012)	500 (2018)	0	556
	Direct employment creation (sector/project level)	Jobs created at project sites (number)	0 (2012)	450 (2018)	62	27,102
	Reduction/avoidance of GHG emissions (project level)	CO2 equiv. saved through use of RE (tons)	0 (2012)	3,000,000 (2018)	0	4,067,600

OUTPUTS - I	RE projects supported by SEFA reaching financial close	No. of projects receiving Project Preparation Grants reaching financial close - 1 project/year from 2014	0 (2012)	4 (2018)	1	27
	RE projects receiving pre-investment assistance from SEFA	No. of PPGs awarded - 4-6 new PPGs/year from 2013 to 2018	0 (2012)	30 (2018)	22	22
OUTPUTS - II	RE projects receiving equity and managerial support	Committed capital invested (%)	0 (2013)	90 (2018)	77	77
		Portfolio companies at end of investment period (number)	0 (2013)	10 (2018)	9	9
	Pre-investment support provided to RE projects and entrepreneurs	Companies/projects supported (number)	0 (2013)	20 (2018)	9	9
OUTPUTS - III	Improved investment environment for RE projects	Countries with new policies - 3 countries/year supported from 2014 (number)	0 (2013)	12 (2018)	2	12
	Completed activities related to institutional support and capacity development on RE/EE	People trained on RE/EE *** (number)	0 (2013)	150 (2018)	120	1819
	Improved regulatory and market conditions for Green Mini-Grids	No. of GMG enabling projects - 5 country support packages & Market Development Programmes implemented	0 (2014)	6 (2018)	6	6

Annex 11: Lessons learned from SEFA 2.0 and the road to SEFA 2.0

The restructuring process of SEFA began in mid-2018 and was completed in 2019. SEFA 2.0 began its operations in 2020. The restructuring of SEFA incorporates lessons from seven years of operational experience and recommendation of the external review commissioned by the SEFA donors in 2018. As a lead donor, Denmark played an important role in the process of restructuration and the SEFA components are in aligned with Danish priorities. Therefore, Denmark committed DKK 300 million in 2019 to second phase of SEFA to strengthen its lead role as the major multi donor trust fund to early stage, blended financed and first-of-its-kind renewable energy and energy efficiency projects in Africa.

The rational for restructuring of SEFA as a special fund is to enable it to provide both technical assistance and concessional investments for private sector renewable energy projects. The two windows of support will allow SEFA to lower technology and financing costs and/or ensure risk mitigation along the project cycle, from early stage development to project commissioning. By this, SEFA 2.0 is customizing its scope to the rapid development in the renewable energy landscape where new business models have emerged, several renewable energy sources have become mainstream and private sector participation is more active. With the new set, it expected that SEFA 2.0 is well placed to provide more flexible and diverse financing instruments as well as steer co-financing arrangements at concessional rate between the AfDB and willing and other interested co-financiers, and by this leverage commercial financing and stimulate investments in new renewable technologies.

A key purpose to turn SEFA into a special fund was to apply new financial instruments to meet the investment needs of the evolving energy markets in Africa. This will allow SEFA to provide financial instruments beyond technical assistance grants and meet the demand for both catalytic finance and technical support to scale-up sustainable energy solutions. The new structure will also enable SEFA to unlock investments in fragile countries and will be a key delivery platform for AfDB's "Desert-to-Power" initiative. SEFA 2.0 will be capitalized exclusively with grant contributions from existing and new donors but be complemented with other sources of concessional and commercial capital. The special fund structure will allow SEFA to operate with financial instruments beyond grants without having to seek the Board for a waiver from the trust fund policy on each investment project.

As founding and lead donor, Denmark has followed and influenced SEFA's development closely. Based on SEFA 1.0 past performance as documented in the mid-term review (2016) and an external evaluation (2018), a joined extensive Danish/Norwegian pre-appraisal I 2019 concluded that the SEFA as a special fund have significant potential to deliver outcomes which will lead to significant economic, social, and environmental benefits. It also found that the SEFA Secretariat had followed up on the recommendations from the previous review and further recommended that Denmark should positively consider the request from AfDB to replenish SEFA.

Overall, SEFA performance is seen as delivering cutting-edge renewable energy projects and it has influenced AfDB's energy sector priorities towards sustainable, privately-led renewable energy solution solutions, particularly in smaller scale and off-grid contexts. Further, SEFA has been crucial in addressing a major market gap for financing of early-stage project preparation for green energy baseload in the grid. SEFA has particu-

larly managed to push deployment of renewable energy riskier and fragile country contexts. There was identified a need to improve reporting and results monitoring, and during the first years of SEFA 2.0 significantly improvement has already been achieved. Further, there has been an under-representation of EE projects in the portfolio and pipeline. Finally, focus on accelerating project implementation and disbursement rates needs to be addressed.

It can be summarised that SEFA has managed to influenced AfDB's energy agenda and priorities towards sustainable, privately-led renewable energy solutions, particularly in smaller scale and off-grid contexts. Further, SEFA has been crucial in addressing a major market gap for financing of early-stage project preparation. Further, SEFA has particularly focused on less well established renewable energy technologies and riskier and fragile country contexts as well as the off-grid and green mini-grid space. In this way, SEFA has managed to play an important role in a changing renewable energy market that has experienced rapid changes and opportunities by significant lower costs of renewable energy – incl. solar and wind energy – which now is becoming cost-competitive with fossil fuel.

Annex 12: Overview of SEFA 2.0 projects and pipeline

Green baseload projects				
Title	Region	Status	Request (US$ m)	Technical assistance / Concessional investments
Algeria Renewable Energy Programme	Algeria	Negotiation	0.995	Technical assistance
Desert-to-Power G5 Sahel Technical Assistance Programme	Sahel	Approved	5.05	Technical assistance
Africa Renewable Energy Fund II	Angola Cameroon Kenya Madagascar Uganda Zambia	Negotiation	15	Technical assistance and concessional investments
COP26 Energy Transition Rapid Response Facility (RRF)	Egypt Kenya Morocco Nigeria South Africa	Pipeline	1	Technical assistance
Gabon Kinguele Aval HPP	Gabon	Pipeline	10	concessional investments
South Sudan Renewable Energy Promotion	South Sudan	Pipeline	1	Technical assistance
Uganda Sector Reforms for Renewable Energy and Efficiency	Uganda	Pre-Pipeline	0.95	Technical assistance
Mozambique Floating Solar Programme	Mozambique	Pre-Pipeline	0.95	Technical assistance
Africa Hydropower Modernization Program	Africa	Pre-Pipeline	1	Technical assistance
Nigeria Konexa Integrated Utility model	Nigeria	Pre-Pipeline	1	Technical assistance
Mozambique GET FiT Programme	Mozambique	Pre-Pipeline	10	Technical assistance and concessional investments
Guinea Khoumagueli Solar PV	Guinea	Pre-Pipeline	5	Concessional investments
Green Mini-grids projects				

Title	Region	Status	Request (US$ m)	Technical assistance / Concessional investments
Covid-19 Off-Grid Recovery Platform (CRP)		approved	20	Concessional investments
Africa Mini-Grid Acceleration Program (AMAP)		Approved	7.0	Technical assistance
Angola Green Mini-Grid Scale Up Program (AGMGP)	Angola	Pipeline	1.0	Technical assistance
Togo GMG Financing Programme (RBF)		Pipeline	12.0	Concessional investments
Energy for Healthcare Programme (EHP) - Preparation Phase	Mozambique Uganda Ghana Mali	Pre-Pipeline	2.0	Technical assistance
DRC GMG Financing Programme (RBF)	DRC	Pre-Pipeline	12.0-15.0	Concessional investments
Ethiopia Agriculture-Energy Mini-Grids Pilot	Ethiopia	Pre-Pipeline	5.0	Concessional investments
Energy Efficiency projects				
Title	Region	Status	Request (US$ m)	Technical assistance / Concessional investments
Morocco SIE Super Esco	Morocco	Negotiation	0.965	Technical assistance
SPARK + Clean Cooking Fund	Sub-Saharan Africa	Negotiation	5.0	Concessional investments
Kenya Super Esco Development	Kenya	Pipeline	1.0	Technical assistance
Senegal Energy Efficiency Program	Senegal	Pre-Pipeline	0.8	Technical assistance
Africa Go Green Fund (AGGF)	Cote d'Ivoire Senegal Ghana Togo	Pre-Pipeline	10.0	Concessional investments

Annex 13: Mapping of relevant stakeholders to SEFA

This annex outlines key stakeholders and engagements where SEFA could play a convening role to strengthen synergies. A more in-depth mapping of Danish energy engagement and posibilities to strengthen synergies will be elaborated later in 2021 as response to the recent Evaluation of Danish Funding to Climate Change Mitigation.

Multilateral cooperation

- *Green Climate Fund and the Global Environment Facility* – several SEFA projects will be co-financed by GCF and GEF, and there is a potential to strengthen closer policy dialogue with the GCF.
- *Climate Investment Funds* – Denmark supports the TA facility of CIF. Potential collaboration on coal phase out would be relevant.
- *ESMAP/WB* – The World Bank is also promoting a strong engagement on energy in the Sahel region. Close collaboration here and in other areas would be relevant.
- *IEA and IRENA* produces relevant policy paper on Africa. SEFA could seek opportunities to both inform their work and to turn recommendations into actions.
- *SEforALL* is also planning a facility for mini-grids and a focus on clean cooking. It is recommended to establish a close partnership with SEforALL.
- *The Nordic Development Fund* is a donor to SEFA. They provided targeted resources to the secretariat and can be co-financier of specific investment project.
- *World Resources Institute, UNEP DTU and Global Green Growth Institute* – these institutions produce relevant knowledge and capacity building in several African countries that could be of relevance for SEFA.
- *Beyond the Grid Fund for Africa* – Coordination with the Danish support to the Uganda window could be relevant considering SEFA also contributing to the mini-grid development in country.

Bilateral cooperation

- *IFU* – relevant investment opportunities for IFU could be developed and co-financed by SEFA.
- *Danish Energy Agency* – is increasing its support to Africa. Coordination of TA support to countries where DEA is operating (Ethiopia, South Africa and Kenya) should be established and possibilities explored to increase co-benefits and coordination.
- *Danish Bilateral engagements in the Sahel region* should be explored related to the Desert-to-Power initiative. Denmark has limited bilateral engagements in the energy sector but keeping the embassies informed about our significant multilateral support would be relevant.
- *Green partnership with Danish civil society* – Denmark will also explore opportunities to facilitate dialogue between SEFA and Danish civil society organisations.

Example SEFA a convener for Policy dialogue

- *COP26* – Denmark should seek possibilities to jointly organise events focusing on a Paris aligned green energy transition in Africa.

- *UN High Level Dialogue on SDG7* – though already taking place in September 2021, it is a good example of bringing SEFA into the discussion with their operational approach to close the energy gap and support a green energy transition.
- *EU-AU summit* – SEFA can play an important role in strengthening the EU engagement on energy in Africa.
- *Relevant seminar and events* – SEFA is also co-hosting events such as the 'Unlocking the solar potential of the G5 Sahel countries' and 'Energy Access Covid-19 Relief Summit' taking place in 2020. Denmark should seek to participate actively in these events, propose presenters and when relevant act as a co-host.

Collaboration between SEFA and other institutions (May 2021)

Institution	Technical Assistance		Financing	Areas of cooperation with SEFA
	Enabling Environment	Project Preparation		
SEforALL	✓			• Ongoing discussions regarding collaboration in the area of Energy for Health • Upstream activities such as collaboration on planning (SEforALL Action Agendas in the past) • Collaboration in the context of the COP26 ETC process co-chaired by CEO of SEforALL
IRENA	✓	✓		• Declaration of intent signed in 2020 with a focus on collaboration on Desert to Power, project preparation and other areas • Collaboration on the implementation of integration of RE in the G5 Sahel • Collaboration on the Green Energy Acceleration Plan in Sao Tome e Principe
European Union		✓	✓	• EU-TAF with technical assistance to prepare bankable projects in mini-Grids • Cooperation on the Green Mini Grid Programme in Togo
World Bank Group	✓	✓	✓	• Collaboration on Green Mini-Grid programmes (discussions in Ethiopia and Guinea) • Knowledge work on mini-grids (ESMAP) • Monthly coordination calls with FCDO, ESMAP and SEFA to discuss pipeline and portfolio.
UNDP	✓	✓	✓	• Coordination on the UNDP Africa Mini-Grid Program (AMP), notably in Madagascar and Angola • Collaboration on mini-hydro and solar PV project development in Sao Tome e Principe
Nordic Development Fund				• Collaboration on project preparation support (directly and through EEP) • Co-financing of projects notably Facility for Energy Inclusion Off-Grid Fund (structuring and financing) and Africa GoGreenFund (at appraisal)
Power Africa	✓	✓	✓	• Regular exchanges on market intelligence and project pipeline • Leveraging Power Africa transaction advisory network to advise on specific SEFA projects
Climate Investment Fund (CIF)				• Grant co-financing of TA activities in SREP Mali and Ghana • Concessional co-investments in FEI On-Grid and AREF II

Global Environment Fund (GEF)	✓	✓	✓	• Co-financing SEFA supported operations:
				  ○ AREF junior equity (same tranche as with SEFA)
				  ○ Covid19 Off-Grid Recovery Platform (Phase 2 with GEF funding in process)
				  ○ FEI On-Grid Project Support Facility (structured by SEFA)

Green Climate Fund (GCF)	✓		✓	• Co-financing with SEFA programs, e.g. DRC GMG program, Zambia Renewable Energy Financing Framework, Burkina mini-grids, upcoming AfDB-GCF programs on Leveraging Energy Access Finance (LEAF) etc.
Get.Invest				• Regular pipeline discussions and cooperation on advisory services, e.g. in relation to SEFA supported Lesotho Neo 1 Solar PV and New Africa Biomass (pre-pipeline project)
USTDA				• Co-financing of project preparation activities, notably Mozambique Namaacha Wind, Lesotho Neo 1 Solar PV, Burundi Songa HPP, Energy for Healthcare Programme.