

Sustainable Energy for Africa (SEFA 2.0)

Key results:

- Increase access to renewable energy through deployment of green mini-grids and renewable energy for up to 7 million people by 2030.
- Deploy 3000 MW renewable energy capacity as an alternative to new and existing fossil fuel energy baseload.
- Integration of energy efficiency opportunities in energy systems and demand, incl. for clean cooking solutions.
- Leveraging and mobilizing of USD 3 billion investment by SEFA concessional financing, grants and technical assistance mobilized by 2030.

Justification for support:

- Africa has abundant renewable energy sources and possibilities to leapfrog to a cost-competitive green energy transition. SEFA catalyzes private sector investments in early stage renewable energy and energy efficiency markets.
- Almost 600 million people in Africa have not access to energy and by 2030 over 80% of underserved people will live in Sub-Saharan Africa. SEFA will contribute to closing the energy gap in Africa through renewable energy grid and off-grid solutions.
- Closing the energy gap in Africa is a priority in the Danish Government's long-term Strategy for Global Climate Action, the Danish SDG7 leadership and a cornerstone for Building Back Better and Greener in the midst of the Covid-19 pandemic.

Major risks and challenges:

- COVID-19 impose a risk due to financial and credit constraints for both large utilities and off-grid energy developers. SEFA has developed a COVID-19 response strategy, allows greater flexibility and supports a Covid-19 off-grid recovery platform.
- SEFA has a focus on fragile states and projects can be affected by political instability, unrest and high levels of corruption. SEFA will carry out due diligence of funding request including political risks, environmental and social assessment procedures and follow AfDB's Whistle Blowing and Complaints Handling Policy.
- Due to early-stage and catalytic nature of SEFA's concessional investment there is a financial risks. SEFA will manage this risk through a stringent due diligence process and with support from the Bank's credit risk team.

File No.						
Country	Inter-regional (Africa)					
Responsible Unit	GDK					
Sector	Energy					
Partner	African Development Bank					
<i>DKK million</i>	2021	2022	2023	2024	20xx	Total
Commitment	100					100
Projected disbursement	25	25	25	25		100
Duration	2021 - 2030					
Previous grants	Yes, DKK 600 mill. (in 2011 and 2019)					
Finance Act code	06.34.01.70					
Head of unit	Rasmus Abildgaard Kristensen					
Desk officer	Morten Blomqvist					
Reviewed by CFO	Mette Schou					
Relevant SDGs						
 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation	
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production	
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals		

Strategic objectives for stand-alone projects

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.

Justification for choice of partner:

Denmark was the founding donor for SEFA together with the AfDB. The fund has become one of the leading energy funds to accelerate a green energy transition in Africa, including universal access to energy. SEFA has been transformative in its approach in addressing a market gap for financing sustainable energy projects within the African Development Bank and has delivered solid results. The Fund supports Danish priorities to provide access to renewable energy in Africa and supports the AfDB's new flagship initiative Desert-to-Power in the Sahel region.

Summary:

SEFA 2.0 is a multi-donor special fund managed by the African Development Bank. It is providing technical assistance and concessional finance to unlock private sector investments in renewable energy and energy efficiency in Africa. SEFA aims to remove market barriers for renewable energy investment and support first-of-a-kind projects with replication potential. This is done by supporting three thematic areas (i) Green Baseload aiming to increase renewable energy and baseload in power systems, (ii) Green Mini-grids that accelerates electricity access to underserved populations, (iii) Energy Efficiency improving the efficiency of energy systems, services and technology, incl. clean cooking.

Budget (engagement as defined in FMI):

Engagement 1: Technical assistance and concessional financing for Green Baseload, Green mini-grids and energy efficiency projects.	95 DKK million
Engagement 2 - AfDB administration fee	5 DKK million
Total	100 DKK million

Draft project document for the Programme Committee Meeting on June 10, 2021

Strategic Questions for the Programme Committee

This document constitutes a first draft version of the project document concerning the proposed Danish support to the second phase of the Sustainable Fund for Africa (SEFA 2.0). This is an additional Danish contributions to SEFA 2.0 and complements the first contribution of DKK 300 million from FL 2019.

Guidance is sought from the Programme Committee on the following issues:

1. The draft project document proposes to provide core funding to SEFA as the three thematic components are fully aligned with Danish priorities. Further, there is a focus on investment in the Sahel-region and in fragile countries as well as supporting Building Back Better and Greener considerations. However, SEFA does allow for preferencing or targeting of fund to specific components.

Question: How does the Programme Committee assess that a priority has been to strengthen the Danish role as lead donor to SEFA rather than requesting to earmark to specific components or geographic priorities? This should also be seen in the light of Denmark already providing core funding to SEFA.

2. Denmark is supporting a wide range of energy-related international institutions/funds that provides technical assistance, policy-recommendations and financial support targeted a green energy transition in Africa and promoting energy access.

Question: How does the programme view possibilities for SEFA to play a convening role between relevant institutions, agencies and climate funds supported by Denmark to enhance synergies, collaboration and impact?

3. The draft project documents includes a section on the Danish priorities for the SEFA Governing Council. This is considered a preferred alternative to earmarking.

Question: Does the Programme Committee consider that other topics or priorities should be included in the section outlining Danish priorities and advocacy targets in the Governing Council?

Additional Danish support to

Sustainable Energy Fund for Africa (SEFA) 2.0

(DRAFT version for Programme committee meeting 10 June, 2021)

File F2: 2021 - 18898

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
CIF	Climate Investment Funds
CTCN	Climate Technology Centre and Network
DEPP	DEA Energy Partnership Programme
DFI	Development Financing Institutions
ECREEE	ECOWAS Centre for Renewable Energy and Energy Efficiency
EE	Energy Efficiency
ERI	Electricity Regulatory Index
ESAP	Environmental and Social Assessment
ESMAP	World Bank Energy Sector Management Assistance Program
EUDP	The Danish Development and Demonstration Programme for Energy Technology
FEI	Facility for Energy Inclusion
GBL	Green baseload
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GMG	Green Mini-Grid
GW	Gigawatt
IEA	International Energy Agency
IFU	Investment Fund for Developing Countries
INDC	Intended Nationally Determined Contributions
JfYA	Jobs for Youth in Africa
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

RMC	Regional Member Country
SDG	Sustainable Development Goal
SEFA	Sustainable Energy Fund Africa
SMART	Specific, Measurable, Achievable, Relevant and Timely
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TNA	Technology Needs Assessment
ToC	Theory of Change
TRC	Technical Review Committee
TW	Terawatt= 1000 GW
YEI	Youth Entrepreneurship and Innovation

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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 is an additional Danish contribution to SEFA 2.0 with the purpose of emphasising 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 put green energy access investment on reverse and there is an urgent need for funding to support progress is kept on track and to support a Build Back Better and Greener approach.

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) building capacity and an enabling environment to unlock green energy investment, and (ii) through *Concessional Financing* 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 will enable SEFA to provide financial instruments beyond technical assistance (TA) grants. It will place SEFA and AfDB at the forefront of blended finance for a green energy transition to lower technology and financing costs and/or ensure risk mitigation along the project cycle. It has been an important development to adapt to a transformed renewable energy landscape in many African since the establishment of SEFA in 2011.

SEFA was established in 2011 by AfDB in partnership with the Denmark. Since then, the Fund has developed to become a leading energy fund in Africa and has received contribution from Germany, Italy, Nordic Development Fund, Norway, Spain, Sweden, United Kingdom totaling approx. USD 274 million. This make SEFA 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 has been chosen by donors as the lead donor of SEFA, which entails facilitating coordination among the donor group and is acknowledged as the founding donor for SEFA.

2. Strategic considerations, justification and context

2.1. Geographic, political and institutional context of SEFA

Today almost 600 million people do not have access to electricity in Africa 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 percent 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 integrate more renewable energy, incl. greater focus on transmission and distribution assets, remains a challenge.

SEFA contributes to achieve The African Development Bank's (AfDB) 'New Deal on Energy for Africa' (NDEA) with the goal of achieving universal access to energy in Africa by 2025. NDEA aims to achieve 162 GW new electricity generation, 130 million new grid connected households and 75 million new off-grid household connections. To achieve this goal, the AfDB is working 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 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-their-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 RE and energy efficiency (EE).

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 SDG7 by leaving no-one-behind.

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 AfDB's Desert-to-Power Initiative that 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.

SEFA's focus on leveraging blended capital for first-of-a-kind projects and is supporting African countries leapfrog to new technologies while closing the energy gap and improving energy efficiency. This is well-aligned with the Danish Government's new long-term global climate strategy. It emphasizes that Denmark should continue its leadership on SDG7 to raise the global ambition, including closing the access to energy gap and support a green energy transition for developing countries. Further, the Danish contribution to SEFA is also an important building block of to deliver on the target of Danish Government's goal to provide access to clean energy for 5.8 million people in Sub-Saharan Africa, which was announced in October 2020 by the Minister of Development Cooperation. SEFA's activities are also well aligned with priorities for funding under the Danish Climate Envelope. Especially regarding the outcome of scaling up climate-relevant technologies, infrastructure and markets.

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 enabler for achieving many of the other SDGs and for enhancing climate resilience. 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 Danish support to SEFA is not only pivotal in our dialogue with the AfDB but is also aligned with other multilateral agencies that Denmark supports. There is a potential for collaboration with UNEP-DTU and the Copenhagen Center on Energy Efficiency which specifically could be relevant to boost SEFA's energy efficiency component. UNDP, ESMAP, IRENA and SEforALL would also be relevant collaborative partners in the field of access to green energy and Denmark will actively encourage close collaboration between these institutions. Denmark will work towards that SEFA contributes to the Global Plan and Action for Sustainable Energy Solutions for Situations of Displacement and UNHCR's Green Energy Challenge for refugees and forcibly displaced populations. SEFA is also collaborating with other relevant multilateral funds such as the Green Climate Fund and the Global Environment Facility.

Bilaterally, a priority will be to build synergies to our work in priority countries, particularly in the Sahel region. SEFA's Desert-to-Power project will be a key deliverable and priority for the additional Danish support to SEFA, and synergies to the new country program in Mali has been established. 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 global outreach work and support a more

visible Danish engagement in SEFA's outreach work, incl. co-hosting and participation international conferences and seminars together.

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 align with Danish policy priorities.

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, which lower costs of technology and financing and ensure risk mitigation along the project cycle, 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. The new structure also enable SEFA to unlock investments in fragile countries and will be a key delivery platform for 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, results are considering significant by supporting 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 CO₂¹.

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 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 applications received

Based on a mid-term review (2016) and an external evaluation (2018) of SEFA performance, a joint extensive Danish/Norwegian pre-appraisal in 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. However, there is still a need for SEFA to address under-representation of energy efficiency projects in the portfolio,

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

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 22.000 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.

SEFA 2.0 will initially be focused on three thematic areas of intervention to scale-up investments in early stage markets to adapt to the needs of the emerging renewable energy landscape:²

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.

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

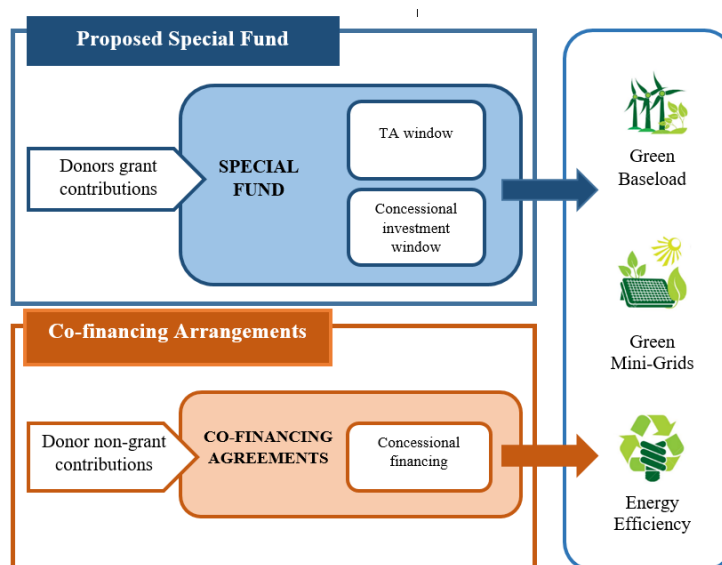
SEFA 2.0 will deploy resources two financing windows (see also below figure): the technical assistance window and the concessional investment window.

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. The concessional financing will not be commingled with the resources of the SEFA Special Fund, but will be governed by separate agreements between the co-financier and AfDB. In addition, such resources will not mix with those of the SEFA Special Fund at the related project level, unless the financing is provided on same terms and/or further to explicit authorization by the SEFA Special Fund’s donors.

Figure 1: SEFA programmatic areas and financing windows.



3.2. Danish priorities for the additional funding

As the largest and founding donor to SEFA, Denmark plans to play an important 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 earmark the additional contribution to SEFA 2.0 to specific components. Rather, it is the purpose to establish an even closer and ongoing dialogue with the SEFA secretariat and other donors to achieve efficient and catalytic outcomes and impacts from SEFA.

Denmark will actively work to achieve the following topics through the Governing Council and through bilateral engagements with the SEFA management.

- Increase focus on wind energy where it is relevant to promote in the energy mix. At the moment less than 2% of the projects are invested in relation to deployment of wind energy in the energy mix.
- SEFA should support countries to Build Back Better and Greener in the midst of COVID-19.
- Green baseload should increase renewable energy share in the grid but also mitigate investment in new fossil fuel based energy
- Mini-grid should target closing the energy gap and build a nexus approach to the productive sector and climate resilience.
- Increase gender focus and synergies to broader development issues such as decarbonization of societies, job creation, just transition and gender.
- Ensure transparent, lean and cost-efficient procurement procedures and result-reporting.

A key 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. Rather than establishing new multi-donor trust fund, it was decided to use SEFA 2.0 as an already well-functioning fund.

Finally, Denmark will as lead donor to SEFA also strengthen SEFA to become a convener between the web of Danish supported international energy-related institutions operating in Africa. From think tanks and research institutions to the Danish Energy Agency and NGOs and over to international climate funds to more private-sector driven financing institutions (see table below). SEFA is already collaborating across many of these institutions but SEFA is well placed in the international climate and energy architecture to strengthening its role as an agenda institution in renewable energy architecture promoting an inclusive green energy transition in Africa (see a draft overview of some of Danish supported organisations).

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		✓	✓		✓
WRI	✓	✓	✓		

4. Theory of Change and results framework

4.1. Theory of Change of SEFA 2.0

During the restructuring 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 New Deal on Energy for Africa.

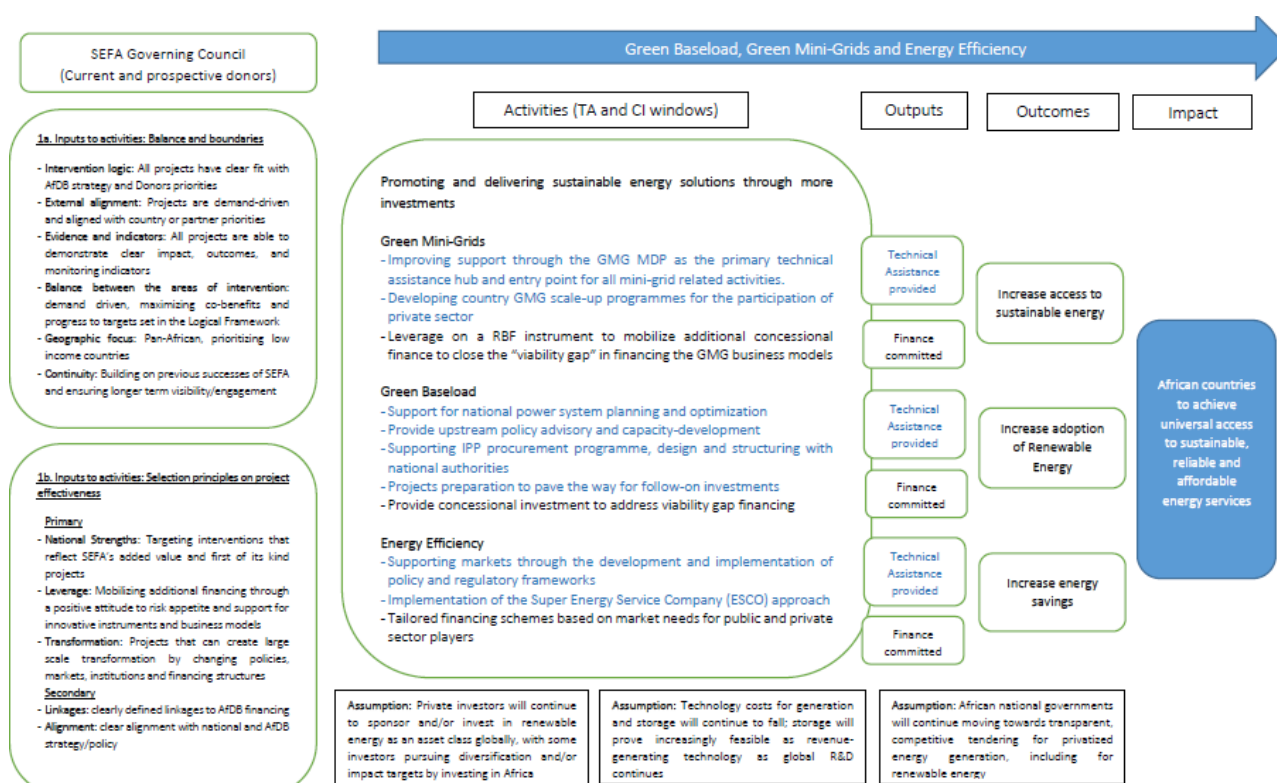
The Theory of Change will demonstrate how SEFA will contribute to overcome some of the barriers to accelerate deployment of renewable energy in Africa, which include (i) high transaction costs in technical/financial feasibility assessment and project development; (ii) higher upfront investment costs, (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 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 in rural areas, (iii) Energy Efficiency contributing to optimizing energysystems resulting in more efficient infrastructure and appliances.

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.

For Danida's reporting purposes the following key outcome and output indicators have been selected from the SEFA log-frame to document progress, this log-frame conform 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 through 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 -tCO ₂ e)	
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. SEFA can in many ways be considered a flagship multi-donor trust fund for Danish development assistance on energy in Africa. Denmark has played a pivotal role in defining these three areas

which all are well-aligned with Danish policy priorities. Rather than preferencing the Danish support, a number of Danish priorities for the engagement in the Governing Council (GC) has been outlined in section 2.4 of the present document.

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 of USD 274,100,359 from nine different donors by the end of 2020. 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.

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 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.

7. 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. Further details on the role of these governance bodies is provided in section 5.6 below.

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.

8. 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. SEFA is

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

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 arrangements³.

³ 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.

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.

9. Risk and mitigation measures

The AfDB Board document identifies the risks and outlines mitigation measures associated with 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:

Contextual risks:

SEFA has a focus on fragile states, therefore SEFA project has a risk of being effected 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.

There is a risk in that the enabling environment in partner countries does not facilitate RE and EE deployment. To respond to the risk SEFA will in its enabling environment support, focus on key bottlenecks identified in regional member countries (RMCs). More complex barriers could be addressed through coordinated intervention with AfDB or ADF. The could also affect the interest from private investors to enter into blending financing projects.

There is corruption risks 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 imposes 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 screening takes place,

SEFA undertakes a due diligence process, the Governing Council, Technical Review Committee and SEFA leverages the AfDB checks and balances between operational and fiduciary departments for the approval process.

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 insure 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.

SEFA risks crowding out rather than crowding in private finance and investment. This risk will be mitigated through the rigorous use of AfDB methodology on additional and blended finance.

10. 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

Annex 1: Context Analysis

SEFA is demand-driven has an active portfolio. Several⁴ SEFA projects are in fragile or conflict-affected countries. In principle, all the AfDB's 54 Regional Member Countries (RMCs⁵) 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).
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- 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.

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

⁵ 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.
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- 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 percent 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 percent of the global population without access. Without further efforts, 36 percent 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 percent 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).
-
- 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 Economist 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/newroom/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 \(eiu.com\)](https://www.eiu.com/public/democracy-index-2020.pdf)
IFC 2020: [EMCompass Note 90-web.pdf \(ifc.org\)](https://www.ifc.org/content/dam/ifc/docs/2020/04/EMCompass_Note_90-web.pdf)

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 I⁶: 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.

⁶ Project preparation grants

- Component II⁷: 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 III⁸: 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

⁷ 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.

⁸ 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 AfDB's 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 2020/2018 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 percent, 4 percent and less than 1 percent 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/newroom/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 Africa](#) 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 Fun: [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".
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- 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 strengthen 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.
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- 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 ESMAF: 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 – 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.
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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 through the AfDB Board of Directors, where Denmark is represented together with 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 UN-FCCC 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 through 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:

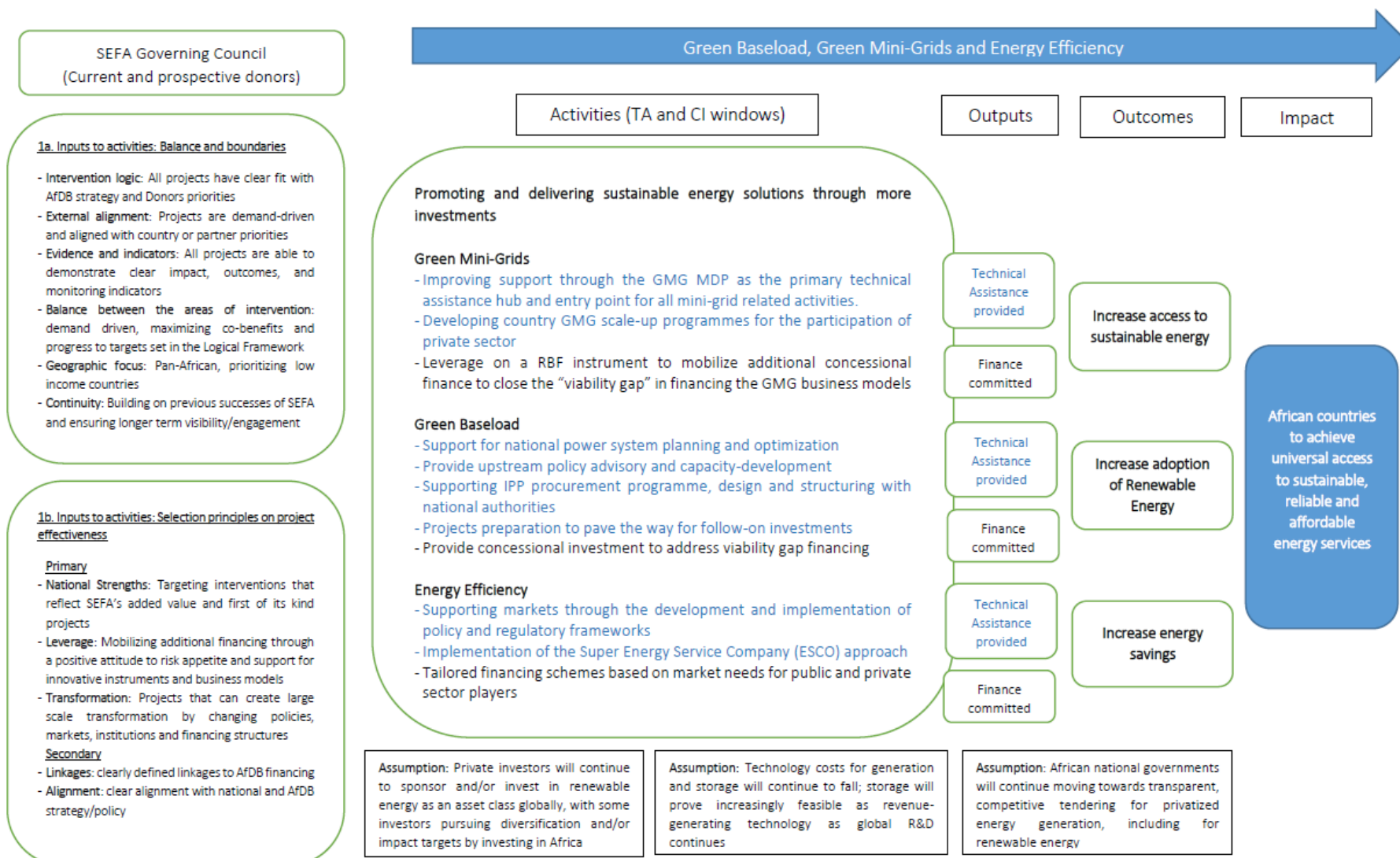
AfDB was chosen for its mandate and role in sustainable energy development in Africa and is a trusted partner for Danish development cooperation in Africa in several areas, including the ongoing first phase of SEFA. The conclusion from the context analysis is that SEFA is highly relevant in responding 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 review 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)	44 (2017)	100 (2030)	100 (2030)	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
		Cumulated energy mix in Africa (% of installed MW from renewable energy technology)	17 (2013)	49 (2030)	49 (2030)	IRENA	
		Energy intensity (MJ/USD PPP 2011) (SDG7)	7.3 (2016)	5 (2030)	5 (2030)	SDG progress report	
OUTCOMES	Increase access to sustainable energy	People with new electricity connections (number)	9,000	3,300,000	7,500,000	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
	Increase adoption of Renewable Energy	New renewable power capacity installed (MW)	88	1,500	3,000		
		Energy savings from new investments (MWh/year)	0	730,000	1,350,000		
	Increase energy savings	Direct employment (number), of which are women (%)	105 (11%)	1,000 (50%)	2,160 (50%)		

			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				
	<u>1 - Green Baseload</u>			Grant contributions to the Special Fund and co-financing arrangements – target of US\$500 million				
	<u>2 - Green Mini-Grids</u>							
<u>3 - Energy Efficiency</u>			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 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.
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).	Low	SEFA currently operates in several RMCs that are 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 RMCs could be undermined due to	Likely	Medium	SEFA alignment to robust international frameworks including the relevant SDGs and the Paris Agreement on Climate Change. Awareness-raising and capacity development, and demonstration of benefits	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 to strengthening the enabling environment for RE

changes of government and/or political priorities.			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.		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 diagnostic tool that identifies constraints and opportunities in the enabling environment for RE and EE.

facilitate RE deployment and EE.			in addressing key bottlenecks that are identified in RMCs for instance through the RISE and ERI diagnostics.		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.
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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.
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Annex 5: Budget details

Once the work plan for the next fiscal year is finalized, SEFA will prepare a budget, taking into account current human and technical resources and additional resources required to execute the proposed work plan. The budget should comprise the same categorization scheme used in the work plan. Co-financing fees generated by SEFA, as applicable, will be reflected in budgets as relevant.

Indicative resource allocations

The indicative allocations of operational resources across the entire programme is as follows:

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	2022	2023
		US\$	US\$	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	3,000,000
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 310 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
	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 2 nd 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

SKAL OPDATERES

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				
SEFA is a visible and credible Special Fund in Africa.	2020-2022	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. SEFA initiates its path in social media on Youtube; LinkedIn; others.	The public, potential and existing donors, development partners, civil society, media professionals, opinion makers, experts and internally in the institution.	SEFA
SEFA is an influential and impactful investment fund of reference within the renewable energy and energy efficiency sector in Africa.	2020-2022	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.	2020-2022	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.	. leveraging its know-how and experience through the produc-	SEFA

		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.	tion, communication, and dissemination of knowledge products; Annual Report Semi-annual report	
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/	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	1. July		
Incorporate recommendations from appraisal into programme documentation	15. August – 1 September.		
Confirm submission to Council for Dev. Policy	19. August		
Programme document to management approval	1 – 12. September		
Submit to Council for Development Policy	13 September		
Council for Development Policy meeting	30 September		
Approval of the programme by the minister	Mid October		
Prepare “aktstykke”	Mid October		
Meeting in the Finance Committee	October		
Signing of first payemtn	October		
First disbursement	November		

Annex 9: Quality Assurance checklist

File number/F2 reference:

Programme/Project name: Additional Danish support to Sustainable Energy Fund for Africa (SEFA) 2.0

Programme/Project period: _____

Budget: _____

Presentation of quality assurance process:

[Provide a short description of the quality assurance process.]

☐☐ The design of the programme/project has been appraised by someone independent who has not been involved in the development of the programme/project.

Comments:

☐☐ The recommendations of the appraisal has been reflected upon in the final design of the programme/project.

Comments:

☐☐ The programme/project complies with Danida policies and Aid Management Guidelines, including the fundamental principles of Doing Development Differently.

Comments:

☐☐ The programme/project addresses relevant challenges and provides adequate responses.

Comments:

☐☐ Issues related to HRBA, LNOB, Gender, Youth, Climate Change, Green Growth and Environment have been addressed sufficiently in relation to content of the project/programme.

Comments:

☐☐Comments from the Danida Programme Committee have been addressed (if applicable).

Comments:

The programme/project outcome(s) are found to be sustainable and in line with the partner's development policies and strategies. Implementation modalities are well described and justified.

Comments:

☐☐The theory of change, results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.

Comments:

☐☐The programme/project is found sound budget-wise.

Comments:

☐☐The programme/project is found realistic in its time-schedule.

Comments:

☐☐Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.

Comments:

☐☐Key programme/project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.

Comments:

☐ The implementing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the programme/project and lines of management responsibility are clear.

Comments:

☐ ☐ Implementing partner(s) has/have been informed about Denmark's zero-tolerance policies towards (i) Anti-corruption; (ii) Child labour; (iii) Sexual exploitation, abuse and harassment (SEAH); and, (iv) Anti-terrorism.

Comments:

☐ ☐ Risks involved have been considered and risk management integrated in the programme/project document.

Comments:

☐

In conclusion, the programme/project can be recommended for approval: yes / no

Date and signature of Desk Officer: _____

Date and signature of Management: _____

Annex 10: SEFA 1 Results Log Framework

		PERFORMANCE INDICATORS				
		ACTUAL VALUES				Commitments based on projects approved
RESULTS CHAIN		Indicator	Base-line	Target		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
	Access to modern energy increased for SMEs and households	New connections (number) for projects	0 (2012)	150000 (2018)	500	335,848
OUTCOMES	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 restructuring and the SEFA components are 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 rationale 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 is 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 joint extensive Danish/Norwegian pre-appraisal in 2019 concluded that the SEFA as a special fund has 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 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