

Sustainable Energy Fund for Africa (SEFA) 2.0

Introduction

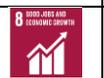
- The Sustainable Energy Fund for Africa (SEFA) is a trust fund within the African Development Bank (AfDB) with focus on green energy. The primary goal of SEFA is to contribute to increased production of renewable energy in Africa. It provides financing for design and preparation of bankable projects, investment capital for small and medium sized sustainable energy projects, and technical assistance for capacity building in enabling environment for green energy.

Background

- As a follow-up to the commitments made in the Africa Commission, in 2011 Denmark granted DKK 300 M to establish SEFA.
- The vision was that the initial Danish contribution would allow AfDB to attract other interested partners. The initial single donor arrangement with Denmark turned into a multi-donor trust fund in 2014 when first USAID and later, UK and Italy joined. Norway and Sweden are considering support of SEFA.

Key results

- SEFA has shown preparedness to take risks in terms of supporting the energy transition in fragile and conflict-affected contexts.
- SEFA has been crucial in addressing a major market gap for financing of early-stage project preparation.
- SEFA has retained its relevance in a changing market by remaining 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.
- SEFA has been a key vehicle for Danish influence in encouraging the Bank to become a transformative actor for achieving inclusive and green growth championed by the private sector

File no.	2018-24492				
Responsible unit	Department of Multilateral Cooperation and Climate Change				
Partner	African Development Bank (AfDB)				
	<i>DKK, millions</i>	2019	2020	2021	Total
Commitment	100	100	100	300	
Projected ann. disb.	100	100	100	300	
Projected Duration	2019-2021				
Previous grants	DKK 300 since 2011				
Other donors	US, UK and Italy				
Desk officer	Sara Gottfredsen				
Financial officer	Louise Kronborg Sørensen				
					
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	

Risks and challenges

- Too little focus on outcome indicators and theory of change for a facility of this magnitude.
- Large infrastructure projects bring with them considerable integrity and corruption risks at each stage of the investment cycle.

Justification for support

- Support to the second phase of SEFA (SEFA 2.0) is directly in line with the Danish strategy “The World 2030”, which aims to counter deteriorating living conditions because of climate changes and environmental degradation by building increased resilience.

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F2 2018-24492

Danida Concept Note for the Programme Committee Meeting 5 December 2018

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1. Key Questions to the Programme Committee

MKL seek guidance from Programme Committee on the following issues for the preparation for SEFA 2:

1. Can MKL proceed with formulation of SEFA 2.0 on the basis of the current Danida concept note and in close coordination with other present and expected SEFA donors?
2. Can MKL prioritise that Denmark continues to engage actively as a member in the Oversight Committee both during the remainder of SEFA 1 and in the proposed SEFA 2.0?
3. Through membership of the Oversight Committee, MKL will focus on the following issues:
 - i. – that a thorough analysis of the various fund structure options for SEFA 2.0 is prepared together with an outline of the various options for the AREF investments and an analysis of the pros and cons of these.

- ii. – that the issue of support through financial closure and the issue of donor exit from equity investments is addressed.
- iii. – that the rollover of non-completed activities and committed yet not fully disbursed funds from SEFA 1 to SEFA 2.0 are clarified.
- iv. - enhancing synergies between project preparation/investments and the enabling environment component but still maintaining it as two separate windows to ensure better results framework and for monitoring purposes.
- v. – that further work is done in terms of strategic thinking of which countries to work in as it specifically relates to the enabling environment.
- vi. – that an adequate results framework which is linked to the Theory of Change is developed.

2. Introduction

This concept note relates to The Sustainable Energy Fund for Africa (SEFA), which is a trust fund within the African Development Bank (AfDB) which focus is on green energy. As such, the objective of the concept note is to seek advice on key strategic questions related the support to a new and second phase of SEFA (SEFA 2.0) from mid-2019. Consultations are ongoing with the AfDB and other SEFA donors, which will be informed of the conclusions from the Programme Committee meeting.

3. Background

The African Development Bank (AfDB) is a trusted partner that has received Danida support in several areas in recent years. SEFA is well-anchored in AfDB's Renewable Energy and Energy Efficiency Department which is under the Vice President for Power, Energy, Climate and Green Growth. SEFA has become the largest trust fund in AfDB with a funding of about USD 90 million (M). Denmark is the largest donor to SEFA with a contribution in 2011 of DKK 300 M. The other donors to SEFA are UK, USA, and Italy. Norway is also actively considering joining SEFA 1 and subsequently SEFA 2.0 at a similar level as Denmark. Denmark was the first mover on SEFA and in cooperation with the bank, succeeded in bringing an additional three donors on board. Equally, it is the expectation that both Norway and Sweden will join SEFA 2.0. The primary goal of SEFA is to contribute to increased production of renewable energy in Africa; it provides financing for design and preparation of bankable projects, investment capital for small and medium sized sustainable energy projects, and technical assistance for capacity building in enabling environment for green energy. As such, the focus for SEFA is to promote energy access and local economic development by unlocking investments in small and medium-scale renewable energy and energy efficiency projects. SEFA's first phase (SEFA 1: 2011 to June 2019) has the following three components:

- I - Project preparation grants: financing sponsors' cost of project preparation from pre-feasibility to financial closure. This component seeks to support AfDB's lending to medium-sized RE and to EE projects.

- II - Equity investments: provides equity financing and technical assistance for project preparation and business operations through investment in a private equity fund.
- III – Enabling environment grants: support to activities that will strengthen the public sector enabling environment for private investments in sustainable energy in Africa.

The demand for SEFA support has been high, with about 530 requests for support until mid-2018. SEFA projects are spread over 25 Sub-Saharan African countries, including nine multi-country projects.¹

4. Context

Background analyses: The Review Aide Memoire (RAM) dated September 2018 provide a solid analysis of SEFA and the context in which it operates. In addition, there is also a joint donor external evaluation of SEFA. The conclusions from the evaluation and the review is that SEFA is highly relevant in responding to key challenges and opportunities and that it has shown preparedness to take risks in terms of supporting the energy transition in fragile and conflict-affected contexts. For additional details see annex 1 and its context analysis.

Priorities, policies: The context for SEFA has changed since July 2011 when SEFA was established. In 2015, the SDGs were adopted including SDG 7 on sustainable energy and its 2030 targets. Similarly, the Paris Agreement² on Climate Change and the nationally determined contributions of partner countries that ratified the Agreement provide an important part of the context for SEFA. The AfDB Policy Context has also evolved rapidly in recent years, which is a response to and a result of SEFA. One of the major highlights is that AfDB achieved 100% investment in green energy Projects in 2017. In addition, the most important AfDB strategies and policies are the following:

- The Ten Year Strategy (2013-2022), entitled “At the Center of Africa’s Transformation”.
- The High 5s: light up and power Africa; feed Africa; industrialize Africa; integrate Africa and improve the quality of life for the people of Africa;
- “AfDB Group’s Strategy for the New Deal on Energy for Africa (2016-2025)”.
- The overall goal for the AfDB is to achieve universal electricity access in Africa by 2025 with a strong focus on encouraging clean and renewable energy solutions.

Relevance: SEFA has been a key vehicle for Danish influence in encouraging the Bank to become a transformative actor for achieving inclusive and green growth championed by the private sector. SEFA operates in a context with many multilateral and bilateral development partners involved in supporting sustainable energy solutions in Africa and SEFA need to keep well-informed about other initiatives with which SEFA can achieve synergy and complementarity while avoiding the risk of overlap to ensure SEFA’s work brings added value. As the Africa regional hub within the Sustainable Energy for All (SEforAll) architecture, AfDB is well placed to ensure such synergies. Denmark is a major contributor to the World Bank’s

¹ More information on SEFA 1 can be found in the Review Aide Memoire (RAM, dated September 2018) from the Danida review of SEFA undertaken in July-August 2018.

² Adopted in December 2015; entered into force on 4 November 2016.

Energy Sector Management Assistance Programme (ESMAP), which supports the improvement of the enabling environment and policy reforms.

SEFA is highly relevant for Danish development policy priorities as outlined in “The World 2030”. It is relevant to SDG 7 (sustainable energy), SDG 13 (climate change), SDG 5 (gender equality), and SDG 17 (partnerships), and to the importance Denmark attaches to promoting sustainable growth and employment in fragile countries and poor, stable countries – which in turn relates to SDG 8 (employment and economic growth). SEFA’s activities are also well aligned to priorities for funding under the Danish Climate Envelope. SEFA’s relevance to SDG 7 is clear - particularly its focus on RE - but EE, which is a Danish priority, is underrepresented in the SEFA portfolio, an issue that needs to be addressed in SEFA 2. Reducing energy usage through EE lessens the pressure on energy infrastructure and reduces leads to savings in the economy. It is important EE is prioritised in the growing economy as energy efficient infrastructure leads to benefits over an extended period of time. SEFA is also relevant for SDG 1 (ending poverty); and SDG 10 (reducing inequality within and among countries).

Key lessons learned from SEFA 1:

What has worked well?

- SEFA is overall guided by - and synergies are continuously made with AfDB’s work on green energy.
- Demand for SEFA’s services has been high – over 500 requests received and SEFA is now the largest trust fund in AfDB capitalised at about USD 90 M.
- SEFA has been crucial in addressing a major market gap for financing of early-stage project preparation. The leverage ratio achieved by SEFA project preparation facility has been estimated at 39, which is very high.
- SEFA has retained its relevance in a changing market (dominated by the rapidly falling costs of the most popular technologies such as solar PV) by remaining focused on less well established RE technologies and riskier and fragile country contexts as well as the off-grid and green mini grid space.
- SEFA played a crucial role in establishing the Africa Renewable Energy Fund (AREF) under SEFA, which in turn has helped leverage additional resources in an area which is found to be under-served by other similar facilities. AREF has been successful and is capitalized to tune of USD 186 M, reflecting a high financial leverage; however, the AREF Project Support Facility is found too slow in responding to needs in tune with AREF’s investment time scales.
- SEFA financial management and control is efficient and effective and of acceptable standard, and administrative costs are at a reasonable level.

What has not worked so well?

- SEFA’s enabling environment support needs further focusing to ensure additionality and synergy.

- The current SEFA MDTF agreement does not clarify donor exit from equity investments and what should be the future of the AREF investment when moving from SEFA 1 to SEFA 2.
- The SEFA 1 results framework is inadequate for a facility of this magnitude (lacks outcome indicators for enabling environment grants, indicators to track progress toward financial close, indicators for installed capacity under equity investments, and indicators for energy savings through EE).
- SEFA 1 lacked a developed theory of change to ensure the overall strategy of SEFA would achieve the desired results.
- Some performance indicators have unrealistic targets and the SEFA progress reporting on these indicators does not fully reflect SEFA’s achievements and results.
- There was a weak link between project preparation and the component on enabling environment with both having unclear added value and not achieving the complimentary effect that was envisaged.
- The small SEFA team is well-integrated in the AfDB organisational structure and has been effective in screening and approving grant requests, overseeing the procurement of services provided, and monitoring project implementation – but in order to ensure continuity and efficiency a case can be made for converting the team’s long-term consultants to project contract-positions.
- We have noted that it is highlighted in the AfDB Annual Effectiveness Development Review (2018) that it has been a challenge to recruit women in power constructions projects. This is concern, which we will address in the Oversight Committee.

5. Outline AfDB concept of SEFA 2

The SEFA team shared a revised Concept Note for SEFA 2.0 on 5th October 2018 and the further conceptualisation is now under discussion in the Oversight Committee. As such, this concept note builds on an early stage preparation for SEFA 2.0. Denmark will remain engaged in the discussions and further preparations. The working hypothesis is that Denmark will participate with a contribution of tentatively DKK 300 M over 3 years from the Danish Climate Envelope - similar to the last contribution.

The SEFA 2.0 concept note received from the SEFA Team proposed the following components/windows:

- Window 1: **“Technical assistance for enabling sustainable energy investments”**. The building blocks for this window are project preparation grants, advisory to project stakeholders, assistance for addressing specific market barriers. This would include knowledge dissemination & sustainable energy investment promotion, capacity building, enabling environment and market development activities. Reimbursable grants could also be used and be recovered at predefined milestones when cash flow or risk situation would allow.
- Window 2: **“Blended finance to unlock sustainable energy investment”** (seed, mezzanine/debt and growth capital for sustainable energy projects or

project companies – on-grid, off-grid, mini-grid and energy efficiency). This window could include various more specific facilities (e.g. Green Baseload, Result-Based Finance for mini-grids).

Theory of Change, Assumptions, Impact Drivers, and Risks: The concept note received from the SEFA team did not include a theory of change nor a results framework. A first, preliminary outline of a SEFA 2.0 Theory of Change – broadly consistent with the Theory of Change for the Danish Climate Envelope³ - has been developed by the MFA and is shown in Figure 1 below. A preliminary risk management matrix is provided in Annex 5. The Review from August 2018 concluded that the SEFA 1 results framework was inadequate for a facility of this magnitude. It lacks outcome indicators for enabling environment grants, indicators to track progress toward financial close, indicators for installed capacity under equity investments, and indicators for energy savings through EE. As such, developing an adequate results framework is a key priority. We will work on achieving a results framework that is well linked to a Theory of Change. It was also recommended in the Review that enhanced synergies between project preparation/investments and the enabling environment component be an area of focus in the formulation of SEFA 2.0 and that the focus of the enabling environment component should consider its value added compared to similar support from other development partners. It still needs to be explored how this will be done in SEFA 2.0. Due to their complex nature and evolving timescale, large infrastructure projects bring with them considerable integrity and corruption risks at each stage of the investment cycle. Anti-corruption being high on the agenda, we will engage in a dialogue with the bank on how they can further develop their work on preventing fraud and corruption particular in the large infrastructure projects.

Choice of partner and modalities: The implementing partner for the proposed Danish funding is AfDB, who is a trusted partner for Danida. The modality is an *unearmarked* grant contribution to a SEFA 2 Multi-Donor Trust Fund. Earmarking is strongly discouraged in order for SEFA to remain demand-driven and maintain its flexible approach that has been successful in SEFA 1.

Crosscutting concerns: Gender, youth, and human rights issues are discussed in Annex 1 section 3. More emphasis needs to be given to reporting on these issues in SEFA 2.0 and mainstreaming gender issues so they are included directly in the SEFA organisation and considered in project development. As previously mentioned, AfDB has highlighted that it is a challenge to employ women in power constructions projects, which is an area which we will address.

Monitoring, reporting, and Communication of Results: SEFA monitors and reports to AfDB and donors in the context of AfDB's overall results reporting. The AfDB's Trust Fund Management System manages implementation control. The SEFA Secretariat, in collaboration with the AfDB Resource Mobilisation and Partnerships Department, report to donors. SEFA recipients submit regular progress reports and a detailed Project Completion Report is prepared for each project, along with the AfDB's own assessment of the financed activities which is

³ As per Annex 1 to the guiding Principles for the Danish Climate Envelope, February 2016

shared with the SEFA donors. Project Completion Report templates require lessons learned to be elicited – a point, which should be further highlighted in the reporting to donors in SEFA 2. The SEFA Secretariat prepares and submits annual activity reports and Quarterly Progress Updates. While these are very useful, they may not have found the most appropriate format. The Review found that while the SEFA track record of timely delivery of reporting to AfDB and donors is good, there is a need for more insight into the rationale for project selection and the way in which strategic priorities evolve. For SEFA 2.0 there is a need for OC members to find a consensus on the format for SEFA progress reporting which both include concrete data as well as more analytical information. This could include a “stoplight concept” where progress is measured against annual work plans and cumulative targets.

6. Management set-up

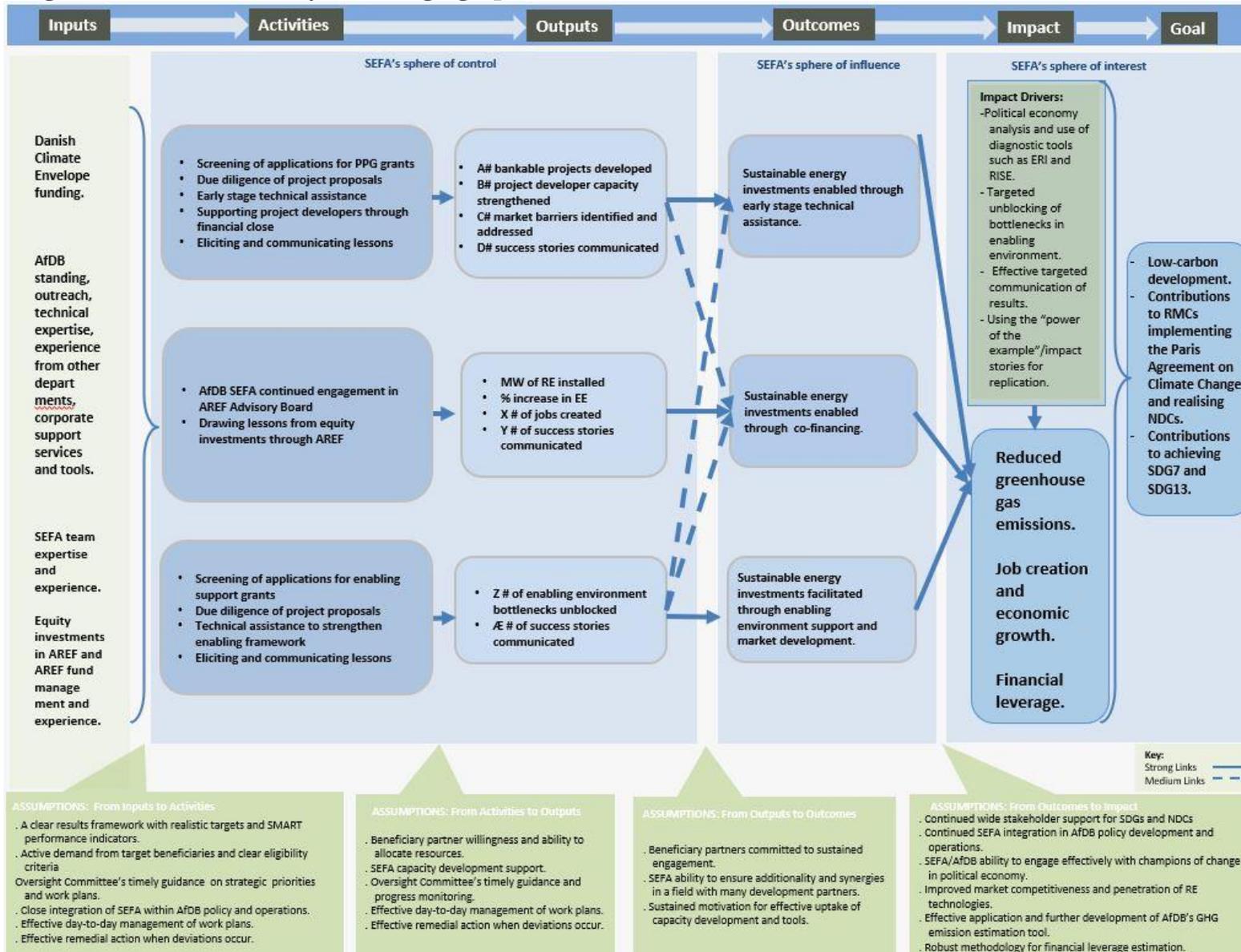
The SEFA Secretariat will continue to be vested with the AfDB Vice-Presidency for Power, Energy, Climate and Green Growth in the Renewable Energy and Energy Efficiency Department (PERN) with the PERN Director as the operationally responsible supervisor. SEFA is subject to the AfDB Board of Directors’ oversight; annual reports and audited financial statements are submitted to the Board. The Board approves all SEFA projects above USD 1 M. An Oversight Committee (OC) has been established as part of the governance structure, with membership from all SEFA donors and the PERN Director. All relevant staff in the SEFA Secretariat will normally participate in OC meetings as resource-persons. The OC mandate is to monitor progress, approve annual work plans and budgets and review annual reports. The OC meets physically once a year with other meetings during the year conducted as virtual meetings. In the concept note for SEFA 2.0, it is suggested from the SEFA team, that the governance and the limits for approval authority is revised with the aim of speeding up implementation. Danish strong engagement in the OC is imperative, as it is expected that Denmark will remain one of the lead donors to SEFA 2.0. Acknowledging our limited resources and to ensure synergies, we will have a particular focus on working closely together with Norway as it is the indication that they will contribute at a similar level as Denmark. We will also prioritize our resources in the preparation phase for SEFA 2.0, as we believe this will achieve the biggest impact.

7. Budget

The Danish replenishment for SEFA 2 is planned to be a grant of DKK 300 million over 3 years (mid-2019 to mid-2022) - sourced from the Danish Climate Envelope⁴. It is not yet finalized what the other donors will contribute in SEFA 2.0, but the expectation is that they will commit at a similar level as SEFA 1. The preliminary, indicative budget at outcome level is shown in Annex 4. The desired total funding level for SEFA 2.0 has not been indicated by AfDB but as there is a clear demand, the resource frame for SEFA 2.0 could exceed SEFA 1 level depending on donor financing.

⁴ Depending on the level of the Climate Envelope for 2019-2020 – and/or a separate budget line in the 2019 Finance Act.

Figure 1 – Outline Theory of Change graphic for SEFA 2.0:



Annex 1: Context Analysis

SEFA is demand-driven and currently (mid-2018) has an active portfolio in 25 Sub-Saharan African countries, including 9 multi-country projects. Several⁵ SEFA projects are in fragile or conflict-affected countries. In principle, all the African Development Bank's 54 Regional Member Countries (RMCs⁶) are eligible for support under SEFA. This needs to be born in mind in the following context analysis.

1. Overall development challenges, opportunities and risks

Key conclusions from the analyses consulted and their implications:

According to IEA's Global Energy Outlook 2017, electrification efforts in Sub-Saharan Africa surpassed population growth for the first time in 2014, and the number of people without electricity access has declined in subsequent years. Renewables, are playing a larger role in providing access, in part spurred by decentralised renewable energy technologies. Yet, sub-Saharan Africa (SSA) still has 590 million people without access to electricity – more than half of the global total. According to IEA's outlook, the number of people without access to electricity in SSA will remain at around today's levels in 2030. 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. The recognition of the importance of affordable and reliable energy for the future of SSA is reflected in the Nationally Determined Contributions (NDCs) submitted by every SSA country as part of the Paris Agreement on Climate Change, and many NDCs include specific targets on electricity access, also reflecting growing awareness of the importance of tackling climate change and energy access as complementary goals that can provide significant co-benefits. Energy access measures are frequently included in the adaptation component of NDCs, highlighting the importance of access to modern energy for increasing resilience. IEA concludes that "Investment alone will not ensure that energy for all is realised. Further efforts are required, particularly in SSA. Decentralised energy technologies and new business models offer scope for achieving faster and more affordable rural electrification, provided that governments create effective enabling environments. Strategies to deliver universal access should be diverse and tailored to local conditions and practices. They need to be underpinned by firm political commitments, supportive enabling and regulatory frameworks, engagement with the private sector, appropriate financing options and investment, capacity building and close consultation from the outset with local communities, especially women. IEA also noted that progress on energy access can contribute to reducing the pressures in Africa to migrate for better opportunities.

AfDB in its 2017 update on its "New Deal" noted that energy sector bottlenecks and power shortages were estimated to cost Africa some 2 – 4 per cent of GDP annually, undermining economic growth, employment

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

⁶ AfDB RMCs are grouped based on the Bank's Credit Policy classification, which determines each RMC's eligibility for either concessional resources from the African Development Fund (ADF) (category A), non-concessional resources (category C), or a combination of both concessional and non-concessional resources (category B, or blend countries). A further sub-division of category A is i) countries eligible for ADF grants and loans; ii) Only eligible for ADF loans on hardened terms. Category A(i): 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 A(ii): 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).

creation and investment. Companies in Tanzania and Ghana lost 15 per cent of the value of sales, as a result of power outages. South Africa's economic growth was hobbled in recent years by severe electricity generation capacity constraints and frequent load shedding. At the same time, 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. But the lack of sufficient innovative and appropriate financing, of bankable projects, of appropriate policy and regulatory environments, of pricing incentives and of coordination hamper progress. AfDB's response has been to work with governments, the private sector, and bilateral and multilateral energy sector initiatives to develop a Transformative Partnership on Energy for Africa – a platform for public-private partnerships for innovative financing in Africa's energy sector. This “New Deal on Energy for Africa” is intended to help unify all the other initiatives that are currently geared towards achieving the goals of universal access in Africa, focusing on five key principles: raising aspirations to solve Africa's energy challenges; establishing a Transformative Partnership on Energy for Africa; mobilizing domestic and international capital for innovative financing in Africa's energy sector; supporting African governments in strengthening energy policy, regulation and sector governance; and increasing the African Development Bank's investments in energy and climate financing. Specific targets set in the New Deal include: Increase on-grid generation to add 160 GW of new capacity by 2025; Increase on-grid transmission and grid connections to create 130 million new connections by 2025, 160 per cent more than today; Increase off-grid generation to add 75 million, connections by 2025, 20 times the number today. SEFA's expertise and experience has contributed to the AfDB's development of the New Deal.

For SDG7 (affordable and clean energy) the May 2018 global Energy Progress Report provides the most comprehensive look available at the world's progress towards global energy targets. The report concluded that “The world is not currently on track to meet Sustainable Development Goal 7 (SDG7), which calls for ensuring “access to affordable, reliable, sustainable and modern energy for all” by 2030. Current progress falls short on all four of the SDG7 targets, which encompass universal access to electricity as well as clean fuels and technologies for cooking and call for a doubling of the rate of improvement of energy efficiency, plus a substantial increase in the share of renewables in the global energy mix. While overall progress falls short on meeting all targets, real gains are being made in certain areas. Expansion of access to electricity in poorer countries has recently begun to accelerate, with progress overtaking population growth for the first time in sub-Saharan Africa. Energy efficiency continues to improve, driven by advances in the industrial sector. Renewable energy is making impressive gains in the electricity sector, although these are not being matched in transportation and heating – which together account for 80 percent of global energy consumption. Lagging furthest behind is access to clean cooking fuels and technologies – an area that has been typically overlooked by policymakers. Use of traditional cooking fuels and technologies among a large proportion of the world's population has serious and widespread negative health, environmental, climate and social impacts.”

For SDG13 (climate action) and the Paris Agreement on Climate Change: IRENA's Global Energy Transformation Report (April 2018) 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. Even then, fossil fuels such as oil, natural gas and coal would continue to dominate the global energy mix for decades to come. Keeping the global temperature rise below 2 °C is technically feasible and would also be more economically, socially and environmentally beneficial than the path resulting from current plans and policies, known as the Reference Case. However, the global energy system must 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 18% of total final energy consumption (in 2015) to around two-thirds by 2050. Over the same period, the share of renewables in the power sector would increase from around one-quarter to 85%, mostly through growth in solar and wind power generation. The energy intensity (i.e. reflecting progress in energy efficiency) of the global economy will have to fall by about two-thirds, lowering energy demand in 2050 to slightly less than 2015 levels. This is achievable, despite significant population and economic growth, by substantially improving energy efficiency. As low-carbon electricity becomes the main energy carrier, the share of electricity consumed in the end-use sectors would need to double, from approximately 20% in 2015 to 40% in 2050. Renewables must also expand significantly as a source for direct uses, including transport fuels. IRENA concludes that the global energy transformation makes economic sense - yet it calls for more investment in low-carbon

technologies without delay, and understanding its socioeconomic footprint, is essential. IRENA's analysis shows that the shift to renewables should create more energy jobs than those lost in fossil-fuel industries, boost global GDP by 1% in 2050 and significantly improve overall welfare. IEA's above-cited energy outlook for Africa noted that besides specific goals for energy access, many of the NDCs include targets in renewables and energy efficiency, which will support and shape efforts to advance access to modern energy. Over 90% of the region's NDC submissions indicate that advancement of renewable energy is a priority, with 33 countries including specific targets to increase the share of renewables in power generation. Such efforts, if realised, would mean that those who gain access via grid connections will do so increasingly with power from renewables. Energy efficiency is also recognised as being very important – 80% of submissions mention it – with 29 countries submitting specific goals.

The World Bank "Africa's Pulse" in its April 2018 analysis of issues shaping Africa's economic future concluded among many other things that: "Extension of the national power grid to those lightly populated rural and remote areas is usually costly, and often it has little impact on economic development because of the limited amounts that people can afford to pay for electricity. Much may be gained by initially targeting grid extension to areas with higher potential for significant uptake and expansion of productive uses, while pursuing the provision of smaller-scale alternatives in other areas. Accordingly, mini-grids are a very interesting possibility for scaling up electricity availability in areas where grid extension is costly or can only be accomplished some ways into the future. A major challenge for inducing private sector mini-grid investment is confidence with respect to cost recovery, and what happens to mini-grid assets when the grid begins to penetrate the service territory. Improved electricity sector governance is a top priority for effectively expanding electricity access in Sub-Saharan Africa. Especially important are 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. These steps are essential to raise economic efficiency, provide a more positive investment environment, expand private sector participation, and increase public confidence that the public interest is being served. Taking advantage of past and ongoing innovation to improve governance systems and enhance understanding of organizational behaviour may offer even greater opportunities than the increased uptake of technical innovations. While reforms are difficult, without such steps, there are doubts about how much can be gained from investment programs for accelerating national electrification".

The final communique from the AfDB and ADF Annual Meetings 2018 in Busan in para 6: "Acknowledges the importance of sustainable infrastructure and particularly energy infrastructure, for achieving inclusive economic growth and transformative industrialization; and encourage utilization of the opportunity afforded by renewable energy in this regard".

[AfDB is committed to nearly tripling its current climate financing to reach US\\$5 billion a year by 2020.](#) Thus, AfDB's own climate spending will increase to 40% of its total new investments by 2020 compared to 26% on average from 2011 to 2014.

The conclusion from the context analysis in the following 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 and SEFA/AfDB need to keep well-informed about other initiatives with which SEFA can achieve synergy and complementarity while avoiding the risk of overlap. As the Africa regional hub within the Sustainable Energy for All architecture, AfDB is well placed to ensure such synergies.

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 2018):

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 renewable energy jobs in low-carbon economic growth:
<http://www.irena.org/newsroom/pressreleases/2018/May/Renewable-Energy-Jobs-Reach-10-Million-Worldwide-in-2017>
 AEEP: [Mapping of Energy Initiatives and Programs in Africa](#) (2016)
 AfDB: [Outcome Document - 5th SEforALL Africa Workshop - May 2018](#)

Are additional studies / analytic work needed? How and when will it be done?

Additional studies are not required as part of the formulation, as the AfDB is well-informed about the progress in its member countries on SDG 7 (energy) and SDG 13 (climate) and other SDGs to which SEFA's work contribute. But given the extremely dynamic context for SEFA 2, both the formulation of the programme document for Danish support and the implementation of SEFA 2 will need to keep well-informed about contextual developments, including from sources mentioned above.

2. Fragility, conflict, migration and resilience

Key conclusions and implications of the analysis on the below points:

Conflict and fragility: As informed in the above footnote on AfDB RMCs, 20 of SEFA's potential target countries are fragile and conflict-affected, and SEFA's current portfolio comprises projects in 10 of these countries.

Resilience: As noted in the above-cited IEA energy outlook for Africa, energy access measures are frequently included in the adaptation component of NDCs, highlighting the importance of access to modern energy for increasing resilience.

Migration: The IEA energy outlook for Africa also noted that progress on energy access 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.

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).

Are additional studies / analytic work needed? How and when will it be done?

No additional studies need to be carried out as part of the preparation phase, but the possible contribution of SEFA's work to mitigate against undesirable migration, could be a point of attention during SEFA 2 implementation.

3. Assessment of human rights situation (HRBA) and gender⁷

Key conclusions and implications of the analysis on the below points:

Universal Periodic Review (UPR): The Danish Institute on Human Rights in its publication "Linking the UPR to the SDGs" concluded that "Emerging human rights frontiers such as affordable and clean energy (SDG 7), sustainable consumption and production (SDG 12) and climate change (SDG 13) may merit more attention in future UPR processes". The Mary Robinson Foundation's report "Incorporating Human Rights into Climate Action" notes that UPR reports making the link between climate change and human rights can

⁷ The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

be similarly divided into three categories - those highlighting the implications of climate change on human rights; those highlighting steps taken to ensure climate action does not undermine people's rights; and those highlighting efforts to integrate human rights into climate change policies in order to improve effectiveness and resulting in benefits for people and the planet. However, very few specific examples related to sustainable energy are given.

Key rights holders and duty bearers: SEFA/AfDB does not identify these categories, but SEFA's capacity development support for the policy legal and regulatory enabling environment will contribute to more well-informed and transparent decision making in the energy transition, including better understanding of the wider benefits in end-use, which will enable the *duty bearers* (i.e. the political decision makers and public authorities) to be mindful of the needs and priorities of end-users and ultimate beneficiaries at the enterprise level including women entrepreneurs (the *rights holders* in human rights terminology).

Human Rights Principles (Participation, Accountability, Non-discrimination, and Transparency - PANT):

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 description of project preparation activities, including environmental and social impact assessment, gender analysis, etc. On transparency, the 2018 Aid Transparency Index Report, released by Publish What you Fund, has ranked the African Development Bank 4th among 45 development organizations, lifting the Bank by six positions since 2016.

Gender:

The general key challenges and opportunities for gender equality in sustainable energy development in Africa are identified in the AfDB study "Empowering Women in Africa through Access to Sustainable Energy" and in work done by the World Bank /ESMAP, the international NGO ENERGIA, UNDP and others. The AfDB study found that women and men have different energy needs linked to their gender roles, women are poorer than men (both in resources and time), women are generally disadvantaged in terms of ownership and access to land, natural resources, credit, information and decision-making, at all levels. 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.

UNDP found that beyond household energy consumption, there are many examples of women as producers, technicians and entrepreneurs in sustainable energy. However, the traditional energy sector is still one of the least gender-inclusive sectors, and UNDP cited an estimate that 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.

AfDB in November 2014 issued its instructions concerning the plan of action for gender mainstreaming at the AfDB Group. The instructions note that "What gets measured gets done", why monitoring and regularly reviewing the Bank's performance on promoting gender equality are fundamental to building and sustaining the momentum to mainstream gender. The SEFA Operational Procedures manual has strong emphasis on the gender aspect with an annex on Gender Mainstreaming in Project Preparation Activities; the focus is on gender assessment and analysis; participatory consultative process balancing gender realities; and modalities for enhancing gender benefits and minimizing gender risks; and impact indicators for SEFA projects include direct and indirect employment with breakdown by gender. The SEFA Annual Reports, however, only make sporadic reference to gender, for instance the 2015 Report mentions that SEFA facilitated the Inception

Workshop on “ECOWAS Policy for Mainstreaming Gender in Energy Access”, held in February 2015 at the AfDB. The AfDB Project Completion Report format has a mandatory Section 6 – “Assessment on the performance of gender equality in the operation”. Gender equality has also been insufficiently addressed in the draft SEFA External Review report (July 2018), which has been commented by Denmark. A final review report is expected in August.

Youth

Given the history⁸ of how SEFA was established and the then focus on African youth, it is surprising that limited attention is currently found on this issue, which should be given more focus in terms of the positive outcomes and impact on African youth from SEFA support. This issue has not been explicitly addressed in the 2018 External Review of SEFA 1.

Denmark supports AfDB’s work on youth through the Youth Entrepreneurship and Innovation (YEI) Multi-Donor Trust Fund. AfDB’s 2016-2025 strategy Jobs for Youth in Africa (JfYA) is a Bank-wide strategy aimed at creating 25 million jobs and positively impact 50 million youth over the decade. The Strategy is aligned with the AfDB Ten Year Strategy and the other High Five Priority Areas, including the goal of reaching universal energy access by 2025 (Light Up and Power Africa); however, the cross-references to sustainable energy are few: Box 5: “An initial set of flagship program models have been built and focus on three sectors with high potential for youth inclusion: agriculture, industrialization, and ICT. These three high priority sectors provide opportunities for job creation across a variety of country contexts and demographic segments, creating a menu of project options for RMCs. Over the next decade, as the needs of the various sectors evolve and new industries such as retail, hospitality, renewable energy and others continue to grow in importance in RMCs, additional flagship programs can be designed and implemented”. Section 4.4.18: Challenges – “focusing on human capital in particular, workers in manufacturing, construction, and mining often lack moderate technical skills required for advanced manufacturing, new energy technologies...” Section 5.3.12: “In order to ensure private sector participation, the Bank will need to strategically target companies within high-priority sectors (e.g., Agriculture, ICT, and Energy), engage with them regularly, and provide incentives such as recruiting and skilling workers at no cost to the employers”. The AfDB report on the 2016-2017 regional ministerial conferences on youth employment and entrepreneurship in Africa makes only brief reference to sustainable energy, noting that “the development of industry requires a significant amount of energy, and suggested that youth employment would benefit from the Bank continuing to invest in large hydro-electric and other energy projects”. The JfYA 2017 implementation progress report briefly mentions that “More than 200 Bank staff have benefited from certified training by ITC/ILO on how to assess and measure the job creation impact of Bank operations; and how to increase jobs for youth results in Human Capital, Agriculture, Private Sector, Energy and Infrastructure operations” but otherwise does not address energy. The JfYA “Information and Innovation Lab “Curbing the African Migration Crisis through Job Creation” does not mention energy, nor does the AfDB brochure “Jobs for Youth in Africa” submitted to the AfDB Annual meeting in Busan 2018.

Key documentation and sources used for the analysis:

IRENA press release on renewable energy jobs in low-carbon economic growth:

Danish Institute on Human Rights: [Linking the UPR to the SDGs](#).

Mary Robinson Foundation: “[Incorporating Human Rights into Climate Action](#)”

<http://www.irena.org/newsroom/pressreleases/2018/May/Renewable-Energy-Jobs-Reach-10-Million-Worldwide-in-2017>

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.

⁸ It was one of five initiatives conceptualised by the Danish-initiated Africa Commission (AC) in 2009 with the underlying objective of stimulating employment opportunities in Africa, especially for women and the youth.

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](#)

Are additional studies / analytic work needed? How and when will it be done?

No additional studies need to be carried out as part of the preparation phase, but gender equality needs a much stronger focus in SEFA 2 than has been the case in SEFA 1, and this should be reflected in the SEFA 2 operational procedures 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.

4. Inclusive sustainable growth, climate change and environment

Key conclusions and implications of the analysis on the below points:

Climate policies and strategies in SEFA partner countries: 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) 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". Therefore, 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 for 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. This tool should be applied in SEFA 2.0 as a basis for reporting on emission reductions planned and achieved.

Mainstreaming support to **inclusive green growth and transformation to low-carbon and climate resilient economies:** This is a key purposed of SEFA, which also has influence within AfDB as a knowledge hub on sustainable energy.

Environmental impact assessment: Environmental and Social Assessment (ESAP) is carried-out according the AfDB procedures.

Key documentation and sources used for the analysis:

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

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

No additional studies need to be carried out as part of the preparation phase.

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

Key conclusions and implications of the analysis on the below points:

Capacity of the public sector for policy making and enforcement of the **enabling environment for sustainable energy**: The World Bank/SEforAll Regulatory Indicators for Sustainable Energy (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. With 27 indicators covering 111 countries and representing 96 percent of the world population, RISE provides a reference point to help policymakers benchmark their sector policy and regulatory framework against those of regional and global peers, and a powerful tool to help develop policies and regulations that advance sustainable energy goals. RISE indicators are available for 41 RMCs. 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. Among AfDB's RMCs, 5 are in the green zone, 15 in the yellow zone, and 21 in the red zone, clearly indicating the need for action to strengthen the enabling environment (which is the objective SEFA1.0's Component III). AfDB has in June 2018 launched its Electricity Regulatory Index (ERI) for Africa. As stated by the AfDB Vice President, Power, Energy Climate and Green Growth Complex: "The main goal with the ERI is to incite key stakeholders in the African power sector to address regulatory performance and the gaps identified in the study". 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". The [Corruption Perceptions Index](#) ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople; the 2017 index highlights that the majority of countries are making little or no progress in ending corruption.

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 programmes, 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.

Key documentation and sources used for the analysis:

World Bank ESMAP: Regulatory indicators for Sustainable Energy ([RISE](#))

AfDB: [Electricity Regulatory Index \(ERI\) for Africa](#).

Transparency International: [A Redefining Moment for Africa](#) and [Corruption Perceptions Index](#)

AfDB: [policy on integrity and anti-corruption](#) and [policy on sanctionable practices](#)

Are additional studies / analytic work needed? How and when will it be done?

No additional studies need to be carried out as part of the preparation phase.

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Key conclusions and implications of the analysis on the below points:

Denmark can, through an active role in the SEFA Oversight Committee and the Board of AfDB, have major influence on sustainable energy development in Africa and Denmark can – jointly with other Nordic countries continue to influence AfDB’s energy policy. It is noted that when the AfDB Board in 2012 approved the Energy Sector Policy of the AfDB Group, there was not agreement in the Board on this policy in relation to fossil fuels and the Nordic countries did not vote for the 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, renewable energy and energy conservation and 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’s should focus on renewable energy and energy efficiency, 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, energy efficiency or energy conservation), and avoid locking into a pattern of non-sustainable forms of energy generation.

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 renewable energy and energy efficiency 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 related research and development, highlighting Denmark as a world leader in wind technology; Denmark as relatively well positioned within energy efficiency 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 renewable energy. The Danish Energy Agency is engaged in bilateral energy cooperation in Ethiopia and South Africa. The State of Green is also a good source of information on the Danish resource base in this field.

Donor landscape and coordination: Denmark became a member of the African Development Fund (ADF) in 1973 and of AfDB in 1982. Denmark supports several AfDB trust funds and the African Guarantee Fund that was set up to meet the investment needs of SMEs and to develop the capacity of financial institutions. As a follow-up to the commitments made in the Africa Commission, Denmark in 2010/ 2011 granted DKK 300 million to establish SEFA. The vision was that the initial Danish contribution would allow AfDB to attract other interested partners once SEFA had been established. The initial single donor arrangement with Denmark was turned into a multi-donor trust fund (MDTF) arrangement in 2014 when first USAID and later, UK and Italy joined. Currently, Norway is actively considering supporting SEFA1.0 and has in 2018 undertaken due diligence assessment of a possible contribution. Sweden is also considering support of SEFA. Coordination on SEFA takes place through the Oversight Committee (OC), and wider coordination takes place through the AfDB Board of Directors, where Denmark is represented together the other Nordic countries and India. As noted above, the Nordic countries have a coordinated approach and policy stance on energy-related activities in AfDB.

As mentioned above, sustainable energy and climate change action in Africa is a dynamic area with many donors and multilateral development partners. An EU funded AEEP study in 2016 published a mapping of sustainable energy-related activities in Africa, but there is no updated overview of the many initiatives. Therefore, coordination at country level and in international fora is essential, and AfDB's active role in country level coordination and its role as geographical hub for Africa under the Sustainable Energy for ALL initiative are important. 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 2.0, including:

- i) 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](#).
- ii) 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.
- iii) The [UNEP-DTU Partnership](#) and its Copenhagen Centre on Energy Efficiency ([CCEE](#)), which is the global energy efficiency hub in the international energy architecture;
- iv) The Climate Technology Centre and Network (CTCN) that is the operational arm of the UNFCCC Technology Mechanism and provides demand-driven support to countries in Africa and other parts of the world. See for example the regional [Africa forum for NDE and TNA focal points](#).
- v) 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 energy efficiency. IEA has signed an [agreement](#) with the African Union on a strategic partnership on sustainable energy for all goals in Sub-Saharan Africa.
- vi) The DEA Energy Partnership Programme (DEPP) and other DEA bilateral cooperation ([Ethiopia](#), [South Africa](#)).
- vii) There are also ongoing discussions with the [SEforAll Global Team](#) and [IRENA](#) about Danish support.

It is assessed AfDB/SEFA could benefit from further use of knowledge products and tools being produced by other multilateral agencies including those supported by Denmark and that there is scope for further synergies at country and regional level with other initiatives including the above-mentioned - synergies should be further addressed in the formulation of Danish support for SEFA2.

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.](#)

Are additional studies / analytic work needed? How and when will it be done?

No additional studies are needed as part of formulation but updated further information on sustainable energy activities supported by other development partners should be monitored through the formulation process and during implementation of SEFA 2 in order to maximise additionality and avoid duplication.

7. Stakeholder analysis

Key conclusions and implications of the analysis on the below points:

Stakeholders interested in or affected by SEFA, including donors:

In the ongoing SEFA 1, target beneficiary groups for Component I⁹ 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. For Component II¹⁰ are the target beneficiaries are private project developers with independent power renewable energy 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. For Component III¹¹ the 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 renewable energy and energy efficiency. As noted in the foregoing, SEFA is currently active in about 25 countries, but almost 30 additional countries are potentially eligible for support. As also noted, other donors now engaged in SEFA are USA, UK, and Italy; Norway is actively considering support and Sweden may also be interested in joining.

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

For target beneficiaries, the direct engagement with SEFA is demand-driven through concrete requests 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 (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. And 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 (OC) is the main forum for coordination and cooperation. The [SEFA site on AfDB's website](#) is the main vehicle for communication to other stakeholders and the outside world.

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 2.0 Concept Note was received from the SEFA team on 19 August 2018 (but this Note only has a very limited description of the proposed SEFA 2 and still has to undergo further development and AfDB management review). A further developed AfDB SEFA Concept Note will be an important part of the basis for the further development of the present outline Danida concept note for possible replenishment of SEFA. An important part of stakeholder involvement in the preparation process is 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. The draft review report was presented to OC members and AfDB management on 4 July and the final report is expected soonest. 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? At the present time, the current stakeholder focus for SEFA seems appropriate, but the stakeholder focus will need

⁹ Project preparation grants

¹⁰ 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.

¹¹ Support for the enabling environment.

to be revisited once the SEFA Concept Note 2.0 has been further developed and is received from SEFA/ AfDB after management review.

Key documentation and sources used for the analysis:

SEFA 1 Operational Guidelines.

Material submitted to OC meetings

External Review of SEFA 1 draft report presented at AfDB on 4 July.

Are additional studies / analytic work needed? How and when will it be done?

During the preparation phase, more work needs to be done on defining the specific target groups for each component and their needs and priorities – this is particularly important for the enabling component if retained. The results and survey done under the External Review of SEFA 1 should be considered.

Annex 2: Partners

1. Summary of stakeholder analysis

Please refer to the stakeholder analysis presented in Annex 1: Context Analysis.

2. Criteria for selecting programme partners

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.

AREF was set up with support from SEFA and the fund manager Berkeley was subsequently selected. This set-up functions well and is expected to continue.

For each SEFA project intervention the beneficiary partners are selected through the demand-driven process of requests for support that are screened according to SEFA eligibility criteria (mentioned in the description of SEFA in the Danida RAM Annex H).

3. Brief summary of key partner features:

Partner name	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
African Development Bank (AfDB)	The overarching objective of the AfDB Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to	High	High	Overall administration and accountability for SEFA	AfDB has ample capacity to handle SEFA, but the SEFA team has limited capacity, which could be strengthened by converting consultancy position to project contract positions and supplementing	The donor exit strategy from SEFA equity investments is a key strategic question raised in this Concept Note and it needs to be clarified before approval of SEFA 2.

	poverty reduction.				the team with a procurement specialist.	
AREF	AREF invests into small hydro, wind, geothermal, solar, stranded gas and biomass projects across Sub-Saharan Africa, excluding South Africa.	High	High			As above
Berkeley Energy	Berkeley Energy delivers profitable clean energy projects into global emerging markets that provide sustainable benefits to people and the environment.	High	High	AREF fund management	Sufficient capacity judging on its past performance but a detailed assessment has not been made.	As above

Annex 3 – Preliminary Outline Results Framework at Outcome Level

Preliminary Results Framework for Concept Note

Programme		Sustainable Energy Fund for Africa (SEFA) 2.0	
Objective		Sustainable energy investment in Africa through early stage technical assistance, catalytic co-financing and support for the enabling environment.	
Impact Indicators		Contribution to emission reductions measured in tons of carbon dioxide equivalent; number of jobs created; financial leverage.	
Baseline	Year	2019	SEFA 1 has successfully reached its sunset date and has demonstrated its contributions to emission reductions, job creation, and financial leverage.
Target	Year	2022	SEFA 2 reports emission reductions expected from commitments made, jobs expected to be created, and financial resources leveraged.
Outcome 1		Sustainable energy investments enabled through early stage technical assistance.	
Outcome indicator		Financial leverage.	
Baseline	Year	2019	Status of SEFA 1 project preparation grant achievements and a pipeline of unmet demands.
Target	Year	2022	Financial leverage achieved.
Outcome 2		Sustainable energy investments through co-financing.	
Outcome indicator		Investments committed.	
Baseline	Year	2019	AREF investment portfolio at SEFA 1 sunset date.
Target	Year	2022	Investments made through SEFA 2.
Outcome 3		Sustainable energy investments facilitated through enabling environment support and market development.	
Outcome indicator		# of documented enabling environment bottlenecks improved as a result of SEFA support – possibly measured against ERI and/or RISE indicators and/or surveys.	
Baseline	Year	2019	Constraints in enabling environment identified by SEFA and through ERI and RISE, and SEFA 1 Component III status of achievements.
Target	Year	2022	# of documented enabling environment bottlenecks improved.

(Draft by MFA, 2018)

Annex 4 – Preliminary Outline Budget at Outcome Level

Preliminary outline budget ¹² for outline draft Danida Concept Note	Budget in DKK million
SEFA 2	
Window 1: Sustainable energy investments enabled through early stage technical assistance	100.0
Window 2: Sustainable energy investments through co-financing AREF fund management costs (2% fee on AREF disbursements, but cost rounded-up here)	150.0
Subtotal Outcome 2	250.00
Window 3: Sustainable energy investments facilitated through enabling environment support and market development	30.0
AfDB management fee (5% on the total trust fund contribution)	15.0
Reviews, Technical Assistance etc. (Managed by the MFA)	5
Grand total¹³	300.0

¹² Preliminary notional allocations in rounded numbers by outcome roughly equivalent to SEFA 1 commitments by Components I, II, and II. For SEFA 2, the allocations of Danida grant resources by outcome will need to be decided after more clarity on the SEFA 2 concept, results framework and expected funding has been provided through consultations with AfDB and other SEFA donors in the OC.

¹³ If a Danish secondment to AfDB Renewable Energy and Energy Efficiency Department should be agreed, a separate budget line (managed by the MFA) will need to be established and the allocation to the SEFA MDTF and related administrative costs reduced accordingly.

Annex 5: Preliminary Risk Management Matrix

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	Major	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.	Minor	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	Major	Careful due diligence of funding requests including environmental and social assessment procedures (ESAP).	Minor	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.
Lack of social acceptance could hamper RE deployment.	Unlikely	Minor	Provide information and strengthen awareness of socio-economic benefits of RE deployment. Undertake close consultations with target populations and standard environmental and social assessment procedures (ESAP). Provide capacity development support for the enabling environment.	Minor	It is important to consider the social factors that can influence acceptance of RE/climate-friendly technologies. In this connection important factors can include the local context; the level of awareness of climate change; trust in the decision-making process, inclusiveness/fairness of the decision-making process; the transparent evaluation of benefits, risks and costs. The general enabling environment for RE should also consider these factors.
Political commitments to a green energy transition in RMCs could be undermined due to changes of government and/or political priorities.	Likely	Major	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 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	Minor	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 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

			comparable framework conditions.		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	Major	With regard to NDCs, the AfDB Africa NDC Hub is an important initiative with which SEFGA should liaise closely provide inputs to raising the level of ambition in NDCs by 2020.	Minor	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.
A general move in some RMCs from feed-in tariffs to RE auctions, could favour larger developers with well-developed projects.	Unlikely	Minor	SEFA's project development support addresses the needs of less experienced developers with early stage project also in less mature technologies.	Minor	According to the SEFA 2.0 draft concept note, AfDB has conducted a detailed market study across Africa on RE developers and has found that early stage projects and less experienced developers risk being left behind by the trend toward RE auctions.
Over-supply of energy in some RMCs, but too limited focus on transmission and distribution hampers sustainable energy development objectives.	Likely	Minor	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.	Insignificant	The SEFA 2.0 draft concept note from 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 facilitate RE deployment and EE.	Likely	Major	SEFA should in the focusing of its enabling environment support focus on the key bottlenecks that are identified in RMCs for instance though the RISE and ERI diagnostics.	Major	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. AfDB has recently launched its Electricity Regulatory Index for Africa (ERI) that also is a country-by-country assessment highlighting key areas in regulatory design and practice that require improvement and reform.

Programmatic risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient clarity in SEFA strategic decisions.	Minor	Major	SEFA 2 should be guided by a very clear and transparent Theory of Change (ToC) and results framework with realistic targets and SMART ¹⁴ indicators for performance monitoring.	Minor	The draft report of the External Review of SEFA notes that some interviewees found a need for more information on strategic decisions taken in SEFA.
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	Major	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.	Minor	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	Major	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.	Major	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	Major	As above, engage AfDB regional staff and country offices. Provide targeted capacity development support with clear goals and performance indicators.	Major	Developing the capacity of political decisionmaker and practitioners in long-term energy planning as an important part of this project.
High rate of unsuccessful applications results in	Almost certain unless eligibility	Significant	In the formulation of SEFA 2 the eligibility criteria should be adjusted to mitigate this risk.		The SEFA 2.0 draft concept note states that "there is a vast number of unsuccessful applications, and in certain years this is as high as 50 applications made to one

¹⁴ Specific, measurable, achievable, relevant, and time-bound

ineffective use of SEFA capacity.	criteria are changed.				approval. This is a much higher ration by some margin than the approx. one in three across most PPFs in the market". SEFA undertakes rigorous and high-quality due diligence of requests for support, which strains its limited capacity.
Low disbursement rate.	Likely	Major	The RT was informed that the disbursement has significantly increased mid-2018 for all components, but SEFA needs to stay vigilant on ensuring disbursements.	Minor	Save for Component III, the Danida RT does not share the external review team's statement that '... the disbursement rate for Component I and III has been very slow compared to expectations.' As stated in the RT's RAM Section 3.7, SEFA disbursement does seem a bit low compared to expectations, especially for Component III (enabling environment support) where the disbursement rate as of end 2017 stands at only 20%. For Component I (PPG) the disbursement rate stands at 55%, which is not unreasonable given the nature of the activities. For Component II (equity investment in AREF) the disbursement rate stands at 80% end of 2017, which is at par with what was agreed in the investment memorandum.
GMG may be uncompetitive without concessional finance.	Almost certain	Major	SEFA has been instrumental in the development of GMGs in Africa and given the vastness of some RMCs and the gaps in transmission and distribution lines, there is a clear potential for GMGs. However, SEFA must closely monitor the GMG business case and provide support for the enabling environment for GMGs.	Minor	The SEFA 2.0 draft concept note states that "the mini grid market still faces stiff headwinds" and notes that mini grid penetration is low and requires concessional finance - and that mini grid electricity prices are high, typically above USD 1 per kWh. DFID noted in its annual reviews of Green Mini Grids (GMG) support that there is a need to strengthen the link to enabling environment support to facilitate further GMG development.
Slow procurement affects SEFA delivery and success.	Almost certain unless procurement processes are expedited.	Major	SEFA should strengthen the diagnostic of the delays in the procurement process so SEFA 2 can benefit from unblocking of procurement bottlenecks and the SEFA team could be strengthened with a procurement specialist.	Major	The SEFA 2.0 draft concept note states that "procurement has been a factor of delay in implementation of SEFA grants. Streamlined procedures are urgently required".
Insufficient focus on EE may undermine SEFA contribution to SDG 7 and climate goals.	Likely	Major	Eligibility criteria for SEFA 2 should be adjusted to enable further focus on EE.	Major	Energy efficiency is currently underrepresented in the SEFA portfolio and although many RMCs are not major GHG emitters, there are major benefits of EE improvements (as per SDG 7 target 7.3: By 2030, double the global rate of improvement in energy efficiency, with the indicator: 7.3.1 Energy intensity

					measured in terms of primary energy and GDP).
Insufficient internal synergy between SEFA components.	Likely	Minor	Internal synergy between the three SEFA components is not necessarily a key concern so long as there is synergy with other AfDB policy support and operations, but in the efforts to focus enabling environment support the internal synergies should also be considered.	Minor	The External review of SEFA noted as a SEFA weakness that “There do not appear to be any synergies or coherence between Components 1 and 3.”
Currency fluctuation risk.	Likely	Minor	An unallocated reserve could be set aside as a buffer to counter the risk of an appreciation of the USD vs. DKK.	Minor	The contribution to SEFA is in DKK, while SEFA’s budgeting and expenditure is in USD. The Danish MFA cannot accept any currency fluctuation risk. A lower USD value of the Danish contribution could affect SEFA’s activity level.

Institutional risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Any lack of clarity concerning exit strategy for donors from equity investments and other SEFA activities can hamper donor interest in supporting SEFA 2.	Likely unless this issue is effectively addressed as part of SEFA 2 formulation	Significant	Undertake a thorough analysis of the various fund structure options for SEFA 2 and outline the various options for the AREF investments and an analysis of the pros and cons of these. The issue of support through financial closure should be addressed.	Minor if the relevant analysis is undertaken and the MDTF for SEFA 2 is designed accordingly.	
Failure to deliver expected outcomes and outputs will reflect negatively on the reputation of AfDB/SEFA and the MFA.	Unlikely	Major	Clear and realistic results framework for SEFA 2 and delivery based upon applications reflecting beneficiary demands and commitment to engage and based on rigorous due diligence. Close OC monitoring against realistic targets and SMART performance indicators.	Minor	SEFA 1 is high-profiled and considered successful despite delays and lower results reporting on some indicators compared to targets.
Insufficient continuity and capacity in SEFA team staffing.	Likely	Significant	Consider converting long-term consultant positions to project contract-positions. Consider adding a procurement specialist in the team.	Major	The SEFA 2.0 draft concept note states that “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”.
Insufficient	Unlikely	Major	Continued strong anchoring in AfDB’s	Insignificant	SEFA is the AfDB’s largest MDTF. The 2016 Danida

integration of SEFA in AfDB organisational structure and operations.			power, energy, climate and green growth complex. Strengthened SEFA role as RE advisory hub within AfDB.		MTR found SEFA well-integrated in AfDB. The External Review raises the possibility of SEFA becoming a Special Fund. Regardless of its status there is a need to ensure that SEFA is well integrated in AfDB both organisationally and operationally.
Ineffective donor engagement in Oversight Committee.	Likely	Major	Clear mandate for the OC in SEFA 2.	Minor	Effective donor engagement in the OC is of critical importance for the OC's role in providing strategic directions and serving as accountability mechanism. Crucial that Denmark as the lead donor is taking an active role in the OC Committee.
Unrealistic expectations to project impact in terms of CO ₂ emission reductions and financial leverage.	Likely	High	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.	Minor	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. There is thus far no reporting on CO ₂ emission reductions achieved but AfDB has the requisite tools.
Failure to elicit and effectively communicate SEFA results and impact stories.	Unlikely	High	Step-up efforts to elicit and communicate success stories e.g. based on project completion reports.	Minor	Effective communication of results is increasingly important both in order to inform other potential beneficiaries and as the competition for scarce donor funding increases.

Annex 6 – Preliminary List of Supplementary Materials

#	Documents / Material	Source
1.	Draft SEFA 2.0 Concept Note (not yet passed AfDB management review)	SEFA, 19 August 2018
2.	External Review of the Sustainable Energy Fund for Africa, Draft Final Report, v2	ECo. Ltd, 9 July 2018
3.	SEFA Annual Report 2017	SEFA, July 2018
4.	SEFA Quarterly update 1st quarter 2018	SEFA, 2018
5.	SEFA Work Programme 2018 for OC	SEFA, June 2018
6.	The approach of the Nordic countries to energy related programmes, projects and advisory services in the African Development Bank	Amended version, 14 February 2018.
7.	SEFA Multi-donor Arrangement signed by Denmark	Signed by MFA Africa Department 20 June 2014
8.	The African Development Bank Group's Second Climate Change Action Plan (2016–2020)	AfDB, 5 June 2018
9.	The Bank Group's Strategy for The New Deal on Energy for Africa 2016 – 2025	AfDB, 2016
10.	Outcome Document 5th SEforAll Africa Workshop	SEforAll Africa Hub, May 2018
11.	SEFA Operational Procedures	SEFA, 12 November 2014
12.	SEFA Mid-Term Review Final Report	MFA TAS, 26 February 2016
13.	MOPAN 2015-2016 Assessments of AfDB	MOPAN, 2016

Annex 7 – Communication of Results

What? (the message)	When? (the timing)	How? (the mechanism)	Audience(s)	Responsible
Denmark continues its support to SEFA in a second phase.	When donor agreement for SEFA 2 signed	AfDB News: https://www.afdb.org/en/news-and-events/ AfDB press release: https://www.afdb.org/en/news-and-events/press-releases/	AfDB RMCs and the African and global development community.	AfDB.
SEFA 2 objectives, expected results, target beneficiaries, eligibility criteria, and process for requests.	At the launch of SEFA 2.	AfDB website for SEFA: https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/sustainable-energy-fund-for-africa/	Target groups for SEFA and RMCs more broadly.	SEFA Team/AfDB.
SEFA 2 launched.	At the launch of SEFA 2.	Cross-link to AfDB SEFA website form AfDB country office websites	Target groups for SEFA in the RMC where the country office is located.	AfDB country offices.
SEFA success stories and opportunities to benefit from SEFA support.	At future events of the Africa Energy market place (AEMP).	Presentations on SEFA at AEMP events.	Target groups for SEFA support and potential investors.	SEFA Team/AfDB.
SEFA impact stories.	Ongoing, when each success is documented.	AfDB success stories: https://www.afdb.org/en/news-and-events/success-stories/	AfDB RMCs and the donor community	SEFA Team/AfDB.
SEFA contributes to climate change mitigation.	During COP 24 (December 2018) and COP 25 (November 2019).	Presentations and side event.s	UNFCCC and the global development community on climate change	AfDB with SEFA team.
SEFA contributes to the achievement of SDG7.	SEforALL Forum 2019	Through AfDB representatives at Forum.	Development community on sustainable energy	AfDB SEforALL Africa Hub team with SEFA team.
SEFA contributions to the achievement of SDG7.	Annual SEforALL Africa workshops.	Presentations at workshop events and news items at: https://www.se4all-africa.org/news-resources/news/	Development community on sustainable energy	AfDB Africa Hub team with SEFA team.
Denmark contributes to SEFA 2.	When donor Agreement for SEFA 2 signed.	MFA/Danida news: http://um.dk/en/news/	The Danish and international development community	MFA Public Diplomacy.
SEFA success stories on enterprises and people	Ongoing, when each major success story is	World's Best News campaign ("Verdens bedste nyheder" in Danish):	The Danish and international development	MFA Public Diplomacy.

served with renewable energy through SEFA and energy efficiency increased	documented.	https://worldsbestnews.org/ MFA Denmark Daily newsletters.	community	
Cross-link to SEFA website and relevant examples of SEFA success stories.	Ongoing, when a relevant major success story is documented.	Embassy website, Danida section.	The partner countries to which the embassy is accredited and wider development community.	Embassies of Denmark in relevant African countries.
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.
Cases of success in delivery of renewable energy with investments through AREF and SEFA support	When a relevant major success story is documented.	AREF website https://www.berkeley-energy.com/africa-renewable-energy-fund/	Present and potential investors and the wider development community.	AREF Fund Manager (Berkeley).

Annex 8 - Process Action Plan (PAP) - Next Steps

Action/product	Dates/Deadlines	Responsible/involved Person and unit	Comment/status
SEFA 2 Concept Development:			
Receipt from AfDB SEFA Team of preliminary draft SEFA2.0 Concept Note dated July 2018	19 August 2018	SEFA Team	The draft concept note from SEFA is focused on background, achievements, lessons learned, and governance and administrative issues. The forward-looking proposal for objectives and scope of SEFA 2 is limited to a very brief (1-page) description of its three windows with a summary comparison of SEFA 1 and SEFA 2 governance and management.
Final SEFA Review Aide Memoire (RAM).	13 September 2018	Review Team (RT)	The outline draft Danida Concept Note for SEFA 2 briefly mentioned in Final RAM.
Preliminary draft Danida Concept Note for SEFA 2.	14 September	External consultant	Based on the preliminary draft SEFA2.0 concept note
Confirm agenda item on Programme Committee 7 November meeting	19 September	MKL	
Further development of draft Danida Concept Note for proposed Danish Climate Envelope funding of SEFA 2.	September-October	MKL in liaison with SEFA/ AfDB	
Active liaison with other members of the SEFA Oversight Committee (OC) in the forward development of an agreed concept for SEFA 2.	September-October	MKL	Through OC and the Executive Director's Office (EDO) request that a thorough analysis of the various fund structure options for SEFA 2 and the pros and cons of each is presented to OC before 15 December 2018.
Forward draft Danida Concept Note for SEFA 2 to TQS for posting on Danida Transparency website for Public Consultation.	13 November	MKL	In the posting for public consultation it should be noted that there are still outstanding issues concerning scope and fund structure that need to be agreed with other donors and AfDB through the OC.
Meeting of the Danida Programme Committee to discuss draft Danida	5 December 2018	Programme Committee secretariat (TQS).	Programme Committee to give MKL mandate for continued active

Concept Note.			engagement in OC for development of SEFA 2. List of received public consultation responses and Chairman's conclusions will inform the SEFA 2 formulation.
OC meeting to agree on SEFA 2 concept.	End Nov/early Dec	MKL to take active role.	
Formulation of SEFA 2:			
Procurement of external consulting services if required in formulation.	November 2018.	MKL	If consultant support required.
Formulation of SEFA 2 documentation according to Danida requirements and formats.	Mid-November 2018 – late January 2019.	MKL in liaison with SEFA/ AfDB.	With external consultant assistance if required.
Appraisal of SEFA 2:			
Draft TOR for appraisal	Late January 2019	MKL	
Procurement of external consulting services for appraisal if required.	February 2019		If consultancy support required
TQS appraisal of proposed Danish support for SEFA 2.	March 2019	TQS in consultation with SEFA/ AfDB and MKL.	If possible, coordinated appraisal with like-minded donors planning support to SEFA 2.
Final Appraisal Report with recommendations	Early-April	Incorporating comments from SEFA/ AfDB and MKL.	
Approval of Danish support for SEFA 2:			
Finalisation of documentation for submission to the Council for Development Policy.	Mid-April	MKL in liaison with SEFA /AfDB.	
Presentation to the Council for Development Policy for approval.	Early-mid May.	MKL	
Approval by Danish Minister for Development Cooperation.	Mid-late May.	Minister for Development Cooperation.	
Document for Finance Committee of Danish Parliament.	May/June	MKL	
Signing of legally binding agreement with AfDB.	June/July 2019	MKL	
Commitment booked in the MFA financial system.	July/August 2019	MKL	
First disbursement to SEFA 2 MDTF	August 2019	MKL	On request from AfDB.