

**Ministry of Foreign Affairs – (Department for Green Diplomacy and Climate)**

**Meeting in the Council for Development Policy on 10 October 2024**

Agenda Item No. 4

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** Danish support to Sustainable Energy Fund for Africa to Engage in the Accelerated Partnership for Renewables in Africa
- 3. Amount:** DKK 100 million (2024-2028)
- 4. Presentation for Programme Committee:** 9 April 2024
- 5. Previous Danish support presented to UPR:** DKK 100 million, 14 October 2021  
DKK 300 million, 29 October 2019  
DKK 300 million, 13 October 2011

# Danish Support to SEFA to Engage in APRA

**Key results:**

- Sustainable energy investments in APRA-countries within green base load and off-grid will be delivered using the latest in appropriate renewable energy technologies.
- Associated technical assistance with the investments will benefit APRA countries
- APRA will be strengthened and continue to develop as a key partnership player for inclusive and green growth in Africa – building on the three legs of enabling environment, mobilisation of finance and engagement of private sector.

**Justification for support:**

- SEFA is uniquely positioned to engage with the APRA in a direct and practical way. By using an existing and well-trusted cooperation partner Denmark's support to APRA can be implemented almost immediately.
- SEFA will leverage private investments within renewable energy in APRA-countries by providing financing for design and preparation of bankable projects, investment capital for sustainable energy projects and technical assistance.
- SEFA is unique in its approach by providing direct support to developers and in its focus on early stage and first of a kind private sector projects.

**Major risks and challenges:**

- The business environment in partner countries may not facilitate renewable energy and energy efficiency deployment.
- Implementation can be effected by political instability in the region in which SEFA operates.
- Limited capacity of partners can negatively affect implementation of projects.
- Inflation and rising costs of materials, services and capital. Currency risks including convertibility and transferability of local African currencies can create financial stress in projects and companies whose liabilities are denominated in hard currencies.

<b>File No.</b>	23/30855					
<b>Country</b>	APRA-countries					
<b>Responsible Unit</b>	KLIMA					
<b>Sector</b>	Climate and Energy					
<b>Partner</b>	Sustainable Energy Fund for Africa (SEFA)					
	<i>DKK million</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b>Commitment</b>	100					100
<b>Projected disbursement</b>	25	25	25	25		100
<b>Duration</b>	2024 - 2029					
<b>Previous grants</b>	DKK 700 million since 2011					
<b>Finance Act code</b>	06.34.01.70 Klimapuljen					
<b>Head of unit</b>	Anne Hougaard Jensen					
<b>Desk officer</b>	Anders Ørnemark					
<b>Reviewed by CFO</b>	Jacob Strange-Thomsen					

**Relevant SDGs**

 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Institutions	 Partnerships for Goals	

## Objectives

The objective of SEFA is to contribute to universal access to sustainable, reliable, and affordable energy services through early stage technical assistance and catalytic co-financing in APRA-countries. This will contribute to reduce GHG emissions stemming from the energy sector. The Danish contribution of an additional DKK 100 million to SEFA has the specific focus of providing access to funding for the implementation of country-led and renewable energy work plans associated with APRA.

## Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
<b>Indicate 0, 50% or 100%</b>		100%		
<b>Total green budget (DKK)</b>		100 million		

## Justification for choice of partner:

SEFA is a trusted long-term partner for Danish development cooperation in Africa. SEFA is supporting sustainable energy solutions in Africa and is uniquely positioned to engage in the new APRA. SEFA is well placed to promote synergies and complementarity while avoiding overlap.

## Summary:

SEFA is a Multi Donor Trust Fund in the African Development Bank supporting sustainable energy solutions. Focus is on Green Mini Grids, Green Baseload for this proposed support. SEFA's concessional investment window provide catalytic risk capital and viability gap financing through the deployment of investment grants, intermediated junior equity, and concessional debt. This makes SEFA well suited to support the progressive APRA-countries pursue their green ambitions. Key outcome and output indicators stem from the SEFA log-frame and deemed most relevant in an APRA context.

## Budget:

Green baseload	DKK 50 million
Green mini-grids	DKK 39 million
Secondment	DKK 6 million
Admin. fee (5 pct.)	DKK 5 million
<b>Total</b>	<b>DKK 100 million</b>



**Danish Support to  
Sustainable Energy Fund for Africa  
to Engage in the  
Accelerated Partnership for Renewables in Africa**

360-no: 23/30855

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## List of Abbreviations

ADF	African Development Fund
AfDB	African Development Bank Group
APRA	Accelerated Partnership for Renewables in Africa
AREF	Africa Renewable Energy Fund
AWPB	Annual Work Plan and Budget
BoD	Board of Directors
COP	Conference of the Parties
DAC	Development Assistance Committee
DEA	Danish Energy Agency
DEPP	DEA Energy Partnership Programme
EE	Energy Efficiency
EnDev	Energising Development
ERI	Electricity Regulatory Index for Africa
ESAP	Environmental and Social Assessment
ESMAP	World Bank Energy Sector Management Assistance Program
GEAPP	Global Energy Alliance for People and Planet
GET.pro	Global Energy Transformation Programme
GMG	Green Mini-Grids
GC	Governing Council
GW	Gigawatt
IACD	Integrity and Anti-Corruption Department
IEA	International Energy Agency
IRENA	International Renewable Energy Agency
JETP	Just Energy Transition Partnerships
MDB	Multilateral Development Bank
MDP	Market Development Program
MFA	Ministry of Foreign Affairs
M&E	Monitoring and Evaluation
MOPAN	Multilateral Organisation Performance Assessment Network
MW	Megawatt
NDC	Nationally Determined Contributions
NDEA	New Deal on Energy for Africa
NDF	Nordic Development Fund
OECD	Organisation for Economic Co-operation and Development
OpsCom	Operations Committee (AfDB)
PAP	Process Action Plan
PD	Project Document
PV	Photovoltaic
RBF	Results-Based Finance
RE	Renewable energy
RISE	Regulatory Indicators for Sustainable Energy
RMCs	Regional Member Countries

SDG	Sustainable Development Goals
SEFA	Sustainable Energy Fund Africa
SEforAll	Sustainable Energy for All
SMC	SEFA Management Committee
SPARK+	African Clean Cooking Fund
SSH	Sub-Saharan Africa
TA	Technical Assistance
ToC	Theory of Change
WBG	World Bank Group

# 1. Introduction

The present Project Document (PD) outlines the background, rationale, justification, objectives and management arrangements for additional (to existing contribution of DKK 700 million) Danish support of DKK 100 million for the Sustainable Energy for Africa (SEFA) to engage in the Accelerated Partnership for Renewables in Africa (APRA). The grant has the specific purpose of providing access to additional funding - through SEFA - for the implementation of country-led renewable energy work plans associated with APRA. The present PD will be an addendum to the existing legal agreement with SEFA and constitute an integral part thereof together with the documentation specified below.

SEFA is a multi-donor Special Fund managed by the AfDB, with the purpose of providing catalytic finance to unlock private sector investments in renewable energy and energy efficiency. Since its foundation in 2012, by Denmark and AfDB, SEFA has grown into one of the major funds, anchored firmly in a key African institution - the AfDB, to champion a green and just energy transition in Africa. SEFA aims at both alleviating inequality and poverty, while addressing climate change concerns. By supporting green, innovative and transformative energy projects, the fund is well positioned to find new pathways to sustainable and inclusive development of Africa.

APRA was founded at the Africa Climate Summit in September 2023 by Kenya, Ethiopia, Namibia, Rwanda, Sierra Leone and Zimbabwe, with support from Denmark, Germany, and later UEA, US, and GEAPP and the International Renewable Energy Agency (IRENA) (in a facilitating role). The Africa Climate Summit in Nairobi in September 2023 became a landmark in a new opportunity-framed narrative of the continent, including in relation to green energy transition, when Kenya's President William Samoei Ruto made it his mission to *"Reimagine Africa's future as a thriving, resilient continent that embraces Climate-Positive Growth"*. At COP28 in Dubai in December 2023, President Ruto continued in context of APRA by expressing: *"The essence and ambition of APRA (ed.: Accelerated Partnership for Renewables in Africa) are encapsulated in this. We need a holistic approach that delivers on both climate and development priorities, tailored to our needs and communities. We need plans that account for all elements: starting with infrastructure, through policy and regulation to institutional and human capacity"*. The Danish Prime Minister Mette Frederiksen added, as part of her Champion task given by the Un Secretary General on focus on energy in Africa: *"Renewable energy provides a huge untapped opportunity for Africa, which can deliver access to energy, economic development and security of supply. The green transition requires massive amounts of investments and capital, and it requires strong engagement by private sector. The partnership will be a key contribution to accelerating renewables across the African continent"*. Danish support to SEFA to engage in APRA will play an important role in building a trustworthy and equal partnership with African countries and African institutions as stipulated in Denmark's new Africa Strategy.

APRA seeks to accelerate the renewable energy deployment in the respective countries, spearheading a just energy transition, building on three legs: 1) Improved enabling environment and capacity building, 2) mobilization of finance and investments, and 3) engagement of private sector. Facilitated by IRENA in cooperation with all seven founding countries (Ghana added later, and with more countries expected to join) seven country workshops have been organized to take stock of specific barriers and opportunities, identifying and prioritizing APRA work plans, addressing all the three legs of APRA. APRA is on purpose not a new institution,

programme, or funding facility, but an equal partnership where partners contribute and deliver in a coherent and complementary manner, responding to the barriers and opportunities, and promote a rapid deployment of renewables in APRA countries. APRA have a light governance structure, focusing on its convening role, leveraging support from a range of partners, as well as mobilising finance and learning across countries.

APRA and SEFA share overall goals regarding accelerating a green and just energy transition in Africa as an enabler to sustainable development and poverty eradication. Therefore, SEFA was early on identified by Denmark as a relevant delivery partner for further Danish support to accelerate the just energy transition in APRA affiliated countries. The AfDB and SEFA also participated in the official launch events of APRA at COP28 and in several of the seven country workshops. By channelling a substantial part of the Danish support to APRA through SEFA, Denmark will deliver on leg 2 and 3, and take advantage of SEFAs existing experience and well-established operational structures, as well as SEFAs existing pipeline in the seven countries. Through SEFA, Denmark will be able to make funds available relatively fast to key renewable investments in APRA countries while at the same time, strengthen a well performing SEFA. In short form, the new grant will “buy more SEFA earmarked for APRA countries”. Denmark is also contributing to APRA in other ways and addressing other legs – please see box 1 below.

#### **Text Box 1: Denmark’s Support to APRA**

As a co-founder and donor, Denmark is politically committed to support the work of APRA. So far, the Danish Ministry of Foreign Affairs (MFA) has activated three strategic partners to deliver APRA country support. The first partner is the Danish Energy Agency, which will make Technical Assistance (TA) available for capacity building and enabling environment development in APRA countries. A grant of approx. DKK 10 million was made available in 2023 to APRA countries, in addition to existing and forthcoming DEA support to Kenya and Ethiopia (two of the seven APRA countries). The second partner is IRENA, which will facilitate the entire APRA operations incl. country workshops, work planning, monitoring, political events etc., and which receive APRA focused earmarked support of DKK 18 million as part of the Danida-IRENA programme. The partnership with SEFA described in this PD will form a third contribution and will facilitate the engagement of the private sector in green energy investments in APRA countries, while also mobilizing finance.

This document has been developed in close coordination with SEFA, IRENA and other APRA stakeholders.

## **2. Context, Strategic Considerations, rationale and justification**

### **2.1. The Sub-Sahara Africa energy access gap and green energy transition context**

In Africa, the green energy transition and -access is closely linked. The African continent has an immense and largely untapped potential for renewable energy, particular solar. Despite being home to 60 pct. of the best solar resources globally, Africa accounts for only 1 pct. of the installed global solar generation capacity. Currently, only about 3 pct. of global energy investments are made in Africa, even though the continent is home to 17 pct. of the world’s population (over 1.2 billion people). For many Sub-Saharan African countries, renewable energy is a unique opportunity to leapfrog to the next generation of electric power generation and industrialisation. Renewable energy opens new opportunities to fast-track innovative pathways to closing the energy gap for the poorest populations and add affordable power to the national grids, as well as mini grids and off-grid, while also accelerating a green energy transition aligned with the Paris Agreement.

More than 50 pct. of the population in Sub-Saharan Africa has no access to electricity and close to 1 billion people lack access to clean cooking solutions. Though global progress to achieve universal access to sustainable and affordable energy has progressed globally, the number of people without electricity access in Sub-Saharan Africa is roughly the same today as in 2010. The energy access deficit globally is increasingly concentrated in Sub-Saharan Africa, where approximately 84 pct. of those without electricity reside. If no additional efforts and measures are put in place, some 560 million people in Sub-Saharan Africa will remain without access to electricity in 2030. The challenge is even bigger when it comes to rural electrification in Sub-Saharan Africa where progress is falling behind population growth. It is against this background that the Presidents of the World Bank Group (WBG) and AfDB at the spring meetings in April 2024 launched a new initiative to secure electricity access for 300 million Africans by the year 2030 (WBG would deliver 250 million and AfDB 50 million). That initiative has received substantial attention and will culminate with an Energy Access Compact Summit in early 2025.

Energy is more than just turning on a light bulb or charging a mobile phone. Gaining access to electricity and modern energy sources can have a much broader life changing impact and is often a precondition of eradicating poverty. Today lack of energy access is a key barrier for Sub-Saharan economic growth, industrialisation, ability to increase climate resilience and faster progress towards eradicating extreme poverty. Lack of electricity is a barrier to reduce food loss; it hinders growth opportunities for small and medium-sized enterprises and limits access to modern health care systems. In other words, increasing access to affordable and sustainable energy is a key enabler and catalyst for achieving most other SDGs.

Off-grid energy solutions in the form of green mini-grids and solar-based stand-alone systems will be critical to close the energy gap in Sub-Saharan Africa, particular in rural areas (or countries such as Rwanda with a landscape shaped by mountains and valleys), where over 80 pct. of electricity-deprived people live. In these areas, far away from the power grid, mini or off-grid energy solutions will be a key catalyst to creating new jobs, improve health, increase social mobility and improve gender equality. Last, but not least, energy access is key for enhancing resilience to climate change. Access to electricity is in many ways a prerequisite for reducing poverty, open new opportunities for income generation and the provision of critical social services in an environmentally sustainable way. Providing access to energy should be understood broader than just providing infrastructure, but as a service for healthy cooking, heating, cooling, and facilitating access to digital services, among others. Providing access to renewable energy offers a bridge between human capital development and addressing the climate challenge into a common win-win opportunity.

## 2.2. Rationale for selecting SEFA as an APRA delivery partner

SEFA was founded in 2012 by Denmark and AfDB as a technical assistance fund. Based on recommendation from an external review, SEFA was restructured into a special fund in 2018-2019. As founder and a lead donor, Denmark has played a key role in this restructuring, and the overall scope and thematic areas of SEFA 2.0 are well aligned with Danish policy priorities of accelerating a green energy transition in Africa and closing the energy gap.

Since 2012 contributions from the governments of the United States, United Kingdom, Italy, Norway, Spain, Sweden, Germany, the Nordic Development Fund (NDF) and Global Energy Alliance for People and Planet (GEAPP) has materialised, besides the Danish contribution.

As a “special fund” in AfDB, SEFA is able to provide both Technical Assistance, TA and concessional investments for private sector renewable energy projects from early-stage development to project commissioning. SEFA is additionally able to provide upstream technical support to public sector institutions to improve the enabling environment for private sector-led investments, such as policy and regulatory frameworks, sector-wide planning and capacity development. The concessional finance for investments, and the TA constitute SEFAs two funding windows.

SEFA is supporting green, innovative and transformative energy projects across Africa through three thematic areas (using the two funding windows): Green Baseload, Green Mini-grids, and Energy Efficiency. *Green Baseload* projects aim to increase the share of low-cost, reliable, and sustainable power from hydro, geothermal, biomass, and waste-to-energy sources, as well as solar and wind coupled with battery energy storage solutions. *Green Mini-grids* focus on developing decentralised energy solutions powering isolated networks to increase access to reliable electricity in remote or under-served areas. *Energy Efficiency* projects aim to increase the uptake of energy efficient technologies and practices in buildings, transport, and industry. Thus, the SEFA program strategically combines technical assistance and investment capital to focus on Green Mini-Grids, Green Baseload, and Energy Efficiency. These thematic areas are designed to achieve overarching goals: expanding access to sustainable energy, promoting renewable energy adoption, and fostering energy savings. By achieving these outcomes, SEFA aims to support African countries in attaining universal access to reliable, affordable, and sustainable energy services.

SEFA is customizing its scope of activities in response to the rapid development of the renewable energy landscape in Africa, where new business models have emerged, several renewable energy sources have become mainstream and cost-competitive, and private sector participation is more actively promoted by host countries. SEFA is also able to unlock investments in fragile countries, building on a track record of active engagement in these countries, including in the Sahel Region through the “Desert-to-Power” initiative.

SEFA has a strong connection with a number of multilateral energy initiatives, such as Energising Development (EnDev) and Global Energy Transformation Programme (GET.pro) as well as GEAPP, Global Energy Alliance, who is also a member of the SEFA GC.

SEFA is, in other words, a well-suited delivery vehicle for APRA and a fund Denmark has spent almost 15 years building up as a catalytic and innovative vehicle – within the “African bank” of AfDB - for accelerating a green and just energy transition in Africa. In this context, SEFA is one of the best-placed funds to support the realisation of the APRA vision and the specific country work plans.

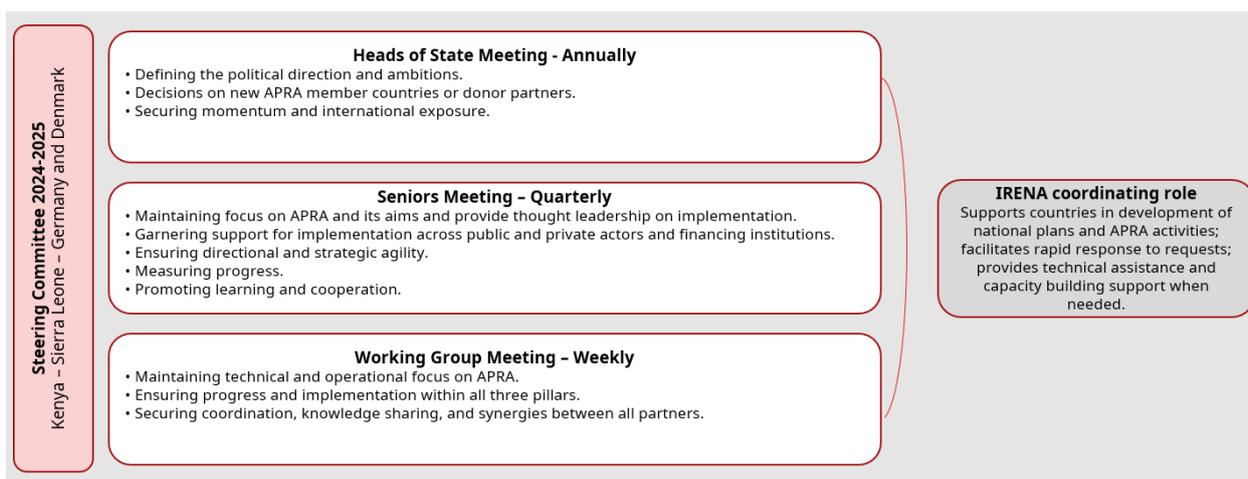
The SEFA governance structure includes several layers of oversight. SEFA partners meet annually every January in the Governing Council (GC) to overview progress since the last GC-meeting, to discuss highlights and lessons learned from particular projects, and to approve the next annual work plan and budget. The annual GC is supplemented by quarterly virtual update meetings. SEFA projects are also subject to AfDB’s approval procedures. AfDB’s Management Committee (SMC), composed of Directors and Managers of the Energy Complex, is the first stage for consideration of new business, reviewing all funding proposals and recommending their inclusion in the pipeline. Proposals then face a thorough assessment by the Technical Review Committee (TRC), comprised of experts from various internal Bank teams. In addition, all blended finance transactions are reviewed by the Bank’s Operations Committee (OpsCom), a senior management body composed of Vice-Presidents and Directors. Last but not least, the Governing Council (GC) composed of donor

representatives provides strategic direction and operational oversight, in particular approving the Annual Work Plan and Budget and reviewing and clearing all projects exceeding USD 1 million, before they are presented to the Board of Directors (BoD) for final approval. Noteworthy that projects below USD 1 million are approved by the sector Vice-President (except for investment operations, which will still follow the normal procedure through to Board).

Annex 2 contains a flowchart of the preparation and decision-making process of a concessional SEFA investment as an illustration of the fund’s way of working. SEFA projects may originate in a number of ways, either as a result of SEFA’s active screening of the sector, through a direct contact to SEFA or through another AfDB department. Origination may be through an ad hoc approach or may be structured through a call for proposals. Solicitations from external parties deemed to meet eligibility requirements will be assigned an appropriate Task Manager. Supporting documentation such as business plans, feasibility studies, key agreements, etc., are requested from clients as appropriate to substantiate the key project features. Additionally, SEFA conducts screening meetings for new projects entering pipeline, gathering inputs from all colleagues to enhance project design and implementation. APRA workplans identified through country workshops will thus be a very good point of departure for identifying projects suitable for APRA support.

As mentioned, APRA applies a partnership approach, where partners support side-by-side the APRA countries in a coherent and complementary manner. APRA is not a new institution, funding facility or programme. APRA is a political motivated convening partnership, with IRENA as the overall facilitator and coordinator. APRA has a light governance structure with an annual high-level meeting of partners, typically Heads of State or Government in the margin of an international event, such as the UNFCCC COP. A quarterly Seniors meeting is held for strategic decision making. Denmark is represented by the Climate Ambassador, and Sierra Leone and Kenya are the two African countries represented in the senior meeting, while Germany (and IRENA as secretariat) are the other two members. In addition, weekly working group meetings are held for the technical level partnership cooperation and coordination (see figure below).

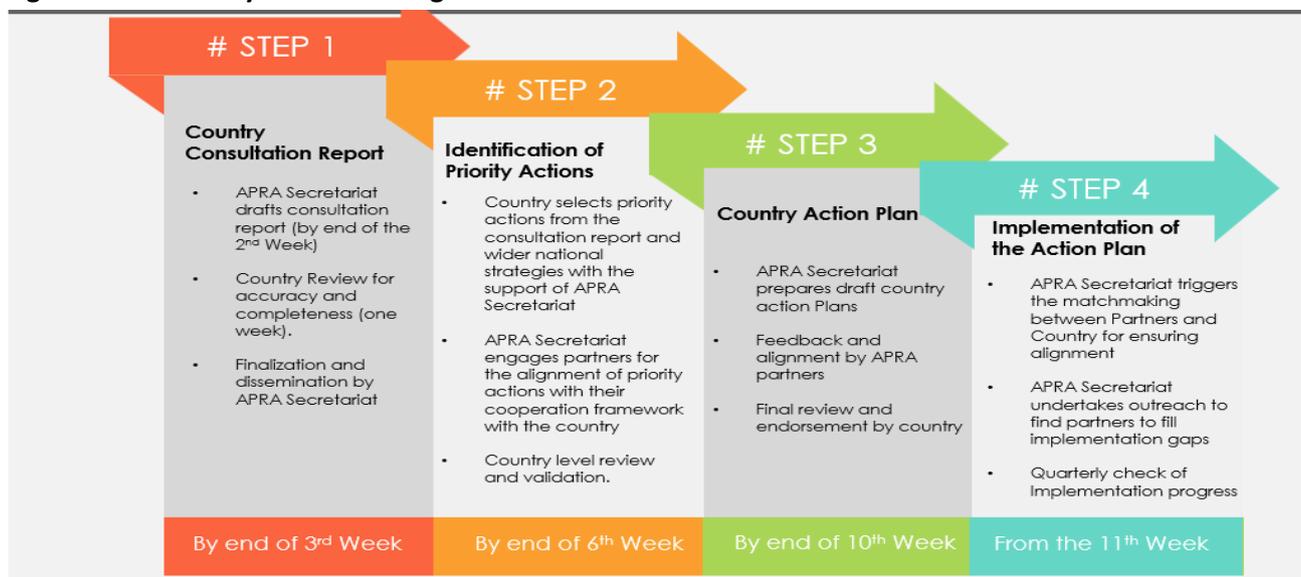
**Fig. 1: APRA Governance**



Moreover, the country workshops, hosted by the countries’ governments, and facilitated by IRENA, plays an important role in setting the direction of implementation. The workshops gather relevant public institutions in the energy sector and beyond (ministries, utilities etc.), civil society and private sector representatives,

researchers and analysts, and donor partners (both bilaterals and multilaterals, such as the MDBs). The work plan being developed will go through several iterations to ensure it reflects the country needs, and cover areas of match making between partners, within the three legs of APRA (please see figure 2 process of development of country work plan below).

**Fig. 2: APRA Country Work Planning**



Experience shows that it takes many years to establish a new institution or trust fund with the adequate capabilities. SEFA, on the other hand, has already demonstrated that it is a well-functioning and innovative fund, that has a proven record of accomplishment when it comes to leveraging catalytic finance and spearheading innovative energy solutions, targeting some of the most energy poor countries in the world (in Africa). Moreover, SEFA has already a track record of supporting projects in the current APRA countries, please see figure 3 further below. Therefore, choosing SEFA as one of the channels for Danish funding to support the implementation of APRA, makes sense. The selection of SEFA does not imply that SEFA will be changed or reformed to serve APRA – rather that APRA will take advantage of the positive experience and operational structure of SEFA, which is found to correspond well with the partnership approach. Still, SEFAs engagement in APRA makes it crucial that SEFA continue to participate in country workshops, has regular meetings with IRENA as the overall facilitator, and that Denmark (MFA, and possibly DEA) pay a close attention to maintaining strong relations between SEFA and APRA. In addition, a secondment who can act as an interlocutor for APRA within SEFA and maintain open lines to IRENA, DEA, other APRA partners, and not least APRA countries is proposed.

**Text Box 2: APRA context of relevance**  
 APRA’s dual purpose is to (a) provide vision and political leadership at the highest level, and (b) to accelerate implementation in respective countries. APRA’s ambition is also reflected in the Nairobi Declaration from the African Climate Summit in 2023<sup>1</sup>, which calls for deployment of at least 300 GW of renewable energy by 2030 from 56 GW in 2022. The anticipated outcome of APRA is a multifaceted transformation that prioritises renewable energy as a cornerstone of social, economic and climate strategies and plans across the continent.

<sup>1</sup> Announced at the African Climate Summit September 2023 LINK INDSÆTTES.

By fostering a strategic transition to renewable energy, the Partnership aims to achieve three overall outcomes: (i) Enhance energy access, security, and green growth by placing renewable energy at the forefront to improve energy access and security for participating countries but also nurturing conducive environment for green growth. (ii) Leveraging resources for industrialisation by recognising the wealth of renewable and mineral resources in Africa that unlocks opportunities for green industrialisation. (iii) Establish a collaborative approach and tailored solutions supporting leadership and vision of African nations to address political, technical and financial barriers to accelerate deployment renewable energy. This organised under three work streams.

To realise these outcomes, the partnership has identified three key focus areas of intervention (legs) – see earlier<sup>2</sup>:

1. **Mobilising finance**, including enhanced public finance, concessional finance and guarantee instruments, which will be crucial to de-risk investments, reduce the cost of capital and attract private investment at scale.
2. **Technical assistance and capacity building** to allow swift and targeted assistance in the initial phase, combined with sustained capacity enhancement over the long-term, which is crucial for executing implementation plans and establishing comprehensive policy frameworks that promote investment and deliver socio-economic benefits.
3. **Engaging the private sector** as a tailored green energy transformation hinges heavily on private sector participation. Encouraging the creation of synergistic collaborations between local and international businesses, financial entities that can catalyse the desired change.

SEFA has undergone periodically Danish reviews and joint reviews with other donors. Fund-management has always responded positively to recommendations provided, e.g. in connection with the Danish mid-term review in 2016 and the external evaluation of the SEFA performance in 2018. All recommendations from the latest Danish/Norwegian review (2022) were implemented in SEFA 2.0. SEFA developed a Results Framework Handbook, included a 3-year rolling planning scenario in the annual work plan, and aligned policies with Denmark's standards on anti-corruption, child labour, sexual exploitation, abuse, and harassment in all agreements. Visibility was enhanced by adding a communication expert who supports annual reports and participation in key events. Even though SEFA 2.0 already punches above its weight in many ways, the 2022 inception review also identified an untapped potential to deliver "green energy narratives" for scaling investments and supporting frontrunner countries leapfrogging to green energy solutions that could be showcased in international conference and alliances. APRA is a case in point in this context. By facilitating close collaboration with APRA, this grant will make it possible for SEFA to further explore some of these recommendations.

Thus, the new additional grant to SEFA will support the implementation of several of the review recommendations while boosting SEFA's financial ability to support APRA on the ground. Furthermore, SEFA's experience in addressing the market gap of in early-stage project preparation funding for green baseload energy and supporting the introduction of mini-grid regulations in parallel to pioneering investment will be most beneficial for most, if not all, the APRA member countries.

The additional Danish grant to SEFA will build on more than a decade's experience with renewable energy transition in Africa and allow SEFA to increase targeted efforts to support investment and technical assistance in African countries affiliated with APRA. It will demonstrate how renewable energy can be a catalyst for sustainable growth in Africa and demonstrate the importance of leaving-no-one-behind in the green just energy transition.

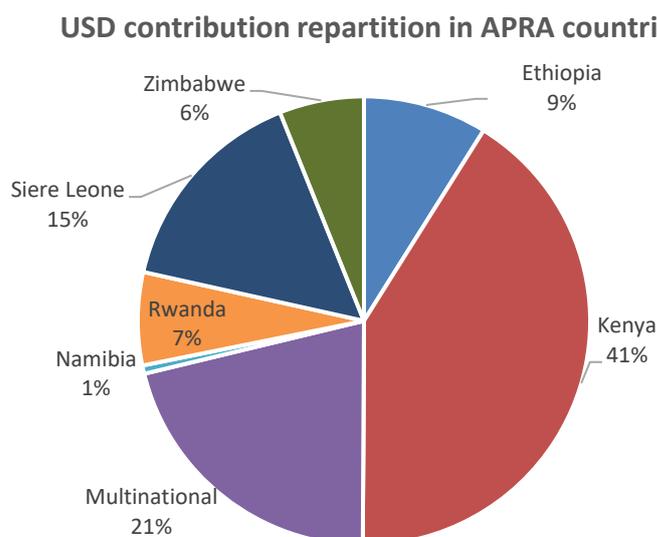
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<sup>2</sup> From the IRENA APRA background document

With more than 10-years of operations under its belt, SEFA is considered to be well-placed to deliver progress on accelerating a green and just energy transition and collaboration with APRA will build on the success that Danish development cooperation has had through SEFA. In this way additional Danish funding to SEFA to engage with APRA will support the broader sustainable development agenda while simultaneously demonstrate that climate actions can go hand-in-hand with eradicating extreme poverty and leaving-no-one-behind.

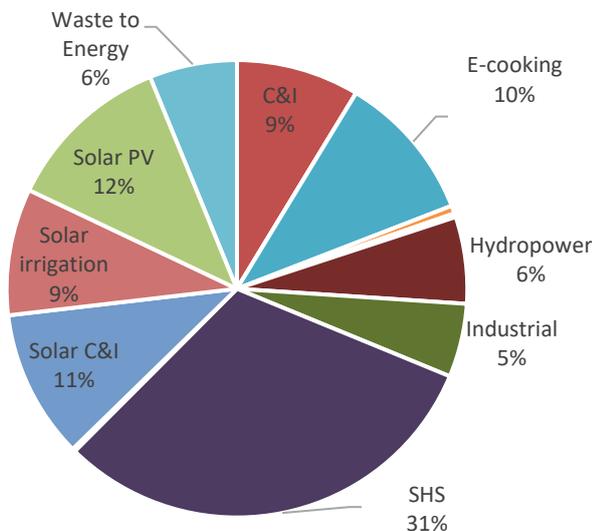
An additional argument for choosing SEFA as a partner for channelling Danish support to APRA is that SEFA is already actively supporting renewable energy initiatives across APRA countries with a total of 49 projects in various stages of implementation for a total amount of ca USD 30 million. Among these, 13 projects for USD 5.1 million have been successfully completed, 26 projects for a total amount of USD 11 million are operational and 10 projects for a total amount of USD 14 million are currently in the development phase. The historic allocation of SEFA funds across APRA countries is graphically represented below for operational and completed projects, with a focus on projects in Kenya (41 pct.), Multinational (21 pct.) and Sierra Leone (15 pct.). The strategic distribution aimed at promoting energy access and sustainability.

**Fig. 3: SEFA Support to APRA Countries**



In terms of technologies, solar photovoltaic (solar PV) of different configurations and scales represents more than half of the portfolio.

**Fig. 4: SEFA Portfolio in APRA Countries**



SEFA remains dedicated to furthering its impact through continued collaboration with APRA countries and stakeholders, ensuring sustainable energy solutions that meet the evolving needs of communities and contribute to long-term socio-economic development.

### 2.3. Strategic alignment with Denmark’s policies and interests

SEFA is well aligned with Danish development priorities. SEFA’s focus on supporting the development of an enabling environment for a green and just energy transition, increase national capabilities and catalysing financing for closing the energy gap in Sub-Saharan Africa is fully aligned with the Danish Strategy for Development Cooperation “The World We Share”. The Strategy outlines that Denmark will contribute to accelerate clean energy access to unserved communities, support a green energy transition in developing countries, mobilize private financing for renewable energy, improve national green energy planning and influence the multilateral development banks to drive forward a green energy transition. The development strategy was accompanied by a number of “How-to notes” and the note on “Energy transition and emission reductions in developing countries” provide specific guidelines on how to implement Denmark’s support in the energy sector. SEFA was highlighted in the note as a good example of how Danish support could be channelled through MDB’s and their relevant TF’s when aligned with Danish policy priorities. SEFA also contributes to accelerate progress towards several of the UN sustainable development goals (SDGs), particularly to SDG 7 (sustainable energy for all) and SDG 13 (climate change). However, access to modern and sustainable energy is an important enabler for achieving many of the other SDG’s such as SDG1 on “No Poverty”, SDG6 “Clean Water” and SDG12 on “Sustainable Consumption and Production”.

SEFA’s operations are also fully aligned with the former government’s Danish Global Climate Action Strategy “A Green and Sustainable World” which sets out how Denmark will work to increase global climate ambition, reduce global greenhouse gas emissions, shift financial flows to green, cooperate with the private sector on green solutions while also strengthen focus on adaptation and sustainable development. With the new Dan-

ish Africa Strategy, which is underlining the importance of African leadership of equal partnerships and support to the continent’s green energy transition, SEFA as a Trust Fund under AfDB is likewise a good example, further emphasised by the Bank’s high level of regional legitimacy and strong track-record.

SEFA, through its activities across APRA countries, has achieved significant milestones in advancing sustainable energy solutions. As of the latest reporting period, SEFA's projects have collectively already added 37 MW of new renewable power capacity, facilitated 5225 direct jobs, and enabled 718 086 new energy connections. These efforts have also contributed to a reduction of 475 532 metric tons of greenhouse gas emissions annually, underscoring SEFA's commitment to mitigating climate change impacts in Sub-Saharan Africa.

**Text Box 3: Three Examples of SEFA Supported Transformative Projects in non-APRA-Countries**

In 2023, SEFA approved a grant to *The Mozambique Renewable Energy Integration Programme (MREP)* to increase the penetration of renewable energy and diversify the country's energy mix. It will among other things support the preparation of a floating solar PV (FPV) plant for installation on an existing hydropower dam that is owned and operated by the national utility, as a 'proof-of-concept' on the 'hybridisation' of solar PV with hydropower generation in the country and sub-region. It will also assess the feasibility of integrating utility-scale battery energy storage systems to strengthen the grid and improve the reliability of the power system to enable integration of solar and wind power into the national power system.

SEFA provided grant funding to the *Gambia Green Mini-Grid Country Programme*. Gambia has only an energy access standing at approximately 40pct. countrywide (average 12pct. rural) and an installed capacity of only 102MW. In this context, SEFA has supported the development of an enabling environment for mini-grids, including policy, regulation, tariff structure and feasibility studies on selected sites. This has led to financing of the country’s first 120 kW mini-grid.

*The Kikagati* project is a 16MW run-of-river hydropower project located on the border of Tanzania and Uganda along the Kagera River in South-Western Uganda. It was successfully inaugurated in September 2022 and is now fully operational. This bi-national hydropower project is part of the Africa Renewable Energy Fund (AREF) portfolio, a pan-African private equity fund sponsored and anchored by SEFA. The project is providing power to both countries and also includes a community development programme, supporting job creation, healthcare and education.

Denmark applies to the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC) assessment criteria for good development cooperation. The table below goes through SEFA to APRA’s alignment with these criteria.

**Table 1: SEFA’s Alignment with OECD/DAC Criteria**

OECD/DAC Criterion	SEFA’s Alignment
Relevance	SEFA is a relevant partner for APRA due to its track-record for implementation and its strong African ownership. SEFA's interventions align with international climate agreements and national strategies, and in this case also with APRA country workshops and work plan, ensuring that projects address current needs and long-term sustainability goals. SEFA 2.0’s scope and thematic areas match Danish policy priorities (and APRA), particularly in promoting a green energy transition in Africa and addressing the energy gap.
Effectiveness	SEFA is an attractive partner for APRA from an effectiveness point of view since it has a well-established fund structure. It fits well with the partnership approach, where partners contribute coherently, but no new fund structure is established. SEFA’s effectiveness is

	ensured through a clear Theory of Change and a robust measurement framework. This includes annual and semi-annual reports, quarterly progress updates, and an in-person annual meeting. SEFA's project-level measurement frameworks, with well-defined indicators, baselines, and targets, demonstrate clear progress towards objectives. SEFA's Theory of Change supports low-carbon development and increased access to energy in line with SDG7 and SDG13, and with APRA.
Efficiency	Through SEFA APRA will be able to leverage the AfDB ecosystem, ensuring minimum concessionality, and minimizing negative environmental impacts while maximizing long-term benefits. SEFA's focus on efficiency aligns with the AfDB's Ten-Year Strategy (2023-2033), the New Deal on Energy, and the Bank's Measurement Framework.
Impact	By partnering with SEFA, APRA will faster than otherwise be able to deliver impact on the ground. SEFA's projects aim to have a significant impact And it is measured through SEFA's comprehensive results framework. The SEFA 1.0 closing report and the SEFA 2.0 mid-term ongoing review will better assess and enhance the impact of SEFA's interventions.
Sustainability	SEFA will strengthen APRA's possibility to ensure sustainability of the energy solutions provided, both through SEFA's long experience with interventions that deliver enduring benefits, as well as SEFA's continued attention to SEFA investments throughout the time span of these. Furthermore, SEFA's sustainability is further supported by a strong donor base of 10 donors, with efforts to attract new donors. Additionally, concessional investment projects will have reflows, contributing to the fund's ongoing prosperity and ability to sustain its activities, incl. activities in APRA countries.

To summarise, AfDB and SEFA are African-led with a high degree of African ownership. This is a good match with APRA, which was launched as an African lead partnership and with APRA's narrative of energy in Africa as a sector of opportunity. SEFA's focus on implementation and its track-record will enable APRA to take advantage of and achieve faster impact. The combination of political commitment in APRA and SEFA's ability to undertake "first of its kind"-projects will open a new space for energy projects in Africa.

### 3. Project Objectives

The objective of the grant is: *Universal access to sustainable, reliable and affordable energy services through early stage technical assistance and catalytic co-financing in APRA-countries.*

The additional Danish grant to SEFA will be preferenced (in essence soft earmarking) to support countries affiliated to APRA. The earmarking of resources to APRA-countries will be undertaken in accordance with the donor approved SEFA preferencing guidelines that are part of SEFA's operating procedures. The SEFA Governing Council has already been informed that Denmark is considering a preferenced contribution to SEFA. The Danish support will be distributed by SEFA between two of the TF's thematic areas depending on the individual APRA-countries needs and requests:

*Green Baseload:* SEFA will support the scale-up of renewable energy to displace or reduce the use of fossil fuel generation, particularly from coal. The program will support the deployment of renewable sources of energy by providing (i) programmatic technical assistance for integrated resource and power system planning; development and implementation of RE generation and grid infrastructure procurement programmes; as well as and project preparation support for transformative projects; (ii) concessional investments to buy-down technology and financing costs and mitigate risks, so as to support commercial viability with minimum concessionality. This will include collaboration with eligible financial intermediaries/investment platforms

operating in APRA member countries, as well as guarantee instruments where suitable; and (iii) capacity-building in new technologies, notably battery storage systems. The program will complement other climate and commercial funds in the renewable energy space and create new pipeline and investment opportunities. SEFA will support technologies that have the potential to deliver alternatives to fossil-fuel baseload generation options.

*Green Mini-Grids (GMG):* SEFA will continue to support GMG investments as one of the main avenues for providing electricity access to underserved populations in rural areas. In this regard, SEFA will provide enabling environment support, focusing increasingly on programmatic approaches at country level, complemented by concessional investments to mitigate key project risks and address commercial viability gaps, including through results-based financing. Linkages with productive uses of energy will feature strongly, which aligns with the focus on supporting the agri-food-health nexus.

SEFA has energy efficiency (EE) as a third thematic area, however since EE is not part of APRA's mandate this area will not be given priority under this particular grant. EE can, however, be part of normal SEFA activities in APRA-countries and is by no means in conflict with the purpose of this grant.

As mentioned above SEFA operates with the two funding windows. The bulk of this project with an additional Danish grant to SEFA will go to the concessional investment window of SEFA, and respond to two of the APRA legs, mobilisation of finance and private sector engagement. SEFA's concessional investment window will provide catalytic risk capital and viability gap financing by deploying investment grants (including results-based financing grants), junior equity, and concessional debt. Concessional investments from SEFA will in most cases be blended with commercially-priced investments from other sources, including but not limited to AfDB's ordinary capital resources. SEFA can participate as junior equity in funds to catalyse private sector investment, as has been done for example, in the Africa Renewable Energy Fund (AREF), the SPARK+ African Clean Cooking Fund and AfricaGoGreen Fund. SEFA 2.0 has the ambition to deploy at least USD 500 million in grant contributions to mobilise more than USD 10 billion in co-financing from global facilities, public sector, multilateral development banks (MDB) and private investors.

SEFA's other funding window, the TA-window, provides support through grants and reimbursable grants for project preparation and enabling environment to unlock renewable energy investments. SEFA TA grants are available to both public and private sector entities. As Denmark is providing APRA dedicated support to IRENA and to the Danish Energy Agency (DEA), focusing on technical assistance, capacity building etc., Denmark will give relative less priority to SEFA's TA window. At the same time Denmark will seek to maximise TA-inputs from IRENA and DEA at country level for preparation of enabling environment and eventually tangible projects/investments or pipelines that can be further developed as SEFA investments - thus creating synergies between the different Danish-funded APRA support activities. The enhanced collaboration between SEFA, IRENA and DEA and, where relevant, Danish Embassies, will be facilitated through the earlier mentioned SEFA engagement in APRA country level workshops and other activities, and will be given special attention by MFA and DEA. Even though the TA window will not be prioritised high by Denmark in this additional grant, some part of the concessional investment window constitutes an integrated combination of finance and TA. In such cases it may make sense to use part of the additional Danish grant for TA, to ensure the likelihood of success of the integrated investment.

As a result of this contribution, APRA countries will benefit from more available SEFA resources than would have otherwise been available. The following table presents SEFA's current pipeline of projects planned for APRA countries. These projects cover a range of technologies, including solar PV, hydrogen, and clean cooking. Each project has a specified budget and an expected approval date, highlighting SEFA's strategic focus on advancing sustainable energy solutions across the continent. Some of these projects are reflected in the APRA country workshops and work plans such as the Off-Grid Rural Electrification Fund in Sierra-Leone. In other cases, the APRA workshops and plans may result in proposed new investments for SEFA to pick up, including investments that are being matured through other APRA technical assistance and enabling environment activities.

**Table 2: SEFA's Current Pipeline of Projects Planned for APRA countries**

Project Title	Country	Region	Amount (USD)	Approval timeline
<b>Concessional Investment</b>				
Persistent Venture Builder Fund	Multinational [Kenya, Ethiopia]	Eastern	10 000 000	2024 Q3
Hyphen - Green Hydrogen	Namibia	Southern	10 000 000	2024 Q4
PowerGen Solar Mini-grids Expansion	Multinational [Sierra Leone]	Eastern	10 000 000	2024 Q3
Off-grid Rural Electrification Fund Accelerator	Multinational [incl. Sierra Leone]	Multinational	6 000 000	2024 Q4
BURN electric cooking expansion program (BEEP)	Kenya	Eastern	2 500 000	2024 Q4
Diamond Trust Bank Renewable Energy Line of Credit	Multinational [Kenya]	Eastern	5 000 000	2024 Q4
<b>Technical Assistance [downstream]</b>				
Axian Energy Green Project Preparation Facility	Multinational [Kenya, Rwanda, Sierra Leone]	Multinational	5 000 000	2024 Q3
PPP in Transmission & Distribution	Multinational [Kenya, Sierra Leone, Zimbabwe]	Eastern	5 000 000	2024 Q4

## 4. Theory of Change and key assumptions

SEFA's ToC can be seen in annex 3 and it forms part of the fund's strategic framework. It lays the foundations for SEFA's activities and deliverables across the three thematic areas of intervention and the two funding windows, which comprise SEFA's total area of operation. However, for the Danish support to SEFA to engage in APRA, the focus is primarily at the concessional finance window, less on the TA window; and only two of the thematic areas are considered relevant, namely "Green Mini-Grids" and "Green Baseload". Within Green Baseload SEFA's ToC refers to support for national power systems planning and optimisation; upstream policy

advisory and capacity-development; supporting independent power producer (IPP) procurement programme, design and structuring with national authorities; project preparation to pave the way for follow-on investments and; provide concessional investment to address viability gap financing. With Green Mini-grids SEFA's ToC looks at improving support through the AfDB's Green Mini-grid Market Development Program (GMG MDP) as the primary technical assistance hub and entry point for mini-grid related activities; developing country GMG scale-up programmes for the participation of private sector and; leverage on a results-based financing-programme to mobilise additional concessional finance to close the 'viability gap' in financing the GMG business models.

In short, the relevant part of SEFA's ToC can be summed up as this: *If SEFA can promote and deliver sustainable energy solutions through more investments in green mini-grids and green baseload, then African countries will have increased access to sustainable energy and increase their adoption of renewable energy, and then African countries can achieve universal access to sustainable, reliable and affordable energy services etc.* (the objective of SEFA and this project). APRA is amongst others guided by the Nairobi political declaration, mentioned earlier, which calls for deployment of at least 300 GW of renewable energy by 2030 from 56 GW in 2022. APRA's own Ministerial Statement from COP28 refers to the Nairobi Declaration and its reference to expanding just energy transition and renewable energy generation. This is well reflected in the objective of SEFA of universal access to sustainable, reliable and affordable energy services.

The specific ToC of Danish Support to SEFA to engage in APRA can thus be described as follows: *If Denmark support SEFA to become one of the implementing vehicles of APRA, then APRA will be stronger connected to AfDB and concessional finance for implementation of the two legs of APRA (finance and private sector), then both SEFA and APRA will be able to deliver its expected impacts in Africa, and strong synergies and more efficient implementation of the partnership will be realised.*

The main assumptions behind SEFA's ToC are that private investors will have a continued investment interest in renewable energy if projects are well-designed and based on a solid regulatory environment. Furthermore, that technology costs for renewable energy and storage is expected to continue to fall making the business case for bankable projects even stronger. Also, it is assumed that African national governments will continue moving towards transparent, competitive tendering for privatized renewable energy generation. To achieve this, SEFA will collaborate and work with regional member countries, private enterprises, public sector agents, private project developers, and public institutions through open and transparent calls for proposals and tenders. It is in this context the frontrunner countries in APRA can prove to have an important role in leading the way for other more hesitant African countries. The risks are elaborated more in chapter 8 and annex 4.

## 5. Summary of the results framework

The Danish contribution will make additional financial resources available for SEFA to specifically assist APRA countries in the years 2024-2030. By channelling the resources through an existing and well-functioning facility like SEFA it is ensured that the extra resources are made available faster and with lower transaction costs than if a totally new implementation mechanism were to be set-up. That also means that the Danish support will be part of SEFA's existing modalities including the current results framework. In fact, Denmark has made a point out of not insisting on new goals being added to the results framework to reflect the extra

resources for APRA-countries. Instead, selected parts of the existing results framework will serve to monitor the performance of SEFA’s support to APRA.

From SEFA’s monitoring and evaluation (M&E) handbook the following indicators can be tracked: New connections, new renewable energy capacity, energy savings, direct employment, reduced greenhouse gases, co-investment mobilized, policies, regulations, and institutional frameworks, institutional capacity enhancements, household cost savings, stakeholders trained, and sector procurements executed. Each of these indicators can be applicable to upstream, downstream TA, or concessional investment projects, depending on the nature of the specific project.

Not all of these SEFA indicators will be relevant to APRA related engagement of SEFA. The following Africa-wide key outcome and output indicators have been selected from the SEFA log-frame with a view to what is most relevant in an APRA context – and they are reflecting the above mentioned selected two themes and primarily concessional finance window. The results achieved in APRA-countries against these continent-wide outcome targets will form the basis for the reporting. The SEFA reporting framework is aligned with the AfDB results framework using standard sector indicators in line with New Deal on Energy for Africa (NDEA).

There will be focus on measuring and documenting the impact of additional Danish funds. Progress will be tracked and presented as an integral part of SEFA’s annual and semi-annual reports, as well as in quarterly Governing Council meetings, using data from the current results framework – and be presented in narrative or quantitative parameters.

For downstream TA projects and concessional investment projects, SEFA provides tentative estimates of total investment volumes and tCO2e reductions. These estimates are approximate and based on the current project pipeline. Below is a table with estimated outcome indicators for both concessional investment projects and downstream TA projects.

**Table 3: Summary Results Framework**

Project title		Danish Support to Sustainable Energy Fund for Africa (SEFA) to Engage in the Accelerated Partnership for Renewables in Africa (APRA)	
Project objective		Universal access to sustainable, reliable and affordable energy services through early-stage technical assistance and catalytic co-financing in APRA countries.	
Impact Indicators		Share of RE in energy mix in Africa (% of installed MW from renewable energy technologies)	
Baseline	Year	2013	17 %
Target	Year	2030	49 %
Outcome		Increase access to sustainable energy	
Outcome indicator		People with new electricity connections (number)	
Baseline	Year	2019	9,000
Target	Year	2025	3,300,000
Target	Year	2030	7,500,000

Outcome		Increase adoption of Renewable Energy	
Outcome indicators		New renewable power capacity installed (MW)	
Baseline	Year	2019	88
Target	Year	2025	1,500
Target	Year	2030	3,000

## 6. Budget

The additional Danish contribution for SEFA to Engage in APRA will be a total of DKK 100 million. The grant will be frontloaded with disbursements in 2024-2027, compared to the grant period of 2024-2029. The Danish contribution will be preferenced work towards support to and implementation of APRA-related country work plans, and targeted to two thematic areas, and primarily to the concessional investment window, but relative distribution across these themes and windows will not be defined upfront. The practical implementation of the engagement will follow the current SEFA operational procedures, incl. for developing and structuring investments, while being informed by the workshops and work plans of APRA countries, and thus the country-specific requests. The Danish contribution can only be used in APRA member ODA eligible countries.

Since all of SEFA's presently available financial resources are already notionally allocated to an indicative pipeline through to end of 2025, the Danish preferenced contribution will ensure that new resources are made available for activities in APRA countries. Thus, the additional Danish APRA contribution will support deeper engagements in these countries, than SEFA would otherwise have been able to provide, given current resource constraints.

SEFA has identified an overall indicative allocation of resources between the two thematic areas relevant for APRA.

- Approximately 50-55 pct. of the operational fund can be expected to flow to the Green Baseload thematic areas as these projects tend to be larger in scale as they are connected to the grid.
- Approximately 40-45 pct. of SEFA's resources can be expected to be allocated the Green Mini-Grids area as these projects tend to be smaller village electrification projects where volume is achieved through programmatic approaches.

The Danish grant will follow the overall SEFA distribution matrix, but ensure that most funding will be targeted to the concessional financing window, which represents approximately two-thirds of the active portfolio (with one-third going for technical assistance operations). These allocations are indicative and will be subject to revisions and modifications, based on market conditions and demand from clients. The AfDB will be given a 5 pct. administration fee.

The budget also reflects the tentatively suggested Danish secondment, mentioned earlier, which amongst others will act as an interlocutor for APRA within SEFA and maintain open lines to IRENA, DEA, other APRA partners, and not least APRA countries. Currently, secondments are somewhat challenging to facilitate to AfDB, however, changes are underway. Please see the budget note for further elaboration of the secondment.

**Table 4: Budget**

<b>DK contribution DKK (millions)</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
Green baseload	12.25	12.25	12.25	12.25	50.0
Green Mini-grids	11.50	9.50	9.50	9.50	39.0
Secondment <sup>3</sup>	0.0	2.0	2.0	2.0	6.0
Admin costs (5%)	1.25	1.25	1.25	1.25	5.0
<b>TOTAL</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>100</b>

Regarding SEFA’s overall financial situation as per end August 2024, a total of USD 533.4 million has been pledged of which USD 425.0 million has been disbursed from donors to SEFA. A total of USD 303.3 million had been committed into projects, which corresponds to 71 pct. of amounts disbursed by donors. This shows that SEFA has been effective in committing the funding into projects, taking into account the existing investment team capacity and Bank ecosystem to process transactions. Looking ahead, SEFA is expected to approve new projects to a total of at least USD 70.0 million by end of 2024 and at least USD 135.0 million in 2025. These are conservative figures based on actual projects at appraisal stage (approx. 24 projects representing USD 205.0 million). This would consume all the capital previously pledged by SEFA’s donors. The wider pipeline of projects under consideration in the 2024-2025 period adds up to 38 projects (including projects in “reserve”) and totals USD 340.0 million. This is a strong indicator of the high demand for SEFA projects and that there is room for additional Danish funding.

## 7. Financial Management, planning, monitoring and reporting

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

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

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<sup>3</sup> A secondment will be offered as part of the Danish support to SEFA to Engage in APRA. The terms of reference for the secondment will be agreed upon after funding has been secured and when there is clarity around which conditions AfDB will offer the seconded. The actual cost will depend on the secondees professional background and family situation. The main area of responsibility for the secondee will be to support of SEFA’s engagement in APRA.

The activities of the SEFA will be subject to reporting as well as accounting, financial control and auditing in accordance with Danida's General Guidelines for Accounting and Auditing of Grants channelled through Multilateral Organisations.

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

The governance structure of SEFA and APRA, as well as the indicated measures of SEFA participation in APRA country workshops and work planning, regular meetings between SEFA and IRENA, a potential secondment, and attention to coherence from MFA and DEA, as presented in chapter 2.2. constitutes the framework for Denmark's possibilities to pro-actively monitor SEFA's APRA-activities and outputs as well as Denmark's potential role in providing direction and oversight over SEFA operations. SEFA annual in-person meetings with the Governing Council (GC) consists of SEFA donors and Bank management and review progress in previous calendar year and approve the Annual Work Plan and Budget (AWPB) for the following year. In addition, there are GC Quarterly Calls, Semi-Annual Reports and the Annual Report (also approved by the GC). It should be noted that the current SEFA pipeline for APRA countries presented in table 2, solely consists of projects above the 1 million threshold. These projects will all require clearing by the Governing Council, where the Danish MFA has a seat. As for progress on project implementation the semi-annual reports are on a level of detail that permits monitoring of the initial phases of individual project/investment preparation. Completion reports are required for all individual projects/investments and will thus document the results of individual projects.

While SEFA teams are organized around thematic areas with some degree of technical specialization, it remains largely a horizontal organization where experts are able to work across various different projects, instruments and topics, and consulted in key decisions. As such, overall human resource management is nimble and evolving/adapting with priorities and workload, with knowledge and skills being deployed across diverse projects. Weekly "all-hands" team meetings and an institutionalized internal peer review system ensures that learnings across the entire portfolio are harnessed into new projects. Furthermore, most of the experiences and lessons learnt are documented and shared both internally at SEFA and Bank level, as well disseminated more widely through technical webinars and participation in selected industry events.

AfDB has a robust anti-corruption policy and procedures in place. The Integrity and Anti-Corruption Department monitors the adherence to the policy and procedures and has the mandate to carry out independent investigation into allegations of corruption and other sanctionable practices in all Bank operations, including trust funds. The department is independent from operations and reports directly to the BOD and the President of the Bank. It is emphasised that Denmark maintains a strict policy of zero tolerance towards corruption in all its forms. Maximum openness and transparency are essential when fighting corruption and information concerning the public sector is generally accessible to the general public in accordance with the Danish Public Administration Act and the Danish Act on Access to Public Administration Files. Therefore, any reports on corruption will be made publicly available to the Danish MFA.

The Danish MFA also has a zero tolerance for inaction approach to tackling sexual exploitation, abuse and harassment (SEAH) as defined in UNSG Bulletin ST/SGB/2003/13 and the definition of sexual harassment in UNGA Resolution A/RES/73/148. AfDB will take appropriate measures to protect people, including beneficiaries and staff, from SEAH conducted by its employees, associated personnel and contractors and take timely and appropriate action when reports of SEAH arise and in line with its own policies, notably the Integrated Safeguards System, the Code of Conduct and the Bank Group's Initiatives to Safeguard Against Sexual Exploitation, Abuse and Harassment (SEAH) adopted by the AfDB Board in 2021.

Also, consistent with United Nations (UN) Security Council Resolutions relating to terrorism, including UNSC Resolution 1373 (2001), 1267 (1999), 2462 (2019), the European Union's (EU) Consolidated list of persons, groups and entities subject to EU financial sanctions and other related resolutions the Parties are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of Denmark to seek to ensure that none of its funds are made available to, or for the benefit of, third parties - whether entities, individuals or groups of individuals - designated by the EU as subject to restrictive measures in the lists provided at [www.sanctionsmap.eu](http://www.sanctionsmap.eu) or individuals, groups of individuals or entities associated with terrorism or designated by the UN Security Council and its committees.

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

In addition to the monitoring aspects mentioned in chapter 5 (Result Framework) and above, the following can be observed: SEFA has an established monitoring and reporting system to track project performance. SEFA beneficiaries are required to submit annual reports and audit reports until the implementation of the activities financed are finalized. SEFA also provides annual and semi-annual reports to the GC. The SEFA Technical Unit reports on the overall portfolio with reference to the SEFA Special Fund's results measurement framework (part of result frame highlighted in chapter 5) contained in the Operational Procedures, and highlight the risks and mitigation measures for the portfolio. As previously mentioned, a M&E Handbook has been developed to ensure solid methodologies to report progress towards donors and the AfDB Board. Quarterly reports highlight progress on the pipeline and portfolio, facilitating adaptive measures and continuous learning. Finally, project completion reports are required for all SEFA projects. These completion reports are used to evaluate the relevance, efficiency, and effectiveness of SEFA support. As a learning organization, SEFA uses insights gained to improve efficiency, innovate solutions, build capacity, inform policy, and engage stakeholders effectively in promoting sustainable energy development across Africa.

Funds from Denmark to SEFA will be disbursed once a year following the approval of the previous year's annual report and accounts. An annual disbursement of DKK 25,0 million over a 4-year period between 2024 and 2027 is foreseen, but could be accelerated if considered relevant and supported by strong demand/pipeline. KLIMA will require a written request before any transfers can be made in accordance with AMG. The Danish MFA reserves the right to carry out any technical or financial review mission that is considered necessary to monitor the implementation of the program. After termination of the program support, Denmark reserves the right to carry out an evaluation in accordance with this article.

Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures, while respecting sound international principles for financial management and reporting.

Results will be communicated in a number of ways (annex 7). These will include SEFA annual/semi-annual reports, press releases, participation in events and meetings in an APRA context, contribution to newsletters articles and interviews will document project approvals, operations and results. Target audiences will include the general public, development partners, civil society, media professionals, opinion makers, experts, potential and existing donors. As an active communicator AfDB/SEFA has the potential to be an influential and impactful knowledge bank for the transition to renewable energy in APRA-countries.

## 8. Risk Management

SEFA's risk and mitigation measures are in accordance with AfDB policies, guidelines, and procedures. Below are the main risks identified for SEFA 2.0 which will also be relevant for operations in APRA countries:

Although the APRA countries are self-declared frontrunners regarding the green transition, there is still a risk that the enabling environment in partner countries do not sufficiently encourage renewable energy and energy efficiency deployment. To respond to this risk, SEFA will support development of enabling environment through TA support addressing key bottlenecks identified in regional member countries (though not the focus of this contribution).

Other contextual risks include SEFA's projects exposure to political unrest not least in fragile situations, which can negatively affect implementation. In such situations, all SEFA engagements will follow AfDB's approach to dealing with "de facto" Governments as sanctioned by the Board of Directors. A detailed due diligence of funding requests in concerned countries shall involve as required other internal departments and teams, including the Bank's fragility department. For those instances where Government support is envisioned, AfDB will operate as the implementing entity and have direct control of contractual arrangements, implementation of activities and payments to service providers.

Corruption is another contextual risk. Therefore, all SEFA projects are subject to AfDB's Whistle Blowing and Complaints Handling Policy. If firms or individuals breach policy, including corrupt, fraudulent, collusive, coercive and obstructive practices, the AfDB will impose relevant sanctions regulated in the AfDB's Sanctions Procedures.

Programmatic risk includes public sector constraints in regional programmes and the often limited capacity of local partners, which can negatively affect implementation of projects. To respond to this risk AfDB staff in regional and country offices provide close coordination with project implementation units and provide targeted development support for partners.

The financial risks, including of defaults for concessional investments provided by SEFA Special Fund will be borne by SEFA alone. SEFA will manage this risk through a stringent due diligence process and with support from the Bank's credit risk team. Given the catalytic nature of SEFA concessional investments, the risk of default is expected to be above the levels faced by other debt and equity investors, even with mitigation measures in place. Other financial risks include inflation, rising input costs and currency risks. Here, SEFA is increasingly exploring demand-stimulation activities and productive use applications. Off-taker risk for both grid-tied projects entering contracts with insolvent national utilities as well as for decentralized energy projects selling power directly to businesses and households is also a financial risk, which can be mitigated through partial credit guarantee arrangements and other off-taker risk mitigants put in place by investors.

Institutional risks are primarily connected to SEFA staffing and resources. Since 2020 with the transition to Special Fund, SEFA has been converting the key long-term consultant positions into project staff positions while long and short-term consultants continue to be deployed to meet specific capacity and skills constraints. Thus, SEFA has been strengthened institutionally to mitigate risks related to institutional capacity. Lastly, institutionally risks also covers AfDB at large since procedures and performances here can have a direct impact on SEFA's APRA-operations. Although largely positive the latest assessment by the Multilateral Organisation Performance Assessment Network (MOPAN) of the AfDB was published in July 2023 high-lighted less than satisfactory result under efficient delivery as well as disbursements. These risks will be mitigated through AfDB's ongoing efficiency reform program.

## 9. Fund closure and donor withdrawal

SEFA 2.0 operations has 2029 as sunset date; however, the current portfolio and pipeline is dominated by long-dated investment operations, which are expected to outlive the initial 10-year term and be reimbursed long after the sunset date. As part of the SEFA 2.0 mid-term review, an initial set of options will be presented and discussed with GC regarding the future of SEFA beyond 2030.

Until then, the SEFA Special Fund will administer, manage and report on the reflows from concessional investments, including loans, equity and reimbursable grants deployed from its resources. Reflows will flow back into the SEFA Special Fund and may be re-deployed for new projects. The base case scenario is that, if the SEFA Special Fund ceases to exist prior to receiving reflows from its concessional investments, the outstanding credits would continue to be managed under the Special Fund Arrangement and Operational Procedures document, and would be deployed for purposes that the GC and AfDB may agree at such time.

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

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Annex 2: Partner Assessment

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## Annex 1: Context Analysis

As the present grant is an addendum to the general support to SEFA 2.0 the following context analysis is an updated version of the analysis found in that project document, presented to the Council for Development Policy on October 14, 2021.

### 1. Poverty and inequality analysis

#### Development Challenges

- In recent years the AfDB has deployed a significant amount of resources towards Africa's transition to green growth, much of it targeting renewable energy generation investments. It was against this background that the AfDB President together with the President of the WBG in April 2024 launched a new initiative to secure electricity access for 300 million Africans by the year 2030 (WBG will deliver 250 million and AfDB 50 million).
- Renewables, are playing a larger role in providing access to energy, in part spurred by decentralised RE technologies. Of the 190 million who gain access by 2030, 68% do so via grid connections (of which two-thirds from renewables) and 32% from decentralised renewables. New business models making use of decentralised power generation technologies have considerable potential for both households and for productive uses, especially in rural and remote areas. Africa is rich in energy resources, with well over 10 TW of solar potential, 350 GW of hydroelectric potential, 110 GW of wind potential and an additional 15 GW of geothermal potential.
- Energy services in Sub-Saharan Africa are unreliable and of poor quality. Despite high tariffs, most utilities and off-takers are unable to recover operating costs. As a result, networks suffer from weak management and under-investments in critical areas, and are unable to provide sufficient generation to meet current and future demand (SEFA strategic Framework). Using renewable power in the African grids through a correct use and optimal combination of the resources available in a given location, variable renewable energy (VRE) technologies can be utilized for continuous, stable energy generation. For instance, Malawi, Lesotho, Zambia or Ethiopia have energy mixes relying on hydro, resulting in them being affected by lower levels of water due to climate change.
- Using its comparative advantage as being a trusted advisor to African Governments, the AfDB/SEFA engage with African Governments in to plan for the use of VRE technologies in planning networks that will allow VRE to be used as baseload power. SEFA providing technical assistance for power system optimization, integrated resource planning and project preparation; concessional to buy-down technology and financing costs and mitigate risks, so as to reduce the tariffs to comparable levels to fossil-fuel alternatives; and capacity-building in new technologies, including battery storage.
- The national power grid to remote and sparsely populated rural areas in Africa is costly and has often limited impact on economic development because people only can afford to pay a small amount of money for electricity. The World Bank "Africa's Pulse" recommends initially targeting grid extension to areas with higher potential for significant uptake and expansion of productive uses, while pursuing smaller-scale alternatives, such as mini-grids, in other areas.
- However, considering the relative nascence of the sector and comparatively small investment transaction sizes, there is significant challenges in inducing private sector mini-grid investments, due to lack of confidence in costs recovery. SEFA's flexible capital base allows it to de-risk investment as well as support innovative, demonstrative, "first-of-a-kind" transactions that can deliver important industry-building effects.

#### Status on SDG 7 Progress

- Jointly produced by IRENA in collaboration with the International Energy Agency (IEA), the United Nations Statistics Division (UNSD), the World Bank and the World Health Organization (WHO), and led by the IEA in 2024, an annual publication monitors global progress towards meeting Sustainable Development Goal (SDG) 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Despite improvements across indicators – such as energy access, energy efficiency, renewable energy adoption and international cooperation – the current pace of progress falls short of that required to achieve the SDG7 targets by 2030.

- The June 2024 report finds that 91 percent of the global population had access to electricity in 2022, leaving 685 million people still without access – 10 million people more than in 2021. Similarly, while 74 percent of the world’s population had access to clean cooking technologies in 2022, 2.1 billion people still relied on polluting fuels, with only modest progress expected by 2030.
- Renewables accounted for 18.7% of total final energy consumption worldwide in 2021, barely higher than the 16.7 percent in 2015; and the world is not on course to double energy efficiency by 2030, having improved by only 0.8 percent in 2021. Whilst international public financial flows in support of clean energy in developing countries rebounded in 2022 to USD 15.4 billion – an increase of 25% compared to 2021 – they remain concentrated in certain geographies, with 80% of flows directed to just 25 countries.
- The SDG 7 custodian agencies emphasise the need for intensified efforts to expand energy access, scale up renewable energy deployment, enhance energy efficiency and substantially increase international financial flows to developing countries for clean energy projects. These efforts are crucial not only for realising SDG 7 but also for achieving the global objectives of tripling renewable energy capacity and doubling energy efficiency by 2030, as well as limiting global temperature rise to 1.5 degrees Celsius above pre-industrial levels by the end of the century.

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

- World Bank et al.: The Energy Progress Report – tracking SDG7. <https://trackingsdg7.esmap.org/>
- IRENA Global Energy Transformation report – a Roadmap to 2050 SDG7: <https://sustainabledevelopment.un.org/sdg7>
- AfDB: The Bank Group’s Strategy for The New Deal on Energy for Africa 2016 – 2025
- IEA: Global Energy Outlook
- AEEP: Mapping of Energy Initiatives and Programs in Africa SEFA strategic Framework and Work Plan

**2. Political Economy and Stakeholder Analysis**

**Political Economy**

- Lack of sufficient innovative and appropriate financing, of bankable projects, of appropriate policy and regulatory environments, of pricing incentives and of coordination hampers Africa’s green transition. Renewable energy projects in Africa continue to stall because of a lack of readiness, high risk in early-stage development, and viability gaps. Thus, there is an urgent need for more risk capital and concessional project financing to stimulate investments in new technologies and businesses, optimize project economics to ensure financial sustainability and catalyze additional private investments into the sector.
- The enhancement of the investment environment – for instance through enabling policy, regulatory and institutional frameworks – contributes to alleviating risks, by supporting transparency and predictability. As part of this process, the Bank regularly publishes the Electricity Regulatory Index (ERI), a survey involving more than 40 countries that has helped to pin-point key frameworks that require attention. For instance, some of the key findings from the 2022 ERI report point to the requirement to increase the ‘political’ independence of electricity sector regulators, by enacting legislation that enables the use of levies for their funding (thus reducing reliance on budget allocations from sector ministries); as well as the conduct of electricity tariff reviews supported by cost-of-supply studies (CoSS). In addition to regulatory and institutional frameworks, least-cost planning and the competitive procurement of new electricity infrastructure should be a priority as part of lowering costs and enhancing viability. SEFA supports such processes through technical assistance programmes (e.g. in collaboration with the sector regulator in Botswana; as well as a new multinational programme that is planned for approval in 2024).
- Finally, according to the TYS (2024 – 2033), Africa is projected to have 477 million young people between the ages of 15 and 35 by 2030. Complemented by growing markets, prospective for harnessing vast natural and renewable energy resources – and subject to effective capacity-building and skills development initiatives - this could offer an opportunity to develop a workforce to facilitate Africa’s socio-economic transformation. In addition to increasing access to renewable energy and improving gender equality, this ‘demographic asset’ is an important consideration from the perspective of Africa’s just energy transition (JET) processes, noting the requirement to secure a low-carbon development trajectory for the continent, as well as the urgency to address serious social disruptions – including unsustainably high levels of migration by young people seeking better living conditions and prospects elsewhere.

## Stakeholder Analysis

- Informed by two strategic objectives – accelerated, inclusive green growth, as well as prosperous and resilient economies – AfDB’s Ten-Year Strategy (TYS, 2024 – 2033) articulates as a priority universal access, by households and productive sectors, to modern, reliable, affordable and environmentally sustainable energy – mainly in the form of electricity and clean cooking solutions. Noting the ambition for to connect more than 600 million people to electricity access by 2033, it will be necessary to increase the annual rate of new connections to 90 million (from 30 million currently) – 50% of which will be off-grid. This will be complemented by the development of viable national and regional electricity sectors – ultimately leading to the establishment of the Africa Single Electricity Market (AfSEM). Given the urgency to address the harmful health effects of cooking – especially affecting women and children - universal access by 2033 will require providing more than 1 billion people with clean cooking solutions. This will also contribute to the reduction of gender inequality, as well as deforestation. Renewable energy is at the core of the strategy. SEFA contributes to the realisation of these strategic objectives through programmes covering grid-connected renewable energy, as well as the scaling up of green mini-grids and energy efficiency.
- According to the TYS (2024 – 2033), universal access will require at least a doubling of the current rate of investment, to around USD190 billion per year through to 2030. However, the capacity to undertake investments is constrained by high debt levels, as most of the utilities in Sub-Saharan Africa are unable to cover their operating costs. As stated in the 2023 Utility Performance and Behaviour in Africa Today (UPBEAT) report, only fewer than 20% of utilities are able to recover operating and debt service costs - mainly due to such factors as high operating costs, sub-optimal pricing and poor revenue collection. This has increased the scope for private sector-led investments - including public private partnerships, private-to-private power off-taker arrangements, and Independent Power Transmission (IPT) programmes. Despite these initiatives, the role of national utilities – even if vertically de-integrated as part of sector restructuring initiatives - remains critical.
- There has been a continuous dialogue between MFA and SEFA management. Originally, the MFA contacted SEFA in late 2023 to discuss a possible role for SEFA as a vehicle for part of the planned Danish support to APRA. Further discussions took place in the margins of the SEFA Governing Council meeting in Nairobi end January 2024. The draft Concept Note to the Programme Committee was shared with SEFA management in early March 2024 and comments were invited so SEFA provided input to the CN later that month. The draft PD was shared with SEFA management in early June 2024, and further inputs and contributions were received and incorporated. Similarly, APRA facilitator and partners has been informed and consulted on the SEFA-APRA contribution. Germany, an APRA partner, who is likewise a major donor to SEFA, is considering to mirror the DK SEFA-APRA support. SEFA has also attended many of the APRA Country workshops.
- For SEFA donors, the Governing Council is the main forum for coordination and cooperation. Within AfDB, the Technical Review Committee (TRC) is one of the formal vehicles for engagement of other departments, and there are other steps in the project cycle including procurement, auditing etc. that involves other stakeholders within AfDB. For SEFA projects above USD 1 million, the approval is vested in the OC and AfDB’s Board of Directors, where a broader range of stakeholders are involved. APRA has a lean and flexible management, with a seniors committee meeting (e.g. climate/energy envoys from key countries) every quarter, discussing progress and strategic level direction setting. In addition, an annual meeting at highest level will take place, typically at the annual Conference Of the Parties of UN-FCCC. As highlighted in the main document, IRENA plays a facilitating role of APRA, and consultations between IRENA and SEFA has and are taking place.

## Key documentation and sources used for the analysis

- SEFA Operational Guidelines.
- World Bank: The Energy Progress Report
- IEA: Global Energy Outlook
- How-to note for implementation of ”The World We Share” Peacebuilding and Stabilisation

## 3. Fragility, Conflict and Resilience

- People without energy access tend to be the world's poorest and most vulnerable, living in slums, remote rural areas, indefinite term displacement areas, or fragile, conflict, violence zones. As Energy access serves as a prerequisite to underpin economic and prosperity growth, access to modern energy, has an immense potential to spur the achievement of Sustainable Development Goals also within peace-building. In the 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.

- The IEA energy outlook for Africa also notes that progress on energy access also can contribute to reducing the pressures in Africa to migrate for better opportunities. An EU funded study on “The Role of Sustainable Energy Access in the Migration Debate” concluded that while there is insufficient data to acknowledge energy poverty as a direct driver of migration, it certainly contributes to other recognised drivers such as food insecurity, vulnerability, lack of access to sufficient resources and social services. The study identified two main root causes of migration as directly related to energy access: economic and environmental drivers.
- In the Sahel region in Sub-Saharan Africa, more than 2.7 million people have been forced to flee their homes and at least 13.4 million are in dire need of humanitarian assistance due to poverty, economic insecurity and armed conflict over resources.
- Of the seven APRA countries it is only Zimbabwe that is on the WBG-list of Fragile and Conflict-Affected Situations and that country is in the least severe category of “High Institutional and Social Fragility”. However, current developments in Western Africa, also indicates a level of fragility in the region. The countries selected Sierra Leone and Ghana are currently relatively stable.
- SEFA has projects specialised to operate in fragile and conflict-affected environments such as Sub-Saharan Africa. AfDB’s/ SEFA’s flagship initiative The Desert to Power programme harness the vast solar energy potential in the G5 Sahel countries, by removing hurdles to investments in clean energy solutions to close the severe regional energy deficit. Through technical studies for the integration of variable renewable energy (primarily solar) in the grid, feasibility assessments for solar hybridization of existing isolated grids and capacity building to support the utility in Chad in integrating the first solar power project into the grid system, SEFA expects to deliver increased access to and affordability of electricity, GHG emissions reductions and enhancing climate resilience.

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

- IEA: Global Energy Outlook
- EUEI PDF: The Role of Sustainable Energy Access in the Migration Debate.
- SEFA latest workplan
- How-to note for implementation of “The World We Share” Peacebuilding and Stabilisation
- World Bank: List of Fragile and Conflict-Affected Situations: <https://thedocs.worldbank.org/en/doc>

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

### **Human Right Standards**

- SEFA operates in accordance with AfDBs safeguards. With an Integrated Safeguards System the Bank promotes best practices in within environmental and social development challenges, and encourages greater transparency and accountability. By providing project-level grievance and redress mechanisms which allow voices of concerns during project planning and implementation to be heard and addressed in a structured, systematic and managed way, SEFA/AfDB upholds the voices of people who are affected by Bank-funded operations, especially the most vulnerable communities.
- AfDB, including SEFA, consider economic and social rights an integral part of human rights, and accordingly affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples’ Rights. The AfDB also encourages member countries to observe international human rights norms, standards, and best practices on the basis of their commitments made under the International Human Rights Covenants and the African Charter of Human and Peoples’ Rights.

### **Gender**

- The How-to notes for implementation on Human Rights and Democracy and the fight against poverty and inequality of “The World We Share”, **oblige** Denmark to identify the fundamental human rights, poverty and gender equality challenges in all development activities and mainstream the gender equality perspective into all interventions and partnerships. Issues of gender and gender equality should also be considered in interventions concerning access to clean

energy for cooking, climate adaptation and environmental management. Women’s and girls’ specific roles in planning and implementing work regarding clean energy, climate adaptation and nature are a sine qua non for creating sustainable results.

- According to AfDB’s study “Empowering Women in Africa through Access to Sustainable Energy,” women and men have different energy needs linked to their gender roles; women are poorer than men (both in resources and time); and women are generally disadvantaged in terms of ownership and access to land, natural resources, credit, information and decision-making at all levels. As cooks and fuel gatherers, women and their children are disproportionately susceptible to harmful household air pollution as they rely on traditional uses of biomass, kerosene, or coal.
- Among the study’s recommendations were a shift from the traditional supply-side approach (primarily focusing on technology solutions) towards a demand-side approach (energy as an aspect of the social and cultural setting), ensuring that projects addressing women’s energy needs take into account the types of value-added productive activities typically done by women, that women should be encouraged to become involved in producing and distributing new energy technologies and services, and that gender-sensitive disaggregation of data should be adopted.
- Despite examples of women as producers, technicians and entrepreneurs in sustainable energy, the traditional energy sector is still one of the least gender-inclusive sectors. According to UNDP, women represented only 6 percent, 4 percent and less than 1 percent of the technical, decision making and top management positions, respectively, in the energy sector. Women entrepreneurs are hindered through structural inequality, in the form of discrimination in law and practice, including in access to credit. There are however several examples of women as producers, technicians and entrepreneurs in sustainable energy.
- As a cross-cutting issue, SEFA activities will prioritize the mainstreaming of gender. In order to do so, SEFA plan to upgrade its existing guidelines on gender and better integrate gender issues in operations in 2021. Though the SEFA semi-annual report 2021 contain few references to gender, the SEFA operational Procedure manual has a strong emphasis on the gender aspect with an annex on Gender Mainstreaming in Project Preparation Activities including gender assessment and analysis; participatory consultative process balancing gender realities; modalities for enhancing gender benefits and minimizing gender risks; impact indicators for SEFA projects include direct and indirect employment with breakdown by gender. The AfDB Project Completion Report format has a mandatory Section 6 – “Assessment on the performance of gender equality in the operation”. Identify key challenges and opportunities for gender equality.

## **Youth**

- In access-deficit countries in Sub-Saharan Africa, a sizable percentage of children spend time gathering fuels. In addition, based on WHO statistics, the procurement of fuels is predominantly done by girls over boys. This imbalance creates a bias from an early age as girls spend more time procuring fuels instead of other activities, for example, receiving education.
- AfDB will strive to allocate resources of the SEFA Special Fund evenly across countries and technologies, with a special focus on supporting crosscutting issues like empowerment of youth.

## **Human Rights Based Approach (HRBA) Principles**

- AfDB’s overall 10-year Strategy emphasises governance and accountability and emphasises how the Bank will support the development of capable states founded on effective institutions, good governance and regulation for economic growth—specifically, property rights, equal access to effective justice and greater participation in decision-making.
- AfDB country strategy papers address economic inclusion issues. SEFA’s operational guidelines do not explicitly address the PANT principles or a human rights-based approach to development, but these principles are addressed in different ways. The guidelines have specific requirements for descriptions of project preparation activities, including environmental and social impact assessment, gender analysis, etc.

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

- AfDB Gender Strategy 2021–2025: <https://www.afdb.org/en/documents/african-development-bank-group-gender-strategy-2021-2025>

- UNDP: [Gender and sustainable energy](#).  
ESMAP, Integrating Gender Considerations Into Energy Operations: <https://www.esmap.org/EnergyandGender>
- AfDB: Strategy 2016-2025 strategy [Jobs for Youth in Africa](#) (JfYA)  
AfDB JfYA: [Implementation Progress Report](#)  
AfDB brochure [Jobs for Youth in Africa](#) and reporting requirements.
- SEFA strategic Framework  
SEFA latest Work Plan
- How-to note for implementation of “The World We Share” Energy transition and emission reductions in developing countries (2022)
- How-to note for implementation of “The World We Share” Human Rights and Democracy (2022)

## 5. Inclusive sustainable growth, climate change and environment

- 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) which is one of the reasons why it is relevant to engage with the frontrunner APRA-countries in a SEFA context. All 54 RMCs have signed the Paris Agreement on Climate Change and have ratified the Nationally Determined Contributions (NDCs).
- AfDB’s Climate Change and Green Growth Department (PECG) has established the Africa NDCs Hub to serve as a resource pool for RMCs, and to coordinate sector activities with a view to fulfilling obligations related to the Paris Agreement. The Hub’s activities include analytical work to align country-NDCs with national development agenda, and to explore options to raise ambition necessary for low carbon and climate resilience growth on a long-term trajectory; engage global climate funds and the private sector to cater for both conditional and unconditional pledges of African NDCs; provide a platform for coordination of NDC support activities on the continent for the efficient use of limited resources. This is also important in terms of ensuring SEFA’s focused contribution to climate goals. The AfDB PEGG Department is also the anchor for AfDB’s role in the “International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting” and manages the active use of the AfDB GHG emission estimation tool, which is based on a robust methodology in line with standards applied by other IFIs.

### Key documentation and sources used for the analysis:

- AfDB Environmental and Social Assessment Procedures
- AfDB Climate Change Action Plan
- AfDB Africa NDC Hub
- How-to note for implementation of “The World We Share” - Climate adaptation, Nature and Environment

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

### Public Sector Capacity

- According to The World Bank/SEforAll Regulatory Indicators for Sustainable Energy (RISE), most of AfDBs Regional member countries need action to strengthen the enabling environment. RISE is a well-established set of indicators to help compare national policy and regulatory frameworks for sustainable energy. RISE assesses countries’ policy and regulatory support for each of the three pillars of sustainable energy—access to modern energy, Energy efficiency, and Renewable energy.
- AfDB’s Electricity Regulatory Index (ERI) for Africa is a benchmarking tool that 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:**

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

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

- World Bank ESMAP: Regulatory indicators for Sustainable Energy (RISE)
- AfDB: Electricity Regulatory Index (ERI) for Africa.
- AfDB: policy on integrity and anti-corruption and policy on sanctionable practices

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

### **Commercial engagement, trade relations and investment**

- Danish strongpoints and business potentials in energy technology and energy-related research and development is well mapped. Denmark is relatively well positioned within EE in lighting, low-energy buildings, building materials and processes, as well as reduction of energy consumption in existing buildings. Denmark also has a stronghold position in the biomass area and a strength in smart grids and system integration of variable RE. Last but not least, Denmark is a world leader in wind technology.
- 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](#).
- Finally, both the general Danish grant support to SEFA and the APRA-engagement are untied and therefore not directly associated with Danish commercial interest. However, there are many potential opportunities for commercial and substantive engagement of the Danish resource base in RE and EE solutions in Africa.
- Through an active role in the SEFA the Governing Committee and the Board of AfDB, Denmark can influence sustainable energy development in Africa and support the political impact of APRA. The approach of the Nordic countries to IFI programmes, projects and advisory services is the subject of a coming study by LÆRING.

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

- Material from Trade Council Denmark: [Guide to business opportunities | African Development Bank Group \(afdb.org\)](#)

## Annex 2: Partner Assessment

Summary of stakeholder analysis carried out in connection with Denmark's 2021 general contribution showed that SEFA is a highly relevant partner responding to key challenges and opportunities, yet also risk-prepared.

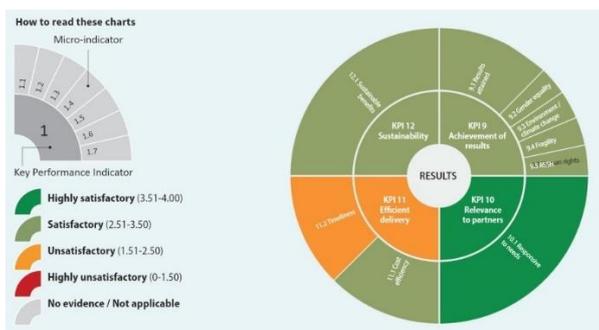
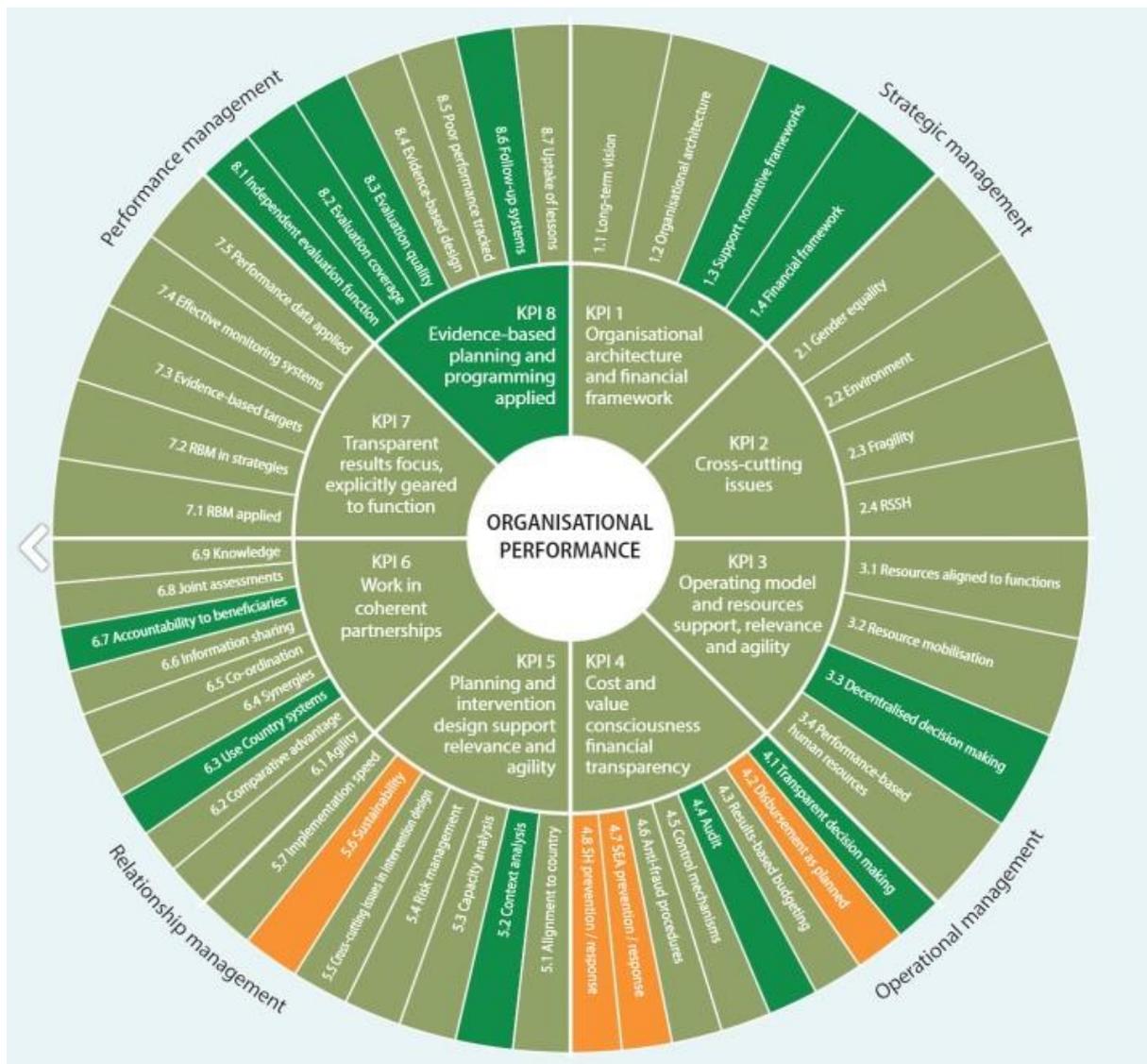
Target beneficiary groups for activities in APRA-countries will not differ from SEFA's normal beneficiaries. This will include private enterprises, public sector agents, private project developers, and public institutions such as the AfDB and regional member countries governments. Engagement with SEFA will be demand driven through concrete request to SEFA for support and through the subsequent process of SEFA support and due diligence in the approval process and later through support in project implementation. Within AfDB, the Technical Review Committee is one of the formal vehicles for engagement of other departments, and there are also other steps in the project cycle including procurement, auditing etc. that involves other stakeholders within AfDB. For SEFA projects above USD 1 million, the approval is vested in the Oversight Committee and AfDB's Board of Directors.

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

AfDB is responsible for the overall administration and accountability of SEFA and AfDB has ample capacity to carry this responsibility. The most recent assessment by the Multilateral Organisation Performance Assessment Network (MOPAN) of the AfDB was carried out in 2022-2023 and published in July 2023. The MOPAN assessment pointed out that the AfDB is Africa's largest regional multilateral development finance institution. Founded in 1963, its mandate is "to contribute to the sustainable economic development and social progress of its regional member countries both individually and jointly." Its broad goal is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. MOPAN found that the AfDB has demonstrated dynamism and made clear commitments to major reforms to further strengthen its fitness-for-purpose. Thanks to decentralisation efforts, more than 75 pct. of projects are now managed from regional hubs/country offices, and partnership and policy dialogue is stronger. MOPAN also pointed out that AfDB enjoys a privileged relationship with African governments and prides itself on being the partner of choice and a trusted advisor. This translates into a deeper understanding of needs and leadership opportunities at the country level with other partners, as exemplified in the strong relevance of the Bank's portfolio. Over the past years, AfDB has made the delivery of results more central to its development efforts and revamped institutional arrangements for quality improvements. As part of its results-based management pillars, evaluation has gained in credibility and new quality assurance instruments have

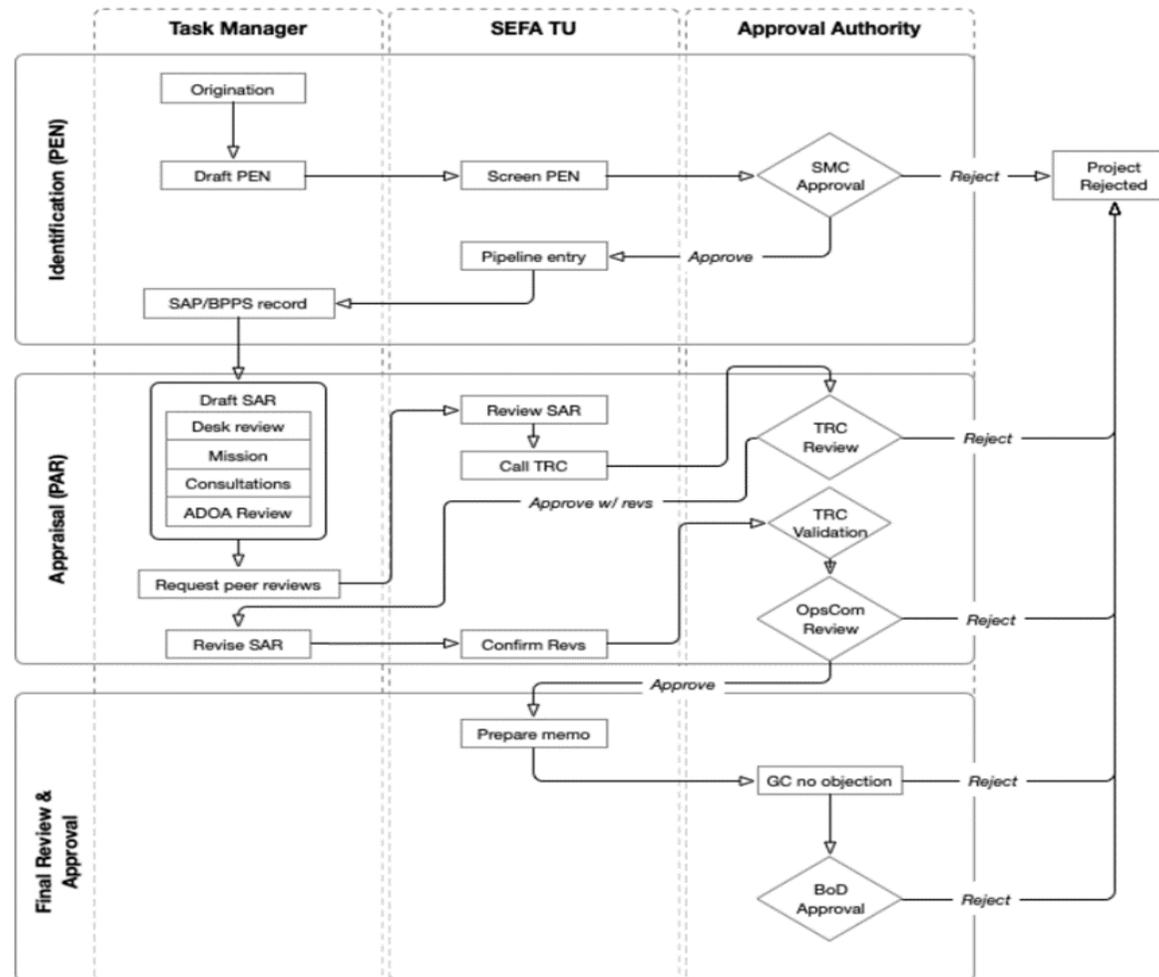
been added. Finally, MOPAN underlined that improvements are still needed to ensure strategic coherence (Ten Year Strategy, High 5s, sectoral categorisation) and a rigorous analysis of AfDB's comparative advantage is needed. This would help the AfDB to remain selective in line with core strengths while being responsive to clients' needs.

Annex 2, Fig.1: Mopan Assessment Report: AfDB Performance Rating Summary



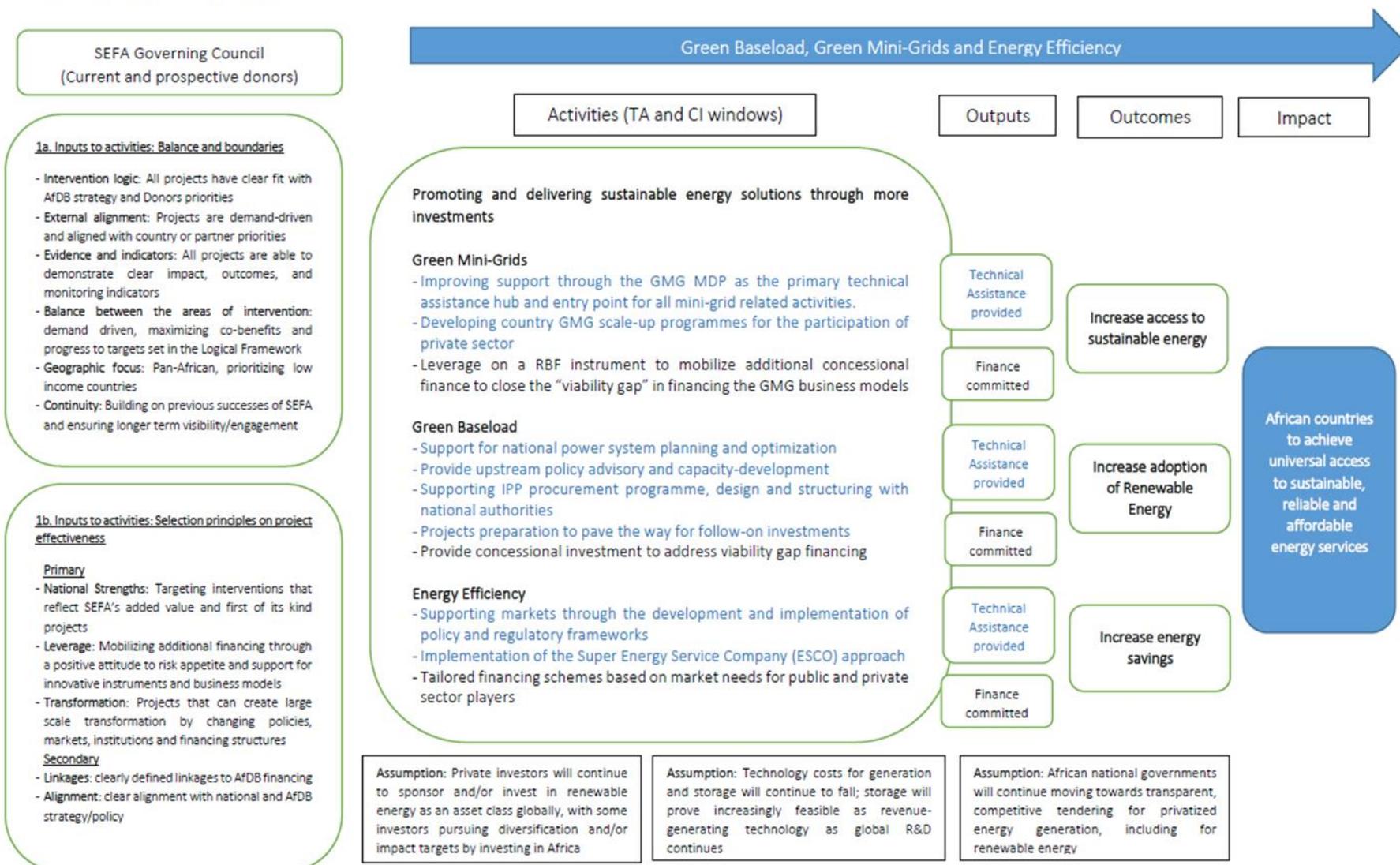
Partner name	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
AfDB	Mobilizing and allocating resources for investment in regional member countries. Providing policy advice and technical assistance to support development efforts.	<p>Medium.</p> <p>In comparison to the African Development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

Annex 2, Fig 2: Flowchart of the preparation and decision-making process of a concessional SEFA investment



# Annex 3: Theory of Change and Results Framework

## III. THEORY OF CHANGE



RESULTS CHAIN		PERFORMANCE INDICATORS	BASELINE	TARGET (USD 300m)  (2025)	TARGET (USD 500m)  (2030)	MEANS OF VERIFICATION	ASSUMPTIONS/DRIVERS
IMPACT	African Countries to achieve universal access to sustainable, reliable and affordable energy services	African population with access to electricity (percentage) (SDG7)	44 (2017)	100 (2030)	100 (2030)	SDG progress report	Assumption: African national governments will continue moving towards transparent, competitive tendering for privatized energy generation, including for renewables  Driver: Energy is the foundation for productive growth in an economy
		Cumulated energy mix in Africa (% of installed MW from renewable energy technology)	17 (2013)	49 (2030)	49 (2030)	IRENA	
		Energy intensity (MJ/USD PPP 2011) (SDG7)	7.3 (2016)	5 (2030)	5 (2030)	SDG progress report	
OUTCOMES	Increase access to sustainable energy	People with new electricity connections (number)	9,000	3,300,000	7,500,000	SEFA Annual Operations and Results Report	Assumption: Private investors will continue sponsoring and/or investing in renewable energy as an asset class globally, with some investors pursuing diversification and/or impact targets by investing in Africa  Driver: Public resources are insufficient to address the energy gap in Africa  Pursuing a low-carbon/green growth pathway is almost universally agreed by
	Increase adoption of Renewable Energy	New renewable power capacity installed (MW)	88	1,500	3,000		
		Energy savings from new investments (MWh/year)	0	730,000	1,350,000		
	Increase energy savings	Direct employment (number), of which are women (%)	105 (11%)	1,000 (50%)	2,160 (50%)		
		Reduction of carbon emissions - tons of carbon dioxide equivalent (tCO2e)	N/A	3,300,000	5,500,000		

		Total volume of investment mobilized by SEFA commitments (USD m)	457	1,800	3,100		policy makers and private power sector operators		
OUTPUTS	Promoting and delivering sustainable energy solutions through more investments	Green Base-load projects and programs deployed	Technical Assistance to projects/programs (number)	0	9	15	SEFA semi-annual and annual progress reports	Assumption: Technology costs for generation and storage will continue to fall; storage will prove increasingly feasible as revenue-generating technology as global R&D continues	
			Finance committed by SEFA (USD m)	0	143	238			
			Number of people trained, of which (%) are women	0	1,200 (50%)	2,000 (50%)			
	Mini-grids projects, assistance and programs deployed	Technical Assistance projects/programs (number)	0	9	15	Relatively high transaction costs and information asymmetry and/or lack of data will continue to hinder investment in African renewable energy, though at a rate slowly declining over time			
		Finance committed by SEFA (USD m)	0	105	175				
		Number of people trained, of which (%) are women	0	300 (50%)	500 (50%)				
	Energy Efficiency projects and programs deployed	Technical Assistance projects/programs (number)	0	6	10				Driver: Public utility models may not be best suited at reaching currently un(der)powered areas of some African countries
		Finance committed by SEFA (USD m)	0	30	50				
		Number of people trained of which (%) are women	0	72 (50%)	120 (50%)				

## Annex 4: Risk Management

### Contextual risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Enabling environment in partner countries does not facilitate RE deployment and EE.	Likely	High	To respond to this risk SEFA will support development of enabling environment through TA support addressing key bottlenecks identified in regional member countries. More complex barriers could be addressed through coordinated intervention with AfDB or African Development Fund (ADF).	Medium	Although the APRA countries are self-declared frontrunners regarding the green transition, there is still a risk that the enabling environment in partner countries do not sufficiently encourage RE and EE deployment. 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 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.
Vested interests and fossil fuels subsidy regimes in recipient countries hamper SEFA efforts to increase RE and EE.	Likely	High	Through SEFA and wider AfDB awareness-raising and capacity development, support the momentum toward the green energy transition demonstrating the benefits of RE deployment and increased EE, the avoidance of stranded assets, etc.	Medium	The price of fossil-fuels based energy is an important factor in promoting and uptake of RE and EE. There is growing recognition of the negative consequences of fossil fuels subsidies, but this is controversial and changes in subsidy schemes have led to social unrest in many countries and there are strong vested interests. Lower prices on renewable energy and increasing awareness is positive.
SEFA projects affected by political instability or unrest, leading to	Likely	High	Careful due diligence of funding requests including environmental and social assessment procedures (ESAP).	Low	SEFA currently operates in several countries that area fragile/conflict affected. Component I project preparation support and Component III enabling environment

lack of engagement and commitment with stakeholders and potential danger to project participants.			Investment mobilisation integrate high risk on investment return in fragile states from the beginning in project design.		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.
Generally, a high level of corruption.	Likely	Low	All SEFA projects are subject to AfDB's Whistle Blowing and Complaints Handling Policy. If firms or individuals breach policy, including corrupt, fraudulent, collusive, coercive and obstructive practices, the AfDB will impose relevant sanctions regulated in the AfDB's Sanctions Procedures.	Low	There is a relative high risk of corruption in the countries where SEFA is operating.
Political commitments to a green energy transition in RMCs could be undermined due to changes of government and/or political priorities.	Likely	Medium	SEFA alignment to robust international frameworks including the relevant SDGs and the Paris Agreement on Climate Change. Awareness-raising and capacity development, and demonstration of benefits of the energy transition. Undertake political economy analysis for enabling environment support. Facilitate the sharing of impact and success stories among peers also in other countries with comparable framework conditions.	Low	There is always the possibility of a change of government and related shift in policy priorities in RMCs and not least in the fragile/ conflict affected RMCs this could undermine political commitment to strengthening the enabling environment for RE and EE. The robust international framework of the SDGs and the Paris Agreement on Climate Change as well as the "power of the example" from other countries with similar conditions can help mitigate this risk. AfDB's strong credibility and leverage with RMCs is also a positive factor.
NDCs (and national sectoral policies and strategies) with which SEFA projects will align, could prove to be vague and unambitious or are not enacted.	Likely	Low	With regard to NDCs, the AfDB <a href="#">Africa NDC Hub</a> is an important initiative with which SEFA should liaise closely provide inputs to raising the level of ambition in NDCs by 2020.	Low	The Africa NDC Hub provides an opportunity for the Bank and its partners to engage national, sub-national, non-state actors and private sector representatives on appropriate policies, strategies and actions tailored to suit individual needs of African countries to enable them deliver their climate change commitments under the Paris Agreement. The NDC Hub will also support African countries in mobilizing finance at scale to support national sustainable development imperatives.
Over-supply of energy in some RMCs, but too limited focus on	Likely	Low	SEFA's focus and comparative strengths are in RE deployment and EE improvements off-grid, in green mini grids (GMGs) and also on-grid -	Low	The SEFA team notes that Africa has a transmission and distribution problem that is often ignored in favour of

transmission and distribution hampers sustainable energy development objectives.			with a focus on the end user of energy. With regard to transmission, SEFA should strive for synergy and complementarity with other AfDB lending.		new generation capacity. AfDB has a major lending portfolio of transmission and distribution infrastructure with which SEFA should maximise synergies and complementarities.
Political instability or unrest can negatively affect implementation.	Likely	Low	All SEFA engagements follow AfDB's approach to dealing with "de facto" Governments as sanctioned by the Board of Directors. A detailed due diligence of funding requests in concerned countries shall involve as required other internal departments and teams, including the Bank's fragility department.	Low	SEFA is committed to supporting transition and fragile states, it is therefore exposed to risks of political instability or unrest, which can negatively affect implementation. Since 2020, Africa has seen a "coup epidemic" in west and central sub-regions (and in particular in Sahel countries), where nine coups (and a transition from civilian to military rule) have occurred.

### Programmatic risks:

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

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

### Financial risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Inflation and rising costs of materials, services and capital.	Likely	Medium	SEFA's ability to tailor the concessionality of its instruments act as a mitigant, as has already been the case with the "Covid19 Off-Grid Recovery Platform" and the "Covid19 IPP Relief Programme", both geared to close viability gaps induced by supply chain disruptions and costs escalations in the wake of Covid pandemic.	Medium	Rising inflation etc. has become a reality in many African economies over the last years, sometimes severely challenging the business cases for RE and EE projects
Currency risks between local African currencies and hard currencies.	Likely	Medium	While SEFA does not normally take "naked" currency risk, it does support the development of financial solutions that can act as mitigants. Examples include investments in facilities that are able to manage a book of cross-currency swaps (eg.	Medium	Currency risks and challenges associated and volatility, convertibility and transferability of local African currencies has become a real problem, creating financial

			Facility for Energy Inclusion) or the development of a convertibility facility (eg. Under development in Ethiopia for the SEFA-funded DREAM Programme, to be backstopped by the Government).		stress in projects and companies whose liabilities are denominated in hard currencies.
Off-taker risk with insolvent national utilities as well as projects selling power directly.	Medium	Medium	SEFA is increasingly exploring demand-stimulation activities and productive use applications to mitigate demand and payment risks. SEFA may benefit from partial credit guarantee arrangements and other off-taker risk mitigants put in place by investors.	Medium	Off-taker risk is significant for both grid-tied projects entering contracts with insolvent national utilities as well as for decentralized energy projects selling power directly to businesses and households.

### Institutional risks:

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient continuity and capacity in SEFA team staffing.	Likely	High	SEFA has been moving towards full-time long-term (multi-year) contracts (i.e. project staff) for key positions. Short-term consultants will continue to be deployed to meet specific capacity and skills constraints.	Medium	The supply of SEFA funds and SEFA processing is limited by the resources available and the 2022 External Review found that “There is a strong consensus that staff and resources are severely stretched, given the workload”.
Unrealistic expectations to project impact in terms of CO <sub>2</sub> emission reductions and financial leverage.	Likely	Medium	Proactively use impact drivers in SEFA Theory of Change. Use the AfDB greenhouse gas emission estimation tool for both RE and EE projects and include relevant assessments of emission reductions in SEFA results reporting. Make the methodology for assessing SEFA’s financial leverage explicit and report accordingly.	Low	As the Danish contribution to SEFA is proposed to be funded from the Climate Envelope, the mandatory core indicators include emission reductions and financial leverage.
Delays in project approval at AfDB-level	Possible	Medium	Delays caused by AfDB-procedures can be difficult to tackle at the level of individual trust funds, however general awareness of such challenges as well as bank-wide efforts to improve performance regarding efficient delivery as well	Medium	The relatively bureaucratic procedures of AfDB have on some occasions previously delayed projects. This has been underlined by the appraisal team’s talks with stakeholders with in-depth knowledge of the Bank. The latest MOPAN Assessment from 2022-23 clearly

			as timely disbursement rates will work to mitigate these challenges.		indicates an unsatisfactory Result under KPI 11, Efficient Delivery – Timeliness as well as an unsatisfactory Organisational performance on KPI 4, Disbursement.
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## Annex 5: Budget Details (SEFA overall)

### SEFA Operational Budget 2021, 2022 and 2023.

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

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

## Annex 6: List of Supplementary Materials

#	Documents / Material	Source
	SEFA Annual report 2023	SEFA, July, 2024
	SEFA Multi-donor Arrangement signed by Denmark	Signed by MFA Africa Department 20 June 2014
	The Bank Group's Strategy for The New Deal on Energy for Africa 2016 – 2025	AfDB, 2016
	MOPAN Assessments of AfDB, <a href="https://mopanonline.org/">MOPAN   Multilateral Organisation Performance Assessment Network (mopanonline.org)</a>	MOPAN, July 2023
	SEFA Operations Procedure Document: <a href="https://www.afdb.org/sites/default/files/documents/policy-documents/sefa_operations_procedures_document.pdf">https://www.afdb.org/sites/default/files/documents/policy-documents/sefa_operations_procedures_document.pdf</a>	SEFA, March 2020

## Annex 7: Plan for Communication of Results

<b>What? (the message)</b>	<b>When? (the timing)</b>	<b>How? (the mechanism)</b>	<b>Audience(s)</b>	<b>Responsible</b>
SEFA deliver tangible and important results in APRA countries	2024-2030	SEFA is implementing projects in APRA-countries that have a direct impact on the green transition in Africa. Documentation through Publish Annual Reports on project approvals, completion of operations per strategic priority area and instrument and completion of operations per strategic priority area and instrument	The public, potential and existing donors, development partners, civil society, media professionals, opinion makers, experts and internally in the institution.	SEFA
SEFA is an influential and impactful knowledge bank for the transition to renewable energy in APRA-countries	2024-2030	Through attendance, participation and organisation of events and meetings in an APRA context (COP, Africa Conferences etc.), SEFA will increase SEFA's visibility as an APRA partner of choice, as well as communicate actual delivery of finance and investments. SEFA is leveraging its know-how and experience through the production, communication, and dissemination of knowledge products; Annual Report Semi-annual report	The public, potential and existing donors, development partners, civil society, media professionals, opinion makers, experts and internally in the institution.	SEFA
Case(s) of SEFA success story in APRA-countries	2024-2030	SEFA communicates its achievements through press releases, contribution to newsletters articles and interviews.	Danish resource base and wider development community.	MFA Public Diplomacy.

## Annex 8: Process Action Plan for Implementation

Action/product	Dates/Deadlines	Responsible	Comments/questions
Final Project Document send to UPR	23 September	MFA/KLIMA	
Present the project to the Council for Development Policy (UPR).	23 October	MFA/KLIMA	
Approval of the project presented to the Minister for Development Cooperation and Global Climate policy.	Mid October	Minister for Development Cooperation and Global Climate Policy	Soonest after the meeting of the Council for Development Policy.
<b>Actions following the Minister's approval:</b>			
Document for Finance Committee (Aktstykke) and presentation to the Parliamentary Finance Committee.	Mid October	MFA/KLIMA	
Sign Grant Agreement between MFA and SEFA.	Mid October	MFA/KLIMA	
Publish Grant on Danida Transparency/ Danida Open Aid.	Late October	ELK/MFA/KLIMA	After approval by the Minister and signing of Agreement.
<b>Implementation phase for new Danish support:</b>			
SEFA request to Denmark for first disbursement.	Late October	SEFA	
First disbursement to SEFA.	Early November	MFA/KLIMA	
Project implementation.	2024-2030	SEFA	
Meetings in the SEFA governance/ management structure.	As per agreed schedule	SEFA	.
Mid-term Review (MTR).	TBD	MFA/ELK with MFA/KLIMA	
Progress and final reporting.	As per agreed schedule	SEFA	
Final Results Report within MFA	TBD	MFA/KLIMA	