



# THE FINANCING OF THE ENERGY TRANSITION IN SENEGAL

## Green promises, unequal gains?

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Senegal's energy transition is at a critical juncture. While the country has made significant progress in terms of access to electricity and the integration of renewable energies, its energy financing model remains heavily dependent on foreign private investment and favors the latter. This implies debt-based financing and risk mitigation mechanisms that protect investors while risking increased fiscal pressure on the state.

This study examines the financial mechanisms underlying Senegal's energy transition, highlighting their implications for national sovereignty, a just transition, transparency, and accountability. It also explores alternative financing models, such as community initiatives like the "Progrès Lait" project and the "Programme d'accès aux énergies renouvelables" (PAER), which integrate renewable energy into local economies and strengthen energy sovereignty.

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# KEY EVIDENCE

- Senegal’s energy transition is shaped by deep structural inequalities embedded in the global financial architecture, which prioritizes on-grid utility-scale renewable energy projects. This has led to the dominance of large-scale, foreign-owned IPPs (Independent Power Producers), reinforcing financial dependency and perpetuating unequal socio-economic consequences.
- Most of the privately owned renewable energy projects are foreign financed, illustrating Senegal strong foreign finance dependency in energy production, which may potentially represent a fiscal risk for the national budget, undermining national energy sovereignty and giving international financing institutes means to interfere with national energy politics.
- It’s not the origin of the funds that has a negative impact on the country, but rather the financing methods, which are disadvantageous for Senegal, with high transaction costs, exorbitant interest rates and take-or-pay clauses.
- Just like in other African countries, risk perception remains a significant barrier to investing in renewable energy in Senegal and pushes the State towards derisking mechanisms, while investors in turn will demand high returns on their investments, rendering capital costs exorbitantly high.
- On a local scale, utility-scale projects can perpetuate global inequalities if they are not improved for better adherence to “Just Energy Transition” principles, human rights, and environmental protection. These include unequal financial integration of domestic actors, a lack of added value for the local economy, other injustices such as land grabs, environmental damage, etc., as well as little recognition of the voices and concerns of marginalized groups living close to these power plants.
- Community-owned renewable energy projects demonstrate that locally led, socially embedded energy solutions can drive economic development, strengthen local knowledge, and enhance energy sovereignty – but they need sustained financial and policy support to scale up and be competitive next to utility-scale projects.
- Lately, the IPP model has proven successful in increasing renewable energy capacity and electricity production. While Senegal will need to build on those efforts, a just energy transition requires shifting from debt-driven, foreign-controlled financing to a form of cooperation that is more beneficial to the national economy and brings out the national private sector and skills, community-led projects, strengthens state capacity, and prioritizes social equity over profit.

# EXECUTIVE SUMMARY

## 1) INTRODUCTION & CONTEXT

The energy transition of Senegal is at a turning point. While the country has made significant strides in increasing electricity access and integrating renewable energy, its energy financing model remains heavily dependent on foreign private investment and prioritizes foreign private investment. In this case, debt-based financing and risk-mitigation tools are used to protect investors while putting more financial pressure on the state. The dominant model of Independent Power Producers (IPPs), exemplified by the Taiba N'Diaye wind farm – the largest in West Africa – demonstrates how these projects rely heavily on sovereign guarantees and international financial institutions (IFIs) to attract capital. While these projects expand electricity generation, they also reinforce financial dependency, lead to local socio-economic inequalities, and create an energy system that primarily serves investor interests rather than national development.

This study critically examines the financial mechanisms underpinning Senegal's renewable energy transition, highlighting their implications for national sovereignty, a just transition, and public accountability. It also explores alternative financing models, such as community-led initiatives like the "Progrès Lait" project and "Programme d'Accès aux Énergies Renouvelables" (PAER), which integrate renewable energy into local economies and enhance energy sovereignty.

## 2) KEY FINDINGS

The Independent Power Producers (IPP) debt-financed model and its risks

- The global financial architecture prioritizes "bankable" projects, favouring large-scale, IPP projects that offer predictable returns for private investors.
- Debt-based financing dominates Senegal's renewable energy landscape, with over 75% of project finance relying on loans backed by sovereign guarantees and investment guarantees from IFIs. These guarantees shift financial risks from private investors to the Senegalese State, creating potential fiscal burdens through contingent liabilities.
- The majority of equity investors and lenders are based in Europe and the USA, while project construction and operation are dominated by multinational corporations. Senegalese actors remain marginalized in decision-making and financial benefits, reinforcing economic dependence and limiting the country's ability to develop local industrial capacity in the energy sector.
- Lack of transparency in project contracts prevents public scrutiny, making it difficult to assess whether these guarantees are excessively generous or place undue financial strain on the national budget.

Economic Exclusion and Inequality in Energy Access

- IPP projects are limited to generating little local benefits. IPP projects generate limited local benefits, as financing, construction, and long-term operations remain controlled by foreign firms. Senegalese SMEs and workers play only marginal roles, with most jobs created being short-term and low-skilled.
- Despite the limited local benefits typically associated with IPP projects, renewable energy developers in Senegal have taken steps to engage with local communities through stakeholder consultations, endeavouring to address community concerns within project planning.

- Energy access remains unequal, particularly in rural areas where the national grid does not reach. While mini-grid and solar home systems are expanding, they are often expensive and rely on consumer debt (e.g., high-interest PAYGO models<sup>1</sup>), increasing financial precarity.

Alternative Models Exist but Need Support:

- Community-led energy models demonstrate that renewable energy can directly support local economies, create sustainable jobs and foster local ownership. However, these models face significant barriers to expansion due to limited potential for economies of scale, coupled with insufficient financial and policy support.
- Public financing institutions and domestic resource mobilization remain underdeveloped, leaving Senegal reliant on external debt and foreign capital. Strengthening national financing mechanisms is crucial for ensuring an energy transition that benefits the country rather than foreign investors.

### 3) ECONOMIC ALTERNATIVES AND POLICY IMPLICATIONS

A just energy transition requires breaking dependence on foreign-led financing and strengthening public and community-driven alternatives. The current model prioritizes bankability over societal needs, reinforcing existing inequalities. While Senegal is not yet able to fully self-finance its energy programs, the country needs to negotiate external financing contracts more effectively while developing domestic resource mobilization and monetary sovereignty to ensure that the energy transition benefits Senegalese communities as well as foreign investors.

#### *Debt Cancellation & Climate Reparations*

- Debt cancellation without conditions is needed to give Senegal the money it needs to invest in renewable energy without adding to its debt.
- Climate reparations from historical emitters should be recognized as a just response to global inequalities, providing direct grants and technology transfers to support energy sovereignty.
- Conducting systematic audits and ensuring public disclosure of sovereign guarantees and contingent liabilities in energy project contracts is essential to assess long-term fiscal risks.

#### *Innovative Ownership & Local Content Policies*

- Strengthening community-led energy models and enforcing strong local content rules can ensure financial returns stay within Senegal's economy.
- Leverage FONGIP to provide credit guarantees and risk-sharing mechanisms for national SMEs in the renewable energy sector, facilitating their access to affordable financing and strengthening their role in project development and implementation.
- Lessons from South Africa's REIPPP program highlight the importance of policies that mandate local ownership, stakeholder participation and provide equitable opportunities for SMEs in the renewable sector.

#### *Mobilizing Domestic Resources*

- A focus on mobilizing public financial resources through enhanced tax regulation, and innovative financial tools such as Diaspora Bonds can reduce Senegal's reliance on foreign debt.
- Leveraging future oil and gas revenues through the sovereign wealth fund FONSIS could help finance future green infrastructure and support a managed transition toward renewable energy.

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<sup>1</sup> Pay-as-you-go (PAYGO) is a financing technology that allows end-users to pay for solar energy in weekly instalments or whenever they are financially liquid

## 4) CONCLUSION

The current energy-financing model in Senegal secures profits for investors but leaves national actors, local businesses, and rural communities disadvantaged. While IPPs expand generation capacity, they deepen financial dependency and do little to address energy poverty. To achieve a just energy transition, a paradigm shift is needed. The goal is to transition from reliance on foreign funding to a type of collaboration that is better for the domestic economy and puts social justice ahead of financial gain.

Senegal and its partners must prioritize public-led investment, fiscal reform, and democratic energy governance to create an energy future that serves people over profit.

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# INTRODUCTION

Senegal's energy transition is at a critical juncture, with the government promoting a gas-to-power strategy alongside the expansion of green energy. In 2023, the country signed a Just Energy Transition Partnership (JETP). This reinforces the urgency of analysing how financing mechanisms shape transition, and whether they risk reinforcing existing inequalities. Over the next few years, Senegal is expected to attract significant investment in its energy sector, which presents both opportunities and risks. On the one hand, it is an opportunity to redistribute resources and share benefits with vulnerable populations who can benefit from energy access and employment opportunities. Transformative measures, such as sharing revenues from renewable energy projects with neighbouring communities, can work in this way. On the other hand, Senegal operates within a global financial architecture that limits the agency of Global South countries, raising concerns about economic dependency and the fair distribution of benefits. At the same time, within the country, questions of equitable access to energy and energy poverty due to excessive energy prices are becoming increasingly pressing. These inequalities emerge within a broader context of colonial legacies that continue to shape financial arrangements, concentrating power and control in the hands of foreign international financial institutions (IFIs). This dynamic warrants a critical examination of what is often described as *green* or *energy colonialism*. To challenge these entrenched power structures, this study places special emphasis on amplifying the voices that are typically left unheard – those of affected communities, workers, women, and youth.

## RESEARCH OBJECTIVES

The goal of the study is to explore these global and national dimensions of inequality in energy finance to inform a more just, inclusive and decolonial transition. It therefore aims to analyse the financing mechanisms shaping Senegal's energy transition by mapping key actors, financial mechanisms, and sources of funding, including public finance, private investment, international climate funds, and public-private partnerships. It examines how these mechanisms contribute to or mitigate inequalities, applying principles of a just transition. These financing mechanisms are analysed through the lens of Independent Power Producer (IPP) projects, with the Taïba N'Diaye wind farm serving as a case study to scrutinize the inequalities involved in such projects. Taïba N'Diaye is a particularly relevant example, as it is the largest wind farm in West Africa and has drawn significant attention due to its scale and impact. Additionally, the study investigates Senegal's energy strategy to assess whether the government is explicitly prioritizing energy access for low-income, remote, and marginalized communities, as well as protecting workers affected by the transition, while identifying the key financial and structural challenges to achieving a just energy transition. By providing a clear overview of how energy finance operates in practice, the study seeks to support civil society advocates working with affected communities and decision-makers in public authorities in developing more inclusive and equitable energy policies.

To achieve these research objectives, it is guided by the following two questions: To what extent do the current global financing landscape, existing financing mechanisms, financial flows, instruments, and projects for the energy transition reduce or exacerbate existing national inequalities in Senegal? How do they contribute towards a just energy transition or, in contrast, imply unjust outcomes?

## **METHODOLOGY**

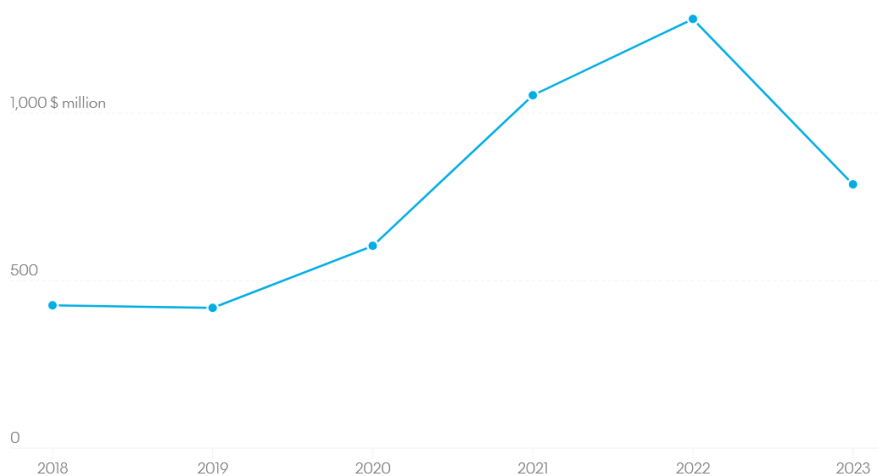
The study essentially proceeds in four key steps. First, it provides the country context for the study and states the principles for a just energy transition, emphasizing gender-based inequalities and postcolonial relations of energy finance. The second step entails the mapping of the financial ecosystem, meaning it provides an overview of financial mechanisms, instruments, actors, and projects that form the core of how energy is funded in Senegal. The third step evaluates the financial ecosystem against the backdrop of global financial inequalities stemming from an unequal financial architecture and national inequalities. In the fourth and last step, the study seeks alternative financing models that could help to escape the current financing trap Senegal finds itself in. The findings of this study are based on extensive qualitative research, including field research from 2019–2024, during which interviews have been realized with stakeholders from different segments of Senegal’s energy sector.

The focus of the study is electricity production, and it primarily focuses on the financing of renewable energy (RE) in Senegal, given its critical role in addressing the climate crisis and its relevance for future investments. However, recognizing the country’s energy transition strategy, which includes gas as a transitional energy source, the study also considers gas-to-power investments as a point of comparison. This approach acknowledges the ambivalence between the urgency of climate action and the structural financial constraints faced by Global South countries, highlighting the complexities of a just and decolonial energy transition.

# 1. CONTEXT

In the process of restructuring its electricity mix, Senegal is currently at a juncture. While predominantly relying on heavy-fuel oil (HFO), Senegal has received considerable investments into the renewables sector, since the beginnings of the 2010s.<sup>2</sup> The strong governmental support for the private-led expansion of solar and wind power led to a strong growth of private actors, called independent power producers (IPPs) in the power sector, as well as a shift of the electricity mixed towards green electricity production.<sup>3</sup>

Figure 1: Clean Energy Investment in Senegal.



Source : <https://www.global-climatescope.org/markets/senegal>

This trend shifted with the discovery of oil and gas resources in 2014 offshore the coast of Senegal and Mauritania, which are since then a priority in the country's national energy strategy. Previous governments as well as the current build on expected fiscal revenues from gas and oil extraction as well as supplying the national energy production to replace the high degree of foreign dependency on heavy-fuel oil (HFO) imports<sup>4</sup>. These plans are particularly relevant, as the government has developed long-term strategic plans, – the gas-to-power strategy – including to install a domestic-led national gas industry, make long-term investments as a strategy to generate jobs and thereby create domestic value-added at national level. Within this juncture of a rapidly developing energy sector – the extraction of the oil and gas resources is about to rapidly kick-off – a group of donor countries, including France, Germany, the European Union, the United Kingdom and Canada, breaks the news to include Senegal in its 'Just Energy Transition Partnership' (JETP) Program. Within the declaration, donor countries commit to provide funding of €2.5 billion to accelerate the deployment of renewable energies, reduce the country's greenhouse gas emissions, and thereby combine climate and development goals. Given

**With the discovery of oil and gas resources in 2014 off the coasts of Senegal and Mauritania, increased government support for solar and wind power expansion is competing with support for fossil fuels.**

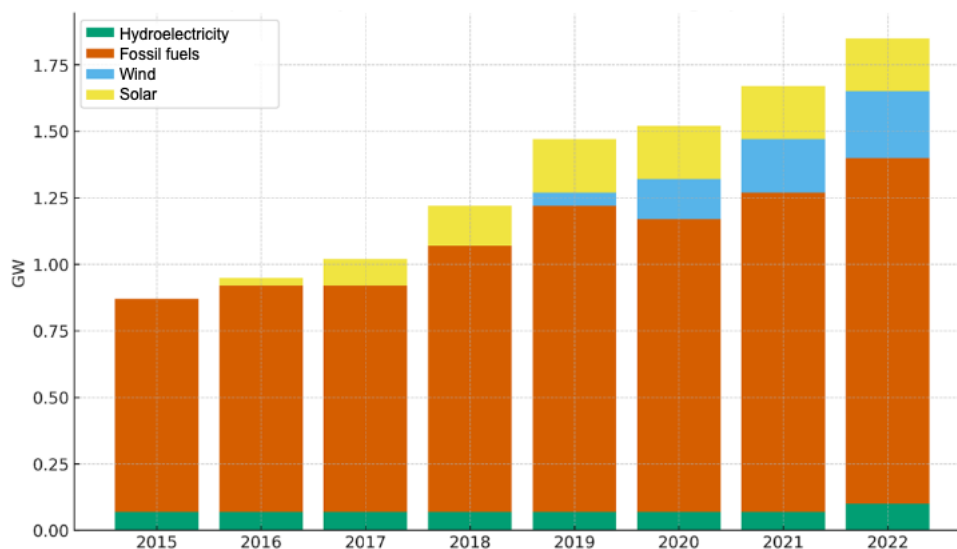
<sup>2</sup> (ECREE 2018).

<sup>3</sup> (République du Sénégal 2024; IEA 2023, 20).

<sup>4</sup> (IEA 2023).

Senegal’s abundant solar radiation and strong wind resources, the country has significant potential to expand its renewable energy capacity and harness these natural advantages for a more sustainable energy future.<sup>5</sup> The JETP envisions increasing the share of renewable energy in the national energy mix in installed capacity to 40% by 2030.<sup>6</sup>

**Figure 2: Installed electricity generation capacity in Senegal, by source**

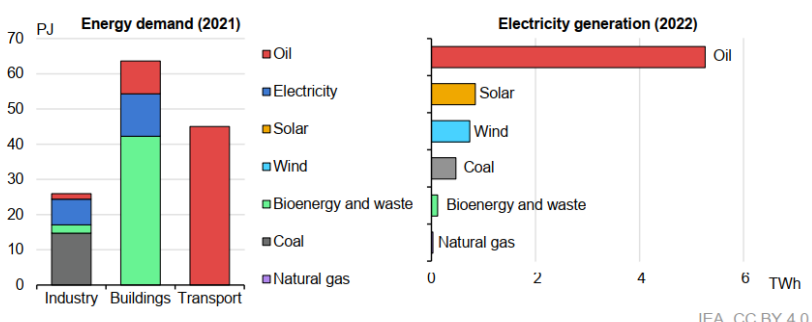


Production capacity includes hydroelectricity, which is actually produced in Mali, but owned and used by Senegal, within the framework of the Senegal River Basin Regulatory Authority.

Source: IEA analysis, based on data from IEA [World Energy Balances](#) (2023), Annual Reports 2021 and 2022 (Senelec 2022 and 2023, respectively).

These events open up various policy options for the Senegalese government to design energy policies with associated energy paths and lock-in effects<sup>7</sup>. Which energy path the government decides to take affects how it deals with the challenges in the electricity sector it is currently facing and, not least, how it deals with structural constraints, such as tax limitations, which restrict its room for manoeuvre.

**Figure 2: Demand for energy per sector and per fuel in 2021 and electricity generation by field in 2022 in Senegal**



Note: Hydropower contributions (66 MW) from the Manantali Dam in Mali which generates some of Senegal's electricity needs are not included in the IEA data for electricity generation due to statistical methodologies.

Source: IEA (2023), [World Energy Balances](#).

Source (IEA 2023).

<sup>5</sup> (New Climate Institute 2023).

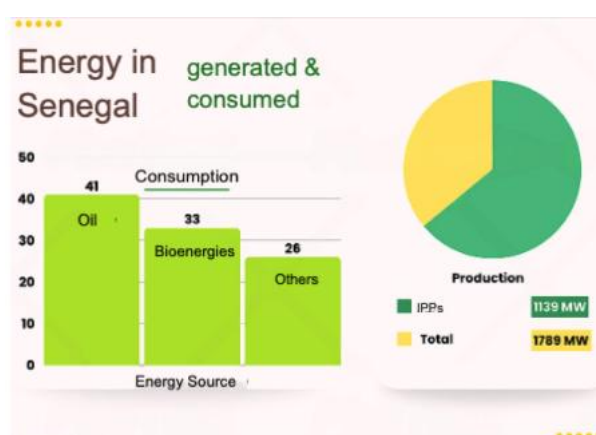
<sup>6</sup> (European Commission 2023).

<sup>7</sup> (Diene et al. 2024).

## Senegal's electricity sector at a glance

Since the early 2010s, Senegal has implemented reforms to attract foreign direct investment, with net inflows reaching over \$ 2 billion in 2021, driven by the Plan Senegal Emergent. This strategy has led to over \$ 1 billion in investments in the electricity sector, supported by the 2021 reform that aims to unbundle Senelec and enhance private sector participation. Senegal's electricity sector is primarily managed by several key institutions. *Senelec*, the historical operator, holds a monopoly on electricity transport and distribution within its concession area and acts as a single buyer, although this exclusivity is gradually opening to competition. *The Ministry of Energy* crafts and proposes national energy policy and grants licenses and concessions. *The Electricity Sector Regulatory Commission (CRSE)*, an independent body, regulates production, transportation, distribution, and sales of electricity. Lastly, the National Renewable Energy Agency (ANER) focuses on promoting and developing alternative energy sources, such as solar, wind, biomass, tidal, and small hydroelectric power.

The data from 2021 reveal that the total final energy consumption of oil (41%) and bioenergy (33%) rank highest. In Senegal, approximately 70% of the electricity generation mix is dominated by oil. The proportion of green energy in the electricity mix varies depending on the source, ranging from 21% to 30%. As of 2022, Independent Power Producers (IPPs) accounted for approximately two-thirds of Senegal's total installed electricity capacity, with 1,139 MW out of 1,789 MW coming from IPPs.



This reflects a significant shift towards private sector involvement, as Senegal promotes private participation through concessions and licenses. These developments are crucial given the International Energy Agency's calculation that cumulative energy investment needs will total \$33 billion through 2040, equating to annual financing needs of \$6.3 billion for the entire power sector as projected by the Senegalese government. The private sector is dedicated a leading role in achieving these financing goals – it is meant to contribute approximately USD 2.3 billion.

A major concern in Senegal's energy policy is the elevated electricity tariffs, which require substantial public subsidies to keep prices socially bearable. Senegal's electricity tariff (0.182 USD/kWh) is among the highest in West Africa, significantly more expensive than in Nigeria (0.033), Ghana (0.109), and Ivory Coast (0.133), but lower than in Burkina Faso (0.206), Mali (0.219), and Sierra Leone (0.253).

Increased public finance from wealthy countries will have a significant impact on the Senegalese Government energy direction and mix.

Sources : Senegal's electricity sector at a glance<sup>1</sup>

## SENEGAL'S CURRENT ENERGY SITUATION

Although Senegal has achieved considerable improvements in granting energy access to the rural population in remote areas, rural electrification remains a top policy priority. Currently, energy access amounts to 84%, with a strong divide of access rates in rural areas (60 %) and urban centres (100 %).<sup>8</sup> Correspondingly, the government has expressed the ambitious goal to achieve universal energy access by 2029. Another top energy policy priority concerns the high electricity costs. Due to the high export dependency on HF0, Senegal's energy supply struggles with extremely high costs. These costs are not only a considerable burden on the national budget due to high-energy subsidies, and Senegal's population also struggles with one of the highest energy tariffs in the region, making electricity costs a significant burden for low-income households. Even when connected to the grid, many struggle to afford their monthly electricity bills, or, in the case of pre-paid systems, having their electricity cut off at the end of the month.<sup>9</sup> The newly elected government has recognized these challenges, making the revision of energy tariffs, expansion of the grid and rural electrification a priority in its national development plan.<sup>10</sup>

Against this backdrop, Senegal is in need for strong expansion of its energy supply due to an increased demand and requirements to expand energy infrastructure. Given Senegal's limited fiscal scope due to structural budget deficits, the country currently has a high proportion of foreign players in the energy sector, including bilateral and multilateral development actors and private investors – risking a high degree of energy dependency. Similar to other African countries, for historical reasons dating back to colonialism, Senegal is caught in an economic trap where reliance on foreign investment, structural trade deficits, and debt in foreign currencies leads to a net transfer of resources to the Global North, reinforcing structural dependencies and limiting genuine energy sovereignty.<sup>11</sup> In this context, the government has strong ambitions for economic sovereignty, which is reflected in a national energy strategy that relies on foreign public and private money to achieve its policy goals, while still keeping the interests of marginalized groups in mind.<sup>12</sup> This means, it claims to prioritize the concerns of women and marginalized groups in isolated areas with special support mechanisms.<sup>13</sup> Despite these ambitious plans for a just transition, the precise nature of what a just energy transition entails, let alone how it is financed, remains opaque. The latest developments in the energy sector have instigated a discussion about a common understanding of a just energy transition.

**For historical reasons dating back to colonialism, Senegal is caught in an economic trap where reliance on foreign investment, structural trade deficits, and debt in foreign currencies leads to a net transfer of resources to the Global North.**

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<sup>8</sup> (République du Sénégal 2025, 49).

<sup>9</sup> (IMF 2022, 29).

<sup>10</sup> (République du Sénégal 2024, 95)

<sup>11</sup> (Sokona et al. 2023, 19; Hickel et al. 2022; Dembele 2003).

<sup>12</sup> (République du Sénégal 2024).

<sup>13</sup> (République du Sénégal 2025, 4).

## THE UNDERSTANDING OF A JUST ENERGY TRANSITION IN SENEGAL

According to interviews and other studies, some people don't think of the term "energy transition" as a switch to 100% renewable energy, at least not in the short to medium term. Instead, they have different ideas, like changing the energy mix and making sure that everyone can get energy at a price they can

**The energy sector reform creates a "favorable environment" for foreign private capital. However, Senegal keeps certain strategic segments of this sector under public control.**

afford, based on sustainable energy. In that specific regard, however, there is disagreement about what exactly sustainable energy means. Most actors advocate the use of gas for the national energy supply. However, there is a debate surrounding the scale and time frame of gas within the energy mix, and expectations are often overestimated in terms of the real economic impacts on the country. Recently, trade unions intervened in the discussion about a just transition, emphasizing the need for re-skilling workers negatively affected

by the energy transition.<sup>14</sup> Representatives of civil society groups claim that women remain largely underrepresented in these debates, despite their crucial role in economic activities being affected by large-scale energy infrastructure. They are among the most directly affected by energy projects, as gas exploitation threatens fishing communities and risks undermining their subsistence base, or power plants restrict land access for cultivation. Likewise, while youth constitute the majority of the population, there is no institutionalized mechanism to ensure their participation in shaping the country's energy future, even though they will bear the long-term consequences of the climate crisis and are deeply concerned with employment opportunities in the energy sector.

To facilitate a fruitful discussion about the prospect of a just energy transition, it is important to consider the specific circumstances in which such a transition is taking place. In this context, it is central to acknowledge the prevailing challenges in the realm of energy provision, including but not limited to energy poverty, exorbitant energy costs, substantial reliance on HFO

imports, and the state's limited fiscal capacity to address these issues through domestic resources. These conditions frame the context within which visions for a just energy transition in Senegal emerge and differ significantly from the institutional environment in the Global North. Despite these fundamental differences, the discourse about the energy transition originates and tends to be imposed on countries in the Global South. The development of a vision for an equitable energy transition should be a self-directed process, rooted in the specific needs and contexts of the nation, rather than being influenced by external frameworks that may not align with local priorities. This approach encourages examination of the global dynamics that influence energy transitions, ensuring they are appropriately tailored to national objectives. There are already noteworthy initiatives moving in this direction, such as Senegal's Long-Term Vision 2050 (LTV), led by ENDA ENERGIE with the supervision of the Ministry of Energy, Oil and Mines and the Ministry of the Environment and Ecological Transition. This initiative exemplifies a participatory approach that aligns with the Paris Agreement, engaging a wide range of stakeholders to ensure the country's

**As of 2022, Independent Power Producers (IPPs) accounted for approximately two-thirds of Senegal's total installed electricity capacity, with 1,139 MW out of 1,789 MW coming from IPPs.**

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<sup>14</sup> (Friedrich Ebert Stiftung 2025).

energy strategy reflects its unique priorities and aspirations for a carbon-reduced and resilient economy.<sup>15</sup>

## **NATIONAL ENERGY POLITICS – IN LINE WITH INTERNATIONAL FINANCE OR NATIONAL ENERGY PRIORITIES?**

During the past years, Senegal has oriented its national energy strategy towards the private energy production through private-led IPPs. What does this strategy entail towards national inequalities, the impact on marginalized groups, and the government's space to assert nationally oriented energy politics?

First, Senegal's energy politics of the last years follows ambiguous goals. On the one hand, the priority of global finance towards IPP-based finance shapes national policymaking. The electricity sector reform clearly contains elements that seek to embrace this rationale by forming an "enabling environment" for foreign private capital. For example, the reform provides for IPPs to be selected via tender processes that issue licences to best offers. Other elements of the reform aim at the liberalization of the sector, e.g., the unbundling of Senelec into three distinct branches or third-party access to the grid.<sup>16</sup> The private sector and the development finance sector have welcomed this step because it would ease the entry of foreign private capital. On the other hand, trade unions criticized the unbundling of Senelec because they fear job losses in the course of the spin-off of the national utility.<sup>17</sup> In the interviews, trade union voices have also warned that the country would increasingly lose energy sovereignty against the rising dominance of energy production in foreign private hands. In the context of a just transition, Senegal's energy sovereignty is at stake with the 2021 electricity sector reform, as are job losses at Senelec as a result of the unbundling.

However, the reform also contains elements aiming at restoring national control over the energy sector. The amendments in the law provide for a strengthening of the energy regulator CRSE and extending its scope of responsibility.<sup>18</sup> Additionally, the government has not privatized Senelec and guards the segments of production, transmission and commercialization under public control. In sum, it is thus important to note the two-sided character of the current regulatory framework. On the one hand, it clearly responds to the demands of the global world of finance in terms of aiming at enhancing bankability of projects and plannability for investors, while on the other hand, Senegal guards certain strategic segments of the sector in public control. These steps indicate the government's strategic goals of enhancing its room for manoeuvres for regulating the energy sector and discipline foreign capital. The extent to which the government will be able to regulate foreign IPPs will largely also depend on how it is supported from DFIs.

## **THE NATIONAL ENERGY STRATEGY**

Senegal has recently published the "Pacte National pour l'Énergie de la République du Sénégal". It continues to reflect two ambivalent pathways.<sup>19</sup> On one hand, the strategy acknowledges the importance of universal energy access, rural electrification, and targeted support for vulnerable populations,

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<sup>15</sup> (Enda Énergie 2024).

<sup>16</sup> (Republic of Senegal 2021a).

<sup>17</sup> (Ndoye 2022).

<sup>18</sup> (Republic of Senegal 2021b)

<sup>19</sup> (République du Sénégal 2025).

particularly through pre-financing connection costs and monitoring energy access. These commitments indicate an effort to align energy policy with social equity goals. On the other hand, the government remains strongly committed to mobilizing private finance, actively seeking to remove investment barriers and introduce financial incentives, risk guarantees, and innovative financing mechanisms to make energy projects profitable for investors. This signals a clear orientation toward market-based solutions. While one can read this strategy to be complementary, the strong focus on private finance risks undermining social equity goals. Energy poverty remains a pertinent issue in Senegal.

## GREEN NEOCOLONIALISM

The manifestation of global inequalities is not only evident in the predominance of Global North emanating ideas and visions for a just energy transition, but also very concretely in energy partnerships, financing programs, and policy consulting. There is increasing evidence from across Africa, Latin America, and Asia that the energy transition is reinforcing neocolonial dependencies. Based on the literature, neocolonial dependencies in the energy sector manifest through financial reliance on foreign loans and investment, knowledge hierarchies that sideline local expertise, and trade structures that keep Global South countries as raw material suppliers while importing high-value technologies. Large-scale renewable projects often replicate land dispossession and economic extraction, while policy conditions imposed by donors and financial institutions reduce state sovereignty over energy planning.<sup>20</sup>

Existing studies indicate that some large-scale renewable projects have led to land use conflicts and impacted livelihoods. In financial terms, Western multinationals tend to dominate the financing of energy infrastructure. Land for large-scale projects is often framed as "empty" or "underutilized," impacting local livelihoods and justifying dispossession, as seen in North Africa, Ghana, India and Mexico.<sup>21</sup> This study will investigate how existing financing programs in Senegal reproduce neocolonial patterns in the energy sector.

In West Africa and Senegal, neocolonial relations persist in various economic dimensions, primarily characterized by historical ties between France and its former colonies. Economic influence is evident as, despite a significant reduction in direct trade, France still holds a substantial market share relative to its global trade size, aided by mechanisms like the CFA franc. Financial dependencies have diminished over the decades but remain significant, with France shifting aid from bilateral to multilateral channels. In terms of Foreign Direct Investment (FDI), while France's dominance has lessened, it still maintains a strong presence in strategic sectors due to entrenched post-independence business networks.<sup>22</sup> In Senegal, the long shadow of colonialism haunts Senegal's energy system today. The high dependency on foreign fossil energy resources, the spatial inequality in grid extension and ongoing economic and financial ties with France, former colonial power, indicate the colonial heritage and path dependencies that continue to exist in Senegal's energy sector.<sup>23</sup> Civil society and social movements in Senegal have repeatedly mobilized against national political elites and neocolonial ties.<sup>24</sup> The resistance to the Sendou

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<sup>20</sup> (Müller 2024).

<sup>21</sup> (Hamouchene and Sandwell 2023; Dunlap 2018; Stock 2023; Batel 2021).

<sup>22</sup> (Cogneau 2023, chapter 9; Pigeaud and Sylla 2021).

<sup>23</sup> (Cropper 2019; 2022).

<sup>24</sup> (Sylla 2021b).

coal plant in Bargny, financed by foreign development banks, highlights how communities are actively challenging unjust development models imposed from abroad.<sup>25</sup>

To summarize, intensive debates are underway in Senegal concerning the energy vision and potential strategies for its realization. These debates are particularly relevant as they align with the upcoming revision of the nationally determined contributions (NDC) in 2025, the release of the JETP investment plan and the development of a new energy policy under the newly elected government. Stakeholders from civil society underscore the significance of renewable energies, while acknowledging the pivotal role of gas-based energy production. This leads to an apparent conflict between the need for a timely decarbonization of energy production to meet climate targets, on the one hand, and the economic opportunities engendered by a gas-based supply, while counteracting climate goals, on the other. The fundamental question that is left being open is how the transition towards a just energy future is financed.

## **FINANCING THE JUST ENERGY TRANSITION**

The financing mechanisms, actors and instruments are pivotal to the design of the energy transition and to answering the question whether green finance contributes to a just energy transition or merely reproduces historical patterns of dependency and exacerbates existing inequalities. Still, a systematic overview of the emerging financing landscape, however, is lacking and the details about financial arrangements remain opaque. While the transition to renewables is promised to create economic co-benefits and expand energy access<sup>26</sup>, it also risks reproducing power inequalities. To understand how marginalized groups in Senegal can benefit or are negatively affected by the financing of energy infrastructure, we must consider the broader macro-financial context. Senegal, like many other African nations, operates within a global financial architecture that imposes structural constraints, including financial subordination, debt dependence, and exposure to volatile capital flows. Understanding these constraints is critical for assessing green finance mechanisms. This study aims to provide a more nuanced understanding of the 'more finance is needed' in climate finance by focusing on the specific projects and financing mechanisms that are in place and are likely to be financed in the context of programs like the JETP. While there is a strong demand for increased financing and investment in energy capacity as part of a just transition, there is less attention given to the conditions attached to this financing and its often-extractive nature – issues that this study seeks to address.

When analysing the mechanisms for financing energy, it is vital to consider the specific circumstances of the Senegalese State and the pressing challenges the sector faces. Senegal's historical trajectory, including its ongoing structural dependencies rooted in colonial legacies and persistent energy poverty, shapes the conditions under which financing is mobilized. At the same time, the state's limited fiscal space raises concerns that the energy transition may once again be driven by the rationales and interests of Global North donor countries. This gives rise to issues of justice, particularly in terms of who controls the transition, who benefits from it, and who bears its costs. To critically assess these dynamics, it is essential to define the principles of a just energy transition.

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<sup>25</sup> (Laurence and Vanneste 2019)

<sup>26</sup> (New Climate Institute 2023).

## 2. PRINCIPLES FOR THE FINANCING OF A JUST ENERGY TRANSITION

Senegal is already experiencing the effects of climate change, with more frequent extreme weather events leading to reduced crop yields, displacement due to coastal erosion, and increasing challenges in water access. This makes the transition to sustainable energy not just a necessity, but also an urgent priority. At the same time, Senegal's negligible contribution to historical greenhouse gas emissions justifies the application of the 'polluter pays' principle<sup>27</sup>. Recognizing this, the global community has committed to supporting the most affected countries through climate finance. Various funds, instruments, and programs are mobilized to enable a just transition. This funding is generally understood as climate finance consisting of financial flows from all sources—local, national, transnational finance – drawn from public, private and alternative sources of financing – that seeks to support climate mitigation and adaptation.<sup>28</sup> However, as shown in previous sections, climate finance – especially in the energy sector – does not automatically ensure a just transition.

### POLITICAL ECONOMY APPROACH

To understand these dynamics, this study applies a political economy approach. Rather than focusing solely on what is technically desirable or financially necessary, this perspective examines how political and economic forces shape outcomes, making certain pathways feasible while excluding others. It looks at power relations, the structural constraints faced by different actors, and the economic interests that drive decision-making.<sup>29</sup> This approach helps us not only to identify why unjust outcomes persist, but also to explore pathways toward a genuinely just energy future.

Energy transitions, in themselves, are not inherently fair. Without deliberate action, they risk deepening social inequalities, disproportionately impacting those already marginalized. Over the years, social scientists, civil society organizations, and frontline communities have extensively documented the negative social impacts of large-scale energy projects. These include land dispossession caused by renewable energy infrastructure, human rights abuses, exclusion from consultation processes, and the broader marginalization of affected communities. These injustices are not new; they have historical precedents rooted in colonialism. Concepts like "energy colonialism" or "green colonialism" capture how Africa's energy transition remains embedded in structural inequalities that date back to its colonial past.<sup>30</sup> A just energy transition must acknowledge these historical and ongoing injustices. It must prevent the continuation of financial dependencies that lead to wealth transfers from the Global South to the Global North. Recognizing historical climate debt and ensuring sufficient, accessible, and equitable financing for Senegal's energy transition is therefore essential.

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<sup>27</sup> The polluter pays principle is one of the fundamental principles of international environmental policy. In practical terms, this means that polluters bear the costs of pollution resulting from their activities, including the cost of measures taken to prevent, combat and eliminate pollution, and the cost to society. ([Special report - Polluter pays principle](https://op.europa.eu/en/publication-detail/-/publication/11111111-1111-1111-1111-111111111111), on op.europa.eu (accessed February 23, 2025))

<sup>28</sup> (United Nations Climate Change 2025).

<sup>29</sup> (Baker, Newell, and Phillips 2014; Newell 2021).

<sup>30</sup> (Müller 2024; Hamouchene and Sandwell 2023).

It is therefore imperative to develop an understanding of what the financing of a just transition entails, based on an “alternative development vision,” a renaissance of Africa-based, endogenous ideas, a redefinition of progress and well-being based on a vision of a genuine, people-centred development. Scholars and social movement activists have therefore called for centring feminism and decolonial visions of energy futures built on principle of equity and social justice asserting African agency and enhancing self-reliance anchored in community-based thriving economies within environmental boundaries.<sup>31</sup> For conceptualizing just energy transitions, key principles are generally acknowledged to found the cornerstones: recognition-based justice, procedural justice, distributional justice and remedial justice.<sup>32</sup> All of these principles intersect with claims for gender-based justice and decolonial aspirations. The framework for the financing of a just energy transition is composed of the following matrix:

**Recognition-based justice:** Targets the rights, concerns and injustices experienced by affected marginalized economic and social groups. It also refers to recognition of international inequalities and colonial legacies. It requires considering, which parts of society are ignored or misrepresented in financing projects and asks whether peoples’ identity and voice is recognized and addressed. Recognition-based justice in energy finance means acknowledging how financing mechanisms impact marginalized groups, particularly women, youth, and indigenous communities, whose land and livelihoods are often affected by large-scale energy projects. Ensuring justice requires integrating their voices in financial decision-making, securing land and resource rights.

**Inequalities inherited from the colonial past persist, in a context where wealthier nations and financial institutions dictate financing conditions.**

**Procedural justice:** Demands that affected people have meaningful say in the design and implementation of projects, including Free and Prior Informed Consent; have the freedom of association, to organize and to protest. Injustices as an effect of patriarchy and racism leading to underrepresentation and misrepresentation need to be addressed by including affected communities into decision-making processes like loan conditions, grant allocations and revenue-sharing models. The principle requires engaging groups that are affected by a financing project, enable free consultation processes and to render bureaucratic processes transparent, grant access to information and comprehensible for communities.

**Distributional justice:** Distributive justice in energy finance requires that marginalized workers and communities should be protected from costs by stronger regulation to protect Human Rights and the environment. Another argument in favour of distributional justice points out a fair allocation of responsibilities, costs, and benefits from energy projects. This includes ensuring that those bearing negative consequences – such as land loss or environmental harm – receive co-benefits like community investments, job creation, and social services. These co-benefits must be channelled towards those groups who are usually marginalized within the society. The type of financing (public vs. private, grants vs. debt) and the allocation of funds (small-scale community projects vs. large foreign-owned utility projects) shape these distributional outcomes. Internationally, post-colonial inequalities persist. Indeed, on the international level, postcolonial inequalities persist as wealthier nations and financial institutions dictate financing terms, often reinforcing structural dependencies and limiting the ability of Global South countries to shape their own energy futures. At the national level, the transition impacts job distribution and economic trade-offs between energy security equity and sustainability, particularly in fossil fuel-

<sup>31</sup> (Sokona et al. 2023, 22–26; Peoples of the Global South 2023).

<sup>32</sup> (Jenkins et al. 2016; Dante and et al. 2022).

dependent economies like Senegal. Locally, distributive justice concerns who bear financial risks, who benefits from investments, and whether international finance interests override socio-economic needs.

**Remedial justice:** Requires the fair compensation of people like workers, frontline communities and women who are negatively affected by the energy transition. On the international scale, this necessitates that those high-emitting countries responsible for climate change provide financing to those countries and communities suffering from worsening climate impacts. On a domestic scale, companies that operate power plants are required to ensure that communities affected by the externalities of these plants are compensated. This compensation should be provided in terms of social protection, land compensation and the generation of new sources of livelihood.

# 3. THE FINANCIAL ECOSYSTEM OF SENEGAL'S ENERGY TRANSITION: MAPPING PLAYERS, SOURCES AND PROJECTS

Financing Senegal's energy transition is one of the country's most enduring challenges. Billions of investments are needed. And access to financing cannot be reduced to technical aspects. It comes with structural conditions and constraints. Senegal has succeeded in mobilizing global financial flows for domestic energy projects. However, these often give priority to large-scale investor projects, rather than local or public solutions. This section presents the financial landscape of Senegal's energy sector, its main players, and the mechanisms and arrangements underpinning investment decisions.

## THE GLOBAL CLIMATE FINANCE ARCHITECTURE

Discourses around climate urgency are framed around infrastructure deficits in the Global South that make a strong claim for the need to mobilize trillions of dollars to finance green infrastructure. Development finance agendas of the Addis Ababa "From billions to trillions", or the World Bank's "Maximizing Finance for Development" or the "New Deal on Energy for Africa" stand representative of this dynamic. The idea behind mobilizing climate finance and solving the "infrastructure gap" is that it would be necessary to make energy projects in countries like Senegal attractive to investors (in other words, to guarantee a "return on investment") using development finance mechanisms. This "gap talk" consists of defining investment needs, rendering infrastructure into an investable asset, and thereby attracting global finance capital, stemming both from public and private sources into these assets, like renewable energy projects.<sup>33</sup> In other terms, public service provisioning like energy infrastructure must be turned into an investible asset for global finance so that it serves as an attractive investment opportunity and provides stable and guaranteed returns for the investment community. The key problem: most energy projects are not considered investible in the first place because the investment is considered too risky – in particular in African countries. What is thus needed are de-risking instruments, reducing risks for investors and providing a safe and comfortable investment environment for global finance. This framework is guided by what is oftentimes described as the *Wall-Street Consensus*, which prioritizes the mobilization of private capital through mechanisms like de-risking to attract institutional investors.<sup>34</sup> While the financing of energy transitions in countries like Asia and Europe tends to be more accessible and affordable, countries in Africa, including Senegal, face significant barriers due to financial subordination.

The term financial subordination describes mechanisms and effects of how Senegal is unequally integrated into the global financial hierarchy. Global financial markets are hierarchically structured, placing countries like Senegal in a position of financial subordination – a systemic disadvantage that

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<sup>33</sup> (Bryant and Webber 2024, 35–40).

<sup>34</sup> (Gabor 2021; 2019).

limits access to affordable finance and constrains economic policy choices.<sup>35</sup> This subordination manifests through high borrowing costs, dependence on external debt, capital flight, expropriation of profits and restricted fiscal space, making it more expensive for Senegal to finance its energy transition compared to wealthier nations. The FCFA monetary system further limits financial autonomy, reinforcing reliance on foreign capital under conditions often shaped by investor interests rather than national priorities.<sup>36</sup>

The liberalization of the renewable energy sector has a direct impact on the reproduction of inequalities, as summarized in Oxfam's report on *Just Energy Transition and the Implications for communities in Lower- and Middle-Income Countries*: "The private sector is increasingly regarded as the primary source of finance for the clean energy transition globally. However, while renewable energy projects do generate financial returns, public grants and concessional finance remain essential for ensuring a just transition for several reasons.

First, private investors and companies' drive to maximize short-term financial returns means that they tend to focus on countries and projects with the greatest or most predictable financial returns, while neglecting projects with lower financial returns even when they may align better with energy access and other development goals. Second, the high cost of private capital in many lower-income countries restricts the amounts they can borrow, adds to indebtedness, and can translate into higher energy tariffs, restricting energy affordability and access.

Third, the attraction of private sector investment is usually accompanied by de-risking strategies, which are ultimately funded by public finance. Fourth, public finance is vital for financing the just and developmental elements of the energy transition for which there may be no, or limited, immediate financial returns for investors, although evidence increasingly supports that it can contribute to longer-term project sustainability. Such elements may include subsidies to ensure affordable energy tariffs (until costs fall due to economies of scale); incentives for diversification into new green industries and jobs; social protection for workers made redundant from the fossil fuel sector; remedy for harm; capacity building for state utilities and independent regulators; investment in green affordable infrastructure; and civil society consultation."<sup>37</sup>

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<sup>35</sup> (Alami et al. 2023; Koddenbrock, Kvangraven, and Sylla 2022)

<sup>36</sup> (Sylla 2021a).

<sup>37</sup> (Oxfam 2022)

### Spotlight 1: Development Finance by De-Risking

De-risking has become a central strategy in development finance, aimed at making investment in infrastructure and sustainability projects more attractive to private investors by reducing financial risks. Risk perception is considered a main barrier to attracting finance into energy projects. Reducing risk perception is achieved through a mix of tools, including guarantees, insurance mechanisms, regulatory reforms, and public-private partnerships. These tools aim at aligning development finance with market-driven principles and prioritizing private sector participation in traditionally public domains. This strategy features in many flag-ship development finance reports of the last years and finds application in a diversity of sectors such as energy, transportation, water or agriculture. De-risking in Senegal underlines many of the financial institutions and instruments in place. In regulatory terms, different kinds of contracts are put in place that serve the mitigation of investment risks. *A Power Purchase Agreement (PPA) is a long-term contract between an Independent Power Producer (IPP) and the Senegal National Electricity Company (Senelec), guaranteeing the purchase of electricity at a fixed tariff, ensuring stable revenue for the investor. By securing predictable cash flows over 20 years or more, PPAs mitigate investment risks, making energy projects bankable and facilitating access to debt financing. In Senegal, all IPPs have a PPA signed with Senelec.*

De-risking can also take the form of a fiscal guarantee instrument. A sovereign guarantee is a government-backed commitment ensuring that investors and lenders will be paid even if Senelec, the national utility, fails to meet its payment obligations. This reduces investor risk, making energy projects more attractive and financially viable, as lenders often require these guarantees before approving loans. However, for the state, these guarantees create fiscal risks, as it must allocate funds in the national budget to cover potential payments if the guarantee is triggered. Due to undisclosed financial contracts, there is no reliable information of which IPP disposes of a sovereign guarantee. Energy experts in the field report that nearly all IPPs have signed guarantee contracts with the Ministry of Finance. On top of these guarantees, investors draw on so-called investment guarantees, as provided by the World Bank branch MIGA. MIGA's political risk insurance (PRI) protects investors in Senegal's energy sector against any political risks, such as breach of contract by the government. If a dispute arises, MIGA first mediates between the power plant operator and the government, and if no agreement is reached, it compensates investors for unpaid amounts. In the Senegalese case, the investment guarantee is in place in the Scaling Solar projects and the wind park Taïba N'Diaye.

What is key to understand is that de-risking is no neutral means of financing but reproduces financial inequalities of global economic hierarchies. De-risking shifts financial risks from private investors to the government, creating long-term fiscal liabilities, for example, through PPAs that must be honored regardless of demand fluctuations, grid limitations, or changing market conditions. The triggering of investment guarantees can put pressure on national policymaking, as seen when the World Bank conditioned loan disbursements on electricity sector reforms, reinforcing external control over national policies. Additionally, the IMF warns that PPAs pose significant fiscal risks, often making private-sector-led projects more expensive for governments than traditional public financing.

In the energy sector, the structural constraints of financial subordination and investment priorities shape what types of projects get financed, who controls investment decisions, and how financial risks are distributed. Climate finance mechanisms, often structured around de-risking strategies, prioritize foreign private investment security over local ownership and equitable access. These effects of the climate finance architecture shape the financing of energy projects in Senegal, which makes the financing of

projects with domestic sources a challenging endeavour, constraining both domestic economic actors and the state's room for manoeuvre to steer a nationally driven energy policy.

## **EXTERNAL CONSTRAINTS DELIMIT A NATIONALLY DRIVEN ENERGY TRANSITION**

First and foremost, funding domestic enterprises is complicated by the limited availability of affordable financing. Monetary constraints, rooted in Senegal's fixed exchange rate system and the restrictive policies of its central bank, severely limit the availability of credit from domestic financial institutions.<sup>38</sup> The need to maintain foreign exchange reserves to defend the currency peg leads to tight monetary policies, restricting credit expansion and increasing borrowing costs. As a result, domestic banks are reluctant to finance long-term, capital-intensive projects like renewable energy, forcing the sector to rely heavily on foreign capital, often under conditions that prioritize investor security over national energy sovereignty.

**Senegal's high debt burden limits the government's ability to finance energy infrastructure, as a large share of public funds is used for repaying foreign debt instead of investing in renewable energy projects. Recent figures determine Senegal's gross sovereign debt level at 99% of GDP.**

Senegal's balance of payments (BoP) constraints limit the government's ability to finance energy projects with domestic public resources, as maintaining foreign exchange reserves and managing external debt often take priority over public investment. To attract foreign capital and stabilize its external accounts, Senegal must keep interest rates high, making borrowing for infrastructure projects – such as renewable energy – more expensive. As a result, large-scale energy investments rely heavily on foreign financing. Another effect of financial subordination is high capital costs due to high-risk perception. Although risk perception in Senegal is lower than in other West African countries, it remains a significant barrier to investing in renewable energy. A survey shows that legal and regulatory risk is perceived as a high risk by investors in the renewable energy sector.<sup>39</sup> In particular, off-taker risk is a major concern for investors, as it determines the increasingly high cost of capital.<sup>40</sup> High capital costs make financing renewable energy projects in Senegal significantly more expensive compared to countries in the Global North, where borrowing rates are much lower. With a weighted average cost of capital (WACC) of around 9% for solar projects (with some people reporting rates of over 15 %) and gas projects even at 10-11% – more than double the rates in Europe and the U.S. – investors demand higher returns, which increases the overall cost of energy infrastructure.<sup>41</sup> As a result, renewable energy projects face financial barriers that limit their expansion, reinforce dependency on foreign capital, and make state-led financing more challenging.

Accordingly, debt servicing needs are excessive. The IMF calculates debt service at 19% of public revenues, based on empirical data from 2023.<sup>42</sup> A significant portion of Senegal's debt is in foreign currencies, so any decline in the value of the local currency raises the cost of repayments, causing financial instability and public debt distress. To avoid this risk, the government prioritizes holding foreign reserves rather than spending on energy infrastructure, forcing the country to rely even more on external

<sup>38</sup> (Koddenbrock, Kvangraven, and Sylla 2022).

<sup>39</sup> (Res4Africa and PwC 2021).

<sup>40</sup> (IEA 2023, 121).

<sup>41</sup> (International Energy Agency 2023).

<sup>42</sup> (IMF 2023).

financing. The described effects, such as high capital costs, fiscal constraints and foreign debt dependency representing a real external constraint is not unique to Senegal but concerns other African countries as well, all subordinately integrated within the global currency hierarchy.<sup>43</sup>

## THE MAKING OF INVESTOR-FRIENDLY ENERGY MARKETS

Given these challenging financing conditions and Senegal's perception as a high-risk market, energy projects must be structured to be investible. This means they need to be financially designed and secured in a way that guarantees a steady revenue stream and an attractive rate of return for investors. This is what is understood when referring to claims such as 'transforming energy into an asset class' (see Spotlight 2). To attract the necessary investment despite these financial constraints, energy projects in Senegal must be structured using specific financing mechanisms that ensure their bankability. Most often this entails structuring them through project finance, where investments are channelled in the form of public-private partnerships (PPPs) and structured via Special Purpose Vehicles (SPVs), the national energy company operating the power plant as an independent power producer (IPP) (see Spotlight 2).

Figure 4: Weighted average cost of capital (WACC) in Africa doubles the rates in Europe or US



Source (IEA 2023).

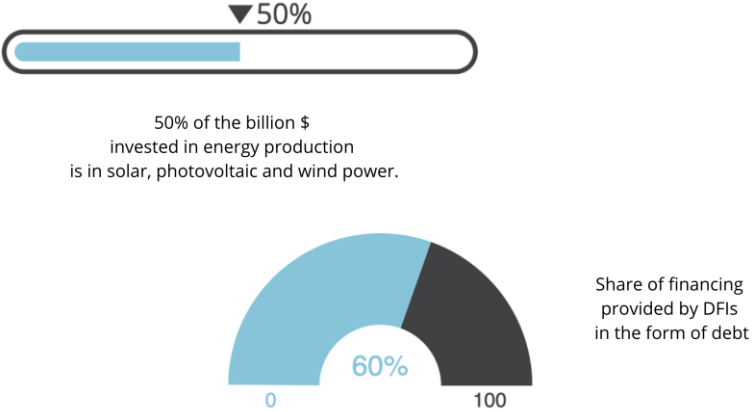
In the past few years, Senegal has gone through structural changes that have made de-risking financial mechanisms more important and strengthened energy production through private-led IPPs as part of the country's energy supply. First, to note is the reform in 2021 of the electricity sector (*Loi n° 2021-31 portant Code de l'électricité*) that favours the private financing of energy projects and enables the inflow of foreign private capital. The 2021 electricity sector reform in Senegal represents a major shift towards liberalization, restructuring the national utility Senelec into a public holding with separate branches and opening the market for private energy producers. By prioritizing clearer regulations, investment planning based on cost-efficiency, and increased transparency, the reform aims to create an attractive and predictable environment for private finance.<sup>44</sup> This transformation enhances the bankability of energy projects by reducing regulatory uncertainties, facilitating the integration of IPPs, and aligning the sector with investor interests. Second is, that numerous de-risking mechanisms are put in place for private investors. To name here are securing mechanisms such as PPAs, sovereign guarantees, and direct subsidies, which reduce investment risks by ensuring stable revenue flows for private investors. In sum, these dynamics have led to an increased inflow of private capital into energy infrastructure. In total, Senegal has mobilised over \$1 billion into energy IPPs (of which have been \$500 million into solar PV and wind generation), where the large majority came from foreign financial institutions. 60% of these investments proceeded from development finance institutions in the form of debt.<sup>45</sup>

<sup>43</sup> (Löscher 2021).

<sup>44</sup>(van den Bold 2021; de Richouffttz 2022).

<sup>45</sup> (IEA 2023, 119).

Figure 5: Over \$1 billion mobilised into energy IPPs in Senegal, 60% is provided by DFIs in the form of debt



Source (IEA 2023).

In the course of these developments, a financial ecosystem composed of financial sources, actors, instruments and projects has emerged enabling the energy transition in Senegal.

## Spotlight 2: The project finance structure

Project finance is the dominant model for funding large-scale renewable energy projects, as it allows investments to be structured through a separate project company (SPV) rather than relying on a government's or corporation's balance sheet. An SPV (Special Purpose Vehicle) is a separate legal entity created for a specific financial project. It enables the assets and liabilities of a project to be separated, thereby isolating financial and legal risks. This offers protection to investors and the company, while facilitating clearer project management. Embedded in the broader liberalization of energy markets, this financing model attracts private capital by isolating financial risk to the project itself, making it a key tool in today's development finance regime.

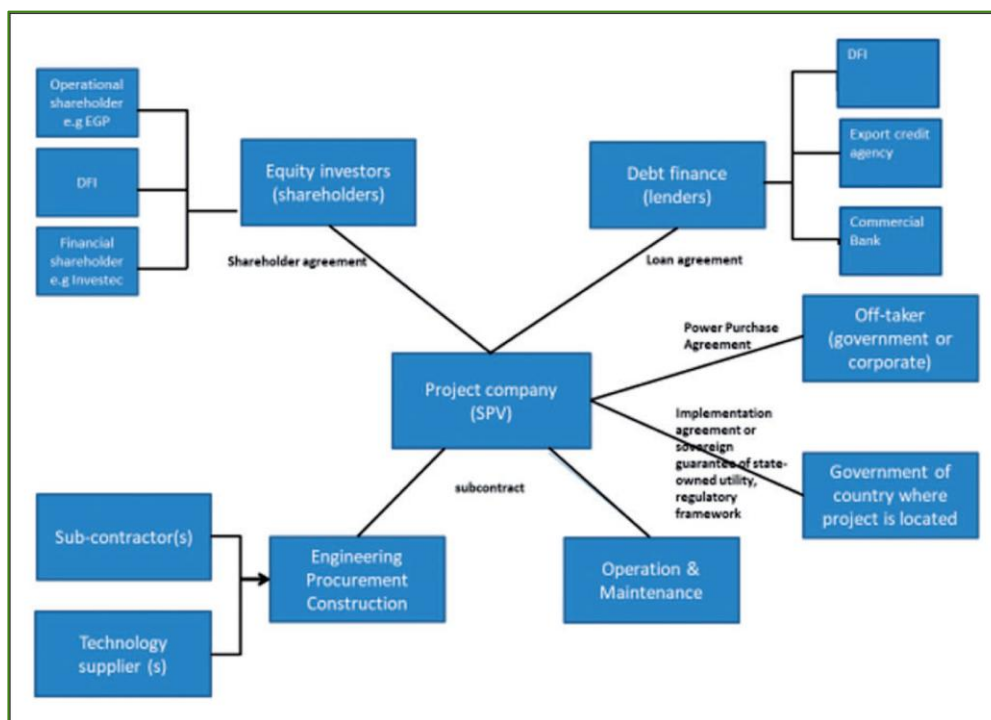
At the core of the project are developers and sponsors, typically private energy companies or infrastructure investment funds, which provide the initial equity investment to develop the project. Developing the project means to bring the project from the initial idea, organize access to land, receive all regulatory permissions to financial close. As equity investors, they bear the highest financial risk but also stand to receive the highest returns once the project generates revenue. To secure the remaining financing, the SPV borrows from lenders, including development finance institutions (DFIs), export credit agencies (ECAs), and commercial banks. These lenders provide debt financing based on the projected revenue from electricity sales. Unlike equity investors, lenders take on lower risk since they receive priority repayment before shareholders see returns.

Once financing is secured, the SPV contracts engineering, procurement, and construction (EPC) firms, such as Vestas, to build the energy plant. These firms are responsible for delivering and installing the necessary infrastructure and may also be involved in long-term operations and maintenance. Meanwhile, the project must establish a formal agreement with the government and national utility, which in Senegal's case is Senelec. A crucial component of project finance is the Power Purchase Agreement (PPA) between the SPV and Senelec, which guarantees that the utility will purchase electricity at a fixed price for an extended period, often 20 years or more. This agreement provides the predictable cash flow necessary to repay debt and ensure profitability.

To further reduce investment risk, de-risking mechanisms are put in place. Institutions like the World Bank's MIGA provide political risk insurance, protecting investors from government contract breaches or political instability. Additionally, sovereign guarantees issued by the Senegalese government serve as financial backstops, ensuring that the state will cover payments if Senelec fails to meet its obligations. While these measures help attract private investment, they also shift financial risk onto the public sector, creating long-term fiscal liabilities for the government.

In this model, private investors drive renewable energy expansion, while governments play a key role in ensuring financial stability and regulatory certainty. However, the reliance on PPAs, debt financing, and guarantees means that public institutions both nationally and foreign DFIs remain deeply entangled in these projects, shaping the long-term financial landscape of Senegal's energy transition.

Figure 6: Example of project finance structure for a renewable electricity project.



Note: DFIs: Multilateral Development Banks.

Source: Baker 2021

## THE FINANCIAL ECOSYSTEM FOR ENERGY IN SENEGAL

In general, one can distinguish the financing ecosystem for rural off-grid electrification and on-grid energy production mostly in IPPs. There is no exact figure about the financial scope of both markets, yet empirical evidence suggests that on-grid IPP investments currently represent a larger share of the market compared to off-grid rural electrification investments. Given this, and the political priority for on-grid energy capacity expansion, the following discussion refers to the on-grid IPP market. For an overview of off-grid financing, please see Spotlight 3 on rural electrification.

Development finance institutions (DFIs), multilateral and bilateral development banks, as well as climate finance funds are the kernel of Senegal’s financial ecosystem for energy finance. All publicly available data shows that there is an upwards trend of investments both in non-renewable and renewable sources from international finance mobilized for national energy production.<sup>46</sup> The major donors are the USA, Islamic Development Bank, the Green Climate Fund and France.<sup>47</sup> In particular, renewables sources require a high degree of public development finance providing debt given the projects were the first in the country in mid-2010s and private lenders were reluctant to invest. Bilateral development banks like Proparco (France), KfW (Germany), DFC (USA) and FMO have played a considerable role to help financing the first dozen of RE IPPs in the country by handing out loans to the project companies. Multilateral organizations like the IFC (a branch of the World Bank), EIB (EU) and the AfDB and the IsDB have equally provided significant shares of funding for energy generation. We can thus note that concessional finance has enabled the first wave of IPPs in Senegal, which would most probably not have been possible without

<sup>46</sup> (Bloomberg NEF 2024; Aid Atlas 2024; Our World in Data 2024)

<sup>47</sup> (Aid Atlas 2024).

it and keeping tariffs lower than purely market-based financing would allow. On the other hand, as will be discussed later, it nevertheless increases Senegal's overall debt burden and concessional finance is typically tied to donor priorities, which can constrain national decision-making in energy planning.

While concessional development finance has helped overcome barriers to investment in renewable energy, most DFIs have stopped all support for fossil fuel investments and aligned their portfolios with the Paris Agreement. Interviews revealed that this has caused surprise among the Senegalese authorities. However, this fact poses problems for Senegal's gas-to-power strategy. With global gas financing opportunities generally shrinking, and Senegal's dependence on concessional financing for its gas-to-power strategy, the financing pipeline for the necessary gas infrastructure is at risk. Eventually, this calls into question whether Senegal will be able to finance the necessary gas infrastructure.<sup>48</sup>

**The major donors are the USA, Islamic Development Bank, the Green Climate Fund and France.**

## **PUBLIC VERSUS PRIVATE FINANCING SOURCES**

Public funding from the Senegalese government for renewable energy production has been negligible, with FONSIS, the national sovereign wealth fund, being the only vehicle for public ownership in energy production. Senelec operates one single PV power plant, which has however also been financed with the help of foreign development finance, the KfW. The private sector enters the scene, predominantly in the role of developers and equity investors (see Spotlight 2). In the entire renewable energy sector, only one private bank, Austrian-based Unicredit, is known to have lent money to the IPP Energy Resources Senegal SA. As a result, it can be said that private banks in Senegal have not yet stepped into the field of renewable energy financing.<sup>49</sup> Quite the contrary is the role of private developers. The consortium of Meridiam and Engie, two private equity energy infrastructure funds from France, together with FONSIS have developed four solar IPPs in the last years with a total capacity of 120MW. Other important private developers in the renewable energy sector are Lekela, the developer of the wind park Taiba N'Diaye (recently been on-sold to Infinity Power, see Spotlight 4), Innovent (France) and Energy Resources Senegal (ERS). ERS stands out in this regard as the only Senegalese energy developer in the solar sector, with current plans to develop another utility-scale solar project in Niakhar.

Regarding the instruments available, the majority of the finance is provided in the form of public ODA loans, with a portion being offered through concessional credits. This means that the credit conditions are below market rate. However, the money is provided on a credit basis and must be repaid by the project companies. There are reports of grants for renewable energy projects, for example, for feasibility studies during the project development phase, which help to bring the projects to completion. According to Aid atlas, grants amount to 25% of overall energy finance, yet we do not know the share of grants in energy production, which is presumably lower. For renewable energy projects, we can assume a negligible share of grants, as grants are usually very difficult to achieve for commercial projects. Equity finance in the Senegalese energy ecosystem stems mainly from private sources. Equity financing in energy projects is usually regarded as high risk. This is because equity investors are the last to be paid in the event of a default. However, this higher risk is offset by the potential for higher returns compared to debt financing.

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<sup>48</sup> [Diene et al. 2024].

<sup>49</sup> [ECREE 2018].

The debt-to-equity ratio in energy projects indicates the proportion of financing coming from debt versus equity, with a higher ratio signifying greater reliance on borrowed capital. The strategic use of public or concessional capital from DFIs to mobilize private investment in sectors like energy is known as blended finance. In energy projects, this often takes the form of private developers injecting equity, while DFIs provide concessional loans to improve financial viability and institutions like MIGA offer guarantees to reduce political risk, making large-scale renewable energy projects bankable and investible (see Spotlight 2). Green bonds typically play a significant role within the broader spectrum of green financial instruments; however, their role in Senegal is not as important.

## SCALING SOLAR SENEGAL

In the last years, the Scaling Solar project, developed by the World Bank, has gained considerable attention in Senegal's energy finance sector. Under the Scaling Solar program, two solar power plants – Kahone Solaire (35 MW) and Kael Solaire (25 MW) – were developed, achieving a record-low tariff of €0.04/kWh, among the lowest in sub-Saharan Africa.<sup>50</sup> The projects were financed through a blended finance model, with equity contributions from Meridiam (40%), ENGIE (40%), and the Senegalese sovereign wealth fund FONSIS (20%), while debt financing came from DFIs including the European Investment Bank (EIB), Proparco, and the IFC. A key feature of Scaling Solar is its “one-stop-shop” approach, offering standardized project documentation, land allocation, and risk-mitigation tools such as a €6.9 million, 15-year political risk guarantee from MIGA. The SPV-based project finance structure ensured bankability, while Power Purchase Agreements (PPAs) with Senelec provided revenue security. Noteworthy, the Scaling Solar model as it was implemented in Senegal has also been adopted or is currently being implemented in other countries, including Zambia, Côte d'Ivoire, Togo, Niger, and Madagascar, with the goal of streamlining processes and fast-tracking private investment for large-scale solar projects.

Despite the growing investments in Senegal's energy sector and the increasing diversification of actors and instruments, financing remains largely limited to commercially viable projects. Databases such as GET.invest or Germany's “Energy Solutions” initiative provide an overview of funding sources, yet these are primarily geared toward private sector investments.<sup>51</sup> This leaves community-led projects, cooperative ownership models, and other non-bankable initiatives struggling to access affordable finance. Indeed, accessing finance at affordable rates is one of the most challenging barriers for SMEs in Senegal.<sup>52</sup>

In response to this challenge, a German development finance project, in collaboration with the national agency for SMEs (ADEPME), supports the national sector for green investments and aims to provide financing sources for domestic SMEs. It seeks to strengthen the capacity of financial institutions to offer tailored financial products for renewable energy investments, particularly in local currency. By improving credit assessment capabilities and developing suitable financing mechanisms, the project aims to accelerate access to funding for SMEs and national project developers.<sup>53</sup> While various financing programs exist to support domestic private businesses in the renewable energy sector, they remain largely inaccessible for domestic SMEs due to strict eligibility criteria, short loan tenures, high collateral

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<sup>50</sup> [Scaling Solar, n.d.; IFC 2021].

<sup>51</sup> [GET Invest 2024].

<sup>52</sup> [Apfel and Herbes 2021; Haselip, Desgain, and Mackenzie 2014].

<sup>53</sup> [giz 2023].

requirements, and a preference for commercially viable, large-scale projects over small, locally driven initiatives.

### **Spotlight 3: The financing of rural electrification: a just alternative to IPP financing?**

Rural electrification in Senegal consists of a mix of different approaches, involving both public and private actors. The main strategies include concession-based grid extension, mini-grid projects, and stand-alone solar home systems (SHS), each playing a distinct role in expanding electricity access to remote areas.

#### **Grid-Based Rural Electrification & Mini-Grids**

The government, through the Agence Sénégalaise d'Électrification Rurale (ASER), manages a concession system, where private companies are contracted to expand the grid in specific zones. However, these concessions have often struggled with implementation delays and financial viability, leaving many rural areas unelectrified. To complement this, mini-grid projects – often initiated through international cooperation – allow Senegalese SMEs to install decentralized energy systems. Recent research findings show that while mini-grids can empower communities, they often reinforce socio-economic disparities by favouring wealthier households, particularly men with financial and technical resources. Marginalized groups, including poorer households and women, face barriers to access and participation.

#### **Solar Home Systems (SHS) and Pay-As-You-Go (PAYGO) Models**

Given the challenges of grid expansion, SHS have emerged as a key alternative for rural households. These small-scale solar solutions provide power for basic needs such as lighting, phone charging, and small appliances. The SHS market in Senegal has been shaped by international actors, including European SMEs and multinationals (like Total). Several local and international solar PV companies, such as Oolu Solar and Baobab+, operate in the country using various financing models, including cash sales, PAYGO, and partnerships with microfinance institutions. Senegal ranks as the most attractive West African market for PAYGO solar. PAYGO allows users to make small, regular mobile payments over time instead of paying upfront to pay off the loan for the SHS. This makes solar power more affordable for low-income households. However, this model relies on mobile banking access, and non-payment results in automatic disconnection, raising concerns about equitable access. Investment in Senegal's off-grid solar market has grown steadily, driven by increasing mobile money penetration and rising demand for rural electrification solutions. This has raised interest from international equity investment fund searching for profitable investment opportunities. For example, actors like Baobab+ have attracted interest from both DFIs and private funds. These investments reflect a broader trend of international and DFIs supporting the expansion of SHS and decentralized energy solutions to underserved rural areas.

### **Economic inequalities and gender disparities in SHS and PAYGO Models**

This financing model for SHSs raises several concerns regarding household indebtedness, data privacy, and economic sustainability. While PAYGO is framed as a tool for financial inclusion, it also introduces the risk of growing household debt burdens. Similar to experiences with microcredit and FinTech lending in other African countries, households may struggle to meet regular payments, leading to disconnections and financial stress. The long-term affordability of PAYGO remains questionable, as consumers often end up paying significantly more for electricity compared to those connected to the grid. Furthermore, PAYGO providers not only sell energy but also collect and monetize consumer data, using payment records to track behaviour and assess credit risk. This raises ethical concerns about privacy, digital surveillance, and financial exploitation. Mini-grids and SHS projects often fail to directly address gender disparities in access, affordability, and decision-making. Women, particularly in rural areas, face financial barriers to accessing PAYGO solar systems and mini-grid electricity, as these models often prioritize customers with higher purchasing power. There is limited policy focus on integrating women into energy-related employment and entrepreneurship.

Source: Klug et al. 2024; GOGLA 2022.<sup>54</sup>

## **THE JETP – WHICH ROLE FOR RENEWABLES IN SENEGAL’S ENERGY FUTURE?**

Within this context, Senegal, at the summit for a new global financial pact held in Paris on June 22 and 23, 2023, signed the Just Energy Transition Partnership (JETP) in which the State commits to increasing its share of renewable energy to 40% of the energy mix by 2030.

This new partnership for a just and equitable energy transition pledges €2.5 billion in financing to support Senegal’s efforts to achieve universal access to energy and consolidate a low-carbon, resilient and sustainable energy system. Although it is expected that the bulk of finance will come through credits, the investment plan will also provide grants. However, from investment plans of other JETP partner countries such as South Africa and Indonesia, one can suspect that the large majority of funding will come through credits, making investments into profitable IPPs a necessity.<sup>55</sup> If these expectations materialize, the JETP is yet another manifestation of the energy finance landscape that prioritizes large-scale commercial projects, following the logic of the global energy finance landscape that turns energy projects into an asset class – as the process has been described above. However, it is too early to state to what kind of projects funding will flow, as the investment plan is yet to be published.

Despite the ambitious plan announced in the JETP of 40% RE in the electricity mix by 2030, the long-term role of renewables in Senegal’s energy sector is undefined. Quite the contrary, gas-based power plants could comprise up to 75% of overall installed capacity in the long term. However, these plans rely on fundamentally uncertain future developments. Despite the current geopolitical upheaval and extremely uncertain times, it is reasonable to assume that the world’s long-term energy supply will be based on renewables. This means that any investment in gas is exposed to significant macro-financial risk. The International Energy Agency believes that the era of gas will soon be over. Global demand for gas – despite a short-term spike due to Russia’s invasion of Ukraine – will gradually decline. This raises the

<sup>54</sup> (Klug et al. 2024; GOGLA 2022; Baker 2022; 2023; Trompette, Etienne, and Francius 2022; Onsongo et al. 2024)

<sup>55</sup> (Wischermann 2024; Imelda 2023; Global Energy Justice Workshop Collective 2023)

question whether Senegal will be able to sell its gas on the world market and at profitable prices. In short, there is a risk that Senegal's gas assets will become stranded.<sup>56</sup> From a macro-financial perspective, the risks associated with renewable energy infrastructure are likely to be lower. Unlike gas investments, which face high stranded asset risks due to shrinking global demand and declining financial support, renewables investments are more resilient as they are aligned with long-term global energy trends and climate policies.

## TRENDS IN NATIONAL ENERGY FINANCING – WHAT DRIVES, WHAT PREVENTS ENERGY INVESTMENTS?

Given the expansion and diversification of the financial ecosystem for energy provisioning, it can be said that Senegal's financing situation for energy tends to be more favourable compared to previous years, which opens up many new opportunities. Compared to other African countries, the regulatory environment for energy investments in Senegal is perceived favourably for foreign investors, which has contributed to a reduced political risk perception. The country is considered stable with strong institutions, making it an attractive investment environment.<sup>57</sup> In addition, specifically investments into renewable energy plants are expected to yield economic co-benefits such as jobs in the service, construction and maintenance segments.<sup>58</sup> What is more, a strong increase in renewables in the energy mix reduces Senegal's primary energy resource dependency and hence may contribute to national energy sovereignty. And their positive environmental impact, especially when compared to national gas and oil production plans, has not even been mentioned. Taken together, these aspects – in combination with the positive prospects for profitability – can be said to have driven the strong expansion of renewable energy.

Although Senegal is considered a comparably favourable investment environment in terms of political risk, an elevated risk perception still tends to render investors reluctant to invest.

Source (Oxfam 2025).



Figure 7: Root causes of limited expansion of renewable energy in Africa

<sup>56</sup> (Marquardt 2023).

<sup>57</sup> (IEA 2023, 123).

<sup>58</sup> (New Climate Institute 2023).

However, financial barriers hampering a strong extension of the renewables sector hinder these positive economic and environmental impacts. High-risk perception – associating African countries to racialized stereotypes such as disease, starvation, violent tribal conflict, or political instability – is a general financial barrier that applies to African countries more generally.<sup>59</sup>

Experts in the domestic finance industry confirm that these stereotypes also prevail among foreign investors in Senegal. Domestic financial experts in contrast evaluate these stereotypes as biased and exaggerated. Another blocking factor, which is sometimes named, is an apparent unfavourable track-record of Senelec and its lacking credit worthiness. A lacking list of a viable project pipeline could further hamper much needed energy investments. Little transparency and accountability within the institutional framework of Senegal energy regulation represent another barrier for further investments.<sup>60</sup> Taking together, these barriers represent risks for investors who in turn will demand high returns on their investments, rendering capital costs exorbitant high. All these factors combined make access to affordable financing resources a major impediment to further expand renewables in Senegal.

## **ASSERTING ENERGY SOVEREIGNTY VS. FOREIGN FINANCE DEPENDENCY**

Based on these trends, we can summary some key mechanisms that shape the genuine patterns of how energy production is organized in Senegal. Fundamentally, Senegal’s energy production is divided between claims for national control of energy production, which is counteracted by a strong dependency on foreign finance. Given that most of the financing for energy production comes from foreign sources, this makes the country vulnerable to foreign financial dependency and shrinks the space for national energy sovereignty. Shareholdings of energy production in national ownership, in the form of FONSIS, are negligible and their voice in decision-making can simply be overruled. Albeit a strong ambition from government officials is noted to assert a national space for energy provision, it can be said to be only partly successful. For example, the energy sector reform contains such ambitions in keeping Senelec the national energy utility under public control or extending and strengthening the role of the energy market regulator CRSE as well as claims for national economic sovereignty in the national development strategy 2025-2029.

In some cases, the World Bank is described as a deterrent actor, equipped with the means to discipline the state and act as a representative of the interests of global capital.

These findings cast a very critical light on the current mode of financing energy and suggest that free market financing is failing to meet critical energy policy objectives in line with the goal of energy sovereignty. Given investors’ risk perception and lacking viability of energy projects, necessitate the state to put in place measures to secure investors’ profits – so called de-risking mechanisms. These mechanisms shift financial risks from private investors to the public sector, reducing state agency by exposing national budgets to potential liabilities. In Senegal, this means that if an IPP becomes unviable due to grid constraints or market fluctuations, the government remains financially responsible. This mechanism prioritizes investor returns over public

**In general, the strong focus on market-based financing mechanisms prioritizes private finance needs over national energy priorities.**

<sup>59</sup> [Schorr 2011; Alami and Guermont 2022].

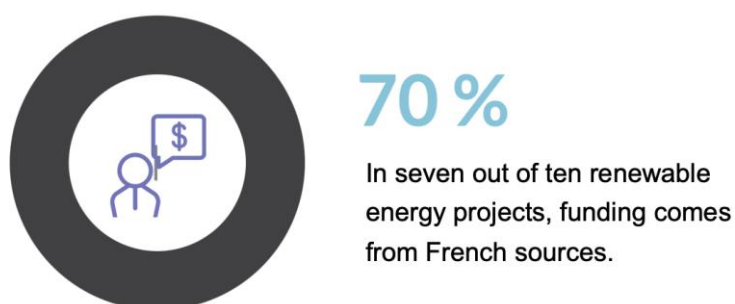
<sup>60</sup> [MCC and Republic of Senegal 2017]

affordability and fiscal stability – ultimately undermining the state’s ability to independently shape its energy transition.

## 4. FINDINGS ON INEQUALITIES IN RENEWABLE ENERGY FINANCE – WHO IS LEFT BEHIND?

The global climate finance architecture has a direct impact on who benefits, who carries the risks, and who is left behind – on the global, the national and local level. While the previous section outlined *how* Senegal’s energy transition is being funded, this section looks at *who gains* and *who loses* in this process. Contrary to the dominant narrative in development finance calling for more private investment to close the infrastructure gap, a justice-based perspective challenges this assumption by demystifying “gap talk” – questioning whether simply increasing finance, without addressing structural inequalities and risks, will truly lead to a fair and sustainable energy transition. It is therefore helpful to differentiate three levels. At the global level, we turn to how international investors and development finance set rules and prioritize their domestic economic actors. At the national level, we look at the process of energy policymaking and the impacts on national inequalities. At the local level, we analyse energy projects concerning the benefits and harms for communities in terms of land access, job opportunities and local participation. This section explores how the current financial system reinforces inequalities, reflecting ongoing colonial inequalities, and what this means for a just energy transition in Senegal.

Figure 8: French presence in the financing of renewable energy in Senegal



Source (Oxfam 2025).

### HOW GLOBAL FINANCIAL RULES SHAPE WHAT IS BUILT

The type of energy projects that receive funding is not just a matter of national priorities – it is shaped by global financial rules. Large institutional investors, development banks, and private financiers do not fund projects based on need alone; they invest where they can secure stable returns with minimal risk. This means that energy projects must be “bankable” – profitable, low-risk, and structured in a way that

meets investor requirements. As a result, the dominant model for financing energy in Senegal is project finance, favouring large-scale IPPs over other models of energy provision.<sup>61</sup> This type of energy finance promotes an extractivist economic model. The impacts concerning national inequalities of a market-liberal type of energy finance are felt in different ways. IPP financing is structured in a way that prioritizes private profitability over national energy priorities. This implies that large-scale projects may increase national energy capacity, but they do not necessarily prioritize universal access, leaving rural and marginalized communities underserved. In Senegal, energy capacity has significantly increased recently, yet the goal of universal energy access as indicated in the “Plan Sénégal émergent” by 2025 is left unmet. With the priority of private energy production, Senegal risks losing its control over national energy supply while slipping into a cycle of dependence on foreign investment and concessional finance. To put numbers to the claim of ‘foreign financial dominance’: every single large renewable energy plant is at least partly financed by foreign financial institutions. In seven out of ten renewable energy IPPs, the financing comes from French sources.

This has two consequences: the national energy politics is increasingly oriented towards the interests of foreign public and private lenders, rather than national energy politics, and provides them more space to interfere with national energy politics. Second, *in terms of distributive justice, Senegal loses massive amounts of capital each year through profit repatriation, which is lacking for necessary reinvestment in the national energy infrastructure.*<sup>62</sup>

## IPP FINANCING IS A RISK FOR THE NATIONAL BUDGET

This suggests that the primacy of foreign investors in IPPs replicates a colonial economic model. Since colonial times, energy production has been enabled by foreign finance.<sup>63</sup> This is not, however, to repeat the generic phrase that 19th century colonialism continues unchanged. Rather, this claim points at how specific structural patterns continue to exist, while in different shape. During colonial times, energy infrastructure was developed primarily to serve the interests of the foreign ruler rather than local needs. Today, energy infrastructure is built for the national population but shaped by global investment priorities. This dynamic raises questions about who holds decision-making power in shaping Senegal’s energy future and to what extent financial arrangements truly serve national development priorities. These aspects highlight that energy finance is not just about building infrastructure – it is about power, ownership, and economic justice. The current model favours profit-driven private actors over public benefits, raising concerns about distributive justice.

One key aspect of distributive justice is how costs between the public and private sector are distributed. Most of the financing for IPPs is provided in the form of debt. This seems appropriate in the first place because energy production generates revenue for IPPs. However, IPPs may represent a risk for the fiscal budget, despite often being presented as a way to ease fiscal pressure. While IPPs are financed by private investors, the government must guarantee payments through long-term PPAs. This means that even if demand for electricity drops or Senelec faces financial difficulties, the state is still forced to pay for the contracted energy, putting a strain on public finances. For most of the IPPs, the state provides sovereign guarantees. The state’s provision of sovereign guarantees is often seen as a necessary response to the high-risk perception of foreign investors. For the State, however, this represents a risk because it

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<sup>61</sup> (Haag, Apfel, and Herbes 2024).

<sup>62</sup> (Tax Justice Network 2024, 31).

<sup>63</sup>(Cropper 2019; Cogneau 2023, chapter 6).

increases its contingent liabilities – funds that must be set aside in the national budget in case it needs to step in and cover payments.<sup>64</sup> These obligations limit the government’s ability to invest in other public services and can contribute to rising public debt. According to the IMF, the creation of long-term liabilities through PPP and PPA contracts represent “significant fiscal risks”. PPPs pose a fiscal risk to Senegal’s national budget, as stress tests indicate that contingent liabilities amounting to 35% of the PPP capital stock could materialize, potentially increasing public debt burdens.<sup>65</sup> Note here, that public investments in the gas infrastructure may potentially signify an even greater risk, given that gas assets might become stranded due to future developments on the national gas market.<sup>66</sup>

The dominance of IPP financing and project finance models is not unique to Senegal but reflects a broader trend across many African countries. From South Africa to Kenya and Ghana, energy projects are increasingly structured through private-led, de-risked finance mechanisms, shaping who controls and benefits from the energy transition. IPPs and project finance have become the default model for large-scale infrastructure, often backed by DFIs.<sup>67</sup> Studies from South Africa, Kenya, Ghana, and beyond reveal similar patterns of inequality, where financial structures prioritize investor returns over public benefits, reinforcing energy access disparities and fiscal burdens on states.<sup>68</sup>

Procedural justice is concerned in undisclosed financial transactions and opaque financial contracts that remain inaccessible to the public.

Figure 9: The role of transparency for a just energy transition



Source (Oxfam 2025)

<sup>64</sup> [Ministère des Finances et du Budget, n.d.).

<sup>65</sup> (IMF 2019, 62; 2023).

<sup>66</sup> (Marquardt 2023).

<sup>67</sup> (Eberhard et al. 2017; Baker 2015; Elsner et al. 2021; Klagge and Nweke-Eze 2020).

<sup>68</sup> (Stock and Nyantakyi-Frimpong 2024; Newell and Phillips 2016; Baker 2021).

This also concerns negotiations between the state and private actors or other governments. Most clearly visible is this during the negotiations for the JETP. In the beginning, civil society actors have been entirely excluded from all informational flows concerning the processes of the negotiation. Besides that, the negotiations for the investment plan have been conducted on an inter-ministerial level under exclusion of the public. Many representatives of civil society have condemned the opacity and lack of transparency of the JETP negotiations. In fact, it's a real problem of failure to respect the principle of procedural justice.

## **PUBLIC CLIMATE FINANCE: IN WHOSE INTEREST AND WHO HAS ACCESS?**

Although private financing in Senegal's energy sector is on the rise, this does not imply that public financing is negligible. Quite the contrary, public financing through public climate finance, channelled through bilateral DFIs (for example through KfW, Proparco, FMO etc.) is crucial for realizing private-led IPPs. What role do these DFIs play in Senegal's energy sector? It is not unusual that DFIs in Senegal create market opportunities for their domestic private sector. DFI policy is implemented in tandem with the strategy of their home countries to encourage the deployment of international companies in emerging countries. For example, French companies benefit from export subsidies that are considered climate finance, and these subsidies correspond to France's incentive-driven green industrial strategy. This applies to four photovoltaic power plant projects owned by French energy companies Engie and Meridiam. In other terms, French development finance has helped to create market shares in Senegal for French companies.

The German 'Export Initiative Energy' flagged by the slogan "into new markets" aims at supporting German businesses to new markets in Africa.<sup>69</sup> The German company Gauff, for instance, which has been contracted to electrify 300 villages in Senegal, export credit insurance from Euler Hermes. Such public financing counts as provisioning of climate finance, however, is in fact support for domestic private companies through export-credit guarantees, investment guarantees or other forms of credits to promote exports. To some extent, the provisioning of climate finance is then primarily a support instrument to export into new markets.

Another distributive issue of public climate finance is that the bulk of it is provided through credits. Only one third of overall climate finance for energy in Africa, has been provided through grants.<sup>70</sup> This in turn means that many of the loans are granted at market rates, which have to be repaid and may eventually end up in the national budget - as described above. Projects therefore need to be on a sound financial footing so that the loans can be repaid. For many projects, particularly in remote rural areas, this is not the case. Civil society representatives working with local communities point out that this particularly affects women-led groups who lack access to finance for their economic activities, such as fish processing and the use of biogas solutions in the Saint Louis region – to name only one example. As a result, many small projects that fall below the radar of climate finance are not funded.

**While climate finance in public perception appears as a donation, it is in fact provided as credit that needs to be repaid.**

<sup>69</sup> (Federal Ministry for Economic Affairs and Climate Action, Germany 2024).

<sup>70</sup> (Climate Policy Initiative 2024, 38)

This raises questions of who has access to climate finance. Civil society actors in Senegal have repeatedly claimed that access to climate finance resources is unequally distributed. This is evident in the accredited organization at the Green Climate Fund. While multiple organizations based in the Global North are accredited, this is the case for only three Senegalese organizations (Attijariwafa Bank, Centre de Suivi Ecologique, La Bank Agricole). As a consequence, only one current project in the field of climate mitigation is run by a Senegalese organization (ASER, in partnership with BOAD), while all the others are managed by Northern-based development organizations such as GIZ (Germany), FMO (Netherlands), Acumen Fund (USA) and Pegasus Capital Advisors (USA). For civil society actors, this means that the purpose of climate finance is counteracted, where those communities who are at the front line of being affected by climate effects are excluded from accessing climate financing.

**The predominance of European investors in both equity and debt financing means that much of the financial benefits – such as returns on investment and dividends – flow out of Senegal rather than contributing to local economic development.**

Another critical aspect of public climate finance concerns the power of foreign bilateral and multilateral DFIs that manage to interfere with the realm of sovereign energy policymaking. The project portfolio of the World Bank in Senegal alone amounts to more than \$1,000m of committed sum in Senegal.<sup>71</sup> The dependence on these sums for welfare programs but also infrastructure programs is hardly deniable. This lifts the World Bank to a predominant actor within national politics in the country. Remember, that the World Bank also provides political risk guarantees to private investors, which in turn leads them to act in the interest of their private investor clients. This represents a real conflict of interests and equipping them with means to influence policymaking. One such case occurred, when foreign DFIs demanded from the Senegalese government to pass a tax waiver for energy technology for projects they were financing. Regardless of the relevance of this political instrument, the case clearly shows that DFIs have the opportunity to influence policy through their direct contact with the highest political level of decision-makers in Senegal. This shows how democratic processes risk being undermined. In summary, the provision of debt instead of grants and the strong presence of foreign DFIs subjects the national energy policy to the dictate of foreign interests.

## **INEQUALITIES ON THE LOCAL LEVEL – WHO BENEFITS FROM POWER PLANTS?**

In Senegal, currently ten renewables-based IPPs exist. A close analysis of IPP financing structures and the distribution of socio-economic harms and benefits shows that inequalities stemming from the global level are transferred to the local level. These inequalities are manifest in financial terms, job opportunities, technology access, integration of domestic SMEs, access to land and community investments.

The financial structures of energy projects reveal significant inequalities in ownership and investment flows, raising concerns regarding distributive justice. Even in cases where Senegalese investors hold shares, they are typically in a minority position, limiting their influence on decision-making and profit distribution. In all cases, ownership relations represent a distribution of income from energy consumers

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<sup>71</sup> (World Bank 2020).

to the owners of the plants, making IPPs an issue of social injustices. While there are some initiatives, such as the allocation of small equity stakes to local municipalities or public institutions like FONSIS, these remain exceptions rather than the rule. One outstanding case for example is the Solaria Kima PV plant in Malicounda, which yields 5% of the shares to the community.

However, the reliance on European and U.S.-based development finance institutions (DFIs) for project loans further entrenches financial dependency, reinforcing structural inequalities in access to capital. As a result, the current financing model for renewable energy in Senegal risks exacerbating economic disparities by prioritizing foreign returns over local reinvestment, thereby challenging the principles of a just and equitable energy transition. This financing model has further implications concerning producing economic value added on site.

How does the domestic economic sector benefit from utility-scale projects, for example through technology transfer, or subcontracting in the construction and maintenance of the power plants? A close analysis of involved firms in constructing and maintaining the power plants reveals that the potential for local economic value creation remains limited. Large utility-scale projects are primarily driven by foreign companies. Engineering, Procurement, and Construction (EPC) contracts are awarded to European multinationals like Vinci, Engie, and Vestas, with technology and key components predominantly imported, leaving little room for domestic innovation or industrial development.<sup>72</sup> There are cases that SMEs may benefit from subcontracting opportunities, for example in logistics, transportation, and minor construction tasks. However, these contracts are short-term and low in the value chain, offering limited long-term benefits. Moreover, strict tendering requirements favour large foreign firms, making it difficult for Senegalese SMEs to compete. As a result, contrary to how RE projects are often framed as engines of economic growth, they, in fact, risk reinforcing structural dependencies rather than fostering a sustainable, locally integrated renewable energy industry.

Employment opportunities from large-scale IPPs are poor and often fail to meet local expectations. First of all, IPP projects require labour – usually a few hundred – only during construction. This means, these jobs are temporary, and long-term employment opportunities for operation and maintenance are scarce, typically only a few dozen. This leads to frustration and disappointment on the side of neighbouring communities. Even in apparently simple cases, where cleaning jobs of the PV panels could be provided to the community, have been replaced by machines, leading to frustration of people, who have expected to benefit from the power plant.

Despite these effects, they have not been given preference when it comes to employment opportunities; instead, men tend to gain more from the few jobs generated by power plants.

These findings confirm what other studies have found for projects for example in Ghana and India, demonstrating how these projects risk reinforcing economic inequalities rather than offering substantial, long-term opportunities for local populations.<sup>73</sup>

In contrast to these findings, renewable energy IPP developers in Senegal have made efforts to engage with local communities through stakeholder consultations, aiming to integrate community concerns into project planning. Many projects channel co-benefits by investing in local infrastructure, education, or healthcare initiatives, while also striving to minimize negative environmental impacts such as pollution. However, despite these measures, community frustrations persist, as expectations regarding direct employment and long-term economic inclusion often remain unmet. The frustration and disappointment

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<sup>72</sup> [ECREE 2018].

<sup>73</sup> [Stock and Nyantakyi-Frimpong 2024; Stock and Sovacool 2023].

of the affected communities has led to protests and self-organised collectives confronting the energy companies. These protests were not directed against the project itself, but rather against the unequal distribution of damages and benefits. According to the communities themselves, their demands have not been met by either the energy company or the local authorities, who have instead attempted to suppress their protests.

In conclusion, we can summarize that renewable energy projects in Senegal guarantee stable revenues for investors through long-term contracts, yet they result in unequal economic integration for domestic actors. As a result, these projects create only marginal local value-added, reinforcing economic inequalities rather than yielding impact for the local economy. This reflects a broader contradiction between the impetus to create bankable projects and the failure to meaningfully account for or benefit local communities (see Spotlight 4)<sup>74</sup>. Ultimately, these patterns of exclusion and marginalization mirror and reproduce racialized economic hierarchies rooted in Senegal's colonial past, where extractive economic structures primarily served external interests rather than local development.

**While foreign companies dominate ownership, financing, and technology supply, local SMEs are largely confined to low-value subcontracting roles, and employment opportunities remain limited and temporary.**

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<sup>74</sup> LSD, LE PARC ÉOLIEN DE TAÏBA NDIAYE AU SÉNÉGAL L'énergie renouvelable, mais pour qui ?

#### Spotlight 4: The Taïba N'Diaye Wind Park – Local Impacts and Justice Concerns

This section takes a closer look at the Taïba N'Diaye Wind Park, Senegal's largest wind energy project, to examine its relationship with the local community through the lens of justice.

The wind farm is owned and operated by foreign companies, meaning that much of the financial benefits flow out of Senegal. The project was developed by Sarreol and Lekela, with financing from institutions like the U.S. International Development Finance Corporation (DFC) and Denmark's EKF. To minimize risks for investors, the World Bank's MIGA provides guarantees against political risks such as expropriation or breach of contract. The Danish company Vestas supplied and installed the turbines and continues to oversee operations. In 2021, after seven years, the project company of the wind park was sold to Infinity Power (United Arab Emirates).

The relationship between the Taïba N'Diaye Wind Park and the local community is shaped by both positive expectations and critical concerns, reflecting different dimensions of justice. While some residents welcome the project, seeing it as an opportunity for economic development, others express frustration over unfulfilled promises, lack of transparency, and land expropriation issues. Before project start, Lekela conducted consultation rounds and stakeholder meetings, which were largely perceived positively. A community committee was established as a direct point of contact between residents and the company. However, concerns remain regarding the lack of transparency and exclusion from decision-making. For example, many community members complain about not having access to the official cooperation agreement between Lekela and the local municipality. This raises the concern that key decisions were made without their meaningful participation. This lack of transparency fuels disillusionment, as residents feel their voices have been ignored.

There are no reported cases of legal violations or human rights abuses by the developer. However, the main concern from the affected communities concerns land expropriation. The wind park's impact zone covers several villages. Farmers have lost access to their land, which is often their main source of livelihood. Many believe that compensation was unfair and the expropriation process lacked transparency. Reports indicate that Lekela took more land than initially announced, and infrastructure like roads was built wider than planned. For many families, land expropriation threatens their subsistence base.

Ultimately, while the Taïba N'Diaye Wind Park is often framed as a successful renewable energy investment, the local justice implications highlight the need for more inclusive decision-making, fair compensation, and stronger economic integration to ensure that affected communities truly benefit.

# 5. FINANCIAL ALTERNATIVES FOR ENABLING A JUST ENERGY TRANSITION

The previous sections have demonstrated that, while renewable energy are undeniably fundamental to decarbonize the national energy system, they result in unequal financial inequalities. These inequalities are both located at the international financial architecture and the national realm of energy politics. When looking for alternative financial ways of funding the national energy transition, these alternatives must also be located at both levels. Regarding the global level, in particular the international currency hierarchy needs to be addressed as it delimits the ability of Global South countries to access long-term, affordable green financing without exacerbating foreign dependencies. Addressing these challenges requires systemic change, rather than isolated interventions at the national or project level.

## RESURGING DEMANDS FOR A NEW INTERNATIONAL ECONOMIC ORDER

In 2024, the 50th anniversary of the New International Economic Order (NIEO) was commemorated, prompting renewed debates on global financial reform. First adopted by the United Nations in 1974, the NIEO was an ambitious effort by Global South countries to challenge postcolonial economic structures and demand a more just global financial and trade system. It called for fairer terms of trade, sovereign control over natural resources, technology transfers, and a restructuring of international financial institutions to better serve developing economies.<sup>75</sup> The call for a NIEO highlights the need to address structural inequalities in the global economy, including those embedded in international monetary hierarchies. Without reforming these hierarchies, Global South countries will remain dependent on expensive foreign debt and volatile capital flows, restricting their ability to finance a just energy transition on their own terms. To overcome these constraints, researchers have proposed a Green World Central Bank (GWCB) that would issue a new global currency, the "ecor", specifically designed to finance sustainable transformation. The ecor would be created through lending and used exclusively for green imports and climate-related investments. This ensures that Global South countries can access the resources they need for the energy transition without relying on private capital markets or accumulating unsustainable foreign debt.<sup>76</sup> For Senegal, the ecor could allow financing additional energy capacity at lower capital costs and without incurring debt in foreign currency. Both aspects would significantly improve the financing conditions in line with just transition principles.

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<sup>75</sup> (Progressive International 2024).

<sup>76</sup> (Aguila, Haufe, and Wullweber 2024).

While this proposal envisions a global-scale monetary reform, a more immediate and regionally relevant step is the reform – or abolition – of the CFA franc currency union in West Africa in general and in Senegal in particular. The FCFA’s peg to the euro, limits monetary sovereignty, constrains domestic credit expansion, and makes financing the energy transition more costly. Breaking free from this system would allow Senegal to set proper monetary policies, direct credit towards renewable energy projects, and reduce dependence on expensive external financing. The work from the Senegalese economist Ndongo Sylla is inspirational in terms of his argument of abolishing the FCFA currency union, introduce capital controls and the establishment of a development-focused central banks to prevent capital flight and ensure financing supports local industries, renewable energy projects, and equitable economic growth.<sup>77</sup> Without these reforms, West African nations will remain trapped in costly foreign debt cycles, limiting their ability to finance a just energy transition on their own terms.

**An independent and monetary sovereign currency system could in particular contribute to shifting the national banking system towards providing productive credits to the national renewable energy system.**

## **UNCONDITIONAL DEBT CANCELLATION**

For this reason, the cancellation of unfair and odious debts is a key requirement for expanding Senegal’s room for manoeuvre and steer national resources towards national energy priorities. Senegal’s high debt levels limit the government’s ability to finance renewable energy projects and expand energy access. The concept of illegitimate debt, recognized in international law, argues that debts incurred without public consent, under unfair conditions, or without benefiting the people should be cancelled.<sup>78</sup> An in-depth legal assessment should be carried out. It is therefore possible that Senegal could benefit from debt cancellation under these criteria. Campaigns such as Debt for Climate advocate for unconditional debt cancellation, since Global North countries have exhausted and exceeded their carbon budget. Rather than the Global South being indebted to the Global North for financial loans, it is the Global North that owes a massive climate debt to the Global South for centuries of carbon-intensive development, environmental destruction, and resource exploitation.<sup>79</sup> In order to reduce its reliance on costly foreign financing and free up public funds for investments in renewable energy, Senegal needs to cancel all of its debt. By easing debt burdens, Senegal could develop sustainable energy infrastructure without deepening financial dependency or diverting funds to debt repayment.

**First and foremost, the countries of the North must commit to keeping their promises to finance the fight against climate change. They must also significantly increase the sum of 300 billion dollars agreed at the last Conference of the Parties (COP 29).**

## **INCREASE UNCONDITIONAL FINANCING IN FORM OF CLIMATE REPARATIONS**

Besides debt cancellation, it is essential that countries in the Global North commit to their climate finance pledges and extend them. Yet, it is key that these financial means are provided not based on

<sup>77</sup> (Sylla 2020b).

<sup>78</sup> (Sokona et al. 2023, 76)

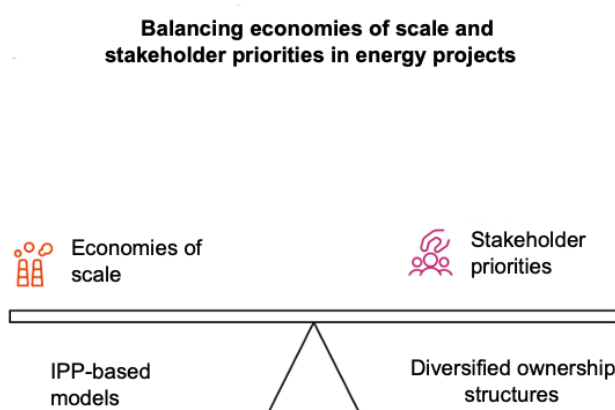
<sup>79</sup> (Fanning and Hicckel 2023).

debt, that would further entrench Senegal’s debt trap, but in the form of reparations.<sup>80</sup> Climate reparations are understood as a necessary step towards addressing colonial atrocities and creating pathways for a just energy transition. Rather than being framed as charity, these financial transfers should be seen as a means to rectify the unequal burdens of climate change and provide resources for energy sovereignty. Climate reparations could take different forms such as debt cancellation, direct grants, and technology transfers. All forms could immediately support Senegal in expanding its renewable energy sector on its own terms, reducing reliance on costly foreign financing and external investors.<sup>81</sup> While demands for reparations seek to rectify historical injustices, they risk being absorbed into existing global economic structures, potentially reinforcing rather than transforming systemic inequalities. Instead of focusing solely on financial compensation within the current system, advocacy should push for systemic reparations – a fundamental restructuring of global financial and economic relations.<sup>82</sup> By reallocating financial resources through a reparative framework, Senegal could strengthen its domestic energy infrastructure, invest in locally owned renewable projects, and ensure that the benefits of the energy transition reach its population rather than primarily serving external interests. This approach would contribute to a more just and equitable global energy system, where Senegal has greater control over its energy futures.

## FINANCING PROJECTS BEYOND ‘BANKABILITY’: INNOVATIVE OWNERSHIP MODELS

The above-named propositions are located at the global level concerning the international financial architecture and therefore beyond the national realm of national regulation. Other suggestions are more concretely located at the national level. The analysis of Senegal’s financial ecosystem has demonstrated that a great share of current financing instruments leave “unbankable” projects unfunded. However, such projects can bring significant socio-economic benefits to the community. For this reason, political priorities must be re-oriented towards finding financial resources and establishing financing instruments that provide funding for local-led, community owned energy solutions. The following elements and principles have proven key to finance the social dimension of the just energy transition.

Figure 11: Balancing economies of scale and stakeholder priorities in energy projects



Source [Oxfam 2025].

<sup>80</sup> (Mokgonyana and Kaboub 2024).

<sup>81</sup> (Perry 2020; Sokona et al. 2023, 70; Mokgonyana and Kaboub 2024).

<sup>82</sup> (Sylla et al. 2024).

The first aspect concerns project ownership models. With regards to ownership structures, previous analyses demonstrate that much of Senegal's energy production is in foreign hands. A just transition requires ensuring Senegalese ownership and agency in energy initiatives and plans.

While the dominant IPP-based model is needed to build large grid solutions with economies of scale, increase the share of renewable energy and generate private sector investments funding must be balanced and promote a diversity of ownership structures that prioritize actors, directly affected by the project. Community-owned projects, cooperatives, municipal utilities, and locally driven enterprises can ensure that energy revenues are reinvested in local social and economic development, rather than extracted as profits for international investors. Supporting such models requires targeted policies, financing mechanisms, and regulatory frameworks that enable local actors – households, farmers, cooperatives, and public institutions – to actively participate in energy production and distribution (see Spotlight 5). An illustrative example that combines much of these aspects is the DREAM project piloted in Ethiopia. The DREAM project is an initiative in Ethiopia that integrates solar mini grids into large-scale irrigation systems to enhance agricultural productivity. It exemplifies the shift towards locally driven, community-owned energy solutions, crucial for achieving a just energy transition. By powering irrigation with renewable energy, DREAM fosters local economic development and energy sovereignty, ensuring that benefits are reinvested within communities and reduce reliance on foreign-controlled energy sources.<sup>83</sup> Another illustrative example is Nigeria's Rural Electrification Fund (REF), which uses solar hybrid mini-grids and solar home systems to electrify rural communities, promoting local economic growth and energy access. These projects demonstrate a commitment to decentralized ownership and community empowerment, reinforcing the socio-economic benefits of the renewable energy transition.<sup>84</sup> By decentralizing ownership and promoting energy sovereignty, Senegal can build a more democratic, inclusive, and resilient energy system that serves national and community interests over private profit.<sup>85</sup>

However, community-owned renewable energy projects face several significant barriers despite their promise. Financially, SMEs involved in these projects are often deemed too risky by institutions, limiting access to affordable loans and leading to a dependence on external funding sources, which jeopardizes long-term sustainability. Beyond financial challenges, these projects also struggle with technical capacity, and regulatory barriers, including a lack of technical expertise for maintenance, complex permitting processes, and the need for community cohesion and acceptance. Additionally, the requirement to offer low energy prices for affordability can undermine economic viability, impeding the spread and impact of these projects at a national level.<sup>86</sup>

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<sup>83</sup> [Global Energy Alliance for People and Planet 2022].

<sup>84</sup> [Rural Electrification Agency Nigeria 2025].

<sup>85</sup> [Sokona et al. 2023, 41].

<sup>86</sup> [Haag, Apfel, and Herbes 2024].

### **Spotlight 5: Local-led and community owned energy projects in rural Senegal**

In contrast to large-scale foreign-owned utility projects, small-scale, community-driven energy systems offer an alternative model with greater local value creation, economic empowerment, and social acceptance. These decentralized projects integrate local expertise and rely on community ownership, ensuring that energy production directly benefits affected communities rather than external investors.

Two examples from Senegal illustrate how locally led off-grid renewable energy platforms can foster sustainable economic ecosystems: The Access to Renewable Energy Program (PAER) promotes renewable energy use among micro-enterprises in northern Senegal. The Progress on Milk (Progrès Lait) project demonstrates how solar energy can transform rural agricultural value chains. By building PV platforms, the project connects dairy farmers with milk processors, strengthens local supply chains, stimulates rural economic activity, and reduces reliance on diesel generators.

These community-driven renewable energy projects contribute to local economic development by integrating energy production into existing value chains, ensuring that electricity directly supports productive activities. By powering micro, small- and medium enterprises (MSMEs), these initiatives create jobs, stimulate rural economies, and enhance long-term sustainability. The PAER project, for example, fosters electrified activity zones, enabling small businesses – such as mechanics, carpenters, and food processors – to expand their operations. The Progrès Lait program promotes milk supply chains, allowing dairy farmers to store and process milk, thereby reducing waste and increasing market access. Crucially, these projects embed renewable energy into social structures, ensuring community participation. MSMEs play a pivotal role in this process – not only as energy consumers but also as knowledge hubs that spread expertise, build trust in renewable technologies, and enhance local ownership.

However, despite their transformative potential, these projects face significant financial challenges. Ensuring long-term viability remains a concern, as many rely on external development aid rather than self-sustaining business models. Additionally, while these projects successfully engage local communities, their limited scale means they are not yet a widespread alternative. For community-led solutions to truly reshape Senegal's energy landscape, scaling up financing mechanisms, improving financial sustainability, and fostering stronger policy support will be essential.

Haag, S., Apfel, D., & Herbes, C. (2024). Do development finance projects facilitate domestic renewable energy transitions? The role of small economic actors in Senegal. *Energy Research & Social Science*, 115, 103598.  
<https://doi.org/10.1016/j.erss.2024.103598>

## **REDISTRIBUTION OF FINANCIAL BENEFITS**

In addition to the diversification of ownership models and independent of who owns the energy plant, financial benefits must be redistributed in that kind so that those, most affected by the negative impacts of the infrastructure projects, benefit from the financial revenues. For this to happen, national law must determine a radius within which the population receives a dividend of the earnings. This could either be resolved through providing equity shares of the project company to the local community or by determining a sum of investments into socio-economic projects in the neighbouring municipality. These funds could

finance social infrastructure such as schools, healthcare facilities, reforestation initiatives, and youth employment programs. To ensure that communities genuinely benefit from energy projects, policies must guarantee that revenue-sharing mechanisms provide financial returns to residents from the beginning of project operation, rather than only after project debt is repaid. Otherwise, the community risks receiving payments only after a long period. Moreover, compensation for land acquisition and project-related damages must be determined through a participatory process with affected communities. Compensation should be fair, regularly reviewed, and adjusted to reflect actual land and livelihood losses. In addition, community investments must be designed within the framework of a serious consultation and participatory decision-making process, to prevent project promoters from setting local empowerment objectives unilaterally and neglecting them.<sup>87</sup> Such criteria can be determined within tendering procedures, like it is the case in South Africa in the REIPPP-programme. It is crucial that Senegal learns from the experiences of South Africa so that social community criteria are not circumvented by project developers.<sup>88</sup>

**Policymakers must recognize the communities concerned as key players. They must recognize affected communities as key actors, ensuring they have a real voice in shaping energy projects rather than being passive recipients of decisions made elsewhere.**

Exemplary cases in Senegal are the Solaria Kima IPP in Malicounda, where the community owns 5% of the shares.<sup>89</sup> While this is certainly a lucrative model, the scope of shareholdings must be up to negotiations between the developer, the government, local authorities and representatives of the affected community and must be adjusted to the degree of expected impacts. Another exemplary case study is the wind park Taïba N'Diaye, which provides for community investments. Yet, reports from affected communities indicate these investments do not always necessarily meet the demands from the population, and they need to be adjusted in relation to the losses felt from the people.<sup>90</sup>

## **ENSURING COMPREHENSIVE STAKEHOLDER PARTICIPATION**

The second important aspect requires the participation of affected people in the design of energy systems, and thus concerns the key principle of procedural justice and recognition-based justice. Stakeholder participation is essential to ensure that energy projects are not only economically viable, but also socially just and widely accepted. To achieve this, the government must embed clear requirements for community engagement, transparency, and accountability into the tendering program that is meant to be in place with the regulatory reform of 2021 (n° 2021-31 du 09 juillet 2021 portant Code de l'Electricité). Developers should be mandated to conduct inclusive consultations, uphold Free, Prior, and Informed Consent, and integrate community interests into project planning from the outset. However, consultation rounds risk of becoming mere box-ticking exercises, where developers formally engage communities but then proceed without genuinely incorporating their input. In order to avoid this pitfall, it is crucial to establish sanction mechanisms that enforce compliance and accountability. The REIPPP program in South Africa has established formal mechanisms for stakeholder engagement, promoting transparency and including diverse voices in decision-making. However, it has been criticized for its often-limited incorporation of local knowledge and community concerns, resulting in participation that is more consultative than truly collaborative. To avoid these pitfalls, Senegalese decision-makers should ensure

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<sup>87</sup> [Baker 2021, 1755].

<sup>88</sup> [Baker 2021].

<sup>89</sup> [ECREE 2018].

<sup>90</sup> [Sy 2023].

that stakeholder engagement is genuinely collaborative, empowering local communities to have significant influence over outcomes and integrating their knowledge and needs into project design and execution.<sup>91</sup>

Stakeholder participation contains not only the design of energy infrastructure but the design of policy and investment programs as well. In that regard, it is key to involve the public, workers representatives and civil society representatives.

Policies must recognize affected communities as key actors, ensuring they have a real voice in shaping energy projects rather than being passive recipients of decisions made elsewhere.<sup>92</sup> Importantly, full transparency of contracts and agreements must be granted through the consultation process and access to information provided so that it is comprehensible for affected people. This criterion must also apply if people are not alphabetized, and information must be prepared in such a way that it is accessible and comprehensible for all people.

## LOCAL CONTENT RULES

A further aspect of enabling a socially just energy transition in Senegal concerns local content rules. Local content rules can play a crucial role in ensuring that Senegalese businesses and workers benefit from foreign investments in renewable energy, particularly in services, construction, logistics, and maintenance. However, despite strong advocacy work from experts in the energy sector, binding local content requirements have yet to be implemented in renewable energy tenders, even though similar rules exist in the oil and gas sector. The REIPPP program in South Africa highlights the implementation of local content rules, although with mixed outcomes, suggesting that a detailed analysis could help inform

**FONGIP could extend loan tenors to align with renewable project payback periods (7-10 years) and prioritize productive-use energy applications that generate income. By working with ADEPME, FONGIP can further strengthen local energy entrepreneurs and reduce dependence on foreign investment.**

effective design of these rules in Senegal.<sup>93</sup> The government's recent electricity code (2021; article 11) suggests progress in this area, but binding policies have not been passed as yet. Strict local content rules may slow down project implementation and pose difficulties when local firms lack the necessary skills or financial capacity to meet requirements. To balance these trade-offs, policies should focus on long-term benefits, such as prioritizing domestic firms in maintenance contracts and structuring tenders to allow SMEs to participate, rather than just targeting

short-term construction jobs. In that regard, it is equally important to provide financial instruments at affordable rates directly targeting SMEs in the renewables sector. So far, the greatest barrier for domestic SMEs represents accessing financing.

FONGIP can support Senegal's national private sector in developing renewable energy by providing credit guarantees that cover up to 80% of loans, reducing risks for banks and microfinance institutions. This enables SMEs to access financing for solar irrigation or off-grid electrification. Additionally, refinancing microfinance institutions allows them to offer more affordable loans to MSMEs and cooperatives.

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<sup>91</sup> [Müller and Claar 2021].

<sup>92</sup> [Sokona et al. 2023, 52; Baker 2021].

<sup>93</sup> [Müller and Claar 2021].

Admittedly, the requirements postulated above are urgently needed, yet they are costly. The pertinent question therefore is: Who should finance it? Two fundamental resources must be increased.

## ENHANCE CLIMATE FINANCE ACCESS

Wealthy countries must pay their fair share of the climate debt to poorer countries to enable rapid reductions in carbon emissions from the energy sector. First and foremost, the countries of the North must commit to keeping their promises to finance the fight against climate change. And they must also significantly increase the \$300 billion agreed at the last Conference of the Parties (COP29). MDBs do only partially qualify for channelling these funds as they oftentimes come with policy conditionality, foreign intervention and exacerbating debt burdens. Instead, state-owned green public banks, as suggested from Marois could take on this role. Green public banks could play a crucial role in financing a just energy transition in Senegal by mobilizing capital for low-carbon infrastructure and ensuring that investments prioritize social and environmental benefits over profit. To achieve this, these banks must be democratically governed, publicly accountable, and designed to serve the common good, ensuring that climate finance is accessible, equitable, and aligned with national development priorities.<sup>94</sup> The majority state-owned *Banque Nationale pour le Développement Économique* (BNDE) could play this role. For this to happen, it must orient its portfolio towards green finance and enhance public accountability. A legal review must clarify the Bank's eligibility and democratic legitimacy to provide climate finance at the national level. In any case, the central criteria must be that climate finance is increased, is not linked to conditions dictated from foreign institutions and reaches those marginalized groups that are most affected by climate change and have no access to energy.

**What is needed, therefore, is for the global North to substantially increase its climate finance commitments, to deliver on those commitments, and to provide unconditional public finance - rather than conditional debt or private finance - channeled through public institutions that ensure democratic oversight and accountability.**

Lastly, if there is a global interest of reducing global carbon emissions, countries like Senegal who are dependent on gas and oil revenues must be financially supported with public climate finance and other mechanisms such as Special Drawing Rights. Oxfam argues that “the monetary logic that underpins SDRs justifies regular allocations of at least \$200 billion a year, and more than doubling the share of low- and middle-income countries... to pay down debt or transferred to the government for general budget support or specific development and climate priorities,„ Stepping up to climate finance pledges is essential to support Senegal to avoid investment lock-in effects that could lead to long-term debt burdens in the futures.

## DOMESTIC RESOURCE MOBILIZATION

Beyond raising (legitimate) demands to external climate finance, Senegal can also address internal factors that currently constrain fiscal spending and thoroughly pursue a strategy of domestic resource mobilization, including domestic public financing, domestic taxation and gaining from foreign exchange earnings. As a source of inspiration, insights from the Modern Monetary Theory (MMT) can help delineate the factors to enhance capacity for fiscal spending. The application of MMT in countries of the Global South is contested in particular in Senegal, as MMT does not apply to countries in currency unions or

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<sup>94</sup> (Marois 2017).

countries, which are heavily indebted in foreign currency. Nevertheless, it indicates some recommendations to mobilize existing resources for a just transition. MMT suggests that Senegal can better mobilize domestic fiscal resources by prioritizing financing in local currency rather than relying on external debt or foreign investment. While the country has limited monetary autonomy, it possesses real resources – such as labour, land, and raw materials – that could be better utilized through strategic public investment. By mobilizing these resources domestically, Senegal can reduce its dependence on foreign finance and reinvest economic gains for local development rather than allowing them to be extracted by external creditors.<sup>95</sup>

The main challenge of increased public spending is inflation, which can arise if productive capacity – such as skilled labour, capital equipment, and supply chains – is insufficient. However, this constraint can be addressed through targeted investments in key sectors like agriculture, energy, and infrastructure, creating jobs and reducing reliance on costly imports. Strengthening domestic production lowers inflation risks while fostering sustainable economic growth.<sup>96</sup> MMT serves as an alternative framework for mobilizing domestic resources and reducing external dependencies, offering inspiration for a just energy transition, though its policy applications require careful assessment in the Senegalese context. For this sake, sovereign wealth funds in other African countries are used to channel funds into strategic infrastructure projects. For example, Botswana's Pula Fund uses revenue from diamond exports to finance national projects, or Nigeria's sovereign wealth fund receives revenue from the sale of crude oil. Senegal could use its future gas and oil exports to increase FONSIS's revenues and use them to finance renewable energy projects.

**Diaspora bonds are a source of financial assets. Senegal's expatriate community sends more than \$2.9 billion home each year.**

Additionally, Senegal could explore issuing Diaspora Bonds to leverage financial assets from its expatriate community, who send over \$2.9 billion annually back home. These bonds have historically served as a stable, alternative financing source in countries like Israel and India, where they have successfully funded infrastructure projects and provided a reliable stream of capital during challenging times. However, before implementation, it is crucial to carefully evaluate the associated risks and challenges. This includes the necessity for intensive marketing campaigns informed by detailed demographic and financial data about the diaspora. Maintaining transparency in fund usage and ensuring competitive financial returns are essential. Moreover, designing attractive investment conditions and employing credit enhancement measures can help mitigate perceived risks and encourage greater participation. Thoughtfully addressing these factors will be key to harnessing Diaspora Bonds. These considerations align with Senegal's plans to establish a diaspora bank aimed at more effectively utilizing remittances for sustainable projects, making Diaspora Bonds a potentially valuable tool for financing renewable energy initiatives.<sup>97</sup>

Adopting effective tax regulation is another tool to mobilize domestic resources. Senegal loses a significant amount of public revenue each year due to corporate tax abuse, offshore wealth schemes and corporate tax avoidance. The Tax Justice Network estimates that Senegal loses each year a sum of \$37.5m due to tax avoidance. A UN tax convention is crucial for strengthening domestic resource mobilization in Senegal by ensuring that multinational corporations pay their fair share of taxes and by tackling illicit financial flows that drain public revenues. Curbing these financial leakages would provide

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<sup>95</sup> [Sylla 2020a].

<sup>96</sup> [Sokona et al. 2023, 66].

<sup>97</sup> [African Development Bank 2019; Ecofin Agency 2024]

much-needed funds for a just energy transition, reducing reliance on external debt and private finance while enabling greater public investment in renewable energy and infrastructure.

This section has explored some key strategies for resources for a just energy transition in Senegal. However, beyond these mechanisms, a paradigm shift is needed. And it needs to move away from market-driven, risk-elimination models towards a more balanced system that favours public and community financing approaches. This shift must prioritize social justice, energy sovereignty, and equitable distribution of benefits, ensuring that finance serves public needs rather than primarily mitigating risks for private investors. Whether such a shift is feasible depends on the political will of key stakeholders in the sector.

## RECOMMENDATIONS

Funding for the energy transition in Senegal must ensure justice principles and enhance acceptance of the population. The following recommendations outline concrete steps for policymakers, the donor community, and civil society to shift toward a more equitable, community-centred, and sustainable energy future.

### NATIONAL GOVERNMENT:

- Anchor energy sovereignty as a core pillar of the national development plan by making independence from foreign finance, technology, and energy imports a top political priority, while ensuring a just, socially equitable, and inclusive energy transition.
- Strengthen energy sovereignty through regulation: develop regulatory mechanisms to align global financial interests with national energy priorities. Explore new ways to regulate IPPs and increase national energy control through domestic resource mobilization. A focus on mobilizing public financial resources through enhanced tax regulation, and innovative financial tools such as Diaspora Bonds can reduce Senegal's reliance on foreign debt.
- Increase FONSI and public investment: increase the role of FONSI in maintaining public control over national energy production, rather than serving primarily as a risk reduction player. Provide FONSI with greater financial resources and condition private foreign investment on allocating shares to FONSI. Leveraging future oil and gas revenues through the sovereign wealth fund FONSI could help finance future green infrastructure and support a managed transition toward renewable energy.
- Revising Financial Strategies and Risk Management: PPAs and sovereign guarantees may potentially represent a fiscal debt risk (contingent liabilities). Conduct audits to assess public liabilities to private-led IPPs, ensuring they do not pose fiscal risk. One option could be to renegotiate PPAs if necessary. Reduce over-reliance on sovereign guarantees for private projects, which burden public finances. Instead, risk-sharing mechanisms should be negotiated where private investors also absorb financial risks. An overhaul of the financing model for energy projects is needed to establish a more balanced and sustainable approach, so that risk is better distributed and shared between the two parties, the state and the private sector.
- Establish a fair social dialogue between governments, businesses, and trade union (as per ILO international labour movement recommendations) to ensure meaningful participation of affected communities and marginalized groups in energy policy decisions, fostering social acceptance and preventing conflicts.
- Develop a comprehensive strategy and financing mechanisms to procure energy from socially owned (municipality, cooperative, community), not just private, Independent Energy Producers and ensure that Power Purchase Agreements and PPPs adhere to JT principles and outcomes. Ensure that renewable energy projects are directly linked to local economic activities to create jobs, strengthen local value chains, and enhance long-term economic benefits. Access to energy does not totally resolve the differences between rich and poor. Access must be accompanied by income-generating programs that enable all members of the community to benefit from it and pay their electricity bills.

- Strengthen FONGIP in promoting national private sector: Leverage FONGIP to provide credit guarantees and risk-sharing mechanisms for national SMEs in the renewable energy sector, facilitating their access to affordable financing and strengthening their role in project development and implementation.
- Make combating energy poverty a political priority by implementing targeted support programs for low-income households, while ensuring that energy price reductions remain a key policy commitment to safeguard social stability and public acceptance of the energy transition.
- Ensure the utility company cross-subsidizes the tariffs of low-income **households**, with higher tariffs for wealthy/big consumers for low-income households.

## **DEVELOPMENT FINANCE INSTITUTIONS AND CLIMATE FINANCE PROVIDERS**

- Increase grants and concessional finance: Shift away from debt-heavy financing models that increase Senegal's debt burden; instead, prioritize grants. In parallel, initiate a coordinated effort with other financial institutions to develop a framework for reparations payments, recognizing historical responsibilities for climate debt and financial injustices.
- Redirect financing toward underserved areas: Prioritize financing for decentralized energy solutions in rural, isolated, and marginalized communities, ensuring that investments contribute to equitable energy access rather than reinforcing urban-rural disparities.
- Prioritize community-owned, locally led renewable energy projects: Move beyond large-scale, foreign-led IPP projects and channel funds into decentralized, cooperative, and community-driven energy solutions that generate local economic value and build domestic ownership.
- End de-risking strategies that prioritize private investor interests over public needs: Instead of using public finance to guarantee private sector profits, direct funds toward public and community-led energy projects that serve the population rather than external capital interests.
- Prioritize Domestic Industry Development: DFIs should support policies that strengthen Senegal's national industry by enforcing local content rules, ensuring technology transfer agreements, and providing targeted financial support for local SMEs and workers.

## **AFRICAN COUNTRIES, AFRICAN UNION, ECOWAS AND OTHER REGIONAL BODIES**

- Strengthen South-South cooperation by leveraging collective bargaining for better financing and technology access, fostering regional manufacturing of renewable energy infrastructure, enhancing financial independence and trade integration.
- Challenge the historical biases and conventional risk perception in Africa with the reform of credit rating agencies, Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs). The disconnect between perceived risk and the actual risks associated with climate projects hinders access to financing and increases the cost of capital for green infrastructure.

- Establish a framework for strong international and national mandatory protection of human rights and the environment so that transition costs are not pushed onto communities and workers.

## **CIVIL SOCIETY ORGANIZATIONS**

- Reappropriate and redefine the discourse around a just energy transition: challenge the co-optation of "just transition" by donors and promote instead a vision rooted in energy sovereignty, social justice and decolonial perspectives. This includes amplifying community voices and resisting top-down, finance-led models of transition that reinforce existing inequalities.
- Develop alternative imaginaries and vision-building spaces: establish grassroots-led research, dialogue spaces, and energy justice labs to co-create alternative development pathways. These could be inspired by post-development and ecofeminist perspectives, emphasising local knowledge and lived experiences in shaping the future of energy systems.
- Strengthen transnational solidarity and advocacy: Build strong alliances with other movements across Africa and in donor countries to challenge unjust global financial mechanisms, advocate for public and community-led energy solutions, and exert pressure on international finance institutions to prioritize justice-based financing.
- Support and organize frontline communities: Elevate the struggles of communities affected by large-scale IPP projects, ensuring they are not left out of domestic civil society discourse. Strengthen grassroots advocacy and legal support for land rights, fair compensation, and meaningful community participation in energy projects.

## **GLOBAL NORTH COUNTRIES AND HISTORICAL POLLUTERS**

- Recognize climate reparations from historical emitters as a just response to global inequalities, providing direct grants and technology transfers to support energy sovereignty.
- Establish a framework for the mandatory protection of human rights, children's rights, and the environment so that the costs of the transition are not passed on to local communities and workers.
- Increase climate finance and significantly reduce financing mechanisms that increase the debt burden of Southern countries by prioritizing public financing, grants, and concessional instruments.
- Guarantee debt cancellation without conditions to give African Countries the resources they need to invest in renewable energy without adding to their debt.
- Accelerate ongoing reforms of the international financial architecture through the UN Tax Convention, reform of investment and trade rules to enable African countries to finance a just energy transition on their own terms

# ANNEXES:

## ANNEX 1: THE RESEARCH APPROACH: PURPOSE, QUESTIONS AND METHODOLOGY

### Purpose

This research paper seeks to:

- map out existing actors, mechanisms, instruments, and projects of the financial ecosystem for financing the energy transition in Senegal.
- examine the financial ecosystem concerning existing inequalities within financial arrangements of Senegal's energy transition.
- suggest alternative economic and financial channels for a just energy transition.
- inform the Senegalese civil society and policy makers about the risks of unjust financing mechanisms.

### Research Questions

To what extent do the current global financing landscape, existing financing mechanisms, financial flows, instruments, and projects for the energy transition reduce or exacerbate existing national inequalities in Senegal? How do they contribute towards a just energy transition or, in contrast imply unjust outcomes?

### Methodology

This research is designed within the qualitative, interpretive research paradigm and builds on multiple data sources. It has been conducted in three consecutive steps:

#### Step 1: Mapping of the Financial Ecosystem

The first step of this research consisted in gaining an overview of the financial ecosystem in Senegal. Based on an extensive literature review of academic sources and grey literature, the main topics in energy finance were identified both on a global scale and nationally. Following this, the major financial mechanisms, financing sources, actors, instruments and projects in Senegal within the realm of the energy transition have been mapped. This mapping was based on publicly available sources like websites from development cooperation agencies, bilateral and multilateral development banks (giz, AFD, World Bank, KfW, proparco, etc.), databases like Aid-atlas, Climatescope, Energypedia and data from international organizations like the International Energy Agency. The research for the review of energy policies was based on a number of publicly available documents, including policy briefs, regulatory documents from national regulators such as "Commission de Régulation du Secteur de l'Énergie" (CRSE) and the Ministry of Energy, Petroleum and Mining (MPE) and other official government documents.

#### Step 2: Field Research and Interviews

This report builds on field research in Senegal from 2019-2024. More than 50 interviews have been carried out with stakeholders in the energy sector, both face-to-face and online (see Annex 1). Interview partners have been government officials, donors and development finance representatives, private finance managers, IPP developers, civil society actors and impacted communities, trade union representatives and academics. Interviews have been conducted in a semi-structured way to give room for topics and issues raised by the interviewees (see Annex 1). All interviews were transcribed.

### Step 3: Analysis of Data

The last step of the research consisted in analysing all material. Interview transcripts as well as documents were analysed according to the method of qualitative content analysis. Codes have been constructed based on the research interest in a deductive way and inductively while analysing. In this way, the broadest spectrum of the Financing of a Just Energy Transition has been covered.

### **Research limitations**

While the qualitative approach provides depth, incorporating quantitative financial data (e.g., specific funding amounts, project success rates) would have made the findings more robust. This was barely possible because of the lack of public data regarding the energy project contracts, the sovereign guarantees, well as the projects evaluations.

## ANNEX 2: LIST OF INTERVIEWS

Interview	Institution	Year			
			47	Trade Union Representative 3	2023
1	Donor Organization 1	2019	48	Private Developer 4	2024
2	Energy NGO 1	2019	49	Multilateral Development Bank	2024
3	National Authority	2019	50	Private Developer 5	2024
4	Energy SME 1	2019	51	National Authority 5	2024
5	Academic	2019	52	Think Tank 2	2025
6	Development Finance Institution 4	2020	53	Journalist	2025
7	Energy NGO 2	2020	54	Energy NGO 6	2025
8	Private Investor	2020	55	Foundation 2	2025
9	Development Finance Institution 4	2020	56	Energy NGO 7	2025
10	Donor Organization 2	2020			
11	Energy NGO 3	2022			
12	Representative of Affected Community	2022			
13	Representative of Affected Community	2022			
14	Representative of Affected Community	2022			
15	Development Finance Institution 4	2022			
16	Energy Policy Consulting	2022			
17	Foundation	2022			
18	Sovereign Wealth Fund	2022			
19	Development Finance Institution 4	2022			
20	Multilateral Development Bank	2022			
21	National Authority 2	2022			
22	Energy NGO 1	2022			
23	National Authority 3	2022			
24	Multilateral Development Bank	2022			
25	Representative of a Ministry	2022			
26	Representative of Affected Community	2022			
27	Development Finance Institution 4	2022			
28	Private Developer 1	2022			
29	Private Developer 2	2022			
30	Private Investment Fund	2022			
31	Academic	2023			
32	Foundation 1	2023			
33	Private Developer 3	2023			
34	EPC Contractor	2023			
35	Representative of Affected Community	2023			
36	Representative of a Ministry	2023			
37	Private Investment Organization 1	2023			
38	Energy NGO 4	2023			
39	National Authority 4	2023			
40	Private Developer 1	2023			
41	Private Investment Organization 2	2023			
42	Trade Union Representative 1	2023			
43	Think Tank 2	2023			
44	Public Consultant	2023			
45	Trade Union Representative 2	2023			
46	Energy NGO 5	2023			

## **ANNEX 3: INTERVIEW GUIDELINE**

### **1. General Context and Energy Transition in Senegal**

- What is your current role in the energy sector, and what are the most significant ongoing projects related to renewable energy or Senegal's gas-to-power strategy?
- How do you understand the energy transition in Senegal? Do you see contradictions between a rapid, urgent, and just transition?

### **2. Socio-Economic and Environmental Impacts**

- What benefits and risks do you associate with renewable energy projects in Senegal in terms of jobs, technology transfer, local economic growth, and environmental impact?
- How do renewable energy projects affect marginalized groups, including rural communities, women, and low-income populations?
- Are there policies in place to protect the rights and livelihoods of affected communities? How do you assess the government's commitment to ensuring justice in energy projects?

### **3. Financing and Foreign Influence**

- How do you evaluate the fact that renewable energy projects are largely financed by foreign sources? What challenges or risks does this create for Senegal?
- Do you see alternative financing mechanisms that could promote a more just energy transition? What role should local financial actors and public finance play?
- What is your assessment of de-risking mechanisms in renewable energy financing? Do they support Senegal's energy sovereignty or reinforce external dependency?

### **4. Governance and Decision-Making**

- How transparent and inclusive are decision-making processes in energy project financing? Do affected communities have meaningful participation?
- How would you evaluate the influence of international donors and financial institutions on Senegal's energy policies?

### **5. Gas-to-electricity strategy vs Renewable energies**

- What are the benefits and risks of Senegal's gas-to-power strategy compared to renewable energy expansion? How do these different pathways impact energy sovereignty and security?
- Do you think the government is prioritizing fossil fuels over renewables? How do social movements and civil society actors perceive this strategy?

## 6. Structural Challenges and Future Perspectives

- What are the biggest financial and regulatory barriers to scaling up renewable energy in Senegal?
- How do you see the role of private sector involvement in energy financing? Does the current model benefit local actors or mostly external investors?
- What are your key recommendations for ensuring that energy financing mechanisms contribute to a just and equitable transition in Senegal?

## ANNEX 4: ACRONYMS

IEA	International Energy Agency
AfDB	Islamic Development Bank
EIB	European Investment Bank
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
CRSE	Commission de Régulation du Secteur de l'Energie (Senegal's national energy regulator)
DFC	U.S. International Development Finance Corporation
FCFA	Franc CFA (Communauté financière en Afrique)
FMO	Dutch Entrepreneurial Development Bank
FONGIP	Fonds de Garantie des Investissements Prioritaires
FONSIS	Fonds Souverains d'investissements stratégiques (Senegal's sovereign wealth fund)
HFO	Heavy Fuel Oil
IFD	Development Finance Institution 4
IFI	International Financial Institution
IsDB	Islamic Development Bank
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
MIGA	Multilateral Investment Guarantee Agency (World Bank Group)
MPE	Ministère des Énergies, du Pétrole et des Mines (Ministry of Energy, Oil & Mining)
NIEO	New International Economic Order
IPP	Independent Power Producer
SME	Small- and Medium Enterprise
PPA	Power Purchase Agreement
PPP	Public Private Partnership
Senelec	Société nationale d'électricité du Sénégal (National Energy Utility)
IFC	International Finance Corporation (World Bank Group)
SPV	<i>Ad hoc</i> vehicle / Legal structure built for a specific purpose

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