

Electricity Governance initiative of South Africa
Renewable Energy Independent Power Producer Procurement Programme
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1. Introduction

South Africa’s Renewable Energy Independent Power Producers Programme Process (REI4P) was one of the programmes identified as a climate change flagship programme in the National Climate Change Response white paper published in 2011.

The Electricity Governance Initiative (EGI) undertook a review of the REI4P which examined the capacity of government to implement the programme and also examined how the socio-economic¹ aspects of the REI4P were progressing.

The [2014 EGI REI4P review](#) report lauded the technical and financial success of the programme:

RE developers have proven financially and technically capable of providing electricity and contributing to energy security in SA. They have met or delivered early on timeframes and have remained within budgets, despite a number of hurdles. There is great interest by RE developers to invest in SA.

The report also pointed to a different kind of localised development that is enabled through the socio-economic obligations placed on RE developers. However, socio-economic development is not

¹ The REI4P obliges RE developers to contribute to local business development, as well as societal upliftment and job creation. While the main report covers the different aspects, this addendum focuses more on societal development of local communities – the socio-economic obligation

the core business of the renewable energy industry and the report also pointed to a number of challenges, process design flaws and implementation issues, highlighted a number of unintended consequences that required priority attention.

Included in the report were a number of key recommendations:

- All tiers of government, with a particular emphasis on local government, as well as industry and civil society stakeholders need to have space to engage in a transparent, democratic and participatory manner. Such engagement to include cross-sector peer learning to enable best practice.
- The restriction on renewables in the Integrated Resource Plan should be lifted to maximise localisation benefits to the development of the economy
- Socio-economic development should not be part of a competitive bidding process, but should be a post-bid, transparent and standardised requirement.
- A transparent participatory engagement process needs to be undertaken within each community regarding the benefits and challenges of the REI4P process
- Utilising specialist NGOs that are focussed on participatory community development planning, should be mandatory in meeting REI4P community development criteria.
- A review of the current community trust system & requirements is needed to ensure meaningful community involvement.
- A stringent monitoring process is needed National government should set up a multi-stakeholder task team that reviews the current REI4P framework.
- Government is facilitating the implementation of this programme and communication of success stories should be part of their responsibility.

The initial research was carried out in April 2014 with the report formally concluded in August. However, after the report finalisation, there were opportunities for a number of stakeholders to engage with the findings. These stakeholders included the national Department of Energy (DoE), the REI4P unit, local government, multi-stakeholder national climate dialogues industry meetings, industry and civil society meetings at a national level.

Additional insights arising from these discussions are presented here in the format of an addendum to the final report. It is hoped that such a report would further strengthen the implementation of renewable energy programmes in South Africa, particularly the socio-economic benefits.

2. Reality and perceptions

In the main report, a case study is given where three different stakeholders provide three different descriptions of the job recruitment method in one local authority. The case illustrates that where there is imperfect communication, people will fill in the information gaps with their own perceptions.

Due to the competitive bidding process, there is a paucity of information available in communities. Such a gap is then filled by those with information, sometimes imperfect information, and in such circumstances, a variety of local stories arise to explain actions such as who gets jobs and benefits from Renewable Projects. Overall, our interactions show that communities perceive little benefit from renewable projects so far.

However, industry players have spent substantial funds (substantial in comparison to available funds in the community) on projects in the different communities and their perception is that real change has been effected, as measured by “real facts” – money that has been disbursed and there is hardware on the ground.

None of these stakeholders are wrong, and neither are they totally right, but the paucity of information available at grassroots level as well as the lack of transparency designed into a bidding process leads to a number of conflicting perceptions of reality.

Going forward, the recommendation would be that stakeholders acknowledge that their “facts” are but one perception and that all stakeholders work on improving communication in order to address perceptions that they feel are untrue.

With a common acknowledgement that there is a need to implement local development in local renewable project areas in a consultative manner, different stakeholders continue to operate in secret silos. Local Government does not trust that industry will deliver projects in the interest of the community, and industry does not want to trust to collaboration with local government because, if there is no delivery, it is the RE project that will be at risk, not the local government. Community leaders have no power, have heard too many promises and disinclined to trust either industry or local government.

However, as socio-economic commitments start to roll out, there is a real need to work together.

In our engagement with various stakeholders, it became clear that stakeholders had become attached to particular perceptions or stereotypes of other stakeholders, that may have served them to date and which they are then reluctant to question:

A few of these stereotypes/perceptions are given below, simply in order to alert all stakeholders to their mythology.

They are all corrupt and if you hand money over to them, it will disappear (of local government)

They are there to make a profit and don't care about people's needs (of developers)

They don't know what they want (of communities)

They are trying to stop the renewable energy programme and we have to be careful of exposing weak parts of the programme (of national government)

There are no local identifiable organisations and leaders (of communities)

They are arrogant and just want to spend money to promote their own image, not to address real community needs (of industry)

All of these terms were used during the research process and subsequent discussions. Such perceptions may have some grain of truth or be true in one instance but they are not universal truths and failure to acknowledge and move beyond such perceptions can hinder successful implementation of local economic development as well as the maximisation of socio-economic benefits.

3. Timing the submission of the SED plan

In interactions subsequent to finalising the report, Government and project financiers acknowledged that the SED requirements needed to be reviewed and thus, at that point, only the extent of the

financial commitment to SED was evaluated in the competitive bid, not the detailed SED plan. Some RE developers were aware of this informally, but as far as could be ascertained, a formal SED plan is still required. Different developers provided different levels of detail, including limited if any engagement with local communities. It makes little sense to continue with an obligation which, if done properly, requires onerous planning and engagement with affected communities, if it is not included in the formal bid assessment. In practice, as described by the industry and government, developers submit pro-forma SED plans, in the knowledge that the plans will not be used to decide bids. However, in the public eye, expectations are raised, rumours circulate about who will benefit from such SED funding, creating potential conflict in impoverished communities.

Government officials acknowledged that the SED plan is not useful as a pre-bid requirement but were then unable to explain why the Bid process continues to require it.

4. Timeframes for implementation of community benefits

Some Industry stakeholders have pointed out that socio-economic financial benefits are not due to flow into communities until early 2015 in some cases later, and that it was premature to start a consultative process with potential beneficiaries until there was some benefits to talk about. However, ensuring that the REI4P funds are spent in a manner that provides long term socio-economic benefits cannot be implemented in a quick fix manner. One developer has acknowledged this process, employed a development facilitator, who has then undertaken extensive desktop research as well as a survey of community needs – a process of over 1 year (see appendix A).

Another developer is now embarking on research to identify “genuine” community leadership, acknowledging that opportunistic community elites can often become the beneficiaries of development projects through their lobbying abilities rather than the worth of their projects.

An important insight is that until the renewable energy projects were generating electricity, many renewable energy project management focused on the technical aspects of a wind farm or solar farm, delaying community engagement until funds were available to spend. This meant that although renewable energy projects are operational, affected communities might not yet been consulted at the time of our initial research. For such developers, the question will be to determine a meaningful community engagement that will enable them to meet their DoE quarterly spending and financial reporting deadlines that start in 2015.

Local government has expressed dissatisfaction with the engagement they had had with developers in the last couple of months and national government stakeholders indicated that now that the technical and pricing aspects of the REI4P were more or less satisfactory, their attention should turn to the implementation and monitoring of the socio economic aspects.

The REI4P projects are committed to their obligations over the long term and it is appropriate for them to take on 20 year projects. Understanding that South Africa continues to experience high levels of inequality and poverty, and traditional economic growth models to date have had limited impact on poverty and inequality, the opportunity to be flexible and conduct social development innovations and be able to learn lessons over a number of years could be a positive benefit of the REI4P.

However, one caution is expressed. Such innovative projects need to be conducted with the full participation of the affected communities, and not with such communities as passive beneficiaries

5. Approaches to development:

During the stakeholder engagements that took place after the main report was finalised, it was observed that the process and content of SED programmes was based on different views on development. The assumptions that informed the specific development approach were often underpinned by a number of the stereotype perceptions although it should be emphasised that at this time, none of the development approaches can be judged wrong.

At this point in the REI4P, there are many opportunities for “experimentation”. In a sense, the REI4P provides the space for 64 different ways of implementing socio-economic and economic development. In general, many of these projects are likely to be driven by the private sector, and although innovation is needed in the development field, it is important to emphasise that such experiments, need to be conducted transparently with the full participation of the affected communities, and not with such communities as objects of such experimentation. Importantly, all stakeholders believe that the money should be spent for public benefit.

Two strains of development approach that have emerged during this research are briefly summarised below.

In the first approach, government institutions, civil society groups as well as community residents are more likely to call for development which is bottom up, i.e. development plans based on identified community needs. However, such formal local government processes, such as the IDP, have been criticised for failing to reflect local needs.

Strengthening of local government accountability processes has begun with one municipality where ward council meetings are now minuted, the local authority provides additional admin capacity to support this secretarial function, and local councillors are held accountable through political processes.

However, the situation in each location will have its own complexities. In some areas, citizens do not trust the development planning process within local government and firmly believe that the decisions about which development projects should be implemented should be theirs. Citizens want to see projects implemented directly under their control, whereas local government believes that they should have some say over how the SED money gets spent as the local government is responsible for service delivery on behalf of the citizenry.

The second development approach is that of an industry *corporate social investment* programme, where the company determines the priorities for community development. The company will conduct thorough research, considering international best practice, national trends, local analyses as well as surveying needs of local residents.

Developers then make decisions based on where to achieve the best value for money, in some cases jointly with sector experts, or key stakeholders such as government departments at a national or provincial level. However, in some cases, there is also a sense of unease amongst community leaders who see existing well-funded organisations receiving increased spending while poorer organisations get nothing.

The core difference is that while local government is theoretically accountable to its citizens, the RE developers must report to the national DoE to account for their SED spend each quarter, and as such are adamant that control of project identification and spend remain solely in the hands of the project developer, i.e. a top down approach.

In addition, conventionally, owning a portion of a project should entitle the shareholders to make decisions about how the project benefits are distributed. However, RE developers indicated that although the community may have a shareholding, and a representative community member may be chosen by the company to “represent” the local community, their role is advisory and their powers are limited. Even though the “community” may theoretically have substantial shareholdings in a project, the structure does not enable them to make decisions, or necessarily, to choose a representative. Such intricacies need to be transparently communicated to all stakeholders and their efficacy debated if necessary.

The differences reflect a different philosophy of development, one is that of charity to be provided passively to poor beneficiaries, while the other involves empowered citizens taking control of development priorities that affect them.

The structural nature of apartheid resulted in marginalised sectors of society who were excluded from decision-making on racist grounds. To address this legacy, post 1994, participatory development processes were established. At the local level, the municipal Independent Development plan (IDP), which theoretically provides all citizens with a voice in their own community development, but which has been widely acknowledged as not living up to its expectations.

Could part of the innovative development approach allowed through the REI4P SED obligations (some R11bn for SED (Windaba 2014) enable a change from the traditional way of implementing corporate social investment? Is there an opportunity to engage with differing stakeholders in a non-judgemental way sharing experiences, expectations and challenges in order to craft solutions that will provide the best public benefit over the medium to long term.

6. The Power in communication:

At the moment, we found that ordinary community leaders in areas affected by renewable energy projects do not have a voice – whereas researchers, and industry players have communicated with each other about successes and challenges. In addressing issues of perception, industry players emphasised the need to communicate the success stories, and government has also indicated the need to speak about the good stories.

However, there is a danger that industry does a PR job on promoting their “perception of success” while failing to address the real challenges of implementation. Given the power imbalance amongst the different stakeholders, this may lead to a public perception that socio-economic development in renewable energy affected communities is being successfully implemented while at local community level, there are increased frustrations. To some extent, particular incidences of “protest” that have occurred at some sites (and which local RE project developers found inexplicable as they had followed a community engagement process) could be explained this way.

7. Communication vs engagement

In the post report discussions, government and industry acknowledged that they had not done enough to explain and promote renewable energy at local community level. Industry provided examples of positive projects that had been undertaken which demonstrated a positive social impact, and government indicated that the good stories need to be told. This is indisputable,

particularly in light of pervasive lobby that seeks to undermine and discredit renewable energy's role in the energy mix.

However, "communication" does not equal "consultation" or "participation". Communication is mostly a one way flow of information often from industry to other stakeholders. Decisions about socio-economic projects are made at industry level and are then presented to other stakeholders.

Therefore, such projects do not necessarily reflect community or local government priorities, leading to a sense of frustration within those stakeholders. The structure of the REI4P makes the developer solely accountable to DoE on their SED obligations and project developers made it very clear that they are not accountable to the recipients of their SED. There appears little flexibility for projects to change based on feedback from their beneficiaries.

Such frustrations may then be further exacerbated by the project developers' lack of understanding that communities are made up of conflictual factions, and elites often use development opportunities to advance their own interests, both material and political. This leads to increasing tensions between all stakeholders and a further entrenchment of negative stakeholder perceptions.

There is much merit in a strategic approach that does extensive homework in deciding where to place funds over a twenty year programme of incremental SED. Developers could lose their license to operate if the SED project fails and thus, as long as this remains the condition under which they operate, no one could argue with their need to maintain control of their projects. However, local knowledge and experience and buy in are key to successful implementation and it appears as if little attention has been given to this aspect of the SED by industry or national government.

8. Concluding suggestions on the way forward

In our view, it is likely that each project has its own unique challenges and opportunities and for each local geographic location, there are divergent abilities to deliver on socio-economic development.

The idea of searching for one solution, one blueprint for socio-economic development in renewable energy must be guarded against. However, there do seem to be a few emerging guidelines that might aid in ensuring that over the longer term, the socio-economic development aspects of the REI4P might be as successful as the financial and technical aspects have proved to be.

- From an industry perspective, REI4P development spending needs to ensure that it delivers value for money and those interviewed in this study would like to see development that is clearly in the national public interest. To account properly for their spending to DoE, responsible REI4P developers conduct in depth research to inform their chosen development priorities in a specific area.
- This research should be shared with stakeholders: local government, community groups, through meetings and the media and opportunities provided for feedback to improve such research. In other words, within the current system design, the REI4P developers retain control of their spending but engage transparently on the motivation behind such decisions. Such dialogues with stakeholders including civil society groups, residents, unions, industry bodies and provincial and national government are important to share different perspectives.
- Over a twenty year period, such original plans may change in response to changing circumstances. The SED priorities and projects identified by the developers need to be realigned with the IDP and other provincial and national developmental objectives for

education etc., and tested against the priorities identified by local consultative processes such as ward councils and IDP reviews.

- Community leaders should be encouraged to become active in such local structures and such structures over time could become effective forums to debate and evaluate the successful implementation of SED and ED projects of the REI4P programme.
- Such alignment would then address the current probability of a number of separate development plans potentially in conflict with the official IDP. Such alignment could well strengthen democratic governance processes at local level.
- Some focus should then be placed by national and local government on building the capacity of residents to participate in such development processes and strengthen accountable local government. It should be acknowledged that experienced development practitioners are a necessary skill in this regard.
- In addition, acknowledgement of the place for innovation as well as a space to share experiences would add value. This includes stories of best practice from all stakeholders to showcase the diversity.
- Regular monitoring and evaluation (for example annually over the next 5 to 10 years) will enable the development of a database of best practice to guide projects in the future. Such monitoring and evaluation should be directed by national government but should enable different stakeholder perspectives to be captured.

9. Appendix 1. - Socio-Economic Development plan – Investing in design

In the REI4P review research, local government expressed frustration at the lack of engagement with Renewable Energy Developers, and this was echoed by community leaders who felt that they were not receiving any benefits from the renewable energy projects in their area.

However, according to Renewable Developers, it is a case of timing. The project developers have been focused on building the actual renewable power plants and their attention has been focused on ensuring that the electricity flows into the national grid. Their SED obligations are kicking off now, and at least one developer has put considerable thought and investment into a strategic approach to SED in their projects.

The case study IPP has employed a development facilitator who carried out the preparatory research. Once the focus area of education had been selected, the Development facilitator then met with the education department officials in order to discuss the kind of interventions that could be considered. This initial engagement at a high level took place as part of the BID process.

Preparatory research included examining national policy documents such as the NDP, the IPAP, other green economy initiatives in order to determine how they could make the most worthwhile investment in the future development in their area.

The Renewable Energy Developer (IPP) board of directors were part of initial discussions to select the sector in which the IPP would invest its SED and ED funds.

This IPP then chose education and as they have a twenty year obligation, a long term view was taken on the best area of focus. The decision was that efforts be directed across the education continuum

including, an emphasis on Early Childhood development, Foundation phase numeracy and literacy in Grade R to 4.

Another important decision made by the IPP board was not to start something new but to build on existing projects that appeared worthwhile; legitimate and credible institutions. Part of the research was therefore to consult with the education department to obtain a list of possible institutions that were currently being used by the department as service providers for the implementation of programmes. Many of the programmes supported by the IPP were pilot projects by the department in other areas that the IPP extended to its project company areas.

In addition to investing in existing initiatives, the IPP also decided to invest incrementally, to start off small and feel their way. For example, this could include providing tablets as an additional resource for disabled learners in the chosen school.

Acknowledging that financial resources can limit a child's education potential, the IPP while remaining in the field of education, is also providing scholarships for maths and science students, and also planning to provide internships at the company to ensure quality education and work experience throughout the individual's education path.

As part of assessing the needs of the intended beneficiaries, a survey was also carried out in one of the project areas. Studies such as the household survey and census data were also used to understand the socio-economic status of the proposed beneficiary communities.

Key strengths of this approach were

- Board level involvement in the design of the SED programme
- Investment in long term preparation – research to inform SED investment decisions
- The employment of a senior company official to drive the SED/ED plans demonstrates commitment from the company
- The decision to build on existing initiatives strengthens institutions that have already completed their homework, and demonstrated that they meet a need.
- The decision to start small allows both the IPP and the beneficiary institution to assess their compatibility and to decide if further investment in the future will be worthwhile

The IPP has also started to showcase its success stories in the local media and across its website in order to raise the profile of renewable energy industry and its benefits to local communities.

One of the key challenges with this approach is that the company might assume willing beneficiaries without having engaged with the complexities of the community structures. In this case, according to the IPP, there was an extensive communication, including through the IDP process, as well as communicating with local NGOs and CBOs. This communication included internet based communication, website, facebook and twitter campaign.

In addition, the projects were selected in consultation with the targeted stakeholders in this sector - such as school principals, educators, private service providers, NGOs and CBOs, and according to the IPP, none of the projects were selected by the company on its own.

It is apparent that targeted consultation with key stakeholders as well as extensive communication initiatives were a key part of the SED design for this IPP. The REI4P review research found that community leaders within IPP affected areas had no information regarding the renewable energy

power producer SED plan, but this mismatch might be explained due to the timing of interventions. The research was carried out much earlier this year, and the IPP has only recently shifted focus towards the SED implementation.

Members of marginalised communities have a myriad of needs and an in depth understanding of their own circumstances. In order to understand any community, some time is needed to identify the leadership and to analyse its particular idiosyncrasies.

To ensure that any contribution offered will be of maximum value and to understand and overcome challenges, a process of discussion and engagement with both community leadership as well as local government would seem prudent.

For example, given that this IPP has embarked on education related SED projects, the sector of the community that could add value to the implementation plans could be parents and guardians. A focus group discussion with such a group (comprised of parent reps from different education institutions where the programme beneficiaries would be drawn) every 6 months could yield valuable insights into the potential challenges which could arise and how to overcome such challenges.

The considerable effort put into research (both desktop and ground level surveys) by the IPP could be shared amongst stakeholders and its value further enhanced by allowing relevant community leadership to engage and provide feedback into the planned SED implementation and to welcome the opportunity to change plans in response. To assume the proposed plan of implementation has simply to be communicated to the beneficiaries in order for it to be accepted is to assume an in depth knowledge of someone else's needs – and is likely to be perceived as arrogant.

For example, in another case, a project developer who found that his initial investment in the local area has created tensions within the community, is now embarking on a process of understanding the community dynamics and attempting to reach the “real” community leadership.

Local authorities have limited mandates to conduct social research, particularly if not related directly to their function. However, such in depth social research might offer valuable insights to municipalities and assist them with their own service delivery.

Rather than perceived as imposing their SED projects onto the Local Authority, renewable developers could be seen as an asset to the local authority, providing much needed information and addressing a specific identified need outside of a local authority mandate or supplementary to existing local authority programmes.

Renewable Energy developers undertook technical research and financial feasibility studies prior to embarking on the electricity generation IPP. Renewable Energy developers who have embarked on an in depth research phase prior to implementing their SED programmes are to be lauded for demonstrating a similar commitment to the socio-economic obligations as they have to their electricity generation commitments.

The implementation of the SED programme provides a unique opportunity to try out a new development partnership – one of collaboration between local authority, community and renewable energy industry. The next 12 months will provide some lessons which can be shared with the other industrial sectors, particularly those in rural areas.

The [full report](http://www.greenconnection.org.za) can be downloaded from the www.greenconnection.org.za