



OPPORTUNITY

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Drive public innovation by reigniting civil society

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Sharing the sun: How South Africa’s renewable energy has the power to generate social change

South Africa’s renewable energy sector took off in 2011 when the Renewable Energy Independent Power Producer Procurement (REIPPP) programme invited Independent Power Producers (IPPs) to submit competitive bids to build and operate large-scale renewable energy power plants¹. In addition to its core business, REIPPP aims to drive positive social change and requires approved energy projects to share ownership with local communities. This is commonly structured by establishing a community trust, which receives the share dividends and invests them in community development projects. However, these trusts do not necessarily have all the skills and knowledge to use the financing most effectively. Use of an independent, third-party organisation, with a track record of social development impact and experience, can add considerable value by tapping into their programmatic expertise and economies of scale.

This learning brief shares important lessons learnt by the Lesedi Solar Park Trust, Letsatsi Solar Park Trust and Peace Humansrus Trust (PHT).

IPPs are found in peri-urban/rural locations, often near mining towns and local communities that are fighting a daily battle with poverty, unemployment, lack of education, drug/alcohol abuse and the attendant social problems. Although many welcome their share in the IPPs, they are not sure what this really means for them.

This is partly because although there is a requirement that distributions from the trusts benefit local community members living in a 50km radius of the power plants, there are no government guidelines stipulating exactly in which areas the funds should be spent². (See Table 1 for the lists of towns and municipalities covered by the trusts.)

There are diverse approaches to the governance of community funds³. The most popular is to channel all community benefit investments into one entity — the community trust. The trust is then tasked with spending the funds on community projects. The driving idea behind

this model is that a community knows its most pressing developmental needs and so is best-placed to address them. The onus is on the community trust to make a difference. However, they often lack the development expertise to use the funding optimally and spend inordinate costs starting initiatives from scratch. A possible solution is to include a civil society-based third-party organisation as a benefactor, while still ensuring that 100% of funds are directed back into the community. This allows the trust to utilise the experience of a social development specialist with a proven track record in implementing evidence-based programmes that are well established and have demonstrated economies of scale.

The popular approach (the community trust identifying and developing its own initiatives) is used by the Peace Humansrus Trust (PHT), established in 2014 by the Jasper Power Company. The Jasper Power Project operates in the Northern Cape, approximately 30km north-east of the town of Postmasburg and 170km from Kimberley.

¹ South Africa’s state-owned utility Eskom will buy all power generated from the parks under a 20-year power-purchase agreement.

² Wlokas, H. 2015. WWF Technical Report: A review of the local community development requirement in South Africa’s renewable energy programme. World Wide Fund for Nature South Africa (WWF-SA), p31.

³ Eight governance approaches have been identified for community funds. (see Wlokas, H. 2015).



Table 1: TOWNS AND MUNICIPALITIES WITHIN THE 50KM RADIUS OF THE IPPS

Image 1: THE JASPER SOLAR PARK NEAR KIMBERLY

| TRUST | PROVINCE | TOWN | MUNICIPALITY |
|----------------|---------------|-----------------------|----------------|
| Lesedi and PHT | Northern Cape | Postmasburg | Tsantsabane LM |
| | Northern Cape | Danielskuil | Kgatelopele LM |
| Letsatsi | Free State | Dealesville | Tokologo LM |
| | Free State | Soutpan (Ikgomotseng) | Manguang Metro |

The objective of PHT is to use the dividends “to engage in improving the wellbeing of the community through the identification of community improvement initiatives; funding existing non-governmental organisations (NGOs) or community-based initiatives; and/or engaging directly in community development projects.”⁴ Due to legal issues, PHT could only start spending dividends this year (2019). The trust decided to focus on education and ran a programme that helped eligible matriculants apply for university bursaries. It also initiated a winter school for Grade 9 children, to inform them of various job options and to help them select the most suitable subjects for their desired careers⁵.

In 2012, Lesedi Solar Park Trust (near Kimberly in the Northern Cape) followed the third-party approach, appointing the DG Murray Trust (DGMT) as a beneficiary organisation. Similarly,

Letsatsi Solar Park Trust in the Free State appointed DGMT and the Rural Education Access Programme (REAP) as co-beneficiaries. As a beneficiary organisation, DGMT receives the dividends, and in consultation with the trusts, decides which programmes to invest in, in the communities concerned.

Since September 2018, two initiatives focused on early learning and literacy – SmartStart and Nal’ibali – have been operating in the Lesedi and Letsatsi communities. SmartStart is an early learning social franchise working to expand access to quality learning for children aged 3-4 years old; Nal’ibali is a campaign that seeks to create opportunities for caring adults to read stories to children in their mother tongues. They were selected because their models have been shown to be effective and scalable.

⁴ Peace Humansrus Strategy Document 2019-2020, p13.

⁵ PHT strategic imperatives, target groups and community development care focus areas were defined based on the community profiles from a number of research documents. PHT Strategy Document, p10.

These targeted interventions aim to improve education levels and reach a group of children not normally able to access any form of early childhood education. Janet Du Preez, an independent trustee for Lesedi, Letsatsi and Peace Humansrus Trusts, explains: “Lesedi and Letsatsi are fairly poverty-stricken communities, and have high school dropout rates. The children are not reaching the standards they could be. Building a strong foundation through the two programmes will give all the children a better start in life and improve their prospects of at least getting a matric.”

2017 was a milestone year for all three trusts. Although officially established in 2014, PHT only became fully operational in 2017, the same year DGMT also held the first trustee meetings and contracted SmartStart and Nal’ibali to implement in Lesedi and Letsatsi. Two years later, in 2019, significant challenges and opportunities have been identified. These are the five lessons learned through interviews conducted with various stakeholders:

- 1) Communication is paramount
- 2) Lag time is a problem
- 3) Trustees should be trained
- 4) Institutional capacity is crucial
- 5) Trusts should collaborate

1) Communication is paramount

There must be a clear communication strategy in place explaining the role of the trust and/or beneficiary organisation, as well as the model being used to distribute the funds and the community projects initiated. The strategy should also solicit feedback from the community to ensure they are comfortable with how the dividends are being spent. Helena English is a community activist dedicated to improving the lives of the community in the Tsansabane municipal area. She represents her community on the Lesedi Trust and cautions that “a community who are not informed can become a violent community.”

Other key communications issues raised by interviewees for this brief include:

- 1a) Building trust
- 1b) Managing expectations
- 1c) Delineating roles

1a) Building trust

Good communication is based on trust. It is essential that the beneficiary organisation or trust has a representative on the ground as soon as possible to connect with the community. This role is typically fulfilled by a community trustee or a community liaison officer. This person should ensure there is a two-way stream of communication at all times.

INTERVIEW WITH GABRIELLA VAN ROOI, SMARTSTARTER⁶, LESEDI (DANIELSKUIL)

What were you doing before joining SmartStart?

I was just at home with a passion and dream to become a teacher and work with children one day.

What are you doing now?

Giving the 12 children in my playgroup the opportunity to early learning using the SmartStart programme to make sure they have the skills and behaviours they need when they start school.

What do you find rewarding about your work?

It challenges me to reach the goal of SmartStart, which is to give every child the power to succeed.

What are your hopes for the future?

I hope that the Lesedi Trust continues doing what it is doing because that stipend means a lot to us. It contributes to the things we need in the playgroups. I want to help as many children as I can to succeed in life. Maybe Lesedi could help us as SmartStarters to get more ECD training, to improve in our work.

COMMENT FROM WILHEMINA TSOKOLIBANE, MOTHER, LESEDI (DANIELSKUIL)

“When Gabriella recruited my children, I was at ease. I have two children who are now part of the SmartStart programme at her playgroup. Before my children couldn’t play together without fighting over toys, but now they know how to play and share. I couldn’t afford to have them in a formal ECD centre.”



“Think of Steve Biko, Robert Sobukwe. I want to help the black community to empower themselves. Because we know that our mental capacity is one of the things that will help us to get out of the poverty-stricken kind of communities. I think my biggest role to play in my community is helping people see themselves correctly so they continue living life the way it was meant to be - prosperous and productive.”

Millicent Kaila, Nal’ibali Story Sparker⁷, Lesedi

⁶ SmartStarters are women and men implementing the SmartStart programme in communities throughout the country.

⁷ A Story Sparker conducts Nal’ibali reading-for-enjoyment activities with children and communities.

1b) Managing expectations

It's important to, from the start, manage the expectations of the community around the benefits they will receive from the project. Depending on the financial structure of an IPP project, dividends for local communities are generally only expected to flow a few years into the project's lifetime. In the initial years, there may only be a small amount of return⁸. It may also take some time to accrue enough funds to invest in a community programme. To ensure a steady flow, the dividends may have to be reinvested. These factors must be clearly explained to the community as they can delay implementation of programmes.

1c) Delineating roles

DGMT-funded programmes had been active in the Lesedi and Letsatsi communities prior to the REIPPP project. Du Preez observes that some community members were confused by DGMT's multiple roles. She explains: "The communication strategy became key so that people understood right from the beginning that while DGMT has always been helping their community, it has also absorbed the role of making sure that the dividend funds are spent in the best possible way. There may be a lot of unknowns here, and it is a highly politicised area." Each time the trust intervenes through a beneficiary organisation, the communication strategy should ensure that the community is aware of this.



"The community needs to understand what community development programmes their dividends have bought."

Janet du Preez, independent trustee of the Lesedi, Letsatsi Solar Park and Peace Humansrus Trusts

2) Lag time is a problem

The community will not reap the benefits of their shareholding immediately. This is due to the financial structure yielding dividends after some time, as well as complicated legal requirements meaning it can take years for a trust to start implementing projects effectively. Du Preez notes: "A beneficiary organisation is able to start working straight away because they have existing staff and infrastructure; community trusts don't have staff. The trust does not allow us to appoint staff. You can only appoint the implementing agent when all the trustees are in place. DGMT managed to get going faster as it was already set up."

FREQUENTLY ASKED QUESTION:

"Does DGMT charge a cost for the management of the funds?"

ANSWER:

No, DGMT charges no administration/management fee and often contributes to the funding of the projects as a co-investor.

3) Train trustees

Typically, the board of trustees is made up of independent trustees, community representatives and, if applicable, beneficiary representatives or power company representatives. The Independent Development Corporation (IDC) advises that success of community trusts rests on sound management⁹, and effective management tends to come from education and experience. In many instances, community trustees and power company representatives are unfamiliar with their roles and associated responsibilities. In order to effectively serve the community, they should be given training.

Helena English received training and says she learned that trustees should play a vibrant oversight role, but not interfere in the management methods of the programmes. Another significant learning was the importance of baseline studies (conducted for Lesedi and Letsatsi) to establish the needs of the community. "I learned that you involve your community, right down to the individual level. The researchers go to different people in the community and interview them. That was a very important learning curve for me."

4) Institutional capacity is crucial

The nature of solar plants means they are typically located in far-flung areas with sparse populations. This means there is usually limited institutional capacity to implement social transformation programmes. Compare, for example, the number of NGOs available in Johannesburg, as opposed to Postmasburg. Additionally, some trusts have been incubated from asset management organisations, and may have limited experience identifying the urgent needs of a community and finding the right implementation partners.

Du Preez believes the main advantage of a beneficiary organisation is that it has the capacity to quickly bring tried-and-tested programmes to these remote areas. Justine Jowell, programme design lead for SmartStart, comments: "It is just an amazing opportunity. Through the partnership with the solar park trust, which funds the programme and the stipends for the participants, we can now afford to go to an area where we didn't yet have a presence." Ramabele Litabe, provincial support coordinator for Nal'ibali in the Northern Cape and Free State, notes too that these interventions are reaching communities that have never before benefitted from these kinds of services. "Schools in Letsatsi and Lesedi are requesting that we extend our programmes to cater for the Grade 7 to Grade 11s as there is still a challenge of learners who cannot read for meaning. This is a sign that the programme is being well-received and is appreciated in these communities."

English hopes that these interventions can empower local NGOs to take over educational initiatives. "While the funding is available in the current three-year cycle, we must empower local NGOs so that if the SmartStart and Nal'ibali programmes end, we have NGOs that can carry on with this kind of intervention in our community. Our communities are growing. We want local NGOs to be equipped and empowered for the future."

8

Wlokas, H. 2015, p32.

9

Nelwamondo, T. 2016. History of challenges and successes in SA: Community Trusts. Industrial Development Corporation presentation, p3.

5) Trusts should collaborate

The IPPs are situated in the warmest or windiest places in South Africa, and so are often co-located, sometimes even on co-joined sites, with the Northern Cape identified as the optimal solar park area. Consequently, the 50km beneficiary radius of the trusts often overlaps. For example, eight IPPs are located in close proximity to De Aar¹⁰. This is problematic as it means that all the money will be spent in the same communities. But, if the dividend is not spent on the local community, the trust will not be meeting one of its legal requirements. One solution could be to extend the radius. Another could be to establish a forum where trusts could shake off the competitive nature of their respective projects and collaborate with each other. They could cooperate on various projects, avoid duplication of spending and leverage off each other's experiences.

Du Preez thinks there should be more coordination in terms of all the trusts coming together and deciding on critical programmes, "because, at the moment, the funds are being located in one fixed area. Lesedi, Letsatsi and PHT are all wanting to be involved in early childhood development (ECD). We should identify other focus areas where we can collaborate and coordinate our activities."

Scott Henderson, DGMT representative on the Lesedi and Letsatsi Trusts, points out that as approved projects are also required to spend a certain amount of their generated revenue on socio-economic development (SED), there is an opportunity to coordinate this spend with that of the community trusts. Furthermore, there are instances of overlap with mining companies that also have their own SED and community obligations.

Conclusion

REIPPP has the potential to drive great social transformation; however, some trusts are only now initiating community programmes. If one considers the time frame of the 20-year power purchase agreements, nearly half that period has elapsed. The impact could be far greater – both for local communities and for the country as a whole – if stakeholders used the expertise of an experienced third party to quickly tap into high-quality programmes with a proven track record at marginal cost, as these can be sustained at sufficient scale and intensity to have long-term sustainable effects. In so doing, they would also be assisting in enabling these initiatives to achieve the national reach needed for socio-economic transformation in South Africa.

BLACK ECONOMIC EMPOWERMENT (BEE)

"We are conscious of the recent pronouncements by the BEE Commissioner and the impact that this may have on the structuring of the community ownership component of REIPPP transactions. However, we are confident that established organisations will continue to have a key role to play in the development of communities surrounding the power plants. If necessary, this could be achieved through new, innovative models whereby identified community beneficiaries are empowered to participate in community development activities through their ownership stake. An example of this could be the SmartStart social franchise model whereby the franchisees, or the ECD practitioners otherwise known as SmartStarters, use their ownership stake to fund both their living costs and the costs of operating their playgroups or ECD centres. This could then be complemented by the SED spend of the power plant, which could be used to fund the franchisor costs."

Scott Henderson, DGMT beneficiary representative

DO WE TRUST COMMUNITY TRUSTS?

"Community trusts are commonly used as vehicles of social development in South Africa, particularly in the mining sector, but they are not always seen in a positive light. In recent years, some community trusts have not functioned as intended and therefore did not achieve the desired community objectives. There are various reasons for this; among them is the "gross misappropriation of funds, which results in no value for either the investor or the beneficiaries".¹¹ Additionally, there is a degree of opacity and secrecy around the IPPs and associated trusts¹², perhaps because the competitive nature of the bids has percolated through to the activities of the trusts and the fact that the spending of the dividends can become highly politicised, with diverse opinions on how the funds should be allocated."

10 Wlokas, H. 2015, p24.

11 Lubbe, A and Walaza, N. 2014. The pros and cons of community development trusts. Tshikululu Trust. Available at: <http://tshikululu.org.za/the-pros-and-cons-of-community-development-trusts/>

12 Wlokas, H. 2015, p31.

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