



Public-private partnerships for sustainable energy transitions in Africa

## **Integrating community development in public procurement of renewable energy generation: Lessons from South Africa**

**Drawing on lessons from South Africa, this brief provides recommendations for Danish development cooperation and associated investments on the integration of community development in wind- and solar energy generation in African countries.**

**RECOMMENDATIONS:**

Danish development cooperation and associated investments in sustainable energy transitions in African countries should support the development of national frameworks and practices that ensure communities will benefit from large-scale renewable energy schemes. This can include:

- support to the incorporation of community benefits in regulatory frameworks for public procurement of private renewable energy generation
- support to development of practice frameworks for community engagement in the renewable energy sector
- support to community co-ownership of renewable energy generation and democratic governance of benefit sharing arrangements

**The importance of ensuring community benefits from large-scale wind- and solar projects**

Access to clean and affordable energy for all is the end goal of the ongoing transition to renewable energy (RE) in Africa. To support this, auction schemes for public procurement of large-scale grid connected renewable energy by private companies are currently developing or proposed in a number of African countries, e.g. Morocco, Senegal, Ethiopia, Kenya, Uganda, Zambia and Namibia. Preliminary experiences have shown that renewable energy procured through auctions are in general competitive compared to establishing new coal- and hydropower plants.

However, what is good for national energy generation and private sector return on investments is not always to the benefit of local of communities. Increasingly, wind- and solar projects around the world have been confronted by local resistance. Communities in project areas express grievances over not benefitting from such schemes and/or not being included in their development. Ignoring such resistance, - as mere NIMBY issues (“Not In My Back Yard”), - is problematic. Resistance to renewable energy projects typically rests on underlying social

and economic grievances. Addressing such grievances is therefore necessary, not only to avoid renewable energy projects stalling in the face of local protests, but also more fundamentally to ensure an equitable, socially just energy transition.

Ensuring a socially just energy transition requires efforts at a range of levels, including through national social, economic and industrial development policies. In addition, for local grievances to be addressed there is a need to ensure that individual renewable energy projects, such as wind- and solar plants, benefit local communities in their project area. This raises the question of how - and in what ways - the developing public procurement schemes for renewable energy in African countries can incorporate support to community development in project sites.

**South Africa’s REIPPP Programme**

In most Sub Saharan African countries, large-scale wind- and solar- projects support community development activities on an individual and ad hoc basis, or not at all. However, since 2011 South Africa has operated a national programme for renewable energy procurement in which, wind- and solar companies are required to support community development. The Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) thus provides valuable experiences on the integration of community development in public procurement schemes for renewable energy.

REIPPPP is a renewable energy auction programme, in which the bids of private wind- and solar companies - so-called Independent Power Producers - are evaluated against a price criteria (70 %), and against a set of social and economic development criteria (30 %). The Independent Power Producers thereby take on responsibility for supporting social development in communities near project sites (within 50 km or District Municipal boundaries), and are required to allocate a portion of shareholding to Community Trusts. A percentage of project revenue (so far a minimum of 1%) is dedicated to local socio-economic development in communities such as measures for education, social welfare, health care, enterprise development and administration (IPPO, 2020).



From its beginning in 2011 until 2020, REIPPPP procured more than 6,000 MW of electricity from 112 wind- and solar project companies (compared to e.g. 5,000 MW of total installed wind power in Denmark) and reduced carbon emissions by 50.2 M ton CO<sub>2</sub>. It led to private investments in wind- and solar development of R 209.7 billion (DKK 86 billion) of which 20% was foreign. To date, a total of R 1.2 billion (DKK 500 million) has been invested in socio-economic development measures alone through the scheme (IPPO, 2020).

### **Recommendations for Danish development cooperation based on lessons from REIPPPP**

No procurement programme – including South Africa’s REIPPPP – will in itself be sufficient to ensure a socially just energy transition. Such a task requires work on multiple fronts in terms of social, economic and industrial policies (Morris et al, 2020; Kruger et al., 2021; Larsen & Hansen, 2020). However, the South African experience provides pointers for how to address one particular element of a just transition, namely ensuring that local communities benefit from wind-, solar- and other renewable energy projects.

Based on research on REIPPPP, the following recommendations are pertinent for Denmark’s development cooperation and associated investments within renewable energy in African countries and beyond:

#### ***1. Support incorporation of community benefits in regulatory frameworks for public procurement of private renewable energy generation***

Public regulatory frameworks are necessary to ensure that private sector investments in wind- and solar-energy projects provide socio-economic benefits to communities in project sites. One way to achieve this is to develop requirements for financing of community development in public procurement mechanisms such as auction schemes.

While South Africa’s REIPPPP is not perfect and still developing, it does exemplify the basic principle that governments can build requirements for privately owned wind- and solar projects into procurement

schemes. Requirements to finance community development, support Community Trusts, and allocate shares to communities are thus examples of approaches that could be developed and adapted elsewhere. In addition, REIPPPP includes scoring and - performance criteria in the tendering and monitoring process that align with South Africa’s Black Economic Empowerment policy. This includes quantitative targets on the extent to which wind- and solar projects support community enterprises that are owned by Black citizens and women.

If applied elsewhere, such approaches must, however carefully assess the challenges also experienced with these measures in REIPPPP (Wlokas 2015). For example, measures must be made to ensure that companies cannot design their bids in ways that effectively wins the bid on price alone, thus side-lining social development criteria. Increasing the share allocated to community development, is one option here.

#### ***2. Support development of practice frameworks for community engagement in the renewable energy sector***

While community development and associated engagement- practices are well-established in other sectors, they are still a relatively new and developing field of practice within the renewable energy sector in many countries, especially in relation to large-scale projects. There is a need to embed experiences from other sectors in the context of large renewable energy projects, and to ensure that support to community development is governed by inclusive, transformative and up to date approaches (Wlokas et al., 2017).

Since the initiation of REIPPPP in South Africa, renewable energy companies within the programme have increasingly employed community engagement professionals as part of their staff or as subcontracted service providers. These practitioners are undertaking significant work and are key actors in shaping relations between the industry and communities. However, they are also often marginally positioned in company hierarchies, and experience dilemmas between a corporate focus on “bottom line” rationales, government requirements for “fast delivery” of results, and their own ideals of pursuing progressive approaches to community engagement (Funder et al, in prep.).



Support to the development and adoption of progressive practice frameworks for community engagement within the renewable energy industry, and the regulating government agencies, will help capacitate community engagement practitioners and the establishment of progressive approaches within the renewables sector.

### ***3. Support community co-ownership of renewable energy generation and democratic governance of benefit sharing arrangements***

As the renewable energy sector develops in African countries, it is important to ensure that governance and ownership structures of wind-, solar- and other projects are not only effective, but also democratic and socially just (Davies et al., 2018).

While REIPPPP provides benefits and shares for host communities, the programme has also in some cases illustrated how public, private and community interests may differ in relation to particular projects. For example, a company may choose to direct its community benefit finances towards a school project, while the local government would have preferred a health clinic, and community members are divided on the matter.

For efforts to develop similar schemes elsewhere, these experiences highlight the importance of developing democratic and inclusive structures for debating and decision-making on the use and allocation of benefits from large-scale renewable energy projects. This includes particular attention to ensuring that such benefits are aligned with local government plans and spending on welfare, public services, job creation etc. This could take various forms along a continuum ranging from private wind and solar companies being both financers and implementers of community projects (as per the current REIPPPP approach), to an arrangement where private companies merely transfer financing to local governments who then implement community development projects in accordance with community priorities and local development plans.

In extension of this, it is critical to ensure that communities do not become disenfranchised from the actual ownership of renewable energy production. While REIPPPP provides some shares to communities, there is scope for greater de facto co-ownership. Support to similar schemes elsewhere should seek to address this.



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