The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

University of Cape Town

The potential for local community benefits from wind farms in South Africa

By

Louise Tait

TTXLOU001

Supervisor: Gisela Prasad

Co-supervisor: Holle Wlokas

Energy Research Centre

University of Cape Town

University of Cape Town

Declaration

I know the meaning of plagiarism and declare that all the work in the document, save for that which is properly acknowledged, is my own.

Date: February 2012

Signed: _____

Louise Tait

University of Cape Town

Abstract

This thesis was motivated by the desire to explore more equitable patterns of development in South Africa and how business could contribute to wider developmental goals. It focused specifically on the emerging wind sector in South Africa, drawing on the concept of community wind[1] farms that have emerged in many other parts of the world such as England, Denmark and Canada. South Africa's wind sector was recently given impetus with the launch of the Department of Energy's Independent Power Producer Procurement Programme (IPPPP) for renewables. The development of this sector will contribute to various issues in the energy sector such as climate change and security of supply, this thesis intends to explore its potential to engage with social issues as well.

The first aim of this thesis was to investigate what legislative drivers could potentially serve to incentivise community wind schemes. Those considered included the renewable energy procurement programme, Broad-Based Black Economic Empowerment (BBBEE), the Clean Development Mechanism and Environmental Impact Assessments. Secondly this thesis aimed to investigate what community benefit projects wind developers are planning on implementing and the potential of these to contribute to real and sustainable developmental outcomes for local communities. Interviews were conducted with sector experts exploring various legislative drivers as well as with five wind developers in South Africa.

The analysis revealed that the procurement programme and its BBBEE requirements play the predominant role in driving the initiation of community benefit schemes in South Africa. The Clean Development Mechanism and Environmental Impact Assessments were found to have no significant potential to incentivise such schemes. The BBBEE scorecard in the procurement programme includes a specific and dedicated focus on benefits that must be directed towards local communities in the form of broad-based ownership schemes, enterprise development and socio-economic development contributions. This focus on local communities in the renewables scorecard is more pronounced in comparison to most other Government tendering requirements. The renewables procurement programme incorporates many of the outcomes from a recent review process of the BBBEE Act undertaken in 2011, which strives to redirect the focus and implementation of the legislation back to the broad-based elements of the scorecard in Government tendering processes.

The interviews with developers revealed that motivations for their community benefit schemes ranged from compliance to moral drivers to the core focus of operations for one developer. Despite differing approaches to their social responsibilities however, all recognised the importance of BBBEE in South Africa. An interesting feature in the sector is the emergence of a developer with the specific strategic objective of establishing community wind farms. He has

[1] Community wind in this thesis refers to the phenomenon of community ownership or other types of benefits given to communities from large scale commercial wind farms which typically feed into the national grid. It does not refer to small-scale community wind grids.

University of Cape Town

adopted an innovative business model that seeks to integrate commercial and social considerations. His approach signifies a shift away from a charitable donation type approach to corporate social responsibility evidenced by some of the other developers, to one that seeks to integrate social concerns into the core nature of his activities.

Overall it is premature to be able to say with certainty what the potential is for widespread and transformational development outcomes in local communities. The procurement programme serves as a strong and proactive driver in this regard and will catalyse significant amounts of expenditure in rural communities around the country. However several weak points were identified namely the lack of guidance or specifications for development interventions, leaving the decisions regarding social development to the discretion of individual developers whose core area of expertise does not lie in this area. Secondly the proposed monitoring and verification mechanisms appear to serve as a weak enforcer of performance and outcomes of projects. Finally the efficacy of BBBEE in general to achieve its objectives especially around the elements of enterprise development and socio-economic development has not yet been sufficiently demonstrated through a widespread evidence based review process.

University of Cape Town

Table of Contents

University of Cape Town

University of Cape Town

List of acronyms and abbreviations

BBBEE	Broad-based black economic empowerment
CDM	Clean Development Mechanism
CDM EB	CDM Executive Board
CER	Certified Emission Reduction
CSI	Corporate social investment
CSR	Corporate social responsibility
DBSA	Development Bank Southern Africa
DFI	Development Finance Institution
DNA	Designated National Authority
DoE	Department of Energy
ED	Enterprise development
EIA	Environmental Impact Assessment
FSC	Financial Services Charter
GHG	Greenhouse gas
HDI	Historically disadvantaged individual
IDC	Industrial Development Corporation
IPP	Independent power producer
IPPPP	Independent Power Producer Procurement Programme
MDG	Millennium Development Goals
MW	Megawatt
NEMA	National Environmental Management Act 108 of 1998
NERSA	National Energy Regulator of South Africa
NGO	Non governmental organisation
NIMBY	Not-In-My-Back-Yard
PFMA	Public Finance Management Act of 1999
PPA	Power purchase agreement
PPP	Public private partnership

University of Cape Town

PPPFA	Preferential Procurement Policy Framework Act No. 5 of 2000
REFIT	Renewable energy feed-in tariff
RFP	Request for proposals
SANAS	South African National Accreditation System (SANAS)
SAWEA	South African Wind Energy Association
SED	Socio-economic development
UNFCCC	United Nations Framework Convention on Climate Change
WBCSD	World Business Council for Sustainable Development

University of Cape Town

1. Introduction

On 3 August 2011 the Department of Energy (DoE) launched the Independent Power Producer Procurement Programme (IPPPP) for renewables to support the growth of this new industry in South Africa. This policy support is expected to elicit a significant growth in the local wind sector, with 1850 MW allocated for wind in the first round of procurement. Building on the concept of community wind farms observed in other countries (for example Denmark, Germany and the UK), this thesis intends to explore the potential for community benefits from wind farms in South Africa by investigating legislative drivers as well as the types of initiatives developers are undertaking. Community benefits in the context of this thesis refer to any initiative to redistribute profits or revenue into local communities where wind farms are located. This could be through ownership agreements, direct investment in communities or other socio-economic initiatives.

Exploring the role of the wind sector in South Africa to also engage with issues of poverty and sustainable development is highly relevant in the context of the international focus on climate change, mitigation actions in developing countries and the development of low carbon economies. Low carbon economies aim to identify ways to reduce reliance on fossil fuels as well as contribute to economic development. The wind sector in South Africa could therefore have the potential to contribute to multiple environmental, economic and social objectives. The question of the business sector exploring more equitable patterns of development that takes cognisance of social and environmental issues is one that has gained much momentum globally in the shape of corporate social responsibility (CSR). Not only are businesses increasingly taking responsibility of their own accord for behaving in an ethical manner but they are also being co-opted into the sustainable development agenda. The Millennium Development Goals (MDGs) are international development goals developed by the United Nations that relate to the eradication of poverty. The United Nations has recognised and promotes the contribution of business to the achievement of these goals through, for example, the United Nations Global Compact. This is an intitiative that aims at mainstreaming ethical principles in business and accelerating action by business in support of the MDGs. The concept of sustainable development was first articulated in the Brundtland Report, Our Common Future (United Nations World Commission on Environment and Development, 1987), and defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

University of Cape Town

1.1. Background

The development of the renewables support programme in South Africa has been designed to achieve multiple objectives. Firstly to diversify an emissions intensive electricity sector that is currently dominated by coal-fired power stations burning low-grade coal (Kessides et al, 2006). Government has committed itself to emissions reductions targets of 34% by 2020 and 42% by

2030 below business as usual[2] (RSA, 2010). Secondly the electricity sector faces pressing security of supply issues, which led to a series of national rolling blackouts in 2007 and 2008. Tight demand and supply constraints on the system continue and one of the key imperatives of the DoE's IPPPP is therefore to bring projects on line as quickly as possible to help alleviate supply constraints (Breytenbach, 2011). Thirdly the Government has specified that the procurement programme must contribute to economic development in South Africa (Department of Energy, 2011b).

Social considerations permeate many aspects the South African policy landscape. The country suffers from severe poverty, the incidence of which remains highly skewed, concentrated mainly among black South Africans and in rural areas (Mensah and Benedict, 2009). Many rural areas typically face very low levels of economic activity and limited opportunities for employment (ibid, 2009). This poverty and inequality is rooted in apartheid, but the persistence of it many years after democracy is frequently attributed to the failings of the present ANC Government's administration (Mbeki, 2009). Nevertheless the ANC Government has laid out strong intentions to achieve transformation, which find their way into a number of different policies. One of the most prominent policies is undoubtedly the Broad-Based Black Economic Empowerment (BBBEE) Act which targets the private sector to play a role in transformation. The policy seeks to redress past injustices of apartheid by promoting direct and indirect empowerment through improving previously disadvantaged people's ability to participate in the mainstream economy (Glaser, 2007; Ramathe, 2009).

BBBEE permeates all aspects of Governments procurement, tendering and licensing processes and will therefore be important in the renewables sector as well. BBBEE is a defining feature in many business' CSR actions in South Africa. The policy intends to promote transformation that is 'broad-based' and this is reflected in elements of the scorecard such as community ownership schemes, skills development and corporate social investment (CSI). This thesis therefore intends to analyse the way that BBBEE has been formulated to achieve the IPPPP's economic development objectives and how the spirit of this policy transfers to developers' actions.

Why is CSR and local community benefits in the wind sector a relevant avenue of research in SA? CSR in general may be viewed as response to markets working imperfectly or rewarding behaviours that are not socially optimal (Eccles et al, 2009). Commercial wind farms are extremely large and capital and technology intensive developments with annual turnovers in the hundreds of millions of rands. They are often located in rural areas which, in South Africa especially, typically have poor development prospects. However these developments have very limited traditionally local economic development (LED) benefits in the form of local jobs and income (Munday et al, 2011). This sector could therefore be characteristic of one of SA's key economic development challenges in their

[2] These commitments were made however subject to the following proviso "the extent to which this action will be implemented depends on the provision of financial resources, the transfer of technology and capacity building support by developed countries". (RSA, 2010)

University of Cape Town

following of a capital intensive growth path that engenders little trickle-down benefits for the poor. The result of this is the existence of 'two economies' in South Africa, the formal and informal economies (Rogerson, 2007) and development that has limited potential to challenge the persistence of inequality and poverty. Therefore exploring how this sector can proceed in a socially responsible manner and contribute to the sustainable development of communities in which they are located is extremely important and could have wider implications for other sectors.

1.2. Research questions

This thesis is based on the proposition that all sectors, including business, can and should contribute to a more equitable and sustainable society. South Africa has acknowledged the importance of business' role through legislation such as BBBEE. Community benefit schemes in the wind sector have emerged as a distinct concept in many countries in the world, although with multiple different approaches and drivers depending on the socio-political context. The distributed nature of renewable energy generation can induce a more geographically dispersed pattern of development, and RE sites can be highly suited to rural locations with otherwise poor potential to attract local inward investment thus able to target particularly vulnerable areas. Although this research focuses on wind only, it is likely that similar developmental potential would apply to other renewable energy technologies under the IPPPP.

The original intention of this research was to explore voluntary and mandatory drivers for CSR activities by wind developers in the South African context. As the research commenced it became clear that the renewables programme and BBBEE legislation was strongly shaping the commitments from developers with regards to community benefits. The focus therefore evolved to looking at the legislative framework, how this was shaping developers activities and how the potential for meaningful positive development outcomes could be enhanced. In addition it aims to explore how developers are developing their community benefit schemes and the potential for these to deliver real developmental benefits for local communities.

The specific research questions that this research intends to answer are the following:

a) What role is existing legislation playing in stimulating community benefits in the renewables sector in South Africa?

b) What community benefit projects are wind developers undertaking and what is the potential for real and sustainable developmental outcomes for communities?

1.3. Structure of the thesis

This thesis starts by reviewing the literature in chapter 2 on the concept of community wind elsewhere in the world, focussing on the United Kingdom as a case study. It then explores the role of business in society through CSR literature both in general and in South Africa. The goals and application of CSR in South Africa is inextricably linked to BBBEE, which promotes business' role in addressing social problems in South Africa.

University of Cape Town

To explore this phenomenon in South Africa interviews were undertaken with wind developers and other sector experts. The results and discussion are presented in chapters 4 and 5. The first results chapter explores the impact of various pieces of legislation including the IPPPP for renewables, BBBEE, the Clean Development Mechanism (CDM) and Environmental Impact Assessments (EIAs). This section intends to gain insight into whether these pieces of legislation can provide drivers for the establishment of community benefit schemes from wind farms. The second results chapter takes a look at what community benefit schemes developers are planning on implementing. It will investigate developers' approaches to community benefits, the type of models being used to implement benefit schemes as well as the challenges they have faced. It intends to give a more bottom-up insight into how policy requirements actually translate into actions and benefits on the ground. Finally the findings are discussed in chapter 6 with respect to their implications for the potential for community benefit schemes and lasting development outcomes.

University of Cape Town

2. Literature review

2.1. Introduction

This literature review aims to give a broad overview of specific areas of literature that pertain to this research on community benefits from wind in South Africa. This section explores the incidence of community benefits from wind in other countries, focussing on the UK as a case study. It then goes on to discuss the concept of CSR within which to view the concept of wind developers business operations and the inclusion of considerations of social responsibilities and equity in the distribution of project benefits. The final part of this literature review discusses BBBEE as this is inextricably linked with any discussion on CSR in South Africa. It is also a feature of doing business in South Africa for any sectors interacting with Government licensing or tendering activities, and therefore very relevant to the renewables sector.

2.2. Community benefits from wind farms in the UK

There is broad consensus in the literature that wind farms in general have limited potential to deliver traditional local economic development in terms of increased opportunities from local jobs, income and business opportunities (Walker, 2008; Munday et al, 2011). Despite this fact, or perhaps because of it, the incidence of additional community benefits from commercial wind farms (often referred to as community wind) has become a widespread concept. It is commonplace in many parts of Europe, including Denmark, Germany, UK, Netherlands as well as examples in Australia and Canada (Schreuer and Weismeier-Sammer, 2010). Denmark is well known for a preponderance of community owned wind farms, which arose due to factors such as a culture of cooperatives (Mendonca, Lacey, and Hvelplund, 2009), favourable policy and financial instruments, and a strong grassroots anti-nuclear movement in the 70s and 80s (Schreuer and Weismeier-Sammer, 2010).

The UK, on the other hand, had none of these contributing factors and windfarm development originally progressed in a traditional large-scale private sector development paradigm. Over time however there has been a growing and voluntary shift to conferring greater project benefits to communities. This literature review will focus on the context for community benefits in the UK, looking at drivers, legislative and policy support and benefit schemes and models of delivery. It is recognised that there are limitations in the degree to which useful comparisons can be drawn between a developed country context such as the UK and a developing country such as South Africa. There were, however, no examples that this author could find of community wind in a developing country.

2.2.1. Drivers for community benefits from wind in the UK

In the UK wind farm development saw a transition from an originally large-scale private sector development pattern with limited benefits to a growing phenomenon of voluntary monetary contributions to the communities in which wind farms are located (Munday et al, 2011; Aitken, 2010a). Typical benefits include contributions to community funds, education and energy efficiency measures in local households as well as joint ventures with community

University of Cape Town

ownership becoming more widespread. This section briefly explores the nature of this shift in the UK, exploring the drivers, models and benefits.

Although several reasons are put forward in the literature, the primary driver for the incidence of voluntary developer contributions has been to assuage the substantial public opposition to wind farms in the UK (Aitken, 2010b; Rogers et al, 2008; Walker, 2008). It is estimated that this public opposition, expressed through the UK planning system, results in the rejection of approximately 60% of all wind applications by local authorities (Toke et al, 2008). This is significantly higher than many other European countries and is one of the principal reasons cited for lower deployment rates of onshore wind power in the UK compared to other European countries (RAB, 2007).

Public opposition often relates to the size and scale of projects which were often unappealing to local communities and, coupled with little consideration paid by developers to the desires of communities in their conceptualisation (Hain et al, 2005), this resulted in a strong Not-In-My-Backyard (NIMBY) sentiment arising (Aitken, 2010a). NIMBY attitudes refer to people objecting about the siting of a wind farm in their vicinity but would not object to it being sited elsewhere. Objections often related to the inappropriate scale of developments, deemed unfairness of local costs vs local benefits and lack of adequate consultation with local residents (Rogers et al, 2008). The UK is also characterised by a strong presence of landscape protection organisations (such as Campaign to Protect Rural England) that have taken an anti-wind farm stance (Toke et al, 2008). The delays and uncertainty placed on developers associated with getting planning approval significantly increase costs for developers. As a result there has been a strategic focus by developers to include communities in planning processes and the distribution of project benefits.

Interestingly, however, these community benefit schemes cannot form part of a planning authorities decision making process. The UK planning system requires that decisions about proposals be based on planning issues only or 'material considerations', which must be related to the development and use of land in the public interest (RAB, 2007b). Community benefits are generally considered not to relate directly to the proposed wind farm or planning issues and therefore fall outside of the decision making process (Department of Trade and Industry, 2005). This is to prevent the perceived situation arising of developers 'buying' public support for otherwise inappropriate developments (Department of Trade and Industry, 2005). However it is considered that this aspect of planning policy could change over time and give greater recognition to the "wider benefits" (RAB, 2007).

2.2.2. Models for delivering benefit schemes

There are no standards that govern community benefits in the UK, and as a result there exists considerable variation in the scale and approach taken (Aitken, 2010a). Benefits range from various forms of local ownership, contributions to local funds or provision of local services (Munday et al, 2011). The nature of the benefit schemes are highly contextual and often depend on the outcomes of community participation and mutually agreeable outcomes (Rogers et al, 2008).

University of Cape Town

Research initiated by the Renewables Advisory Board[3] investigated the most appropriate bankable models for community ownership (RAB, 2007). The various community ownership models considered included part ownership based on turbine ownership, community ownership of the whole project or joint ventures with community organisations. The joint venture model is considered the most feasible, already having been tried and tested through organisations (e.g. Baywind) that use co-operative structures with individuals investing into the wind farm up to a certain amount. However issues with joint venture models, raised by both developers and bank lenders, include concerns where communities are represented on joint venture board and thereby take part in decisions such as approving third party contracts. Additionally some developers expressed reticence in having to deal with minority shareholders or making the developer's share harder to sell. Additionally benefits accrue only to those with the ability to raise money or capital to invest, which may prove exclusionary for those unable to do so. In South Africa the applicability and design of ownership schemes would have to take into account the lack of resources and capital available to poor communities and therefore may have to look quite different.

Payments into a community fund are another option for community benefits and are now fairly common in the UK (Department of Trade and Industry, 2005). These may consist of once off payments (a fixed payment per MW installed) or a variable payment that varies with the power output of the farm or profits, or may be a combination of both of these (Aitken, 2010b; Munday et al, 2011). The research by the RAB (2007) found no consensus on a preferred method for calculating benefits but in general however there appears a preference, from a bankability perspective, for variable amounts that vary with the performance of the wind farm. This does not then compromise the ability of a project to meet its bank repayments (RAB, 2007a). This benefit model is deemed more appropriate than ownership options when communities are unable to raise significant community funds. It also benefits all community members rather than just those with the means to invest in ownership investment schemes.

2.2.3. Challenges with administering and implementing benefit schemes

Community funds may be administered through local councils, charitable organisations who specialise in handling such funds for communities, or by a local structure set up specifically for the purpose (Aitken, 2010a; Walker and Devine-Wright, 2008). Administering through community charity or trust may be a more effective means to ensure funds are spent in the best interests of the whole community (Walker, 2008). The vehicle for administering significant sums of money needs to be independent and have transparent procedures. Options for using existing body may be preferable as they may have the advantage of an already established relationship with the community. Research has found that the success of community projects is often linked to the existence of community structures and networks, rather than relying on outside agencies' input (Rogers et al, 2008).

[3] The Renewables Advisory Board is an independent public body providing advice to the UK Government on renewable energy issues

University of Cape Town

Public participation and gaining trust of local communities can be a difficult process, but is essential for achieving positive outcomes. In order for communities to feel as if they have a degree of 'ownership of the process' developers need to give some degree of power to communities (Aitken, 2010b) or allow some capacity to influence decisions on certain aspects of design such as reviewing and commenting on alternative options for the siting and size of turbines or designing benefit schemes such as decisions on how to administer or who the recipients should be (Aitken, 2010b).

2.3. Corporate Social Responsibility

The incidence and profile of CSR has grown significantly in the last few decades. The World Summit on Sustainable Development in 2002 saw significant engagement with the business sector in developing inclusive approaches to achieving the Millenium Development Goals (Wheeler and McKague, 2002). The World Business Council for Sustainable Development (WBCSD), founded during the 1992 Rio Earth Summit, is a network of companies aligned with the core philosophy of actively engaging business in sustainable development. The organisation promotes an approach of 'inclusive business' amongst its members. This is articulated as creating market opportunities with the poor and promotes practises that relate to the core business activities of companies rather than philanthropy (WBCSD, 2010). The inclusion of the business sector in international sustainable development evidences what Kolk et al (2008) describe as a new 'collaboration paradigm', which recognises that solutions to complex problems such as poverty lie beyond the scope of any one institution or sector. Additionally, business, as the key traders of resources and actors in a market system that produces socially sub-optimal outcomes (such as unemployment, or environmental degradation), has a key role to play in solving these issues (Louw, 2006).

The nature of CSR activities is so wide ranging that the term has become difficult to definitively describe (Auld et al, 2008). The definition is often linked to its application and context, and moreover may change over time as "new mores become business as usual" (Moon, 2007: pp. 298) Some definitions of CSR specify it as those ethical activities that go beyond what is legally required of a firm (Falck and Heblich, 2007; Auld et al, 2008), however according to this description, what may constitute CSR in one country may just form part of a business' normal set of legal responsibilities in another (Moon, 2007). Complying with BBBEE legislation in South Africa is a relevant example of this. And as government interest in promoting CSR through policy grows and laws change the voluntary aspect of the CSR definition may hold less importance (Moon, 2007; Auld et al, 2008). Other authors refer to it as *the responsibilities of business to society including social, environmental, legal and ethical considerations* (Kolk and Van Tulder, 2006), this description however does not give insight into how far a firm's 'responsibilities' should go. Despite ethics being noted as a legitimate driver for some CSR activities, reference to ethics or morals tends to remain outside of most formal definitions (Fig, 2005). Because of the prominent role that BBBEE legislation in the discourse and application of CSR in the South African context, this thesis includes consideration of legislative requirements in its understanding and discussion of company's CSR activities.

University of Cape Town

The question of why firms engage in CSR has dominated the academic literature (Margolis and Walsh, 2003) and there are numerous studies devoted to trying to establish the link between greater responsibility and financial returns. The multitude of drivers for a firm engaging in CSR is, however, complex and context specific, relating to competitors behaviour, societal norms and expectations (Margolis and Walsh, 2003; Kolk and van Tulder, 2006). Drivers may include financial advantage, necessity to accommodate state inadequacies to address social issues, ethical considerations, compensation for negative externalities, market and social trends and policy or legislative drivers (Moon, 2007; Margolis and Walsh, 2003; Sadler and Lloyd, 2009).

The application of CSR has also proved to be dynamic over time, what Auld et al (2008) refers to as the 'new CSR'. There has been a gradual shift from largely philanthropic activities often unrelated to a firm's core activities to activities that focus on internalising a firm's negative externalities and be a fundamental part of the management and way of doing business (Auld et al, 2008; Moon, 2007). In South Africa however CSR is often still criticised for its add-on approach consisting largely of philanthropic donations or CSI (Hamann et al, 2005). Some critics of CSR see the discourse as serving a strategic role to legitimise the capitalist system and preserve the status quo. By branding companies as responsible citizens and focussing on relatively minor adjustments to their operations or social investments, it diverts attention and criticism away from the fact that the very nature of their operations may be counter to the social interest (e.g. oil companies), or serve to perpetuate socially undesirable structural elements of the economy, such as free trade (Hamann and Acutt, 2003; Sadler and Lloyd, 2009).

2.3.1. Stakeholder approach to business among wind developers in the UK

The question of whether a business's intention is "first to profit or to serve" (Margolis and Walsh, 2003) has been widely debated. Friedman's (1970) seminal paper on CSR proposed that the most appropriate way for business to contribute to social welfare was through profit maximisation and that social welfare was the domain of Governments, which were better equipped to deliver these services (Moon, 2007). Various opposing viewpoints to Friedman have since emerged over the years. One of these that received great prominence is Freeman's (1984) stakeholder theory, which promoted that firms take greater cognisance of the external environment in which they operate. This theory proposed that companies should widen their understanding of which parties' interests were of relevance to the firm from beyond shareholders to all stakeholders. Stakeholders could include employees, consumers and customers, communities and investors, in essence, "any group or individual who can affect or is affected by the achievement of the organisations objective" (Freeman, 1984: p.46 in Margolis and Walsh, 2003). All of these stakeholders it was argued can impact a firm's objective and profit-making potential and should receive due consideration (Falck and Heblich, 2007).

From a review of the websites of nine wind developers in the UK, three, E.on, Falck Renewables and Vattenfell, make explicit reference to adopting a stakeholder approach to their business operations. As outlined above this

University of Cape Town

implies extending the scope of relevant parties' interests, from shareholders to all stakeholders, of which local communities would be one. By addressing considerations of 'being a responsible neighbour' and social considerations of the needs and interests of the communities in which their operations are located, they are able to create a strategic and financial advantage for their own business operations. They are reducing the risks and costs to their business of appeals taking place through planning process that could delay or even block their project.

Community benefit schemes are now fairly commonplace in the UK. This may lead to, if it has not already, a competitive pressure to provide community benefits to keep on a par with competitors, as these become part of societal expectations. Wind developers may also be drawing further strategic advantage for their business by using these activities to promote their responsible corporate image or linking it to their CSR portfolios.

2.3.2. CSR in South Africa

The application of CSR in South Africa has been influenced by the particular historical and social conditions in the country. The entrenched socio-economic problems such as poverty, unemployment, HIV and racial disparities are all reflected in the nature and discourse of CSR. Hamann et al (2005) note that there is a diverse array of applications in South Africa ranging from voluntary to mandatory compliance. Some of SA's pervasive socio-economic problems affecting business are the impetus for action (e.g. workplace HIV programmes). The most prominent face of CSR in South Africa however is probably through BBBEE (Hamann et al, 2005). Many companies do strategically link their BBBEE compliance to their CSR in their corporate strategies (Hamann et al, 2010). There is obvious overlap in the discourses of CSR and BBBEE with the latter's focus on empowerment and business's role in social transformation (Hamann et al, 2010). BBBEE arose out of the Government's commitment to achieving transformation in the economy and the slow pace of that change since the end of apartheid (Hamann et al, 2008).

Despite common usage of the term 'corporate social responsibility' in the literature, it is not as widespread in the South African business community. The notion of responsibility in the South African context may entail an implication that businesses may have some legacy or guilt to atone for from the apartheid years. A more commonly used term in South African is therefore 'corporate social investment' or 'corporate citizenship' (Fig, 2005; Skinner and Mersham, 2008). Ndlovu (2009) describes the notion of corporate citizenship as incorporating CSI aspects but is also inclusive of such concepts as business ethics, good governance, health and safety and environmental standards.

2.4. Broad-based black economic empowerment

An understanding of BBBEE in South Africa is extremely relevant as the wind sector will be directly interacting with Government (through the application of licenses) and will therefore be obliged to comply with BBBEE requirements. As this legislation directly deals with issues aligned to CSR such as empowerment and social transformation it is useful to understand its application to date in South Africa, the requirements it makes on companies as well as issues with

University of Cape Town

implementation and effectiveness to date. This will be important to informing the ensuing analysis on BBBEE requirements placed on wind developers and the potential for community benefits.

2.4.1. The development of Broad-based black economic empowerment in South Africa

The discourse on corporate citizenship is very firmly part of the agenda on social transformation and redressing the injustices of apartheid. The South African Government has played more of a direct role in establishing CSR than in many other countries (Hamann et al, 2008) with a mandate established in the constitution (RSA, 1996) to promote equality in future legislation "designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination" (RSA, 1996). BEE intends to support the participation of previously disadvantaged individuals into the mainstream economy (Ramathe, 2009) and is an acknowledgement that business can play a prominent role in transformation and redressing the injustices of the past which have manifested into entrenched and ongoing social problems in the country (Hamann et al, 2008).

BEE as a concept emerged during the 1990s, with the initial focus being on black ownership in big corporations. Described as the first wave of BEE, this period of empowerment deals was strongly criticised for catalysing the enrichment of a few powerful individuals only. In response to this criticism the conceptualisation of BEE was expanded to being more broad-based. The term broad-based generally refers to the involvement of as wide a spectrum of participants as possible. In SA's BBBEE policy therefore this refers to the policy being directed at achieving transformation and distributing wealth across as many previously disadvantaged South Africans as possible. In policy terms this meant that the policy expanded beyond its original narrow focus on equity ownership and management to the creation of the 'seven pillars' of BEE in the Broad-Based Black Economic Empowerment Act (No 53 of 2003). These included ownership, management, employment equity, skills development, preferential procurement, enterprise development (ED) and CSI. The BEE Codes of Good Practice (established under section 9 of the BBBEE Act) were approved in 2006 to provide guidelines for the implementation of BBBEE.

Compliance with the codes is not enforced but rather relies either on access to licenses (as would be the case in the renewables sector) or Government contracts for procurement (Hamann et al, 2010). However compliance also requires that companies show that they procure from other companies that are BBBEE compliant, thus in theory creating a wider 'chain of compliance' (Ponte et al, 2007; Sartorius and Botha, 2008). The reach of BBBEE in the private sector has expanded and many companies report feeling normative and societal pressure to be BEE compliant (Sartorius and Botha, 2008), however the primary driver for implementing BBBEE nonetheless appears to remain compliance (Hamann et al, 2010).

To deflect criticism on ownership deals empowering only a political elite, Government has emphasized the broad-based nature of the policy and the scorecard includes a category for broad-based and employee ownership

University of Cape Town

schemes. Companies can engage in ownership initiatives with internal or external partners. Internal partners could be employees or managers. The choice of a partner is often strategic and linked to a company's intentions with regards to expansion, making new connections or breaking into new markets. Sartorius and Botha (2008) define the choice of an external BEE partner as being operational (e.g. suppliers or business associates), influential (companies headed by individuals with political connections) or broad-based. External partners may provide a higher public profile.

2.4.2. Criticisms

BBBEE has been widely criticised for the extent to which this legislation actually achieves its objectives of empowering the poor, with observations that it is predominantly a select black elite that seems to reap most of the benefits (Hamann et al, 2005; Alessandri et al, 2011). The extent to which criticisms of elitism are justified is recognised as being dependent on each company's own interpretation and implementation of BEE (Hamann et al, 2005), and how meaningful the empowerment initiatives actually are. The policy intends to promote empowerment and transformation through helping individuals participate in the economy both through direct intervention such as increasing black[4] ownership, management and employment equity, but also through direct measures such as skills development, CSI and enterprise development. However there is limited critical discourse questioning the links between BEE and sustainable development outcomes and whether, conceptually, this is an effective policy choice to achieve these.

Another critical issue affecting BBBEE is that of fronting, which could be defined as "a set of adverse business practises designed to circumvent the implementation of BEE, thus undermining the effective implementation of the objectives of BBBEE" (Business Unity South Africa, 2005: p.9). Fronting in ownership may be when companies appear to be owned or managed by historically disadvantaged individuals (HDIs) but in essence control remains under whites. Or for example fronting in employment equity could be employing people for a role whilst never giving them the associated responsibility. BBBEE verification agencies, accredited by the South African National Accreditation System (SANAS) fulfil the role of authenticating BBBEE claims by businesses. Whilst most of the focus on fronting is around the ownership element of the scorecard, the research on fronting developed by Business Unity South Africa (2005) notes that fronting can affect any one of the seven elements of the scorecard.

2.4.3. Evaluating outcomes and success of the policy

What role can the legislation serve in contributing to sustainable development in South Africa? The legislation is aimed at the empowerment of black people, however this discourse tends to be overwhelmingly dominated by the

[4] Reference to race in this thesis stems from South Africa's apartheid history that was based on discrimination against non-white people in South Africa. As a result of this discrimination the ANC Government has instituted legislation that explicitly refers to the advancement of other races in order to address the disadvantages they face. The term black in the context of BBBEE refers to black, coloured, Indian, Asian and 2nd generation Chinese who were naturalised citizens before 1994 .

University of Cape Town

acquisition of black capital. The broad-based aspects of the scorecard such as the skills development, enterprise development and CSI bring some focus back to more integral concepts required to empower people, but the success of the policy in adequately targeting the poorest and neediest is questionable.

BBBEE has been challenged in a number of sectors for the slow and inadequate implementation of virtually all elements of the scorecard. The policy lacks for a critical evidence based evaluation of the impact that each element of the scorecard has had in achieving its intended outcomes and transformation. Ponte et al (2007) comment that relatively little academic research has been undertaken on BBBEE to date and much of that which has been undertaken emphasises aspects such as ownership and management.

Those studies in the academic literature that have been undertaken evaluating the outcomes of BBBEE have focussed on specific sectors or particular elements of the scorecard and are based on sample surveys. Findings of these studies tend to concur that the overall pace of transformation has been slow. In respect of ownership Ponte et al (2007) note that despite Government marketing of the broad-based focus of the policy on small and medium sized businesses, transactions are still dominated by the enrichment of a small black elite often with political connections. They note too that employment equity and skills development, lacking any effective enforcement or penalty mechanism, has failed to see significant improvements in improving the training and representations of blacks within companies (ibid).

Mohamed and Roberts (2008) undertook a survey of a sample of companies in the metals and engineering industries on aspects such as ownership, employment equity, skills training and procurement. Despite this sector being governed by a charter and having the pressure of direct Government involvement through procurement, their findings showed no substantial improvement in all areas of the scorecard and rather the strategic use of BEE to manage public relations rather than effect real change. This finding is corroborated in a study assessing the transformation achieved with regards to women in business and management by Ndhlovu and Spring (2009). They comment that "what gets measured gets done", in that transformation was only happening in areas that were being monitored or measured. This suggests that transformation has not been adopted as part of general business practise.

An evaluation of preferential procurement and mentoring of HDI owned companies in the construction sector by Martin and Root (2010) found that a substantial knowledge transfer between established companies and emerging companies was lacking despite the mechanisms established through BBBEE. A study by Moyo and Rohan (2006) find the pace of transformation in the financial services sector in respect of all elements of the Financial Services Charter (FSC) to be disappointing and question whether its objectives can be achieved through self-regulation as proposed in the FSC.

In recognition of criticisms and gaps between the objectives of the BBBEE Act and its outcomes to date, Government commenced a five-year review process of the Act in 2011, ahead of its originally stated intention of a ten-year review. The Minister of Trade and Industries, Rob Davies, noted that 75% of companies in

University of Cape Town

the private sector in 2010 were still not fully compliant with BBBEE (Cloete, 2010). In 2009 the President established the BBBEE Advisory Council that included representatives from government, business and trade unions. The purpose of the advisory council was to provide guidance and monitoring on the overall state of BBBEE. In November 2011 Cabinet approved amendments to the BBBEE Act (Ensor, 2011). The major emphasis in the revision of the act was a shift away from a narrow focus on ownership and equity deals to increase the focus on the broad-based aspects of the scorecard, particularly enterprise development and preferential procurement. One notable change was in the awarding of Government tenders. Previously tendering had often been on the basis of the Preferential Procurement Policy Framework Act no 5 of 2000 (PPPFA) (National Treasury, 2000) rather than the BBBEE Act, and tended to focus on only a few elements of the scorecard, mainly ownership or management. Subsequent to the amendments to the BBBEE Act, all elements of the whole scorecard will now be taken into consideration (Econobee, 2011).

Other amendments included a greater weighting for ED, especially in priority sectors identified in the New Growth Path (Department of Economic Development, 2010) and Industrial Policy Action Plan (IPAP) (Department of Trade and Industry, 2011). Targets in respect of skills development, procurement and enterprise development were revised as well as minimum thresholds prescribed. Stricter penalties were outlined for fronting and non-compliance including fines, criminal sanction against executives and cancellation of government contracts and BBBEE verification would now have to be undertaken annually (Creamer, 2011d).

The BBBEE Act has been in force only since 2007 and as such has not had that long to be able to have achieved significant and lasting impacts on its transformation objectives. The emergence of the five-year review and amendment process indicates a healthy evolutionary process to the policy, responding to weaknesses in the legislation. The new changes to the Act show a determined focus to redirect the policy back to its broad-based objectives and improve performance and implementation. The actual impact on transformation and sustainable development in South Africa is still difficult to determine. Proponents argue that the emergence of a black middle class is evidence of the policy having already had a wider impact than just the enrichment of a small elite (Noble, 2011). Attributing direct causality between the new black middle class to the impact of BBBEE is probably an overly simplistic conclusion to draw, and a much wider range of socio-economic and political factors probably also come into play. The impact that BBBEE can have on poverty alleviation and development outcomes might best be through building people's capabilities through skills development, small business development (through the preferential procurement and enterprise development elements) as well as the socio-economic development (SED) element. This focuses on a wider range of socio-economic aspects to development (such as health, education etc). However the implementation of these elements of the scorecard remains slow to date and significant impacts at a wider national level remain to be established.

University of Cape Town

2.5. Conclusion

This literature review has given a brief overview of some of the key areas of literature relevant to the exploration of community benefit schemes in the South African wind sector. The UK was examined as a case study to give some context in the literature for how this phenomenon has gained traction elsewhere in the world, what some of the key drivers for developers were and the types of benefit schemes that are typically established. Developers in the UK originally encountered significant difficulties from public opposition, which resulted in low deployment rates and a higher project risk profile. However by responding and adopting a broader perspective of their role in society or a stakeholder approach to their business operations, they were able to successfully overcome issues that might otherwise have threatened their profitability and project success. They successfully established a merging of social and financial interests in their project development models. The most common models for benefit schemes in the UK are payments into a community fund and community part ownership schemes, made possible by individuals buying equity stakes in wind farm projects.

This UK case study is, of course, highly contextual and dependent on factors such as a difficult planning system and vocal community opposition groups intent on preserving rural landscapes. How a similar phenomenon of community benefits schemes could develop in South Africa would necessarily relate to the unique socio-political and legislative context here. It is likely that any application of community benefit schemes in South Africa would be bound up with BBBEE requirements. This legislation has made CSR a mandatory consideration for companies doing business with the public sector in South Africa through the SED element of the scorecard. Although the discussion of business's social and environmental responsibilities is a well-entrenched concept internationally, it remains largely voluntary. In contrast, South Africa has taken a very proactive stance in legislating this and business has been assigned a key role in the sustainable development and transformation agendas of the country. This thesis hypothesises that there is a potential for community benefits schemes from wind farms to emerge in the South African context and intends to explore this. It does this with reference to the role that the South African Government has assigned the private sector in contributing to social transformation through being responsible corporate citizens and proactively supporting transformation through BBBEE.

University of Cape Town

3. Methodology

3.1. Methods of data collection

This thesis has adopted an emergent methodology which adopts a flexible qualitative research design, in which "the detailed framework ... *emerges* during the study" (Robson, 2002: p.81). "It implies a researcher who is aware of multiple possibilities in the early stages, who selects appropriate strategies as s/he assimilates the material and begins to understand its significance and makes iterative adjustments throughout the process" (Wright, 2009: 64). The initial understanding and framing of the research questions were based on the literature review undertaken, but very little was known about the different drivers and local context for community benefits and the full range of issues that were involved only became clear as the research got underway. This thesis has therefore taken an inductive approach to the research. Rather than seeking to test specific propositions, this research has sought to take an exploratory approach investigating the context specific issues and drivers from which to inductively explain the potential for the concept of community wind in the South African context (Merriam, 1998).

The renewables industry is a new and emerging sector in South Africa with the procurement programme still evolving whilst this research was being undertaken. The activities of developers in the industry are therefore still being formalised, as shaped by these legislative requirements. At this stage there is limited information or literature on the aspects of the sector of relevance to this study. Interviews were therefore considered the most appropriate means of collecting primary data from which to explore and develop insights about the concept and potential for community wind in the unique socio-economic context of South Africa. Interviews were undertaken with various sector experts including representatives from the sector's trade association (SAWEA), legal and BBBEE experts and planning consultants as well as a sample of wind energy developers in South Africa. Interviews were undertaken in a semi-structured manner and left open-ended. This approach to interviewing was considered appropriate in light of the emergent and inductive nature of the research.

3.2. Participant selection and interview process

Semi-structured interviews were undertaken with industry experts (legal experts and representatives from the trade association), BEE expert, planning consultants and developers in South Africa to gain a greater understanding of the legislative issues and extent of community benefit activities, types of models and incentives. Participants (other than the wind developers) were identified who would potentially be able to provide significant knowledge or insight into the industry based on their direct involvement or experience in the sector. The details of interviewees are outlined in the appendix. A snowballing approach to identifying participants was used. Original contacts were established via informal conversations with industry stakeholders at the African Wind Energy Association (AfriWEA) Conference in Cape Town in May 2011 and from my supervisor at the Energy Research Centre (UCT). This led to recommendations for further relevant participants to interview.

University of Cape Town

Five developers were interviewed whose identities will be kept confidential in this thesis. They will be referred to as Developer 1, Developer 2 etc. An attempt was made to speak to developers both with and without an outwardly explicit commitment to social upliftment (on their websites for example) to explore a spectrum of developers' approaches. Two of the developers interviewed were South African, two were English and one was German. One of the developer's company was developed with the mandate to establish community wind farms.

An introductory email was sent to participants introducing the research and asking if they would be willing to share their experiences and insight. Interviews were mostly conducted telephonically except for a few undertaken face-to-face. Interviews lasted between 45 minutes and an hour depending on the conversation. Initial interview topics and prompting questions were devised at the outset (based on the literature and initial conversations) to act as an opening or guide for the conversation and to make sure all relevant issues were covered. Interviews were conducted in a conversational and open-ended style allowing for unscheduled questions and previously unknown issues to emerge during the course of the conversation. This allowed issues to be explored via the direct experiences of stakeholders in the sector.

The aim of this data collection process was to engage with selected participants to explore a range of issues in greater depth and to gain insights about the industry. It is recognised that there are limitations involved with this approach. The findings may be quite specific to those developers interviewed and may not be representative of others' experiences more generally. Additionally without interviewing stakeholders from other sectors (e.g. developers of large construction projects with BBBEE requirements) it is difficult to draw sector specific statements and findings.

University of Cape Town

4. Results and Analysis: The role of legislation in stimulating community benefits from wind

4.1. Introduction

This section interrogates the first research question of this thesis, that of investigating the various legislative drivers that might incentivise developers to undertake community benefit contributions. This section presents the results from interviews and, in some sections, additional literature in order to discuss relevant issues. It starts by investigating the role of the choice of procurement programme (feed-in tariff versus a competitive bidding system) and the economic development requirements placed on developers through the BBBEE scorecard matrix. It then moves on to a discussion about CDM and the requirements this may impose on developers to satisfy sustainable development requirements. Finally it looks at the role that EIAs could play in regards to socio-economic impact assessments that projects must undertake.

4.2. The renewables procurement programme in South Africa

The policy support programme for renewables in South Africa has been evolving over a number of years and has been characterised by many delays and surprises along the way. Since its inception the procurement programme has had to satisfy multiple objectives including energy security, emissions reductions and economic development. This has lent a distinctly unique shape to the policy options devised in comparison to approaches taken in other countries. This section explores the development of the overall policy support programmes considered in South Africa from the original renewable energy feed-in tariff to the final competitive bidding system and the concomitant evolution of economic development requirements. It does so with the intention of providing insight into the first research question of this thesis, which explores the role of legislation in stimulating community benefits. The intention of this section is not to investigate in-depth the merits and efficacy of different policy support options for stimulating the whole range of economic development requirements, but to look at their impact and potential for stimulating *local community benefits in particular*.

4.2.1. The development of the renewables procurement programme

The procurement programme was being finalised during the period that this thesis was being written. This section briefly traces the development from the National Energy Regulator of South Africa's (NERSA's) Renewable Energy Feed-In Tariff (REFIT) to the adoption of the Department of Energy's (DoE) IPPPP for renewables. Policy support for renewable energy in South Africa was first officially outlined in the White Paper on Energy Policy (Department of Minerals and Energy, 1998) in its medium term policy priorities, which outlined the objective to "stimulate the development of new and renewable sources of energy (Department of Minerals and Energy, 1998: p.28). This was later expanded on in the White Paper on Renewable Energy in 2003 in which Government set a target of 10,000 GWh of renewable energy by 2013 (Department of Minerals and Energy, 2003). Despite this target however little progress was made in the

University of Cape Town

development of renewable generating capacity until the announcement of plans to investigate the potential for a REFIT in 2007.

A REFIT is an economic instrument designed to incentivise the uptake of an emergent industry such as renewable energy which is not yet economically competitive with conventional energy generation, yet is desirable to incentivise for other reasons e.g. environmental (Winkler, 2005). REFITs guarantee a fixed price paid to renewable energy generators for a specified time period. In Europe feed-in-tariffs have shown to be most effective policy option at stimulating investment and increasing capacity of renewables (Winkler, 2005; Mendonca et al, 2009).

NERSA oversaw the development of the REFIT initiative in South Africa. Broader policy support for a REFIT as a tool to support the procurement of new renewable generation was laid out in the Electricity Regulations on New Generation Capacity promulgated in August 2009 by the DoE. These regulations explicitly laid out considerations for procurement of renewable energy under a REFIT programme (Department of Energy, 2009). In March 2009 REFIT guidelines were approved and eventually in February 2010 NERSA released the much-anticipated draft document, Regulatory Rules on Selection Criteria for Renewable Energy Projects under the REFIT (National Energy Regulator South Africa, 2010).

The private sector, attracted by generous tariffs, showed support and enthusiasm for the REFIT (Waller, 2010), but progress in policy implementation was characterised by significant delays. Rumours started to emerge in early 2011 that Government might be planning on dropping the REFIT programme in favour of a competitive bidding process (Creamer, 2011a). These were fuelled when the new Electricity Regulations on New Generation Capacity, which were promulgated in May 2011, omitted all previous mention of a REFIT.

There was considerable uncertainty amongst industry stakeholders during this time period. It eventually emerged that National Treasury had challenged the legality of the REFIT programme. The issues raised by National Treasury included whether NERSA's mandate gave it the ability to run a procurement programme. A legal opinion sought by SAWEA on the matter confirmed that the "Electricity Regulation Act stipulated that NERSA only had discretionary power to decide on licence applications and not the power to make upfront tariff determinations." (Businesslive, 2011).

The REFIT was also challenged on a constitutional basis. Section 217 of the Constitution states that "When an organ of state… contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive, and cost-effective" (RSA, 1996: p.1331(26)). This is given effect in the Preferential Procurement Policy Framework Act (PPPFA No. 5 of 2000), which states that in determining its preferential procurement policy, any organ of state must base 90% of its decision on price (if the tender price is above a certain amount, and 80% if below a certain amount). The remaining 10% (or 20%) may be allocated for preference for historically disadvantaged individuals (HDIs) or implementing the goals of the Reconstruction and Development Programme (RDP). Previously the Preferential Procurement

University of Cape Town

Policy Framework Act applied only to certain organs of state, defined in the Public Finance Management Act (PFMA) of 1999 (National Treasury, 1999) and which did not include Eskom. However recently the Minister of Finance extended the application of the Act to include all organs of state (Brodsky, 2011).

There seemed to be a misalignment and misunderstanding of the roles of the various stakeholders including DoE, National Treasury and NERSA. Treasury questioned NERSA's right to run the procurement process, whilst NERSA pointed out that they had only been following the lead of the DoE (Creamer, 2011a). The confusion surrounding the choice of programme was evidenced in a report to the Parliamentary Portfolio Committee on Energy on 24 June 2011. During this meeting NERSA presented on their progress with the REFIT followed by the DoE presenting on a 'Renewable Energy Programme' which appeared to be separate from NERSA's REFIT. It emerged that the DoE had, at the end of 2010, already made the decision to commence with the development of an alternative procurement programme based on price competition (dubbed Rebid). Thus during the beginning of 2011, both the DoE and NERSA were concurrently pursuing the development of separate procurement programmes. Overall the legal opinion sought by the South African Wind Energy Association referred to above found that the REFIT would not be legally binding and could be used only as a guideline. The DoE stated they intended to follow a process of competitive bidding in order to avoid the risk of a future legal challenge (Department of Energy, 2011b).

The request for proposals (RFP) bid documentation for the new IPP Procurement Programme for Renewables was released on 3 August 2011, revealing a number of surprises in the new bid programme. Firstly there was a substantial increase in the number of MWs to be commissioned in the first phase. This was increased from 1,025 MW to 3,725 MW, with wind allocated 1,850 MW. This was purportedly to make the development of a local manufacturing industry more attractive to equipment manufacturers (Creamer, 2011b). However it was also reportedly to take advantage of wind's relatively short lead times to come on line to address the pressing energy supply constraints in the system. The RFP documentation was designed to favour the 'readiness' of projects in order to proceed first with those that could come on line soonest (Breytenbach, 2011).

The IPPPP outlined a final selection process that was based on 70% price and 30% economic development criteria (Creamer, 2011c). An exemption was obtained from the National Treasury relating to the application of the Preferential Procurement Policy Framework Act (Brodsky, 2011). This meant the programme could have discretion in allocating the weighting between price and economic development and did not have to comply with the 90/10 split specified in the Preferential Procurement Policy Framework Act. A two-stage project evaluation process was outlined that included a qualification and evaluation round. The first stage defined a set of 'threshold' requirements in respect of financial, legal, environmental consent, technical and economic development considerations. These gate-keeping criteria determine if a bid is compliant and able to proceed to the second evaluation stage. In the second stage, compliant bids are evaluated on the basis of price and economic

University of Cape Town

development criteria in a 70/30 split and comparatively ranked based on their scores (Developer 5, 2011).

4.2.2. Support for economic development in the renewables procurement programme

In a presentation on the IPPPP for Renewables by the DoE to Parliament (Department of Energy, 2011b), several key objectives were outlined including job creation, localisation of technologies, skills development, energy security and climate change mitigation. Although these multiple objectives in a renewable procurement programme is unusual in comparison with other countries, it is common in South Africa for any form of Government procurement to also include objectives relating to economic development, localisation and BBBEE (Brodsky, 2011). In both renewable procurement programmes (the REFIT and the Rebid) support for economic development had a prominent place. This section briefly describes how this objective was articulated in the two programmes.

The REFIT included a range of non-price selection criteria on which projects would be evaluated. This was fairly unusual compared with other examples internationally, which commonly operate on a first come first served basis (Winkler, 2005) and do not have to compete against each other. These ten non-price criteria in the South African REFIT related to technical and social considerations, 'state of readiness' of the project and compliance with the IRP. Two social criteria were proposed relating to local economic development and BBBEE. The first social criterion required that project selection would show "preference for a plant technology and location that contributes to local economic development" (National Energy Regulator South Africa, 2010: p.11). The other was for "compliance with [BBBEE] legislation in respect of historically disadvantaged individuals" (ibid: 11). Together these accounted for 10% and 8% respectively of the total score out of 100.

The BBBEE requirements were only in respect of ownership, black management, black female management and black skilled personnel, none of which were likely to translate into locally realised benefits. The criteria did not include any of the broad-based aspects of the scorecard and appeared to be a generally unambitious enactment of the BBBEE legislation. The jobs per MW criterion as an indicator to represent local economic development also appeared inadequate. There was no specification in the document of what constituted local and thereby where these jobs should be located. For a technology such as wind the local job creation from the operation and maintenance activities are relatively limited and the opportunities for these to be localised is very low (Developer 5, 2011). The most substantial job opportunities relate to the establishment of a manufacturing industry, which cannot be established in the short term (Hawes, 2011). Furthermore the question of whether a jobs indicator constitutes an adequate measure of development is also contentious. Equating the number of jobs with the broader concept of local economic development falls prey to a narrow paradigm of development. It pays no heed to broader conceptions such as consideration of the quality and type of jobs, reducing inequality, the wider needs of the local area and promoting sustainability of investment in an area. (Pike et al, 2007).

University of Cape Town

In the IPPPP for Renewables the prominence and scope of economic development criteria was significantly increased, with economic development now accounting for 30% of the final score on which projects would be evaluated. The criteria outlined were much more comprehensive and wide-ranging than in the original draft REFIT selection criteria. A BBBEE scorecard was used, which is much more aligned with how other Government tenders for public private partnership are laid out (Brodsky, 2011).

The renewables BBBEE matrix included the following elements: job creation, local content, ownership, management control, preferential procurement, enterprise development and socio-economic development (SED) but excluded employment equity and skills development. The rationale for this was based on the fact that compliance with these elements is already required by other legislation, namely the Employment Equity Act, 55 of 1998 and the Skills Development Act, 97 of 1998 (Brodsky, 2011). It included a specific focus within the ownership, ED and SED criteria for benefits to be realised within local communities in the vicinity of wind farms. Local communities were defined in the RFP as those living within a 50km radius of the site, or if there are none, then the nearest community (Developer 5, 2011).

Minimum thresholds were specified in the RFP for job creation, local content, local community ownership and SED that served as qualification criteria, without which bids would be deemed non-compliant. In respect of management control, preferential procurement and enterprise development bidders were able to, at their discretion, choose how much they planned to implement, if at all (Developer 5, 2011). These BBBEE requirements will be discussed in more detail in section 4.3 below.

4.2.3. The impact of different procurement programmes on community benefits

This section compares the incentives for community contributions provided by the two renewable procurement programmes that were considered in South Africa (the REFIT and the competitive bidding process). It does not seek to address the overall effectiveness of the programmes on increasing renewable energy generating capacity or other aspects, but focuses specifically on how the programme may positively or negatively affect developers' contributions to local communities.

A REFIT should be designed to offer developers a reasonable rate of return to make investing in this new market attractive. The original tariffs offered by NERSA were considered to offer a generous rate of return to wind developers (Waller, 2010). This encouraged investment in a range of sites with different wind resources. Sites with more limited wind resources only become economically viable at higher tariffs (Developer 5, 2011) and therefore by offering a generous REFIT tariff, Government communicated to developers the viability of investing in a multitude of different sites, and not necessarily only the best resourced sites. The move to a competitive bidding process based on price however means that those projects that invested in sites with relatively lower wind speeds may find it difficult to compete against better resourced sites, especially in an extremely competitive bidding environment competing for a

University of Cape Town

fixed amount of MWs (Developer 1, 2011). The first round of the procurement programme allows for 3,725 MW, however Eskom announced they had received applications for grid connections representing 27,000 MW so far (Creamer, 2011c).

There is a much stronger pressure for developers to reduce costs under a competitive bidding programme than under a REFIT with its fixed price certainty. The implications of this cost reduction pressure means that all elements of the project that do not contribute commercially to a project will be "under tremendous pressure to be removed from the balance sheet" (Developer 3, 2011). For many developers, community benefits fall into this category of items without a commercial contribution. Under the REFIT, developers could afford to spend more on community benefit aspects (which would benefit them through preferential selection in the procurement process) without impacting their rate of return. A competitive bidding process however introduces a trade-off for developers between their community benefit contributions and the competitiveness of the tariff they can offer. Furthermore in the IPPPP for Renewables, price is weighted more heavily than economic development contributions (70%/30% respectively) meaning that this trade-off is skewed in favour of price over economic development contributions. All the developers interviewed during this study expressed the sentiment that moving to a competitive bidding programme based on price would decrease the ability and incentive to make greater community contributions.

Interestingly Developer 5 (2011) noted that the level of competition may differ in different procurement rounds. The IPPPP strongly favours the 'readiness' of projects, which must have completed all the various technical and legal requirements (such as EIAs, obtaining water licenses etc). Only a few projects are likely to be ready by the first round in November 2011. Those projects that are ready, having this advantage, will have reduced competition in the first round and may therefore be able to charge a higher tariff and still remain competitive. In subsequent rounds as more and more projects become 'ready' the competition will increase (Developer 5, 2011). A potential implication of this could be that projects in a relatively less competitive first procurement round may have more leeway to spend on their economic development requirements which they may choose to do in order to score more points on these aspects.

The finalised REFIT selection criteria were never released so this research cannot make a true comparison between the final versions of the two programmes. However the formulation of the criteria in the IPPPP are much more stringent and comprehensive than those formulated in the draft REFIT. Developer 3 expressed his preference for a scorecard approach that uses a points system in terms of its potential to incentivise community benefits rather than gatekeeping or pass/fail type criteria. A points system rewards projects that do more. In the second evaluation stage of the RFP, bidders are scored on the additional contributions they make over and above the threshold targets, up to the specified targets. No points are awarded however for exceeding the stated targets (Developer 5, 2011). This system thus establishes an appropriate incentive and reward system in the selection process for developers who may

University of Cape Town

choose to have greater economic development contributions. However there remains the trade-off between these contributions and the price they can offer.

The inclusion of all elements of the scorecard in the IPP rather than just the 4 elements seen in NERSA's REFIT draft selection criteria most likely reflects the Government's updated regulations for the Preferential Procurement Policy Framework Act No 5 of 2000. One of the changes to the Act stated that public entities now have to consider all aspects of the BBBEE scorecard when tendering for goods and services, rather than being able to focus on only one or two elements, such as ownership or management (BEE News, 2011) which has led to many public entities applying only the 'narrow' aspects of the BBBEE policy.

In general REFITs offer greater certainty to a developer for planning and, without the downward pressure on price, developers can afford to spend more on other aspects of their projects, such as community contributions. Although the IPPPP makes substantial provision for community benefits, and rewards greater contributions with more points, price is still weighted more heavily than economic development criteria.

4.3. BBBEE in the renewables procurement programme

As outlined in the Preferential Procurement Policy Framework Act, a portion of a state entity's procurement decisions must take BBBEE into consideration. Therefore it is common for any public-private partnership (PPP) or tendering process put out by a Government department to specify BBBEE requirements. These are usually articulated by means of a BBBEE scorecard that outlines specified targets that have to be met over time. Failure to meet these usually results in penalties or a revocation of the license. Three of the elements of the renewables scorecard have a direct bearing on local communities (local community ownership, socio-economic development and enterprise development) and these will be discussed here.

4.3.1. Local community ownership requirements

The IPPPP's RFP bid documentation outlines a threshold of 12% ownership by black people in the wind farm's project company and a target of 30%. As discussed in the literature review this is commonly undertaken with an established black empowerment company. Additionally, however, a broad-based local community ownership element has been made an explicit requirement in the BBBEE scorecard matrix. It is a mandatory requirement to pass the first round of evaluation and become a compliant bid. The RFP specifies a minimum threshold of 2.5% for local community ownership and a target of 5%. Three of the developers interviewed expressed that they had expected a community ownership requirement, the others were surprised at its inclusion. Developers could choose to fulfil the entire ownership requirements through the community rather than through an empowerment company and two are planning to do this. Choosing to fulfil their entire ownership requirements with a broad-based community partner would not however score any additional points over another developer who chooses to engage with a large established empowerment partner.

University of Cape Town

Observers have noted that in general the BBBEE generic scorecard does not sufficiently incentivise broad-based community ownership schemes (Hawes, 2011; Developer 5, 2011; Tshikululu Social Investments, 2010). Hawes (2011) notes that in addition to a fairly minimal points incentive, the value that community groups bring to a company are usually minimal and in some circumstances can even prove to be counterproductive when the community's interests are not aligned with those of others involved in the business. The local projects that use the finance from ownership are usually charitable projects that don't add business value to a company. In comparison, linking with a big empowerment partner may provide value in the form of technical expertise or connecting to other business people. Developer 5, for example, has partnered with a BEE empowerment partner who is also providing the service of undertaking the financial modelling for the project.

However despite minimal points or other value conferred from community ownership schemes, there are significant moral and public relations (PR) benefits from such broad-based schemes and many companies engage in them because of an intention to "do the right thing" (Hawes, 2011). Such ethical considerations driving their actions were expressed by all 3 of the developers who had engaged in community ownership initiatives before the final announcement of the IPPPP requirements. These broad-based ownership initiatives in general, however, do not contribute significantly to business and scorecard value.

The BEE Codes of Good Practice (Department of Trade and Industry, 2007) require in respect of broad-based ownership schemes that at least 85% of the benefits must accrue to black people. An interesting and unusual adjunct to the local ownership requirement in the renewables RFP bid documentation is that beneficiaries do not have to be black (Hawes, 2011) but only have to fit into the definition of local communities. It is unclear how this aligns with the overall BBBEE objectives of benefiting previously disadvantaged black individuals. Hawes (2011) comments that this is likely in recognition of the rural-urban socio-economic disparities that exist regardless of race. However it is not clearly defined in the bid documentation how many beneficiaries there would have to be for it to constitute the 'community', nor whether one would have to demonstrate white beneficiaries are in some manner socio-economically disadvantaged. For example could an ownership agreement with white farm owners on whose land the wind farm is located satisfy this criterion? Hawes (2011) is of the opinion that such an arrangement would not be viewed favourably and notes that there would need to be a social element to the local ownership, demonstrating that funds from ownership would be meeting social needs in the local area.

4.3.2. Socio-economic development and enterprise development contributions

Socio-economic development is defined as activities that facilitate sustainable access to the economy for beneficiaries (Department of Trade and Industry, 2007). This definition of promoting access to the economy is applied very loosely and includes a wide range of permissible activities relating to rural development, the environment, infrastructure, enterprises, reconstruction of underdeveloped areas, development programmes for women or youth,

University of Cape Town

education, health care as well as arts and culture and sports. These contributions (which can be monetary and non-monetary) are similar in substance to CSI. The targeted beneficiaries are those who, due to circumstances such as living in rural areas, unemployment or disabilities, remain outside of the mainstream economy. The RFP bid documentation requires that developers must contribute a minimum threshold of 1% of their revenue up to a maximum target of 1.5% of revenue (Developer 5, 2011).

Enterprise development refers to contributions to black-owned businesses with the specific objective of assisting or accelerating the development, sustainability and ultimate financial and operational independence of that enterprise. There is no minimum threshold specified in the RFP so developers may choose whether or not to implement this element at all. However there is a target of 0.6% of revenue specified (Developer 5, 2011). Contributions may be monetary or non-monetary (e.g. providing time or expertise, such as training or accounting services), recoverable monetary contributions such as credit facilities, loans or equity investments or non-recoverable contributions such as grants and donations. Often companies may look to share their expertise within their own operational field by contributing to a beneficiary in the same field. It is also commonly used as an opportunity to gain access to new markets by investing in black-owned businesses in those markets (Hawes, 2011). The most sustainable approach is considered to be one of integrated enterprise development whereby a company might provide start-up capital, sharing of expertise as well as procure goods or services from the beneficiary entity and thereby helping to sustain its cash flow. There will be limited opportunities in this regard for wind developers to find or assist in the establishment of enterprises in their supply chain or field especially in the short term given the specialised nature of most of the skills requirements (Developer 5, 2011).

Developers are required to outline a strategy that identifies local needs and how these will be met with contributions. For ED, developers are required to identify the types of enterprises that will be targeted and programmes that will be implemented (Developer 5, 2011). There is no guidance however on the extent of substantiating evidence that developers must provide, how much local engagement to undertake or in what detail future programmes and projects must be outlined. This therefore leaves it up to the discretion of individual developers to decide on how to undertake and formulate their development strategies.

The SED and ED elements of the BBBEE scorecard matrix include a "recognition for localness" adjustment factor (Hawes, 2011). This means that expenditure allocated to persons or enterprises will be adjusted for localness with greater weighting placed on local communities. Hawes (2011) noted that this was an interesting feature he had not observed in other PPPs before. There are no additional points to be earned for exceeding the expenditure targets (1.5% for SED and 0.6% for ED) outlined in the RFP.

4.3.3. Reporting, monitoring and compliance

Wind farm owners are required to monitor and audit their own compliance with the economic development obligations specified by the IPPPP. They must report

University of Cape Town

on their obligations on a quarterly basis to an independent economic development monitor in the DoE (Hawes, 2011). In respect of ownership, wind farm owners need to submit information on the shareholding by local communities, expressed as a percentage of the total shareholding. In respect of ED and SED contributions developers must submit the amount spent expressed in rands. Verification will be undertaken by the economic development monitor although the frequency of this is vague (Hawes, 2011). Non-compliance will be treated with a variety of penalty measures, either financial or 'termination points' which could eventually lead to termination of the PPA. Hawes (2011) comments that the system of penalties is generally difficult to comprehend and decipher. It is questionable whether the DoE has the capacity to undertake an adequate monitoring and compliance oversight role. Furthermore the effectiveness of the voluntary nature of the reporting and monitoring system is also questionable. Voluntary self-regulating approaches in other sectors such as financial services have been criticised as being ineffective in driving compliance and performance (Moyo and Rohan, 2006).

These reporting obligations, based on expenditure only, do not require wind farm owners to report on the performance or outcomes of that expenditure, a shortcoming of the BBBEE verification process more generally. Hawes (2011) notes that a measured entity need not disclose to a BBBEE verification agency how successful a project has been. So for example a company would be able to score their points regardless of how successful the project outcomes are, although Hawes (2011) notes that if a project were to outright fail, it generally wouldn't appear on the scorecard. Hawes (2011) discusses that he considers it unlikely that a more comprehensive BBBEE verification system would be imposed on companies however. Undertaking community development initiatives is a complex process and projects frequently fail for a variety of reasons, he argues it would be very difficult to pin the non-success of a project on any one aspect attributable to the company.

4.3.4. Conclusion

Overall the IPPPP for renewables has developed a comprehensive BBBEE scorecard, which incorporates a strong focus on local communities. Local community ownership has been made an explicit requirement and spending in the ED and SED categories made locally is strongly incentivised via additional points. The programme is therefore specifically designed to promote local community benefits from wind farms. Interestingly despite the BBBEE legislation in general having a dedicated focus on black individuals, this has been lifted in the renewables matrix for the local broad-based ownership element.

ED and SED requirements are loosely specified leaving much to the discretion of individual developers. The monitoring and compliance appears generally inadequate to ensure certainty of positive developmental outcomes. Compliance is to be measured on the basis of expenditure only, giving no consideration to what that expenditure achieves in developmental terms. In many ways the renewable scorecard, reflecting a strong focus on the broad-based aspects of the scorecard, is reflective of the revisions laid out in the recent amendment of the BBBEE Act. Furthermore the weighting for BBBEE in tendering decisions has

University of Cape Town

been greatly enhanced in the renewables programme from the 10% (specified for tenders above R1 million) to 30%.

4.4. The Clean Development Mechanism

The CDM has dual objectives of reducing greenhouse gases and contributing to sustainable development. Renewable energy projects in South Africa are eligible for CDM. Therefore the CDM could theoretically serve as an incentive for developers to implement sustainable development initiatives in their projects in order to apply for CDM and earn carbon revenues. The purpose of this section is to explore whether CDM requirements could influence companies to engage in socially responsible initiatives in response to the financial incentive of earning carbon revenues. This section will therefore interrogate CDM sustainable development requirements and to what extent these requirements may incentivise developers to initiate community benefit schemes in their wind projects.

4.4.1. Sustainable development requirements of the Clean Development Mechanism

The Kyoto Protocol established by the United Nations Framework Convention on Climate Change (UNFCCC) committed industrialised (Annex I) countries to reducing their carbon emissions in the commitment period 2008 – 2012. Also established were a number of so-called flexible market mechanisms to enable Annex I countries to meet emissions reductions. These included an emissions trading system, Joint Implementation and the CDM. The CDM, established under article 12 of the Kyoto Protocol, and elaborated and defined in the Marrakesh Accords, was established with the dual objectives of achieving greenhouse gas reductions and contributing to sustainable development in developing countries. The mechanism allows Annex I countries to engage in carbon reduction projects in developing countries and then claim the certified emission reductions. Projects are approved and registered by the CDM Executive Board (EB) and a Designated National Authority (DNA) in the host country is required to give host country approval of the project.

The decisions relating to whether projects contribute to a country's sustainable development was placed under the jurisdiction of host countries rather than the CDM EB. The DNA in the host country is required to develop national criteria on which to evaluate a project's contribution to sustainable development. In South Africa the DNA sits within the DoE. The DoE refers to the National Environmental Management Act (NEMA) 108 of 1998 (Department of Environmental Affairs and Tourism, 1998) for the definition of sustainable development as the "integration of social, economic and environmental factors into planning, implementation and decision making so as to ensure that development serves present and future generations" (Department of Minerals and Energy, 2004a: pp.10-11). The DNA has a checklist approach to evaluating the sustainable development aspects of a project using a range of indicators to represent environmental, economic and social criteria. These are outlined in the South African DNA Project Approval Process (Department of Minerals and Energy, 2004b). Economic indicators include impacts of the project on foreign exchange, economic activity in the area, cost of energy and foreign direct investment. Social indicators include alignment of project with local, provincial and national developmental objectives, access to

University of Cape Town

basic services, relocation of communities and contribution to specific sectoral objectives (e.g. renewable energy targets). South Africa has not been very successful to date in establishing CDM projects, with only 20 registered projects as of May 2011 (Department of Energy, 2011a).

This research was interested to what extent these criteria could incentivise developers to establish 'additional' benefit schemes in pursuit of the sustainable development criteria that they might not have undertaken otherwise. From those interviewed the general consensus was that the DNA's specified requirements in respect of sustainable development were not onerous (Gilder, 2011) and were more of a "ticking the box exercise" (Developer 3, 2011). Developer 1 agreed that the typical benefits associated with a project, for example stimulating a local industry and creating jobs, even if these were limited as in the case of wind, would be sufficient to satisfy the requirements. The question was also put to interviewees whether a particular community benefit scheme initiated to comply with other legislation (e.g. BBBEE or IPPPP requirements) would be eligible under the CDM or whether benefits would have to be additional to what would be undertaken normally. None of the interviewees were aware of such an issue ever having been tested, but generally agreed that the mechanism was not designed to work that way and that sustainable development initiatives for the purposes of CDM need not be 'additional'.

Why would SA's DNA not impose more stringent criteria to reap more significant benefits from projects? Boyd et al (2009) note that DNAs in general are in a tenuous position in the definition and establishment of their sustainable development criteria. Global competition for attracting CDM projects means that DNAs want to make approval processes that are as attractive to investors as possible, which typically means quick and easy. This implies setting low sustainable development criteria. Sutter and Parreno (2007) refer to this as a "race to the bottom" in the sustainable development aspects of projects. Furthermore the market only recognises the greenhouse gas (GHG) reduction potential of projects and not the sustainable development benefits (Boyd et al, 2009), and so there is little incentive from the market to make stricter sustainable development criteria. CDM has been established with the dual objectives of achieving greenhouse gas reductions and contributing to sustainable development, however it appears that there may be an implicit trade-off in the achievement of these two objectives (Sutter and Parreno, 2007).

Another issue with the sustainable development requirements placed on CDM projects is how they are monitored and whether the benefits are actually realised or sustainable. The mere existence of criteria does not ensure that they are relevant or effective nor that they will be adequately fulfilled. The South African DNA does not specify any requirement for sustainable development benefits to be monitored. Olsen and Fenhann (2008) note that it is also not a requirement at the international level either that SD benefits be monitored or actually realised in the way that GHG reductions must be verified to be real and measurable.

University of Cape Town

A number of international studies undertaking assessments of CDM projects contributions to sustainable development have found the mechanism to have failed with regards to sustainable development (Boyd et al, 2009; Olsen and Fenhann, 2008; Sutter and Perrona, 2007). A point raised by the interviewees during this research and confirmed in the literature is that in most cases a developers business as usual activities are sufficient to satisfy the criteria (Boyd et al, 2009). So there need be no specific focus on other or additional benefits accruing from the projects.

There is however another more stringent standard, known as the Gold Standard, which aims at producing high quality projects with higher social and environmental standards. The Gold Standard for CDM was established in 2003 and the Gold Standard for voluntary offsets in 2006. None of the developers interviewed expressed intentions, at this stage, to pursue Gold Standard for their projects. However the indicators developed in the standard for social sustainability include: the quality of employment created (measured by skills levels, temporary vs permanent jobs, job related health and safety), contribution to local livelihoods, poverty alleviation (measured by the number of people living above the poverty line), contribution to disadvantaged sectors of society such as women or excluded social groups, access to essential services and clean energy as well the project's contribution to human capacity (measured through empowerment, education and skills, and gender equality).

4.4.2. The eligibility of wind projects for the Clean Development Mechanism

There is a great deal of uncertainty as to the future of the CDM and carbon market post-2012, as well as a recent announcement by the European Union that they will only buy carbon credits from the least-developed countries after 2012 (Gorecki and Pretorius, 17 November 2011). Aside from this high level uncertainty as to the future of the mechanism there is also much uncertainty as to how the CDM will apply to the renewables sector in South Africa specifically in the procurement programme. In theory developers have the choice to submit their bid for the procurement programme with a price inclusive or exclusive of the project earning carbon credits. However there is a significant amount of uncertainty in the South African renewables sector surrounding CDM in the renewables procurement process. This includes the difficulty of predicting uncertain future prices of carbon credits, making it problematic to include in financial models (Developer 1, 2011). Furthermore there is a lengthy approvals process to go through for CDM and developers have no guarantee at this stage that their projects will even be approved for CDM. If developers base the price they submit in their procurement bid inclusive of CERs and their project doesn't get approved in the future, this will negatively impact the rate of return on their projects. Alternatively if they don't include CERs in their bid price (and other developers do) they may not be as price competitive in the procurement process and increase the risk of not being selected (Developer 3, 2011).

At the time of undertaking this study there was a significant amount of uncertainty among all interviewees as to whether the projects would be eligible for CDM at all. With the move to a competitive bidding process, there is a risk that projects may not be able to meet the financial additionality criteria for the

University of Cape Town

UNFCCC (Gilder, 2011). Projects may be assessed for additionality (proving that the project would not have occurred in the absence of the CDM) either through a barrier test or a financial analysis. The financial additionality test requires that projects show that they would not be financially viable without the carbon revenue stream (Gilder, 2011). In a competitive bidding programme if a developer submits their bid with a proposed tariff that does not include carbon revenues, they essentially prove that their project is financially viable without this finance stream, thereby removing the justification for CDM application. However on the other hand, Developer 2 notes it may not be viable to include CDM at this stage either. It may be difficult to produce a bankable bid inclusive of CDM as many investors may not accept a project where future revenues are dependent on carbon credits. This is due to the considerable uncertainty regarding their realisation (e.g. if projects don't get accepted or predicting future prices movements of carbon credits). Therefore the process of proving a project's financial viability for the procurement process may preclude projects from demonstrating the financial additionality requirements for UNFCCC.

4.4.3. Conclusion

It appears to still be questionable at this stage as to whether local projects will be eligible at all for CDM. Secondly even if projects do apply for CDM, the sustainable development requirements are not stringent, benefits may not necessarily be anything additional to what they are already doing and without any clear enforcement or monitoring mechanisms there is no guarantee that they will be realised. Overall the potential for CDM to serve as a driver of community benefits in the South African IPPPPP for renewables appears to be minimal.

4.5. Environmental Impact Assessments and the planning process

All wind farm projects need to conduct an EIA, which must include consideration of the socio-economic impacts of the proposed project. This section explores firstly what role EIAs may play in stimulating the development of community benefit schemes and secondly the interaction between public opposition and community benefit schemes in South Africa.

4.5.1. Role of Environmental Impact Assessments in promoting community benefits

The purpose of EIAs, governed by the Environmental Impact Assessment Regulations (Department of Environmental Affairs, 2010), is to avoid, mitigate or manage any adverse impacts and optimise positive impacts caused by new developments. These regulations require that EIAs include "a description of the environment that may be affected by the activity and the manner in which the physical, biological, social, economic and cultural aspects of the environment may be affected by the proposed activity" (Department of Environmental Affairs, 2010: p.31(2(d))). Issues must be assessed for the significance of their impact as well as mitigation measures to address the issues.

A socio-economic assessment as part of an EIA typically includes consideration of impacts arising during construction and operation such as job creation, impact on tourism, impacts from increased expenditure in the local area, impacts on land owners, visual impacts on landscape, disturbance impacts during construction activities, impact of construction workers on family and social

University of Cape Town

structures. Assessments also include recommendations for mitigation and enhancement measures such as procuring labour locally. Twelve EIAs were reviewed in this thesis, and most concurred that the local economic development opportunities (for local workforce and businesses) associated with the wind farm they were assessing were limited.

This research was interested in whether EIA practitioners may, as part of their recommendations to enhance otherwise limited local economic development impacts, include specifications relating to the establishment of any community benefit schemes. Interviews with two EIA consultants however revealed conflicting responses. One said that they would and often do, whilst the other said that they would not typically recommend schemes over and above what a developer may be doing anyway in respect of other legislative requirements (e.g. for BBBEE). In a review of EIAs undertaken during this research it appears that where community benefit schemes such as a community trust are recommended, these generally appear to be reporting on what the developer is doing anyway, rather than recommending additional benefit schemes. A typical recommendation might be: "[The Developer] should continue, as is their stated intention, to explore ways to enhance local community benefits with a focus on broad-based BEE through mechanisms such as community shareholding schemes and trusts" (ERM, 2011: pp.14-5).

The EIAs reviewed also treated community benefit schemes differently, whilst some included this as an impact to be assessed for significance, most tended to refer to them only in their recommendations section. In the UK planning system community benefit schemes that are additional to the fabric of the project (e.g. payments to a community fund) may not constitute a material factor in planning approval decisions. This means they should not be specified as an impact which must be assessed for significance. In South Africa this appears to be more of a grey area and such schemes are treated in a conflicting manner. Whilst one EIA consultant interviewed said that generally community projects would inform their planning decision, guidance for economists in EIAs in Van Zyl et al (2005) states that the inclusion of such schemes in considering whether a development should be approved is not considered best practise. This guidance is interpreted in an EIA for a wind farm undertaken by Council for Scientific Research (CSIR) as requiring that consideration of such impacts should be included but not given high levels of prominence in decision-making (CSIR, 2011). The reason for this is noted as: "it would be highly counter-productive if a situation was to emerge where applicants and their partners are able to use trusts and other profit-sharing or social responsibility measures to essentially over-ride other potentially more important concerns" (CSIR, 2011: pp.11-40).

It seems unlikely that EIAs may play a significant role in driving additional community benefit schemes. EIA practitioners do not appear to make recommendations over and above what developers are doing anyway, nor does best practise promote that these schemes play a big role in decision-making, thereby eliminating any indirect incentive for developers to create such schemes to improve their EIA approval prospects.

University of Cape Town

4.5.2. Public opposition as a driver

In the UK one of the principal drivers for wind farm developers to include community benefits is to assuage public opposition by including communities in the process and outcomes of these projects. This improves local acceptance of schemes and reduces the risk of appeals, thereby ensuring a quicker and smoother process to get planning permission for their developments. This section briefly explores whether there is potential within the context of South Africa for similar indirect drivers to emerge for developers.

Whilst not all developers interviewed for this research had encountered public opposition or NIMBY sentiments in their own projects, they had all observed or heard accounts of other projects in South Africa experiencing such issues. Many commented that the degree of the opposition was often directly related to the scale of the wind farm and the number of proposals in the area. In areas that are fairly crowded with proposals, such as the west coast of the Western Cape, communities had raised quite a lot of resistance (Developer 3, 2011). Developer 2 has a fairly large project in the Eastern Cape in a highly visible area frequented by tourists and has experienced substantial and vehement opposition. Developer 5 on the other hand, whose project is in the same municipality, but is smaller and less visible except to neighbouring farms, has had a relatively smooth public consultation process and reported that he didn't get any attendees at all at his second round of public meetings required as part of the EIA.

The EIA process requires that consultation is undertaken with interested and affected parties and comments raised must be responded to in the EIA. Communities in South Africa are diverse entities (consisting of different classes and races) with diverging interests and there is a discrepancy between the communities who object and the targeted beneficiary communities for benefit schemes. Those who object to wind farms, mostly on the basis of their visual intrusion, tend to be wealthier middle and upper landowners in the area. In contrast impoverished black and coloured communities (the targeted beneficiaries of developer contributions) typically are unlikely to raise objections (Developer 3, 2011). Often they may be unaware of developments or unable to attend public meetings which incur time and transport costs.

It would be politically unsavoury to direct spending towards wealthier communities who are the principal objectors to mitigate their opposition. Whether community contributions to poor communities would assuage rich homeowners concerns about their landscape views seems unlikely. Developer 5 considers that investing time and money in building up a dialogue with affected objecting communities would be a far more effective way to smooth the process. Developer 2 concurred that he felt community benefits were unlikely to add value in terms of the public opposition and the planning process. In fact in Developer 2's experience community benefits had had the opposite effect on his planning application. A local homeowners association, vehemently opposing his application, accused him of establishing a community trust as a tactic to buy local political support for his project, thereby trying to discredit the initiative. The public opposition and public appeals process therefore appears to have limited potential to be a driver for local benefit schemes for impoverished communities in South Africa.

University of Cape Town

4.6. Conclusion

This analysis section has explored a diverse range of potential legislative drivers that pertain to the wind sector in South Africa and that could potentially play a role in incentivising community benefit schemes. This has included consideration of the IPPPP for renewables, BBBEE, CDM and EIAs. It would appear that in the context of local wind sector in South Africa, the procurement process and its BBBEE requirements are the over-riding drivers for developers to engage in community benefit schemes. The competitive bidding programme, with its emphasis on price, in general reduces the incentive for developers to spend more on community benefit projects than a REFIT might. However there is a comprehensive BBBEE scorecard for the renewable procurement programme that includes a strong focus on local communities through mandatory requirements in respect of broad-based ownership and local SED and ED expenditure.

It is considered that CDM has a negligible role to play in incentivising community benefit schemes. The CDM sustainable development criteria are fairly unambitious and easy to comply with, serving as a 'tick-the-box' exercise. This is typical of many other developing host countries which are trying to attract CDM projects, and thereby trying to simplify the process for CDM developers. Additionally the carbon market recognises only the value of GHG reduction and not the sustainable development aspects of a project and there is therefore little market-based incentive placed on a developer to undertake ambitious sustainable development initiatives.

EIA regulations in South Africa, too, appear to have little role to play in incentivising local community benefit schemes. All projects are required to undertake a socio-economic impact assessment, which may include recommendations for mitigation or enhancement measures. However most EIAs only recommend measures that developers are undertaking anyway and furthermore best practise denotes that such schemes should not influence planning decisions in a major way.

University of Cape Town

5. Results and analysis: Developers' proposed community benefit schemes

5.1. Introduction

This section intends to explore the community benefit schemes being undertaken by wind developers in South Africa and the potential of such schemes to contribute to meaningful development and empowerment outcomes. It focuses on developers' activities relating to community ownership, SED and ED as defined in the BBBEE scorecard in the RFP documents. Instead it aims to present a more detailed insight from interviews with several wind developers with the intention of drawing out particular issues and highlighting what the potential could be for communities to benefit and be empowered. Understanding the potential of such development initiatives is extremely relevant in understanding the efficacy of a policy tool such as BBBEE in eradicating poverty and inequality.

This chapter starts by looking at developers' approaches and perceptions of their community benefit obligations and how they are incorporating them into their business strategies. It then investigates how they are planning to fulfil their scorecard obligations and key issues they have faced. Finally it explores how developers are engaging with communities in the preparation of their benefit schemes.

5.2. The motivations for community benefits among wind developers in South Africa

5.2.1. Developers perceptions and approaches to community benefits

As outlined in the previous chapter, developers have specific requirements in terms of the procurement process to deliver benefits at a local level for the communities in which their wind farms are located. On the whole the developers interviewed did not find the community development requirements to be off-putting or a disincentive for the South African renewables sector. Developer 1 noted that the BBBEE requirements are just considered part of the overall scope of operating costs for developing a wind farm and "as long as developers can make their required rate of return, they're happy to contribute" (Developer 1, 2011). Amongst the developers interviewed there had been expectations that community benefits would play an important part in the project selection process even before the final RFP documents were released. All had been planning their projects on the basis that some form of local benefits would be a requirement. They acknowledged the necessity of the BBBEE policy in South Africa (in general) and the private sector's role in contributing to social transformation. None considered BBBEE (in general) to discourage investment in South Africa. Developer 3 was of the opinion that the private sector recognises that having social returns is just part of the normal business-operating environment in South Africa these days.

University of Cape Town

All the developers interviewed agreed that the typical local economic developments in terms of jobs and income for a local area are limited. For a couple, this fact raised issues of equity and fairness in the distribution of project outcomes and they felt it important that local communities should also benefit. Whilst legislation definitely defines the bigger picture of drivers for community contributions, the ways in which developers have chosen to comply and the extent of their effort suggest that there are additional factors that motivate some of their actions. From the interview discussions it was evident that some developers had put a lot more time and expense into the preparation of their community projects. For example some had already undertaken extensive community consultation, or had commenced community ownership agreements before knowing that this was in fact a mandatory requirement in the final RFP.

For three of the developers interviewed moral drivers linked to principles of equity and redressing the wrongs of the past came into their social investment decisions. For Developer 3 for example, whose company is linked to Oxfam, community benefits are aligned with the strategic nature of their organisation. Their focus is on "contributing to people's livelihoods and making social change" (Developer 3, 2011). However Developers 2 and 4, both with more traditional profit driven businesses, indicated that social considerations were also important and aligned with their core business philosophy. Developer 4 referred to a personal desire to "do business differently" but noted the challenges of bringing these sentiments into the business world. Both of these developers referred to a stakeholder approach of doing business, stating that it was important that the community in which they were located should also benefit from their operations.

The extent to which their community contributions do prove to be beneficial to developers in the procurement process is contingent on many factors. Firstly the costs and time associated with engaging with communities must be considered in terms of whether it might impact on the competitiveness of the tariff a developer can offer. Secondly whether fulfilling all their scorecard ownership requirements with a community partner only (as opposed to community and an empowerment company) offers a strategic advantage in the procurement process is also contentious. Developer 3 was firmly of the opinion that having only a community partner demonstrates a strong commitment to community benefits that will offer them an advantage in the selection process. Developer 2 on the other hand was concerned that not having an influential empowerment partner could in fact be a disadvantage.

The presence of Developer 3, whose business was established specifically to establish community wind farms, is an interesting feature to emerge in the market in South Africa[5] and could suggest significant potential for this market segment to address social needs as well. Apart from this developer, the extent to which the other developers interviewed would engage in community benefit schemes without incentives like additional points is difficult to gauge. Developers 1 and 5 appeared to be adopting a compliance approach, deciding on

[5] There is also another developer in the South African market, not interviewed here, who has established a company with a specific focus on community renewable energy.

University of Cape Town

their contributions and benefit schemes based on maximising their scorecard whilst keeping their tariff cost-competitive. Developers 2 and 4 on the other hand, spoke of the alignment with their business philosophies and had invested substantial time and effort to date. Their actions, although driven by legislative requirements, nonetheless appear indicative of a proactive effort to unlock win-win solutions where business can be undertaken, acceptable rates of return can be achieved and meaningful social benefits can be realised. However whether they would go to the same extent in the absence of the incentives of earning additional points in the procurement process is debatable, and probably unlikely.

5.2.2. The value of community benefits to a developer's business

Fulfilling the IPPPP requirements are effectively the social investment decisions that a developer must undertake. There is an enduring focus in the CSR literature on establishing a business case for engaging in CSR initiatives. Developer 3 is trying to formulate a business model establishing just that. As mentioned above the strategic objective of their business is to create community benefits from wind. Their business model is premised on the belief that the involvement of communities in a project offers a tangible financial benefit to the commercial value of their project. This commercial contribution is not however retained by the project company but, in line with their social objectives, is then transferred to the community in the form of ownership equity[6].

This developer believes that community involvement brings benefits to his project in several ways that are mostly non-monetary in nature. These are then quantified to estimate the financial value to the wind project of community involvement. This increased value, Developer 3 argues, would more than compensate for the increased costs of establishing community projects. Developer 3 cited several ways in which communities bring value to a project. These include having a smoother and less time-consuming development process. He argues that local community benefits enhances community and political buy-in which reduces the chance of appeals and other delays that could be encountered during the development phase. The developing phase is a highly risky and costly undertaking and the quicker that a developer can bring a project to financial close the more cost-effective it is (Developer 3, 2011). Developer 3 also cited the favourable public relations (PR) benefits for a business of community development initiatives. There have been several news articles on community wind farms in South Africa, bringing beneficial exposure to these developers[7]. He also argues that community involvement can make projects eligible for CDM Gold Standard, with has more stringent sustainable development criteria and which are theoretically worth more in the market and could bring greater revenue to a project.

As well as the added value for a project, Developer 3 notes that communities make significant non-monetary contributions during the engagement process in setting up an ownership agreement, which do not normally get recognised in

[6] More on the transferral of equity will be discussed in section 5.3.1

[7] For example *Wind-energy developer teams up with E Cape traditional leaders*, Engineering News, 26 April 2010 and Poor to benefit from wind farm, www.fin24.com, 1 December 2009;

University of Cape Town

standard business models. These include, for example, regular attendance by community members at meetings. Without this cooperation and regular involvement from community members, establishing a community trust would be much more difficult and time consuming. Developer 3 therefore acknowledges and monetises these time contributions from community members. In recognition of the fact that the added value to the project wouldn't have been recognised without the community these monetised contributions are then transferred to the community as equity in the project. Conceptually Developer 3 prefers to view it as the recognition of a community's non-monetary contributions rather than a philanthropic gift.

Choosing a method to actually estimate any of these elements, for example the cost savings from an avoided appeals process or the PR value to a company, is complex and contestable. Developer 3 notes that the method could be debated in a number of ways and is essentially moot. In their own words, the value a business places on these elements essentially "comes down to what the project can afford" (Developer 3, 2011). For a company such as Developer 3's, whose strategic aim is to uplift communities, this rationale may be sufficient, however whether such a business model would convince other developers is less certain.

The other developers interviewed, when asked about the value of community contributions to their projects, did not corroborate these assertions of increased commercial value. None could cite any examples of how these schemes could bring value to their project or their company other than through preferential selection in the procurement process. They also felt that the role that community benefit schemes could bring in ensuring a quicker and smoother overall development process (e.g. planning approval) as suggested by Developer 3 was extremely limited. When asked about how other developers might accept such a model, Developer 3 was optimistic, but acknowledged that there would obviously be a spectrum of developers, and not all would be interested. He noted that a project's shareholders would also influence the acceptability of this business model and that it would be difficult if there were pressure from shareholders to keep costs minimised in the short term (as costs of community projects would increase costs). He asserted however that he firmly believed that a business model inclusive of community benefits would improve the financial performance of a project in the long term from speedier processes, PR benefits etc. The market is however in its infancy and it will be interesting to see how Developer 3's business model develops and responds to challenges of profitability in the longer term.

5.3. Fulfilment of the BBBEE scorecard criteria in the IPPPP

5.3.1. Establishing and financing community ownership structures

The most common legal structure utilised in community ownership models, and the one being used by the developers interviewed for this study, is a community trust. A trust is a legal entity (regulated by the Trust Property Control Act 57 of 1988) whereby a board of trustees administers funds or property on behalf of beneficiaries to achieve a stated objective. Trusts are governed by a founding document, known as the trust deed that establishes the purpose of the trust, how funds are to be used and operating procedures. Beneficiaries can be explicitly

University of Cape Town

named or the trust can be established for the benefit of a class of persons or the achievement of an objective (RSA, 1988). A trust could therefore be established for the purposes of benefitting historically disadvantaged persons living within a defined geographical area with representatives of the community established as local trustees.

Developer 2 is establishing a community trust for unnamed beneficiaries, but which are defined as previously disadvantaged persons living in the defined community. He plans to establish the trust as an independent legal entity with its own management structure, however he said that his company would retain some measure of responsibility for financial oversight of the trust activities. The trust deed specifies that there must be a minimum of 5 trustees, of which 3 have to be community representatives, one from Developer 2's company and one from the Development Finance Institute (DFI) providing the loan.

The key issue in developing community ownership models in South Africa (compared with developed countries such as the UK) is the issue of financing. In South Africa the communities in question are impoverished and unable to, of their own accord, raise capital (via own savings or loans) to participate in equity ventures. This issue of enabling those without capital to participate in business ownership is not a new one in South Africa and has been brought to the fore because of Governments BBBEE policy, which actively promotes broad-based community ownership deals. Various development finance institutions (DFIs), such as the Development Bank South Africa (DBSA) and Industrial Development Corporation (IDC), offer equity-financing products specifically to facilitate BEE transactions.

Both Developers 2 and 3 had approached the IDC for financing of their community ownership trusts. The IDC is a government owned organisation that provides funding for entrepreneurs and projects contributing to industrialisation and job creation. It offers a wide range of financial products, which includes financing of BEE transactions. DFIs typically offer equity financing in the form of loans to communities in broad-based ownership deals that can be repaid out of the dividends earned from the equity shareholding. The DFI would then get a preference shareholding (although they do not get voting rights) meaning they are guaranteed priority in the payout of dividends. However a "trickle dividend" is typically allowed to flow to the trust. This means that a percentage of the overall dividend (e.g. 10%) will go to the trust whilst the remaining 90% will go to the DFI as repayment. There are problems however in sustaining these equity financed broad-based trusts during the period of repayment. With only little money coming in, it is challenging to sustain organisations, retain staff and manage community expectations and cooperation (Tshikululu Social Investments, 2010).

Developer 3 has developed a slightly different and innovative approach to assisting communities in obtaining their equity. As discussed above they have developed a business model whereby they recognise and quantify in monetary terms the value they see community involvement bringing to a project. This initial equity that communities have can then be used as security for a loan to get additional equity. This makes it easier for communities to borrow and repay

University of Cape Town

loans (Developer 3, 2011). Hawes (2011) comments that gifting equity in broad-based ownership schemes is not uncommon, although he notes that the incidence of such deals has definitely decreased since the recessionary period.

In a few of Developer 3's community ownership projects the community own the land on which the wind farm is to be located. In theory this land could serve as an asset that they could use as leverage to purchase equity, however he noted that land ownership was not a material factor in pursuing a community ownership model. From his experience their company has found it rare for a piece of land that is community owned to also meet all the technical requirements for a wind farm. These are manifold and include for example sufficient wind resource, proximity to a grid connection and no environmental constraints on the site. Furthermore even if a community does own land that is developable, the value of that land is usually miniscule in relation to the value of the shareholding that the community would be trying to raise. In South Africa there are also many complications surrounding land tenure and securing access to land that further complicate sites that are community owned (Developer 3, 2011).

There are some risks associated with equity financing. These structured deals assume a growth in the company share price so that dividends produce sufficient cash flow to repay the debt. However share prices can devalue in response to broader macro-economic issues, as happened in the mining sector when share prices drastically devalued in the 2008/09 recession leaving many BEE deals at risk (Levenberg, 2009). If shares devalue and a trust defaults on its repayments, the security (shares) would revert to the financier (DFI) and the trust could lose its shareholding (Hawes, 2011). The stability of the assets and company a trust is investing into therefore becomes important. The wind developers interviewed here assert that large infrastructural energy generating projects are considered fairly stable and that once a project is operational, risks become fairly low.

5.3.2. The developmental benefits of community ownership

Before the final RFP documents were released and the mandatory requirement for community ownership revealed, only two of the developers (Developers 2 and 3) interviewed were pursuing community ownership models. A third (Developer 4) had engaged in negotiations with a community but had abandoned the partnership initiative after the difficulties encountered. Developers 2 and 3 were choosing to fulfil their entire ownership requirements through local community participation, although Developer 2 noted that he might still decide to bring in an empowerment partner after all, in addition to their community partner.

The two developers who originally and voluntarily chose to engage in local community ownership models equated it with showing a greater commitment to delivering real empowerment to local communities. Both these developers felt that ownership offered an array of benefits to the community beyond that of a revenue share agreement (e.g. contributing to a community fund). Developer 3 stated that ownership starts to build a sense of personal empowerment as a citizen with economic assets involved in the mainstream economy. It exposes people to, and increases their awareness of, concepts such as investing and

University of Cape Town

earning returns and how broader macroeconomic issues can affect their investments. As an equity holder, communities have an asset that they can use in various ways, for example to borrow against to develop an agricultural enterprise. Communities can, however, only borrow against that equity once it has been fully paid off. Ownership can therefore offer communities a platform from which to further grow their economic potential in other ways, and just as importantly, psychologically affords them the personal power to develop their own ambitions.

Developer 3 also believes their ownership models that transfer equity on the basis of the value that beneficiaries bring goes a significant way to altering the relationship between beneficiaries and the benefits they are receiving. Instead of being passive recipients of aid-like charitable donations, individuals and communities can become aware that their involvement has value and importance to the project. The interactions can build interpersonal skills and enhance self-confidence thereby building social capital. Social capital can be described as "a broad term encompassing the norms and networks facilitating collective action for mutual benefit (Woolcock, 1998 in Bebbington, 1999). It can also be understood as the value from "interpersonal interactions and organisation" (Chee Tahir and Darton, 2010).

Developer 4 however believes that there are too many risks for the community involved with ownership schemes and argues that ownership is best pursued through an established empowerment company instead. He argues that communities are vulnerable to the risks associated with engaging in ownership agreements and are unable to absorb shocks such as economic downturns or periods of uncertainty to the same degree that a large empowerment company might. Market fluctuations could, for example, devalue shares, or loans taken out to finance ownership agreements be recalled during recessionary times. Communities may battle to handle the economic uncertainty and risks involved. In his opinion an established empowerment company is much better placed to absorb and handle this risk and he considered it unfair to place that on vulnerable communities. Developer 4 therefore argued that lower risk options for community benefits (e.g. a community fund) were more appropriate.

University of Cape Town

5.3.3. Socio-economic development and enterprise development contributions

The BBBEE scorecard requirements in the RFP specify that developers contribute a minimum of 1% and up to 1.5% of revenue to socio-economic development and up to 0.6% of revenue to enterprise development. Hawes (2011) considers that, in general, SED and ED are easy scorecard wins for companies; their loose definition means that companies have large discretion over how they spend the money. The RFP does not outline any specifications for developers as to how to fulfil their SED and ED requirements nor how they should demonstrate their intentions for the purposes of the procurement process (Developer 5, 2011). In respect of SED, the RFP states only that developers develop a strategy in which they identify community needs and how these will be addressed using the contributions. For ED it requires developers to identify the types of enterprises that will be targeted and suitable programmes.

In order to fulfil their SED and ED contributions developers need to establish and outline a long-term process approach for development interventions rather than a project-based approach. A key part of planning the development programme is to establish an appropriate governance structure to administer the wind farm contributions over the life of the project. The operation of the development programme includes managing such processes as community and stakeholder liaison, identifying and planning projects with beneficiary input, tendering and appointing service providers, project management and coordination, financial oversight as well as monitoring and evaluation. The choice of governance structure is dependent on the approach that wind farm owners wish to follow in implementing their development interventions. Husted (2003) defines a company's options in respect of their CSR programme as to "contribute, collaborate or internalise". In South Africa, wind developers may choose to donate to a local charity or NGO or to outsource it to an organisation that specialises in managing BEE funds and implementing projects on behalf of companies, allowing the company to earn points on their scorecard. Alternatively a company may choose to manage the implementation of the development programme themselves or in partnership with NGOs or development agencies. Or they could choose to establish a community-governed structure such as a community trust to administer the wind farm contributions on behalf of the community. The degree of involvement that a wind farm company may have will differ depending on their preferences and the degree of control they wish to retain over how funds are spent (Hawes, 2011).

All the developers interviewed appeared to be internalising or adopting some sort of hybrid partnership approach to their SED and ED contributions. Retaining some measure of direct involvement may be to demonstrate greater credibility of their development interventions for the procurement process, and not to just be seen to be outsourcing this aspect. Developers 1 and 5 specified that the most preferable option in their opinion would have been to partner with, a local organisation or BEE consultancy that had experience in the local area. However both had found there were none in the specific communities they were focussing on. In response both were choosing to manage it themselves and contracting with delivery agents to implement projects. Developer 1 was planning on establishing a section 21 company to administer the funds; and Developer 5 would be retaining the management of the community benefit schemes in the wind farm company itself. Neither of these developers mentioned the inclusion of community representatives in their governance structure. Developers 2, 3 and 4 were all planning on establishing community trusts to administer their SED and ED contributions. This is discussed further in the next section.

At this still relatively early stage of the wind farms' development, there was limited information that developers were able, or willing, to elicit during the interviews on their actual benefit schemes or how their contributions might respond to developmental needs in the local communities. This may have been to protect what they considered sensitive information that they did not want to share, or it may reveal that developers themselves, whose area of expertise is not social development, had not considered the development aspects of their contributions. A couple of the developers made generic references to health and education projects. They referred to the fact that they were busy in the processes

University of Cape Town

of undertaking local needs assessments of communities and two of the developers revealed that they were enlisting the services of development specialists to assist them in their development strategy formulation.

5.4. Community engagement and participation

Community engagement has a fundamental role to play in building social capital and engendering real empowerment. The process of managing and maintaining working relationships can however be challenging and fraught with difficulties. This section explores the experiences and challenges developers have encountered to date in their community engagement during the procurement process. It also explores the benefits and difficulties associated in establishing community governance structures such as community trusts.

5.4.1. Engagement during the procurement process

Developers are required for the procurement selection process to develop a strategy for how they will contribute to local communities with their ED and SED contributions. Although no explicit requirement is laid out in the RFP (nor BBBEE legislation) relating to community engagement, it is likely that it is a precondition for demonstrating legitimacy and understanding of the local area for the procurement process (Hawes, 2011). Bidders need to demonstrate in their applications that they are sufficiently familiar with the local area and its needs in order to outline a development strategy in a credible manner.

However developers face particular challenges in engaging with communities this early during the development stage of their projects, which is still characterised by significant uncertainty. Developer 1 discussed the delicacy of their interactions with the community and the challenges associated with working with the community before a power purchase agreement with the DoE is secured. At this stage there is no certainty which round a project may be successful in nor even if it will be selected at all. To start discussing benefits and monetary flows may introduce difficulties in managing expectations and hence future working relationships (Developer 1, 2011). As research into the success of BBBEE trusts in South Africa notes "beneficiaries will always expect results long before the income generating asset can produce them" (Tshikululu Social Investments, 2010: p.43).

It is clear that the timing and nature of how the development programme is introduced to the community needs to be carefully considered. Engaging in projects whereby money or other benefits are to be transferred to communities can increase the potential for contention and conflict. The requirements for the procurement process of engaging this early increase the challenge of engaging in a sensitive manner. Interacting prematurely and in an unstructured manner can raise unreasonable expectations and damage future working relationships. Long-term relationships need to be developed and preserved over time. Inadequate communication frequently jeopardises working relationships as well as effective governance and implementation of projects (Tshikululu Social Investments, 2009).

Perhaps in recognition of this, not all developers had necessarily engaged with the community directly at this stage, rather they had consulted with other key

University of Cape Town

stakeholders (e.g. the local municipality or business sector). There might have been limited consultation with individuals who were part of the community or had knowledge of it in order to gain information. But are those developers who are developing their strategies without full consultation risking the efficacy and success of the community benefit projects they implement? Developers will be committed to implementing this strategy for the life of their wind farm. Getting local input from beneficiaries themselves into the strategy formulation is essential to ensure that projects and programmes are appropriately targeted, address priority needs and have local buy-in. Following a top-down, outsider led approach which fails to adequately account for local dynamics can lead to ill-suited interventions which can ultimately fail (Tritter, 2006; Tshikululu Social Investments, 2009).

Developer 3 however had already launched into full-scale community engagement and consultation, with many meetings already held with the community to introduce the project, discuss the process, set up trust structures etc. He felt that expectations were a normal part of any new venture, "if there weren't positive expectations of outcomes people wouldn't get involved" (Developer 3, 2011). He felt that expectations would just be managed over time through ongoing communication with the community, stating that they try to make it as clear as possible upfront that there are risks and uncertainties involved. He gave an example of one potential site on which they had erected measuring masts but had ultimately found there was insufficient wind resource to make the site viable. They had taken particular care to communicate to the community from the outset that they were testing the potential of the site only and that the reasons for the project not going ahead were a lack of wind resource.

The success of engagement is also dependent on the context of the community, their attitudes and expectations and overall level of preparedness to engage in collaboration (Bowen et al, 2010). There might be high levels of distrust among the community, based on previous negative experiences with development initiatives, as Developer 1 experienced. Developer 1 announced they had decided against setting up a community trust structure after encountering significant negative perception of trusts from the community. To build the trust of the community and demonstrate to them their commitment to the development process, this developer commented that they may consider establishing a "demonstration project" once their PPA has been secured.

5.4.2. Community governance structures

Development that is outsider led and consists of one-way information flows can offer socio-economic benefits (although there are risks of mis-targeted interventions) but keeps beneficiaries in a passive role in their own development process. It misses the chance to use the process of engagement itself as a transformative and empowering mechanism. Involving the community in decision-making can build social cohesion and expose individuals to new concepts and ideas. It can develop the agency of people to be key players in their own process of problem identification and solution finding.

University of Cape Town

Bowen et al (2010) refer to a 'continuum of community engagement' "from one-way information sharing, through two-way dialogue and collaboration, to community leadership" (Bowen et al, 2010: p.303). The authors define the different types of engagement as transactional, transitional and transformational. Transactional may be in the form of donations and investment in the community. It consists of a one-way transfer of information from the company about development initiatives, where the company retains overall control of the engagement process. Transitional is characterised by "two-way communication, consultation and collaboration" (ibid: p.306). In comparison transformational engagement is characterised by joint management of projects and community leadership in decision-making. Control over the engagement process is shared. Transformation is only feasible when interacting with a few partners as in the case of a community trust.

As indicated above, 3 of the developers were choosing to establish community trust structures that include community representatives on the board of trustees that decides on how wind farm contributions will be spent. In theory this type of engagement has the potential to be transformational. This structure allows for a credible interaction with the community and establishes a platform for gaining vital local knowledge and input to the development process. It also empowers communities to be involved in the decision making process. However the actual process of engagement and selection of trustees who are legitimate community representatives can be difficult. Two of the developers intended to select community trustees themselves, with Developer 2 intending on choosing representatives from health, education and business organisations in the area. Ideally a selection process should take place in a transparent and consultative manner, such that communities have a say in their chosen representatives. If such trustees are not necessarily themselves previously disempowered individuals from the community, the potential for transformational community engagement outcomes is also negated. There is also a danger that trustees may not be truly representative of the community or may be promoting their own interests or a particular groups interest over another. (Tshikululu Social Investments, 2010). Inappropriate or ineffective trustees threaten the very governance and success of the trust.

Developer 2 had already experienced the intrusion of local politics in his community interactions. He had had to manage different interest groups trying to promote their own interests or gain some measure of control over how trust moneys would be spent. He felt however that the risk of funds being diverted for illegitimate purposes could be sufficiently protected against through the structuring of the trust deed, which outlines exactly how the money can be spent. He felt that a trust structure, with its board of trustees and trust deed, made it more difficult for money to get diverted or manipulated for specific needs. However a recent evaluation of BEE trusts in South Africa found they are often fraught with issues and seems to question whether they should even be regarded as a successful mode of delivery (Tshikululu Social Investments, 2010). Some of the key risks that the document highlights include ensuring legitimate representation of communities and the interference of local politics or personal interests coming into the board of trustees' decision-making space.

University of Cape Town

Developer 4 had abandoned his first attempt at a community ownership initiative after the difficulties they encountered. They are now "very conscious of avoiding local political issues". They would choose credible trustees very carefully and then employ a local agency to deliver the benefits. They also had difficulties with lack of skills and capacity as well as raising finance for the ownership initiative. In their instance the community who owns land had defaulted on a loan they had previously taken out for an agriculture project and now were unable to raise further finance. Developer 4 referred to having to deal with unrealistic expectations and an attitude of entitlement from the community "expecting shares for free".

5.5. Conclusion

This chapter has explored the approaches taken by developers in planning for the implementation of their community benefit schemes with regards to broad-based ownership, SED and ED contributions. The underlying motivations behind developers approaches vary ranging from purely compliance to moral drivers to it being the core focus of their operations. However across the board it appears that the requirements of the procurement programme is the predominant factor shaping their community activities. All had been operating with the expectation that community benefits would form a key part of the final procurement programme. Regardless of their company's approach to social responsibility all agreed that BBBEE had an important role in South Africa and did not regard it as a disincentive to do business here.

An interesting emergence in the market is that of Developer 3, whose company has been established to develop community wind farms. He has adopted an innovative business model aimed at integrating social and financial considerations by recognises the value that community projects bring to this wind farm project. There seemed to be little take-up of his core underlying assumptions among the other developers however, who at this stage recognised little value that community projects could have for them. The procurement programme has made community ownership schemes a mandatory requirement. Most developers felt that there are significant developmental benefits from such schemes and that they have a stronger potential to build personal empowerment. An approach like Developer 3's can also build on empowering people by altering the donor/beneficiary relationship. His approach recognises that both parties have value to contribute to the partnership. Ownership schemes also give people access to a productive asset in the economy.

In general the procurement programme gives little guidance to developers on how they should fulfill the community aspects of the scorecard. It does not, for example, specify that developers report on community engagement undertaken, an essential component of development interventions. As such it leaves much to the discretion of developers, however whose main area of expertise lies in business and not in social development. The procurement process has also introduced challenges for developers in engaging with communities for the purposes of developing their strategies whilst at the same time having to avoid unreasonably raising expectations of communities, which can damage future relationships.

University of Cape Town

6. Discussing the potential for community benefit schemes and sustainable development outcomes

This section will discuss the implications of some of the findings presented in chapters 4 and 5 from the interviews with a view to answering the central questions of the potential for community benefit schemes and sustainable development outcomes. It explores more specifically some of the issues around the effectiveness of the legislation and the potential for replicability from the South African example to elsewhere. It also explores how the approaches of different developers to their social requirements, and how these may affect the choice of scheme and their outcomes. Lastly it identifies recommendations and suggestions for further research in this area.

6.1. Comparability and replicability of the South African example

Three key legislative drivers, BBBEE in the IPPPP, CDM and EIAs, were assessed with regards to their potential to influence developers to engage in socially responsible activities and in particular to incentivise benefits for the local communities in which wind farms are located. The research found that the predominant drivers for community benefit schemes is inextricably bound up with the BBBEE requirements laid out in the DoE's IPPPP renewables programme. The inclusion of economic development objectives in the renewables procurement programme in South Africa, although unusual by international standards, is a typical example of the integration of such considerations into all policy domains in South Africa. The inclusion of a BBBEE scorecard is standard procedure in Government tenders and contracts, as enforced by the Preferential Procurement Policy Framework Act. However whilst usually only a few elements of the scorecard get considered, as was seen in NERSA's draft REFIT, the DoE's renewables tendering process includes consideration of the whole scorecard. This means that the renewables scorecard has a much stronger focus on the broad-based elements of the scorecard, and in particular a focus on *local* benefits not normally emphasized in other Government PPPs. The renewables scorecard incentivises local benefits through mandatory broad-based ownership schemes, as well as through SED and ED contributions that are awarded more points if spent locally.

The wind sector in South Africa appears to continue the trend observed elsewhere in the world (e.g. UK, Denmark, Germany) of so-called 'community wind'. The socio-political context in South Africa which gives rise to community benefits is, however, quite unique and probably has limited comparability with the phenomenon in the UK. One significant difference is the compliance versus voluntary nature of the phenomena in the two countries. In the UK the inclusion of community benefit schemes could provide added value to projects and therefore made financial sense for developers to voluntarily include such social aspects in their projects. The commercial value that communities can bring to projects in South Africa has not yet been demonstrated. Although one developer has set up his business model based on this assumption, the value that most other developers recognise is limited to preferential selection in the procurement process. The drivers for community benefit schemes in South

University of Cape Town

Africa appear to be largely compliance with the procurement programme's requirements.

NIMBY sentiments do not exist in South Africa to the same extent as they do in the UK. This could be due to the fact that the sector is still in its early stages and this could change over time as landscapes become more populated with wind farms. However even if this were the case it is unlikely that a similar scenario, as occurred in the UK, would be replicable in South Africa mainly because the communities most likely to object would not be the targeted recipients for benefit schemes. Even though the requirement for beneficiaries of ownership schemes to be black has been removed in the IPP programme, contributions would probably still need to be directed to the needier parts of communities and so would not target wealthier landowners who are the most typical objectors to wind farms.

The replicability of the South African example of such community schemes may have limited potential for other developing countries. The incidence of such schemes derives from a particularly South African policy environment that proactively legislates socially responsible behaviour by the business sector and includes economic development objectives in all policy domains. The incidence of benefit schemes is set in a wider context of social transformation that finds its roots in the constitution. The replicability of South Africa's approach to community benefit schemes would therefore depend on policy and societal norms elsewhere and whether the inclusion of social considerations in energy policy would be acceptable. In South Africa, the concept (if not the application) of BBBEE has come to be fairly well known and forms part of the business sector's expectations when doing business, especially with Government. From those developers interviewed it does not appear to serve as a disincentive to do business in this sector. Moreover the market here has developed appropriate supportive financing products to facilitate ownership transactions to poor communities who have little financial resources of their own. Such support may not exist in other developing countries and the appetite of the private sector in other countries for fairly onerous social requirements will depend on the particular business and political environment there.

The CDM, for which most developing countries are eligible, was not found to have significant potential to incentivise community benefit schemes. Although one of the objectives of the CDM is to promote sustainable development in developing countries, the sustainable development criteria by which projects are assessed and selected are not strict and would not necessitate developers to undertake any benefit schemes additional to what they may be doing anyway. This situation of lenient criteria is typical of most developing countries vying for projects and so is likely to serve as a similarly weak incentive of local community benefit schemes in other developing countries.

EIAs were also assessed for their potential to promote socially responsible behaviour through the socio-economic impact assessments that each wind project must undertake as part of the EIA process. A review of EIAs in South Africa found that most practitioners would not recommend schemes additional to what a developer may be doing already and furthermore it is not considered

University of Cape Town

best practise in South Africa to consider these schemes in planning decisions. This finding is similar to how the planning system works in the UK where benefit schemes may not constitute a material consideration in planning decisions, to avoid the issue of developers 'buying' planning approvals. Whether EIAs and the planning system could serve as a driver in other countries would depend on the planning systems there and how such considerations are treated.

6.2. How effective is a BBBEE approach to achieving development in local communities?

The efficacy of BBBEE in general as a policy tool to contribute to sustainable development is difficult to establish. The policy has only been in existence since 2007 and there is a paucity of impact evaluations of the wider enactment of the policy to draw insight from, particularly regarding the enterprise development, socio-economic development and community ownership elements, which are of relevance to this thesis. The policy has however just been through a review and amendment process, and the IPPPP for renewables appears to be representative of a renewed commitment to effective implementation in a broad-based manner. The IPPPP evidences many of the proposed amendments to the Act, including mandatory consideration of the whole scorecard rather than just the narrow elements as well as inclusion of mandatory minimum thresholds. The renewables scorecard differs however in that ED is a voluntary expenditure item with a much lower weighting than that outlined in the amendments to the BBBEE Act. The broad-based aspects of the renewables scorecard have a strong local focus, meaning that multiple rural communities in South Africa will be beneficiaries of targeted developmental expenditure. This is very important in light of the continued bias in CSR spend in urban rather than rural contexts (Trialogue, 2011).

However the key challenge to date with the BBBEE legislation has been poor implementation of the policy. One of the most important ways to ensure effective compliance and implementation is by effective monitoring and verification processes. The BBBEE scorecard includes no performance indicators for ED and SED contributions and wind farm owners will be monitored on the basis of their expenditure only. With weak verification measures to evaluate the performance of these schemes, the legislation may serve as a weak enforcer of positive and long-term developmental outcomes. Indeed without effective performance verification it "begins to make the likelihood of ineffective or illegitimate actions by an organisation much more probable" (Edwards and Hulme, 1995 in Connolly and Hyndman, 2004). Ineffective reporting obligations and weak monitoring standards do not promote ambitious undertakings. In order to support goals of accountability, necessary information must be reported on. A lack of impact or performance evaluation is typical of CSI reporting expenditure more generally, which is often insufficient to demonstrate true accountability, with only limited impact assessments undertaken and underreporting on performance (Blowfield, 2004; Connolly and Hyndman, 2004; Bouten et al, 2011).

The question of how ambitious developers will be in their endeavours cannot be established ex-ante nor with the limited information gleaned during the interviews. One might look at the outcomes of initiatives in other sectors to see how transformational these have been. Research into BBBEE initiatives in the

University of Cape Town

wine industry, for example, found "that whilst these schemes do bring benefits to those involved, they often have limited socio-economic ambitions; the sum of these benefits does not equate to a truly emancipatory form of empowerment" (McEwan and Bek, 2006: p.1028). Indeed, measured only on the basis of their expenditure there is little from the BBBEE legislation to necessarily drive developers to be concerned about the *impact* of their expenditure. In general, CSI (the SED element) has become a performance driven pursuit among businesses seeking to improve their overall BBBEE scores (Skinner and Mersham, 2008). And in the lack of any outcomes based verification and evaluation procedures there are no guarantees that real socio-economic benefits will be realised from this expenditure.

It was noted by an expert on BEE interviewed that the multitude of challenges inherent in development projects can make it difficult to attribute the non-success of a project on a particular factor that is related to the failing of the company. He therefore considers it unlikely that the verification measures would change to an outcome based measurement system. However that a particular problem is complex hardly seems justification for a lack of accountability or ineffectual promotion of successful outcomes. The very complexity of achieving successful development interventions and the severity of the issues being dealt with (e.g. alleviation of poverty in South Africa) might suggest that there is even more reason to ensure the efficacy of such interventions through effective monitoring procedures and mechanisms.

Adequate performance monitoring at a project level is also crucial to assess accountability of the policy. "Stewart (1984) suggests a ladder of accountability, distinguishing between: accountability for probity and legality; process accountability; performance accountability; programme accountability; and policy accountability" (in Connolly and Hyndman, 2004: p.130). Therefore in order to understand accountability at higher policy levels it is necessary to have higher standards of performance monitoring. Without proper performance indicators it is difficult to judge the efficacy of the policy. It is necessary to understand how effectively empowerment initiatives address social problems, whether their impacts are widespread rather than anecdotal and transformative or marginal.

To be accountable both financial and performance information is necessary. What might more comprehensive reporting criteria look like? The Global Reporting Initiative (GRI) is an international organisation that develops sustainability reporting guidelines for voluntary use by organisations. It sets out guiding principles and suggested performance indicators that companies should report on regarding their sustainability. General guidelines for defining content relate to materiality, stakeholder inclusiveness and the sustainability context. Disclosure with regards to social performance should include details of implemented local community engagement, development programmes and impact assessments (Global Reporting Initiative, 2011).

It seems vital that a more comprehensive set of performance indicators is developed as well as periodic impact assessments undertaken to ensure that effective compliance is taking place at an individual company level as well as to

University of Cape Town

assist the evaluation of the private sector's initiatives in the community development realm more generally to inform future policy iterations. More effective reporting on impacts and project performance is necessary to support what Cloete (2009) refers to as evidence based policy making. Cloete (2009) distinguishes between evidence-based and option-based policy making with the latter based on selective use of evidence or untested ideological viewpoints (ibid). Therefore if in general it is found that the private sector are generally less effective at fostering small business growth or engaging with rural and community development initiatives, this would be a crucial understanding to guide future iterations of the policy and how these elements of the scorecard should be amended in the future.

6.3. Developer's approaches to community benefit schemes

Whether the compliance nature of developers' community development activities in the South African wind sector can be viewed as CSR depends on whether or not a definition that is inclusive or exclusive of legislatively required activities is adopted (see section 2.3 in the literature review for a discussion on definitions of CSR). CSR is however part of the policy landscape in South Africa through BBBEE and other acts and these discussions cannot be easily divorced from one other. Further the nature of developer contributions being considered here has to do with a business's interactions and responsibilities with the communities in which they operate. This thesis therefore considers that they should form part of any discussions on CSR and its application in South Africa.

Understanding the motivation behind developers' activities is important. The interviews with developers revealed, as might be expected, a spectrum in their approaches to their community benefits. Whilst a few developers strongly demonstrated their commitment to the development process, others seemed to be following a compliance approach, motivated by their scorecard performance. Hamann and Acutt (2003) refer to more sceptical motivations for CSR where this is not a key focus for a business. One of these motivations they define as accommodation, whereby businesses take superficial actions to accommodate social or political interests but their main focus remains on maximising profits. Thus whenever a trade-off arises between profits and social responsibilities, the result will be to focus on the bottom line and highlight the public relations aspect of their CSR to maintain the outward impression of their focus on CSR. The renewables procurement programme based on price competition introduces just such a trade-off between price and economic development contributions and the programme itself introduces bias in the decision by weighting price more heavily. Whilst some developers have put substantial time and effort into their community benefit schemes to date, going beyond the minimum requirements, others appear to display a more accommodatory approach promoting their social activities in what seems to be mostly for the benefit of the procurement process.

The nature of most of the developers' community contributions appears representative of what Auld et al (2008) term as 'old CSR'. This is characterised by businesses adopting an add-on approach to CSR, typically charitable donations external to the core nature of their business. In comparison Developer 3's response might be seen as the 'new CSR' where they are making an attempt

University of Cape Town

to transform the way they do business in order to include social considerations and innovatively integrating the concept into his business model. Their company recognises that community involvement in their wind farm projects can increase the financial value of their wind farm projects, and grants this value to communities as an equity stake in their project.

The wider take-up of Developer 3's model would depend on the approach of individual developers and how much value they would ascribe to their community development initiatives. Whilst Developer 3 might attach the maximum value possible whilst still achieving acceptable rates of return, other developers with a compliance approach might recognise very minimal or even no commercial value from community contributions. They would theoretically contribute the minimum they could whilst still maximising their chances in the procurement process. At this early stage of the sector's development, none of the other developers could of their own accord cite tangible examples or ideas of how community contributions might add value to their projects. Developer 3 appears confident that such a business model has the potential to be taken up by other developers. But this may take time and perhaps an up-and-running project to demonstrate the theory of earning acceptable rates of return to make it attractive to other developers and shareholders.

This issue of trying to find positive financial returns from socially responsible business activities is one that the CSR literature has long tried to establish. In general no conclusive or generally applicable link has been established, and the evidence is mixed and context specific (Margolis and Walsh, 2003; Eccles et al, 2009). As Developer 3 said, the difficulty for developers is in engaging in activities that may not be consistent with the paradigm of maximising shareholder value. This drives at the very heart of the shift to a stakeholder rather than a shareholder approach to doing business. The stakeholder approach would argue that other parties have the potential to affect the profitability of businesses. Whilst it may be difficult at this stage to establish how a local community may positively or adversely affect a project's profitability, it may be necessary to take the perspective not of one community and one business, but of society and the business sector as a whole in South Africa. For example if a greater proportion of the population were uplifted and participated in the formal economy, there would be more potential to develop critical skills that the country lacks, establish a broader consumer base for goods and services or alleviate the destabilising symptoms of an unequal society, such as crime and service delivery riots. This is described by Porrit (2005) in Eccles et al (2009: p.23) as: "This dependence of business on a broader stakeholder group can then be extrapolated to suggest that 'healthy societies' will generally lead to profitable businesses." As such social responsibility could be argued to be an essential component of a company's core business strategy.

BBBEE gives very little specification or guidance on how development initiatives should be undertaken, the efficacy of the legislative requirements in producing sustainable outcomes is very dependent on individual developers approaches to development and can vary widely depending on the effort and resources that a firm may devote to their responsibilities. Much of the efficacy of schemes therefore rests on how ambitious developers will be and what approach they or

University of Cape Town

their development partners take. The key risk or shortcoming in this is that they may adopt an unambitious charitable approach to development, of giving money to communities with limited focus on capacity building and people centred development. An interesting feature of the BBBEE legislation and CSR in general is that it puts such social investment decisions in the hands of businessmen whose field of expertise does not lie in social development. The importance of partnerships with NGO or development experts could and perhaps should be an important aspect of CSR. But there is a lack of regulatory oversight as to what developers do and how they do it to promote or facilitate such partnership approaches. Hawes (2011) notes that he's heard of many failed encounters where businesses have tried to implement development projects themselves. There are significant challenges involved relating to community engagement, appropriate design of development strategies and engaging in community governed and participatory development processes. The challenge in this regard raised by a few of the developers is that often there are no appropriate organisations with particular knowledge or expertise in their local area with whom they might partner.

The wind sector in South Africa is still in it infancy and as yet it is too early to establish the impact of each developer's benefit schemes. Significant amounts of money will be targeted at local communities and there seems to be a strong potential for beneficial socio-economic outcomes to be achieved, such as improved access to healthcare for example. At a high-level overview the schemes have the potential to be well targeted to rural communities, which tend to have more severe poverty and unemployment issues. But whether these initiatives will prove to be transformational for communities is not clear. There is the risk that many of the schemes may adopt a merely charitable approach to development. The monetary contributions from wind farms have a life-time and will come to an end. Positive development trajectories can only be sustained if the development process engenders empowerment that enables individuals and communities to be their own agents of change and not remain reliant on external participants (Trialogue, 2011). Empowerment in BEE discourse is often interpreted as the growth of black business and participation in the mainstream economy (Olson, 2004). But this approach could perhaps overlook some of the more fundamental aspects of empowering individuals. For example the role of factors such as building social and human capital, participatory engagement processes and community led development solutions are also important for engendering real transformation.

McEwan and Bek (2006) discuss empowerment as "a consequence of participating in collective action and gaining greater control over the means to one's livelihood" (McEwan and Bek, 2006: p.1025). In Developer 3's broad-based ownership approach, people gain access to resources (dividends from the trust) and power over decision-making in how those funds are to be spent (through the community trust structure). Community members are therefore able to make decisions and take action responding to their own priority needs. Most of the developers committed to their community activities saw ownership schemes as having greater developmental potential for local communities. Benefits can be conferred psychologically through greater and potentially transformational engagement and inclusion in decision-making as well as economically by giving

University of Cape Town

people access to an asset with which they can participate in the formal economy. Developer 3's approach also promotes a shift in the role of beneficiaries from passive receivers to active agents in their own developmental process. Such schemes are not without their own risks and challenges, as discussed in chapter 5.4.2, for example the intrusion of local politics and power plays impacting the impartiality of the board's decision-making space. This highlights the need to bring in experienced development partners with experience in managing such schemes and engaging with communities. There are also risks that in actuality real empowerment does not pan out. McEwan and Bek (2006) describe BBBEE ownership schemes in the wine industry which they refer to as a form of 'pseudo empowerment', where individuals are under the illusion that they have some level of power and control but in reality remain dependent on white businessmen due to insufficient transfers of skills and knowledge. Again this comes back to the dedication and commitment of wind farm owners in individual projects to achieve true empowerment.

6.4. Recommendations and suggestions for further research

Based on the findings of the research, several suggested recommendations were identified regarding the BBBEE requirements in the renewables procurement programme and how these might better target and enforce meaningful development outcomes for local communities. It is first recommended that more comprehensive guidance is laid out on how developers should undertake their SED and ED contributions. The programme could for example specify requirements for community consultation and engagement and the kinds of stakeholders it is necessary to consult. Furthermore it may specify what level of detail developers are required to go to in their strategy formulation (for example project identification), best practise to follow and the appointment of development specialists to undertake community development and engagement.

It is also recommended that a more comprehensive set of *monitoring and performance indicators* are articulated on which projects are verified. It is recommended that the understanding of compliance be broadened beyond just whether companies have spent a required amount of money but to also incentivise a culture of accountability and commitment to successful development outcomes. More comprehensive performance data will also serve to support future more meaningful evaluations of the broader BBBEE policy.

A key area for further research is to conduct detailed impact assessments of wind developers' community benefit schemes. Such assessments should take into account the kind of development approach that is taken, challenges and best practise associated, number and types of beneficiaries, improved socio-economic indicators such as access to health, educational outcomes, new business start-ups, jobs etc. This information would prove valuable to understanding how effective the procurement legislation is being, what the key challenges are and how requirements on developers in future procurement rounds could be amended to support better outcomes.

It is also recommended that a broader BBBEE policy review is undertaken to understand the impact that business' ED and SED contributions as well as broad-based ownership schemes have had, and moreover their contribution towards

University of Cape Town

the objectives as articulated in the BBBEE Act. For example it is important to understand how black businesses that have received ED support have benefitted by understanding the type of support they received and how this has or hasn't contributed to their business growth for example by measuring this growth in terms of staff or turnover over time. This type of information is necessary to understand whether companies are offering the right types of support, how effective they are in the support they offer and whether their contributions could be better delivered in other ways. For example it could inform questions as to whether ED is best implemented at an individual company level or whether contributions are centrally collected and disbursed to eligible black businesses. The Department of Trade and Industries, for example, has established an Enterprise Development Fund doing just this. With the current monitoring information collected it would be insufficient to support a policy review of this kind.

University of Cape Town

7. Conclusion

This thesis has found positive evidence for the establishment of community benefit schemes in the wind sector in South Africa. The BBBEE requirements for developers in the DoE's IPPPP for renewables is the primary driver for such schemes. A number of legislative drivers were investigated for their potential to drive such schemes. This included BBBEE, CDM and EIAs. The procurement programme, in keeping with the objective of maximising the economic development potential from this new sector, includes a specific focus on local communities in which wind farms are located. The procurement programme, typical of all Government tendering processes, includes a BBBEE scorecard on which wind projects are evaluated. However the renewables scorecard appears to play an important part in a renewed focus on the broad-based aspects of the legislation, as enforced by a recent national review of the BBBEE Act. The renewables scorecard includes specifications for local communities in respect of broad-based ownership schemes, socio-economic development and enterprise development contributions. This approach to legislating social responsibilities of business in all sectors definitely has a South African flavour, borne out of the political history of the country and the imperatives for social transformation laid out in the constitution. Whether other countries would adopt a similarly proactive approach to enforcing economic development objectives in their energy policy would depend on the political and business climate in those countries.

The CDM was also reviewed for its potential to incentivise community benefit schemes. One of the objectives of the CDM is to promote sustainable development in developing countries. However the research showed that South Africa does not have stringent criteria in this regard and most commentators saw the criteria as more of a ticking-the-box exercise than having any real power to incentivise additional benefits at a local level. This approach to their sustainable development criteria for CDM projects is not atypical of developing countries, who are all trying to compete for projects. There is also no marketplace recognition at an international for the sustainable development aspects of CDM projects.

The EIA process in South Africa was also explored for its potential to incentivise local benefits. EIAs require that socio-economic impact assessments are undertaken in order to assess the impacts of a new development on the local population and to suggest mitigation and enhancement measures. The EIA process in South Africa was reviewed to investigate how they dealt with community benefit schemes and whether such schemes could ever form part of a report's recommendations for a project where there were none or could be enhanced. The review found that in general EIA practitioners would not recommend anything over and above what a development might be doing anyway. Furthermore it is not generally considered to be best practise to include these schemes when considering planning decisions. As such EIAs are not considered to have significant potential to incentivise such schemes.

Wind developers in South Africa were interviewed to explore how they were responding to their legislative requirements, the approaches they were taking

University of Cape Town

and to try and investigate the potential for their schemes to contribute to meaningful sustainable development outcomes in the communities they were involved in. Developers varied in their motivations and approaches to their social requirements laid out in the renewables procurement programme. However all recognised the need for BBBEE in South Africa and did not consider it to be a disincentive to do business. The most interesting feature in the market is the emergence of a developer whose specific intention is to develop community wind farms. He has developed a business model, which attempts to integrate financial and social returns. Whilst not all of the developers recognised any commercial value that community benefit schemes could have for their projects, it is considered here that the benefits of building an inclusive society through CSR activities can have significant and positive benefits for business in the long term.

It is still early days for the development of this sector and one cannot determine the impact that such benefit schemes may have. It is clear though that targeted development expenditure will be directed to multiple rural communities and there seems to be a strong potential to deliver socio-economic benefits. However whether such changes can be transformative in communities and sustained after wind farm contributions cease depends to some extent on the development approach adopted. Sustainable outcomes may be better achieved for the longer term if a capacity building, community owned and participatory approach is adopted rather than a charitable donation approach. It is suggested that the renewables procurement programme could better encourage the efficacy of benefit schemes through the development of more comprehensive guidelines, promotion of partnerships and the development of stricter monitoring indicators. Furthermore it is recommended that longer-term impact evaluations of projects be undertaken to assess the long term viability of development interventions and the effectiveness of business's engagement with social development. This is important to understand whether the proposed mechanisms in the BBBEE Act are having an impact and contributing to its ultimate objectives.

University of Cape Town

8. References

Aitken, M. 2010a. Wind power and community benefits: Challenges and opportunities. *Energy Policy*, 38: 6066 - 6075.

Aitken, M. 2010b. *Wind power planning and public engagement: challenges and opportunities, briefing note*, The Institute for the Study of Science Technology and Innovation.

Alborough, D. 2011. Personal interview. 9 May 2011, Cape Town.

Alessandri, T., Black, S. & Jackson, W., (in press). 2011. Black economic empowerment transactions in South Africa: Understanding when corporate social responsibility may create or destroy value, *Long Range Planning*.

Auld, G., Bernstein, S., & Cashore, B. 2008. The new corporate social responsibility, *The Annual Review of Environment and Resources*, 33: 413 - 435.

Bebbington, A. 1999 Capitals and capabilities: A framework for analysing peasant viability, rural livelihoods and poverty, *World Development*, 27: 2021 - 2044.

BEE News, 2011. *Changes to BBBEE criteria for public-entity tenders* [online] Available at http://www.beenews.co.za/archives/changes_to_bbbee_criteria_for_public-entity_tenders.php.

Blowfield, M. 2004. Corporate Social Responsibility: reinventing the meaning of development? *International Affairs*, 81 (3): 515 – 524.

Bouten, L., Evereart, P., Van Liederkerke, L., De Moor, L. and Christiaens, J. 2011. Corporate social responsibility reporting: A comprehensive picture? *Accounting Forum*, 35: 187–204.

Bowen, F., Newenham-Kahindi, A., & Herremans, I. 2010 When suits meet roots: The antecedents and consequences of community engagement strategy, *Journal of Business Ethics*, 95: 297 – 318.

Boyd, E., Hultman, N., Timmons Roberts, J., Corbera, E., Cole, J., Bozmoski, A., Ebeling, J., Tippman, R., Mann, P., Brown, K. & Liverman, D. 2009. Reforming the CDM for sustainable development: lessons learned and policy futures, *Environmental Science & Policy*, 12 (7): 820-831.

Breytenbach, K. 2011. *Presentation at proceedings at the DoE IPPPP Bidders Conference*, 14 September, 2011, Johannesburg.

Brodsky, S. 2011. Personal interview. 23 August 2011, Cape Town.

Businesslive. 2011. WWF SA wants clarity on REFIT commitment, 28 June 2011. Available at http://www.businesslive.co.za/southafrica/sa_generalnews/2011/06/28/wwf-sa-wants-clarity-on-refit-commitment.

University of Cape Town

Business Unity South Africa (BUSA). 2005. *A guide to recognising and preventing fronting and misrepresentation in BBBEE processes and transactions*. Johannesburg.

Chee Tahir, A. & Darton, R.C. 2010. The process analysis method of selecting indicators to quantify the sustainability performance of a business operation, *Journal of Cleaner Production*, 18: 1598 – 1607.

Cloete, F. 2009. *Evidence-based policy analysis in South Africa: Critical assessment of the emerging Government-wide monitoring and evaluation system*, School of Public Governance, University of Johannesburg.

Cloete, K. 2010. *Fronting under fire.* Moneyweb, 15 November 2010. Available at http://www.moneyweb.co.za/mw/view/mw/en/page295025/page497784?oid=516234&sn=2009%20Detail.

Connolly, C. & Hyndman, N. 2004. Performance reporting: a comparative study of British and Irish charities. *The British Accounting Review*, 36 (2): 127-154.

CSIR. 2011. *Environmental Impact Assessment for the proposed InnoWind Wind Energy Projects in the Western Cape: Draft EIA Report*, CSIR Report Number: CSIR/CAS/EMS/ER/2011/0001/B. Council for Scientific Research, Stellenbosch.

Creamer T. 2011a. Fresh concern that SA is poised to abandon Refit in favour of competitive bidding. *Engineering News Online*, 23 June 2011. Available at http://www.engineeringnews.co.za/article/fresh-concern-that-sa-is-poised-to-abandon-refit-in-favour-of-competitive-bidding-2011-06-23

Creamer, T. 2011b. Glitches and pleasant surprises as renewables tender gets under way. *Engineering News Online*, 3 August 2011. Available at http://www.engineeringnews.co.za/article/glitches-and-pleasant-surprises-as-renewables-tender-gets-under-way-2011-08-03.

Creamer, T. 2011c. Renewables bidders conference reflects high levels of interest in SA roll-out. *Engineering News Online*, 14 September 2011. Available at http://www.engineeringnews.co.za/article/renewables-bidders-conference-reflects-high-levels-of-interest-in-sa-roll-out-2011-09-14

Creamer, T. 2011d. Enterprise development given higher weighting in amended BEE law . Engineering News Online, 24 November 2011. Available at http://www.engineeringnews.co.za/article/enterprise-development-given-higher-weighting-in-amended-bee-law-2011-11-24.

Department of Economic Development. 2010. New Growth Path. Pretoria.

Department of Environmental Affairs and Tourism (DEAT) (1998) *National Environmental Management Act (NEMA), 107 of 1998.* Government Gazette, 27 November 1998. Pretoria.

Department of Environmental Affairs (DEA). 2010. *Environmental Impact Assessment Regulations*. Government Gazette, 18 June 2010. Pretoria.

University of Cape Town

Department of Energy (DoE). 2009. *Electricity regulations on new generation capacity*. Pretoria.

Department of Energy. 2011a. CDM Project Portfolio for South Africa. Available at www.energy.gov.za.

Department of Energy. 2011b. *DoE presentation on wind energy and REFIT tariffs*, Presentation to Parliamentary Portfolio Committee on Energy, 24 June 2011, Cape Town. Available at www.pmg.org.za.

Department of Minerals and Energy (DME). 1998. *White Paper on Energy Policy for South Africa*, Pretoria.

Department of Minerals and Energy. 2003. *White Paper on Renewable Energy*, Pretoria.

Department of Minerals and Energy. 2004a. *Guidance for applicants of clean development mechanism in SA*. Pretoria.

Department of Minerals and Energy. 2004b. *The South African DNA Project Approval Process*. Pretoria.

Department of Trade and Industry (DTI). 2003. *Broad-Based Black Economic Empowerment Act 53 or 2003*, Government Gazette, 9 January 2004.

Department of Trade and Industry. 2007. *Black Economic Empowerment Codes of Good Practise*. Pretoria

Department of Trade and Industry. 2011. *Industrial Policy Action Plan*. Pretoria.

Developer 1. 2011. Personal interview. Project manager. 20 August 2011, Cape Town.

Developer 2. 2011. Personal interview. Managing director. 24 August 2011, Cape Town.

Developer 3. 2011. Personal interview. Chief Executive Officer (CEO). 10 August 2011, Cape Town.

Developer 4. 2011. Personal interview. Director. 29 August 2011, Cape Town.

Developer 5. 2011. Personal interview. Project manager. 2 September 2011, Cape Town.

Eccles, N., Pillay, V. and de Jongh, D. 2009. Correlates of corporate accountability among South Africa's largest listed companies. *Southern African Business Review*, 13 (1): 21 – 38.

EconoBEE, 2011. *Minister wants changes to BEE Act*. EconoBEE Newsletter 4 May 2011 (online) Available at http://www.econobee.co.za/bee-articles-and-information/econobee-newsletters/minister-wants-changes-to-bee-act-econobee-newsletter-4-may-2011.html. Accessed 24 November 2011

University of Cape Town

Ensor, L. 2011. *Cabinet approves changes to black empowerment act*. Business Day, 24 November 2011. Available at http://www.businessday.co.za/articles/Content.aspx?id=159584.

Environmental Resources Management (ERM). 2011. *Environmental impact assessment for Witberg Wind Farm*. Cape Town.

Falck, O., & Heblich, S. 2007. Corporate social responsibility: Doing well by doing good, *Business Horizons,* 50: 247 - 254.

Fig, D. 2005. Manufacturing amnesia: Corporate social responsibility in South Africa. *International Affairs*, 81 (3): 599 - 617.

Freeman, E. 1984. *Strategic management: A stakeholder approach*. Boston: Pitman, ISBN 0273019139.

Friedman, M. 1970. The social responsibility of business is to increase its profits, *The New York Times Magazine*, September 13, 1970.

Gilder, A. 2011. Personal interview, 3 June 2011, Cape Town.

Glaser, D. 2007. Are there any reasons why an egalitarian should support 'black economic empowerment'? *Politikom* 34(2): 105-123.

Global Reporting Initiative. 2011. *Sustainability reporting guidelines, version 3.1*. Amsterdam.

Gorecki, R. and Pretorius, L. 2011. *Life after 2012*. Financial Mail. 17 November 2011. Available at http://www.fm.co.za/Article.aspx?id=158908.

Hain, J., Ault, G., Galloway, S., Cruden, A., & McDonald, J. 2005. Additional renewable energy growth through small-scale community orientated energy policies. *Energy Policy*, 33: 1199 - 1212.

Hamann, R. and Acutt, N. 2003. How should civil society (and the government) respond to 'corporate social responsibility'? A critique of business motivations and the potential for partnerships. *Development Southern Africa*, 20 (2): 255 – 270.

Hamann, R., Agbazue, T., Kapelus, P., & Hein, A. 2005. Universalising corporate social responsibility? South African challenges to the International Organisation for Standardisation's New Social Responsibility Standard. *Business and Society Review*, 110 (1): 1 - 19.

Hamann, R., Khagram, S. and Rohan, S. 2008. South Africa's charter approach to post-apartheid economic transformation: Collaborative governance or hardball bargaining? *Journal of Southern African Studies*, 34 (1): 21-37.

Hamann, R., Reddy, C., & Kapfudzaruwa, F. 2010. *An Investigation into the antecedents of corporate strategic change with regard to Black Economic Empowerment and corporate social responsibility in South Africa*. A report submitted to the Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ). UCT Graduate School of Business.

University of Cape Town

Hawes, S. 2011. Personal interview, 19 September 2011, Cape Town.

Husted, B. 2003. Governance Choices for Corporate Social Responsibility: to Contribute, Collaborate or Internalise?, *Long Range Planning*, 36: 481–498.

Kessides, I., Bogetic, Z. & Maurer, L. 2006. *Current and Forthcoming Issues in the South African Electricity Sector*, World Bank Policy Research Working Paper 4197. The World Bank Group.

Kolk, A., & van Tulder, R. 2006. Poverty Alleviation as Business Strategy? Evaluating Commitments of Frontrunner Multinational Corporations. *World Development*, 34 (5): 789 - 801.

Kolk, A., van Tulder, R. and Kostwinder, E. 2008. Business and partnerships for development. *European Management Journal*, 26: 262– 273.

Levenberg, P. 2009. BEE investment in mining set for uncertain future, *Mining Weekly*, 10 April 2009. Available at http://www.miningweekly.com/article/bee-investment-in-mining-set-for-uncertain-future-2009-04-10.

Louw, M. 2006. *The relevance, importance and applicability of corporate social and environmental responsibility: South African case studies*. Masters thesis, University of Stellenbosch.

Margolis, J., & Walsh, J. 2003. Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48: 268-305.

Martin, L., and Root, D., 2010. Emerging contractors in South Africa: interactions and learning, *Journal of Engineering, Design and Technology*, 8 (1): 64-79.

Mbeki, M. 2009. Architects of Poverty: Why African Capitalism Needs Changing, Johannesburg: Picador Africa.

McEwan, C., and Bek, D. 2006. (Re)politicizing empowerment: Lessons from the South African wine industry, *Geoforum*, 37: 1021 – 1034.

Mendonca, M., Lacey, S., & Hvelplund, F. 2009. Stability, participation and transparency in renewable energy policy: Lessons from Denmark and the United States. *Policy and Society*, 27: 379 - 398.

Mensah, S. and Benedict, E., 2009. *Entrepreneurship training and poverty alleviation, empowering the poor in the Eastern Free State of South Africa*. African Journal of Economic and Management Studies, 1(2): 138-163.

Merriam, S. B. 1998. *Qualitative research and case study applications in education* (Rev. ed.), San Francisco: Jossey-Bass Publishers.

Mohamed, G., and Roberts, S. 2008. Weak links in the BEE chain? Procurement, skills and employment equity in the metals and engineering industries. *Journal of Contemporary African Studies*, 26(1): 27-50.

Moon, J. 2007. The Contribution of Corporate Social Responsibility to Sustainable Development. *Sustainable Development*, 15: 296 - 206.

University of Cape Town

Moyo, T. and Rohan, S. 2006, Corporate citizenship in the context of the financial services sector: what lessons from the Financial Sector Charter? *Development Southern Africa*, 23(2): 289 - 303.

Munday, M., Bristow, G., & Cowell, R. 2011. Wind farms in rural areas: How far do community benefits from wind farms represent a local economic development opportunity? *Journal of Rural Studies*, 27: 1 - 12.

National Energy Regulator of South Africa (NERSA). 2010. *Draft Rules on selection criteria for renewable energy projects under the REFIT programme*. Pretoria.

National Treasury. 1999. *Public Finance Management Act 1 of 1999*. Pretoria.

National Treasury. 2000. *Preferential Procurement Policy Framework Act 5 of 2000*. Pretoria.

Ndhlovu, T. 2009. Conceptualising corporate social responsibility and corporate social investment: The South African context. In S. Sigue (Ed.), *Repositioning African Business and Development for the 21st Century*.

Ndlovu, T. & Spring, A. 2009. South African Women in Business and Management: Transformation in Progress, *Journal of African Business*, 10: 31–49.

Noble, J. 2011. *BBBEE Demystified*. Presentation at Heart Social Capital, 25 November 2011, Cape Town.

Olsen, K & Fenhann, J. 2008. Sustainable development benefits of clean development mechanism projects: A new methodology for sustainability assessment based on text analysis of the project design documents submitted for validation, *Energy Policy*, 36 (8): 2819-2830.

Pike, A., Rodriguez-Pose, A., Tomany, J. 2007. What kind of local and regional development and for whom? *Regional Studies*, 41: 1253 – 1269.

Ponte, S., Roberts, S. 7 van Sittert, L. 2007. 'Black economic empowerment', business and the state in South Africa. *Development and Change,* 38(5): 933–955.

Ramathe, M. 2009. *The use of innovative financing structures in facilitating BEE transactions in South Africa*. Graduate School of Business of the University of Stellenbosch. Masters thesis.

Renewables Advisory Board (RAB). 2007. *Bankable Models which Enable Local Community Wind Farm Ownership*, report for United Kingdom Department of Trade and Industry. United Kingdom.

Republic of South Africa (RSA). 1988. *Trust Property Control Act 57 of 1988*. Pretoria.

RSA. 1996. *Constitution of the Republic of South Africa No. 108 of 1996*. Pretoria.

RSA. 2006. *Electricity Regulation Act 4 of 2006*. Pretoria.

University of Cape Town

RSA. 2010. Letter dated 29 January, for the South African national focal point., prepared Pretoria, Department of Environmental Affairs. http://unfccc.int/files/meetings/application/pdf/southafricacphaccord_app2.pdf

Robson, C. 2002. *Real World Research* (2nd edn). Oxford, Blackwell.

Rogers, J., Simmons, E., Convery, I., & Weatherall, A. 2008. Public perceptions of opportunities for community-based renewable energy projects. *Energy Policy, 36:* 4217 - 4226.

Rogerson, C. 2007. 'Second economy' versus informal economy: A South African affair. *Geoforum*, 38 (6): 1053 – 1057.

Sadler, D., & Lloyd, S. 2009. Neo-liberalising corporate social responsibility: A political economy of corporate citizenship. *Geoforum*, 40: 613 - 622.

Sartorius, K., & Botha, G. 2008. Black economic empowerment initiatives: a Johannesburg Stock Exchange perspective, *Development Southern Africa*, 25(4): 437 – 453.

Schreuer, A., & Weismeier-Sammer, D. 2010. *Energy cooperatives and local ownership in the field of renewable energy technologies: A literature review*. Vienna University of Economics and Business, Research Institute for Co-operation and Co-operatives (RiCC).

Skinner, C., & Mersham, G. 2008. Corporate social responsiblity in South Africa: emerging trends. *Society and Business Review*, 3 (3): 239 - 255.

Sutter, C & Parreno, J. 2007. Does the current Clean Development Mechanism (CDM) deliver its sustainable development claim? An analysis of officially registered CDM projects. *Climatic Change*, 84: 75–90.

Toke, D., Breukers, S., & Wolsink, M. 2008. Wind power deployment outcomes: How can we account for the differences? *Renewable and Sustainable Energy Reviews*, 12: 1129 - 1147.

Trialogue, 2011. A participatory approach to rural development. Cape Town: Trialogue. Available at http://www.trialogue.co.za/pub-csi.html.

Tritter, J., & McCallum, A. 2006. The snakes and ladders of user involvement: Moving beyond Arnstein. *Health Policy*, 76: 156–168.

Tshikululu Social Investments. 2010. *An analysis of the risks and opportunities inherent in PDI beneficiary trusts as vehicles of broad based black economic empowerment*. Report by Feedback Research and Analytics.

United Nations World Commission on Environment and Development. 1987. *Our common future.* General assembly resolution 42/187, 11 December 1987.

United Nations Framework on Climate Change Convention (UNFCCC). (2001). *Marrakesh Accords and the Marrakesh Declaration*. Available from http://unfccc.int/2860.php.

University of Cape Town

Van Zyl H., de Wit M., Munster F., Lochner P. & Gerber G. 2005. *Economics in environmental impact assessment: demystifying the theory and practice.* In: Conference proceedings of the IAIA South Africa 2005 annual national conference. South Africa.

Walker, G. 2008. What are the barriers and incentives for community-owned means of energy production and use? *Energy Policy*, 36: 4401 - 4405.

Walker, G., & Devine-Wright, P. 2008. Community renewable energy: What should it mean? *Energy Policy*, 36: 497 - 500.

Waller, M. 2010. *Challenges facing the wind energy industry in South Africa Lessons learned from international experience in promoting wind energy*. University of Cape Town, Energy Research Centre. MSc Thesis.

Wheeler, D. & McKague, K., 2002. *The role of business in development*. Paper prepared for the World Bank annual bank conference on development economics towards pro-poor policies, June 24th – 26th 2002, Oslo, Norway.

Winkler, H. 2005. Renewable energy policy in South Africa: policy options for renewable electricity. *Energy Policy*, 33: 27-38.

World Business Council for Sustainable Development (WBCSD). 2010. *Delivering results: Moving towards scale*. Report on an inclusive business dialogue during the UN Summit on the Millennium Development Goals, 21 September 2010.

Wright, H. 2009. *Using an emergent design to study adult education*. Research Paper. Educate Special Edition: 62 – 73.

University of Cape Town

Appendix A

Details of the interviewees:

- Scott Brodsky of Dewey and LeBoeuf, a regulatory expert and advisor on power and renewables projects, interviewed 23 August 2011.
- Andrew Gilder of Imbewu Sustainability Legal Specialists who specialises in CDM projects and general environmental law, interviewed 3 June 2011.
- Johann van den Berg, a lawyer and board member of the South African Wind Energy Association (SAWEA), interviewed 5 July 2011.
- Stephen Hawes from Empowerdex, a BBBEE verification and advisory agency. He is advising developers on the renewables BBBEE scorecard and has experience with advising on other BBBEE requirements in other public private partnerships, interviewed 19 September 2011.
- Dean Alborough from Environmental Resource Management (ERM), an EIA consultancy in SA, interviewed 9 May 2011.

University of Cape Town