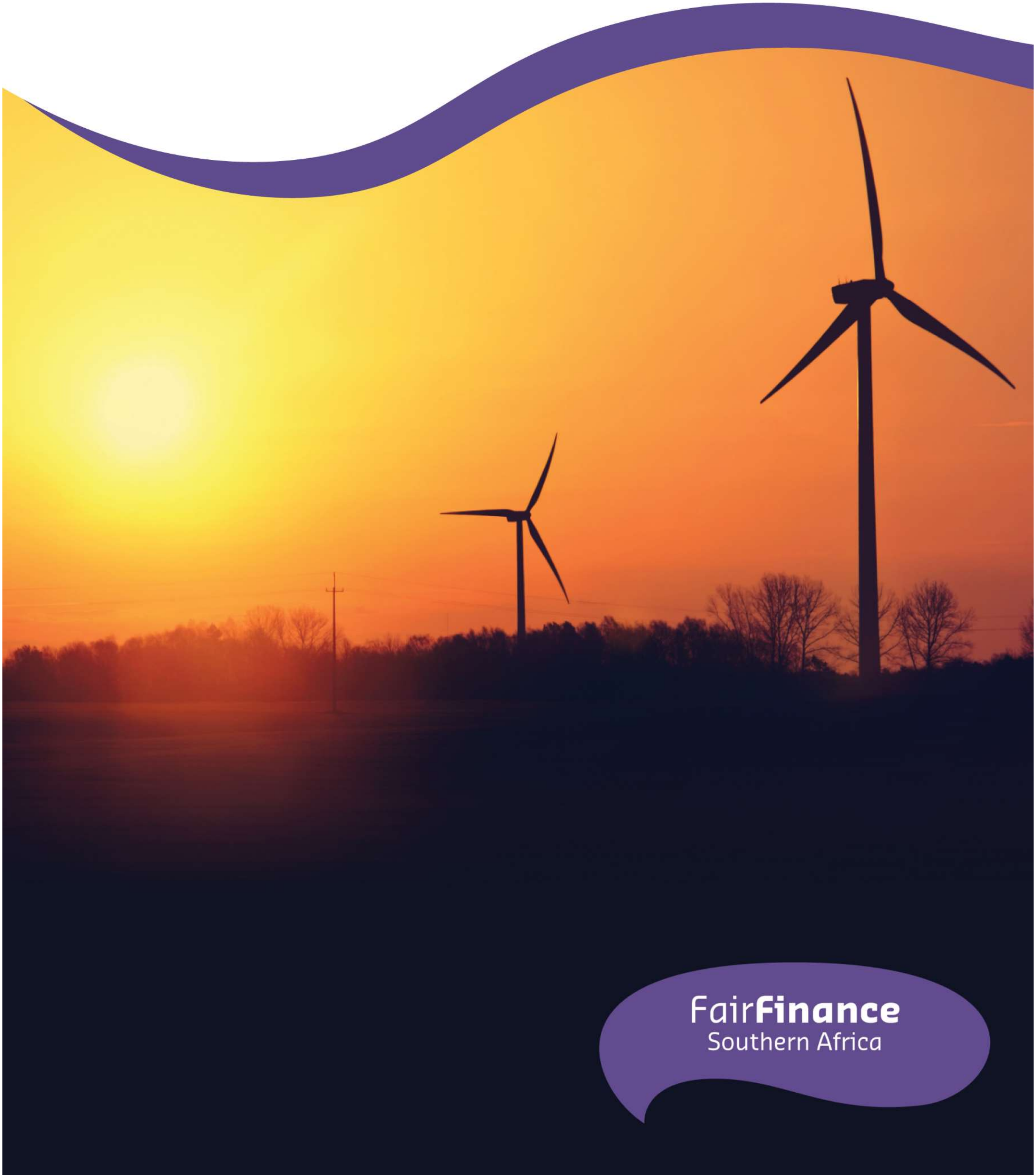
Building Trust for Transition: DBSA's Impact on Local Community Trusts in South Africa's Renewable Energy Sector

By Armando Ayala-Robles for the Fair Finance Coalition of South Africa.



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Acknowledgments

Our appreciation to the individuals who contributed and participated in interviews for the purposes of this case study. We acknowledge the existing work in relation to Local Community Trusts (LCT) carried out by the wider group of NGOs, community-based organisations, researchers, and the 2021 Communities in Transition report by Intellidex.

Special acknowledgement to the research conducted by Tim Lloyd of Power & Associates. His work and collaboration have been invaluable for this case study.

In addition, our thanks to Holle Wlokas for her guidance in shaping the research and approach. Her longstanding work and that of INSPIRE has not only identified key issues in relation to community trusts but also provided leadership on areas of reform.

About the Centre for Environmental Rights

The Centre for Environmental Rights (CER) is a non-profit organisation of activist lawyers who help communities and civil society in South Africa realise our Constitutional right to a healthy environment by advocating and litigating for environmental justice.

Executive Summary

This case study examines the role of the Development Bank of Southern Africa's (DBSA) in supporting and financing community trusts as part of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). It explores how DBSA's due diligence and oversight, or absence of it, can significantly impact the success or challenges faced by these trusts. It also identifies a best practice framework for REIPPP-tied LCTs, including formal requirements for establishment, administrative functioning, and governance responsibilities. Within this framework, key transparency, and accountability challenges in terms of ensuring adjacent community benefits are identified as well as associated best practice recommendations that assist in the identification of records, or categories of records, which could be pursued through strategic information requests.

LCTs offer a promising mechanism for ensuring that the benefits of renewable energy projects are shared equitably with local communities. However, the success of community trusts is highly dependent on transparent governance, effective capacity building, and meaningful community engagement. As demonstrated by examples in this report, when implemented effectively, LCTs can empower communities, create jobs, and contribute to a just energy transition. However, challenges such as mismanagement and elite capture highlight the need for careful planning, strong governance structures, and the involvement of development banks to ensure long-term sustainability and equitable benefit distribution.

By highlighting both effective and difficult case examples, the study identifies best practices and offers actionable recommendations to improve the sustainability and effectiveness of LCTs.

CONTENTS

Acronyms and Abbreviations

Amandla Trust	Amandla Omoya Trust
B-BBEE	Broad-based black economic empowerment
CFF	Climate Finance Facility
CoD	Commercial Operation Date
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DMRE	Department of Mineral Resources and Energy
ED	Economic Development
EGIP	Embedded Generation Investment Programme
GCF	Green Climate Fund
IDC	Industrial Development Corporation
INSPIRE	Initiative for Social Performance in Renewable Energy
IPP	Independent Power Producer
IPPPP	Independent Power Producers Procurement Programme
IRP	South Africa's Integrated Resource Plan
JET	Just Energy Transition
JIC	Joint Implementation Committee
Letsatsi Trust	Letsatsi Borutho Trust
LCT	Local Community Trust
MEL	Monitoring, Evaluation, and Learning
MoA	Memorandum of Agreement
NT	National Treasury
PV	photovoltaic
REIPPPP	Renewable Energy Independent Power Producers Procurement Programme
SED	Socio-Economic Development
SEF	Stakeholder Engagement Forum
Sibona Trust	Sibona Ilanga Trust
Trust Act	Trust Property Control Act 57 of 1988
Vredendal Trust	Vredendal Solar Community Trust

A. Introduction

a. The Renewable Energy Independent Power Producer Procurement Programme

Launched in 2011, the REIPPPP is South Africa's flagship initiative for expanding renewable energy infrastructure and promoting economic growth, job creation, and local development. The REIPPPP in South Africa aims to increase the share of renewable energy in the national energy mix. The rise of renewable energy projects worldwide, especially in the Global South, has necessitated innovative models to ensure that local communities benefit from these developments. A critical component of this initiative is the establishment of community trusts, which are designed to ensure that local communities benefit from renewable energy projects. The use of LCTs, which aim to redistribute financial and social benefits from energy projects to the communities hosting them.

b. The Role and Potential of Community Trusts in the REIPPPP

LCTs are legal entities set up to hold a share in renewable energy projects, especially in rural or underdeveloped areas, ensuring that the financial gains from these projects benefit the surrounding communities. They often receive a percentage of project profits, which is intended for local development initiatives such as healthcare, education, and infrastructure. Community trusts serve to facilitate community engagement and benefit-sharing from renewable energy projects. They are established by Independent Power Producers (IPP) and are meant to empower local communities through financial benefits, skills development, and social investments. Under the REIPPPP framework, IPPs are mandated to allocate a minimum of 2.5% of project equity to community trusts, ensuring that local communities benefit from project profits.

LCTs can significantly boost local economies by creating job opportunities during the construction and operational phases of renewable projects. For instance, local procurement policies can stimulate local businesses.[1] Community trusts in the REIPPPP represent a significant opportunity for enhancing local community engagement and benefit-sharing in renewable energy projects. However, challenges related to governance, capacity, and sustainability must be addressed to maximize their potential. Continued support from government, NGOs, and the private sector is essential to strengthen these trusts and ensure that local communities reap the long-term benefits of renewable energy initiatives. This case study explores how LCTs are applied within IPP projects in South Africa, highlighting successful and unsuccessful cases, best practices, and the potential for LCTs to contribute to the country's Just Energy Transition (JET).

B. The DBSA and the REIPPPP

a. About the DBSA

The DBSA is a Johannesburg-based development finance institution (DFI) that supports economic development across the African Continent. It was established in 1983 and is solely owned by the Government of the Republic of South Africa.[2]

<table>
<tr><th>DBSA Vision</th><th>DBSA’s Mission</th></tr>
<tr><td>A prosperous and integrated resource efficient region, progressively free of poverty and dependency.</td><td>To advance the development impact on the African continent by expanding access to development finance and effectively integrating and implementing sustainable development solutions to:
• Improve the quality of life of people through the development of social infrastructure.
• Support economic growth through investment in economic infrastructure.
• Support regional integration.
• Promote sustainable use of scarce resources.</td></tr>
</table>

The DBSA was initially created to promote economic development in South Africa. Following the adoption of the new constitution in 1994, it evolved into a DFI with a primary focus on infrastructure, particularly in southern Africa. From 2010 to 2016, the organization prioritized regional infrastructure investments and by 2016, its focus expanded to include facilitating favourable conditions for third-party investments, providing financing, and offering advisory services across all phases of infrastructure development – from planning and funding to implementation support.[3]

Its business model is to engage in all stages of infrastructure projects across South Africa and the broader continent, focusing on driving economic growth, human capital development, and strengthening institutional capacity. The DBSA offers services such as infrastructure planning, project preparation, and implementation support, particularly targeting under-resourced municipalities, while helping them develop long-term institutional sustainability.

DBSA’s mandate, as well as its constitution and conduct of the DBSA Board of Directors, are governed by the Development Bank of Southern Africa Act, no. 13 of 1997 (Amended Act No 41 of 2014). It is further guided by the King Code of Governance Principles for South Africa 2016 (King IV) and the Protocol on Corporate Governance in the Public Sector.[4]

b. DBSA’s Financing of Energy and the REIPPPP

Development banks play a pivotal role in supporting energy projects, especially renewables. For instance, the DBSA is a key DFI facilitating renewable energy projects in South Africa. It often provides concessional and traditional financing to renewable energy projects that include community ownership models.

Initially, DBSA's energy portfolio concentrated on traditional energy projects. However, the global shift toward clean energy prompted the bank to recognize the strategic importance of renewable energy aligning its policy with South Africa's Integrated Resource Plan (IRP), a government strategy emphasizing the diversification of energy sources to include a significant share of renewables.

In its efforts to accelerate energy access and ensure a just transition to low carbon economies, the DBSA identifies three energy infrastructure programmes under its operations: 1) the REIPPPP, 2) Climate Finance Facility (CFF), and 3) the Embedded Generation Investment Programme (EGIP).

As mentioned, the REIPPPP launched aimed to attract private sector investment in renewable energy to reduce reliance on coal-fired electricity. The DBSA played a key role as a financing partner, supporting IPPs with loans and financial structuring. According to its website, the DBSA has committed funding to 36 projects in the REIPPPP program, providing approximately R17.5 billion in senior debt to projects and approximately R3.5 billion to BEE parties and LCT[5].

Meanwhile, The DBSA's Climate Finance Facility is an initiative aimed at increasing private investment in climate-resilient infrastructure across the Southern African Development Community (SADC). It is the first application of the "green bank" model in an emerging market, providing financial tools like subordinated debt and tenor extensions to bridge market gaps and enable funding for commercially viable projects that lack access to market-rate capital. With an initial $110 million contributed by DBSA and the Green Climate Fund (GCF), the CFF prioritizes investments aligned with countries' Nationally Determined Contributions (NDCs) under the Paris Agreement and the Sustainable Development Goals (SDGs). Targeting South Africa and Rand-based neighbouring countries like Namibia and Lesotho, the CFF serves as a proof of concept for scaling climate finance in developing regions.[6]

The Embedded Generation Investment Programme is an initiative within South Africa's renewable energy strategy aimed at decreasing coal dependency and bolstering energy security through private sector investments in small- to medium-scale renewable projects. Launched by the DBSA, the EGIP targets local, decentralized renewable energy projects, which help address South Africa's urgent energy challenges by supporting smaller, distributed generation sources that are connected close to points of consumption. This approach reduces strain on the national transmission infrastructure, enhances grid stability, and lowers transmission losses associated with long-distance power delivery.

The GCF plays a vital role in the EGIP by providing financial backing to de-risk these renewable projects, making it easier for private investors to engage in embedded generation ventures. Through GCF's support, the EGIP can offer concessional funding, which reduces the overall cost of capital and encourages broader private sector participation in South Africa's renewable energy transition. This collaborative funding model not only accelerates the adoption of clean energy solutions but also supports the country's commitment to climate goals by promoting investments that align with sustainable development and low-carbon energy pathways.

The EGIP facilitates investments in renewable energy projects under 100 MW, with an emphasis on renewable technologies such as solar photovoltaic (PV) and wind energy. This decentralized approach supports energy independence for businesses and municipalities and promotes sustainable development through local empowerment. EGIP is particularly important in addressing the electricity supply challenges in South Africa, driven by unreliable coal plants and high greenhouse gas emissions. The programme aligns with South Africa's IRP, which sets targets for renewable energy penetration in the national energy mix by 2030. EGIP offers private sector companies access to concessional financing, aiming to unlock investment in clean energy projects that are integrated with local communities. Central to the success of EGIP is the role of LCTs, which ensure that the financial and social benefits of renewable energy projects are shared with local communities.

Under EGIP, Community Trusts serve as vehicles to ensure the distribution of financial and social benefits derived from renewable energy projects. These trusts are critical in supporting equitable benefit-sharing and promoting long-term community development. Although the EGIP does not fall under the REIPPPP mandate, many embedded generation projects emulate its approach by voluntarily involving community trusts.

While the EGIP operates in a slightly different framework from REIPPPP, many lessons from the REIPPPP experience can be applied to embedded generation projects:

- Voluntary adoption of REIPPPP models: EGIP projects, while not mandated by the same legal requirements, can adopt REIPPPP's best practices around community equity ownership and benefit-sharing to ensure broad-based participation and impact.
- Building sustainable trust governance: The long-term success of community trusts under EGIP will depend on the establishment of robust governance frameworks and ongoing capacity-building efforts, mirroring REIPPPP's model.

As mentioned, DBSA's role in the REIPPP has been deeply intertwined. To understand the Bank's financing and involvement of this important renewables program one must better understand the IPP Office.

c. Independent Power Producer Office and Trust Registration

The Department of Mineral Resources and Energy (DMRE), National Treasury (NT) and the DBSA established the Independent Power Producer Office for the purpose of implementing the Independent Power Producers Procurement Programme (IPPPP or Programme). The Programme's primary mandate is to secure electrical energy from the private sector through renewable and non-renewable energy sources. It has also been structured with the aim of contributing to national development objectives including job creation, social upliftment, and broadening economic ownership.[7]

In November 2010, the DMRE and NT entered into a Memorandum of Agreement (MoA) with the DBSA to establish the IPP Office to support the implementation of the IPPPP. According to the IPP Office, a Joint Implementation Committee (JIC) provides a governance oversight function in relation to the IPP Office's activities. As part of this arrangement, the DBSA performs an operational support and procurement oversight role.[8] It is understood that a new MoA was agreed upon by all parties in May 2016 for an additional three-year period, and then again in April 2019 for another year. In March 2020, the MoA was extended for a further three-year period to 2023.[9]

In respect of the REIPPP, the IPP Office's mandate to manage, implement, and monitor interventions on behalf of the DMRE also extends to broader socio-economic impacts. These obligations are separated into different economic development (ED) elements inclusive of job creation; local content; ownership; management control, preferential procurement, enterprise and supplier development, and socio-economic development (SED). The IPP Office's latest quarterly update report on the general state of the IPPPP offers a helpful explanation of the minor changes to these elements between Bid Windows 1 to 4 and Bid Windows 5 to 6. A mandatory requirement that has not changed is that IPP project owners must report on their economic development achievements on a quarterly basis against their annual economic development obligations.[10]

Despite no explicit requirement to follow the trust regime, it appears from the available public information that the overwhelming majority of IPPs have established a local community trust to satisfy the REIPPPP's ownership requirements. This is certainly the case for Bid Windows 1 to 4, according to an Intellidex research report titled "Communities in Transition: The Role of Community Ownership in South Africa's REIPPP Programme".[11] Based on the IPP Office's figures, on average, black local communities own 8% of projects that have reached financial close, exceeding the programme's 5% target.[12]

C. Local Community Trusts

a. Background

Formal community trusts first appeared in the shape of Community Land Trusts (CLT). CLTs are a recent legal structure inspired by ancient traditions in which communities around the world viewed land as a shared resource and established dwellings as needed. Community trusts arose as a counter to the modern-day concept of land as private property, a practice that emerged using force to centralize wealth and power.[13]

In South Africa, community trusts started to emerge in the context of the country's unique socio-political and economic history. LCTs started to appear mostly as part of corporate social responsibility initiatives, especially in sectors like mining, where companies are required to contribute to the development of their host communities under frameworks such as Broad-Based Black Economic Empowerment (B-BBEE). Now in the energy sector, once more driven by South Africa's B-BBEE act, policy makers have required the emerging renewables industry to utilize LCTs to try and redress the inequities of apartheid by ensuring that profits from resource extraction benefit local populations.[14]

b. Structure, Agreements and Organization

In South Africa, a LCT is required to be registered and administered in terms of the Trust Property Control Act 57 of 1988 (Trust Act) and its rules and regulations. For the Master of the High Court to register a community trust and issue letters of authority to trustees, the following documentation[15] is typically required to be lodged:

- Original trust deed or notarial certified copy;
- Proof of payment of the applicable fee for registration of a new Trust;
- Application form;
- Completed Acceptance of Trusteeship and Acceptance of Auditor Application forms;
- Beneficiary declaration;

- Trustee(s) identification – certified copies of ID, passport, organisation proof of registration;
- Beneficiaries' identification – certified copies of ID or birth certificates, passport, organisational affiliation; and
- Bond of security by the trustees or proof of Exemption.

In terms of the mandatory trust instrument – the trust deed – a "queries and clarification" document published by the IPP Office confirms that "Bidders must demonstrate how such shareholding is in full compliance with the requirements for ownership by broad-based ownership schemes as specified in the B-BBEE Codes".[16] Furthermore, If a Local Community participation structure was already set up by the time the bid was submitted, the B-BBEE Verification Certificate needs to show that this structure meets the requirements of the Request for proposal (RFP), and the updated B-BBEE Codes. The Bidder also must submit all relevant documents for this structure, such as its Constitutional Documents and, if it is a trust, the trust deed, as well as any documents for other related structures that are already in place.

If the bid is successful, it is understood that the implementation agreement that is signed between the preferred bidder and the DMRE specifies the agreed tariffs to be paid by Eskom and sets out the ED commitments, including both SED spending and the details of trust establishment and shareholding.[17]

c. Are community trusts the appropriate for promoting development?

LCTs have the potential to drive meaningful change, but this depends on thoughtful planning, robust structures, and sustained support from all stakeholders involved. The suitability of community trusts as vehicles for local development hinges on several critical factors. While LCTs can play a significant role in promoting sustainable development, their effectiveness depends on how well they are designed, structured, and supported at each stage.

First, the initial setup is crucial. A community trust needs a clear and inclusive governance structure that ensures local voices are genuinely represented. This involves establishing transparent decision-making processes and creating accountability mechanisms so that community members feel ownership over the trust's activities. Planning is also essential. LCTs must have a well-thought-out strategic plan that identifies local development priorities and outlines how resources will be allocated to meet those goals. This plan should be flexible enough to adapt to changing community needs and robust enough to withstand external pressures.

Equally important is the level of support provided to the trust throughout its lifecycle. Effective community trusts require ongoing capacity-building initiatives to help trustees and community members understand financial management, project planning, and legal compliance. Regular training sessions and access to professional guidance can empower communities to manage their trust sustainably. Finally, long-term support is key to maintaining a trust's impact. This includes financial and administrative support, as well as systems for monitoring and evaluating the trust's activities to ensure they align with community needs. Without this comprehensive support, community trusts risk becoming symbolic efforts that lack real influence on local development.

I. Successful Examples: Sibona, Letsatsi and Amandla trusts.

An example of a successful LCT is that of the Sibona Ilanga Trust (Sibona Trust). The Sibona Trust is reported to hold effective ownership of 8% in De Aar Solar Power (Pty) Limited, which is the entity that owns the De Aar Solar Project in the Northern Cape. The Sibona Trust's holding in the solar project is through a wholly owned special purpose entity called Rebuna Litsatsi De Aar Renewable Energy Company (Pty) Limited.[18] This special purpose entity approach is standard where an IPP applies the local community trust ownership model.

One of the reasons that the Sibona Trust was successful is due to the capacitation of the trust through an incubation process facilitated by Globeleq.[19] Interestingly, Globeleq also set up the Letsatsi Borutho Trust in Kimberley (Letsatsi Trust) and the Amandla Omoya Trust in Jeffrey's Bay (Amandla Trust), all preferred bidders under REIPPPP Bidding Window 1. These established trusts provide useful insights that are apt for the purposes of this current case study for the following reasons:

Based on the accessible trust deeds of all three trusts, they were funded by the DBSA. The Sibona and Letsatsi Trusts settled their respective loans in 2019, and the Amandla Trust settled its loan in 2020.[20] Dividends are now flowing into community focused projects, and all three trusts share an administrative team in terms of the conditions in their trust deeds.[21] These trusts illustrate what is reasonably possible in terms of automatic disclosure, transparency, and accountability through updated websites. The standard features across these publicly accessible platforms include a description of the entity, the management and administrative personnel, trustees, grant focus areas and allocations, access to annual financial statements and trust deeds, and an anonymous whistleblower mechanism. Further details based on the available website content are provided below.

Subject to further comparative analysis, the template annexures to the respective trust deeds could potentially serve as best practice examples of community development programme guidelines, trust governance principles, and codes of conduct for trustees.[22]

A review of the Sibona Trust Deed, attached as Annexure A for ease of reference, offers the following preliminary observations of relevance:

- The Sibona Trust was established in 2011, meaning that it required eight years to repay the loan issued by the DBSA with no dividends filtering into the adjacent community during that period.
- The principal object of the Sibona Trust in terms of clause 3 is to redress past inequities, promote social development and cohesion into the future, and assist in the development of poor and disadvantaged communities in the vicinity of the project.
- In accordance with the B-BBEE Codes, subsequently amended, the Broad-based Black Ownership Scheme Rules are listed in clause 5.
- The IPP Company may from time to time provide further funding that the Sibona Trust may require by donations or otherwise subject to the provisos in clause 7.

- The beneficiaries of the Sibona Trust are the “Local Communities as a whole” or a “particular group or category of beneficiaries” in terms of clause 8.
- Trustees must be appointed in accordance with clause 9, including the DBSA’s entitlement to appoint a trustee for the duration of the loan period; political party affiliates, employees of the local municipality, and other disqualified persons are not eligible for nomination.
- Any amendments to this Trust Deed during the DBSA loan period required the DBSA’s written approval in terms of clause 20.
- The powers and restrictions upon trustees are set out in clauses 22 and 23, read together with the Governing Principles, Code of Conduct, and section 9 of the Trust Act which requires a trustee to exercise their powers with the care, diligence, and skill that can reasonably be expected of a person who manages the affairs of another.

d. Performance Monitoring - Trust Disclosure and Communication

Continuing with the case study example of the Sibona Trust, its financial affairs must be managed in terms of clause 38 in the Trust Deed. Although there is no explicit requirement to automatically publish the Trust’s financial records, including decisions adopted in relation to budgets, investments, and expenditure, clause 38 of the Trust Deed, read together with the Governance Principles requires the following measures to foster accountable financial management:

- The Trustees shall keep and maintain full and accurate accounting records of the financial affairs and administration of the Trust, minutes of any meetings relating to the financial affairs of the Trust, and monthly management accounts.[23]
- Within three-months after the end of each financial year, the Trustees shall cause the financial statements to be drawn up and independently audited.[24]
- The audited financial statements of the Trust and those of any investment company where the Trust holds more than 20% in equity shall be submitted to De Aar Solar Power (RF) (Pty) Limited and the DBSA (during the DBSA loan period).[25]
- The Trustees shall ensure that at least three-months prior to the commencement of each financial year, an annual budget of anticipated income, proposed expenditure on Community Development Programmes and anticipated costs is prepared by and agreed to between the Trustees and delivered to De Aar Solar Power (RF) (Pty) Limited.[26]
- For the purposes of conducting Community Development Programmes, the Trustees shall maintain monthly accounting records. Each Community Development Programme must be accounted for separately against the annual budget.[27]
- The Trustees (or the Administrator on behalf of the Trust) shall compile an annual report on the performance of each of the Community Development Programmes, with reference to the agreed milestones. Each report shall be made available to local community(ies).[28]
- Books of account, supporting vouchers, income and expenditure statements, balance sheets and accounting officer reports in relation to each Community Development Programme shall be preserved for no less than five-years.[29]

Importantly, in relation to budgeting during the design and preparation of a Community Development Programme, Annexure C to the Trust Deed provides a set of guidelines which “may be considered” by the Trustees. The guidelines recommend the preparation of a detailed income and expenditure budget for specific Community Development Programmes[30] which reflect: (i) the funding required from the Trust; (ii) other income from donations, subsidies, and fund raising from other sources likely to be secured for the Community Development Programme; and (iii) a detailed expense analysis categorising both authorised expenses and administration costs to deliver the Community Development Programme.

Considering the conditions and guidelines highlighted above, an assessment of the records currently available through the Sibona Trust website presents the following findings:

- In addition to a copy of the Trust Deed, interested and affected parties can identify current Trustees, former Trustees, and the designated administrative team.
- Annual financial statements are available from 28 February 2013 to 28 February 2023. Among other important information, an interested or affected party can ascertain the following from these audited statements,[31] signed by the Trustees as the fiduciary office-bearers:
    - The names of the Trustees, registered office address for the Trustees, the entity that performs secretarial services for the Trust, and whether the Trust has adequate resources in place to continue to operate for the foreseeable future.[32]
    - The Trust ownership model; as mentioned above, Rebuna Litsatsi De Aar Renewable Energy Company (RF) (Pty) Ltd is the special purpose vehicle.[33]
    - The Trust’s financial position, including the reserves and liabilities, dividend income, operating expenditure, and Trustees emoluments (disbursements). Notably, in terms of operating expenditure, the largest items for the 2023 and 2022 financial years were salaries, for the administrative team, and travel and accommodation.[34] The Trust earned R22,100,000 in dividend income through Rebuna Litsatsi De Aar Renewable Energy Company (RF) (Pty) Ltd.[35]
    - It also confirms the number of years that remain under the 20-year Power Purchase Agreement with Eskom Holdings SOC Limited; in this case, 12-years.[36]

The website also provides a description of its special programmes, bursaries, grant focus areas, directions on how to apply for a grant, and grant allocations dating back to 2017. It needs to be reiterated that although a local community trust is not inherently required to automatically disclose relevant records and information in this manner for public consumption, this is a commendable governance approach to enable transparency and accountability.

Referring back to clause 38 in the Trust Deed and the Governance Principles, it is notable that the following records do not appear to be published through this platform: (i) minutes of meetings relating to the financial affairs of the Trust, and monthly management accounts; (ii) an annual budget of anticipated income, proposed expenditure on Community Development Programmes and anticipated costs; and (iii) monthly accounting records for each Community Development Programme, including books of account, supporting vouchers, income and expenditure statements, balance sheets and accounting officer reports.

Notwithstanding these outstanding records, the Sibona Trust has recently published a Community Engagement Booklet, which was distributed at the annual community engagement meeting held on 8 October 2024 in Hanover, Northern Cape.[37] This contains information on the history of the Trust, a progress update on special projects, and a breakdown in spend across Hanover, Philipstown, Britstown, and De Aar. Grant beneficiaries are also listed together with the quantum. Interestingly, to date, the Trust has received R180 million, R42 million of which was repaid to the DBSA, and R10 million to Globeleq in settlement of loans.

It is noted above that Globeleq also incubated Letsatsi Trust and the Amandla Trust. These Trusts also published a Community Engagement Booklet on 11 and 17 October 2024, respectively.[38] Notably, all three Community Engagement Booklets confirm that Globeleq is the majority shareholder in the IPP projects in which each Trust also holds shares through special purpose vehicles.

e. Importance of Governance and Cooperation

One recurring challenge in this ecosystem, as will be explored further, is the tendency to conflate the investment activities of an IPP (driven by its SED obligations) with those of the associated trust, which operates under a different mandate. This lack of transparency has led to confusion, resulting in occasional instances of duplication and wasteful expenditure. Addressing these gaps requires clear delineation between these social development streams and improved governance frameworks.

The success of the previously mentioned trusts can be largely attributed to their association with and guidance from Globeleq. This relationship is noteworthy for several reasons. Through its incubation process, Globeleq played a critical role in establishing robust governance practices for these trusts, including promoting transparency via public disclosures and reporting on their respective websites. As the majority shareholder in the IPP projects, Globeleq was strategically positioned to encourage consistent reporting, such as the automatic disclosure of IPP ED plans and quarterly SED reports submitted to the IPP Office.

While Globeleq's role demonstrates the importance of shareholder involvement, other organizations and initiatives can also support LCTs. For example, the Initiative for Social Performance in Renewable Energy (INSPIRE) focuses on enhancing the social and economic outcomes of renewable energy projects for local communities. INSPIRE strengthens the capacity of social performance practitioners and IPPs to design and implement impactful socioeconomic initiatives. Its approach shifts the focus from mere compliance with funding obligations to fostering meaningful, long-term community development impacts.[39]

INSPIRE is also well-positioned to bridge gaps between community trusts, funders, and institutions like the DBSA. By acting as a conduit for knowledge sharing, technical assistance, and capacity building, INSPIRE addresses critical challenges faced by community trusts, such as managing funds effectively and aligning with funder expectations for measurable impacts. This aligns with DBSA’s objectives of promoting community equity in energy projects and ensuring the effective use of funds for sustainable development. By fostering partnerships, INSPIRE equips community trusts with the tools to attract and utilize funding for transformative local projects while upholding governance standards.[40]

A critical challenge for LCTs is their tendency to operate in isolation, with limited interaction with other local or international trusts. This lack of peer learning and cooperation leaves a significant gap in their development. Where funders, IPPs, or the IPP Office lack the resources or interest to facilitate these initiatives, civil society organizations (CSO) often step in. For instance, the JustRE Alliance is an expansive network aiming to amplify voices and strengthen the Global South ecosystem affected by the shift to utility-scale renewable energy. JustRE champions socially responsible renewable energy implementation with meaningful participation and tangible benefits for communities.[41] It serves as a strategic learning platform for multiple stakeholders – communities, CSOs, governments, and the private sector – working towards effective governance and administration in renewable energy projects.

Building on this focused analysis toward effective governance, cooperation, and correct administration, including the standard terms of engagement between a trust and a DFI is useful to gain an understanding around the broader implementation of these trust deed instruments and the practical pitfalls that have arisen to date. This sets the contextual scene to inform the development of this case study and its key focal points in the REIPPP ecosystem of influential actors and stakeholders, including the DBSA.

D. Challenges in establishing and operating community trusts

Now that the structure, requirements, and theoretical organizational needs of LCTs have been detailed, along with examples of trusts that have been successful, it is important to explore why most community trusts struggle to meet their core objective of effectively transferring economic benefits to local communities. While trusts like Sibona, Letsatsi, and Amandla stand out as exceptions, the majority of LCTs fail to deliver meaningful community benefits. In this section, we will review the unique characteristics that set these successful trusts apart, as well as the common pitfalls that undermine the impact of many others. This analysis will provide insight into the structural and operational obstacles that LCTs face and highlight the lessons that can be drawn from the few cases that have managed to navigate these challenges successfully.

Establishing and operating community trusts within South Africa's REIPPPP face several challenges, rooted in structural, capacity, and governance issues. One primary difficulty is that many community trusts are established out of compliance, rather than as genuine efforts to foster development. This compliance-driven approach often results in insufficient time and resources allocated to setting up trusts in a way that would make them effective in addressing community needs. In addition, the short timelines within bidding processes limit meaningful community engagement and participatory decision-making, creating a gap between trust structures and the communities they aim to serve.

Another key challenge lies in the selection and capabilities of trustees. Trustees often lack the skills necessary to manage the trust's activities or to represent community interests effectively. The selection process for trustees can also be politically influenced, leading to the appointment of individuals who may not have deep ties to or understanding of the community. This can erode community trust in the structure itself, as trustees may not be seen as legitimate representatives. Additionally, training and support for trustees are limited, further weakening their ability to make informed decisions that would benefit the community.

Community trusts also face financial constraints, particularly in the early years. Most trusts are funded by dividends from their stake in energy projects, but initial revenues are often absorbed by debt repayments, leaving little for community investment. This dormancy in early years can lead to disillusionment among community members, who see few tangible benefits from the trusts, despite high initial expectations. Furthermore, limited collaboration between trusts, IPPs, and local governments often results in isolated efforts that do not leverage shared resources or knowledge, compounding the challenge of delivering impactful projects.

Beyond doubt, the lack of clear guidance on monitoring and evaluation further complicates the operation of community trusts. Without standardized frameworks for measuring social impact, many trusts focus on compliance reporting rather than assessing the real outcomes of their projects. This not only limits accountability to the communities but also hinders the ability to track long-term impacts, leaving trust activities vulnerable to inefficiencies and mismanagement.

a. Communities In Transition

Funded by FirstRand and published in 2021, the Communities in Transition Report by Intellidex[42] explores the dynamics of community trusts in South Africa, focusing on their establishment, challenges, and contributions to local development. The report situates the REIPPPP within South Africa's broader Just Transition framework, examining whether community trusts meet the ownership requirements of the REIPPPP scorecard. It also addresses operational obstacles, identifies best practices, and considers the scalability of REIPPPP's community development model across other Just Transition initiatives in South Africa. While the report is one of the most up-to-date, extensive, and comprehensive analyses of community trusts, the specific purpose and implications of FirstRand's commissioning and funding of the report remain undisclosed.

The following sections highlight key findings, emphasizing the evolving role of DFIs like the DBSA in shaping this landscape.

I. <u>General findings.</u>

In terms of the REIPPPP policy framework, the economic development scorecard is separated into interrelated socioeconomic elements. To reiterate, these include job creation, local content, black and community ownership, black management control, preferential procurement, enterprise development and spending on socioeconomic development. Based on data from the first four bidding rounds, to satisfy the community ownership component, almost all companies have established community trusts.[43] There is no explicit requirement to follow this approach, and, based on currently available information, there is no indication to suggest that preferred bidders under Bid Windows 5 and 6 have generally adopted a different community ownership model. Registered trusts hold on average between 9% and 12% equity in the facilities, exceeding the REIPPPP target of 5%.[44]

It has proved difficult to find reliable data on community trust expenditure and planning activity due to a lack of standardised reporting requirements and access to such records. It is notable that even government officials in provincial and local departments struggle to access information from the DMRE, the IPP Office, and "the funders of trusts' shareholding (often development banks)."[45] This adversely affects the necessary oversight and verification role that DFIs could and should fulfil.

A crucially important distinction is that separate from trust establishment and ownership, IPPs are obliged to spend 1.5% of their revenue on activities promoting SED and ED. This is effectively the same kind of work that trusts are expected to undertake. It is reported that "some IPPs and trusts manage to sustain good working relationships that allow for collaboration while also maintaining a clear separation between the IPP and the trust";[46] however, many others experience tensions between the functions of these separate entities and adjacent communities often misconstrue their respective roles and obligations.

According to the Communities in Transition Report, early work on the community development aspects of the REIPPPP revealed common dysfunction, including the following themes:

- "Staff at IPPs who are charged with SED work and / or with establishing and working with community trusts typically have limited experience in these areas. As a result, community engagements are often rushed and/or insufficient." IPPs and trusts will often work closely with external, private consultants rather than people from within the communities. This has made it difficult for communities to see the trusts as their own, or to view the IPPs as part of their communities.
- "Very little guidance has been provided by the IPP Office or the DMRE on how to set up a trust, how to consult with communities and manage participatory processes, or how to measure and demonstrate the social impact of community development work."
- "IPPs tend not to collaborate with each other in their community development work despite often working in the same areas."[47]

II. Framework for a sustainable community trust

Based on the desktop research and stakeholder interviews in adjacent communities, the Communities in Transition Report identified seven key elements that together form a standard for a successful and sustainable community trust.[48] These are:

i. Articulate a clear vision and role in the trust deed.

trusts that do well tend to have found a clear role or purpose. Setting up an effective community trust involves consulting with communities or experts around investment needs, identifying trustees, putting a trust deed in place, registering the trust and establishing a holding company to purchase the trust's shares. Some IPPs do all this work – even registering a trust – before knowing if their bid is successful, for competitive reasons. Some trusts have adopted a "participatory needs assessment" approach to inform the trust's purpose and role and initiate the process of building relationships with communities.[49]

However, the Communities in Transition Report also found that there were examples where trusts had not given much thought to how they would contribute to community development. In some cases, developing a vision and ways of working is left to the trustees often due to financiers of the trusts' shareholding imposing procedures for bid preparation and trust planning. Typically, trustees do not consult or conduct needs assessments because there is no money to do so while trusts are still paying off loans.[50]

ii. Devote time and resources to community engagement.

Engaging with communities is important in the early phases of a trust's life for defining its purpose. But after setup, and whatever role is chosen, consistent and continued engagement, or communication, with communities is critical.[51]

One of the insights shared in the Communities in Transition Report points to the institutional problems of the REIPPPP – particularly the financing of the trusts and long delays before trusts become operational – which undermines community confidence; according the Communities in Transition Report findings, there seems to be a widespread failure to properly communicate how trusts' shareholding is financed and that this requires long waiting periods before any income will flow into the trust and the community.[52]

One of the key recommendations is to communicate with communities through established channels, including community forums, backed by permanent resourcing from the IPP toward community engagement. In cases where conflict has been an issue, the Communities in Transition Report also noted instances where the Industrial Development Corporation (IDC) has played a conciliatory and mediation role.[53]

iii. Appoint knowledgeable and legitimate trustees.

Most trusts have minority local representation on boards, often with only one trustee selected locally. The remaining positions are typically held by IPP representatives, representatives of funders, specifically the DBSA and IDC, and independent trustees appointed from outside the adjacent communities.[54]

In the Communities in Transition Report, an interview with a "DFI representative" revealed that the DFI does impose selection criteria for trustees. The only non-negotiable qualifications are for trustees to have a matric certificate, to be of sound mind, no criminal record, and the candidate cannot hold a public office though local councillors are allowed. It was indicated that the DFI in question planned to develop training manuals for trustees on topics such as record-keeping, opening a bank account and financial management, and general governance practices. A related finding was that some DFI's impose trust deed clauses, including the appointment of a trust administrator and drawing up a community development plan.[55]

To encourage legitimacy, community-informed planning, and open communication, the Communities in Transition Report highlights the development of stakeholder engagement forums (SEFs). These feed into working groups constituted entirely by community members with knowledge in the focus area. SEFs are known to elect representatives who interact with the board of trustees as part of the decision-making process.[56]

iv. Collaborate with other social development actors including other trusts.

Part of the motivation behind the inclusion of the Vredendal Solar Community Trust (Vredendal Trust) and the Sibona Trust case studies in the Communities in Transition Report is to demonstrate where IPP and community trust collaboration has been effective.[57]

In terms of collaboration between IPPs, an Economic Development Manager referenced a development forum structure, initiated by the IDC, which meets monthly for various role-players such as local businesses and neighbouring IPPs to plan collectively. The Communities in Transition Report also observed that knowledge-sharing is beginning to happen in a more sustained way through organisations such as the South African Wind Energy Association, the ED practice forum, and the South African Photovoltaic Industry Association.[58] An example of this is a May 2016 roundtable conversation series focused on the ways in which REIPPPP can support sound community trusts, hosted by the IDC.[59] The presentation material from this roundtable has been obtained in the course of this research for consideration as part of this case study development.

A common tension highlighted in the Communities in Transition Report is between local government departments and trusts where local governments effectively use IPPs and community trusts to cover for their failures in service delivery and infrastructure development in terms of municipal Integrated Development Plans.[60]

v. Diversify income for longer-term sustainability.

Importantly, it is the findings in the Communities in Transition Report around this element that casts a particularly important spotlight on the benefits and challenges associated with DFIs involvement in the community trust ecosystem. The bulk of the trusts covered by the Communities in Transition Report required external financing of their IPP shareholding backed by DFIs such as the IDC and the DBSA.[61]

According to the Communities in Transition Report, typically, the shares are held in a company that the DFI lends to, and the company is owned by the trust. Some repayment periods have been as long as 17 years with very high rates even by commercial standards. "In some cases, trusts are established at bid phase, commercial operation date (CoD) is reached three years later, and only 12 years after that are the first unencumbered dividends expected. This represents 15 y ears of inactivity, if the IPPs are not willing to spend money on trust capacitation".[62] Some trusts have managed to negotiate "loan resculpting" that brings more money into the trusts sooner, but DFIs are often not willing to consider such restructuring.
Various recommendations from stakeholders are offered in the Communities in Transition Report toward diversifying trust income, including purchasing shares in subsequent REIPPPP rounds, and to start growing community-owned renewable energy. One of the key barriers when it comes to investment options for trusts is that DFIs require trusts to register as PBOs ensuring that all funding is used solely for philanthropic purposes.[63]

vi. Develop effective monitoring and evaluation systems.

In instances where trusts are fully operational, and dividends are flowing to the adjacent community, formal monitoring, evaluation, and learning (MEL) frameworks are rare. Reporting tends to be quite limited and done in an *ad hoc* way according to the findings in the Communities in Transition Report. Some trusts have worked with their IPPs to jointly conceptualise and implement monitoring and evaluation (M&E) systems for both the trust's work and the IPP's SED / ED work. The Communities in Transition Report observed that the option is available to the IPP Office to potentially formalise requirements for trusts to report on their work, but this should not focus on expenditure alone. So far, this superficial practice repeated itself under the REIPPPP where IPPs spend certain amounts every quarter to avoid penalties resulting in a narrow compliance-oriented mindset as opposed to focusing on maximising social impact.[64]

vii. Build goodwill during the setup phase among the adjacent community.

It is apparent from the Communities in Transition Report that one of the byproducts of prioritising and implementing elements one to six is the display of goodwill toward the community. This gradually builds trust between key stakeholders involved as the foundation for sustaining relationships that is essential for the longevity of the community trust.

In this regard, and in addition to the Sibona Trust and the Vredendal Trust, the Communities in Transition Report offers another instructive case study in the form of the Hopefield Wind Farm's unusual community ownership vehicle – a non-profit community company. It implemented a "Home Improvement Programme" which started in 2014 to promote energy efficiency and through the installation of solar-power geysers.[65]

In conclusion, the framework outlined in the Communities in Transition Report emphasizes the multifaceted approach needed to establish and sustain effective community trusts. By addressing critical elements such as defining a clear vision, fostering community engagement, ensuring knowledgeable and legitimate trusteeship, promoting collaboration with other development actors, diversifying income streams, implementing robust monitoring and evaluation systems, and building goodwill, community trusts can position themselves as powerful vehicles for long-term socio-economic transformation. However, the report also highlights persistent challenges, including financing constraints, lack of transparency, and gaps in capacity building, which undermine trust operations. To overcome these, a coordinated effort among stakeholders is essential to ensure that community trusts fulfil their mandate of delivering lasting and meaningful benefits to their communities. This framework provides a foundation for refining trust governance and administration while adapting to the complexities of the REIPPPP ecosystem.

E. Conclusion

The findings from this case study underscore the significant potential of Local Community Trusts in South Africa’s renewable energy sector, particularly within the framework of the REIPPPP. These trusts have proven to be effective mechanisms for channelling the benefits of renewable energy projects into adjacent communities, offering opportunities for socio-economic upliftment and contributing to a just energy transition. However, realizing this potential depends heavily on addressing structural and operational challenges, such as inadequate governance, limited capacity, and insufficient financial resources. Case like the Sibona, Letsatsi, and Amandla Trusts provide valuable examples of successful implementation, but many LCTs struggle due to compliance-driven establishment, lack of community participation, and early-stage financial constraints.

The role of DFIs, particularly the DBSA, is highlighted as pivotal in mitigating these challenges. It is noteworthy that the research and analysis reveal that many of the recurring issues affecting LCTs, as well as the best practices suggested to address them, point to the need for targeted interventions from DFIs. In most cases, the challenges faced by LCTs – ranging from insufficient capacity and financial limitations to ineffective community engagement – could be alleviated through strategic support and oversight from DFIs. Such institutions have the capacity not only to provide financial resources but also to offer critical guidance, capacity-building, and monitoring frameworks to empower LCTs in achieving their developmental objectives. While shareholders like Globeleq and local and international organizations initiatives such as INSPIRE and JustRE have filled some gaps, DBSA is uniquely positioned to play a transformative role in bridging the gap between LCTs’ potential and their actual impact, ensuring these trusts become robust vehicles for local economic empowerment.

By addressing these issues comprehensively, DBSA and similar institutions can ensure that LCTs contribute meaningfully to South Africa's broader objectives of economic inclusion and sustainability. The subsequent sections will delve into actionable recommendations and identify areas for future research and investigation, providing valuable guidance for NGOs, civil society, and other stakeholders aiming to enhance the efficacy of community trusts within the Just Transition framework.

F. Best Practices and Recommendations

Based on the findings discussed in this document, the following recommendations outline best practices for establishing and sustaining effective LCTs. These recommendations are informed by the strengths and challenges observed in the LCT examples analysed in this case study. Implementing these actions would better position community trusts to operate sustainably, maximize local benefits, and foster meaningful, long-term relationships with their communities. While these recommendations are relevant to all LCT stakeholders, this case study concludes that the DBSA and other DFIs are particularly well-suited to take the lead in implementing most of them effectively.

Full-Time Resource Commitment
Recommendation: Commit full-time, dedicated resources to building and maintaining relationships with communities throughout the life cycle of a project. This includes the initial trust setup phase, where establishing trust and mutual understanding is critical, and the long-term operational phase, which requires consistent communication and support to adapt to evolving community needs.

Potential Actions:

- Hire dedicated community liaisons to facilitate ongoing dialogue and relationship-building.
- Ensure these resources are familiar with the local culture, language, and socio-economic conditions to foster authentic connections.
- Establish a presence in the community by holding regular meetings and workshops to keep the community informed about project developments.

Actors best positioned to implement actions: IPP operators and community trusts.

Community Relationship Building
Recommendation: Incorporate adequate time for companies to establish relationships with communities in bidding windows. Bidding phases should prioritize relationship-building as a foundation for sustainable project implementation and community trust.

Detailed Actions:

- Adjust bidding guidelines to include minimum timeframes for community engagement and partnership-building.
- Encourage initial meetings, surveys, and interviews with community members to understand their expectations and concerns.
- Develop trust-building initiatives to familiarize communities with the goals and processes of the project.

Actors best positioned to implement actions: DMRE and the IPP Office.

Frameworks for Community Engagement
Recommendation: Develop standardized frameworks and guidelines for community engagement, with a focus on collaboration with local government entities and transparent

success measurement. These frameworks should outline processes for ongoing communication, conflict resolution, and stakeholder inclusion.

Detailed Actions:

- Establish protocols for regular, structured engagement with local authorities to align project goals with local priorities.
- Define metrics for success, such as community satisfaction levels, economic impact, and trust sustainability.
- Ensure regular, transparent reporting and accessible information dissemination to local stakeholders.

Actors best positioned to implement actions: IPP Office, community trusts, IPP operators, and DBSA/DFIs.

Trust Operations Guidelines

Recommendation: Implement clear guidelines for trust operations, with a focus on trustee appointments, M&E practices, and effective grant-making processes. This will provide structure and consistency for trust management while allowing flexibility to address community-specific needs.

Detailed Actions:

- Develop a standardized trustee selection process that prioritizes relevant qualifications and community representation.
- Create M&E frameworks to assess the impact of trust activities, including grant-making, on local socio-economic conditions.
- Provide guidance for fair and effective grant allocation that aligns with community priorities.

Actors best positioned to implement actions: IPP Office, community trusts, IPP operators, and DBSA/DFIs.

Establishment of a Supportive NGO

Recommendation: Set up or partner with existing dedicated NGOs that support community trust capacitation in key areas, such as community engagement, operational management, and compliance with regulatory requirements. These NGOs would act as a centralized support entity to ensure consistent and reliable assistance.

Detailed Actions:

- Design the NGOs services to cover training for trust administrators and trustees, community engagement best practices, and operational support.
- Facilitate partnerships between existing NGOs (i.e. INSPIRE) and community trusts to foster a network of shared resources and knowledge.

Actors best positioned to implement actions: DBSA/DFIs (condition of financing), DMRE and IPP Office.

Subsidized NGO Support

Recommendation: Provide subsidies to fund the operations of the NGOs or CSOs dedicated to community trust support. By subsidizing these efforts, DFIs and IPP offices can ensure that trusts are equipped with resources to function effectively.

Detailed Actions:

- Allocate funds specifically for NGO and CSO programs that support capacity-building and ongoing trust management.
- Encourage private-sector participation in subsidizing these NGO and CSO to broaden funding sources.

Actors best positioned to implement actions: DBSA/DFIs (through earmarked resources as part of financing package) and IPP Office.

Community-Based Trustee Appointments

Recommendation: Appoint trustees from the local communities to ensure that trust governance reflects community interests. These trustees should meet established qualification criteria, combining local knowledge with professional expertise.

Detailed Actions:

- Define minimum requirements for trustee qualifications to maintain a balance between local representation and skill competency.
- Ensure that community trustees receive training in financial management, governance, and decision-making to equip them for their roles.

Actors best positioned to implement actions: IPP Office and DBSA/DFIs (through conditions of financing).

Improved Loan Terms for Community Shares

Recommendation: Negotiate improved loan terms for community shareholding in IPPs to make it easier for communities to invest in and benefit from local energy projects.

Detailed Actions:

- Offer reduced interest rates or extended repayment periods for loans issued to community entities.
- Provide government or DFI guarantees for loans to reduce financial risk for community investors.

Actors best positioned to implement actions: DBSA/DFIs and other lenders.

Capacity Building for Fundraising and Investment

Recommendation: Equip community trusts with knowledge and resources for effective fundraising and investment strategies to secure additional funding and improve their financial independence.

Detailed Actions:

- Conduct workshops on fundraising techniques, grant applications, and partnership building for trust staff.
- Develop templates and tools for investment planning and fund management to ensure that trusts grow their financial resources sustainably.
- Where courses and information already exist, make these easily available to all.

Actors best positioned to implement actions: DBSA/DFIs and DMRE.

Free Carry Shareholding Component

Recommendation: Implement a free carry shareholding component, allowing communities to obtain shares in IPPs at no cost initially, with costs recouped via future project tariffs or government subsidies.

Detailed Actions:

- Structure the free carry shareholding so that it provides immediate benefits to the community without upfront financial risk.
- Work with regulators to integrate cost recovery mechanisms that do not overburden community trusts financially.

Actors best positioned to implement actions: IPP Operators, DMRE an DBSA/DFIs (earmark resources as part of financing package for shareholding where IPP's structure or regulations do not allow for free carry shareholding)

Incentives for IPP and Trust Collaboration

Recommendation: Create incentives for collaboration among IPPs and trusts in overlapping regions to maximize social impact, reduce redundancies, and share resources effectively.

Detailed Actions:

- Facilitate joint community programs, combining resources to create larger-scale, impactful initiatives.
- Offer tax breaks or other benefits to IPPs that collaborate on community projects.

Actors best positioned to implement actions: IPP Office, with potential support from DBSA/DFIs through the Joint Implementation Committee (JIC).

Mandatory Reporting for Accountability

Recommendation: Implement mandatory reporting for community trusts to local government bodies, community forums, and the IPP Office to promote accountability and transparency.

Detailed Actions:

- Develop a reporting template that includes key performance indicators (KPIs) for financial performance, community engagement, and impact metrics.
- Require quarterly or annual public reports to enhance transparency and community trust.

Actors best positioned to implement actions: IPP Office, potentially with oversight from DBSA/DFIs via the JIC.

Local Power Sourcing for Municipalities
Recommendation: Enable local municipalities to source their own power, allowing communities to access affordable, cleaner, and more reliable energy directly from local projects.

Detailed Actions:

- Develop regulatory frameworks that allow municipalities to enter power purchase agreements (PPAs) with IPPs.
- Provide incentives for IPPs to offer competitive rates to local municipalities, promoting cost-effective energy solutions.

Actors best positioned to implement actions: DMRE.

Skills Development for Community Roles in Energy Transition
Recommendation: Invest in local skills development to prepare community members for active roles in the energy transition, such as positions within the renewable energy sector and related industries.

Detailed Actions:

- Offer technical training programs and apprenticeships for residents to build capacity in renewable energy and other green sectors.
- Create partnerships with educational institutions to support long-term skills development.

Actors best positioned to implement actions: IPP Operators and national government.

These recommendations aim to foster robust community trust operations, enhance local participation, and ensure that the benefits of energy projects are inclusive, transparent, and sustainable for all community stakeholders. They also emphasize the critical roles and responsibilities of the DMRE, IPP Office, DBSA and similar DFIs and other financiers in driving these outcomes.

G. Potential Records for Pursuit and Future Investigation

Due to the limited availability of publicly accessible information on Local Community Trusts (LCTs)—including their performance, agreements, and information provided to trustees—further investigation and targeted information requests are recommended to gain a more complete understanding of LCT operations and outcomes.

The following list serves as a guide for pursuing potential records under the Promotion of Access to Information Act 2 of 2000 (PAIA). It provides an initial set of records or categories of records that could be included in a Form 2 access to information request. These categories are intentionally broad to allow for further refinement and adjustment, improving the chances of a successful PAIA response. This list complements simpler "confirmatory" information requests, such as seeking the number and names of community trusts engaged with DBSA for lending or other purposes.

These record requests and areas of inquiry could reveal insights that are currently difficult to access but are essential for effective planning, transparency, and accountability. They would also enable civil society, NGOs, IPPs, and other LCT stakeholders to obtain strategic information from the DMRE, IPP Office, DBSA, and similar institutions, supporting sustainable and impactful community trust management.

I. **20-Year Implementation Agreements**. Long-term agreements between IPPs and the DMRE detail commitments related to trust establishment, shareholding, and long-term responsibilities toward communities.
   - Objective: Access these agreements to understand specific obligations IPPs have regarding community trusts, which are essential for evaluating the trust's structural sustainability and community benefits.
   - Suggestion: Leverage lessons from past PAIA engagement experiences, such as those by Open Secrets, to refine the request process and improve response success.

II. **Community Trust Establishment Toolkit.** Toolkits and guidelines created by stakeholders like DBSA and the IPP Office outline standardized, step-by-step processes for creating community trusts, ensuring clarity of roles and alignment with community needs.
   - Objective: Obtain these resources to better understand best practices and structured procedures that ensure each trust serves its adjacent communities effectively.
   - Suggestion: Focus on comprehensive guides that provide replicable practices for trust creation, facilitating smoother operations and stakeholder engagement.

III. **Trustee Selection Criteria and Training Manuals**. Documents covering the selection criteria for trustees and training manuals for capacity building ensure that trustees have the skills necessary for effective financial and operational management.
   - Objective: Access records on trustee qualifications and training to assess how well-equipped trustees are for their roles and to identify potential gaps in training or support.

- Suggestion: Prioritize documents that outline capacity-building strategies, as they can enhance trust governance and operational effectiveness by standardizing trustee competencies.

IV. **DFI Support for Multi-Stakeholder Developmental Forums**. DFIs should play a role in supporting forums where multiple stakeholders collaborate to coordinate community development, maximizing resources and preventing duplicated efforts.

- Objective: Access records detailing how DFIs facilitate multi-stakeholder forums to better understand collaborative mechanisms that enhance resource efficiency and foster community cooperation.
- Suggestion: Look for records that highlight specific outcomes or success stories from these forums to demonstrate their effectiveness in community resource management.

V. **Loan Resculpting and Debt Restructuring Policies**. Certain policies may allow community trusts to receive funds earlier within the loan repayment period, which can provide much-needed financial resources for immediate developmental activities.

- Objective: Investigate policies that enable earlier disbursements, assessing their potential to strengthen community trust operations through timely financial support.
- Suggestion: Request details on eligibility and terms to understand how broadly these policies apply and to gauge the feasibility of such approaches for trusts in need of early funds.

VI. **Workshop Engagement Records for Knowledge-Sharing**. Knowledge-sharing workshops involving the DBSA, IPP Office and CSOs that focus on enhancing trust administration skills through capacity-building and the exchange of best practices.

- Objective: Obtain records of these workshops to assess the extent and impact of training and knowledge transfer between trust administrators and other key stakeholders.
- Suggestion: Prioritize workshops where DBSA or similar institutions acted as facilitators to ensure that these sessions aligned with best practices in trust management.

VII. **Audited Financial Statements for Loan-Receiving Trusts**. Audited financial statements from trusts that received loans, particularly those from later IPP bidding windows, provide insights into financial management and accountability.

- Objective: Access these statements to evaluate the financial performance and transparency of community trusts, especially those still within the loan repayment period.
- Suggestion: Target IPPs from the Third or Fourth Bidding Windows, where loan performance data is still relevant, and include other parameters to narrow the scope of the request.

VIII. **Financial Management Meeting Minutes and Budgets**. Financial meeting minutes, budgets, and management reports provide detailed insights into how trusts allocate funds for community development and manage their resources.

- Objective: Obtain these records to assess the financial planning and accountability practices of community trusts, ensuring funds are allocated effectively for intended projects.
- Suggestion: Focus on trusts with significant community impact to prioritize records that will provide the most valuable insights into financial governance practices.

IX. **Economic Development and Social Economic Development Plans and Reports**. ED and SED plans and quarterly reports outline the specific socio-economic goals and achievements of IPPs in their support for community trusts.

- Objective: Access these documents to track IPP contributions to local economic development and evaluate the impact of their community involvement.
- Suggestion: Limit requests to a specific reporting period for more manageable access to data and to facilitate a focused analysis of project outcomes.

X. **Transparency and Oversight of IPP and LCT Operations** The lack of consistent, publicly available data on the financial performance, governance, and activities of IPPs and LCTs has hampered accountability and transparency in South Africa's renewable energy landscape. While the IPP Office is mandated to ensure compliance with REIPPPP obligations, gaps in accounting and public reporting remain evident.

- Objective**:** Advocate for an oversight mechanism to regularly audit and publish detailed, standardized reports on all IPPs and associated LCTs, making information accessible to civil society, local communities, and policymakers.
- Suggestion**:** Develop a framework for publicly available reporting that includes key performance indicators such as fund allocation, project impact, and governance standards, and establish an independent body to oversee compliance and transparency.

XI. **The South African Renewable Energy Master Plan (SAREM) to complement Case Study**

Incorporate a review of the SAREM to align renewable energy development with broader national goals, including just transition imperatives and community participation.

- Objective**:** Analyse SAREM's implementation and its potential to support LCTs through policy alignment, funding mechanisms, and stakeholder collaboration.
- Suggestion**:** Investigate how SAREM's rollout could provide lessons on integrating community ownership models into large-scale renewable energy deployment, with a particular focus on overcoming existing barriers such as financing and governance issues.

XII. **Reconciling the stance of CSOs and the role of IPPs in South Africa's Energy Sector**

CSOs in South Africa have been vocal about the need to protect public assets and ensure energy access while resisting the privatization of the energy sector. Simultaneously, IPPs are playing an increasingly significant role in South Africa's renewable energy sector. Balancing these perspectives offers an opportunity to establish a sustainable, inclusive energy framework in a new case study.

- Objective**:** Explore the evolving dynamics between CSOs advocating for energy justice and IPPs driving private-sector investment in renewables.
- Suggestion**:** Develop a case study that bridges the opinions of CSOs with the potential rapid advancement that IPPs bring. Focusing on models that preserve public ownership of energy infrastructure while leveraging private-sector efficiency and innovation to meet energy transition goals.

These investigative areas will support a comprehensive understanding of LCT functionality and effectiveness, providing insights that can drive improved policies, operational adjustments, and targeted support for both current and future community trusts.

H. Annexure A

Sibona-Ilanga-Trust-deed-201910.pdf

Sibona Trust Deed also available at https://sibonailangatrust.co.za/wp-content/uploads/2024/03/SIT-Sibona-Ilanga-Trust-deed-201910.pdf

I. End Notes

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[7] Department of Mineral Resources and Energy, Overview - Independent Power Producers Procurement Programme, pg.6, March 2024 (IPP Overview Report). https://www.ipp-projects.co.za/Publications

[8] IPP Overview Report, pg. 7

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[12] Communities in Transition Report, pg.19

[13] United Nations Human Settlements Programme, Community Land Trusts: Affordable Access to Land and Housing, pg. 7, 2012 https://unhabitat.org/sites/default/files/download-manager-files/Community%20Land%20Trusts%20Affordable%20Access%20to%20Land%20and%20Housing.pdf

[14] WWF (Holle Wlokas), A review of the local community development requirements in South Africa's renewable procurement programme, pg. 14, 2015 http://awsassets.wwf.org.za/downloads/local_community_development_report_20150618.pdf

[15] Registration criteria, forms, and applicable Chief Masters Directives can be accessed on the Department of Justice and Constitutional Development's website https://www.justice.gov.za/master/trust.html

[16] Accessible from the IPP Office website's Press Center https://www.ipp-renewables.co.za/PressCentre/
Further general information is available from the B-BBEE Commission https://www.bbbeecommission.co.za/about-b-bbee/
[17] Communities in Transition Report, Footnote 33
[18] Sibona Trust, 2023 Annual Financial Statements, February 2023 https://sibonailangatrust.co.za/governance/annual-financial-statements/
[19] Globeleq is a IPP funded by British International Investment (70%) and Norfund (30%), development finance institutions of the UK and Norway.
[20] Further information is available through each of the trusts dedicated websites:
Sibona https://sibonailangatrust.co.za/
Letsatsi https://letsatsiborutho.co.za/
Amandla https://amandlaomoyatrust.co.za/
[21] Communities in Transition Report, pg. 47
[22] For example see Annexure B, Annexure C, and Annexure E of the Sibona Trust Deed https://sibonailangatrust.co.za/wp-content/uploads/2024/03/SIT-Sibona-Ilanga-Trust-deed-201910.pdf
[23] Sibona Trust Deed, Clause 38.2
[24] Sibona Trust Deed, Clause 38.4 and 38.7
[25] Sibona Trust Deed, Clause 38.5
[26] Sibona Trust Deed, Clause 38.10
[27] Sibona Trust Deed, Clause 2.1 in Annexure B to the deed
[28] Sibona Trust Deed, Clause 2.2 in Annexure B to the deed
[29] Sibona Trust Deed, Clause 2.3 in Annexure B to the deed
[30] Sibona Trust Deed, Section 2 in Annexure C to the deed
[31] Sibona Trust, Financial Statements (audited financial statements for the period ending 28 February 2023 were signed by the designated Trustees and Ernst & Young on 17 April 2024) https://sibonailangatrust.co.za/governance/annual-financial-statements/
[32] Sibona Trust, 2023 Financial Statements, pg. 6
[33] *Id*
[34] *Id,* pg. 13
[35] *Id,* pg. 12
[36] *Id,* pg. 14
[37] Sibona Trust, Sibona Ilanga Trust Booklet 2024, https://sibonailangatrust.co.za/wp-content/uploads/2024/10/Sibona-Ilanga-Trust-Booklet-8-October-2024-.pdf
[38] Letsatsi Trust 2024 Booklet https://letsatsiborutho.co.za/community-engagement-booklet-available-for-download/
Amandla Trust 2024 Booklet https://amandlaomoyatrust.co.za/community-engagement-booklet-avaiable-for-download/
[39] INSPIRE, "About us" (website consulted November 2024) https://inspire-excellence.net/about-us/
[40] Terence Creamer, New learning hub aims to equip social practitioners to raise impact of IPP upliftment programmes, Engineering News, June 2021 https://www.engineeringnews.co.za/article/new-learning-hub-aims-to-equip-social-practitioners-to-raise-impact-of-ipp-upliftment-programmes-2021-06-30
[41] JustRE, "About us" (website consulted November 2024) https://inspire-excellence.net/projects/justre/
[42] This firm has subsequently changed its registered name to Krutham SA (Pty) Limited, as a subsidiary to the Intellidex Company. Further information available at https://www.krutham.com/who-we-are/our-history/
[43] Communities in Transition Report, pg. 9
[44] *Id*
[45] *Id*, pg. 17
[46] *Id*, pg. 24.

[47] *Id*, pgs. 16-17
[48] *Id*, pgs. 18-19
[49] *Id*, pg. 23
[50] *Id*
[51] *Id,* pg. 25
[52] *Id,* pgs. 25-26
[53] *Id,* pgs. 27-28
[54] *Id*
[55] *Id,* pg. 30
[56] *Id*, pg. 31
[57] *Id*, pgs. 43-50
[58] *Id*, pg. 34
[59] Refer to SAPVIA's statement accessible at https://sapvia.co.za/roundtable-conversation-series-economic-development-in-reipppp-supporting-sound-community-trusts-establishment-governance-and-operations/
[60] Communities in Transition Report, pg. 35-66
[61] *Id*
[62] *Id*
[63] *Id*, pg. 37
[64] *Id,* pg. 39
[65] *Id*, pg. 40.