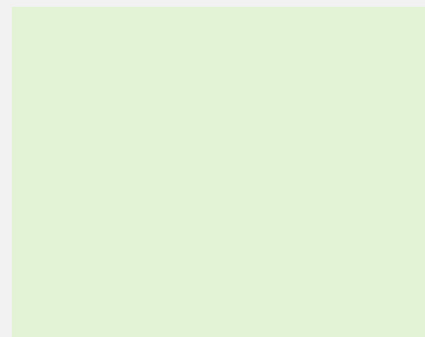
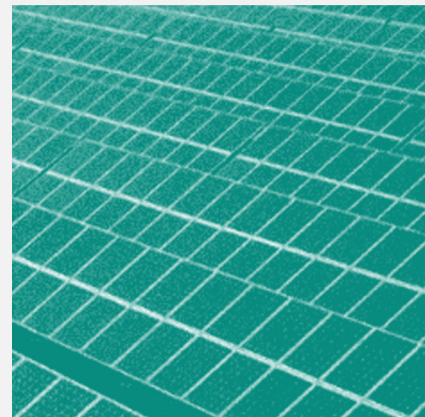
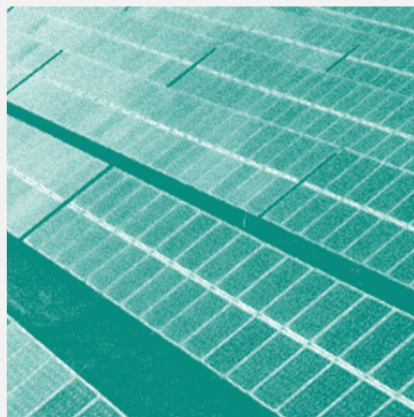
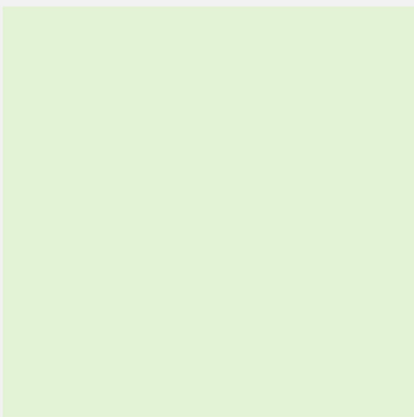


5 Energising the Private Sector through the Benban Solar Park in Egypt

Omar Ghannam, Social Justice Platform



Introduction

The imposition of liberalisation and privatisation policies on Egypt by international financial institutions can be reflected in how the private sector is engaged in development cooperation. The stress on private sector financing is further promoted for energy transition and climate projects, such as the Benban Solar Park. As the largest photovoltaic power plant, the project aims to provide electricity to hundreds of thousands of households, by mobilising financing from various development banks and partnering with numerous contractors for its implementation. However, the case study highlights the negative impact of large-scale energy projects on affected communities, as their needs are hardly met despite promises from the private sector to provide educational and job opportunities for affected peoples.

Country Context

Private sector intervention in economic growth and development can be traced to the opening up of the economy by Egypt in the 1970s. The role of the private sector in development has been heavily controversial and contested in Egyptian politics. Coming from the 1950s and 1960s when the public sector led the country's economic life and development, the stress on private sector intervention has been pursued with the adoption of rescue packages from the International Monetary Fund (IMF). These rescue packages imposed privatisation of essential goods and services, and deregulation of business operations, despite not being supported by the democratic will of the people. With the rollback of the welfare state and the imposition of these policy conditionalities, the workforce lacks benefits and sufficient labour protections.

During this period, privatisation enabled the cannibalisation of productive state assets, creating large business conglomerates that dominate the Egyptian economy until today.¹ Under vertical integration, large corporations absorbed small and medium enterprises (SMEs), creating monopolies and controlling the market. Meanwhile, small and medium enterprises end up at a severe disadvantage, as not only do they lose their customers, but they also lack the influence and ability to compete with large corporations for state contracts and services. On the whole, this pushes SMEs to the margins and incentivises them to join the ranks of the informal sector.²

Overview of private sector engagement in Egypt

A country case study conducted by the Global Partnership for Effective Development Co-operation (GPEDC) mapped Egypt's landscape of private sector engagement in development cooperation.³ Published in 2018, the study was able to map a total of

¹Gad, Mohammed. (2018). Egypt's Proprietors: The story of the rise of Egyptian capitalism. Dar Al Maraya.

²Quarshi, Hebatallah. (2021, December). Is it Possible that the Private Sector is the New Favored Employer. Alternative Policy Solutions. The American University in Cairo.

³Global Partnership for Effective Development Co-operation. (2018, October 8). Private sector engagement through development co-operation in Egypt. <https://www.oecd.org/dac/effectiveness/PSE-case-study-Egypt.pdf>

277 development projects where private sector entities intervened in the country. This research aims to provide a continuation of this study, mapping 148 projects that were not included in the previous study by the GPEDC. The research found the following trends in the role of the private sector in development cooperation in Egypt:

Finance is the dominant modality of private sector engagement. Almost 80% of the projects have been provided financing by private sector partners, and only 10.6% of the projects provide technical assistance, 10% are for capacity development and 0.6% for knowledge sharing. The majority of these are disbursed in loans (56.3%), contributing to further debt distress in the country. Financing is also provided through blended finance mechanisms and equity investments.

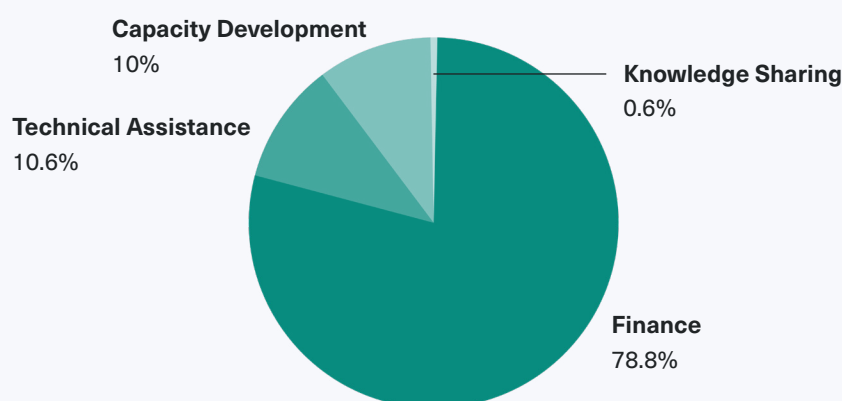


Figure 1. Modality of private sector engagement.

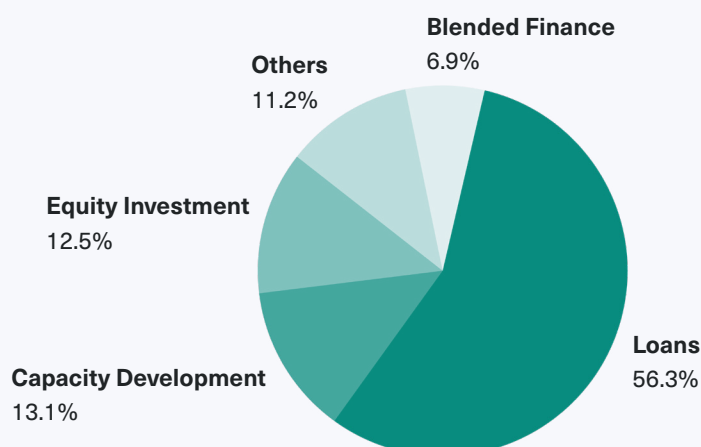


Figure 2. Programme type of projects under PSE.

The primary sectors financed by private sector partners are financing towards small and medium enterprises (SMEs) and the energy sector. Many of these projects for SMEs entail the participation of local financial institutions as intermediaries to provide the necessary financing for SMEs. However, it has to be noted that these banks do not need additional aid to disburse assistance to SMEs, and the loans are used as incentives for banks to subsidise the balance of foreign accounts in the country.

Following finance, energy is the most funded sector. Significant funding has been poured into solar and wind energy power plants. Meanwhile, manufacturing which employed around 28%⁴ of the workforce received little more than 8% of all projects, and agriculture employing more than 20% of the workforce⁵, received less than 3.5%.

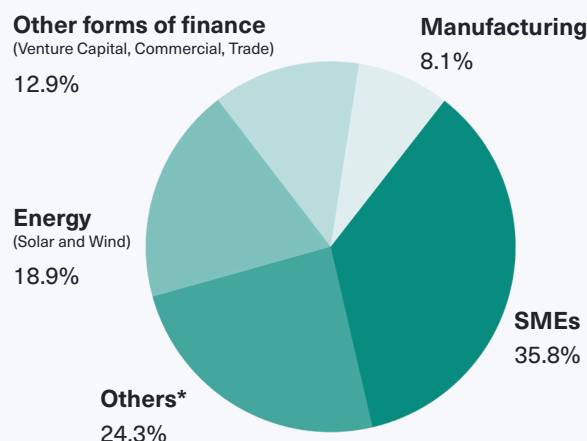


Figure 3. Sectors of development projects under PSE.

* Agribusiness, Water, Healthcare, Market Research, Technology

International financial institutions are primarily the development partners for projects that entail the participation of the private sector. In Egypt, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) and the European Investment Bank (EIB) are the major players. Bilateral donors most active in the country include Germany, the United States, the United Kingdom, and Switzerland. This disparity is concerning and is arguably a manifestation of the differing priorities between donors and aid recipients.

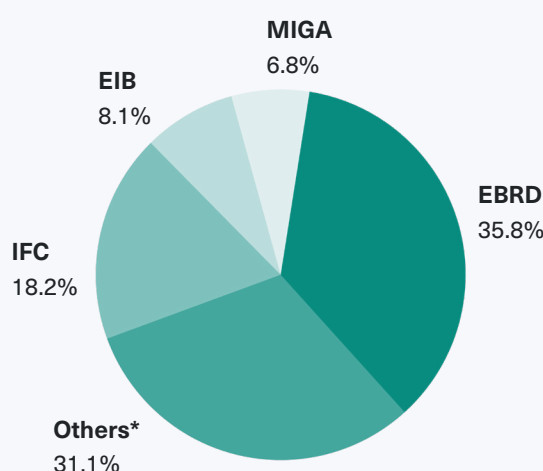


Figure 4. Development partners of projects under PSE.

* OPEC fund, BMZ, UK Aid, USAID, AfDB, JBIC

⁴World Bank. Egypt: Employment in Industry. <https://data.worldbank.org/indicator/SL.IND.EMPL.ZS?locations=EG>.

⁵World Bank. Egypt: Employment in Agriculture. <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=EG>

Multinational and large domestic corporations benefit the most from development financing. Multinational companies have a role in 59 projects, while large domestic corporations profited from 42 projects. Only a small portion of the projects partnered with SMEs. It is also important to note that a significant portion of these transnational corporations that originated in Egypt were either acquired by foreign multinationals or went offshore for the purposes of tax avoidance.

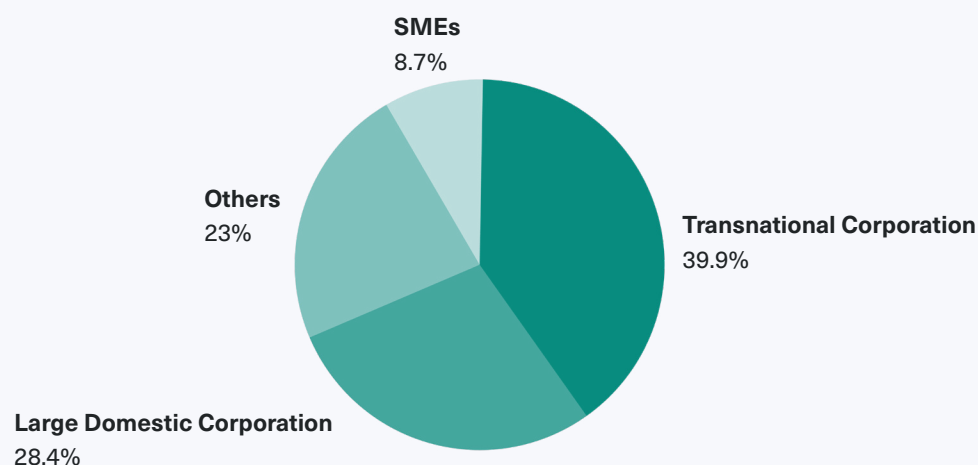


Figure 5. Type of private sector engaged.

Benban Solar Park

Overview

One of the development projects undertaken with the private sector in Egypt is the Benban Solar Park. The energy project is an ambitious initiative that entailed the participation of a wide range of development and private sector partners, as they played a role in the financing, construction, operation, and maintenance of the solar power plants. Aligned with the trends found in the research, financing is disbursed in loans, with international financial institutions (IFIs) playing a prominent role, and undertaken with large transnational corporations.

About the project

The Benban Solar Park project was launched in 2018 as part of the government's Sustainable Energy Strategy 2035. The project consisted of building 41 solar power plants in Benban, Aswan Governorate, Egypt, making it the largest photovoltaic power plant in the world. The government partnered with 30 private sector developers to undertake the construction, maintenance and operation of the power plants, through 'feed-in tariffs', which entails offering a 25-year power purchase agreement with a price guarantee to private sector partners.⁶

Modality	Financing, Technical Assistance
Instrument	Public-private partnership
Program Type	Build-Operate-Transfer
Duration	2018-2019
Budget	USD 4 billion
Sector	Infrastructure, energy
Development Partner(s)	New and Renewable Energy Authority (NREA) and the Egyptian Electricity Transmission Company (EETC)
Type of private sectors engaged	Large transnational corporations

⁶New and Renewable Energy Authority. (2016). Strategic Environmental and Impact Assessment Benban 1.9 GW Photovoltaic Solar Park (NREA), Egypt. <https://www.ebrd.com/documents/environment/esia-48213nts.pdf>

Private sector partners

The project was pursued with a total of 30 contractors, which includes Infinity 50, SP Energy, Horus Solar Energy, Scatec Solar, Phoenix Solar, Acciona Energia, KCC Corporation, Taqa Arabia, Al Tawakol Electrical, Enerray, Desert Technologies, Spectrum, Delta for Renewable Energy, ARC for Renewable Energy, Arinna Solar Power, Alcazar Energy Partners, Acciona Benban, Acciona Energia, Swicorp, and Chint Solar.

Other dev't partners

The following financial institutions provided financing in their own capacity: European Bank for Reconstruction and Development, Bayerische Landesbank, Arab, African International Bank, and the Multilateral Investment and Guarantee Agency. Two consortiums were also formed to mobilise financing for the solar park. A consortium led by the International Finance Corporation was formed with the Africa Development Bank, the Asian Infrastructure Investment Bank, the Arab Bank of Bahrain, the CDC Group Development Bank, the Europe Arab Bank, the Green for Growth Fund, FinnFund, the Industrial and Commercial Bank of China, Oesterreichische Entwicklungsbank AG. Another consortium was led by International Development Finance and joined by the EBRD, United Nations' Green Climate Fund, Dutch Development Bank, Netherlands Development Finance Company, Islamic Development Bank, and the Islamic Corporation for the Development of the Private Sector.⁷

Role of partners

The project was financed by international financial institutions, and executed by a group of private companies under a Build-Operate-Transfer model, whereby ownership would revert to the government after 25 years. The project is heavily funded by IFIs and the consortiums they formed, while World Bank's Multilateral Investment and Guarantee Agency provided USD 210 million for political risk insurance to the private sector partners of the project.⁸ NREA and EETC are responsible for managing the land rentals by the developers and providing the basic infrastructure, such as access roads and electricity substations, for the implementation of the project.⁹

Monitoring

NREA undertook a Strategic Environmental and Social Impact Assessment (SESA) for the entire project, which is subject to the review by the Egyptian Environmental Affairs Agency (EEAA). Individual power plants are also required to apply for an environmental permit from the EEAA.

Results framework

No information available

Results

The solar park was connected to the national grid in 2019 and is able to power a total of 420,000 households, with lower costs of solar energy.¹⁰ Although the project fulfilled its objective of creating a sustainable green energy source, its developmental effects on the region are arguably negligible if not outright negative.

Evaluation

No information available

⁷Benban solar park, Egypt, world's biggest solar photovoltaic. (2018, December 3). NS Energy. <https://www.nsenergybusiness.com/projects/benban-solar-park/>.

⁸Raven, A. (2017, October 29). A new solar park shines a light on Egypt's energy potential. IFC. <https://www.ifc.org/en/types/stories/2010/benban-solar-park-egypt>

⁹New and Renewable Energy Authority. (2016). Non-Technical Summary. Strategic Environmental and Impact Assessment Benban 1.9 GW Photovoltaic Solar Park (NREA), Egypt. <https://www.ebrd.com/documents/environment/esia-48213nts.pdf>

¹⁰United Nations Framework Convention on Climate Change. (2021, April 21). Solar Projections. UNFCCC.

Adherence to the Kampala Principles

Kampala Principle 1: Inclusive Country Ownership

The Benban Solar Park Project is aligned with national policies and strategies, such as the Sustainable Energy Strategy 2035. This strategy details how the country will reach its target of generating 20% of its electricity from renewable sources by 2022 and 42% by 2035. Considering the country's context, these will come from photovoltaic, wind, and hydropower plants. Egypt's aim to become a hub of green energy is well served by the slew of investments coming into the sector. There is also a significant focus on capacity building, especially for government authorities in rural areas, as well as partnerships with state authorities and state-owned banks, to fulfil sustainable development goals. However, engagement with local communities and civil society is lacking in formulating these strategies and policies, due to the restrictive atmosphere in the country, as the state stifles opposition and undertakes repressive practices to protect private capital.

In a broad sense, it can also be seen that the donors heavily determine the development projects being financed in the country to suit their own interests. Energy and climate projects are the most funded by donors, despite being a low-density sector that creates a limited number of jobs compared to manufacturing and agriculture. While investment in the energy sector is necessary, if it is not balanced with investments in other sectors that could generate jobs and eradicate poverty, it would not be able to address pertinent development challenges. Furthermore, the energy sector has also facilitated the amassing of wealth by international and domestic large-scale corporations as they are given financial incentives and control over energy sources, further exacerbating inequalities and hindering access.

Kampala Principle 2: Results and Targeted Impact

The solar park was connected to the national grid in 2019 and is now able to power a total of 420,000 households, with lower costs of solar energy.¹¹ Although the project fulfilled its objective of creating a sustainable green energy source, it has contributed to adverse impacts on affected communities. The village of Benban, where the project is located, has a population of over 55,000 people, most of whom work in agriculture and handicrafts. The village was quite neglected due to the lack of quality services provided. For example, the school buildings were roofed with tin and corrugated iron sheets and only a few amenities were available for the students. The affected communities felt neglected with the implementation of the project as their needs were not adequately responded to by the government and other development partners. This also fostered conflict among the community members and with government and project staff coming from outside the village.

Under a corporate social responsibility agreement, the contractors pursued several educational initiatives for the affected communities. While they contributed to improving the local school and founded a specialty school for the training of solar energy specialists and operators, these were only set up after the project was finished. This meant that the local graduates were not able to field jobs in the Benban Solar Park, since the positions were already filled.

¹¹United Nations Framework Convention on Climate Change. (2021, April 21). Solar Projections. UNFCCC.

Photo from Khaled Desoukia/AFP/Getty Images via CNN



While there were claims that the project was able to generate 20,000 jobs during the construction phase,¹² these opportunities were not extended and were not enough for the local population of more than 55,000 people. Since the project demanded a high level of expertise, less than 30% of the available jobs were awarded to the community. While the construction phase was able to employ thousands of workers, the maintenance and operation of the power plants required less staff, with only a few dozen jobs available after the construction.

Kampala Principle 3: Inclusive Partnership

Stakeholder engagement for the Benban Solar Park was only conducted after the design and initial phase. The affected communities have noted that their engagement was less on the consultation for their needs, but more of a propaganda campaign to ensure that they will endorse the project. While the project staff explained the positive impact of the project on the energy and climate situation of the country, the initiative lacked direct benefits to the local population.

The draconian situation regarding civil liberties in the country also largely prohibits the development of truly inclusive partnerships that would fulfil the Kampala principle. Heavy-handed security measures and restrictive laws governing civil associations disallow the kind of societal representation needed to ensure inclusivity and social monitoring. Distrust between the government and civil society actors and trade unions usually results in the sidelining, if not the complete exclusion, of the latter.

¹²African Development Bank & African Development Bank Group. (2023, April 11). Egypt: Benban, a model of clean energy production in Africa. African Development Bank Group - Making a Difference. <https://www.afdb.org/en/success-stories/egypt-benban-model-clean-energy-production-africa-60169>

Kampala Principle 4: Transparency and Accountability

The lack of an enabling environment for civil society and weak regulatory mechanisms result in decreased accountability of public and private sector actors. Transparency is also lacking, as projects often lack published monitoring, results and evaluation frameworks. This could be highly conducive to corruption, the misuse of resources, and especially conducive to inefficiency.

Kampala Principle 5: Recognising, sharing and mitigating risks for all partners

Private sector engagement in Egypt saw little resources directed to essential infrastructure, access to basic services, provision of decent work, and eradication of poverty. While the Kampala Principles emphasise “profitable solutions to sustainable development challenges,” it fails to account for the inherent contradictions between profit-seeking and value extraction of private sector entities on the one hand, and the development needs and people’s interests on the other.

This can be effectively seen in the case of the Benban Solar Park Project, as surrounding affected communities were not adequately consulted regarding their needs, which led to more adverse impacts for the poor and the marginalised. While there were initiatives pursued by the government and private sector partners to provide assistance, these were not rooted in people’s realities and ultimately failed to address the long-standing development challenges exacerbated by the project. Furthermore, it can be seen that the private contractors and IFIs for the project benefited the most, amassing profit, securing energy access at lower prices, and having significant control over renewable energy sources in the country.

Photo from Amr Abdallah Dalsh/Reuters via Japan Times



Conclusion and Recommendations

Effective private sector engagement in development requires close monitoring, cooperation, conditioning, and strict guardrails. However, as long as the neoliberal framework persists, with the continued deregulation of market activities and the privatisation of goods and services, the role of the private sector in development remains questionable. That is not to say that the private sector cannot be engaged for development, but for private sector entities to be effective partners for development cooperation, they need to be put under much closer scrutiny and should not be allowed to drive development priorities considering their for-profit motives. This would not be a novel attempt, not even in the Egyptian context, in which postcolonial industrialisation policies made heavy use of guiding the private sector in achieving its development goals.¹³ Other recommendations include:

- **Strengthen government regulation, monitoring, and evaluation of private sector engagement in development cooperation to ensure proper design, planning, and implementation of development projects. In addition, enterprises that make use of tax avoidance schemes and off-shoring should be barred from development projects as tax avoidance is evidence enough of their commitment to profit over development.**
- **Ensure transparency and accountability of government and its partners by mandating the required publication of reports, providing an enabling environment for civil society, and supporting their monitoring function.**
- **Open and transparent civic space is essential to allow local communities not only to decide on what development means for them but also to exercise more control over their own lives and livelihoods. This does not mean consulting the community about implementing a project or not, but giving them the command over resources to decide on what project it needs and wants, promoting democratic ownership over their development priorities and needs.**
- **In the face of the dominance of large multinational and domestic corporations as partners for development initiatives, other private sector entities such as cooperatives and social enterprises must be considered. More resources should be dedicated to reviving cooperatives, especially in the agricultural sector, to bolster smallholders in the face of large transnational corporations' dominance. Not only does the sector receive disproportionately little investment compared to the size of its workforce, but it is also best positioned to contribute to the elimination of poverty, and ensuring that no one truly is left behind.**

¹³Megahed, K. and Ghannam, O. (2022). The Rocket in the Haystack: Between Nasser's Developmental Vision and the Neo-Imperialist Mission. *Africa Development* 47 (1).