

2026

EMBEDDING A **JUST URBAN** **TRANSITION** IN INFORMAL SETTLEMENT UPGRADING



Policy Brief

Governance and Funding Priorities for South Africa

ACKNOWLEDGEMENTS

This document is an output of the project **Embedding a Just Urban Transition Approach to Informal Settlements in Policy and Practice**, a partnership initiative between Isandla Institute and the National Treasury Cities Support Programme (CSP). Informed by engagements with key human settlements stakeholders, it summarises an urban reform agenda focused on climate resilience, livelihoods, governance, and investment in informal settlement upgrading.

The project was supported by the UK Foreign, Commonwealth & Development Office.



April 2026

Images: Isandla Institute

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EXECUTIVE SUMMARY

South Africa's urban future will be defined by how effectively it addresses the intersecting challenges of rapid urbanisation, climate change, and persistent informality. Approximately 12.5 million people live in informal settlements, often facing high unemployment, inadequate services, and acute climate risks.

Current upgrading approaches are fragmented and infrastructure-focused, limiting their impact on livelihoods, resilience, and long-term development. A **Just Urban Transition (JUT)** approach offers a pathway to align climate action with economic inclusion, resilience and socio-spatial justice.

This brief outlines **priority reforms in governance, funding, and implementation**, and sets out **specific actions and institutional commitments** required from key national stakeholders:

- National Department of Human Settlements (NDHS)
- National Treasury
- Department of Cooperative Governance (CoGTA)
- Operation Vulindlela

Between 2023 and 2026, Isandla Institute led a series of initiatives exploring how informal settlement upgrading can support, and even catalyse, a just urban transition in South Africa. The work highlighted limited climate resilience knowledge among human settlements practitioners, while identifying informal settlements as critical sites for advancing climate adaptation, mitigation, spatial justice, sustainable livelihoods, and resilience.

In partnership with the Cities Support Programme of National Treasury and supported by SouthSouthNorth (2025) and the UK Foreign, Commonwealth & Development Office (2026), the initiative produced a range of research outputs, practice briefs, and knowledge-sharing dialogues. It also facilitated strategic engagements with key government stakeholders to advance an urban reform agenda focused on climate resilience, livelihoods, governance, and investment in informal settlement upgrading. This document summarises the conclusions and commitments arising from these engagements.

BACKGROUND

In 2023/2024, following the launch of [Pathways for a Just Urban Transition in South Africa](#) (referred to as the JUT Framework) by the Presidential Climate Commission (PCC), Isandla Institute undertook a scoping exercise to examine the meaning and implications of a just urban transition approach for informal settlements. Drawing on research and stakeholder engagement, the initiative found that climate change remains a relatively distant concern for many human settlement stakeholders and practitioners, with limited understanding of approaches that support climate mitigation, adaptation and resilience.

The process also highlighted a significant but underutilised opportunity to position informal settlement upgrading at the centre of climate action in ways that advance spatial justice, dignity, sustainable livelihoods and resilience. Achieving this requires a substantial reframing and prioritisation of informal settlement upgrading, supported by increased financial investment and institutional capacity. These findings and recommendations were presented in [Making sense of a just urban transition for informal settlement upgrading](#).

In 2025, Isandla Institute partnered with the Cities Support Programme of National Treasury to convene a series of critical dialogues exploring climate resilience as a core component of informal settlement upgrading. Supported by SouthSouthNorth, the dialogues aimed to identify strategic opportunities to unlock greater capacity and investment in this area. The project resulted in three practice briefs and a synthesis document:

- [Undoing the crises of vulnerability and spatial injustice: Prioritising informal settlements in the just urban transition](#)
- [Centring the local economy and livelihoods in informal settlement upgrading](#)
- [Governance and funding for informal settlement just transitions](#)
- [Informal settlements as catalysts for a just urban transition](#)

In 2026, building on this work, Isandla Institute and the Cities Support Programme convened a series of targeted roundtables to broaden engagement and deepen understanding of the implications of the just urban transition for informal settlements. A particular focus on sustainable livelihoods, economic development, and the role of public employment programmes in neighbourhood development informed the knowledge brief [Sustainable livelihoods, neighbourhood development and climate resilience](#).

As part of the initiative, and informed by these roundtables, strategic bilateral engagements on an urban reform agenda were held with National Treasury, the Department of Cooperative Governance and Traditional Affairs, the Department of Human Settlements, the Presidential Employment Stimulus, and Operation Vulindlela. This initiative was supported by the UK Foreign, Commonwealth & Development Office (FCDO). This document summarises the conclusions and commitments arising from these engagements.



THE POLICY PROBLEM

Informal settlement upgrading in South Africa is constrained by:

- Fragmented, project-based approaches rather than coordinated programmes
- Overemphasis on physical infrastructure, with limited focus on livelihoods and social/economic infrastructure and activation
- Weak alignment between funding instruments (e.g., ISUPG, USDG, climate finance)
- Declining and underutilised grant funding
- Limited municipal capacity and coordination
- Insufficient community participation and co-governance
- Inadequate modalities to facilitate sustained partnerships with civil society organisations and the private sector

These challenges undermine climate resilience, economic inclusion, and spatial transformation.

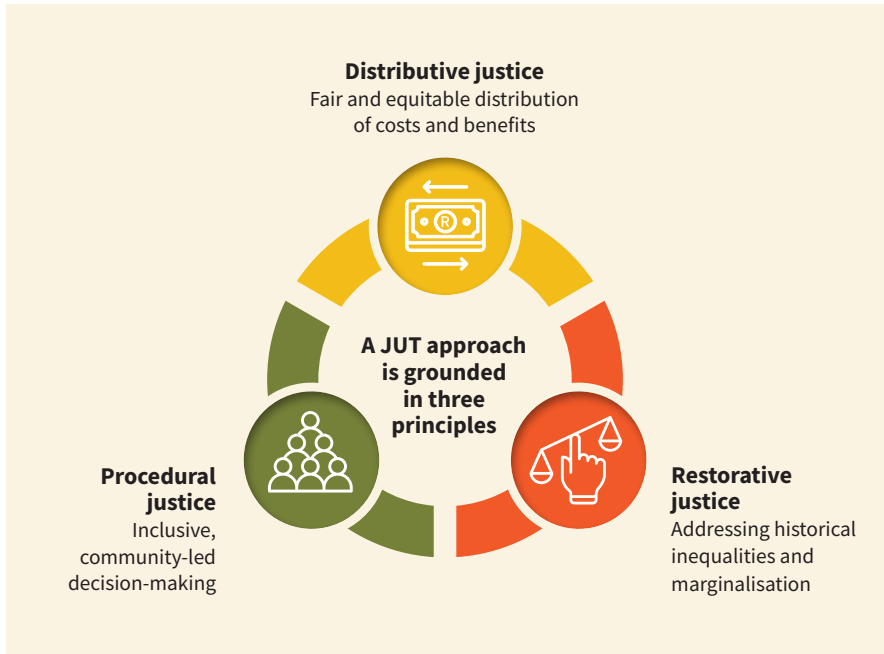


A JUST URBAN TRANSITION (JUT) APPROACH

A JUT approach integrates:

- Climate mitigation (decarbonisation)
- Climate adaptation (resilience-building)
- Economic inclusion (livelihoods and local development)

Climate mitigation or climate adaptation?		
<p>Climate mitigation (decarbonisation) and climate adaptation are related, yet distinct, strategies for addressing climate change. There are potential co-benefits, trade-offs or unintended consequences between climate adaptation and mitigation, which need to be assessed. Ideally, both strategies are tackled together to maximise positive impacts and minimise potentially detrimental outcomes.</p>		
<p>Climate mitigation: Avoiding and reducing greenhouse gas emissions to curb global warming</p>	<p>Key actions</p> <ul style="list-style-type: none"> • Transitioning to renewable energy sources • Promoting energy efficiency (in all sectors of the economy and in all industries) • Carbon capture technologies • Urban greening (to reduce urban heat and manage stormwater) • Efficient public transport systems and promotion of non-motorised transport 	<p>Housing related examples</p> <ul style="list-style-type: none"> • Sustainable building materials and technologies • Energy-efficiency measures in homes/housing construction
<p>Climate adaptation: Adjusting systems and behaviour to current and future impacts of climate change</p>	<p>Key actions</p> <ul style="list-style-type: none"> • Climate-resilient infrastructure • Drought resistant farming • Management of natural resources (including greening) • Flood protection & flood management systems • Disaster risk management and early warning systems 	<p>Housing related examples</p> <ul style="list-style-type: none"> • Heat adaptation (e.g. ventilation, green roofs) • Raised foundations (to protect against floodwater) • Rainwater harvesting systems



A JUT approach is grounded in three principles:

- **Distributive justice:** Fair and equitable distribution of costs and benefits
- **Restorative justice:** Addressing historical inequalities and marginalisation
- **Procedural justice:** Inclusive, community-led decision-making

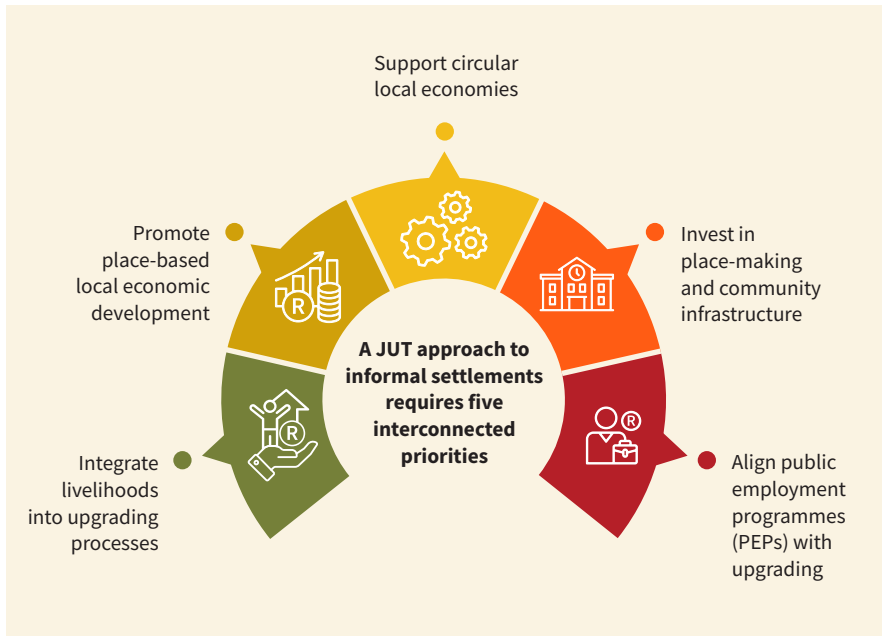
Critically, JUT centres **livelihoods and local economic development** as both a means (the process of upgrading) and outcome (resulting in an enabling environment for economic activity) of informal settlement upgrading.

STRATEGIC PRIORITIES

A JUT approach to informal settlements requires five interconnected priorities:

1. Integrate livelihoods into upgrading processes
2. Promote place-based local economic development
3. Support circular local economies
4. Invest in place-making and community infrastructure
5. Align public employment programmes (PEPs) with upgrading

Programmes such as the Social Employment Fund (SEF) and the Community Work Programme (CWP) demonstrate strong potential to deliver these outcomes at scale.¹



1 See the 2026 Knowledge Brief [Sustainable livelihoods, neighbourhood development and climate resilience](#) arising from this project.

KEY POLICY ACTIONS



1. Shift to a Programmatic Approach

Action	Replace fragmented project-based upgrading with coordinated, long-term programmes
Lead	NDHS, National Treasury
Timeline	Medium-term (1–3 years)



2. Align and Reform Funding Mechanisms

Action	Reverse declining allocations to the Informal Settlements Upgrading Partnership Grant (ISUPG) Align ISUPG, USDG, and climate finance into blended funding models Introduce outcome-based budgeting and performance indicators
Lead	National Treasury
Timeline	Immediate–Medium term



3. Embed Livelihoods and Economic Development

Action	Integrate economic planning into all upgrading initiatives Expand use of public employment programmes for neighbourhood development Support small enterprises and local value chains
Lead	NDHS, CoGTA (with PES)
Timeline	Immediate



4. Strengthen Municipal Capacity

Action	Establish dedicated, well-capacitated municipal units for upgrading Provide technical support and pipeline development capacity Link funding flows to demonstrated institutional capability
Lead	NDHS, National Treasury, Operation Vulindlela
Timeline	Immediate–Medium term



5. Institutional Co-Governance

Action	Establish social compacts between government, communities, labour, and business Scale community-based planning, contracting, and implementation
Lead	NDHS, CoGTA
Timeline	Immediate











6. Reform Procurement and Implementation Systems

Action	Enable community-based contracting and partnerships with civil society Streamline procurement processes to reduce delays
Lead	NDHS, National Treasury
Timeline	Immediate

INSTITUTIONAL COMMITMENTS

Following engagements with NDHS, National Treasury, CoGTA and OV, the following commitments were expressed by respective departments:

NDHS	
 <p>General/in-principle commitments</p>	<ul style="list-style-type: none"> • Embed JUT principles in the Human Settlements Code • Align conditional grants with JUT objectives • Improve procurement and contracting systems • Convene interdepartmental coordination and stakeholder platforms
 <p>Immediate commitments</p>	<ul style="list-style-type: none"> • Internal alignment on grant reform • Workshops to institutionalise JUT approach • Ministerial engagement to guide policy direction • Addressing municipal capacity constraints
National Treasury	
 <p>General/in-principle commitments</p>	<ul style="list-style-type: none"> • Strengthen coordination of funding streams • Pilot JUT-aligned financing mechanisms • Improve grant performance and accountability • Support integration of public employment programmes
 <p>Immediate commitments</p>	<ul style="list-style-type: none"> • Collaboration with CWP to improve coordination • Exploring ISUPG as a JUT financing instrument • Piloting reforms with NDHS

CoGTA	
 <p>General/in-principle commitments</p>	<ul style="list-style-type: none"> • Position CWP as a national JUT delivery platform • Embed CWP into municipal planning systems • Support community-led development and social cohesion
 <p>Immediate commitments</p>	<ul style="list-style-type: none"> • Strategy workshop to finalise the design of CWP as a JUT delivery platform • Collaboration with NDHS and National Treasury on CWP to improve coordinating • Inclusion of CWP as JUT delivery platform in White Paper for Local Government
Operation Vulindlela	
 <p>General/in-principle commitments</p>	<ul style="list-style-type: none"> • Address systemic bottlenecks in planning and implementation • Support municipal capacity-building • Align infrastructure, spatial planning, and economic development
 <p>Immediate commitments</p>	<ul style="list-style-type: none"> • Sharing frameworks and evidence • Supporting intergovernmental coordination • Advancing joint planning and implementation





IMPLEMENTATION AND MONITORING

Key indicators should include:

- Employment and livelihood outcomes
- Climate resilience improvements
- Community participation levels
- Efficiency and utilisation of grants
- Integration of funding streams

Monitoring mechanisms:

- Joint intergovernmental review platforms
- Outcome-based reporting systems
- Pilot programmes to test JUT implementation models

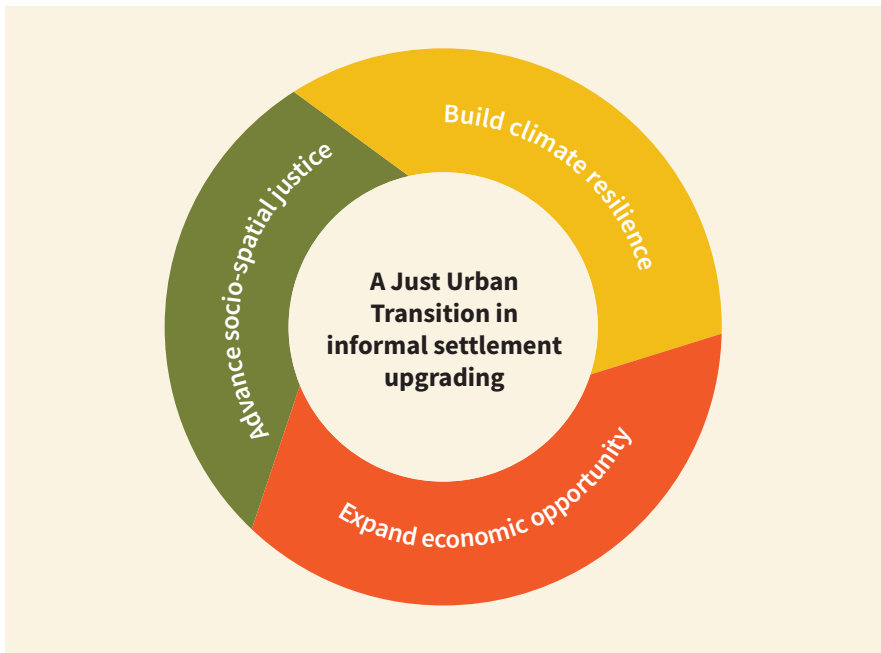
CONCLUSION

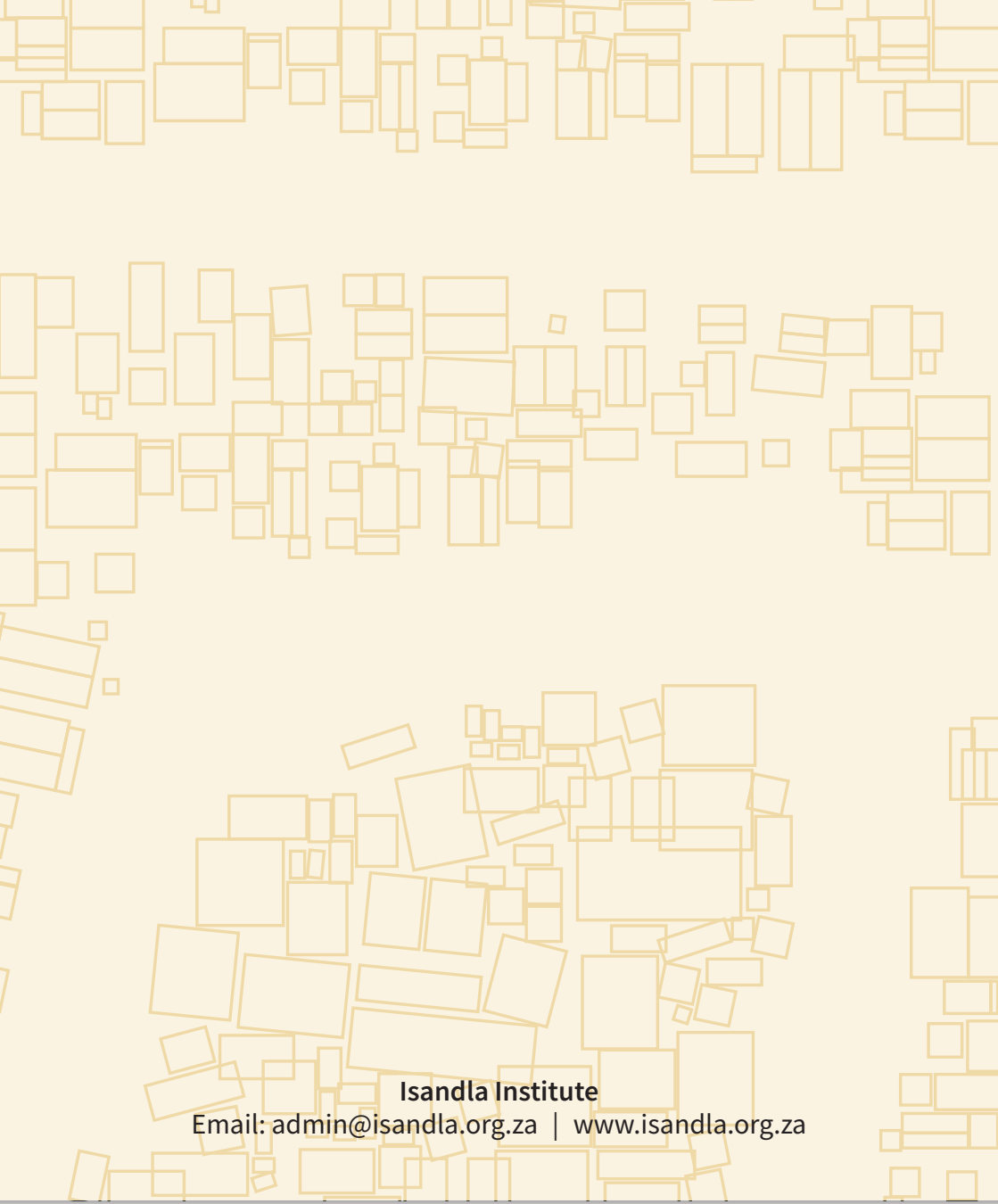
South Africa's informal settlements are central to its urban future. Without decisive reform, current approaches will continue to reproduce inequality, vulnerability, and exclusion.

A Just Urban Transition provides a **coherent, scalable framework** to:

- Build climate resilience
- Expand economic opportunity
- Advance socio-spatial justice

Government has already demonstrated commitment. The priority now is **coordinated implementation at scale**, supported by aligned governance, funding, and institutional capacity.





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