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INFORMAL SETTLEMENTS AS CATALYSTS FOR A **JUST** **URBAN TRANSITION**

A dialogue project of Isandla Institute and the
Cities Support Programme (CSP) of National Treasury



Practice brief #1

Undoing the crises of vulnerability and spatial injustice:
Prioritising informal settlements in the just urban transition

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Background to the initiative

South Africa's economy needs to shift away from its reliance on coal and move towards a low-carbon economy. Given the rate and scale of urbanisation and the concentration of economic activity in cities, the Presidential Climate Commission has developed a **Just Urban Transition framework** that argues for the vital role of cities in decarbonising the economy and enhancing climate resilience while ensuring that inequality and social exclusion are addressed. To transition South Africa to a net zero economy in a manner that is just and inclusive, informal settlements cannot be left behind.

In 2023/24 Isandla Institute engaged experts, civil society organisations and informal settlement communities to explore what the just urban transition means for informal settlements and for informal settlement upgrading. The resulting synthesis *Making sense of a just urban transition for informal settlement upgrading* offers a provocation to key actors to think differently about the intersection between the just (urban) transition and the lived reality of millions of people in South Africa. Amongst others, it raises critical questions and opportunities to rethink the governance, programme structure and finance dimensions of informal settlement upgrading, such that vulnerabilities and risks are addressed, and socio-economic opportunities are leveraged.

Building on this seminal report, Isandla Institute in partnership with National Treasury's City Support Programme hosted three dialogues between April and July 2025 to deepen the understanding of a just urban transition for, with and in informal settlements. The participants represented a diverse range of actors from civil society, government, practitioners and experts working on informal settlements, climate change and the just transition. The dialogues focused on three themes:

- #1. Undoing the crises of vulnerability and spatial injustice: Prioritising informal settlements in the just urban transition
- #2. Centring the local economy in informal settlement upgrading
- #3. Governance and funding for informal settlement just transitions

This practice brief summarises the insights and recommendations related to **Theme #1**. The dialogue was structured around a framing input by Mirjam van Donk (Isandla Institute). The dialogue was attended by Anton Cartwright (Econologic), Gita Goven (ARG Design), Adi Kumar (Isandla Institute), Seth Maqetuka (CSP), Pankie Matomela (CoGTA), Ben Mokheseng (DBSA), David Morema (Kuhle Solutions), Mirjam van Donk (Isandla Institute), Crystal West (DAG), and Staci Warrington and Carl Wesselink (SSN).

CONTEXT

Informal settlements are defining the urban landscape in South Africa. Over the last 30 years, informal settlements have grown almost 15-fold from 300 informal settlements in 1994 to over 4,000 in 2023.¹ While many informal settlements were established during apartheid, the growth in informal settlements is as a direct result of poor city planning and policies, and a public housing programme that is concentrated in marginal locations, thereby creating a disconnect between where people live, work and socialise. This exponential growth has come at a huge price – occupation of massive tracts of urban land, increased risk and vulnerability from fire and flooding, and inadequate shelter and basic services. The massive surge in informal settlement growth has also concentrated poverty along spatially and racially segregated lines. Despite the problems, informal settlements continue to provide access to urban opportunity and affordable mass housing to over a million households across the country.

Government has responded over the last three decades at many levels. There has been a strong emphasis on basic services such as water, sanitation and electricity to meet basic standards for households. Breaking New Ground expanded the provision of state subsidized housing to neighbourhood level interventions. Emerging out of this, the Upgrading of Informal Settlements Programme (UISP) has been the main programme to upgrade informal settlements. The emphasis of the programme is on in-situ and incremental upgrading in four phases starting from community participation, tenure, basic services and moving towards a formal home. Several entities such as the National Upgrading Support Programme (NUSP) were established to guide the upgrading of settlements, specifically through the Rapid Assessment and Categorisation (RAC) approach, which differentiates between informal settlements that are development-ready, that will follow a more incremental pathway towards formalisation, and those that need to be relocated due to natural hazards, risks and vulnerabilities. In 2019/2020, the National Department of Human Settlements streamlined the upgrading of

¹ In response to a parliamentary question, the Minister of Human Settlements indicated in September 2024 that the number of informal settlements in South Africa is 4 035, with over 2 million households living in informal dwellings (<https://pmg.org.za/committee-question/25992/>).

informal settlements through the introduction of the Informal Settlements Upgrading Partnership Grant (ISUPG), a new grant targeted specifically for incremental upgrading in partnership with relevant communities.

Despite these provisions, the provision of serviced sites (a key component of informal settlement upgrading, but not the be-all-and-end-all of upgrading) has seen a persistent decline since 2007. Between 2019 and 2024, the ISUPG enabled the delivery of 156 949 serviced sites,² averaging just over 30 000 serviced sites per annum – well below the annual national target of 60 000 in the Medium Term Expenditure Framework for 2019–2024. Several factors underly the poor performance in this regard, including ownership and cost of land, lengthy (and costly) administrative procedures, technical delivery challenges, bulk infrastructure capacity, and lack of municipal capability to upgrade informal settlements at a city-wide scale, amongst others. Civil society organisations have demonstrated several initiatives, such as reblocking, incremental house construction and innovative tenure mechanisms, but most have failed to scale beyond pilots.

In recent years, climate change has dramatically impacted informal settlements. The frequency and scale of flooding in Durban, extreme weather events in other parts of the country (e.g. intense thunderstorms, flash floods, tornadoes, heatwaves), and recurring shack fires are indicative of events and disasters to come. The Presidential Climate Commission (PCC) has invested heavily in managing national emissions while understanding the economic transition from coal to renewables. The Just Transition framework provides an incredible opportunity to rethinking the labour, financial and technical underpinnings to reduce national emissions and achieve net zero carbon emissions by 2050. While shifting South Africa's economy from coal-dependency to a net zero trajectory remains a huge challenge, it has not factored the lived reality of climate change, particularly for informal settlements. For instance, local action has been dominated by community-led adaptation and disaster relief. This has left a huge disconnect between the national ambitions and local actions.

2 <https://www.gov.za/news/media-statements/minister-mmamoloko-kubayi-human-settlements-annual-media-briefing-28-mar-2024>.

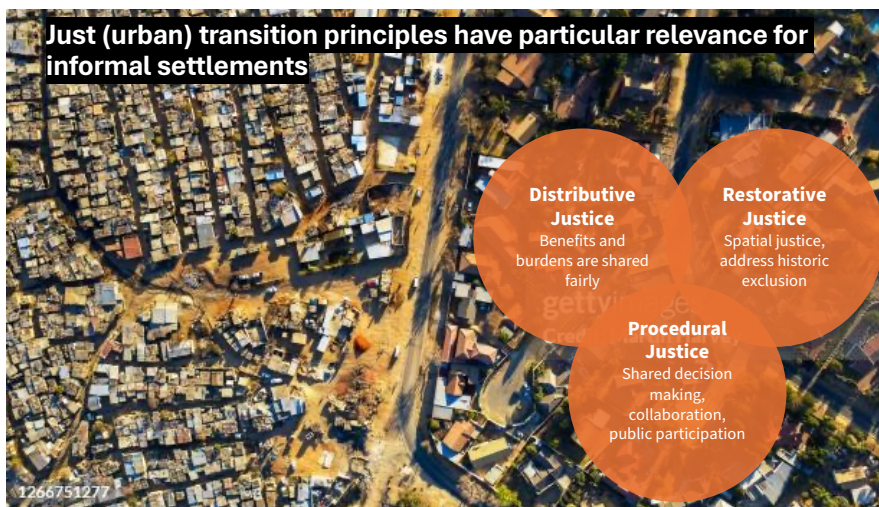
Decarbonisation or climate adaptation?

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.

	<i>Decarbonisation</i>	<i>Climate adaptation</i>
Primary focus	<ul style="list-style-type: none">• Avoiding and reducing greenhouse gas emissions to curb global warming	<ul style="list-style-type: none">• Adjusting systems and behaviour to current and future impacts of climate change
Key actions	<ul style="list-style-type: none">• Transitioning to renewable energy sources, energy efficiency (in all sectors of the economy and in all industries), carbon capture technologies• Urban greening (to absorb greenhouse gases)	<ul style="list-style-type: none">• Climate-resilient infrastructure, drought-resistant farming, management of natural resources, reduce risks from rising sea levels and increased floods
Housing-related example	<ul style="list-style-type: none">• Sustainable building materials and technologies	<ul style="list-style-type: none">• Energy-efficiency measures in homes/ housing construction

To transition South Africa to a net zero economy in a manner that is just and inclusive, informal settlements cannot be left behind. Informal settlement upgrading may, in fact, be a critical contributor and site of innovation in South Africa's just urban transition – *if* this is approached as *systemic change, at scale*, rather than piecemeal advances in climate adaptation and service provision.

For South Africa's urban transition to be just, the three dimensions of justice as articulated in the Just Transition Framework need to underpin the shift towards a sustainable, resilient economy and society, namely *distributive justice*, *restorative justice* and *procedural justice*.



Principles underpinning a just (urban) transition

- **Distributive Justice:** The risks and opportunities resulting from the transition must be distributed fairly, cognisant of gender, race and class inequities. It is essential that impacted workers and communities do not carry the overall burden of the transition, and the costs of adjustment are borne by those historically responsible for the problem.
- **Restorative justice:** Historical damages against individuals, community and the environment must be addressed, with a particular focus on rectifying or ameliorating the situations of harmed or disenfranchised communities.
- **Procedural justice:** Workers, communities and small businesses must be empowered and supported in the transition, with them defining their own development and livelihoods. It is about embracing the sentiment, “nothing about us, without us!”

Source: *A Framework for a Just Transition in South Africa*, A Presidential Climate Commission Report, June 2022, p8 and p9. These principles are reiterated in the *Pathways for a Just Urban Transition in South Africa* of 2023.

KEY INSIGHTS



Informal settlements, and informal settlement growth, are concentrated in urban areas where land contestation and densities are high and are often located in parts of the city where vulnerability to disasters is disproportionate.

The lack of enforcement on public and private land, particularly related to land occupation, often leads to exponential costs and the need for increased human capacity for upgrading informal settlements. Densities are a moving target with significant shifts in demographics as smaller nuclear families or single headed young households settle in informal settlements and informal backyard housing. As a result, more creative tenure and housing solutions need to be explored to accommodate densities, rather than pursue relocation.

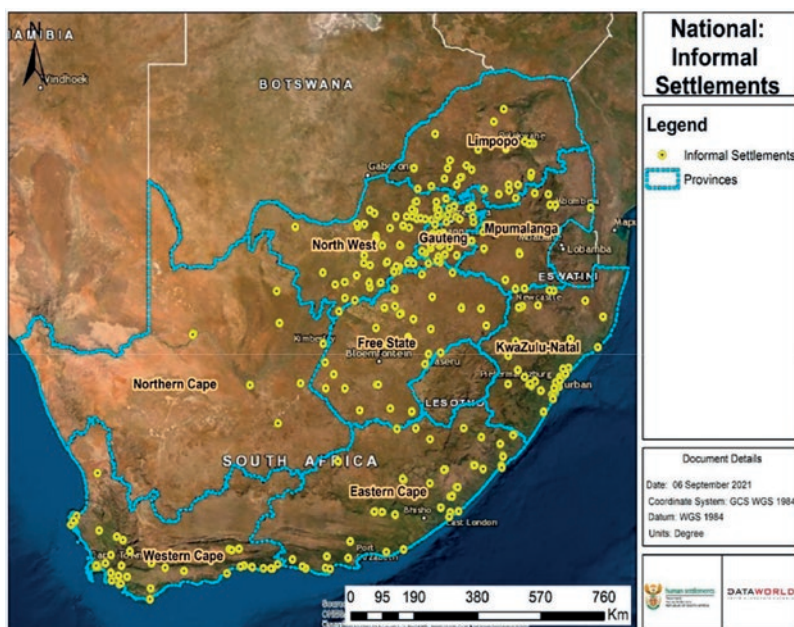


Figure 1: Distribution of informal settlements in South Africa

Source: *Baseline Evaluation of Informal Settlements targeted for upgrading in the 2019–2024 MTSF*, National Department of Human Settlements, December 2021, p.122.

Many informal settlements are in areas that are prone to hazards and disasters, such as flash floods, groundwater flooding, strong winds and landslides. High densities, flammable building materials, inadequate infrastructure and energy poverty further create an environment of fire risk. While recent years have seen an increase in disaster relief funding for municipalities via the Department of Cooperative Governance and Traditional Affairs,³ this is provided to deal with the consequences of disasters, as opposed to proactive climate adaptation and resilience measures.



The pace and scale of upgrading do not align with the scale of informal settlements (historically and newly formed informal settlements) and national housing demand.

The delivery of government subsidised housing has steadily declined over the last decade, as has the delivery of serviced sites (see Figure 2). The slow pace of in situ upgrading is driven by institutional complexity, shrinking budgets, policy uncertainty, municipal capability challenges, technical (e.g. engineering) norms, standards and procedures (e.g. environmental/heritage impact assessments) and land ownership, amongst others. In addition, lack of meaningful and sustained community involvement in all aspects of informal settlement upgrading means that climate risks are not properly understood and that community efforts are not adequately recognised and harnessed.

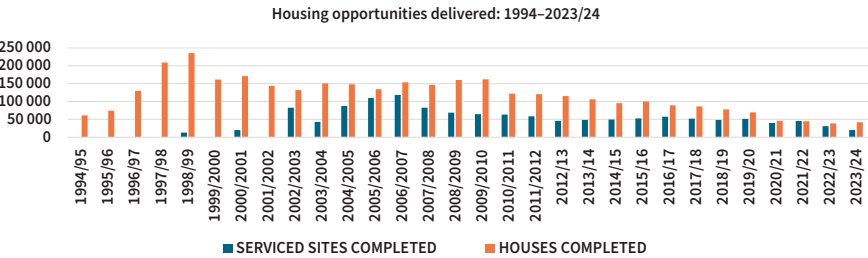


Figure 2: Housing opportunities delivered between 1994–2023/24 period

Source: Department of Human Settlements, Annual Performance Plan 2023/24, p.19

3 Disaster relief funding increased from R1.1billion in 2022/23 to R1.37billion in 2023/24 to R1.4billion in 2024/25.



Funding instruments are inadequate to respond to the scale and nature of problems.

Despite the ISUPG as a targeted funding instrument for informal settlement upgrading, there is little evidence of rapid site-and-service delivery, let alone comprehensive upgrading. Over the past 5 years, less than 160 000 serviced sites were delivered through the ISUPG; 88 047 of these were in metros and 68 902 were delivered by provinces.⁴ This means that between 2019 and 2024, the metros delivered on average 2 200 serviced sites per annum – less than 1–2% of the total number of households living in informal settlements in some metros.⁵

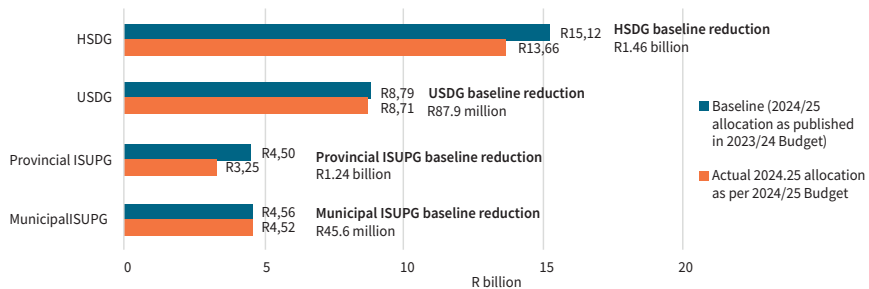


Figure 3: Provisional and adjusted resource allocation for 2024/2025

Source: 2024 Division of Revenue Bill (DORB), p.73 & 94. Explanatory Memorandum to the Division of Revenue.

4 This was reported by the then-Minister of Human Settlements, Minister Kubayi, in September 2024. Source: <https://pmg.org.za/committee-question/25992/>.

5 For example, the number of households living in informal settlements is estimated to be 196 000 in Cape Town (using 2011 Census data, the City extrapolates that 13.5% of its 1 452 845 households live in informal settlements) and 316 000 in eThekweni (source: presentation by eThekweni Municipality to the Portfolio Committee on Human Settlements, 8 March 2023).



The full cost of inadequate prioritisation of informal settlements is unknown but is undoubtedly very high.

The impacts of poor and inadequate living conditions in informal settlements, their spatial-environmental vulnerability and their often-marginal location (in terms of the urban economy) trickle down to many other aspects of the economy, with huge health, education and transport costs for both households and government. Government further spends billions on interim services, like chemical toilets, container-based sanitation and water tankers, and on disaster relief (in case of fire, floods, etc) – a cost in reality often disproportionately carried by affected households. Quantifying the cost of inaction or non-development is important for a rigorous economic cost-benefit assessment and for redirecting resources and investment accordingly.



The phased approach to informal settlement upgrading in the Upgrading of Informal Settlements Programme (UISP) suggests a trajectory towards incremental neighbourhood development, yet there is no consensus on what an ‘upgraded informal settlement’ looks like, let alone what this means for the city.

The current emphasis – at least in government rhetoric, if not in practice – on expanding access to serviced sites holds the risk of reducing informal settlement upgrading to a serviced-site approach. Accelerated delivery of serviced sites is a key element of informal settlement upgrading, but it is certainly not the be-all and end-all, and if it is not considered as part of a medium-term trajectory of neighbourhood investment and transformation, key opportunities for urban inclusion and spatial justice will be missed. A key challenge is that there is no shared vision or imaginary of what a settlement looks like during the process of upgrading and what it is transitioning into, nor what role informality may continue to play in cities and neighbourhood development. This is one of the reasons why adopting a programmatic city-wide approach to informal settlement upgrading is so important.



A just urban transition prioritises informal settlements as sites of investment to overcome socio-economic marginalisation, environmental vulnerability and spatial injustice.

Not only is informal settlement upgrading prioritised, but it is also pursued in a manner that builds resilience, supports climate adaptation and seeks to mitigate negative climate impacts by reducing carbon emissions in all aspects of development. This includes promoting sustainable public infrastructure and nature-based solutions and enabling the use of sustainable building technologies and materials for housing construction. Embedded in the notion of procedural justice is the principle of community-managed resources. Critically, the just urban transition emphasises the importance of sustainable livelihoods, income-generation and employment, both in the various interventions characterising informal settlement upgrading (e.g. as labourers, suppliers of goods and services, etc.) and as an outcome of the upgrading process (e.g. through the establishment of local precincts or trading hubs, or by enabling home-based enterprises). By pursuing a just urban transition approach to informal settlement upgrading, informal settlements can become key sites of innovation and learning and drive change within the urban system.



Higher levels of investment can create a risk of ‘capture’.

Endemic levels of corruption, extortion and cronyism create a particular environment of risk for places of opportunity. In the current environment, the more investment goes into informal settlements and the more economic opportunities are created as part of informal settlement upgrading, the greater the risk of criminal capture. A combination of community-based crime prevention and institutional approaches will be needed to prevent, monitor, report and deal with such instances.

CONCLUSION AND RECOMMENDATIONS

With an estimated one in four urban households living in informal settlements,⁶ South Africa cannot afford to continue to defer responding to the conditions of informal settlement residents. More recently, the concentration of the devastating impacts of extreme weather patterns in informal settlements should give further rise to action. Indeed, this should be understood as a national crisis, requiring extraordinary measures and targeted investment.

Using a just urban transition frame, this crisis can become a vital opportunity, not only for informal settlement residents but also for the urban systems that these settlements are part of. It can result in upgrading processes that are inclusive and empowering, that build resilience and create livelihoods opportunities. It can transform spaces of neglect into vibrant, dignified, sustainable and safe spaces to live, play and work in. It can facilitate social and economic connections within neighbourhoods and within the city, contributing to the local economy and overall quality of life.

Key recommendations for improved, JUT-aligned policy and practice are as follows:

1. A just urban transition for, with and in informal settlements must be spatially targeted, respond to local needs and embedded into local government administration and fiscal instruments. Responses should move away from top-down solutions towards a people-centred approach to development.
2. In partnership with relevant stakeholders, including informal settlement communities, develop a strategic vision and action plan for informal settlement upgrading at the city level – a programmatic approach – and at the neighbourhood scale, with incrementalism embedded in long-term outcomes. What gets measured, counts! The city-wide strategic vision for informal settlements needs to inform long-term pipeline planning that will determine appropriate pathways, as opposed to a reactive short-term project approach that has resulted in metros not spending their budgets, ineffective business plans and poor participation of communities.

6 <https://saldru.uct.ac.za/articles/2025-02-26-temporary-relocation-areas-inappropriate-response-serious-housing-crisis>

3. Address systemic implementation barriers by consolidating the approach to planning, procurement, engineering services, heritage and environmental issues. Unlocking this approach would require relevant capabilities to manage and coordinate across disciplines and departments.
4. Engage in holistic risk and vulnerability mapping beyond technical-environmental aspects to include issues such as local food systems, public amenities, community leadership structures and safety concerns (including crime hotspots) and complement neighbourhood-level mapping with city-level mapping (to show intersections and interdependencies).
5. Calculate the cost of disaster relief, health, maintenance and repairs of temporary/communal services and other downstream costs of non-provision to informal settlements, including the costs carried by households in the case of fire, floods, ill health, injury, death and with respect to transport, to inform a more accurate cost benefit analysis of informal settlement upgrading and allow for funds to be redirected to upgrading, rather than reactive measures.
6. Move beyond the reliance on government subsidy programmes to a more blended funding approach that includes private, household and other finance and that goes beyond infrastructure financing to include socio-economic facilities and programmes.
7. Foreground interventions and value chains that advance climate mitigation (decarbonisation), climate adaption and community resilience: This includes enabling the use of sustainable building materials/technologies for public infrastructure and housing, nature-based solutions, greening initiatives, community-managed water and sanitation systems, solar energy initiatives, etc.
8. Shift from conventional procurement and contractor-driven 'temporary' solutions towards more sustainable long-term solutions, with a preference for those that are community-owned and -managed.
9. Invest in, and provide suitable support mechanisms for, the enhancement of both municipal and community capacities and capabilities for holistic, coordinated and accelerated informal settlement upgrading, especially in light of climate change and the just urban transition.
10. Develop systems (both community-based and institutional) to mitigate against corruption, cronyism and gangsterism in just urban transition aligned neighbourhood development initiatives.

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