

2025

INFORMAL SETTLEMENTS AS CATALYSTS FOR A JUST URBAN TRANSITION

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



Project synthesis

Recommendations for policy and practice

Contents

BACKGROUND TO THE INITIATIVE	3
-------------------------------------	----------

PRIORITISING INFORMAL SETTLEMENTS FOR A JUST URBAN TRANSITION	4
--	----------

	Undoing the crises of vulnerability and spatial injustice	5
	Key recommendations.....	6
	Centring the local economy and livelihoods in informal settlement upgrading	7
	Key recommendations.....	9
	Governance and funding for informal settlement just transitions	10
	Key recommendations.....	11

Acknowledgements

This document is an output of the project ‘Informal Settlements as Catalysts for a Just Urban Transition’, a partnership initiative between Isandla Institute and National Treasury’s Cities Support Programme (CSP).

This project was made possible with funding from SouthSouthNorth (SSN). However, SSN does not necessarily endorse the views or outputs and accepts no liability for any claims, losses, or issues arising from the project’s work or information, including maps and their borders.

The organisers thank the participants in the dialogues for sharing their time and expertise, resulting in rich conversations and insightful recommendations.

Published in 2025

Images: Isandla Institute

Isandla Institute
admin@isandla.org.za
www.isandla.org.za

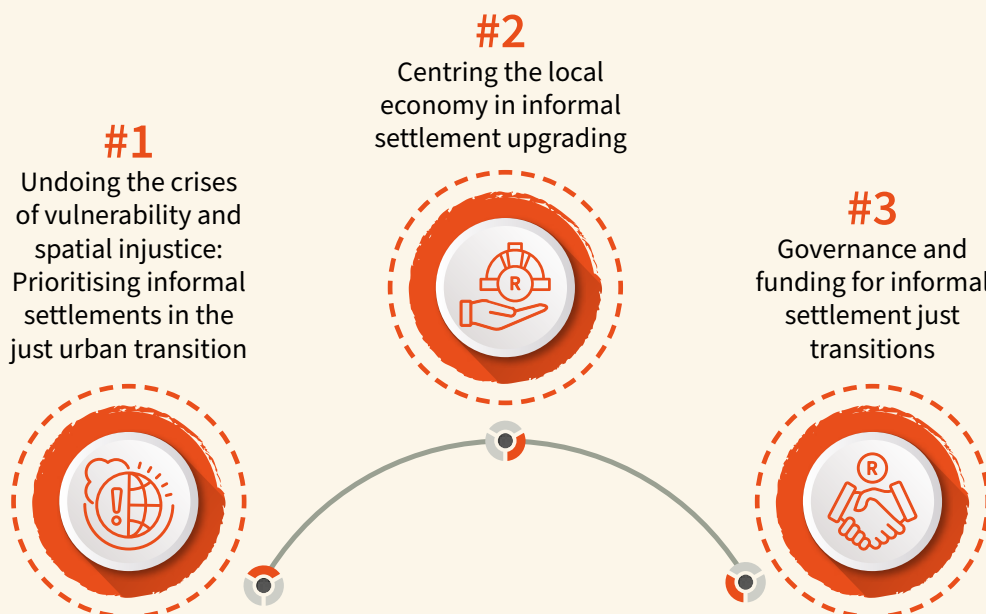
BACKGROUND TO THE INITIATIVE

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:



For each dialogue, a practice brief has been produced. This document summarises the insights and recommendations emanating from the dialogues. References and details of participants can be found in the practice briefs.

PRIORITISING INFORMAL SETTLEMENTS FOR A JUST URBAN TRANSITION

With an estimated one in four urban households living in informal settlements, 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.

Applying the just transition principles to informal settlement upgrading – some examples



Restorative justice

- Prioritisation of (in terms of budget and capacity allocation) informal settlement upgrading to address historical and systemic neglect
- Green infrastructure in informal settlements
- Addressing (climate-related) risks and vulnerabilities through climate mitigation and adaptation measures, including nature-based solutions



Distributive justice

- Access to work/livelihood opportunities for informal settlement residents (e.g. related to upgrading initiatives)
- Equal access to/roll-out of sustainable solutions (e.g. solar panels & lighting, sustainable building materials)
- (Cross) subsidisation of poor households (even/especially when wealthier households opt for off-grid/privatised solutions)
- Facilities and programmes designed with different social groups in mind
- Access to urban opportunity through improved mobility



Procedural justice

- Community involvement in decisions affecting them ('Nothing about us without us')
- Social compacts
- Community-driven enumeration/settlement profiling
- Budget transparency and accountability



Undoing the crises of vulnerability and spatial injustice

Informal settlements, and informal settlement growth, are concentrated in urban areas where land contestation and densities are high. Over 70% of all informal settlements are found in 15 municipalities, which include the metros and some secondary cities. These settlements are often located in parts of the city where vulnerability to disasters is disproportionate.

Current policy rhetoric suggests a significant shift from earlier discourses, either on 'eradication' or on quiet acceptance (leading to limited action), to a recognition that informal settlement upgrading needs to be advanced, and as much as possible *in situ*. However, 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. Clearly, institutional capacity and funding instruments are inadequate to respond to the scale and nature of problems.

The Upgrading of Informal Settlements Programme (UISP) suggests a phased 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. Through a co-creation process, clearly identifying intended outcomes – and the extent to which formal and informal systems may co-exist in our future cities and neighbourhoods – and key pathways to achieve these outcomes should be the first step in the process.

In doing so, it is critical to consider the full cost of inadequate prioritisation of informal settlements, such as costs related to interim service provision and the (frequently recurring) health, disaster relief and other costs (borne by both households and the state). This will assist in changing the economic calculus related to financial and human resource allocation for upgrading – and will ultimately free up resources that can be harnessed for informal settlement upgrading and climate action.

A just urban transition approach prioritises informal settlements as sites of investment to overcome socio-economic marginalisation, environmental vulnerability and spatial injustice. However, our current realities suggest that higher levels of investment can create a risk of 'capture'. It is therefore critical to put systems and measures in place that prevent, curtail and act against such insidious behaviour.





Key recommendations for undoing the crises of vulnerability and spatial injustice:

- 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.
- 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 adaptation 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.



Centring the local economy and livelihoods in informal settlement upgrading

Informal settlement upgrading is generally understood as an incremental process of improving the physical environment in which people live and ensuring that they have tenure security. As such, emphasis is placed on the provision of basic services and infrastructure, spatial layout to accommodate roads and pathways, and – in the context of climate change – addressing potential climate risks, such as flooding, heat or fires. However, informal settlement upgrading should result in neighbourhoods that are thriving, dignified, resilient, safe and well-connected into the urban fabric. As such, it is critical to appreciate and unlock the economic potential embedded in informal settlements and in informal settlement upgrading. A just urban transition recognises that sustainable livelihoods and economic opportunity need to go hand in hand with climate action and informal settlement upgrading.




The economic and livelihoods dimension has been one of the weakest aspects of informal settlement upgrading. It has largely been ignored or, at best, pursued in piecemeal fashion. Yet, informal settlements are the result of deep and systemic economic disparities and a dysfunctional labour market, which continues to exclude key populations from employment opportunities. Labour does not only create economic value; it also creates social value. In the context of South Africa's labour market and high levels of unemployment, a critical function of public employment programmes is to enable social value. By leveraging these programmes for place-making, place-based and circular local economy approaches, public employment programmes can simultaneously play a critical role in the transformation of informal settlements, including adapting to and mitigating the disproportionate impacts of climate change.

Lessons from the Social Employment Fund (SEF) show that civil society organisations can – and do – play invaluable roles in activating and coordinating public employment initiatives for the common good, especially in informal settlements. Furthermore, programmatic coordination, including support for intermediary organisations, is vital to achieve impact at scale and to enable feedback loops for improved programme implementation. These insights create scope for the improved utilisation of public employment programmes in advancing a just urban transition approach to informal settlement upgrading.





Foregrounding the economic dimensions and potential of informal settlement upgrading

	What is it?	Practical examples
 <p>Place-based approaches</p>	<p>Focused on creating better employment opportunities for residents and improved local (formal and informal) business opportunities to facilitate local economic development.</p>	<ul style="list-style-type: none"> • Use of local labour for the provision and management of basic services and infrastructure (with the potential of using public employment programmes) • Such as skills programmes • Business support • Enabling land use regulations and zoning (for informal businesses and home-based enterprises) • Provision of infrastructure (e.g. market spaces, ablution facilities)
 <p>Place-making approaches</p>	<p>Interventions aimed at shaping or enhancing the public realm to promote well-being, conviviality and vibrancy.</p>	<ul style="list-style-type: none"> • Early Childhood Development facilities • Food gardens • Safety nodes • Community-led provision and maintenance of basic services and public/green spaces, including the restoration and management of ecology and biodiversity
 <p>Circular local economy approaches</p>	<p>The promotion of local production, consumption and waste reduction of goods and services. Circular economy approaches allow us to rethink economic value chains and create new jobs, livelihoods and businesses.</p>	<ul style="list-style-type: none"> • Local waste management system, i.e. recycling, reuse, manufacturing and (in case of food waste) composting, using local (informal) waste pickers and local 'repurposing' entities • Local production, (re-)distribution, consumption and composting of food – i.e. community food gardens that source produce to local shops and traders • Reuse of reclaimed building materials for public infrastructure or affordable housing • Localised production of and construction with sustainable building materials for low-cost and self-build housing



Key recommendations for centring local economic opportunity and livelihoods:

- 1 Ensure economic planning and development are core components of informal settlement upgrading planning and implementation processes, rather than something that is considered at a later stage. This includes considering the employment and livelihood opportunities within upgrading processes as well as local economic development outcomes post-upgrading.
- 2 Recognise that people in informal settlements are vital resources for neighbourhood development and climate action and that their involvement in such initiatives has significant social value.
- 3 Develop/demonstrate clear alignment between the various public employment programmes and the place-making, place-based and circular economy dimensions of informal settlement upgrading to enable long term impact.
- 4 Invest in a sustained programmatic approach, rather than a project based annual budgeting process for public employment programmes. Much like informal settlement upgrading, social employment needs to provide a long runway to sustainable livelihoods.
- 5 Embed national public employment programmes such as the SEF, Community Works Programme (CWP) and Expanded Public Works Programme (EPWP) into local municipal planning (e.g. Spatial Development Frameworks, Integrated Development Plans and district plans). The alignment would go a long way in directing public employment towards place-making.
- 6 Retain a differentiated approach towards public employment programmes. The SEF offers a more socially embedded, community-led investment orientation compared to the more government-managed EPWP and CWP programmes.
- 7 Use public employment programmes to galvanise community organisations and build national networks of solidarity will enrich our transition to a more just and equal society.
- 8 Invest time, resources and capacity in partnerships with civil society organisations and other social partners to implement and monitor sustainable livelihoods and employment initiatives (including public employment programmes) that transform informal settlements to vibrant, resilient and inclusive neighbourhoods.
- 9 Unlock private sector funding and partnerships for similar initiatives and programmes, to accelerate roll out and deepen impact.
- 10 Connect localised approaches to economic empowerment and sustainable livelihoods with programmatic and city-wide economic development opportunities to ensure short-term public employment opportunities are indeed a stepping stone towards meaningful, sustained work.





Governance and funding for informal settlement just transitions

Advancing a just urban transition approach to informal settlement upgrading means pursuing key development outcomes, such as resilience, sustainable livelihoods, dignity, social inclusion and urban integration. Critically, this requires a systems approach, rather than a project orientation, towards informal settlement upgrading and climate resilience. Such an approach would appreciate that socio-economic marginalisation, spatial inequality and climate risk are interconnected, and that a holistic and coordinated approach is needed. This has significant governance and funding implications, including the need to work collaboratively and cross-sectorally, to create meaningful partnerships with affected communities and relevant stakeholders, and to coordinate investment towards development outcomes, rather than inputs or outputs.

In practice, functions and responsibilities related to both informal settlement upgrading and climate action in informal settlements are fragmented, which hampers accelerated, climate resilient informal settlement upgrading at scale. It also undermines effective local governance for informal settlements. In particular, co-governance models at settlement and city-wide levels are insufficiently explored, practiced and coordinated.

Funding instruments for informal settlement upgrading are equally fragmented and insufficiently targeted, with municipalities struggling to align existing grants, such as Informal Settlements Upgrading Partnership Grant (ISUPG) and Urban Settlements Development Grant (USDG). The Medium Term Expenditure Framework shows that future allocations of the ISUPG to provinces will decline significantly, whereas the allocation to metros is set to increase, but not enough to offset the reduction in the provincial ISUPG. Climate funding and grants for informal settlements are not aligned, hampering a coordinated approach for impact. Furthermore, grant conditions and specifications do not make provision for community contributions.

Effective utilisation of the ISUPG is hampered by poor business planning and pipeline management. Also, conditional grants are not fully mainstreamed into municipal and informal settlement upgrading pipelines. As a result, and despite the intent, most of the upgrading projects are resettlement projects. As such, the fiscal logic underpinning informal settlement upgrading needs to be reconceptualised to enable a just urban transition approach, one that builds resilience, livelihoods and inclusive local governance.





Key recommendations for improved governance and funding:

- 1 Invest in appropriate, inclusive and accountable governance arrangements for informal settlement upgrading, both at a settlement level and city-wide, that include community leadership and representation from informal settlements and other relevant stakeholders. The notion of the social compact remains relevant.
- 2 Enhance the capabilities in all spheres of government and among non-state actors to advance a just urban transition approach to informal settlements. As a starting point, a paradigm shift is needed to appreciate that informal settlement upgrading requires a holistic approach, one that simultaneously addressed physical, infrastructural, socio-economic and environmental dimensions.
- 3 Target investment towards areas of greatest need and vulnerability. Informal settlements should be prioritised for investment – which means that the foreseeable decline in ISUPG allocations should be reversed. Furthermore, fiscal instruments, governance arrangements and capacity support should be recalibrated to target municipalities with the highest concentration of informal settlements. This can include a consolidated grant that initially targets the 15 municipalities, strategic land release and packaging programmes, increased investment and grants, enhanced support for capacity shortfalls, and spatial targeting for interventions.
- 4 Review grant conditions and strengthen institutional capacity for outcome-based budgeting, linked to pipeline planning and management, to advance results and accountability.
- 5 Streamline functions and responsibilities into a single, well-capacitated department that has the capability to blend finance across grants for upgrading and climate funding, to develop clear project pipelines, to deliver basic services, to prepare and coordinate social compacts and partnerships, and to promote innovation in procurement and implementation – all geared towards achieving key outcomes and long-term goals. The responsible department must be able to coordinate upgrading activities across all municipal departments and with external partners, including other spheres of government.
- 6 Advance a consolidated and localised approach to targeted financing for informal settlement upgrading. This requires blending local funding streams such as rates and taxes along with conditional grants and the equitable share, as well as with climate funding and other grant funding (e.g. the Presidential Employment Stimulus) to prepare a long-term development trajectory for a just urban transition of informal settlements.
- 7 Invest in technical support entities to capacitate and support municipalities in ensuring alignment with policy intent and instruments, whilst pursuing a context-specific approach to informal settlement upgrading. The National Upgrading Support Programme (NUSP) played a critical role in this regard until it was effectively closed down; it is critical that it is revived and adequately resourced to fulfil this vital function.
- 8 Leverage private funding, including from business, philanthropy and community savings schemes, to advance a just urban transition approach to informal settlement upgrading at scale and at pace.
- 9 Embed a just urban transition approach to informal settlement upgrading in the new Human Settlements Code to guide all stakeholders in their thinking and practice.
- 10 Create and curate communities of practice at different scales (neighbourhood, city/municipality, province, national) to systematise learning, adaptation and feedback loops for improved practice and policy related to informal settlement just transitions.



Isandla Institute

Email: admin@isandla.org.za | www.isandla.org.za



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

