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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 #2

Centring the local economy in informal
settlement upgrading

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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 #2**. The dialogue was structured around inputs from Dr Kate Philip (The Presidency), Nishendra Moodley (Economic Development Partnership) and Charlton Ziervogel (Community Organisation Resource Centre). The dialogue was attended by Gita Goven (ARG Design), Adi Kumar (Isandla Institute), Seth Maqetuka (CSP), Pankie Matomela (CoGTA), Zodidi Meyiswa (SALGA), Charlotta Mokhethi (City of Ekurhuleni), Nishendra Moodley (EDP), David Morema (Kuhle Solutions), Daphne Ngoasheng (Habitat for Humanity SA), Lebogang Nkadameng (City of Tshwane), Cassandra Nkuna (DBSA), Letsepa Pakkies (National Treasury), Zingisa Pango (SALGA), Kate Philip (The Presidency), Kefiwe Sethoabane (DPME), Mirjam van Donk (Isandla Institute), Crystal West (DAG) and Charlton Ziervogel (CORC).

CONTEXT

There is a clear acknowledgement and consensus across South Africa that unemployment and the economy are the highest priority. The economy is still recovering from the knock resulting from the COVID-19 pandemic and subsequent lockdown restrictions; sluggish economic growth contributes to rampant unemployment and political instability. According to Stats SA, the official unemployment rate in Q1 of 2025 reached 33%, one of the highest in a thriving and functioning democracy.¹ Unemployment is largely concentrated in townships and informal settlements, where it can exceed 50 to 80%.²

The Just Transition Framework seeks to decarbonise the economy whilst ‘leaving no one behind’. As such, the major priority is to create new and innovative (& green) jobs and businesses in a manner that ensures current workers and job seekers have opportunities for reskilling and absorption into employment. Similarly, the Just Urban Transition Framework positions economic considerations as central to any form of (climate-informed) development. Emphasis is placed on localised interventions and place-based jobs and skills, in the provision of basic infrastructure, services and the housing value chain. In the context of informal settlement upgrading, localised job creation initiatives are particularly important in the stewardship, management and restoration of ecologically sensitive, biodiverse areas and “nature-based adaptation”.³

A livelihood is considered sustainable when it “can recover from external stresses and shocks and maintain and enhance its capabilities and assets now in the future.” Bolstering sustainable livelihoods is seen as a measure that can increase resilience and the ability of vulnerable communities to recover from shocks, including natural disasters.

Isandla Institute (2024), Making sense of a just urban transition for informal settlement upgrading, p. 35.

1 Statistics South Africa (2025), Quarterly Labour Force Survey, Quarter 1: 2025, p.8

2 GCRO (2024), Unemployment in Gauteng (<https://gcro.ac.za/outputs/map-of-the-month/detail/unemployment-in-gauteng/>).

3 Cartwright et al. 2023: 33.

This perspective resonates with the emphasis on sustainable livelihoods as a key feature of informal settlement upgrading – although in practice municipalities have struggled to give expression to this dimension. The National Urban Support Programme (NUSP) established to support municipalities in the roll-out of the Upgrading of Informal Settlements Support Programme (UISP) placed significant emphasis on the inclusion of a sustainable livelihoods approach as part of a city-wide upgrading strategy. Until recently, metros were required to include livelihoods activities and outputs in their business plans for informal settlement upgrading submitted to the National Department for Human Settlements. Despite the Informal Settlement Upgrading Partnership Grant (ISUPG) defining socioeconomic amenities as a key output of the grant, in practice the primary focus is on physical upgrading.

Foregrounding the economic dimensions and potential of informal settlement upgrading, in line with a just urban transition approach, allows us to identify at least three (overlapping) approaches:

- **Place-based approaches:** The focus is on creating better employment opportunities for residents and improved local business opportunities to facilitate local economic development. This includes using local labour for the provision and management of basic services and infrastructure, with public works programmes (Presidential Employment Stimulus, Expanded Public Works Programme, Community Works Programme) playing a particularly important role in creating (temporary) work opportunities for designated social groups. It also includes strategies and interventions to enable and support a thriving local business sector, both formal and informal, such as skills programmes, business support, enabling land use regulations and zoning (for informal businesses and home-based enterprises), and the provision of infrastructure (e.g. market spaces, ablution facilities). Currently, small and local construction companies are often stuck in cycles of subcontracting, never being able to move up in Construction Industry Development Board (CIDB) accreditation or bidding for commercial projects. This is something to look into as well.
- **Place-making approaches:** This relates to interventions aimed at shaping or enhancing the public realm to promote well-being, conviviality and vibrancy. Key examples are Early Childhood Development facilities, food gardens, safety nodes and other neighbourhood improvement interventions. Community-led provision and

maintenance of basic services and public/green spaces, including the restoration and management of ecology and biodiversity, also fall into this category. The Presidential Employment Stimulus Programme is an example of a government programme that enables place-making through targeted investments. It provides communities with resources for food gardens, creating new forms of small businesses.

- **Circular local economies:** This localised approach promotes local production, consumption and waste reduction of goods and services. Critically, circular economy approaches allow us to rethink economic value chains and create new jobs, livelihoods and businesses. A case is often made for recognising the possibility of value chains in local waste generation and management, i.e. recycling, reuse, remanufacturing and, in the case of food waste, composting, and to do this in a manner that specifically draws on local (informal) waste pickers and creates livelihood opportunities. Other sectors also lend themselves for a circular economy approach, for example, a food system that localises food production, (re-)distribution, consumption and composting, or a construction sector that uses reclaimed building materials for public infrastructure or new affordable housing. Informal settlements are thriving local economies with several initiatives involving repurposing of building materials, waste management, recycling, etc. Many of these initiatives are self-funded with little support from government or the private sector, and as such remain vulnerable to shocks and stresses.

In addition to these highly localised approaches, city-wide economic development, including investment in transport networks to enable people to access economic opportunities outside their residential areas, is also critical to address the challenges of unemployment, poverty and inequality.

Centring the economic dimensions and possibilities of informal settlement upgrading, as per the just urban transition, implies that people living in informal settlements are recognised as both informants and drivers of change. This opens the door from pursuing conventional procurement, sectoral-based and contractor-driven practices to community-led practices. Several government programmes (e.g. the Small Business and Innovation Fund, Black Business Supplier programme, Enterprise Incubation Programme, Presidential Economic Stimulus programme), are supporting both place-based and place-making initiatives. There is a significant opportunity to better

align these support programmes and grants to generate meaningful (and long-term) employment, boost small businesses and enable local economic development.

Furthermore, the fundamental alignment between the principles and outcomes underpinning a just urban transition and informal settlement upgrading generates new trajectories and possibilities for community-led adaptation. For instance, prioritising community-led solar lighting programmes or waste management through informal waster pickers could become new ways of state investment in settlement upgrading, infrastructure and climate adaptation. These efforts combined with a strong focus of land use management and zoning can catalyse and upscale local economies.

The Presidential Economic Stimulus Programme

In response to the deep economic and unemployment crisis, the Presidency launched the Presidential Economic Stimulus (PES) programme in April 2020. Initially established in response to the devastating economic impacts of the COVID-19 pandemic and national lockdowns, currently the programme responds to the polycrisis of unemployment, poor economic growth and climate change. Combining public employment opportunities with livelihood support interventions, the PES programme is groundbreaking in expanding the scale and potential of public employment programmes. It has become a gateway for the predominant youthful population to enter the labour market.

One of the main programmes of PES is the Social Employment Fund (SEF), which is managed by the Industrial Development Corporation (IDC) on behalf of the Department of Trade, Industry and Competition. The Fund works with 37 Strategic Implementing Partners (SIPs), each operating in a variety of thematic areas, such as community health and caregiving, gender-based violence, digital inclusion, food security and nutrition, early childhood development, greening and environment, arts and culture, and place-making. The SIPs in turn partner with over 1,100 community organisations, networks and structures that create real, tangible and measurable economic change

within communities. What is unique about the SEF is that it recognises the social value of work, able to tap into unemployment people as a key resource for development, and particularly community development.

Each SIP is required to contract a minimum of 1,000 participants to the programme. While programme results are impressive (with over 117 000 people participating in and benefiting from the SEF),⁴ the implementation through SIPs has presented complex challenges. These include: the enormous scale of over 1,000 participants per SIP; the significant administrative burden and need for robust organisational systems, especially financial systems to disburse payments to programme participants; labour law compliance implications; the short project time cycle (10 months to contract, disburse and implement); and, onerous reporting, monitoring and evaluation requirements. In addition, SIPs also have to manage expectations from programme participants, given that the SEF creates short-term employment opportunities.

One example of how the SEF has been used for place-making initiatives in informal settlements is community-based settlement profiling. Over a 10-month period, close to 700 settlements have been profiled, which includes household enumeration and mapping of public utilities. In addition, community food gardens have been set up, not only contributing to household food security, but also supplying local markets with fresh produce. In addition, these community hubs provide participants with opportunities to strengthen their administration and project coordination skills.

The establishment of the Social Employment Network (SEN) has been a critical programmatic intervention to support the rollout of the SEF. Given the scale, ambition and modality (i.e. using civil society intermediaries as implementation partners) of the SEF, the creation of a support and learning network for SIPs was recognised as important from the outset. Established in early 2022 as a community of practice of the SIPs, the SEN seeks to facilitate learning, document implementation challenges and communicate the impact of the SEF.

⁴ Social Employment Fund (2025), Rallying South Africa towards the Common Good (https://www.socialemloymentfund.co.za/wp-content/uploads/2025/04/SEF-brochure_2025.pdf)

A key principle underpinning the approach is to support a partnering ethos between government and civil society, which is about embedding trust and relationships in the system.

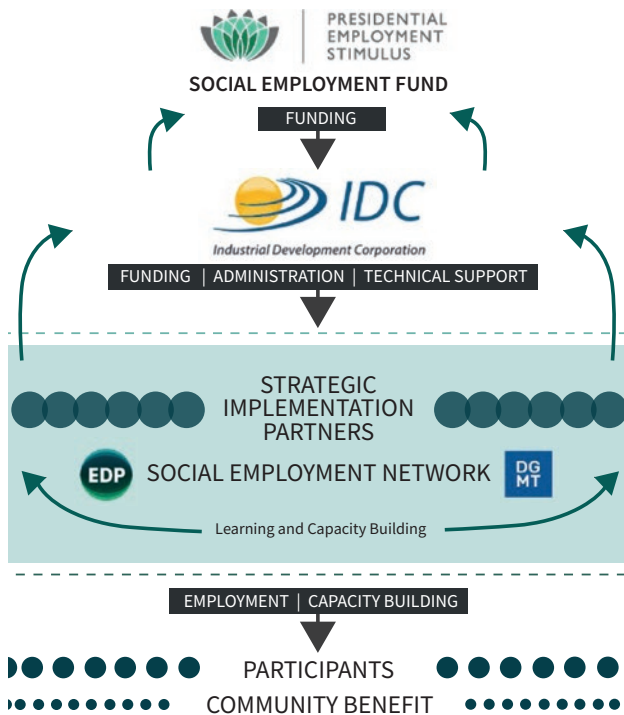


Figure 1: How the Social Employment Fund works

The SEN has transformed how SEF partners work together, fostering a dynamic community of practice among SIPs and building trust between SIPs and the IDC. As a result, strong networks have been established among SIPs, with key capabilities enhanced. Essentially, the SEN is a mechanism of participatory governance: it enables decentralised actors to influence how national policy is implemented at the local level. It further reflects a belief that civil society is not just a recipient of policy, but a co-creator of solutions and an engine of social value. As such, the SEN enables inclusive, adaptive governance in action, shaped by those closest to community needs.

KEY INSIGHTS



Informal settlements represent the failure of South Africa's labour market.

Many South Africans, especially young black South Africans, are unable to secure meaningful employment opportunities. Effectively, labour supply is exceeding labour demand and as a result, the economy is unable to absorb the (growing) labour force. Labour market exclusion varies significantly depending on factors such as population group, education, gender and geographical location (e.g. rural areas). Poverty, inequality and labour market exclusion are interconnected and need to be addressed simultaneously. In the absence of a sustained, decent income, people do not have the means to pay for basic living requirements, such as adequate housing. Given the concentration of unemployment in informal settlements, public employment programmes should therefore focus on informal settlements, but this is not the case.



Labour can create social value, which is a primary function of public employment programmes.

There is an implicit agreement (social contract) in society that assumes people work, which means that people's (sense of) value is often linked to their market value. If one's labour doesn't have market value, this is deeply disempowering. Public employment programmes can play a critical role in unlocking the non-economic benefits of being involved in work, such as personal growth, a sense of identity, affirmation, improved health and well-being (including mental health), social interaction, social inclusion and community well-being.



Public employment programmes can play a critical role in the transformation of informal settlements, including adapting to and mitigating the disproportionate impacts of climate change.

By combining public employment and livelihoods support with a place-making and place-based approach to informal settlement upgrading, vulnerable populations (e.g. youth) or households can become enabled to be directly involved in initiatives that improve the public realm and service provision. A recent call for metros to submit project proposals for consideration encouraged metros to submit proposals related to informal settlements. The proposals received reflected informal settlement residents as potential beneficiaries of the support, but did not connect the scope of activities to informal settlement upgrading. This clearly is a missed opportunity.



Civil society organisations can – and do – play invaluable roles in activating and coordinating public employment initiatives for the common good, especially in informal settlements.

CSOs often have long-standing relationships with community networks and structures, which can be activated to ensure the fair and effective implementation of locally appropriate public work initiatives, like the SEF. In the context of informal settlements, climate action, neighbourhood improvement and social care all fall under the notion of the ‘common good’ and as such relevant initiatives should be supported. Government should recognise that CSOs are partners in development, rather than contractors. This allows for a more collaborative, partnership-based approach to take root.



Programmatic coordination, including support for intermediary organisations, is vital to achieve impact at scale and to enable feedback loops for improved programme implementation.

The establishment of the SEN as a community of practice has been key to the successful implementation of the SEF by the SIPs. It has allowed for collaborative engagement and learning, whilst offering tailored support to partners when needed. It has also enabled a reflexive approach amongst all relevant stakeholders, including the SIPs and government, resulting in programme adaptation as and when required. In general, communities of practice are immensely valuable in facilitating knowledge sharing, peer

learning, collaboration, problem solving and improved performance or practice. This is particularly the case in contexts of uncertainty and/or complexity, such as informal settlement upgrading, climate change and the just transition. This function (to design and facilitate communities of practice or learning networks) needs to be valued and adequately resourced.

CAN PUBLIC EMPLOYMENT PROGRAMMES SHIFT THE NEEDLE ON EMPLOYMENT, CLIMATE AND INFORMALITY?

There is significant global evidence that targeted public employment programmes can play a vital role in providing temporary income support to vulnerable populations, support sustainable livelihoods and facilitate place making. India's Mahatma Gandhi National Rural Employment Guarantee Act is perhaps the clearest example of aligning public employment programmes to place-making. Offering 100 days of guaranteed work to every rural household, the programme targets infrastructure (rural roads, housing, electricity and water sanitation), human resource development through basic education, and health and livelihood through skills development. Over two decades, the scheme has provided millions of employment opportunities with tangible place-making improvements, such as community halls, water and energy infrastructure, roads and drainage systems. Similarly, Mexico's Temporary Employment Programme (PET) is a cash-for-work programme for labour in community projects, targeting households in marginalised areas or whose livelihood has been affected by natural disasters or other crises. One of the major contributions of PET has been the governance and institutional relationships between social protection, disaster risk management and climate change adaptation. The PET has progressively strengthened its focus on disaster and climate change impacts, given the high costs of disaster relief and recovery.

While these programmes are by no means not perfect, there is strong evidence to suggest the efficacy of such public employment programmes.

Sources: <https://nrega.dord.gov.in/> and <https://documents1.worldbank.org/curated/en/886341468325157498/pdf/838760WPOP12680Box0382116B00PUBLIC0.pdf>

CONCLUSION AND RECOMMENDATIONS

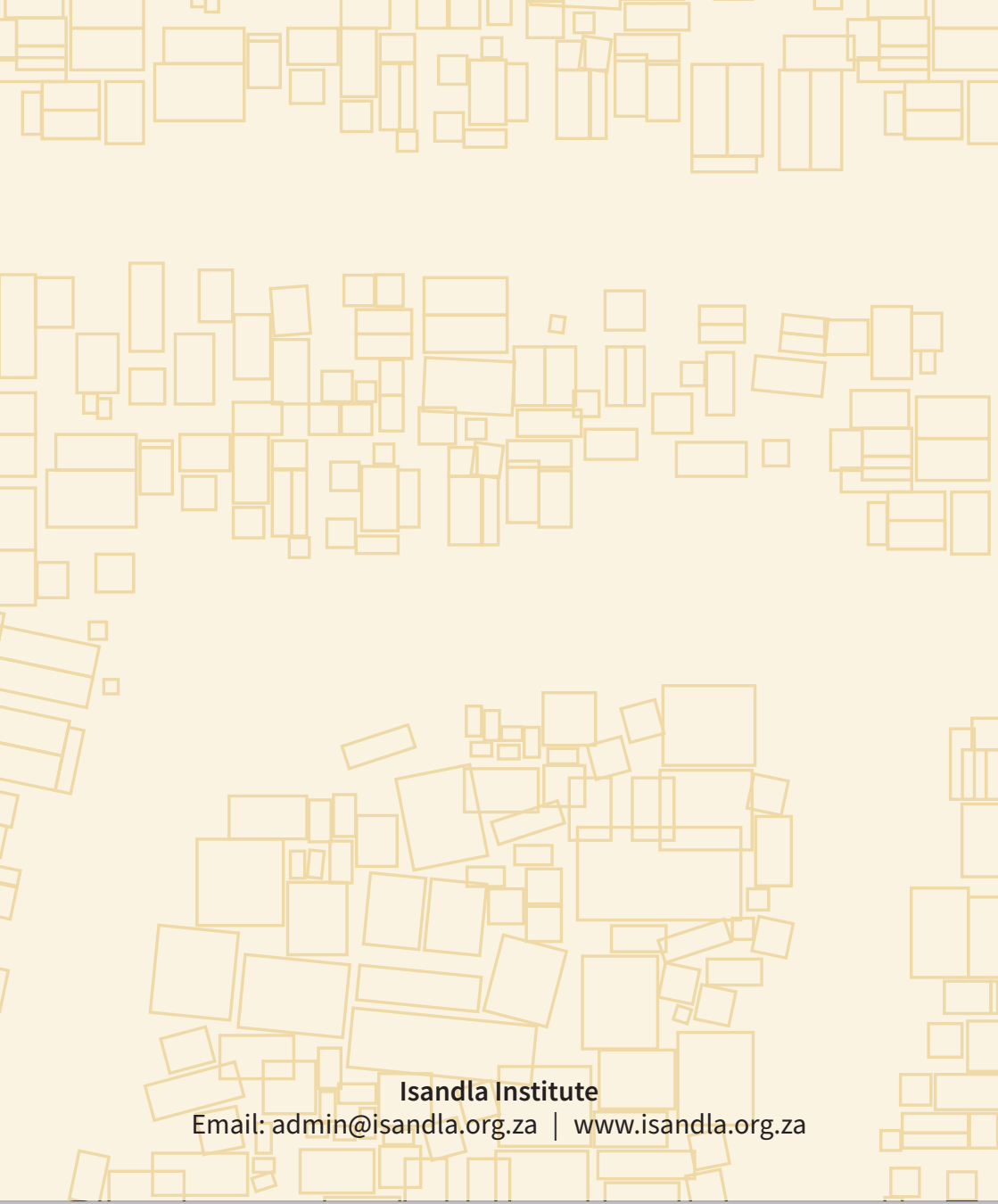
Informal settlements are the result of deep and systemic economic disparities and a dysfunctional labour market, which continues to exclude key populations from employment opportunities. As such, it is critical to appreciate and unlock the economic potential embedded in informal settlements and in informal 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.

Public employment programmes have become increasingly important in place-making, place-based economic approaches and circular local economies, although their full potential in this respect has not yet been harnessed.

Key recommendations are as follows:

- 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.



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