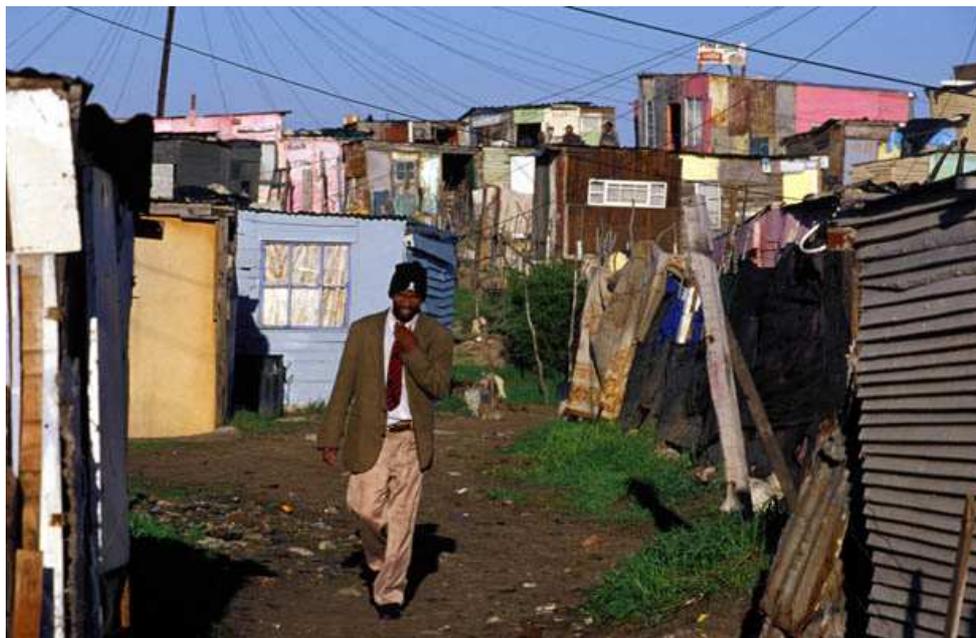


INEQUALITY AND ECONOMIC MARGINALISATION



Emergency relief in informal settlements: Proposals for action

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For Urban LandMark

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TIPS
TRADE & INDUSTRIAL POLICY STRATEGIES



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ABOUT THIS RESEARCH

The 2007 Annual Report of the Accelerated Shared Growth Initiative of South Africa (AsgiSA) identified a need to focus on what was then called 'the second economy', and on mechanisms to ensure shared growth reaches the margins of the economy. The Second Economy Strategy Project was initiated in this context. It reported to the AsgiSA High Level Task Team in the Presidency, but was located outside government in TIPS.

A review of the performance of government programmes targeting the second economy was completed in early 2008. The project then commissioned research and engaged with practitioners and policymakers inside and outside government. A strategic framework and headline strategies arising from this process were approved by Cabinet in January 2009, and form part of the AsgiSA Annual Report tabled on 16 April 2009.

In South Africa, people with access to wealth experience the country as a developed modern economy, while the poorest still struggle to access even the most basic services. In this context of high inequality, the idea that South Africa has 'two economies' can seem intuitively correct, and has informed approaches that assume there is a structural disconnection between the two economies. The research and analysis conducted as part of the Second Economy Strategy Project highlighted instead the extent to which this high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways. The different emphasis in this analysis leads to different strategic outcomes.

Instead of using the analytical prism of 'two economies', the strategy process placed the emphasis on the role of structural inequality in the South African economy, focused on three crucial legacies of history:

- The structure of the economy: its impacts on unemployment and local economic development, including competition issues, small enterprise, the informal sector, value chains and labour markets.
- Spatial inequality: the legacy of the 1913 Land Act, bantustans and apartheid cities, and the impacts of recent policies, looking at rural development, skewed agriculture patterns, and the scope for payment for environmental services to create rural employment.
- Inequality in the development of human capital: including education and health.

TIPS's work around inequality and economic marginalisation is built on the outcomes of this strategy process.

The research undertaken under the auspices of the Second Economy Strategy Project continues to be relevant today as government explores policy options to reduce inequality and bring people out of the margins of the economy. This report forms part of that research.

A list of the research completed is available at the end of this report. Copies are available on the TIPS website: www.tips.org.za.

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CONTEXT

This document is a response to the aspiration of National Treasury to define practical mechanisms which will enable emergency relief for informal settlements and associated urban economy interventions to rapidly occur on a national basis. This aspiration flows largely from a draft urban strategy for the second economy formulated for the Office of the Presidency by Urban LandMark and in particular one of the constituent position papers which focussed specifically on informal settlements¹.

SUMMARY OF MAIN FINDINGS ON INFORMAL SETTLEMENT UPGRADING

For a range of reasons, conventional approaches to IS by the state, and most notably that of 'slums eradication', are unworkable at scale. Unless there is a radical change of approach, limited progress will be made in addressing the living conditions and economies of the urban poor.

In particular, it is not possible to provide all informal settlement residents with the 'ideal' housing solution (40sqm starter home on a fully serviced site with a title deed costing on average over R80,000 as a total package) in the near term, and certainly not by 2014. The following are among the key factors which cause this to be the case:

- Insufficient capital funding for the necessary housing, land and services (both internal and bulks).
- An acute scarcity of developable and well located land for green-fields projects (including those catering for relocations).
- Obstacles to conventional, full scale in-situ upgrading due to the high levels of relocations which result (often around 50%) and which are unavoidable due to such factors as high settlement densities and the marginal nature of the underlying land parcels (e.g. steep slopes, powerline servitudes etc).
- Insufficient capacity within the state to deliver conventional housing and 'slums eradication' at the desired rate associated with low levels of involvement of the NGO and private sectors (this has reduced over time due mainly to the nature of state policies and is exacerbated by high competition from other major infrastructural initiatives in the country).

¹ Position Paper on Informal Settlements Upgrading...Part of a Strategy for the Second Economy for the Office of the South African Presidency. Compiled for Urban LandMark by Mark Misselhorn (CEO Project Preparation Trust of KZN), April 2008.

SUMMARY OF KEY RECCOMENDATIONS REGARDING INFORMAL SETTLEMENT

In-situ upgrading approach:

PARADIGMS: Move rapidly towards a paradigm of incremental development relief and settlement change management (as opposed to 'slums eradication'). (This necessitates the 'decriminalisation' of IS and a recognition that it is 'here to stay' and is not necessarily dysfunctional.)

UPGRADING THE APPROACH OF PREFERENCE: Wherever possible, avoid relocations and maintain current settlement densities.

INTERIM DEVELOPMENT RELIEF MEASURES: Fast-track their provision.

PLANNING: Ensure rapid assessment and 'grading' of settlements.

'CUTTING A THOUGHT RIBBON': Launching new political currency (i.e. obtain buy-in from state and civil society structures to the supplementary approach of interim relief and incremental upgrading).

MORE PARTICIPATIVE APPROACH: Working in partnership and collaboration with the urban poor.

PARTNERSHIP APPROACH: Partner with private sector for finance micro-loans and building materials and housing support at the beginning of process.

ONE POT OF FUNDING: The need for more streamlined funding (currently funding sources are fragmented, very slow to be released, and do not cover the full range of required interventions).

TRANSPORT: Consider innovative approaches to various transport solutions in order to mitigate access and locational problems.

INFRASTRUCTURE-LED UPGRADING: Focus on basic service provisions, on transportation and on delivery of social and educational facilities, rather than on top structure.

Broad, enabling issues:

SITUATE UPGRADING WITHIN PRO-POOR PLANNING APPROACH:

Municipal level strategic planning that is explicitly pro-poor and that develops and implements land use strategies for inclusive city-form.

AREA BASED / LOCAL MANAGEMENT: More effective and responsive local level management and decision making and harnessing the necessary capacity.

GET AHEAD OF THE GAME: Acquire, plan and service strategically located land to address future influx and thereby limit future informal settlement growth.

THE STATE'S CAPACITY PROBLEMS: Address acute management, skills, corruption and performance problems; monitor processes closely, develop delivery targets and performance indicators, monitor against these on a regular basis.

DEVELOP FRAMEWORK AND MECHANISMS FOR A STATE/PRIVATE

SECTOR PARTNERING APPROACH: This requires a mechanism for involving the private sector in developing innovative funding (micro-loan) solutions, innovative building material supply and distribution networks and partnering with the state in providing appropriate housing support that meets the needs for incremental development and the need for adequate building standards.

PLANNING AND BUILDING REGULATION: Faster and more streamlined development planning approvals, local government approved sample plans, free/low cost approval processes.

LAND ACQUISITION: Prioritise and fast-track.

TENURE: Utilise alternative forms and stage the delivery of full title so that this is not an inhibitor/precondition of upgrading.

BACKYARD SHACKS & RENTAL FOR THE POOR: Decriminalise backyard shacks and encourage extensions and consolidation of existing township houses to expand rental accommodation for the poor.

LAND USE REGULARISATION: the formalisation of informal settlements into the land use planning regime of local government is a necessary first stage - the recognition of viable, well located settlements within the municipal cadastre invokes the first level of security and the basis for upgrading.

LINK BETWEEN INFORMAL UPGRADING AND LAND MARKETS FOR THE URBAN POOR

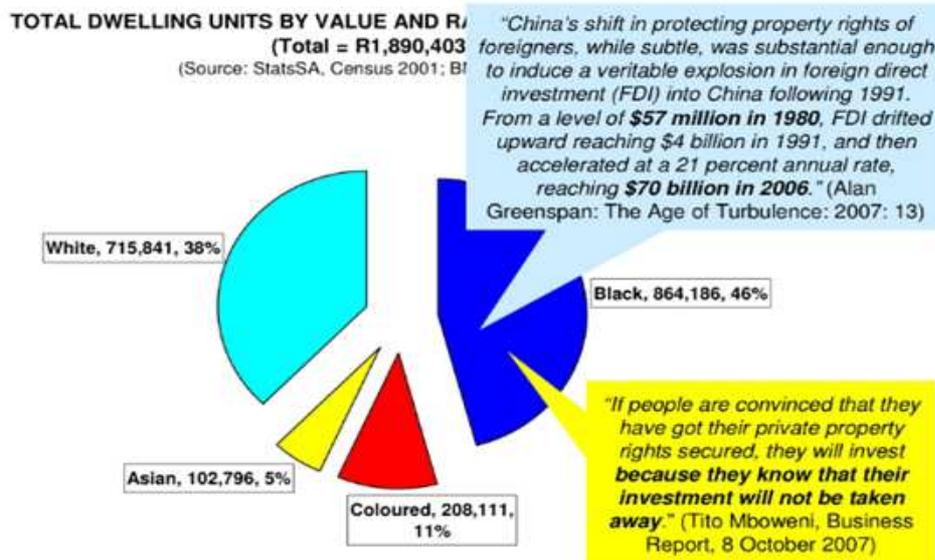
While informal settlements are all different and sweeping generalisations are risky, one recurring factor in their formation is that they typically provide an initial point of access into the urban environment for incoming migrants, or for those moving from other parts of the city. More importantly, they afford such access at a very low financial cost and the barriers to entry are low (relative to other options such as being allocated a site in a subsidised housing project). The nature of this access can be further unpacked into a number of elements such as:

- Access to employment and other economic / livelihood opportunities (which are often modest or survivalist in nature);
- Access to social facilities (e.g. education and health care);
- Access to the political system (access to ward councillors and the space to vote and lobby);
- Access to the legal system (or improved access to it);
- Potential access to housing and infrastructure (e.g. through waiting lists for housing projects or through rudimentary / illegal services and connections available).

Informal settlements thus serve a critical function as 'holding places' where people can access the urban environment at extremely low financial cost and piece together various livelihood strategies there. Some might remain permanently and even ultimately gain access to formal housing, whilst others might reside temporarily for specific purposes which, once fulfilled, result in them moving elsewhere in the city or returning from whence they came.

It is therefore critical that informal settlements are understood as being not only a housing issue (in the narrow 'shelter' sense of the word), but more importantly in terms of access to the urban environment as well as valuable social networks which develop over time and are generally localised and settlement specific. This suggests strongly that the responses to informal settlement should similarly be focussed more on the various issues of access and social capital / social networks outlined above, than on the provision of houses and tenure as first priorities.

Figure 1: Total dwelling units by value and race



KEY INTERVENTIONS

The following critical interventions/actions are required in those municipalities which have an informal settlement presence, and especially for those with a major informal settlement presence (the metropolitan municipalities). A developmental approach, tailored to local situations within a broad menu of interventions and indicative cost norms and scopes of work for these interventions needs to be developed. The interventions that should be included in such an approach, and that should be adapted and adopted for each municipality, include:

Rapid initial identification and grading of IS

This essentially augments municipal housing sector plans and spatial development frameworks with a settlement upgrading plan. The plan will categorise and prioritise settlements for upgrading interventions. This requires a scan of settlements to obtain much of the information usually undertaken during the prefeasibility stage of projects.

Inputs

- Appoint professional / professional team / service provider (it being noted that usually only one professional will be required at this stage, unless very limited information is already available).
- Access existing municipal data and that of relevant private sector consultants such as planners, surveyors and service providers.
- Obtain existing recent aerial photos and GIS data where these exist.
- Undertake site visits.

- Undertake a deeds office aktex assessment to identify underlying land ownership.
- Access existing geotechnical and environmental information.
- Hold initial meeting(s) with community leadership to identify key emergency issues / needs (e.g. fire protection, sanitation, water, footpaths, solid waste removal, high mast lighting, energy, transport to schools, health care etc). Also identify existing structures of support and gauge levels of community organisation.

Outputs

- Schedule of existing settlements showing their extent, approximate size (no. hh), their 'A', 'B' or 'C' status.²
 - This categorisation will indicate the potential for upgrading.
 - Full upgrade in short term.
 - B1. Must move - no interim relief
 - B2. Interim relief only
 - Interim relief + incremental / long term upgrading
- Schedule of information for each category 'B' settlement:
 - land ownership & servitudes
 - geotechnical information (desktop level)
 - environmental information (desktop level)
 - settlement footprint and settlement pattern (based on recent aerial photo's³)
 - apparent needs and developmental challenges (desktop level)
 - incremental service upgrade potential (not always an option)
 - potential for long term 'full upgrading' including top-structure solutions.

² Category A: Full upgrade already scheduled and finance in place to undertake it within the next year (i.e. the settlement's full housing and infrastructure needs are about to be addressed). Category B: No full upgrade planned for the near term but the settlement also does not face any immediate environmental or other risk (i.e. there is no immediate rationale to move people). Settlement is therefore suitable for either: B1) Interim relief measures OR, B2) Interim relief + incremental upgrading in cases where this is possible / appropriate. Category C: Settlement in immediate and significant risk (eg: of natural disasters such as flooding or slope slippage or toxic waste or the need to make the land available for highly strategic purposes such as a new airport) and which consequently need to be immediately relocated.

³ Where recent aerial photos do not exist, then consideration should be given to undertaking an aerial survey, which will have additional budgetary implications. Alternatively, a ground topo survey should be undertaken during the feasibility and planning phase.

Cost

Approximately R30k per settlement of 500hh (costs will vary - e.g. for small settlements of 50hh the cost might be as low as R15k, and for larger settlements of 1,000hh, as much as R50k.

Feasibility (plan of action for each settlement)

Inputs

- Identification and grading exercise.
- Assessment of organisational structures at community level
- Further workshops / meetings with community leadership
- Enumeration of structures and households
- Socio-economic survey (preferably supplemented by focus groups) - to identify key issues, needs and existing livelihood strategies, local assets
- Meetings with responsible line function City departments.
- Identification of potential partners in upgrading exercise such as financial institutions, NGOs
- Workshops incl. line function City departments and community leadership
- Detailed planning and budgeting exercise involving line function City departments, professional team and community leadership
- In cases where significant infrastructural investment is envisaged the following may also be required: topographic survey, preliminary layout.

Outputs

- Detailed plan of action for a package of emergency relief measures, some of which may lay the foundation for long term upgrading (but not necessarily so). It is likely that packages will consist of a mix of the following (but probably not all of them for every settlement). It would be beneficial if this were presented in tabular format (item, description, capital budget required, O&M budget, O&M requirements, assumptions):
 - Sanitation: portaloos, sanitation blocks, VIPs
 - Solid waste disposal
 - Footpath access with basic storm-water controls
 - Storm-water controls and drainage
 - Access ways for emergency vehicles (esp. fire protection and ambulances)
 - Fire protection: fire hydrants, buckets, local fire committees with stipends, portable fire extinguishers, rapid callout response protocol for helicopter / aeroplane bombers

- High mast lighting
- Energy - replacement of paraffin with biogel
- Building materials replacement
- Transport
- Capital budget.
- O&M requirements and associated plan
- Report, including process followed, main findings, assumptions, and motivation for plan and budget.
- Application to relevant funding mechanism.

Cost

Approximately R50k per settlement of 500hh (costs will vary e.g. for small settlements of 50hh the cost might be as low as R25k, and for larger settlements of 1,000hh, as much as R75k⁴).

Delivery/implementation of plans

Inputs

Feasibility / action plan

Approval and receipt of funding

Outputs

Package of interventions outlined above.

Partnership agreements

Partnership agreements, MOUs between local government, community, private sector entities.

Cost

Variable, depending on package, but probably in the range of R5k to R25k per household.

Enabling instruments to facilitate consolidation

The success of informal settlement upgrading is to be measured by the degree of integration of settlements into the economy, institutions and physical fabric of the urban area in which it is located. This is contingent on the sustainability of the upgrading effort, i.e. the ongoing consolidation of the settlement.

In an infrastructure-led upgrading, the housing (top structure) solution needs to be arrived at in a way that supports the multiple means that individual households may choose and be able to adopt for their own circumstances. A number of interventions are required including:

Partnership agreements

Partnership agreements, MOUs between local government, community, private sector entities

⁴ Enumeration could significantly increase these budgets if its 100% sample.

Finance

The infrastructure-led upgrading process implies that state subsidisation focuses on engineering, social and educational infrastructure (and on the development of transportation to economic centres). It is focused on developing a housing environment rather than delivering a top structure. The housing subsidy within this paradigm needs to be considered. BNG is flexible on this and the instruments for rolling out subsidies at community level or as consolidation subsidies need to be developed and piloted.

The principles of community saving should be enhanced. These mechanisms are focused on individual loans that involve group organising and group pressure for repayment. The culture of savings and the social capital that it builds are valuable for promoting sustainable livelihood strategies, wider community organisation and the potential for other community level socio-economic networks to flourish.

Housing micro finance can enable an incremental housing construction process that is matched to households' variable levels of affordability - variable both from one family to the next, and also in terms of life phases of a particular family as loans are generally short term, about 3 years. In a context where a household has been ensured security of tenure (whatever form that may take) and given infrastructure & other services, the literature suggests that there is sufficient incentive for households to then improve their housing situation (Rust, personal communication). The extract below illustrates the value of microloan over a long term mortgages for incremental housing construction processes:

Box 1: The economics of micro finance for housing

Ms X is a teacher in Kimberley. She takes home R1316 per month. In 1992 she took a R25 000, 20-year mortgage loan at 15% per annum on average with a R330 per month instalment from a large bank, to build a house. She elected to pay R380 per month (29% of her take home pay) to pay off the loan faster and save on interest charges. Seven years later, by 1999, she had repaid 40% of the capital amount and still owed R15 048. She had also paid R21 968 in interest charges. Ms Y is also a teacher in Kimberley, with the same monthly take home pay of R1316. Rather than taking out a mortgage loan, Ms Y chose to take out five successive micro loans of R5 000 each. These loans were repayable over 18 months at an interest rate of 40%. She also chose to pay R380 per month (29% of her take home pay) to repay these loans. By 1999 she had repaid all five micro loans and owed nothing more. She had paid R6920 in interest (31,5% of what Ms X paid on the R25 000 bond, and only 27,7% cumulatively on the R25 000 capital she had borrowed).

	Mortgage	Micro loan (unsecured)
Loan size in 1992	R25 000	5 x R5000 (successively)
Term	20 years	18 months per loan = 7.5
Average interest	15%	40%
Monthly instalment	R330	
Amount paid	R380	R380
By 1999:		
Amount of capital repaid	R9 951	R25 000
Amount of capital still owing	R15 048 (60%)	R0
Total paid in interest	R21 968	R6920

Today Ms Y owns a bond-free house and continues to improve it every year, borrowing small amounts. She did the construction work with the help of her son and spent capital on materials and specialists such as an electrician and a plumber. Her house today is 20% bigger than the house Ms X built for R25 000, in 1992, through a contractor. Ref: De Ridder (2004) quoted in Porteous and Hazelhurst (2004) *Banking on Change: Democratising Finance in South Africa, 1994-2004 and beyond*. Double Storey Books: Cape Town.

Housing support services

The housing support services required for settlement upgrading include access to building materials and building advice and contractors. These should be linked with the provision of micro-finance. Actions required:

- The creation of micro-loan products that match housing development need (e.g. loan for room/geyser/ceilings)
- Establishment of linkages with private sector suppliers. This may require a model for such intervention to be developed at local, provincial or municipal level and for national or regional agreements to be entered into for large scale material supply with associated finance and support
- Establishment of advisory services/land offices/land clinics within proximity of major upgrading sites, municipal outreach offices for building plan advice

Intermediation

The role of NGOs in in-situ upgrading and consolidation exercises is invaluable. A diversity of service providers is necessary in order to reach many settlements. This will require a focus on working in integrated partnerships. Structured partnerships between municipalities, financial services and NGOs and CBOs need to be forged. Annexure A offers an indication of the multiplicity of roles that are required to enable access to services for economically marginalised communities. These roles can greatly enhance the reach of state services as well as the capacity of community members to participate in the employment and other economic benefits that are attached to these services or that can be better accessed because the services are in place.

To the extent that associated initiatives, such as private sector financing initiatives or community projects, are in place or emerging these should be supported and public investment should seek to leverage further such opportunities.

Sample plans and advice at municipal level

Municipalities should provide a sample set of approved building plans for rooms/dwellings which can be accessed by beneficiaries of in situ upgrading sites. These plans should be able to bypass normal processes of approval and be offered in a streamlined process with simple monitoring procedures.

Social infrastructure

The coordinated delivery of social infrastructure and of transportation to such infrastructure is critical to the livelihood strategies of inhabitants. In this regard access to early childhood development programmes is essential, given the evidence that ECD contributes to the interruption of inter-generational poverty. The coordinated planning and delivery of such services requires that in situ upgrading of informal settlements be seated within the IDP programmes and housing sector programmes of local government and that interventions and public investment be planned and budgeted with full regard to the sustainability of these areas as integrated settlements.

Develop pro-poor transport strategies to supplement HSPs and SDFs

As settlement creation moves away from the focus on housing and towards a holistic view of settlements, the importance of integrating land use and transportation planning must be recognised. Transportation is the key infrastructure for improving livelihood strategies and opportunities to access employment. In this regard the location of settlements and of land that is released for future settlement creation must prioritise access to transportation corridors. Furthermore the development of transportation strategies and of financing strategies for cross-subsidisation of transportation to enable the inexpensive use of public transport for the poor are required. The principle is to make it easier for the poor to access schools, health care, work opportunities etc.

Implement appropriate service levels

According to Wall (2008): Determination of the appropriate level is also a decision that needs to be taken in respect of particular circumstances at the location. Infrastructure provision does not inevitably contribute to the eradication of poverty. Ill-designed infrastructure could have more costs and benefits for poor people because of inadequate targeting or adverse social, health, financial and environmental effects. Infrastructure provision can also widen the gap between poor and non-poor people where access to services is expensive, or where infrastructure services were not planned specifically around the needs of the poor. The contribution of infrastructure investment to the eradication of poverty is influenced by the way in which investment and subsequent services are planned and managed.

The service levels and the staging of service provision needs to be decided in concert with the local community and with due regard for municipal maintenance, affordability levels and sustainability of the service level.

Formalisation of informal settlements

Prior to upgrading it is necessary to ensure legal inclusion of informal settlements requires that land use regulations which currently exclude these settlements be adapted. This first step in the upgrading process is focused on recognising rights, giving security of tenure and bringing these areas into the ambit of urban governance, making residents true citizens of the city with rights and responsibilities.

Provision needs to be made for the legal recognition of selected settlements as valuable components of the city. This permits residents to access municipal services while allowing municipalities to apply regulations and require residents to perform their duties and responsibilities as active citizens.

Local legal review: Assessment of town planning schemes and relevant land use regulation in the particular municipalities

Review of regulatory options (e.g. models such as the Brazilian “Special Zones of Social Interest” (ZEIS) or the Zambian “Improvement Areas”)

Various options exist for formalisation of informal settlements. These have been examined by Abrahams (2008) for the City of Johannesburg, and include the use of municipal town planning schemes or the Development Facilitation Act (DFA).

Tailored clauses are prepared for these zones in the municipal town planning scheme. These will include (as in the case of the City of Johannesburg’s pilot programme of formalisation of informal settlements) such requirements as the drawing up of a layout plan by the municipality. The layout plan will include the demarcation of sites as well as sites

for social and community facilities, business services and access to the site. The demarcation of zones allows for regulations to be established for building standards, the number of structures allowable on each site, building lines, construction materials, height, coverage and land use. In this approach tenure reform is limited to recognising rights in land through occupancy permits and full title would be resolved as part of the formal process of township establishment (Abrahams, 2008).

Box 2: The town planning scheme approach - special zones

Tailored clauses are prepared for these zones in the municipal town planning scheme. These will include (as in the case of the City of Johannesburg's pilot programme of formalisation of informal settlements) such requirements as the drawing up of a layout plan by the municipality. The layout plan will include the demarcation of sites as well as sites for social and community facilities, business services and access to the site. The demarcation of zones allows for regulations to be established for building standards, the number of structures allowable on each site, building lines, construction materials, height, coverage and land use. In this approach tenure reform is limited to recognising rights in land through occupancy permits and full title would be resolved as part of the formal process of township establishment (Abrahams, 2008).

Identifying, acquiring and servicing alternative land

A so-called 'twin-track' approach to addressing informal settlement is widely accepted, where upgrading is accompanied by the rapid provision of serviced land for settlement, or 'managed land settlement'⁵. These areas can be laid out and basic services provided so that health and safety can be considerably better than in informal settlements; they are also considerably easier to upgrade than spontaneous, unplanned settlements. The key elements of such a strategy are that it must be simple and quick and must replicate the key benefits of informal settlements as far as possible.

⁵ Payne, 2003

Box 3: The case of Hyderabad Incremental Development Scheme, Pakistan

This scheme provides a model of managed land settlement in order to avoid the growth of unplanned and un-serviced informal settlements⁶. The key to the project's success was that administration and allocation procedures were very simple and rapid: households applied for a plot by submitting a photocopy of their ID card, and they were allocated a plot within 12 days. A reception area was set up in the scheme where households could erect a temporary shelter or rent a room while they waited for their application for a site to be processed. Beneficiaries were required to complete construction of a house immediately (no building standards were applied in the project). This was a major departure from previous projects, where there had been periods of up to a year for beneficiaries to build a house on their plots, which had often resulted in plots being allocated to people who never occupied them. The legal transfer of tenure did not take place immediately (there were instalment sale agreements) - in this way, the Hyderabad Development Authority had a way of cancelling the allocation of beneficiaries who left the project (beneficiaries leaving the project could be paid a proportion of the money they had paid for the plot). The Hyderabad Incremental Development Scheme was successful in a number of ways: it was able to reach the poorest 10% of the population; the time lag in implementing projects was eliminated, because households were immediately allocated plots, which were then subsequently upgraded while the household was living there; and the continuous supply of plots ensured that there was never a shortage of land in the area, which could have resulted in speculation (people with housing elsewhere obtaining plots to rent out accommodation) or land invasions resulting in overcrowded informal settlements.

REQUIREMENTS/PREREQUISITES FOR EFFECTIVE IMPLEMENTATION

Identify or establish a streamlined and effective funding mechanism

The following criteria and funding mechanism options are suggested for further consideration:

Criteria

- Quick (available without the usual protracted delays)
- Flexible (can address the full range of interim relief and incremental upgrading interventions required)
- Non bureaucratic (simple and clearly defined process for application and approval and efficient administration of adjudication and funding allocation process)
- Plan-based: funding to be released against plans developed at municipal level which indicate coherent plans for the upgrading of informal settlements within spatial plans that address pro-poor strategies. Planning for community facilities and public space must be a precondition of funding. In addition coherent plans must be developed for integrated development (indicating responsibility, timing and coordination) to ensure that community facilities are provided timeously.
- Subject to regular audit (in respect of: rate of spend, qualitative of developmental results achieved, and the effectiveness of procurement).

⁶ UNCHS, 1991; Walker et al., 1993

Options

Option 1: Use Dept. Housing BNG subsidy. This is unlikely to work effectively in practice due to the dysfunctionality of DoH at national and provincial levels and the trend for the DoH to want to only fund top-structures rather than services (even though in theory BNG funding could be utilised to address some of the interim infrastructural / servicing requirements).

Option 2: Use the existing MIG grant (conditional grant). This conditional grant is for poverty relief and infrastructure development and is the responsibility of the DPLG). Although this could work, it requires working through additional layers of bureaucracy: Treasury to DPLG to provincial MIG programmes to Municipalities. It is thus unlikely to be a rapid funding mechanism and would face the risk of being too bureaucratic and slow.

Option 3: Use provincial infrastructure grant. This conditional grant is for infrastructure and is the responsibility of Treasury. More information is required on this mechanism. However, at least in theory, it has the potential to meet all of the criteria well.

Option 4: Create a new / special budget allocation direct from Treasury to municipalities (e.g. in the form of a new conditional grant for informal settlement relief and upgrading). In the event that option 3 is not workable, then this is recommended as probably being the optimal approach because it would have the potential to meet all of the criteria well and would be purpose made for the job at hand. It would however require the development of a new conditional grant which might create delays in the setup phase.

Option 5: Create a special category of MIG grant. This would essentially entail a new budget item within the existing MIG programme. Whilst it would enable a funding mechanism which is purpose made, it would not necessarily overcome the problem of potential bureaucratic delays and red tape.

Overcome existing procurement problems

The procurement trends on housing and infrastructure projects are historically slow, ineffective and partisan. Against this backdrop, it is critical that, for an informal settlement programme, the following core principles are adequately addressed:

- Ensure space for private sector and NGO's at all phases of the programme. The success of the programme depends on it being able to tap and retain their capacity.
- Ensure there is a 'referee' mechanism in place to ensure that procurement decisions are 'rational' and in particular that appointed private sector or NGO entities / individuals have the necessary skills and track record to deliver and that, in the event that they fail to do so, this is rapidly identified and corrective action taken or contracts terminated and alternative entities / individuals procured.
- Ensure that the procurement process is rapid.
- Give consideration to the establishment of provincial tender committees or a similar structure whose co-approval is required for all major procurements and which also plays an oversight role in terms of municipal procurements.

Access and address possible legal/land legal obstacles

There are a few possible legal obstacles / risk which require rapid redress as outlined below:

State investment on non-state land

It is imperative that land acquisition and tenure are not pre conditions for the provision of interim relief to informal settlements (or else their rapid delivery / response will be impossible). However, there are possible MFMA and / or PFMA restrictions in respect of making 'improvements' on private land utilising state funding. This requires rapid further assessment and resolution, since the issue of informal settlement was clearly not intended when such legislation was enacted. In particular, the following are noted: Residents have a right to various forms of development in terms of the Constitution (need to balance constitutional imperatives with MFMA/PFMA. Most informal settlements are well established and the residents have de-facto rights to occupation (e.g. via ESTA and anti-eviction laws).

In the final analysis, the state has the ability to expropriate land from private landowners (and presumably also from parastatals) if 'push comes to shove'. The main problem is that, at least in theory, private landowners could potentially request that they be compensated for the value of the improvements which the state has made (e.g. for footpaths, high-mast lighting or fire hydrants). Legal opinion (e.g. from senior council) is required on this, including from a legislative perspective. Whilst possible solutions might include amendments to the PFMA / MFMA or the registration of servitudes, it is critical that the state takes a bold stand and puts itself in a position to rapidly invest, irrespective of land ownership issues, even if it takes some risk in doing so. The developmental imperatives will almost certainly outweigh these risks. , which are ...the use of a special zoning for IS might assist in this regard...

Zoning

Blanket zoning for informal settlements which creates the necessary planning space and flexibility and which gives municipalities and other organs of state a better platform for development and investment. However this should not be a prerequisite for undertaking emergency relief.

Land Use Management Bill

This might need some commentary ... 'One of the major concerns is that it may curb municipal and provincial powers when it comes to managing land and its settlement. Harrison says the long-awaited bill is welcomed, as it has many positive aspects, although there are areas of "concern and disappointment". His major objection to the bill is that it doesn't include mechanisms to assist with the regularisation of informal settlements. At present it is possible for provinces to legislate their own set of procedures..... Meanwhile, the new bill has been amended by the parliamentary committee, says Harrison, and will be debated in the National Assembly next week. It's likely, he believes, that the amendment will give premiers powers to make special provisions for fast-tracking formalisation of settlements.' ...

Provide national technical support unit

Provide national technical support unit (small panel of ISU experts) to provide audit, review function and to assist those municipalities who may struggle with managing the process

Determine which sphere of govt provides the oversight

This is pertinent in the shift from a shelter-driven focus to an infrastructure-led focus. It is important that the institutional responsibility for the delivery retain a holistic perspective and monitor the delivery of full settlement upgrading. Institutional mechanisms must allow for rapid response to informal settlements and for the release of land. This is best situated at local level where the capacity exists to host the function, particularly in larger municipalities.

Other preconditions:

Get top-level political buy-in - i.e. from the new incoming ANC echelon voted in at Polokwane - preferably get a high level political champion

Have top-down pressure / requirement for municipalities to expedite the processes OR - perhaps a mechanism where there's an intervention from 'above'

Get the political branding and spin right - infrastructure led - does not replace housing programme but acknowledges the reality on the ground -bearing in mind that housing has become highly politicised .

ANNEXURE 1: INTERMEDIATION ROLES TO SUPPORT LIVELIHOODS FOR VULNERABLE GROUPS IN URBAN AREAS

Table 1: Intermediation roles to support livelihoods for vulnerable groups in urban areas

Role	Intermediation played by
Research and information supply e.g. <ul style="list-style-type: none"> • Analysing informal sector • Assessing livelihoods - baseline and regular evaluations and longitudinal assessment of the medium term • Undertaking participatory planning processes to obtain views of disadvantaged people on priorities and strategies on a regular/annual basis 	Government, research institutions, development practitioners
Facilitating community dialogue and development processes as on ongoing activity	<ul style="list-style-type: none"> • CBOs eg church groups, key opinion leaders • Ward committees, DSD, and community development practitioners
Advise on government services available	<ul style="list-style-type: none"> • CDWs
Provision of services in communities, eg home-based care, VCT, advice on growing vegetables, animal health, volunteer fire and policy, waste (see Figure 1)	<ul style="list-style-type: none"> • Community members/CBOs themselves, eg using community-based worker model • Support and facilitation role by NGOs (eg Hospice), government (eg clinics), private sector (eg vets, drug suppliers) • Technical support eg by Dept of Agriculture • Direct services by government eg agric extension but major problem of coverage and access • Resourcing of the system including stipends by government
Assessing which municipal and other services could be delivered or supported, using community-based or SMME mechanisms	Government/large employers - catalytic role for NGOs
Business advice	SEDA, NGOs Funding by government, e.g. LED Agencies
Legal advice, eg on land, inheritance rights...	Paralegal services from CBOs/NGOs
Access to land through land reform processes including commonages	Depts of Agriculture/DLA, DLGH, NGOs
Improving the value chain and the margins accruing to people at the bottom of the chain eg through collective marketing	NGO/private sector provision, including by associations of producers eg farmers' associations, informal traders
Improving access to markets through promoting procurement from SMMEs/informal sector: Preferential procurement for SMMEs and for BEE companies Promotion of procurement opportunities for informal businesses Encouraging large business to source locally including from SMMEs and informal sector	Private sector/large employers. Government regulation NGOs can play catalytic role, eg Small Business Project, encouraging local sourcing, disaggregating contracts to small suppliers

Role	Intermediation played by
Access to microfinance	CBOs eg stokvels, voluntary savings and loan groups, burial societies Private sector eg MFIs
Improving access to cash transfers such as social grants, and the multiplier effect of these grants	Social Development, NGOs on promotional work
Capacity-building of CBOs and individuals including: <ul style="list-style-type: none"> • Support for adult and functional literacy programmes • Skills training • Training in entrepreneurship and marketing 	Government to fund, including Dept of Labour Learnerships by all sectors Undertaken by advice providers, NGOs, training providers
Capacity-building of NGOs	Government Large NGOs including international NGOs
Initiate CBOs where groups can develop strength and initiate activities, eg youth clubs	Government NGOs
Initiate forums for communities to discuss services with providers	All service providers to undertake (note schools with school governing bodies are only structure where institutionalized)
Fund infrastructure e.g. <ul style="list-style-type: none"> • Provision of incubators • Provision of market stands for informal traders Creation of produce markets <ul style="list-style-type: none"> • Creation of input supply depots for farmers • Construction of access roads • Contracts for community-based or SMME construction and maintenance • Support for specific infrastructure to support projects Planning suitable infrastructure for service delivery in rural areas, eg cellphone payment of electricity bills <ul style="list-style-type: none"> • Indigent policy to support access of poor people to services 	<ul style="list-style-type: none"> • Range of possible providers • Local government • Coops, private sector buyers • Local government • Government at all levels, large employers Government, private sector <ul style="list-style-type: none"> • Government, private sector • Local government, utilities
Improving the local business climate <ul style="list-style-type: none"> • Creation of zones where combined residential and small business use are permitted • Review of procurement procedures to permit informal businesses to access municipal contracts, as well as of other larger businesses • Differentiated rules for small and larger businesses to promote 	Local government/province budgeting for this

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