

How Much Does Government Spend on Informal Settlement Upgrading in South Africa? An Analysis of Four Cities' Budgets

Carlene van der Westhuizen, Albert van Zyl, and Andile Cele | July 2017

1. INTRODUCTION

The most recent census data indicates that about 63 percent of the South African population already lives in urban centers.¹ The National Development Plan has estimated that continued urbanization will increase this proportion to 70 percent by 2030.² South African cities have a backlog in the provision of formal housing to poor people and in most cases they are falling further behind. For this reason informal settlements are growing and informal settlement upgrading is becoming an increasingly pressing policy priority.

As discussed in a [previous brief](#), local government's role in informal settlement upgrading is guided by the national Upgrading of Informal Settlements Programme (UISP). The UISP is implemented in three phases with full serviced stands and secure tenure in place at the end of the third phase.^{3, 4} The UISP strives to facilitate *in-situ* upgrading of informal settlements, which means upgrading that takes place on the site where the community currently resides. The UISP only provides for relocation and resettlement as a "last resort" and in "exceptional circumstances." The UISP also emphasizes the need for extensive and active community participation in the upgrading process.

This brief describes how four metropolitan municipalities, namely Buffalo City Metropolitan Municipality (BCMM), the City of Cape Town (CoCT), the City of Ekurhuleni (CoE), and the City of Johannesburg (CoJ), finance the upgrading of informal settlements. For the purposes of this brief we take our lead from the UISP and use 2017/18 draft budgets, draft Integrated Development Plans (IDP), and draft Built

¹ Statistics South Africa, Census 2011. Available at <http://interactive.statssa.gov.za:8282/webview/>

² National Planning Commission, National Development Plan 2030 Executive Summary (2012). Available at <http://www.gov.za/sites/www.gov.za/files/Executive%20Summary-NDP%202030%20-%20Our%20future%20-%20make%20it%20work.pdf> (accessed 5 June 2017).

³ A full serviced stand means that the stand has been individually connected to municipal services, such as water, sanitation, and electricity, with its own flush toilet and tap. Security of tenure refers to the recognition and formalization of the household's right of occupation of a stand.

⁴ Department of Human Settlements, National Housing Code, (2009a). Available at <http://www.dhs.gov.za/content/national-housing-code-2009> (accessed 6 February 2017).

Environment Performance Plans (BEPP) to identify ***allocations to in-situ upgrade projects or programmes***. This approach was taken in order to exclude spending on other kinds of improvements or services to informal settlements.^{5, 6}

2. MAIN FINDINGS

As is indicated below, the information available in official government documents and budgets make it very difficult to determine how much a metropolitan government (referred to as metros) is spending on informal settlement upgrading. This is troubling in itself, given the importance of this policy area. Despite this data-poor environment, the analysis of the available data produced the following main findings:

- In their budgets, metros follow the national policies on informal settlement upgrading to varying degrees, often with little clarity on their policy goals. Some metros (for example the CoE) seem to prioritize *in-situ* informal settlement upgrading (as the national policy suggests) in their budget allocations, while others (for example the CoCT) mainly target the provision of very minimal basic services.
- Some metros, such as CoCT and BCMM, also allocate large shares of the Urban Settlements Development Grant — the main source of funding for informal settlement upgrading — to fund bulk infrastructure rather than informal settlement upgrading.⁷ While bulk infrastructure is also a priority, there is an urgent need for a debate on how these two priorities should be balanced.
- While difficult to verify, some metros (CoJ and CoE) appear to prioritize services to new housing projects over informal settlement upgrading. Given the slow speed of housing delivery, this presents a significant service delivery blockage.

⁵ All metros are required by the Division of Revenue Act to compile and submit a Built Environment Performance Plan (BEPP) in order to qualify for the transfer of a range of infrastructure grants. In short, the BEPP should be a consolidation of all built environment planning, projects, and priorities to assist metros to reach their spatial development objectives (see http://mfma.treasury.gov.za/Documents/02.%20Built%20Environment%20Performance%20Plans/2017-18/1.%20BEPP%20Guidelines%202017_18/BEPP%20Guidelines%202017_18%20MTREF%20V13%20Corrected%201Feb2017.pdf).

⁶ Since the start of this research project these four metros have tabled their final budgets. Not all four metros have made the full set of final budget documents available and in one case we only have the final budget speech. A cursory review of the available documents suggests no or very small changes and our key findings remain the same.

⁷ Bulk and connector infrastructure generally refers to the infrastructure connecting the resource to the distribution network in a city or town, while internal infrastructure is the infrastructure within a suburb or a settlement (see http://pdg.co.za/wp-content/uploads/2016/02/CAHF-Case-Study-4_Infrastructure-Financing.pdf).

- It is generally not clear who is responsible for informal settlement upgrading in metros. Nor do the metro budgets clarify how much money is allocated to informal settlement upgrading — a troubling development for a pressing national priority.
- While the national UISP emphasizes the importance of community participation in the upgrading process, no budget allocations to facilitate this was found in the budget documents of any of the four metros.

Despite there being a national policy, the four metros we examine here follow slightly different approaches to the provision of informal settlement upgrading. They also house this important function in slightly different places in their administrations. We therefore start with an overview of each metro's approach to informal settlement upgrading, and the departments in which they have lodged this function. This groundwork provides some clues as to where to look for budget allocations for informal settlement upgrading.

3. WHERE DOES INFORMAL SETTLEMENT UPGRADING FIT IN THE METRO?

Given the existence of a national policy, it is surprising that the approaches to and policies for informal settlement upgrading among metros differ as much as they do. Perhaps even more surprising is the lack of clarity in the policies or approaches of the four metros. As discussed below, BCMM is the only of the four metros with an explicit and comprehensive policy. The other metros either have no policy, multiple contradictory programmes, or their practices diverge from their stated policy. There is an obvious need for clearer guidance and oversight by the relevant national and provincial departments.

Section 3.1 provides a short overview of each metro's policy or approach, while more detailed metro-specific information is provided in Annex 1.

3.1 POLICY FRAMEWORK

BCMM's 2014 Informal Settlement Upgrading Policy and Strategy differs slightly from the national UISP but appears to have similar goals in terms of the provision of serviced stands and security of tenure.⁸ However, more recent documents raise questions about the extent to which this policy is being

⁸ Buffalo City Metropolitan Municipality, 2014 Informal Settlement Upgrading Policy and Strategy (2014): 8, 11, 45-50. Available at <http://afesis.org.za/wp-content/uploads/2017/06/Policy-and-Strategy-document-Dec-14-submitted.pdf> (accessed 21 February 2017)

implemented. BCMM's Draft 2017/18 IDP, for example, calls for a combination of relocation and *in-situ* upgrading to address BCMM's informal settlements.⁹ BCMM's draft 2017/18 BEPP states that the first step in the *in-situ* upgrading process should be the creation of a formal layout with registered plots for houses, schools, road reserves, and public spaces.¹⁰ It then provides "Draft Guidelines" for the provision of water and sanitation services to clusters of households, but not to individual households.¹¹ The BEPP does not provide any further guidelines or plans for the provision of permanent basic services to individual sites, which suggests that the implementation of the policy falls short of the provision of serviced sites.

We could not find specific informal settlement upgrading policies for the other three metros, but all three have defined a set of interventions and programmes, which reveal their *de facto* policy orientation. The most important way in which the metros' orientations differ is that the CoJ specifically states that *in-situ* upgrading is the preferred option, while it is unclear to what extent *in-situ* upgrading is the preferred intervention in the CoCT and the CoE.

Both the CoCT and the CoE implement a wide range of programmes aimed at improving the living conditions of households in informal settlements. In both metros these programmes include *in-situ* upgrading, the delivery of serviced stands, re-blocking, and improved access to basic services.¹² The CoJ implements informal settlement upgrading through the Formalisation and Regularisation of Informal Settlement Programme in the Department of Housing. The CoJ's most recent draft BEPP, however, suggests that while *in-situ* upgrading is preferred, informal settlement upgrading is not a priority in itself, but is rather one element in a broader focus on investing in "Deprivation and Informal Settlement Areas" in the metro.¹³

⁹ Buffalo City Metropolitan Municipality, Draft Integrated Development Plan 2017/18 (2017): 78. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 6 April 2017).

¹⁰ Buffalo City Metropolitan Municipality, Draft Built Environment Plan 2017/18 (2017): 47. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

¹¹ Buffalo City Metropolitan Municipality, Draft Built Environment Plan 2017/18 (2017): 48. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

¹² City of Cape Town, Integrated Human Settlements Five-year Plan 2016/17 Review (2016A): 37. Available at http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies,%20plans%20and%20frameworks/JOB0010_145_CoCT_IHSP%202016.pdf (accessed 27 February 2017); City of Ekurhuleni, Draft Integrated Development Plan 2016/17 (2017): 200-201. Available at <http://mfma.treasury.gov.za/Documents/01.%20Integrated%20Development%20Plans/2017-18/01.%20Draft/01.%20Metros/EKU%20Ekurhuleni%20Metro/EKU%20Ekurhuleni%20Metro%20Draft%20IDP%202017-18.pdf> (accessed 23 March 2017).

¹³ City of Johannesburg, Draft City of Johannesburg Build Environment Performance Plan 2017/18 (2017): 23, 54, 72. Available at <http://mfma.treasury.gov.za/Documents/02.%20Built%20Environment%20Performance%20Plans/2017-18/8.%20Draft%20Municipal%20BEPP%20documents/JHB%20City%20of%20Johannesburg/JHB%20City%20of%20Johannesburg%20Draft%20BEPP%202017-18.pdf> (accessed 4 April 2017).

3.2 RESPONSIBLE DIRECTORATES OR DEPARTMENTS

The CoCT is the only metro of the four with a department specifically responsible for the upgrading of informal settlements. According to the CoCT's 2017/18 draft budget, the Informal Settlements and Backyarders Department's main focus is to "upgrade and improve informal settlements and to provide services to backyard dwellers, and to consolidate the provision of bulk services, janitorial services, EPWP [Extended Public Works Programme] opportunities, taps and toilet installations."¹⁴ While this department has the main responsibility for the upgrading of informal settlements, its responsibilities extend to the provision of services to backyard dwellers, as well as to informal settlements in general. Despite the relatively clear articulation of this department's focus, it is uncertain whether informal settlement projects implemented by other departments, such as Electricity Generation and Distribution, are in support of *in-situ* upgrading.

In the other three metros a Human Settlements or Housing Department or Directorate is responsible for the upgrading of informal settlements. But these departments or directorates are generally responsible for the implementation of *all* of the metro's human settlements programmes, which range from the provision of rental housing to new housing programmes. While the Housing Department in BCMM specifically employs a Senior Manager of Informal Settlement Upgrading, we could not find any evidence of the existence of a similar position in the CoE and CoJ.

While it appears as if the housing department or directorate is at the very least responsible for the coordination of informal settlement upgrading in all three metros, other departments are to some extent responsible for the provision of infrastructure related to informal settlement upgrading. In all cases, it is also difficult to determine who is responsible for the provision of bulk, connector, and internal infrastructure.

Most of the information presented here results from attempting to reconstruct a picture of the departments responsible for the delivery of the various aspects associated with informal settlement upgrading, because official documents do not provide clear or conclusive information in this regard (see Annex 2). This fragmentation of responsibility might lead to coordination problems, which in turn can have a negative impact on the actual implementation of *in-situ* upgrading. It also means that it is difficult to know where to look for budget allocations for *in-situ* upgrading, how to evaluate whether these allocations are

¹⁴ City of Cape Town, City of Cape Town 2017/18 – 2019/20 Tabled Budget (March 2017). Available online http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Annexure%20A_1718Budget_March_2017.pdf (accessed 29 March 2017).

sufficient, and where to find information on whether the budgets allocated to informal settlement upgrading have been spent — important as underspending being a chronic problem in this sector.

4. BUDGETING FOR INFORMAL SETTLEMENT UPGRADING IN THE 2017/18 DRAFT BUDGETS

As discussed in Section 3.1, with the exception of the CoCT, none of the metros have a department solely dedicated to the *in-situ* upgrading of informal settlements. It is therefore difficult to identify spending on informal settlement upgrading. We had to explore a number of indirect routes to estimate how much the four metros allocate to informal settlement upgrading in their 2017/18 draft budgets.

In general, this section presents the following findings:

- While metros contribute some of their own revenue (i.e., non-grant revenue), including borrowed funds, to informal settlement upgrading, these contributions are modest.
- A relatively small proportion of the relevant grant funding (the Urban Settlements Development Grant) is allocated to informal settlement upgrading.
- A large share of the funding that appears to be allocated to informal settlement upgrading is actually allocated to bulk infrastructure and roads, rather than infrastructure that connects individual households to basic services.
- Some metros prioritize the provision of services to new housing projects over informal settlement upgrading.

4.1 HOW MUCH ARE MUNICIPALITIES SPENDING ON INFORMAL SETTLEMENT UPGRADING?

In this section we attempt to identify budget allocations to *in-situ* informal settlement upgrading, in particular, how much the metros have allocated to the provision of serviced stands and security of tenure. Thus we excluded any spending on other improvements to informal settlements, such as the provision of basic services not linked to *in-situ* upgrading projects.

Annex 3 presents a detailed overview of our findings for each metro. As indicated above, the CoCT is the only metro with a department dedicated to informal settlement upgrading. Even there, given that the

department's responsibilities extend beyond just *in-situ* upgrading, we are unable to identify how much the metro has allocated to that specific goal. While a few specific projects do include a reference to UISP in their names, these account for about only half of the department's capital budget of just over R200 million in 2017/18, with no funds allocated to UISP projects in 2019/20. The CoJ has allocated a relatively small amount of R74 million in 2017/18 specifically for the "Formalisation of informal settlements across the City," with the allocation set to increase to R100 million in 2018/19.¹⁵ BCMM has allocated R63 million in 2017/18 to what appears to be informal settlement upgrading projects. In the CoE's draft budget no projects linked to informal settlement upgrading could be identified, but information from the more recent final budget speech suggests that R290 million has been allocated to the provision of serviced stands in a number of informal settlements.

The analysis shows that it is nearly impossible to identify with certainty how much each of the metros are spending directly on *in-situ* informal settlement upgrading. Across all metros many of the projects which include a clear reference to informal settlements seem to deliver services more generally in support of improvement to informal settlements, rather than specifically in support of *in-situ* upgrading. These services are often also aimed at reaching what is considered a minimum standard — not the service standards specified by the UISP.¹⁶ In terms of sanitation this can include technologies like ventilated improved pit toilets, chemical toilets, and flush toilets, often at a ratio of one toilet to five households. In terms of the provision of water, one tap for 25 households in a 200 meter radius is often considered a minimum acceptable standard. Electrification projects also seem to provide connections to informal settlements in general, with no indication of how much of the allocation is specifically for *in-situ* informal settlement upgrading projects.

In CoE, CoJ, and BCMM, the Urban Settlement Development Grant (USDG) allocation to the housing or human settlement departments generally funds the provision of internal services to all human settlement projects, which range from new houses and social or rental housing to *in-situ* informal settlement upgrading. The information in the draft budgets, BEPPs, and IDPs is generally not detailed enough to identify specific *in-situ* informal settlement upgrading projects.

While the CoCT's Informal Settlement and Backyarder Department has an operating budget of about R500 million in each year of the Medium Term Revenue and Expenditure Framework (MTREF), it is

¹⁵ City of Johannesburg. Draft Medium Term Budget. 2017/18 to 2018/19 (2017). Available at https://issuu.com/cojdocuments/docs/2017-18_budget_book (accessed April 2017).

¹⁶ See, for example, City of Cape Town, Five Year Integrated Development Plan 2012-2017, 2016/17 Review and Amendments (2016): 98. Available at <http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies%2c%20plans%20and%20frameworks/2016%20Review%20and%20Amended.pdf> (accessed 7 March 2017).

impossible to say whether any of this is in support of *in-situ* upgrading. Similar, the CoJ has shown in its draft budget that it has allocated almost R400 million of its operating budget toward the IDP goal of “[p]rioritising the formalization of informal settlements,” but with no additional information about this allocation.

4.2 ALLOCATION OF THE URBAN SETTLEMENTS DEVELOPMENT GRANT

The USDG is an earmarked conditional grant from the national government for informal settlement upgrading. According to the Division of Revenue Bill and the Division of Revenue Act (DoRA), metros are supposed to use the USDG for the provision of basic services infrastructure (e.g., for the provision of water, sanitation, electricity, etc.) and the development of integrated human settlements, but the grant conditions do not offer guidelines on how much of the USDG should specifically be allocated to *in-situ* informal settlement upgrading.¹⁷

Section 4.1 described how difficult it is to identify budget allocations to informal settlement upgrading, and specifically to *in-situ* upgrading. In this section we look at how the four metros have allocated their USDG to see if this might give us more information on how they fund *in-situ* upgrading.

An overview of how the four metros have allocated the USDG in their 2017/18 draft budgets can be found in Annex 4. The analysis shows diverse trends. The CoE and the CoJ have allocated about half of their USDG capital allocation to the directorate or department specifically responsible for *in-situ* informal settlement upgrading. This does not necessarily mean that all the funds have actually been allocated for *in-situ* informal settlement upgrading. The allocations do however suggest that these two metros prioritize internal services for human settlement projects in their allocation of the USDG. The remainder of the grant has been allocated to the delivery of infrastructure by other relevant departments, and well as land acquisition in the case of CoE.

In BCMM, the directorate responsible for the delivery of infrastructure services has been allocated more than half of the capital portion of the USDG, with the delivery of roads and sanitation a priority. The Human Settlements Directorate, which is responsible for informal settlement upgrading, has been allocated only about a quarter of the USDG in 2017/18, with that share set to decrease over the MTREF.

¹⁷ National Treasury, Division of Revenue Bill, (2016a). Available at http://www.treasury.gov.za/legislation/bills/2016/bills2016_bill02-2016.pdf (accessed 7 February 2017)

Again we cannot identify any specific allocations to *in-situ* upgrading projects, but BCMM is clearly allocating less of its USDG to the delivery of human settlement projects than the CoE and the CoJ.

The CoCT also appears to prioritize the provision of bulk infrastructure, and specifically the provision of waste water treatment works. Relatively large shares (between 12 and 18 percent) have also been allocated the Build Environment Management Department for roads and stormwater infrastructure, and to the New Market Development Department for the provision of internal services to new housing projects. The Informal Settlement and Backyarders Department has been allocated only a little more than 11 percent of the USDG in the 2017/18 budget year, with that share set to decline to less than 2 percent in the last year of the MTREF. These last findings also suggest that the CoCT is prioritizing new housing projects over informal settlement upgrading in its allocation of the USDG.

4.3 WHAT ARE THE METRO'S MAIN SOURCES OF FUNDING FOR INFORMAL SETTLEMENT UPGRADING?

As discussed in Section 4.2, the USDG is supposed to be a metro's main source of funding for informal settlement upgrading, but this a supplementary grant, which means that a metro is required to contribute some of its own funding to informal settlement upgrading.

Given that we were not able to identify with any accuracy how much the metros have allocated to *in-situ* informal settlement upgrading, we also cannot say with any accuracy *how much* of the different sources of funding has been allocated to informal settlement upgrading projects. We therefore attempt here to simply identify the possible sources of funding that each metro might have drawn on to fund informal settlement upgrading. The tables underpinning our discussion can be found in Annex 5 and are summaries of the funding sources for the informal settlement projects identified in Section 4.1.

Both BCMM and CoE have contributed small amounts of their own revenue to projects possibly linked to informal settlement upgrading. BCMM has also allocated a small amount from the Human Settlements Development Grant (HSDG) to relevant activities, while the CoE has allocated small amounts of borrowed funds to two projects. While it is difficult to provide an accurate estimate of how much of the USDG both metros have allocated specifically to informal settlement upgrading, in the case of BCMM, about a quarter of its USDG has been allocated to the department responsible for informal settlement upgrading in 2017/18. CoE has allocated more than 50 percent of its USDG to its Human Settlement Directorate, as well as more than 10 percent of the grant to the Energy Directorate for electrification of informal settlements. This suggests that these two metros depend mostly on the USDG as the main source of funding for informal settlement upgrading with limited contributions from other sources.

For the CoCT we focus on the sources of funding for the capital budget of the Informal Settlement and Backyarders Department. In 2017/18 and 2018/19, most of the department's capital budget is funded by the USDG. While the USDG's contribution is set to increase from 68 percent to 73 percent, the actual Rand amount is set to decline. By 2019/20 only 20 percent of the department's capital budget will be funded by the USDG, with most of the projects funded by external loans.

The CoJ does not show funding sources for capital projects, apart from the allocation of its USDG. While the draft budget suggests that most of the capital budget of the Housing Department is funded by the USDG, information drawn from the BEPP suggests that large shares of the Electrification of Various Informal Settlements project are to be funded from a source other than the USDG over the MTREF period.

4.4 ALLOCATIONS FROM THE USDG NOT LINKED TO INFORMAL SETTLEMENT UPGRADING

One troubling finding of our research is that metros are spending a significant portion of the USDG on things that have little to do with informal settlement upgrading. While the grant conditions do not explicitly prohibit using a stream of money that is earmarked for a priority as pressing as *in-situ* informal settlement upgrading for non-related functions, it happens.

Drawing on the discussions in the preceding sections, the information in the associated annexes, as well as on project descriptions in the metros' draft capital budgets, this section provides some ideas about what the four metros are funding with the USDG outside of *in-situ* informal settlement upgrading.

All four metros are using the USDG to fund the provision of infrastructure. In the case of BCMM and CoCT, the bulk of their USDG has been allocated to the provision of infrastructure. In all four metros this includes the provision of bulk and other water and sanitation infrastructure, stormwater infrastructure, bulk roads, and rehabilitation and construction of roads (including gravel roads). It should be noted here that some of these projects might contribute to better living conditions in both formal and informal settlements, but it is impossible to say if any of these are specifically in support of informal settlement upgrading.

It should also be reiterated that while the CoJ and the CoE have allocated most of their USDG to the department responsible for informal settlement upgrading, the lack of detailed project information makes it impossible to evaluate the extent to which *in-situ* upgrading has been prioritized versus the provision of services to new housing projects. Both the CoCT and BCMM have allocated some of their USDG to new housing projects.

BCMM, the CoCT, and the CoJ have allocated various shares of their USDG to land and property acquisition. With the exception of the CoE, metros have also allocated amounts (in most cases relatively small) to a variety of projects, including social housing, pedestrian and other bridges, traffic safety measures, small transport facilities, taxi rank infrastructure, upgrading of trading markets, parks, cemeteries, multipurpose and community centers, fire stations, clinics, synthetic pitches for sports centers, waste disposal sites, and a civic center (BCMM). While many of the projects listed here can be considered social and economic amenities that will improve the living conditions of those in marginalized communities or informal settlements, the allocations for the projects demonstrate that metros have chosen to use the USDG to fund such projects instead of providing permanent basic services to households in informal settlements as part of *in-situ* upgrading projects.

While both the CoCT and BCMM have allocated relatively small shares of the total USDG transfer to operating expenditure, the CoE has allocated more than 20 percent for that purpose but we have no information on what this allocation is for.

5. CONCLUSION

The findings presented in Section 2 above are based on extensive research presented in the accompanying annexes. To conclude we would like to suggest the following to address what is fast becoming a national crisis. There should be:

- adjustments to the grant conditions of the USDG to oblige metros to use this funding source for the *in-situ* upgrading of informal settlements;
- stricter oversight of metros' adherence to the national policy for informal settlement upgrading that gives preference to *in-situ* upgrading with the delivery of full-serviced stands and security of tenure as the goal; and
- improved guidance and oversight by the National Department of Human Settlements to ensure that metros both implement national policy and fund it adequately.

ANNEX 1: POLICY FRAMEWORK

BUFFALO CITY METROPOLITAN MUNICIPALITY

BCMM has 154 informal settlements within what they refer to as the “Urban Edge.” These settlements include a total of approximately 41,238 informal dwellings, which excludes backyard dwellings.¹⁸ BCMM’s Draft 2017/18 Integrated Development Plan (IDP) calls for a combination of relocation and *in-situ* upgrading to address these settlements.¹⁹ Thirty-two informal settlements have already been identified for *in-situ* upgrading as part of a joint project of BCMM and the National Department of Human Settlements’ National Upgrading Support Programme.²⁰

It appears as if informal settlement upgrading in BCMM is guided by their Informal Settlement Upgrading Policy and Strategy, developed in 2014 and for which a policy document was prepared by a consultant employed by BCMM, the national Department of Human Settlements, and the National Upgrading Support Programme.²¹ There is some confusion, however, about the status of the policy. While the policy document indicates that the strategy and policy was approved by the BCMM Council in 2015, no reference to this approval, or copy of the policy, could be found on the BCMM’s website, though there is a reference to it in the State of the Metro speech delivered in June 2016.^{22,23} The phases described in the BCMM policy differ slightly from the phases of the UISP, with an additional fifth phase that focuses on routine maintenance.

BCMM’s draft 2017/18 Build Environment Performance Plan (BEPP) describes a draft informal settlement policy and strategy that seems to differ slightly from the 2014 policy. According to the BEPP, for an informal settlement to be incorporated into the metro’s upgrading plans, it first has to be designated as an

¹⁸ Buffalo City Metropolitan Municipality, Draft Built Environments Performance Plan 2017/18 (2017): 42-43. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

¹⁹ Ibid., 78

²⁰ Buffalo City Metropolitan Municipality, Informal Settlement Upgrading Policy and Strategy (2014): 8. Available at http://afesis-corplan.org.za/participatorydemocracy/wiki/images/9/98/Policy_and_Strategy_document_Dec_%2714_submitted.pdf (accessed 21 February 2017); Buffalo City Metropolitan Municipality, Draft Built Environments Performance Plan 2017/18 (2017): 45. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

²¹ Buffalo City Metropolitan Municipality, Informal Settlement Upgrading Policy and Strategy (2014). Available at http://afesis-corplan.org.za/participatorydemocracy/wiki/images/9/98/Policy_and_Strategy_document_Dec_%2714_submitted.pdf (accessed March 2017).

²² Afesis-Corplan, undated. Buffalo City Upgrading Informal Settlement Strategy. Available at <http://afesis.org.za/buffalo-city-upgrading-informal-settlement-strategy/> (accessed May 2017)

²³ Buffalo City Metropolitan Municipality, Mtsi Delivers the SONA (2016). Available at <http://www.buffalocitymetro.gov.za/Home/ArticleId/92/mtsi-delivers-the-soma> (accessed May 2017)

Incremental Settlement Area (ISA).²⁴ It seems like this is not only the first step in the upgrading process but also the first step in the deciding how tenure will be provided. Recognition as an ISA also includes rezoning through which a formal layout is created with registered plots for houses, schools, road reserves, public open spaces, etc. This process applies to *in-situ* upgrading only and settlements that are to be relocated cannot be designated as ISAs.

The BEPP also provides “Draft Guidelines” for what appears to be the first phases of an informal settlement upgrading process.²⁵ These guidelines include stipulating how shacks for relocation and new plots should be identified, how ablution facilities and services should be made available, what level of electrification should be provided, and where community spaces should be created. The guidelines refer to the provision of sanitation facilities and water to “clusters” of “between 20 and 30 households.” This suggests that upgrading does not entail the provision of fully serviced stands, which in turn suggests that these guidelines only apply to the first two phases of informal settlement upgrading as described by BCMM’s policy, though not explicitly stated in the BEPP. The BEPP does not include any reference to the provision of individual permanent basic services to individual sites — which is the ultimate goal of the UISP. It is not clear if this omission points to a change in policy or if the current BEPP simply does not touch on this aspect of *in-situ* informal settlement upgrading.

CITY OF CAPE TOWN

The most recent statistics – based on the 2011 Census – show that 20.5 percent of the CoCT’s households live in informal housing. Specifically, 13.5 percent of these households live across 204 informal settlements, while 7 percent live in informal backyard dwellings.²⁶

In the CoCT, human settlements development, which includes informal settlement upgrading, is guided by the CoCT’s Integrated Human Settlements Framework (IHSF), as currently implemented through the Integrated Human Settlements Five-year Plan (July 2012 – June 2017).²⁷ According to the IHSF, the CoCT needs to “shift its delivery emphasis away from providing formal give-away houses [sic] to providing

²⁴ Buffalo City Metropolitan Municipality, Draft Built Environment Plan 2017/18 (2017): 47. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

²⁵ Buffalo City Metropolitan Municipality, Draft Built Environment Plan 2017/18 (2017): 48. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 31 March 2017).

²⁶ City of Cape Town, Five Year Integrated Development Plan 2012-2017: 2016/17 Review and Amendments (2016): 23. Available at <http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies%2c%20plans%20and%20frameworks/2016%2017%20Review%20and%20Amended.pdf> (accessed 7 March 2017).

²⁷ City of Cape Town, Integrated Human Settlements Five-year Plan 2016/17 Review (2016). Available at http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies,%20plans%20and%20frameworks/JOB0010145_CoCT_IHSP%202016.pdf (accessed 27 February 2017).

access to well-located land, good quality municipal services, improving the public environments and supporting households to build their own houses.”

According to the “Review of the CoCT’s Integrated Human Settlement Five-year Plan,” the CoCT delivers a range of housing programmes, which includes UISP phases 1 to 3 to provide fully serviced sites, as well as various top structure programmes and social housing programmes.²⁸ Despite the reference to the UISP in this review, the CoCT does not have a specific programme or department named UISP.

According to the same review, the following programmes are used for the incremental upgrade of informal settlements:²⁹

- The national UISP
- Emergency housing programme, which includes temporary relocation and incremental development areas
- Re-blocking, which involves the reconfiguration of informal settlements onto a better layout to create better and safer living conditions, and easier access for the provision of basic services and emergency vehicles
- Basic services programme
- Electrification programme

The draft of the CoCT’s new Integrated Development Plan (July 2017 to June 2022) identifies 11 “priority areas” with “[m]ainstreaming basic service delivery to informal settlements and backyard dwellers” as one of these areas. The programmes to support this area include a basic service delivery programme and a human settlements programme. The human settlements programme includes an informal settlements project that references “progressive upgrade of informal settlements,” but also the delivery of basic services in line with “national guidelines.” A second project is called the “informal settlement formalization project” which specifically mentions *in-situ* upgrades and the provision of services and security of tenure but also other interventions such as super-blocks, temporary relocation areas, and incremental development areas.

Based on the information above it is clear that the CoCT implements a range of programmes to improve the living conditions of those living in informal households. It is, however, not clear whether the *in-situ* upgrading of informal settlements is a priority - as national policy states it should be.

²⁸ Ibid., 48

²⁹ Ibid., 37

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The CoE's 2017 Draft IDP Review suggests that 21 percent of the city's population reside across 119 informal settlements.³⁰ The metro plans to upgrade 28 informal settlements to formal townships over the current medium term: 10 in 2017/18, 10 in 2018/19, and 8 in 2019/20.^{31, 32}

The CoE does not have a specific policy that guides informal settlement upgrading in the metro, but various policy documents refer to strategic frameworks that have the objective of improving the living conditions of the city's residents, including those living in informal settlements.

For example, the Draft 2017 IDP Review mentions the CoE's Strategic Objective 1, which aims to "[p]romote integrated human settlements and sustainable infrastructure services."³³ The discussion under this objective includes the following specific references to informal settlements:

- The biggest priority in the provision of basic services is improving the lives of people living in informal settlements;
- Ekurhuleni will accelerate the formalization and regularization of informal settlements, which will make them accessible and enable the municipality to provide the required basic services;
- access to water and sanitation will be increased in informal settlements; and
- electrification of informal settlements is central to the pro-poor agenda for the term and a programme will be implemented to ensure universal access to electricity.

The CoE's Human Settlements Department implements a range of programmes that all appear to have specific objectives related to the upgrading of informal settlements.³⁴ These include the delivery of

³⁰City of Ekurhuleni, Draft Integrated Development Plan 2016/17 (2017): 33. Available at <https://www.ekurhuleni.gov.za/2017-2018/2985-emm-draft-mtref-idp-a-f-17-2017> (accessed 23 March 2017).

³¹ A township refers to land that has been laid out for development into residential, business, or industrial use. The main qualifier is the presence of basic services, road access, and registration in the Deeds Registry. The aim is to ensure that all settlements are registered with the Deeds Registry as formal.

³²City of Ekurhuleni, Draft medium term budget 2017/18, Table SA7 (2017): 96. Available at <http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx?RootFolder=%2fDocuments%2f03%2e%20Budget%20Documentation%2f2017-18%2f01%2e%20Metros%2fEKU%20Ekurhuleni%20Metro&FolderCTID=%2f7b84CA1A01-EF8A-4DE0-8DC4-47D223CB5867%7d> (accessed 23 March 2017).

³³ City of Ekurhuleni, Draft Integrated Development Plan 2016/17 (2017): 148. Available at <http://mfma.treasury.gov.za/Documents/01.%20Integrated%20Development%20Plans/2017-18/01.%20Draft/01.%20Metros/EKU%20Ekurhuleni%20Metro/EKU%20Ekurhuleni%20Metro%20Draft%20IDP%202017-18.pdf> (accessed 23 March 2017).

³⁴ City of Ekurhuleni, Draft medium term budget 2017/18 (2017). Available at <http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx?RootFolder=%2fDocuments%2f03%2e%20Budget%20Documentation%2f2017-18%2f01%2e%20Metros%2fEKU%20Ekurhuleni%20Metro&FolderCTID=%2f7b84CA1A01-EF8A-4DE0-8DC4-47D223CB5867%7d> (accessed 23 March 2017) page 200-201

serviced stands a part of an upgrading programme, as well as improved access to basic services. The latter includes re-blocking, which the CoE describes as “creating temporary townships layouts to allow for the provision of infrastructure, services and security of tenure, to make these settlements more habitable and dignified.”³⁵ Another programme provides for the construction of houses on serviced stands as part of *in-situ* upgrading.

The programmes listed above suggest that while the CoE does not have a specific or overarching policy guiding *in-situ* upgrading, a number of programmes seem to correspond to certain phases of the UISP’s upgrading process.

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The CoJ has 181 informal settlements, with an estimated 167,942 informal structures. The metro also has 320,652 backyard units and recognizes that the scale and the complexity of these units present a far greater challenge. For the 2017/18 – 2019/20 MTREF, the CoJ has identified 56 “well-located” informal settlements for upgrading by “providing access to basic services and security tenure per beneficiary.”³⁶

The CoJ does not have a specific policy in place either, but informal settlement upgrading is implemented through the Formalisation and Regularisation of Informal Settlement Programme in the Department of Housing. According to the draft 2017/18 BEPP, this programme is an “integral part of the deprivation areas investment plan.” Specifically, “Deprivation and Informal Settlement Areas” has been identified as one focus area for spatially targeted investment over the 2017/18 MTREF period.³⁷ Housing projects are currently underway to address the housing need in these areas. But according to the BEPP, the CoJ’s current strategy is to conclude projects already underway and to align new *in-situ* development projects to the policy objectives of the City’s Spatial Development Framework (SDF) before any new capital investment is allocated.

The BEPP states that *in-situ* upgrading of informal settlements should be the first option for intervention, with relocation only in cases where upgrades are not possible and the land currently inhabited is not suitable for human habitation. In the case of relocation, distances should be kept to within two kilometers of the current location. The limited information in the BEPP, however, seems to suggest that for the CoJ

³⁵ Ibid., 201

³⁶ City of Johannesburg, Draft City of Johannesburg Build Environment Performance Plan 2017/18 (2017): 55. Available at <http://mfma.treasury.gov.za/Documents/02.%20Built%20Environment%20Performance%20Plans/2017-18/8.%20Draft%20Municipal%20BEPP%20documents/JHB%20City%20of%20Johannesburg/JHB%20City%20of%20Johannesburg%20Draft%20BEPP%202017-18.pdf> (accessed 4 April 2017).

³⁷ Ibid., 23, 54, 72

informal settlement upgrading is not a priority in itself, but is rather a part of the broader focus on investing in “Deprivation and Informal Settlement Areas.”

ANNEX 2: RESPONSIBLE DIRECTORATES AND DEPARTMENTS

BUFFALO CITY METROPOLITAN MUNICIPALITY

In BCMM, the Housing Department within the Human Settlements Directorate is responsible for the upgrading of informal settlements. This department employs a Senior Manager of Informal Settlement Upgrading, but we were unable to find information on the specific responsibilities of this position.³⁸ This department is responsible for the first three phases of the UISP as defined by the national policy, including the provision of basic services (excluding electricity) specifically linked to upgrading projects. It also manages the construction of the top structures.

A number of other directorates or departments could also play a role in informal settlement upgrading.³⁹ As discussed in detail in Annex 4, the Urban Settlements Development Grant (USDG) is the main source of funding for informal settlement upgrading in metros. In BCMM, the Enterprise Project Management Office (EPMO) located in the Municipal Manager Directorate is responsible for the monitoring of and reporting on all projects and expenditure funded by the USDG. This would imply that the EPMO is also responsible for monitoring of and reporting on any informal settlement upgrading projects funded by the USDG.

The Infrastructure Services Directorate is responsible for the delivery of new and upgraded roads, electricity, bulk sanitation, water, and waste water provision across the metro, including informal settlements, as well as all operational activities associated with the delivery of these services. The Municipal Services Directorate is responsible for solid waste management, refuse removal, and social amenities across the metro, including informal settlements.

³⁸ Buffalo City Metropolitan Municipality, Draft Integrated Development Plan 2017/18 (2017): 300. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 6 April 2017).

³⁹ Buffalo City Metropolitan Municipality. Informal Settlement Upgrading Policy and Strategy (2014): 62. Available at http://afesis-corplan.org.za/participatorydemocracy/wiki/images/9/98/Policy_and_Strategy_document_Dec_%2714_submitted.pdf (accessed 21 February 2017).

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In the CoCT a new Directorate of Informal Settlements, Water and Waste Services was created in 2016, consisting of three departments: Water and Sanitation, Solid Waste Management, and the newly created Informal Settlement and Backyarders department.

According to the CoCT's 2017/18 draft budget, the main focus of the new Informal Settlements and Backyarders department is to "upgrade and improve informal settlements and to provide services to backyard dwellers, and to consolidate the provision of bulk services, janitorial services, EPWP [Extended Public Works Programme] opportunities, taps and toilet installations." This department is also responsible for the management of environmental health and social services, including disaster and emergency services.⁴⁰

While it is clear from the information in the 2017/18 draft budget that this department has the main responsibility for the upgrading of informal settlements, its responsibilities extend to the provision of services to backyard dwellers and basic services to informal settlements in general. The Water and Sanitation Department in the same directorate is responsible for the implementation of bulk water and sanitation infrastructure projects, some of which might be in support of informal settlement upgrading.

The Electricity Distribution Department in the Energy Directorate is responsible for the delivery of bulk infrastructure and electricity services. This includes electricity services to informal housing through its electrification and backyarder plans, but it is unclear if this includes services specifically for *in-situ* upgrading of informal settlements.

The Asset Management and Maintenance Department in the Transport and Urban Development Authority Directorate is responsible for delivering road infrastructure as part of informal settlement upgrading, but again it is not clear if this is road infrastructure linked to *in-situ* upgrading. Another department in this directorate, called Urban Integration, is responsible for land acquisition, but, yet again, it is unclear whether this department is responsible for the acquisition of land for informal settlement upgrading (when required). The New Market Development Department, also situated in the Transport and Urban Development Authority Directorate, is responsible for the provision of infrastructure services for new housing projects.

⁴⁰ City of Cape Town, City of Cape Town 2017/18 – 2019/20 Tabled Budget (March 2017). Available at http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Annexure%20A_1718Budget_March_2017.pdf (accessed 29 March 2017).

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The Human Settlements Department, located within the Human Settlements Directorate, is responsible for overseeing all service delivery to and upgrading of informal settlements in the CoE.⁴¹ The department, however, shares the responsibilities for the delivery of basic services with the relevant departments. This means that the Water and Sanitation Department might also be responsible for providing the necessary water and sewer networks, the Energy Department for electricity services, and the Roads and Stormwater Department for fully surfaced/paved roads and stormwater management systems.⁴² Land and property acquisition for human settlement development are managed by the Council General Department within the Finance and Corporate Service Directorate

CITY OF JOHANNESBURG

In the CoJ, the Department of Housing is responsible for the development of sustainable human settlements in the metro. One of the directorates within the department, the Human Settlements Programmes Directorate, is specifically responsible for the “enhancement of tenure opportunities and the formalizing of informal settlements as well as bulk infrastructure development” (funded by the USDG).^{43, 44}

The 2017/18 Draft Budget also lists “formalization of informal settlements” as one of the programmes implemented by the following departments: City Power, Pikitup, and Development Planning. Johannesburg Water is responsible for the provision of basic services to informal settlements, while the Johannesburg Roads Agency is responsible for informal settlements roads upgrade.⁴⁵

⁴¹ City of Ekurhuleni, Draft medium term budget 2017/18, Table SA7 (2017): 199. Available at <http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx?RootFolder=%2fDocuments%2f03%2e%20Budget%20Documentation%2f2017-18%2f01%2e%20Metros%2fEku%20Ekurhuleni%20Metro&FolderCTID=&View=%7b84CA1A01-EF8A-4DE0-8DC4-47D223CB5867%7d> (accessed 23 March 2017).

⁴² Ibid., 200

⁴³ See https://joburg.org.za/index.php?option=com_content&task=view&id=86&Itemid=9&limitstart=3

⁴⁴ Note that in the CoJ the main unit is called the department and each departments consist of a number of directorates, while the opposite is true for most other metros.

⁴⁵ City of Johannesburg. Draft Medium Term Budget. 2017/18 to 2018/19 (2017). Available at https://issuu.com/cojdocuments/docs/2017-18_budget_book (accessed April 2017).

ANNEX 3: OVERVIEW OF METROPOLITAN MUNICIPALITIES SPENDING ON INFORMAL SETTLEMENT UPGRADING

BUFFALO CITY METROPOLITAN MUNICIPALITY

The table below shows all projects deemed potentially in support of informal settlement upgrading in BCMM, including a few projects that can be identified with some confidence as part of the upgrading phases.

The metro has allocated some funds from the Human Settlement Development Grant (HSDG) to three projects: Potsdam Village (Midlands – Phase 1 & 2), Tyutyu (Phase 3), and Potsdam Village (Coastal – Phase 1 & 2). This funding has been allocated to the Human Settlement Directorate’s operating budget for the consolidation phase of the BCMM informal settlement upgrading process, which specifically includes funding for the establishment of committees that can assist in the relocation of residents where necessary. These three projects are the only ones that can be linked with some confidence to informal settlement upgrading. The total allocation to these projects increases from R6.5 million in 2017/18 to R12.5 million in 2018/19 to R16.5 million in 2019/20.

Small amounts of the metro’s own operating revenue have been allocated for the relocation of people and for beneficiary verification associated with housing projects, with half a million rand allocated to these activities in each year of the MTREF. We do not know, however, if these projects are also for *in-situ* informal settlement upgrading.

TABLE 1. BCMM: CAPITAL AND OPERATING BUDGET ALLOCATIONS LINKED TO INFORMAL SETTLEMENT UPGRADING

Directorate	Funding Source	2017/18	2018/19	2019/20
R'000				
<i>Human Settlements</i>				
Housing projects	USDG	184,868	105,530	127,990
(Cluster projects)	(USDG)	(63,031)	(25,000)	(63,805)
Relocation of people (Opex)	Own Revenue	500	0	0
Potsdam Village (Midlands - Phase 1&2)	HSDG	500	500	500
Tyutyu (Phase 3)	HSDG	3,000	5,000	8,500
Potsdam Village (Coastal - Phase 1&2)	HSDG	3,000	7,000	7,500
Beneficiary Verification (Opex)	Own Revenue	0	500	500
<i>Infrastructure Services</i>		0	0	0
Electrification of Informal Settlements	Own Revenue	10,000	10,000	50,000
<i>Development & Spatial Planning</i>		0	0	0
Land Acquisition	Own Revenue	15,000	20,000	30,000

The metro also uses its own revenue to fund the electrification of informal settlements (R10 million in the first two years and R50 million in 2019/20) and land acquisition (R15 million in 2017/18, R20 million in 2018/19 and R30 million in 2019/20). Again, it is unclear how much of the allocation to these two projects is specifically for *in-situ* informal settlement upgrading.

We include the amounts from the USDG that have been allocated to Housing Projects in the Human Settlements Directorate, which is the directorate responsible for informal settlement upgrading. For each of these projects the draft budget only provides an area/settlement name and a breakdown of the budget allocated to water, stormwater, sanitation, and roads. The draft budget therefore does not explicitly distinguish between new housing projects and informal settlement upgrading projects. This allocation is projected to decrease from R185 million in 2017/18 to R105.5 million in 2018/19 before a slight increase to just less than R128 million in 2019/20.

In April 2016 a presentation by BCMM to the National Human Settlement Portfolio Committee provided some more details on these Housing Projects funded by the USDG.⁴⁶ Specifically, it identified three “Cluster” projects linked to informal settlement upgrading. These three projects are still in the 2017/18

⁴⁶See <https://pmg.org.za/committee-meeting/22340/>

budget with allocations of R63 million in 2017/18, R25 million in 2018//19, and R63.8 million in 2019/20. These amounts are included in the total Housing Projects allocation mentioned above. The 2016 presentation did not, however, provide enough information to establish whether these projects are for *in-situ* upgrading with serviced stands as the end goal.

BCMM has tabled its final budget on 26 May 2017, but a cursory review of the documents did not find any changes in the allocations mentioned above.

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The CoCT is the only metro in our analysis with a department specifically responsible for the upgrading of informal settlements. Table 2 shows all the capital projects implemented by the Informal Settlement and Backyarders Department over the MTREF period. This department is also responsible more broadly for the provision of basic services to informal settlements and backyarders, and this list may include projects not associated with *in-situ* informal settlement upgrading.

Three projects, namely IDA/UIISP Sweethomes-Philippi, UISP: 8ste Laan-Valhalla Park, and UISP Kalkfontein Informal Settlement, include a reference to the UISP in their names, suggesting that these projects are informal settlement upgrading projects as defined by the UISP. In the 2017/18 budget these three projects account for a total budget allocation of R106 million, which is less than half of the department's total 2017/18 capital budget of R213.5 million. No further funds are allocated to these projects in 2019/20, suggesting that all three will be concluded in 2018/19.

In the 2017/18 budget a total of R23 million has been allocated to Informal Settlements Sanitation Installations. The budget for this project is set to increase to R24 million in 2018/19 and further to R25 million in 2019/20. In the past this project funded the installation of flush-toilets and the associated internal infrastructure in informal settlements. The provision of these services is part of overall improvement in access to basic services in informal settlements where the objective is to provide a minimum sanitation standard, such as one toilet for every five households. This suggests that this project does not support *in-situ* informal settlement upgrading. Relatively small amounts have been allocated to the Informal Settlements Water Installations project, which in the past funded the installation of taps and associated infrastructure, but not informal settlement upgrading.

Relatively large amounts, in particular in the final year of the MTREF, have been allocated to the "Urbanisation Backyards/Informal Settlement Upgrading Project." The lack of information in the budget

makes it difficult to judge whether this project supports *in-situ* informal settlement upgrading. It should be noted that this project also funds the provision of basic services to backyarders.

R10 million has been allocated to the Enkanini-Khayelitsha project in the 2017/18 budget, with no projected allocations for the two outer years of the MTREF. The mayor's speech accompanying the tabling of the final budget indicated that this is a site and service project in Wards 109 and 95, while the final budget itself indicates that this relatively small allocation is to start "planning work" on the project.^{47,48}

The lack of information makes it impossible to say whether the West Beach S/Pumpstation and rising Main project and for the Rietvlei P/Station, R/Main Bottelary projects are linked to informal settlement upgrading.⁴⁹

While it is difficult to judge how much of the department's capital budget is allocated directly to informal settlement upgrading, it is clear that the department's budget is set to decrease from R213.5 million in 2017/18 to R123.6 million in 2018/19. This is a decrease of more than 42 percent. In 2019/20 the capital budget is projected to increase slightly to R135.2 million. At this stage no money has been allocated in 2019/20 to specific projects that can be linked with certainty to *in-situ* informal settlement upgrading.

⁴⁷ City of Cape Town, City budget demonstrates Cape Town getting on with pro-poor spending (2017). Available at <http://www.capetown.gov.za/media-and-news/City's%20budget%20demonstrates%20Cape%20Town%20getting%20on%20with%20pro-poor%20spending> (accessed 30 May 2017).

⁴⁸ City of Cape Town, Special Council Meeting 30 May 2017 Item SPC 07/05/17 Budget 2017/18 to 2019/20 (2017). Available at <http://www.capetown.gov.za/councilonline/layouts/OpenDocument/OpenDocument.aspx?DocLocation=http://cityapps.capetown.gov.za/sites/CouncillorsOnline/MeetingDetails/C/Reports/183/SPC08300517%20-%20ANNEXURE%20A%20TO%20REPORT.pdf> (accessed 30 May 2017).

⁴⁹ It should be noted that in the final budget, the allocation to this project no longer appears in the capital budget of the Informal Settlement and Backyarder Department, but an allocation to West Beach Pump Station appears in the capital budget of the Water and Sanitation Department.

TABLE 2. COCT: COMPOSITION OF THE INFORMAL SETTLEMENT AND BACKYARDER DEPARTMENT CAPITAL BUDGET

Project	Funding Source	Medium Term Revenue and Expenditure Framework		
		2017/2018	2018/2019	2019/2020
<i>R'000</i>	<i>Funding Source</i>	<i>2017/2018</i>	<i>2018/2019</i>	<i>2019/2020</i>
Informal Settlements Sanitation Installations	EFF	22,000	21,000	20,000
Informal Settlements Sanitation Installations	USDG	1,000	3,000	5,000
Informal Settlements Water Installations	EFF	4,000	4,000	5,000
West Beach S/Pumpstation and rising Main	CRR	17,000	0	0
Rietvlei P/Station, R/Main Bottelary	EFF	1,000	1,000	0
Enkanini-Khayelitsha	EFF	10,000	0	0
IDA/UIISP Sweethomes-Philippi	USDG	35,000	35,000	0
UIISP: 8ste Laan -Valhalla Park	USDG	33,000	4,500	0
UIISP: Kalkfontein Informal Settlement	USDG	38,000	17,000	0
Urbanisation: Backyards/Infrm Settl Upgrading	EFF	0	5,289	80,289
Urbanisation: Backyards/Infrm Settl Upgrading	CRR	13,289	0	0
Urbanisation: Backyards/Infrm Settl Upgrading	USDG	37,790	30,870	23,000
Computer Equipment - Additional	EFF	150	150	150
Computer Equipment - Replacement	EFF	100	100	100
Furniture & Fittings - Additional	EFF	100	100	100
Housing contingency - Insurance	REVENUE	100	100	100
Fleet Replacements	EFF	1,000	1,500	1,500
Total		213,528	123,609	135,239
Total CoCT Capital Budget		6,816,871	6,663,902	6,930,591
Share of Informal Settlements and Backyarders in Total CoCT Capital Budget		3.13%	1.85%	1.95%

Notes: EFF stands for External Financing Fund, which is the borrowed component (loans) of the CoCT's own revenue; CRR stands for Capital Replacement Reserve, which includes cash-backed operating surpluses as well as interest on investments of the CRR; CGD refers to Capital Grants and Donations, which mostly include grants from the national and provincial government; Revenue refers to other own revenue. Some projects are funded from more than one source and the table shows the contribution of each.

A total of R10 million from the USDG has been allocated over the MTREF period to fund the Informal Settlement Upgrading Road Infrastructure Project in the Asset Management and Maintenance Department. The Electricity Generation and Distribution Department is implementing a project called Electrification, which is specifically linked to the IDP goal of "[m]ainstreaming basic service delivery to

informal settlements and backyard dwellers.” This project has been allocated R110.5 million in each of the first two years of the MTREF, with R124.5 million in 2019/20. Again, it is impossible to say how much of these allocations are specifically in support of *in-situ* upgrading.

The discussion above focuses on capital spending on informal settlement upgrading since the majority of the activities associated with *in-situ* upgrading, such as the provision of permanent basic services, are funded by the capital budget. For the sake of completeness, we briefly touch on the Informal Settlements and Backyarders Department’s operating expenditure. In all three years of the MTREF, more than 50 percent of the operating budget of about R500 million each year has been allocated to Contracted Services. The budget does not provide a detailed breakdown of the different contracts under Contracted Services, but it is possible that this item includes outsourced services to informal settlements, such as the maintenance and service of portable and chemical toilets.

The second largest share (about a third) of the operating budget has been allocated to Employee Related Costs, which include salaries, wages, and benefits of employees of the department. Again, it is impossible to identify how much of the operating budget has been allocated specifically toward *in-situ* informal settlement upgrading.

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The CoE does not have a specific programme or directorate that is solely responsible for *in-situ* informal settlement upgrading. Table 3 shows all the projects which might possibly be linked to informal settlement upgrading.

The CoE’s IDP states that brownfields developments are usually associated with “urban infill and *in-situ* upgrading of informal settlements.”⁵⁰ R10 million has been allocated to these projects in 2017/18, with the allocation set to decrease over the following two years to R5 million and R2 million, respectively. These projects are funded from the metro’s own revenue and are listed under capital projects. It is unclear why these projects fall under the Council General Directorate and not Human Settlements. In all three years of the MTREF relatively large amounts (between R200 million and R300 million) have been allocated to the General Council for what is called land banking and property acquisition (for human settlements) but there is no indication whether any of these allocation are in support of informal settlement upgrading.

⁵⁰ City of Ekurhuleni. Draft Integrated Development Plan 2016/17 (2017): 128. Available at <https://www.ekurhuleni.gov.za/2017-2018/2985-emm-draft-mtref-idp-a-f-17-2017> (accessed 23 March 2017).

The Energy Directorate has allocated over R200 million in each of the three years for a project called Electrification of Informal Settlements with an indication that this is linked to the re-blocking process. Some of this might be in support of the early stages of an upgrading process, but there is not sufficient information available to say for certain. Finally, relatively small amounts have been allocated to the provision of walk-in bulk containers by the Waste Management Department. Looking at what the different phases of *in-situ* upgrading entail, this investment might be linked to the early phase of an upgrading process that provides temporary basic services, but we cannot say for certain.

Small amounts have also been allocated to the Water and Sanitation Directorate for two projects in informal settlements. The first provides emergency services to informal settlements, while the second project is responsible for the metering of all informal settlements. It is likely that the second project is in support of informal settlement upgrading. The CoE is also planning to borrow a small amount in 2019/20 to fund stormwater upgrades in a specific informal settlement.

TABLE 3. COE: CAPITAL BUDGET ALLOCATIONS LINKED TO INFORMAL SETTLEMENT UPGRADING

Department/Directorate				
R'000	Funding Source	2017/18	2018/19	2019/20
<i>Council General</i>				
Land banking and Property acquisition (HS)	USDG	200,000	300,000	277,500
Brownfields Upgrades	Own Revenue	10,000	5,000	2,000
<i>Energy</i>				
Electrification of Informal Settlements (Re-blocking Areas)	USDG	212,000	212,000	231,000
<i>Waste Management</i>				
Walk-in Bulk Containers in Informal Settlements	USDG	6,000	5,000	0
<i>Water & Sanitation</i>				
W&S Emergency SVC for informal settlements	USDG	7,000	9,000	10,000
Metering of all Informal Settlements	External loans	650	750	1,000
<i>Roads and Stormwater</i>				
Stormwater upgrades: Upgrade of stormwater system along Pretoria Road at Makause Informal Settlement	External loans	0	0	4,000
<i>Human Settlements</i>				
Urban Restructuring (various)	USDG	789,708	781,369	943,756

We also again show the USDG allocation to the Human Settlement Directorate. This allocation funds various projects linked to what the metro refers to as urban restructuring. The lack of detailed project information in the draft budget makes it impossible to say if any of the projects are *in-situ* upgrading.

On 25 May 25 the CoE presented its final budget. The final set of documents are not publically available yet, but the speech indicated that R290 million has been allocated for serviced stands in a number of settlements.⁵¹ We confirmed that these projects were included in the draft budget and all funded from the

⁵¹ City of Ekurhuleni, Budget speech delivered by Member of Mayoral Committee for Finance and Economic Development in the Ekurhuleni Metropolitan Municipality, Cllr Doctor Nkosindiphile Xhakaza, at Ke Ditselane Cultural Village in Katlehong (2017). Available at <https://www.ekurhuleni.gov.za/thecouncil/news/press-releases/ekurhuleni-2017-18-budget-highlights> (accessed 26 May 2017).

USDG allocation to the Human Settlements Directorate. This allocation corresponds to almost 20 percent of the total USDG capital allocation mentioned in the draft budget.

CITY OF JOHANNESBURG

Table 4 shows all capital projects in the CoJ's draft budget that include a reference to informal settlements in their names. The lack of detailed information makes it difficult to gauge which of these projects are in support of *in-situ* informal settlement upgrading.

TABLE 4. ALL COJ CAPITAL PROJECTS LINKED TO INFORMAL SETTLEMENTS

Department	2017/18 Medium Term Revenue & Expenditure Framework		
	2017/18	2018/19	2019/20
<i>R'000</i>			
<i>Community Development Libraries</i>			
Modular Containers in informal settlements New Community Centre	3,000	3,000	3,500
<i>Housing</i>			–
Informal Settlements	–	–	6,875
Formalisation of informal settlements across the City. Renewal Bulk Infrastructure City Wide	74,058	100,000	–
<i>City Power</i>			
Provision of public lighting in informal settlements New Public Lighting REUVEN City Wide	–	500	10,000
Install public lights in informal areas New Public Lighting REUVEN City Wide	5,000	10,000	10,000
Electrification of various Informal Settlements (Plot 8 Lindhaven, Kliptown Ext11, Princess Plot 61, Freedom Charter Square, Ruimsig Portion 77, Westgate development Princess Plot) New electrification City wide	20,418	100,288	48,705
Inner City Eastern Gateway_high_density_residential_neighbourhoods_Ellis Park Precinct, Kazerne, Mongololo Informal Settlement	–	–	1,000
<i>Housing (USDG allocation)</i>	1,037,651	1,124,500	1,014,802

Most of these projects are implemented by the Housing Department and City Power. In the 2017/18 budget, R74 million has been allocated to a project called “Formalisation of informal settlements across the City. Renewal Bulk Infrastructure City Wide” within the Housing Department. Limited information is available for this project, but an Excel spreadsheet accompanying the metro's draft BEPP suggests that this project funds activities in a number of informal settlements, ranging from drafting of layout plans to

the delivery of communal stands and VIP toilets (these are generally associated with temporary services under phase 2 of a UISP project), as well as re-blocking and internal water and sewer reticulation. In a tweet related to the metro's draft 2017 IDP, the City of Johannesburg highlights some spending on "[h]ow we plan to improve lives" and includes the R74 million allocation to "[f]ormalising informal settlements," which suggests this is the amount that they wish to highlight as being allocated to informal settlement upgrading.⁵² We have confirmed that amount has been funded by the USDG. The allocation is set to increase to R100 million in 2018/19, but we have been unable to verify whether this will be again be funded by the USDG.

In the 2017/18 budget just over R20 million has been allocated to the electrification of informal settlements. The budget of this project is set to increase to more than R100 million in 2018/19, before decreasing to R48.7 million in 2019/20. The 2017 draft BEPP has indicated that just more than R55 million of the 2018/19 allocation will be funded by the USDG.

Table SA5 of the CoJ's draft 2017/18 budget shows a reconciliation between its operating expenditure and its IDP goals; specifically, that in 2017/18 R397.7 million has been allocated toward achieving the goal of "[p]rioritising the formalization of informal settlements," with the allocation set to increase in the outer years of the MTREF to R474.7 million and R512.9 million, respectively. The budget does not provide any information on which department(s) this money has been allocated to or what it is supposed to fund.

In the speech accompanying the tabling of the final budget on 23 May 2017, the Member of the Mayoral Committee for Finance indicated that the CoJ has "allocated R574 million of capital expenditure and R115 million of operational expenditure for the upgrading of 10 informal settlements throughout the City in the 2017/18 financial year."⁵³ We were unable to find any reference to these amounts in the budget document. We did, however, discover that the allocation to the project named "Formalisation of Informal Settlements across the City. Renewal Bulk Infrastructure City Wide" has been reduced from R74 million in the draft budget to R65.5 million in the final budget.⁵⁴ The final budget speech specifically indicates that

⁵² See <https://twitter.com/CityofJoburgZA/status/85423699365537665>

⁵³ City of Johannesburg, Speech by the Honourable Councillor Dr Rabelani Dagada, Member of Mayoral Committee (MMC) for finance on the occasion of the tabling of the city of Johannesburg's proposed 2017/187 budget (New Council Chamber, Metropolitan Center, Braamfontein; Tuesday, 23 May 2017): 20. Available at <https://joburg.org.za/images/stories/2017/budget%20speech%20final%20presented%20by%20mmc%20rabelani%20dagada%20.pdf> (accessed 23 May 2017).

⁵⁴ City of Johannesburg. Medium Term Budget 2017/18 to 2018/19 (May 2017).

the project involves the provision of fully serviced plots of land. In addition, beneficiaries will be provided with title deeds and can then build their own homes on top of the serviced sites.

ANNEX 4: ALLOCATION OF THE USDG

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The BCMM draft 2017/18 budget does not provide much detail on the allocation of the USDG. It does, however, indicate that some of the USDG funding will be used to replace existing infrastructure and to provide new infrastructure in previously disadvantaged areas.⁵⁵

Table 5 presents the BCMM's allocation of the USDG over the 2017/18 MTREF period. BCMM allocates a small portion of the USDG to operating expenditure. In 2017/18 this share is just more than 8 percent of the total grant. The rest of the table shows how the USDG capital portion has been distributed across directorates and departments or projects. Each directorate's total USDG allocation was calculated by adding up the project budgets for specific departments. In some cases specific USDG projects could not be matched to specific departments and were simply included under the relevant directorate. It should also be noted that the total of the allocations to directorates only add up to 99.86 percent of the USDG capital portion, but this discrepancy might be due to rounding.

⁵⁵Buffalo City Metropolitan Municipality, Draft Medium Term framework 2017/18 (2017): 16, 64. Available at <http://www.buffalocitymetro.gov.za/Documents> (accessed 6 April 2017).

TABLE 5. BCMM: USDG ALLOCATION BY DIRECTORATE AND DEPARTMENT

Directorate	2017/18		2018/19		2019/20	
	R'000	Share	R'000	Share	R'000	Share
<i>Human Settlements</i>						
Housing Department	184,868	26.26%	105,530	14.71%	127,990	16.63%
Total Human Settlements	184,868	26.26%	105,530	14.71%	127,990	16.63%
<i>Infrastructure Services</i>						
Sanitation	145,818	20.71%	237,194	33.07%	216,348	28.10%
Roads	178,000	25.28%	165,000	23.01%	192,000	24.94%
Water Services (Bulk water & Dam upgrade)	85,000	12.07%	80,000	11.15%	65,000	8.44%
Electricity Planning and Design	13,000	1.85%	12,000	1.67%	18,500	2.40%
Total Infrastructure Services	421,818	59.91%	494,194	68.91%	491,848	63.89%
<i>Development & Spatial Planning</i>						
Director's Office	10,000	1.42%	25,000	3.49%	16,000	2.08%
Transport Planning & Operations	45,350	6.44%	51,000	7.11%	34,000	4.42%
Total Development & Spatial Planning	55,350	7.86%	76,000	10.60%	50,000	6.49%
<i>Economic Development</i>						
LED Markets	10,000	1.42%	7,000	0.98%	20,000	2.60%
Total Economic Development	10,000	1.42%	7,000	0.98%	20,000	2.60%
<i>Health and Public Safety</i>						
Traffic Services	10,900	1.55%	0	0.00%	0	0.00%
Total Health and Public Safety	10,900	1.55%	0	0.00%	0	0.00%
<i>Municipal Services</i>						
E.L Regional Waste Disposal Site	21,162	3.01%	34,452	4.80%	80,000	10.39%
Total Municipal Services	21,162	3.01%	34,452	4.80%	80,000	10.39%
Total USDG (Capital)	704,097	100.00%	717,176	100.00%	769,839	100.00%
USDG Capital Allocation	705,084		719,151		771,813	
USDG (operating)	63,044		87,706		80,572	
Total USDG from National Government	768,128		806,857		852,385	

In its allocation of the USDG, BCMM appears to prioritize Infrastructure Services, and specifically the delivery of sanitation and roads and to a lesser extent water services. In 2017/18, just less than 60 percent of the USDG has been allocated to the Infrastructure Services Directorate, with this share set to increase to 69 percent in 2018/19, with a small decrease to 64 percent in the outer year of the MTREF. In

2017/18 most of this Directorate's allocation will fund the delivery of roads, but over the next two years relatively more funds will be allocated to the provision of sanitation. The provision of water and electricity services appears to be less of a priority.

In 2017/18, the Housing Department, which is responsible for implementing the upgrading of informal settlements in BCMM, has only been allocated 26 percent of the USDG capital allocation. However, more detail on the specific projects funded by this share is needed to be able to say how much of the money has actually been allocated to informal settlement upgrading. It is clear that this department is set to receive an even smaller share of the USDG over the MTREF, with a decline to 15 percent in 2018/19 and only a small increase to 17 percent in 2019/20. Concurrently, the rand amount allocated to this department is set to decrease in 2018/19 before increasing slightly in 2019/20.

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Table 6 shows how the CoCT has allocated the capital portion of its USDG grant in its 2017/18 draft budget. The CoCT also usually allocates some of its USDG grant to operating expenditure. The 2017/18 draft budget does not provide detail on this operating expenditure but analysis from previous years indicates that most of this allocation is for VAT on goods and services purchased by the USDG. The rest of our discussion focuses on the allocation of the capital portion of the metro's USDG. Annexure 1 of the CoCT 2017/18 draft budget (multiyear appropriations by vote) shows the funding sources for all capital projects over the MTREF period. The total USDG capital allocations per department and directorate were calculated by adding all the USDG funded capital projects, as well as the USDG funded portion of capital projects (where applicable).

In general, the CoCT's use of the USDG prioritizes bulk wastewater treatment works funded in the Water and Sanitation Department, spending on Built Environment Management, and on projects in New Market Development. Together, these have been allocated more than two thirds of the USDG in each year of the 2017/18 MTREF.

Only 11 percent, or R145 million, of the CoCT's share of the USDG has been allocated to the Informal Settlement and Backyarders Department for 2017/18. In 2018/19 this department is projected to receive an even smaller share of 7 percent (just more than R90 million) of the grant. In 2019/20, the department will receive less than 2 percent, only R28 million, of the grant specifically intended to fund informal settlement upgrading.

The Water and Sanitation Department has been allocated the largest relative share of the USDG in all three years of the MTREF, ranging from 34 percent to 42 percent. The detailed breakdown of the capital projects funded by these shares suggests that most of the funding is for bulk infrastructure, specifically for wastewater treatment works.

The Electricity Generation and Distribution Department in the Energy Directorate has been allocated 9 percent of the USDG in 2017/18. Most of this allocation is for the “Electrification” project, which provides electricity infrastructure for backyarders and possibly informal settlements. While this department’s share of the USDG is set to increase over the MTREF, the USDG contribution to the Electrification project remains unchanged at R100 million in each of the three years.

TABLE 6. COCT: USDG ALLOCATION BY DIRECTORATE AND DEPARTMENT

Directorate and Department	2017/2018		2018/2019		2019/2020	
	R'000	Share	R'000	Share	R'000	Share
<i>Assets & Facilities Management</i>						
Home Ownership Transfer, Tenancy Management and Staff Housing	15,098	1.18%	15,098	1.12%	7,517	0.52%
Total Asset & Facilities Management	15,098	1.18%	15,098	1.12%	7,517	0.52%
<i>Energy</i>	0	0.00%	0	0.00%	0	0.00%
Electricity Generation & Distribution	120,000	9.38%	131,116	9.69%	217,096	15.07%
Total Energy	120,000	9.38%	131,116	9.69%	217,096	15.07%
<i>Informal Settlements, Water & Waste Services</i>	0	0.00%	0	0.00%	0	0.00%
Water & Sanitation	440,975	34.48%	564,727	41.74%	531,744	36.92%
Informal Settlements & Backyarders	144,790	11.32%	90,370	6.68%	28,000	1.94%
Total for Informal Settlements, Water & Waste Services	585,764	45.80%	655,097	48.42%	559,744	38.87%
<i>Safety & Security</i>	0	0.00%	0	0.00%	0	0.00%
Fire Services	11,700	0.91%	0	0.00%	0	0.00%
Total for Safety and Security	11,700	0.91%	0	0.00%	0	0.00%
<i>Social Services</i>	0	0.00%	0	0.00%	0	0.00%
Recreation & Parks	53,238	4.16%	27,676	2.05%	28,100	1.95%
City Health	29,843	2.33%	47,275	3.49%	19,400	1.35%
Total for Social Services	83,082	6.50%	74,951	5.54%	47,500	3.30%
<i>Transport & Urban Development Authority</i>	0	0.00%	0	0.00%	0	0.00%
Asset Management & Maintenance (IS Upgrading)	2,000	0.16%	5,000	0.37%	3,000	0.21%
Built Environment Management	217,200	16.98%	220,275	16.28%	203,600	14.14%
Urban Integration	16,550	1.29%	66,500	4.92%	225,451	15.66%
New Market Development	227,594	17.79%	184,927	13.67%	176,211	12.24%
Total for Transport & Urban Development Authority	463,344	36.23%	476,702	35.23%	608,262	42.24%
Total USDG (CAPITAL)	1,278,988	100.00%	1,352,963	100.00%	1,440,120	100.00%
USDG Operating	215,798		217,189		218,631	
Total USDG from National Government	1,494,786		1,570,152		1,658,751	

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The CoE's 2017/18 draft budget provides a comprehensive list of all capital projects and funding sources for the MTREF.⁵⁶ The USDG capital allocations per department shown in Table 7 were calculated by adding up the USDG funded capital projects in each department. In both 2017/18 and 2019/20 there is a slight discrepancy between the total USDG capital spending calculated in this way and the total USDG capital allocation shown in the CoE's draft budget.

The CoE also allocates a significant share (for example, 27 percent in 2017/18) of its USDG to operating expenditure, but does not provide information on what this allocation funds. In the 2016/17 final and adjusted budgets the operating allocation was used for "capacity requirements" linked to refurbishments of housing units as well as the provision of water and sanitation services.⁵⁷

Table 7 below focuses on the composition of the USDG capital allocation.

TABLE 7. COE: USDG ALLOCATION BY DIRECTORATE AND DEPARTMENT

	2017/18		2018/19		2019/20	
<i>Directorate</i>	<i>R'000</i>	<i>Share</i>	<i>R'000</i>	<i>Share</i>	<i>R'000</i>	<i>Share</i>
Council General	200,000	13.64%	300,000	18.67%	277,500	16.22%
Energy	222,000	15.14%	227,000	14.13%	251,000	14.67%
Human Settlements	789,708	53.86%	781,369	48.62%	943,756	55.17%
Roads and Stormwater	116,090	7.92%	116,100	7.22%	78,500	4.59%
Waste Management	6,000	0.41%	5,000	0.31%	0	0.00%
Water & Sanitation	132,500	9.04%	177,500	11.05%	160,000	9.35%
Total	1 466 298	100.00%	1,606,969	100.00%	1,710,756	100.00%
Total USDG Capital Allocation	1,451,300		1,606,968		1,713,755	
Total USDG Operating Allocation	533,710		478,126		488,995	
Total USDG Allocation	1,985,010		2,085,094		2,202,750	

⁵⁶ City of Ekurhuleni, Draft Integrated Development Plan 2016/17 (2017): 128. Available at <https://www.ekurhuleni.gov.za/2017-2018/2983-a-f-17-2017-annexure-f> (accessed 23 March 2017).

⁵⁷ City of Ekurhuleni. SDBIP and Adjusted Budget 2016/17 (2016). Available at <https://www.ekurhuleni.gov.za/adjustment-budget-2016-2017/2899-item-a-f-12-2017-sdbip-capital-and-operating-adjustment-budget-2016-1/file> (accessed 17 May 2017).

Table 7 shows that the directorate responsible for informal settlement upgrading, namely Human Settlements, has been allocated the largest share of the USDG capital portion in all three years of the MTREF. In 2017/18 the directorate receives just less than 54 percent of the grant, with the share set to decrease slightly to 49 percent in 2018/19 before increasing to 55 percent in 2019/20. While it is impossible to say how much of the allocation is specifically for *in-situ* informal settlement upgrading, the estimates clearly show that the CoE prioritizes human settlement development in its allocation of the USDG.

The General Council Directorate has been allocated 14 percent of the USDG, with the allocation set to increase to just under 19 percent in 2018/19, with a slight decrease to 16 percent forecasted in 2019/20. The allocation is specifically for land/property acquisition, but again it is impossible to say if any of this funding is linked to informal settlement upgrading. The remainder of the USDG allocation has been distributed across the directorates responsible for the delivery of basic services, with the Energy and the Water and Sanitation Directorates receiving the largest relative shares.

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The CoJ does not include the funding sources for each capital project for the MTREF period in its 2017/18 draft budget. It does, however, provide information on projects funded by the USDG in its 2017/18 draft BEPP. An attempt was made to use this information to calculate how much of the USDG has been allocated to the different departments in the metro. Additional information for 2017/18 was sourced from the National Treasury website.⁵⁸ Using this information we were able to estimate the composition by department of the total USDG allocated to the metro in 2017/18. We were unfortunately not able to do that for 2018/19 and 2019/20 and the constructed composition of the USDG is lower than the total USDG transfer from the national government.

⁵⁸ City of Johannesburg, Annexure 4 USDG PLAN 2017_18 COJ (2017). Available at http://mfma.treasury.gov.za/Documents/02.%20Built%20Environment%20Performance%20Plans/2017-18/8.%20Draft%20Municipal%20BEPP%20documents/JHB%20City%20of%20Johannesburg/Annexure%204%20USDG%20PLAN%202017_18%20COJ.xls (accessed April 2017).

TABLE 8. COJ: USDG ALLOCATION BY DEPARTMENT

	2017/18		2018/19		2019/20	
	R'000	Share	R'000	Share	R'000	Share
Transport	111,500	5.98%	0	0.00%	5,000	0.80%
Community Development	52,000	2.79%	64,000	3.57%	109,000	5.82%
Health	24,230	1.30%	58,800	3.28%	52,000	2.78%
Housing	1,037,651	55.65%	1,124,500	62.78%	1,014,802	54.18%
City Power	10,413	0.56%	60,288	3.37%	0	0.00%
Johannesburg Water	182,183	9.77%	51,715	2.89%	67,086	3.58%
Johannesburg Roads Agency	385,254	20.66%	401,000	22.39%	580,000	30.97%
Johannesburg City Parks and Zoo	4,000	0.21%	2,000	0.11%	5,000	0.27%
Johannesburg Development Agency	20,000	1.07%	1,500	0.08%	30,000	1.60%
Johannesburg Social Housing Agency	37,500	2.01%	27,375	1.53%		0.00%
TOTAL USDG	1,864,731	100.00%	1,791,178	100.00%	1,872,887	100.00%
USDG from National Government	1,864,731	0	1,958,751	0	2,069,277	0

Table 8 shows that almost 56 percent of the City of Johannesburg's 2017/18 USDG has been allocated to the Housing Department, which is the main department responsible for the implementation of the metro's human settlements projects, including those related to the formalization and upgrading of informal settlements. This share corresponds to a rand amount of just more than one billion. The detailed capital budget shows that the majority of the amount has been allocated for the provision of bulk infrastructure for housing projects.

The Johannesburg Road Agency has been allocated the second largest share of 21 percent of the USDG. This corresponds to R385 million. This allocation mostly funds projects for the construction and/or upgrade of gravel roads and for stormwater projects. Johannesburg Water has been allocated the third largest share of the grant, but this amounts to only 10 percent of the USDG. Most of these projects are for the delivery of water and sanitation infrastructure. While City Power, Johannesburg Development, and Pikitup have all been mentioned in the draft budget as having a role to play in the formalization of informal settlements, they have been allocated a very small or no share of the USDG.

Due to the incomplete information, the allocations in the outer years cannot be directly compared to those in 2017/18, but the estimates suggest that the Housing Department will continue to receive the largest share of the USDG, followed by the Johannesburg Roads Agency.

ANNEX 5: METROS' MAIN SOURCES OF FUNDING FOR INFORMAL SETTLEMENT UPGRADING

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Table 9 provides a summary of the funding sources listed for the projects presented in Table 1. With the exception of the three HSDG funded projects, which amount to R35.5 million over the MTREF period, none of the projects listed in Table 1 in Annex 3 can be linked with complete confidence to informal settlement upgrading. Most of the projects fund activities linked to the provision of services to informal settlements or activities linked to the delivery of housing. While they may include upgrading activities, we were not able to identify specific allocations to *in-situ* informal settlement upgrading because of the lack of available project information. With the exception of the HSDG, the amounts presented in Table 9 are overall estimates, which might include some direct allocations to *in-situ* upgrading. We can see, however, that BCMM does contribute some of its own funding to activities possibly in support of informal settlement upgrading.

TABLE 9. BCMM: SOURCES OF FUNDING FOR INFORMAL SETTLEMENT UPGRADING

Funding Source	2017/18 (R'000)	2018/19 (R'000)	2019/20 (R'000)
USDG	237,868	127,530	136,990
HSDG	6,500	12,500	16,500
OWN	25,500	30,500	80,500

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Table 10 provides a summary of the sources of capital funding for the Informal Settlements and Backyarders Department in the CoCT. In both 2017/18 and 208/19, most of the department's capital budget is funded by the USDG, with a slight increase in the share from 68 percent to 73 percent. In 2019/20, however, only around 21 percent of the capital budget is funded by the USDG, which means that just around 21 percent of the capital budget is funded by the main funding source for informal settlement upgrading.

TABLE 10. SOURCES OF CAPITAL FUNDING FOR THE INFORMAL SETTLEMENTS AND BACKYARDERS DEPARTMENT

Funding Source	2017/2018 (R'000)	Share	2018/2019 (R'000)	Share	2019/2020 (R'000)	Share
External Financing Fund (EFF)	38,350	17.96%	33,139	26.81%	107,139	79.22%
Capital Replacement Reserves (CRR) and other internal revenue	30,389	14.23%	100	0.08%	100	0.07%
USDG	144,790	67.81%	90,370	73.11%	28,000	20.70%
Total for Informal Settlements & Backyarders	213,528	100.00%	123,609	100.00%	135,239	100.00%

The table above suggests that while the USDG funds most of the capital budget in 2017/18 this situation is set to change in 2019/20, with most of the capital budget funded by loans.

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While it is impossible to determine the share of the USDG amounts shown in Table 11 specifically allocated to the upgrading of informal settlements, the information presented below does suggest that the CoE contributes very small amounts of its own revenue and its borrowed funds to projects in informal settlements.

TABLE 11. COE: SOURCES OF FUNDING FOR INFORMAL SETTLEMENT UPGRADING

Funding Source	2017/2018 (R'000)	2018/2019 (R'000)	2019/2020 (R'000)
USDG	1,214,708	1,307,369	1,462,256
Own revenue	10,000	5,000	2,000
External loans	650	750	5,000

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The City of Johannesburg does not show funding sources for individual capital projects apart from what we were able to construct using the USDG allocations from the draft 2017 BEPP. The draft budget does suggest that 95 percent of the Housing Department's 2017/18 capital budget is funded by the USDG. This is the main department responsible for informal settlement upgrading in the metro. While the total allocation to the department is more than R1 billion, only R74 million has been allocated to a project called "Formalisation of Informal Settlements."

Table 4 in Annex 3 presents allocations to all the capital projects with a reference to informal settlement in their names. We have been unable to identify the funding sources for those not funded by the USDG, but relatively large amounts have been allocated to the Electrification of Various Informal Settlement project from a source other than the USDG.