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Grants for Supplementary Broad Based and Inclusionary Urban Programmes: A) Basic Interim Services for Informal Settlements and; B) the Release of Serviced Land¹.

NOTE: Whilst this document has been compiled by PPT, it is based on input from and work with a wide range of government, NGO and private sector stakeholders as well as significant project level experience. These stakeholders include: Departments of Housing in KZN, E. Cape and W. Cape; eThekweni Municipality; City of Johannesburg; Urban LandMark; and Afesis Corplan.

1. Context

- 1.1. There is an emerging national consensus that conventional housing delivery in its current form cannot on its own adequately address the challenges posed by informal settlements and urban migration and that the following two alternative and supplementary responses are necessary and require rapid implementation at scale:
 - 1.1.1. The provision of basic, emergency services for informal settlements (sometimes referred to as ‘interim services’) in order to enable more broad based and rapid delivery against services backlogs, address basic health and safety problems, and promote greater ‘inclusion’ of the urban poor.
 - 1.1.2. The acquisition and release of land with basic services in order to more rapidly address housing backlogs, empower ‘self help’ housing initiatives, enable the de-densification of some informal settlements and to ‘get ahead’ of the challenge of urban expansion and urban influx.
- 1.2. It is recognized that conventional housing delivery is inherently slow and highly resource intensive (not only in terms of funding but also the human capital required). Timeframes from project inception to completion can range from five to ten years at an average per site cost of over R120,000 in established metropolitan areas².

¹ Also known as ‘Land First’ or ‘Managed Land Settlement’

² Precedent shows that the typical timeframe from the preparation to completion of in situ upgrade projects is approximately nine years. Some of the specific factors which make the process inherently slow include the timeframes for: land acquisitions and acquiring funding for it (including for related appraisals / technical work); subsidy approvals by DoHS; EIA’s; town planning approvals, township establishment; addressing socio-political factors including allocations. In addition there is a scarcity of suitable land (i.e. with suitable topography, available bulk services, suitable geotech, suitable locality etc). The average cost of conventional housing delivery in major cities such as eThekweni (once land acquisition and bulk and internal infrastructure costs are factored in) is approximately R120,000 per delivered unit / site.

- 1.3. There is also a recognition in government that new grants and financial instruments are becoming necessary, as clearly reflected in the Local Government Turnaround Strategy in terms of the need to move away from a 'one size fits all approach' (6.1. iv pg20), facilitating direct conditional grants for targeted municipalities to fast-track informal settlement upgrading (6.1. vi), creating a move enabling environment for municipal infrastructure provision (6.1. vii), and finalizing a new set of 'differential financial instruments and municipal grants' (pg 40).
- 1.4. The need for these alternative responses is highlighted by growing pressures at grassroots level evidenced by increasing service delivery protests and the general recognition that more needs to be done to address developmental backlogs and more effectively promote the integration and inclusion of the urban poor into our cities.
- 1.5. There is already significant support for these two responses from various Provincial Housing Departments and Metro's, some of whom are already undertaking them on a limited basis and / or have developed policies or programmes to give effect to them.
- 1.6. Both of these responses, whilst capable of achieving far greater 'breadth' of delivery than conventional housing, require more adequate and dedicated funding streams (grants) as well as a degree of flexibility in the way that they are rolled out in order to accommodate differing local circumstances. It is emphasized that, for the grants to be effective and streamlined, there needs to be a single grant funding source for each response. Coordinating multiple funding sources for a single response significantly slows down and complicates implementation and is thus undesirable, especially given that the above-mentioned responses are intended as more rapid, streamlined and cost effective responses which can augment conventional housing delivery.
- 1.7. In this context, a key obstacle to the rapid roll out of these responses is the absence of readily available grant funding sources for them. As a result, metro's and local municipalities face funding constraints in terms of their implementation and up-scaling. Although certain grants are substantially aligned with the two above-mentioned responses, there is an apparent lack of clarity in terms of whether or not they can be utilized and even in terms of which national and provincial line function departments are responsible. In the case of some grants, only minor amendments to their descriptions may be sufficient to enable their more effective utilization (refer to 2.6 and 3.6 below). However, this would need to be accompanied by the necessary commitment of the relevant line function departments to prioritizing the responses³.

³ It is noted that these responses would in most instances serve as interim responses which would, where-ever possible, be followed up by subsequent development and grant investment, including the delivery of conventional housing and full services where appropriate as well as the provision of social facilities and local economic and services hubs. Own investment by poor residents (e.g. via community savings) should also be encouraged and advocated.

- 1.8. Input is therefore sought from various key stakeholders, including National Treasury, in respect of the appropriate grant funding mechanisms that could be utilized in order to give effect to these two important responses more rapidly.

2. The provision of basic, emergency services to informal settlements

2.1. Description of response:

- 2.1.1. Interim servicing for informal settlements is a comparatively rapid and cost effective process. Indications based on precedent within eThekweni Municipality are that a full package of interim services can be provided for around R11,000 per household (for standpipes, communal sanitation blocks and roads - blacktop roads with associated storm water controls⁴) within a timeframe of less than a year.
- 2.1.2. A range of basic, emergency services are provided in terms of this response based on a rapid assessment of settlements and preliminary (conceptual) spatial plans at precinct level (see 3.5 for more information). These responses would typically include a mix of:
 - a. Sanitation (either communal ablutions or VIP's);
 - b. Water supply via standpipes,
 - c. Basic access roads partly to enable improved emergency vehicles access (fire protection and ambulances), partly to promote improved public transport connectivity, and partly to create a more sustainable and upgrade-able urban form;
 - d. Possible household electrification and / or high mast lighting.
- 2.1.3. It is emphasized that wherever possible, the above should be accompanied by:
 - a. The planning and provision of non infrastructural services such as solid waste removal, fire protection, education, health care, public transport; activity nodes etc;
 - b. Assessment of and possible investment in key social facilities at precinct level (e.g. schools, clinics, fire stations, police stations etc).
 - c. A process of engagement with community leadership in order to:
 - i Better understand local needs, assets and settlement conditions;
 - ii Mobilize local social capital and community buy-in (e.g. in terms of fire protection, solid waste removal and other urban management issues etc);
 - iii Identify and action complementary responses or activities which can support the interim infrastructure (e.g. support for micro-enterprises; urban agriculture etc).

⁴ It is noted that electrical connections are also provided but are funded separately by the DME and are also excluded from the per unit cost on conventional housing delivery. It is also noted that roads in eThekweni are typically expensive due to the very hilly terrain.

- 2.1.4. The above-mentioned basic services should be provided to the bulk of informal settlements in South Africa as a mass rollout programme, and specifically those which are:
 - a. Not due for imminent full upgrading and low income housing delivery;
 - b. Are not due for imminent relocation because:
 - i They are not in any immediate environmental or other danger and / or;
 - ii They afford functional locational access for residents relative to their livelihood strategies;
 - iii And / or there are no suitable relocations destinations available.
- 2.1.5. It is emphasized that this is a rapid, emergency response motivated mainly by basic health and safety imperatives. As such, it does not necessitate land acquisition, township establishment, the provision of full title, or the construction of state subsidized housing. It also does not constitute an individual government subsidy and does not require beneficiaries to be confirmed as being eligible for housing subsidies (e.g. in terms of citizenship). It is however also noted that, in most cases, EIA's or basic assessments would be required.
- 2.1.6. It is also emphasized that these basic, interim services create an improved platform for conventional and full upgrading when and if it eventually transpires.

2.2. Rationale:

- 2.2.1. Achieve more broad based and rapid delivery of basic services to residents of informal settlements;
- 2.2.2. Address basic health and safety problems within informal settlements (e.g. fire, sickness etc);
- 2.2.3. Delivery more quickly against the various basic rights enshrined in the Constitution as well as other national developmental targets;
- 2.2.4. Help to restructure cities and make them more efficient;
- 2.2.5. Create a more enabling environment for investment in key social facilities and public transport;
- 2.2.6. Include the urban poor more fully in the benefits of democracy, thereby promoting greater social justice;
- 2.2.7. Mitigate against the risks of ongoing / increasing service delivery pressures and protests at grassroots level;
- 2.2.8. Encourage and enable greater investment by the poor in their own housing solutions ('self help') by removing such obstacles as uncertainty as to relocation and a lack of access to basic services;
- 2.2.9. Promote more participative development and mobilize local social capital (e.g. to improve urban management);
- 2.2.10. Promote more effective urban management of informal settlements and payment for services (e.g. via formal vs informal electrical connections).

2.3. Precedent and existing support:

This response is aligned with the intentions of the National DoHS' 2003 Breaking New Ground Policy as well as the current developmental thrusts of the post Polokwane ANC Government. In addition, programmes such as this are already being run at various levels of intensity within some Metros (e.g. eThekweni⁵, City of Johannesburg and City of Cape Town), although currently grant funding (conditional grants) cannot be readily sourced via existing programmes such as housing subsidies from the DoHS, MIG funding from CoGTA or land reform funding from the new DRDLR. Such responses are also being promoted by various provincial Housing Departments (e.g. Eastern Cape DoHS' Green Paper on addressing the 'Mushrooming of Informal Settlements' and the KZN DoHS's provincial level 'Informal Settlement Eradication Strategy' (currently under formulation).

2.4. Funding need / problem statement:

- 2.4.1. Despite a partial alignment of some funding sources / grants, none in its current form is perfectly designed for this response.
- 2.4.2. In addition, the current modus operandi of the conduit Departments does not permit easy access to funding or innovation.
- 2.4.3. In this context, the potential to continue or upscale the provision of this response is limited, even though it is clearly aligned with constitutional rights and various commitments to meeting services backlogs (e.g. Millennium Development Goals). For example, eThekweni Municipality is currently facing severe funding challenges in attempting to rollout emergency basic services to approximately 74,000 residents of 169 prioritized informal settlements since it is unable to access any conditional grants for this purpose.
- 2.4.4. There is also an apparent lack of clarity as to where the funding responsibility for interim basic services lies: with the Department of Human Settlements or with MIG and CoGTA.

2.5. Grant utilization (activities to be funded):

- 2.5.1. Up front rapid assessment / grading of informal settlements at Municipal / Metro level in order to identify those suitable and eligible for emergency basic services. This process categorizes informal settlements into four main types:
 - a. Those eligible for interim basic services *and* likely to be viable for full upgrading in the medium term (in this case, some preliminary town planning

⁵ It is noted that eThekweni's interim services programme is a valuable precedent. It is a comprehensive programme which is already well under implementation and has Council approval. It does however face funding challenges going forward if it is to meet its objectives of assisting all targeted informal settlements.

- work (e.g. block layout) is necessary to ensure that investment in roads and other infrastructure will not be abortive);
 - b. Those eligible for interim basic services *but not* likely to be viable for full upgrading in the medium term (in this case the services may be more rudimentary);
 - c. Those which can and should be immediately relocated (i.e. where residents are in imminent environmental danger *and* where a relocation solution is immediately available) - extreme care must be taken to avoid putting large a number of settlements on this 'back-burner' (i.e. there must be a relocation solution immediately implementable);
 - d. Those where full conventional housing delivery is imminent (e.g. subsidies are already approved and implementation is due to commence in the near future).
- 2.5.2. Preparation, planning and preliminary design of services and associated professional work (resulting in feasibility and 'business plan' to enable approval and allocation of implementation funding).
- 2.5.3. Where the settlement is extensive, a preliminary local spatial plan (conceptual level) should also be undertaken in order to guide the planning of such infrastructure as roads.
- 2.5.4. Where possible, Detailed design and tender documentation.
- 2.5.5. Construction of basic emergency services.
- 2.5.6. Where funding permits, the activities outlined in 2.1.2 above (or some of them).

2.6. Existing grant options:

The following are considered to be the two most viable existing grants which could potentially be utilized in the short term, although the possibility of establishing new and dedicated grants should be considered in the medium term:

- 2.6.1. *DoHS PLS housing subsidies via the Upgrading of Informal Settlements Programme (UISP):* This programme was established via Breaking New Ground in 2003, but has seen limited activation or utilization. The main problem with this grant option is that it currently requires (or is typically seen to require) phases 1 and 2 (provision of basic services) to be necessarily followed up with phases 3 and 4 (provision of tenure, final services and top-structures). This is problematic, because many informal settlements which require basic emergency services may not, in the medium term, be able to receive full housing subsidies (for a range of reasons such as funding limitations, site constraints and a lack of relocations destinations for de-densification).
- 2.6.2. *Municipal Infrastructure Grant:* Whilst MIG funding could be utilized, it is noted that the level of services and nature of responses might not always align with traditional MIG requirements and may require some additional flexibility.

2.7. Grant eligibility:

- 2.7.1. Settlements must not be due for either imminent full upgrading and low income housing delivery or imminent relocation (refer to 2.1.4 for more details).
- 2.7.2. Several of the more stringent criteria for conventional housing delivery should not apply (e.g. land availability⁶, approved town plan, residential zoning, SA citizenship of beneficiaries, potential for long term full upgradability⁷).
- 2.7.3. It is assumed that the main applicants for interim services grants would be municipalities who are responsible for the provision of basic infrastructural services.

2.8. Grant recommendations:

It is suggested that:

- 2.8.1. Either of the existing grant options indicated in section 2.6 be utilized in the short term in order to ensure that interim services can be rapidly expedited.
- 2.8.2. At the same time a dedicated grant be established for the provision of interim basic services for informal settlements. Ideally, such a grant should be made available directly from the National Treasury to Metros and well capacitated Municipalities or else via either provincial Departments of Human Settlements or CoGTA / MIG to those Municipalities with less capacity.

3. **Acquisition and release of land with basic services**

(also referred to as 'Managed Land Settlement' and 'Land First')

3.1. Description of response:

- 3.1.1. Managed Land Settlement (MLS) seeks to provide the poor with access to suitably located land with interim basic services, secure tenure and basic social facilities. It is significantly more rapid and cost effective than conventional housing delivery. Although there is a lack of recent precedent in order to determine cost norms, based on the 2010 housing subsidy formula these are likely to be in the region of R12,500 to R17,000 per site⁸ (including land

⁶ It is noted that, as per precedent in eThekweni Municipality, the provision of basic interim services to established informal settlements on private land is permissible in terms of provisions of the Municipal Ordinance which permit such interventions on emergency health and safety grounds. It is further noted that the State has the ability to expropriate such land on a fair compensation basis in the public interest when / if a full upgrade (including housing delivery) is ultimately required.

⁷ It is however noted that, in cases where the long term potential for full upgrading and housing delivery is limited or absent, then the extent and intensity of emergency basic services may need to be adjusted accordingly (i.e. it should be borne in mind that such services should be seen as a final level of service which is unlikely to be taken further).

⁸ Actual costs will vary considerably depending on such factors as the level of services, extent of town planning and whether or not township establishment is undertaken

acquisition, pre-planning studies, construction of basic interim services⁹, interim tenure provision, and all professional fees¹⁰).

- 3.1.2. This response consists of the following main elements:
 - a. The identification and acquisition (purchase¹¹) of suitable land and associated feasibility investigations;
 - b. Basic planning and environmental authorizations (including preliminary planning layouts, services layouts and design and EIA / basic assessment);
 - c. Construction of basic infrastructural services (e.g. basic water supply such as standpipes, sanitation (VIP's or communal ablutions), emergency road access, possibly some level of electrification);
 - d. Allocation of sites to beneficiaries and provision of a basic interim form of tenure (e.g. by means of a municipal register recording the names of those to whom sites have been allocated and also reflecting any subsequent informal property transactions).
- 3.1.3. It is emphasized that this is intended as a relatively rapid responses and should not necessitate township establishment¹², the provision of full title, or the construction of state subsidized housing. It would also not constitute an individual government subsidy and would thus not require beneficiaries to be confirmed as being eligible for housing subsidies (e.g. in terms of citizenship). It is however also noted that, in most cases, EIA's or basic assessments would be required.

3.2. Rationale:

- 3.2.1. Achieve more broad based and rapid delivery of basic services and housing opportunities to the poor;
- 3.2.2. 'Get ahead' of the challenge of urban expansion and urban influx and enable more planned and sustainable settlement patterns¹³;
- 3.2.3. More rapidly address housing and other services backlogs;
- 3.2.4. Help restructure cities and make them more efficient;
- 3.2.5. Increase the access by the poor to suitably located urban land;
- 3.2.6. Deliver more quickly against various basic rights enshrined in the constitution as well as against various other stated national developmental targets;
- 3.2.7. Include the urban poor more fully in the benefits of democracy, thereby promoting greater social justice;

⁹ Assuming standpipes, communal ablutions or VIP's, blacktop roads with associated storm water controls and street lighting.

¹⁰ Including fees for planning, design, topographic and geotechnical survey, project management, legal etc.

¹¹ It is assumed that this would usually be by a municipality, although in terms of a PHP-type mechanism this could potentially also be through a community support organization or project SPV.

¹² Although adequate settlement planning should be done so that the necessary town planning approvals and township establishment can be secured at a future time.

¹³ It is noted that, in contrast to informal settlements, households in MLS would have a specific residential 'address' which is beneficial in various ways (e.g. for medical and other accounts and in time for the issuing of municipal rates and services bills).

- 3.2.8. Mitigate against the risks of ongoing / increasing service delivery pressures and protests at grassroots level;
- 3.2.9. Encourage and enable greater investment by the poor in their own housing solutions ('self help') by removing such obstacles as uncertainty as to relocation and a lack of access to basic services;
- 3.2.10. Enable more effective urban management and payment for services (e.g. via formal vs informal electrical connections).

3.3. Precedent and existing support:

This response is aligned with the intentions of the National DoHS' 2003 Breaking New Ground Policy as well as the current developmental thrusts of the post Polokwane ANC Government. In addition, Housing Departments in several provinces and certain Metro's have currently and historically supported and advocated such programmes. For example: a) Gauteng's Mayibuye Programme in the 1990's released significant tracts of serviced land; b) the Eastern Cape DoHS' recent Green Paper on Informal Settlements includes the release of serviced land as a key focus area in order to get ahead of the problem of informal settlements; c) Nelson Mandela Metro already has a programme underway (until recently known as the 'four peg' programme); d) the KZN DoHS is currently encouraging Municipalities to identify suitable land for future development via Housing Sector Plans as well as a provincial level informal settlement strategy under development.

3.4. Funding need / problem statement:

Despite a partial alignment of some funding sources / grants, none in its current form is perfectly designed for this response. In addition, the current modus operandi of the Conduit Departments does not permit easy access to funding or innovation. In this context, the potential to continue or upscale the provision of this response is limited, even though it is clearly aligned with constitutional rights and various commitments to meeting services backlogs (e.g. Millennium Development Goals).

3.5. Grant utilization (activities to be funded):

- 3.5.1. Site selection (identification of potential land parcels within a specific municipality or area and preliminary assessment of each site (pre-screening) – this needs to take into consideration the municipality' IDP, SDP and HSP).
- 3.5.2. Pre-feasibility (determination of land suitability by assessing key risks by specialists e.g. bulks, geotech, topography, environmental and estimate of potential site yield).
- 3.5.3. Feasibility and preliminary planning layouts¹⁴ and services design¹⁵.

¹⁴ A block layout should be sufficient.

¹⁵ NHBRC project enrolment for infrastructure needs to be considered at this stage.

- 3.5.4. Land acquisition (including valuations, sale agreements / expropriation, registration of transfers)¹⁶.
- 3.5.5. Design of basic services (detailed engineering design and tender documentation)
- 3.5.6. Community participation / mobilisation.
- 3.5.7. Construction of basic services (and associated tender / procurement).
- 3.5.8. Site allocations / relocations support.

A mix of professional fees, land acquisition funding and services construction funding are thus required.

3.6. Existing grant options:

A range of grant options were recently assessed by PPT as part of work done in association with Urban LandMark and Afesis Corplan. The document produced by PPT in this regard will provide more information and can be referred to on www.pptrust.co.za . The following grants were identified as being most suitable:

- 3.7. *SLAG (Settlement Land Acquisition Grant)* available via the Department of Rural Development and Land Reform (DRDLR): Whilst this grant is well aligned with the needs and intentions of managed land settlement, there is some doubt as to whether this grant can be readily accessed in practice for the following reasons: a) DRDLR now has a more rural than urban focus and it appears unlikely that they would prioritize MLS as part of their core function; b) complexities and competing priorities of land reform (e.g. restitution and agrarian reform tend to dominate as DRDLR priorities).
- 3.8. *Upgrading of Informal Settlements Programme (UISP)*¹⁷ available through various Departments of Human Settlement (DoHS): Whilst this grant is substantially aligned with the needs and intentions of MLS and potentially suitable, the alignment is not perfect and some additional flexibility may be required if it is to be utilized. In particular, it is necessary to clarify if the DoHS will permit:
 - 3.8.1. Funding for land and servicing to be delinked from top-structure provision¹⁸ (although it is emphasized that MLS would provide an ideal platform for more rapid housing delivery when circumstances and funding become conducive to do so);

¹⁶ A key factor is how much planning and survey work is required – where sites are relatively flat and unconstrained this may be adequate. Some definition of individual sites will also be required e.g. by means of pegging. This could be done 'by eye' and surveyed later, but this may not be viable on more technically constrained sites (e.g. need to eliminate areas which are subject to flooding, potentially environmentally sensitive, not accessible to bulk services etc).

¹⁷ The UISP was established via Breaking New Ground in 2003, but has seen limited activation or utilization

¹⁸ The UISP currently requires (or is typically seen to require) phases 1 and 2 (provision of basic services) to be necessarily followed up with phases 3 and 4 (provision of tenure, final services and top-structures). This is problematic, because many informal settlements which require basic emergency services may not, in the medium term, be able to receive full housing subsidies (for a range of reasons such as funding limitations, site constraints and a lack of relocations destinations for de-densification).

- 3.8.2. MLS projects which are not catering only for informal settlement relocations or upgrading (e.g. rural influx).

It is noted that a range of other grants were also evaluated, but none were found to be as suitable for a range of reasons. One common constraint was that MLS requires up front planning and professional fees, land acquisition funding and basic infrastructure funding in one grant package. Only the UISP and SLAG met this key criterion. Other grants assessed included: LASS (Land Acquisition for Sustainable Settlements); PLAS (Proactive Land Acquisition Strategy); Emergency Housing; MIG (Municipal Infrastructure Grant); PIG (Provincial Infrastructure Grant).

3.9. Grant eligibility:

- 3.9.1. The following grant pre-requisites need to be determined during the site selection and pre-feasibility phases:
- a. Sufficient demand for land and housing (which will not be met in the near term via housing and other programmes of government)
 - b. Land availability
 - c. Land suitability (e.g. bulk service availability, geotech, environmental)
 - d. Locational suitability (e.g. access to employment, social facilities, public transport etc)
 - e. Spatial coherence and congruity (with long term urban development and expansion plans).
- 3.9.2. Some of the more stringent criteria for conventional housing delivery should not apply (e.g. approved town plan, residential zoning, SA citizenship of beneficiaries).
- 3.9.3. It is assumed that the main applicants for interim services grants would be municipalities who are responsible for the provision of basic infrastructural services. It is however possible (within a PHP-type framework), that a community support / resource organization could also be considered.

3.10. Grant recommendations:

It is suggested that:

- 3.10.1. Either of the existing grant options indicated in section 3.6 be utilized in the short term in order to ensure that the initial planning and preparatory work for managed land settlement projects can be rapidly expedited.
- 3.10.2. At the same time a dedicated grant be established for managed land settlement. Ideally, such a grant should be made directly available from national Treasury to Metros and well capacitated Municipalities or else via either provincial Departments of Human Settlements or the Dept. of Rural Development and Agricultural Affairs.