

Social Safeguards and Economic Displacement

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ECONOMIC DISPLACEMENT

- Development projects involving infrastructure expansion or rehabilitation often result in physical and/or economic displacement
- In order to address such impacts, project proponents are required – as per the environmental and social safeguard policies or standards of development finance institutions – to develop resettlement action plans and/or livelihood restoration plans, the objective of which is to ensure that the livelihoods of affected people can be improved or at least maintained at the same level as prior to the project intervention
- Physical displacement is generally addressed by the provision of replacement housing and/or land; economic displacement may require compensating affected people for livelihood losses, providing job training and/or alternate locations for the pursuit of their economic activities

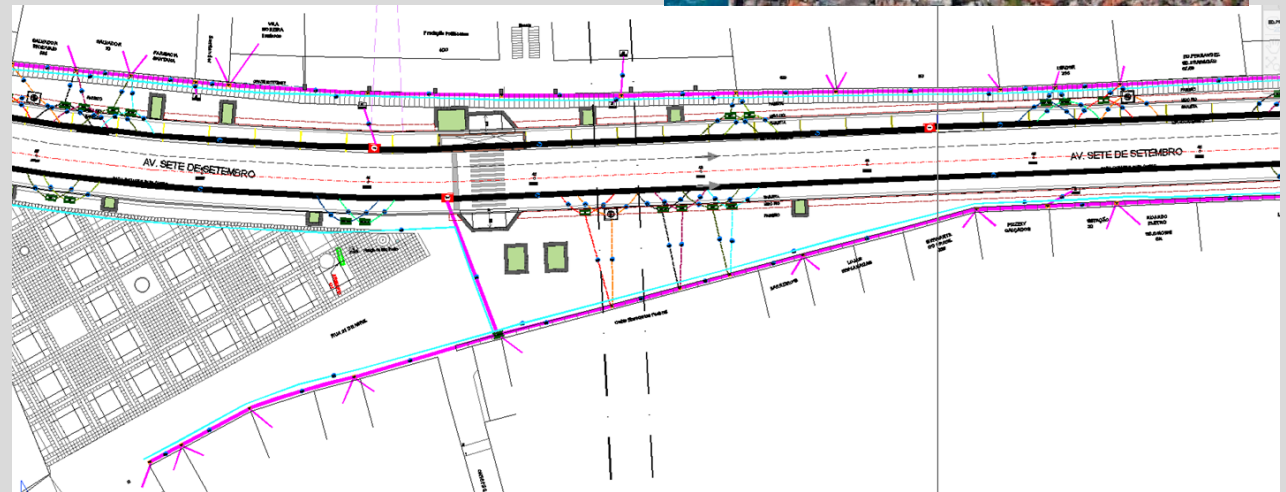
ECONOMIC DISPLACEMENT (cont.)

- Identification of affected people in development projects requires a detailed understanding of the socio-economic conditions in a project's area of intervention (area of influence) so as to understand the impacts of proposed project activities as well as the social groups or persons affected
- This includes understanding not only who lives in the project area, but also understanding the formal and informal economic activities that occur there



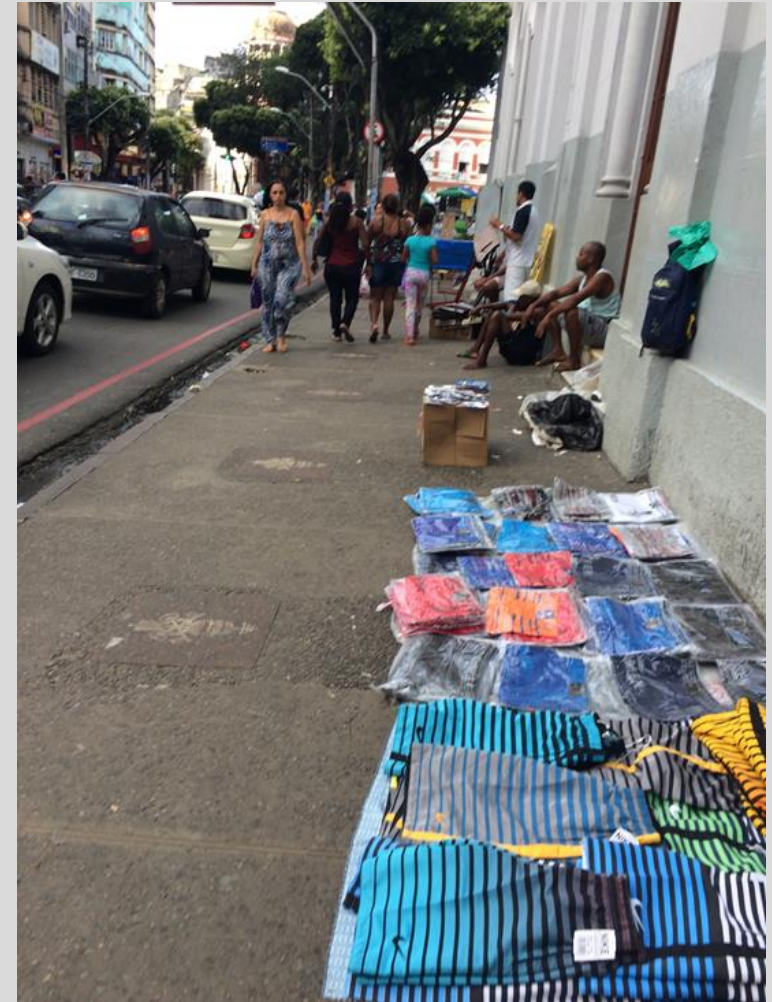
ECONOMIC DISPLACEMENT (cont.)

- This presentation focuses on street vendors displaced or potentially displaced by development projects – specifically, projects with interventions (i.e., civil works) affecting urban infrastructure and public spaces
- Example of an urban requalification (redevelopment) project in northeast Brazil is discussed



SOCIAL SAFEGUARDS

- Project impacts relating to displacement of people and their assets and/or livelihoods have been typically addressed via the environmental and social (E&S) safeguard policies of development finance institutions (DFIs) involved in the financing of infrastructure development projects
- Examples of E&S safeguard policies include the Inter-American Development Bank (IDB)'s Operational Policies OP-703 and OP-710, and the World Bank's OP 4.01 and OP 4.12 – which relate to environmental assessment and involuntary resettlement, respectively
- More recently, economic displacement has been more explicitly addressed in the World Bank's new *Environmental and Social Framework (ESF)* and in the International Finance Corporation (IFC)'s preliminary draft *Good Practice Handbook: Land Acquisition and Resettlement*



INFORMAL ECONOMY

- Urban settings in the global South are particularly complex because they comprise both formal and informal economic activities, and urban public spaces are often “crowded” with informal vendors who provide goods and services that complement those provided by the formal sector
- In the cities of the global South, a large percentage of urban, non-agricultural workers participate in the informal economy – between 50% and 80%, according to a report from the World Resources Institute (WRI, 2018)
- Among these are home-based workers, waste pickers, and street vendors



INFORMAL ECONOMY (cont.)

- Street vendors depend on the vitality of public spaces (i.e., customer traffic) for their livelihoods, and in many instances are not properly identified or consulted in the design and preparation of urban infrastructure projects
- In many urban contexts in the global South, there is a perception that those who participate in the informal sector do so in order to evade taxation (World Bank, 2018)
- Views informal economic activities range from one which sees it as an “untapped reservoir of entrepreneurial energy” to one which views informal firms as “parasites”; their role in economic development remains a subject of considerable debate (La Porta and Shleifer, 2014)



PROJECT EXAMPLE: STREET VENDORS

- Street vendors often sell food, drinks, various clothing articles, office or school supplies, books, music, and art – among other items. They often experience precarious working conditions, instability in their access to public spaces, and varying degrees of recognition and acceptance by municipal and other authorities



STREET VENDORS (cont.)

- Street vendors' incomes tend to be modest, school attainment low, and their ages vary from very young to elderly – with some entering the informal sector temporarily due to unfavourable economic conditions, and others involved in informal activities in the long term due to limited educational attainment
- Generally, their continued participation in the informal sector is due to lack of alternative income-generation opportunities



PROJECT EXAMPLE

- Street vendors: at least 40,000 (2015), of whom 12,000 were registered with municipal authorities
- Approx. 1,200 operating in the Project area
- A detailed survey was carried out in the Project area, with data triangulated with municipal database of registered street vendors



PROJECT EXAMPLE (cont.)

- A considerable number of enterprises (particularly, street vendors) are active the Project's area of intervention and were expected to be affected by construction works
- Some street vendors are registered and licensed by municipal authorities while others are informal
- Context of high unemployment and recent increase in some informal subsistence activities



PROJECT EXAMPLE (cont.)

- Detailed baseline study (surveys, interviews) of vendors active in Project area
- A Plan addressing displacement of street vendors during construction phase was developed (livelihood restoration)
- Implementation commencing prior to start of construction works



SOCIO-ECONOMIC PROFILE OF STREET VENDORS

- Main products sold include: clothing, water/soft drinks, mobile phone accessories, fruit and vegetables, medicinal plants, sweets, coffee, coconut water, *acarajé*, sandwiches, toys, popcorn, DVDs
- Approx. 2/3 of surveyed vendors did not appear to be registered; only 1/3 of those surveyed report being MEIs (*microempreendedores individuais*)
- Approx. 1/3 pay business taxes; more than 81% are self-financed
- Earnings of approx. 2/3 of vendors are in the range between 1 and 2 *salário mínimo*
- Most are characterized by high vulnerability

PROJECT IMPACTS ON STREET VENDORS

- Temporary relocation to other streets during construction works
- Changes in revenue during construction period?
- Impacts were expected to be *temporary* and *reversible*
- Differences in impacts on *registered* vs. *informal* vendors



PROPOSED MITIGATION MEASURES

- Temporary relocation of street vendors to other spaces – e.g., in adjacent streets
- Professional training courses (e.g., sales, business management, food handling, quality, etc.)
- Provision of standardized vending stalls
- Implementation of a grievance redress mechanism



KEY CHALLENGES

- The number of street vendors in the Project area varies seasonally – e.g., their numbers increase around key dates (Christmas, Carnival); hence, the results of surveys and census may not be entirely accurate
- Municipal authorities have been making efforts to register and formalize street vendors – increasing control of public spaces
- Some conflict between registered and informal vendors
- Temporary relocation of street vendors to areas where other vendors already operate (difficult to find areas with comparable customer traffic)

CONCLUSIONS

- Identification of vulnerable groups must be carried out in the social baseline study, and include focus groups sessions to understand issues of economic vulnerability and social marginalization
- It is important to include informal economy workers in entitlement matrices as a category of project-affected people, with clear criteria for eligibility
- Stakeholder engagement and grievance redress mechanisms are critical for the proper identification of vulnerable groups and the development of appropriate measures to address impacts

CONCLUSIONS (cont.)

- DFIs are increasingly recognizing economic displacement as a key issue in many projects, and are developing tools to address these impacts
- Urban projects in particular will require considerable expertise to address economic displacement impacts (although various forms of economic displacement in rural areas continue to require attention)
- Recognition of informal economic activity: some implementing agencies (e.g., municipal government) need to be convinced that vulnerable groups such as street vendors are project-affected people and that measures must be implemented to protect them