

**MANAGEMENT RESPONSE TO
REQUEST FOR INSPECTION PANEL REVIEW OF THE REPUBLIC OF
UZBEKISTAN: RURAL ENTERPRISE SUPPORT PROJECT – PHASE II
(P109126) AND ADDITIONAL FINANCING FOR SECOND RURAL
ENTERPRISE SUPPORT PROJECT (P126962)**

Management has reviewed the Request for Inspection of the Republic of Uzbekistan: Rural Enterprise Support Project – Phase II (P109126) and Additional Financing for Second Rural Enterprise Support Project (P126962), received by the Inspection Panel on September 5, 2013, and registered on September 23, 2013, (RQ13/07). Management has prepared the following response.

November 5, 2013

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ABBREVIATIONS AND ACRONYMS

BIC	Bank Information Center
BP	Bank Procedures
CPS	Country Partnership Strategy
EA	Environmental Assessment
EU	European Union
ICCPR	International Covenant on Civil and Political Rights
ILO	International Labour Organization
IPEC	International Program on the Elimination of Child Labor
NGO	Nongovernmental Organization
OP	Operational Policy
OSI	Open Society Institute
PAD	Project Appraisal Document
PFI	Participating Financial Institutions
PIU	Project Implementation Unit
RESP	Rural Enterprise Support Project
RRA	Rural Restructuring Agency
SA	Social Assessment
SDC	Swiss Agency for Development and Cooperation
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US	United States
WCA	Water Consumer Association
WUA	Water User Association
WIS	Welfare Improvement Strategy of Uzbekistan

EXECUTIVE SUMMARY

i. On September 23, 2013, the Inspection Panel registered a Request for Inspection concerning the Uzbekistan: Rural Enterprise Support Project – Phase II and Additional Financing for Second Rural Enterprise Support Project.

Background

ii. *The Project.* The development objective of the Uzbekistan Rural Enterprise Support Project – Phase II (RESP II) is to increase the productivity and sustainability of agriculture and agribusiness profitability in the project area, through financial and capacity building support to farmers and agribusinesses in seven regions of Uzbekistan. RESP II has four components: Rural Enterprise Finance, Irrigation and Drainage, Rural Training and Advisory Services, and Project Management. Project beneficiaries are households (dehkan farms), farmers, a range of agro-service providers, research and extension institutions, water consumer associations, and basin and district administrations of irrigation systems.

iii. RESP II (US\$67.96 million) was approved on June 12, 2008, continuing the support begun under RESP. Additional Financing of US\$40 million to RESP II was approved on September 11, 2012 to scale up Component 1, Rural Enterprise Finance, but has not yet been signed by the Borrower.

iv. *Country and Sector Context.* Since independence from the Soviet Union, Uzbekistan has followed a strategy of gradual transition from a planned to a market economy. The agriculture sector plays an important role in the country's economy. The Government continues to exercise control in cotton and wheat production, which are referred to as "centralized crops." These two crops are subject to state procurement quotas. The quota system is associated with the use of forced adult and child labor in cotton harvesting, thus raising concerns within the international community and necessitating action.

v. Cotton production in Uzbekistan has contributed to a large number of adverse environmental and social impacts. Increasing water scarcity, exacerbated by climate change and the growing environmental and social problems associated with cotton production, bring urgency to shifting the existing cropping pattern away from cotton to other crops such as fruits and vegetables. In line with this, the Country Partnership Strategy (CPS) 2012–15 supports activities to diversify production into non-cotton higher value agricultural products.

The Request

vi. The Request for Inspection was submitted by three NGOs on behalf of others who declare they live in project regions. The Requesters claim that RESP II has harmed those they represent and their communities through the inadequacy of the project's measures to prevent Bank funds from contributing to "Government orchestrated forced labor" in the

cotton sector. The Requesters claim that the Bank is noncompliant with OP/BP 4.01, Environmental Assessment in excluding the issue of forced labor from the project's Social Assessment, and state that the Bank has failed to adequately monitor compliance of child labor provisions. The Requesters also cite OP 13.60 on monitoring and evaluation, claiming that the project's monitoring procedures, directed at farms or agribusinesses rather than the state, are insufficient to determine whether project funds are supporting state-sponsored forced labor.

Management's Response

vii. ***The World Bank in no way condones or has ever condoned practices of forced labor of either adults or children and takes seriously the Requesters' reports of such practices in the cotton production system of Uzbekistan.*** As a result of its concerns, Management has tried to address these concerns with the tools it has at its disposal. These include: (a) continuous country dialogue and collaboration with international/multilateral agencies and donors; (b) sector analytic work and policy dialogue; and (c) specific project-level mitigation measures and binding provisions.

viii. ***Management maintains that the harm described by the Requesters is not caused nor aggravated by the project, and as such is unrelated to any failure by the Bank to apply its policies and procedures under RESP II.*** The Requesters' concerns of forced labor and child labor in cotton harvesting derive from Government practices in labor deployment for cotton harvesting that have to do with factors outside the scope of the project, and are therefore beyond the reach of Bank safeguards and other policies.

ix. ***RESP II contains a range of mitigation measures and binding provisions to avoid child labor in activities related to the project,*** and going forward will also include provisions against forced labor in the existing RESP II labor provisions:

- (a) ***Component 1*** – (1) Credit line beneficiary training on obligations under the project, including compliance with national child labor laws; (2) Contractual lending requirement that all credit beneficiaries seeking credit for investments comply with the national child labor laws and regulations; (3) PFI monitoring and supervision, including regular monitoring and full audits of sub-projects; and (4) Implementation support, with Bank missions supervising credit line activities twice a year. In the future, the training and sub-loan agreements will be expanded to include forced labor in addition to child labor.
- (b) ***Component 2*** – Water Consumer Association (WCA) Support Unit (WSU) and WCA Training. This includes training of trainers of WSU staff and a WCA training program to cover various aspects of water user associations and irrigation system management. The training will be expanded to include raising awareness about laws on child and forced labor.
- (c) ***Component 3*** – Farmer training, including a module that raises awareness regarding child labor laws and also discusses other social and

environmental issues. These trainings will be expanded to also cover laws on forced labor.

x. **Social Assessment.** While there is no policy requirement for a “stand-alone” Social Assessment (SA) under OP 4.01, there is an obligation to assess as part of the Environmental Assessment (EA) the project’s potential social issues. In this case, a separate SA was prepared. Management agrees that the assessment was not sufficiently robust in its analysis of child and forced labor in the cotton sector. Since Management had limited success in working with the Government to improve it, complementary sources of information were used to inform project design, specifically the provisions on child labor in the project activities. Management thus acknowledges some shortcomings in preparation of the social assessment. However, in Management’s view, these shortcomings did not cause or exacerbate the occurrence of child and forced labor.

xi. **OP 13.60.** Management believes that there are no issues related to OP 13.60, which establishes the requirement for results-oriented monitoring and evaluation of Bank-supported operations and strategies, including independent evaluation by IEG.

xii. **RESP II aimed to support third-party monitoring to monitor the use of child labor among other social development issues.** Despite initial agreement with Government, there was no progress in its implementation. **Management is now in dialogue with the Government to ensure implementation of third party monitoring of RESP II and other projects across the Bank portfolio.** It has been proposed to Government that a recognized international consulting firm with appropriate experience be contracted to carry out such monitoring on a regular basis. Third-party monitoring is expected to cover a broad set of social issues with a particular emphasis on child and forced labor.

xiii. **Sectoral and Government-level measures have also been undertaken to address the issue.** The Bank has been addressing child and forced labor at the sectoral and Government levels. The CPS for FY2012-2015 encourages a gradual shift away from the extensive state controlled cotton system towards a more liberal and diversified agricultural sector. The Bank’s concerns regarding reports of child and forced labor in Uzbekistan were also discussed by Senior Bank Management with the Government. Close collaboration with international development partners to convince the Government to comply with its international obligations on child and forced labor also exhibits the Bank’s commitment to this issue.

xiv. **Bank Engagement with NGOs.** Bank staff have engaged with a number of NGOs on the issues related to child and forced labor in Uzbekistan. In particular, staff corresponded and held meetings with two of the Requesters: the Human Rights Society of Uzbekistan (Ezgulik) and the Uzbek-German Forum for Human Rights. Bank staff also met and corresponded with other NGOs affiliated with the Requesters. In all these meetings, Bank staff have systematically conveyed Management’s views on child and forced labor, emphasizing that: (a) the Bank does not condone child or forced labor in any form; (b) the Bank recognizes the importance and complexity of the forced labor situation in Uzbekistan; and (c) the most effective way to address the issue is a holistic

approach through policy dialogue, collaboration with other international organizations, and mitigation measures and binding provisions at the project level.

Implementation Arrangements Going Forward

xv. Going forward, Management will review key implementation arrangements and modify where appropriate, also taking into account the feedback provided by ILO's monitoring mission. This will be in addition to the measures set out below.

xvi. ***Amendment of sub-loan agreements.*** Under the project, any new project beneficiaries using the credit line will be required to comply with the applicable laws and regulations on both forced labor and child labor. Specifically, the project documents will be amended to add compliance with the applicable national and international laws and regulations on forced labor alongside those for child labor.

xvii. ***Introduction of a project level grievance redress mechanism.*** In addition to the third party monitoring, a grievance redress mechanism will be added to the project.

xviii. ***Expansion of training coverage.*** The existing training modules for farmers and agri-business entrepreneurs will be expanded to include forced labor laws in addition to child labor laws. A module that raises awareness about forced and child labor laws and regulations will be added to the training programs for water consumer associations.

Conclusion

xix. ***Management has carefully reviewed the issues raised by the Requesters and does not agree with the allegations that non-compliance with Bank policy has caused the harm alleged in the Request. Specifically, Management notes that any harm that may have stemmed from the incidents cited in the Request was not caused or aggravated by the Project, nor has the Project supported these incidents.*** The difficult sector context presents many operational challenges to all concerned. In spite of this complex operating environment Management believes that the Bank has followed the policies and procedures applicable to the matters raised in the Request. Management concludes that the Requesters' rights or interests have not been nor will be directly and adversely affected by the project or by a failure of the Bank to implement its policies and procedures. On the contrary, it is Management's view that the project is contributing to the country's diversification away from cotton, the cultivation of which in many regions of Uzbekistan is associated with severe adverse social impacts including those raised in the Request.

xx. ***The Bank will continue to encourage the Government to adhere to national labor laws, while strengthening project level provisions against the use of forced and child labor.*** Given the significant environmental and social impact the cotton sector has on the country and its development, Management will continue to provide adequate support to the Government addressing many of the concerns related to its system of cotton production.

I. INTRODUCTION

1. On September 23, 2013, the Inspection Panel registered a Request for Inspection, IPN Request RQ 13/07 (hereafter referred to as “the Request”), concerning the Rural Enterprise Support Project – Phase II (P109126) and Additional Financing for Second Rural Enterprise Support Project (P126962), financed by the International Development Association (the Bank).

2. *Structure of the Text.* The document contains the following sections: Section II presents the Request; Section III provides project background; Section IV discusses special issues and Section V contains Management’s response. Annex 1 presents the Requesters’ claims, together with Management’s detailed responses, in table format.

II. THE REQUEST

3. The Request for Inspection was submitted by the Association for Human Rights in Central Asia, Human Rights Society of Uzbekistan “Ezgulik” and Uzbek-German Forum for Human Rights on their behalf and on behalf of others who live in the areas known as Andijon Region, Bukhara Region, Fergana Region, Kashkadarya Region, Samarkand Region, Syrdarya Region, and Tashkent Region in Uzbekistan (“the Requesters”). The signatories to the Request have asked that their names be kept confidential.

4. Attached to the Request are:

- (i) Claimant Authority;
- (ii) Case study report by Bank Information Center and Ezgulik titled “The Need for Child Impact Assessments: A Case Study of the International Development Association Funded Uzbekistan Rural Enterprise Support Project-Phase II” submitted to the World Bank on 24 April 2013;
- (iii) Letter dated 18 December 2010 from Ezgulik to the (then) Vice President of the Europe and Central Asia Region of the World Bank;
- (iv) Report title “The Independent Review of the World Bank’s Rural Enterprise Support Project – Phase 2” and submitted to the World Bank on October 11, 2012; and
- (v) Letter dated 1 September 2013 [sic] from Ezgulik to the Vice President of the Europe and Central Asia Region of the World Bank.

No further materials were received by Management in support of the Request.

5. The Requesters claim that the Bank has harmed them and their communities through the support provided to Uzbekistan’s agriculture sector by the Rural Enterprise

Support Project – Phase II, and the inadequacy of the project’s measures to prevent Bank funds from contributing to “Government orchestrated forced labor” in the cotton sector. The Requesters claim that the Bank is noncompliant with OP/BP 4.01, Environmental Assessment by excluding the issue of forced labor from the project’s Social Assessment, and state that the Bank has failed to adequately monitor compliance of child labor provisions. The Requesters also cite OP 13.60 on monitoring and evaluation, claiming that the project’s monitoring procedures, directed at farms or agribusinesses rather than the state, are insufficient to determine whether project funds are supporting state-sponsored forced labor.

6. Management’s response to the Request for Inspection focuses on RESP II and the Additional Financing for RESP II. Management notes, however, that the Request for Inspection and the supporting documents submitted are partly based on project documents for RESP I, which closed in June 2008.

III. THE PROJECT

Country and Sector Context

7. The agriculture sector plays an important role in Uzbekistan’s economy. As of 2012, more than 14.5 million people lived in rural areas, which accounts for about 49 percent of the total population.¹ The sector has a large impact on rural livelihoods, providing about 25 percent of total employment in 2010.² Although agriculture’s contribution to GDP declined from 34 percent in 2001 to 19 percent in 2011, farm output has doubled in real terms in recent years and continues to grow steadily, at a rate of 7.1 percent per year.

8. Since independence from the Soviet Union, Uzbekistan has followed a strategy of gradual transition from planned to market economy. The Government continues to exercise control in cotton and wheat production, which are referred to as “centralized crops.” These two crops are subject to state procurement quotas (Box 1), but at the same time, the state provides subsidized inputs for their production.³ The state procurement quota system is associated with the use of forced adult and child labor in cotton harvesting, raising concerns within the international community and necessitating action.

9. The agricultural sector has also been subject to continued farm restructuring. Starting in 1998, the former state and collective farms were converted into cooperative farms (*shirkats*), where the production assets were managed by families, who held ownership shares. Then, between 2002 and 2007, the Government undertook a massive conversion of *shirkats* into private leasehold farms. The land for the private farms is allocated by the government to farmers under a long term lease for 30 to 50 years. As of

¹ Statistic Overview of Uzbekistan, Third quarter of 2012 (figures released on July 1, 2012), Central Statistic Agency.

² State Statistics Committee.

³ McDonald, S., 2012, “Economic Policy and Cotton in Uzbekistan,” Economic Research Service, United States Department of Agriculture (CWS-12h-01).

2010, there were about 66,134 private leasehold farms in Uzbekistan. These private leasehold farms generally remain subject to cotton and/or wheat production quotas, unless they have been designated for growing other crops (e.g., horticulture) or livestock. For example, in 2011, more than 500 farms underwent transition from cotton production under the state-run system to horticulture production. These farms converted from producing cotton and/or wheat to producing vegetables, melons, grapes and other higher-value horticultural products. In addition, citizens living in rural areas for at least three years are entitled to inheritable household plots (“dehkan farms”), which are small-scale operations largely based on household labor that generally do not produce cotton or wheat. The dehkan farms numbered 4.7 million in 2010. They occupied about 13 percent of irrigated arable land and produced 63 percent of the gross agricultural output.⁴

10. The long legacy of cotton production in Uzbekistan has contributed to a large number of adverse environmental and social impacts. Due to the arid conditions in the country and the Central Asia region in general, Soviet planners supported a substantial increase in irrigated cotton area between 1945 and the 1980s. The consequent reduction in river flows, along with runoff contamination by fertilizers and other chemicals, substantially reduced the area of the Aral Sea, and resulted in toxic residue along the former coastal regions.⁵ Moreover, after many decades of continuous irrigation with inadequate drainage systems, the ground water level in many areas has risen, leading to serious problems of soil salinity, land degradation, environmental issues and lower agricultural yields. In 2010, it is estimated that nearly half of the 4.1 million ha of irrigated land in Uzbekistan faces salinity problems.⁶ Exacerbating the problem, a large share of the irrigation and drainage infrastructure has deteriorated, due to inadequate operations and maintenance. This is leading to poor conveyance efficiency, resulting in loss of access to irrigation at the tail end of systems and reductions in yields, threatening the livelihoods of many rural families.

Box 1: Uzbekistan State Order System for Cotton and Wheat

The “State Order” system includes quotas on the production of cotton and wheat, as well as on area planted. To ensure quotas are met, the state monitors efforts year-round: leaching (to reduce soil salinity) is monitored in the winter; planting area, varieties, and dates are determined by the state in the spring; and fertilizer application during the growing season is directed by Ministry of Agriculture and Water Resources (MAWR) officials. During the cotton-growing season, state officials visit farms to determine yield potential and adjust planning targets and production quotas. Annual planting area is determined by a state plan and, at the local level, planning may extend to determining which fields are used for cotton, wheat, or non-centralized crops. While the state and collective farms organized during the Soviet period have been largely privatized since 2006, a large number of farms still rely on centralized Machine Tractor Parks (MTP) for machinery, and MTPs prioritize centralized crops.

Source: MacDonald, S, 2012 “Economic Policy and Cotton in Uzbekistan”, ERS, USDA.

⁴ State Statistics Committee of the Republic of Uzbekistan, 2010.

⁵ MacDonald, S., 2012.

⁶ State Committee for Land Resources, Geodesy, Cartography and State Cadastre, Republic of Uzbekistan.

11. The transition from the state collective farms to private leasehold farms also disrupted the cotton supply chain, posing new challenges to the state organized cotton production system. New state organized methods were adopted for overseeing and providing inputs to the private leasehold farmers (Box 1). State managed tractor and machinery parks were established. During the transition, some machinery such as the cotton harvesters has not been adequately maintained and hand picking of cotton has increasingly been adopted, including through forced labor.

12. Increasing water scarcity, exacerbated by climate change, and the growing environmental and social problems associated with cotton production bring urgency to shifting the existing cropping pattern away from cotton to other crops such as fruits and vegetables. Indeed, cotton consumes almost double the amount of water required compared to wheat, about twice that required for grapes and about five times that of apples.⁷ At the same time, measures to reduce soil salinity will be needed to make production of these other crops, which are less salt tolerant compared to cotton, viable and sustainable. To promote agricultural diversification, the Government is supporting a multi-pronged approach including: (a) support for the development of the horticulture supply chain, from the farm to agro-processing and exports; and (b) rehabilitation of the deteriorated irrigation and drainage systems and training farmers on improved on-farm water use to increase irrigation efficiency and reduce soil salinity. To ensure the longer term sustainability of the rehabilitated systems, institutional arrangements for operations and maintenance are also being strengthened, including through the increased participation of farmers in systems management via water consumer associations (WCAs).⁸

13. In view of the above challenges in the cotton sector and measures to promote diversification, cotton production and area have followed a declining trend. The area planted to cotton in the country has declined by about 8 percent from 1.43 million ha in 2007 to about 1.32 million ha in 2012. Cotton output has declined by 16 percent from about 1.17 million metric tons to about 982,000 metric tons during the same period.⁹ In the seven regions covered by RESP II, cotton area has declined 11 percent, from about 854,000 ha in 2008 to about 757,000 in 2012, while cotton production declined by 3 percent, from about 2.1 million to 2.0 million metric tons during the same period.

Reports of Child and Forced Labor in Uzbekistan

14. Uzbekistan has been under scrutiny from international/multilateral organizations such as the International Labour Organization (ILO), the United Nations (UN), and the European Commission, as well as from countries such as the United States, given widespread reports of child and forced labor (see Box 2 for definitions) in its cotton

⁷One ton of cotton requires about 4,426 cubic meters of water, wheat about 2,068 cubic meters, grapes about 2,400 cubic meters and apples about 820 cubic meters. World Bank 2013, "Horticulture Policy Note for Uzbekistan, Strengthening the Horticulture Value Chain."

⁸ The Project Appraisal Document refers to "water user associations," however, the Water Law, revised in 2010, refers to water consumer associations rather than water user associations.

⁹ Data from United States Department of Agriculture.

sector, which continues to be managed centrally by the Government under the state cotton procurement quota system. The Republic of Uzbekistan has signed and ratified several ILO conventions related to child and forced labor. However, the enforcement of these conventions, as well as of existing national laws reflecting international agreements, continues to be a challenge. The international community, media and CSOs consistently point out that Uzbekistan has been mobilizing child and forced labor for cotton harvesting, in an environment of poor working and living conditions.

15. There has been no independently verifiable or accurate data on the scope or nature of child and forced labor in Uzbekistan to date. Within the donor community, UNICEF monitored child labor and carried the dialogue with Government on this issue. UNICEF teams visited cotton fields in Uzbekistan but its observations regarding child labor are informal and not considered as extensive as monitoring by the International Labour Organization (ILO). Nevertheless, UNICEF’s observations of the cotton fields, conducted every harvest season from 2009 to 2012, do confirm the presence of child labor in Uzbekistan. The Bank’s country management and other key donors are regularly briefed by UNICEF teams (see Annex 3). In addition, the RESP II task team has engaged closely with UNICEF on these issues.

16. In 2012, according to reports by international NGOs, fewer children from primary and junior secondary school (grade nine and below) than in prior years were observed in the fields visited, but youth from colleges and lyceums (16–17 years old) were mobilized on a large scale for weeks at a time.

17. In July 2013, ILO/IPEC (International Program on the Elimination of Child Labor) and the Government of Uzbekistan agreed on a cooperation plan that *inter alia* allows ILO to begin monitoring child labor practices during the cotton harvest. In general, most of the cotton harvesting takes place from September through end-October. The ILO team undertook monitoring of the cotton harvest from September 11 to October 31, 2013. The ILO Information Note of November 4, 2013, indicates that monitoring was carried out in 806 sites, including farms, education institutions and buildings in the

Box 2: Definition of Forced and Child Labor

Forced Labor: For the purposes of this document, the term “forced labor” shall refer to any work or service which is exacted from any person under the menace of any penalty and for which said person has not offered herself or himself voluntarily (See Art. 2 of ILO Convention 29).

Child Labor: For the purposes of this document, the term “child labor” shall refer to any work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development. In particular, such term shall refer to work that is mentally, physically, socially or morally dangerous and harmful to children; and interferes with their schooling by: (i) depriving them of the opportunity to attend school; (ii) obliging them to leave school prematurely; and (iii) requiring them to attempt to combine school attendance with excessively long and heavy work.

Source: ILO, <http://www.ilo.org/ipec/facts/lang--en/index.htm> and ILO Convention No. 138).

vicinity of farms. The ILO delegation found that “in general terms, the monitoring observed widespread awareness of national law and instructions not to use children under 18 years of age in the cotton harvest. Moreover, it would appear from the monitoring that there was no systematic recourse to forced child labor. While the law and practice are increasingly being applied, gaps remain in practice and child labor still has taken place during the cotton harvest to a limited extent.” (See Annex 9)

Uzbek Legislation on Child and Forced Labor

18. ***Ratification of International Conventions.*** With regard to international legislation addressing the child and forced labor issue, the Republic of Uzbekistan has ratified four ILO Conventions to date, namely, the Convention on Minimum Age for Admission to Employment, the Convention on the Prohibition and Immediate Action for Elimination of the Worst Forms of Child Labor, the Convention on the Abolition of Forced Labor, and the Convention on Forced Labor (see Annex 2). Moreover, the Republic of Uzbekistan ratified the International Covenant on Civil and Political Rights, which bans forced or compulsory labor. Said covenant prohibits any form of child and forced labor, ensures fair employment conditions and aims at creating adequate working environments.

19. ***National Legislation.*** The Republic of Uzbekistan’s domestic legislation includes a number of provisions prohibiting child and forced labor. In particular, the Constitution, the Labor Code, the Criminal Code and some other local laws and decrees contribute to laying out a legal framework against child and forced labor (see Annex 2).

Bank Support to Uzbekistan

20. The Government’s medium-term growth and development strategy is reflected in the five-year Industrial Modernization and Infrastructure Development Program (2011-15). These documents embody four cross-cutting development goals and priorities, namely: (i) to increase efficiency of infrastructure, including irrigation, energy and transport; (ii) to enhance competitiveness of specific industries, such as agro-processing, petro-chemicals and textiles; (iii) to diversify the economy and thereby reduce its reliance on a few commodity exports; and (iv) to improve access to and the quality and outcomes of education, health and other social services.

21. ***In line with the above development agenda the Country Partnership Strategy (CPS) 2012–15 supports activities to improve the sustainability and competitiveness of the agricultural sector, including diversifying production into non-cotton higher value agricultural products.*** The ongoing RESP II project aims to assist farmers and entrepreneurs to invest in and expand non-cotton related farming and agro-processing. The recently completed World Bank report, “Horticulture Policy Note for Uzbekistan, Strengthening the Horticulture Value Chain” (July 2013), examines the opportunities for and challenges to the development of the horticulture sector in the country and identifies options to accelerate its growth. It is an important input to the formulation of the Government’s Horticulture Strategy and serves as the basis for a proposed Bank-financed Horticulture Development Project. To support increasing agricultural productivity and

incomes, promote greater rural employment, and improve the environmental sustainability of agricultural production, the Bank supported implementation of a US\$74.55 million Drainage, Irrigation and Wetlands Improvement Phase-I Project (closed on June 30, 2013) and a US\$81.85 million Ferghana Valley Water Resources Management Phase-I Project, and is preparing the South Karakalpakstan Water Resources Management Improvement Project (\$220 million, FY14).

Project Background

22. The Rural Enterprise Support Project – Phase II (RESP II) (SDR 41.3 million, US\$67.96 million equivalent) was approved on June 12, 2008 and declared effective on December 30, 2008. Additional financing for RESP II amounting to SDR 26.4 million (US\$40 million equivalent) was approved on September 11, 2012 to scale up Component 1, Rural Enterprise Finance, as the demand for the credit line had exceeded original plans, with the credit line already fully committed. The Additional Financing for RESP II has not yet been signed by the Borrower.

23. RESP II responds directly to the Welfare Improvement Strategy of Uzbekistan (WIS) for 2008 to 2010 in several areas, namely:

- Supporting the further development of private sector farming;
- Strengthening infrastructure and services required by private farmers;
- Increasing and encouraging commercial lending to agriculture by the banking sector;
- Developing an integrated sustainable water management system for supply of irrigation water; and
- Addressing land quality problems associated with irrigation and drainage.

24. The WIS notes that, while the impact of economic growth on improving livelihoods has been positive (poverty decreased from 27.5 percent in 2001 to 25.8 percent in 2005), the main impacts have been achieved in urban areas (from 22 to 18 percent over the same period). In rural areas, where about half of the population is concentrated, poverty reduction is proceeding at a slower pace. Between 2001 and 2005, the rural poverty rate changed minimally from 30.5 percent to 30 percent. The project's focus on newly independent farmers, by improving their productivity, promoting sustainable farming practices, and encouraging agricultural diversification and agro-processing, aims to contribute to raising rural incomes and generating rural employment.

Project Objectives and Beneficiaries

25. The project development objective of RESP II is to increase the productivity and financial and environmental sustainability of agriculture, and the profitability of agribusiness in the project area. This is to be achieved through the provision of financial and capacity building support to farmers and agribusinesses in seven regions of the Republic of Uzbekistan.

26. The project beneficiaries are households (dehkan farms), farmers, agro-service enterprises, warehouse service providers, processors, research and extension institutions, quality service providers, WCAs, basin administration of irrigation systems and district administration of irrigation systems.

Project Components, Status and Provisions

27. Overall project implementation is progressing and the project is expected to achieve its development objectives by its closing date of December 31, 2016. The project has disbursed US\$44.42 million (70.2 percent) with US\$19 million undisbursed. The Financing Agreement for the Additional Financing of US\$40 million has not yet been signed by the Borrower.

28. The project comprises the following four components:

- (i) The first component, *Rural Enterprise Finance (US\$36.7 million)*, aims to facilitate access to credit to newly-independent farmers and small- and medium-sized rural enterprises. It finances a credit line for Participating Financial Institutions (PFIs) to provide farmers and rural entrepreneurs with sub-lending related to farming and agribusiness (e.g., food processing, storage, packaging, provision of agricultural services, tree crops, livestock, bee keeping, fish farming, and other long term investments). A complementary training program upgrades PFI staff skills in agricultural investment project appraisal and assessment of lending risks. This component, currently 95 percent disbursed, has been successful, with higher than anticipated demand for the credit line. The credit line has disbursed US\$35.8 million or 99 percent of the total amount allocated.

Current Status. To date, 415 farms and agribusinesses have benefitted from the credit line through financing from the six PFIs: Agrobank, Hamkorbank, Mikrokredit Bank, Qishloq Qurilish Bank, Turon Bank and Uzpromstroibank. Investments financed include: agricultural machinery such as tractors and grain harvesters (60.5 percent), livestock (12.9 percent), poultry business (11.6 percent), agro-processing (11.9 percent), orchards and vineyards (1.6 percent), fish farming (0.8 percent), greenhouses and vegetable farming (0.6 percent), and other activities (0.1 percent). Annex 5 presents a summary table on the projects financed under the credit line. In addition, 554 PFI lending officers have been trained by the project's international consultant firm to upgrade their skills in agricultural investment project appraisal and proper assessment of lending risks.

Mitigation Measures and Binding Provisions. From the beginning of implementation, the credit line has included several measures to address child labor: (a) all credit line beneficiaries received training on national child labor laws; (b) for the investment projects, all sub-loan agreements signed between

the PFIs and loan beneficiaries required that the beneficiaries comply with national child labor laws and regulations;¹⁰ and (c) any failure of a beneficiary to comply with its obligations, including violating national child labor laws, could result in suspension/termination of the credit line financing, and/or require immediate repayment. No violations have been documented to date. In the future, it has been agreed with Government that the trainings and sub-loan agreements will be expanded to include forced labor in addition to child labor. Credit line beneficiaries will be subject to third-party social monitoring to ensure no presence of child or other forced labor.

- (ii) The second component, *Irrigation and Drainage (US\$33.2 million)*, aims to improve water management and strengthen WCAs¹¹ through investments, including: (a) the rehabilitation of critical inter-farm and on-farm irrigation and drainage infrastructure; (b) strengthening WCA and member farmer capacity for managing the irrigation systems; and (c) demonstrating improved irrigation technologies.

Current Status. This component is 23 percent disbursed as implementation of subcomponent (a) has been slower than originally planned and in March 2009, the Swiss Agency for Development and Cooperation (SDC) agreed to provide parallel financing of US\$3.06 million for subcomponents (b) and (c).

Under subcomponent (a), engineering designs for the rehabilitation of inter-farm irrigation systems covering a total command area of about 99,770 ha across seven districts have been finalized. Of these, the rehabilitation works in 3 districts with a total command area of 29,200 ha have been completed. In addition, rehabilitation works on the remaining area are currently at various stages of execution in four districts with completion anticipated between November 2013 and February 2014. The On-Farm Systems rehabilitation works are in various stages of design and procurement.

With SDC support under subcomponent (b), 62 new WCAs were re-established by shifting their boundaries from an administrative basis to hydrologic canal-level boundaries, in order to improve water management in project districts. Under subcomponent (c), the training programs for all new WCAs, agencies for Administration of Irrigation Systems (AIS), and Basin Administrations of Irrigation Systems (BAIS) have been carried out, including 359 workshops, with 10,214 water management specialists trained to date. Also, selected project beneficiaries visited Spain and Italy in September 2013 for a study tour to learn about successful experiences with water management. SDC is also currently in the process of finalizing an additional follow-up parallel financing of US\$4.7 million with the Ministry of Agriculture of

¹⁰ Financing Agreement, Schedule 2, Section D.2. (f)(ii)(A)(BB).

¹¹ In 2010, the Water Law in Uzbekistan was revised to change the name of water user associations (WUAs) to water consumer associations (WCAs).

Uzbekistan to continue support for WCA capacity development for 2013-15 in the RESP II project areas.

Mitigation Measures and Binding Provisions. WCA training will be expanded to include awareness raising on child and forced labor legislation. Beneficiary farms will be subject to third party monitoring to ensure no presence of child or other forced labor.

- (iii) The third component, *Rural Training and Advisory Services (US\$2.6 million)*, aims to: (a) help potential borrowers develop business plans in order to increase their business and financial skills; and (b) provide advisory services and training to newly-independent farmers on such topics as law, accounting, business, and technical aspects (agronomy, soil and water management, integrated pest management, etc.).
- (iv) *Current Status.* This component is 86 percent disbursed; 269 training seminars have been conducted for 50,848 farmers/agribusiness owners, including 7,530 women. Included in all trainings is a session on the prevention of child labor in addition to covering topics ranging from orchard and vineyard production to preparing business plans, agricultural law and taxation; to processing and marketing of products. The training will be expanded to include forced labor in addition to child labor.
- (v) The fourth component, *Project Management (US\$2.5 million)*, covers the overall coordination of project activities including fiduciary aspects of project management and monitoring and evaluation.

IV. MANAGEMENT'S RESPONSE

29. ***Management well understands the issues raised by the Requesters and agrees they are a matter of serious concern.*** Management in no way condones or has ever condoned practices of forced labor of either adults or children and takes seriously the Requesters' reports—both past and current—of abuse suffered in connection with such practices in the cotton production system of Uzbekistan. As a result of its concerns, Management has tried to address these concerns with the tools and instruments it has at its disposal. These include: (a) continuous country dialogue and collaboration with international/multilateral agencies and donors; (b) sector analytic work and policy dialogue; and (c) specific project-level mitigation measures and binding provisions.

30. ***Management has carefully reviewed the claims raised in the Request relating to the Bank's support for RESP II and maintains that the harm described by the Requesters is not caused nor aggravated by the Bank-supported RESP II, and as such is unrelated to any failure by the Bank to apply its policies and procedures under RESP II.*** The Requesters' concerns of forced labor and child labor in cotton harvesting derive from Government practices in labor deployment for cotton harvesting that have to do with factors outside the scope of the project, and are therefore beyond the reach of Bank safeguards and other policies. As a consequence, Management disagrees with the

Requesters' claim that they have been or are likely to be harmed by the Bank's actions or omissions under RESP II.

31. **Management wishes to highlight that RESP II was carefully designed to include a range of mitigation measures and binding provisions** (e.g., monitoring and training, loan covenants for credit line beneficiaries) to address and exclude child labor at the project level. These measures and provisions are detailed below in paragraph 40.

32. **Management also wishes to note that RESP II supports activities that encourage and enable Uzbekistan to diversify agricultural production away from cotton, thereby helping to reduce the adverse environmental and social impacts associated with cotton production.** The RESP II irrigation and drainage rehabilitation activities aim to support diversification away from cotton production. By improving water management, RESP II irrigation and drainage investments will help with the transition of land out of cotton production in favor of alternative crops. Notably, reducing soil salinity through improved irrigation and drainage practices and rehabilitation of related infrastructure allows a shift in cultivation from salt-tolerant crops such as cotton to less salt-tolerant but more profitable horticultural crops.

33. The credit line finances livestock, poultry business, agro-processing, orchards and vineyards, fish farming, greenhouses and vegetable farming, and farm machinery (grain harvesters and tractors). As the credit line financing offered under RESP II is significantly more costly (11-20 percent interest rate) than the highly subsidized credits that the Government offers for cotton production (3 percent interest rate), it is unlikely that participating agricultural enterprises use project resources to support cotton production. Moreover, the Government's state cotton production system provides farmers access to all inputs at highly subsidized prices, including tractors and ancillary equipment (e.g., tillers, levelers, etc.) from the state-owned machine tractor parks, which gives farmers even less incentive to borrow at market rates to finance their own equipment for cotton production. When agricultural enterprises borrow through the project, they have a strong incentive to avoid using child labor so as to not put their investments at risk, as non-adherence to project provisions may lead to cancellation and early repayment of their loans. In Management's view, the project creates a strong motivation for agricultural enterprises not to engage in cotton production and utilizes the tools described in paragraph 28 to avoid child labor. Management acknowledges that a residual risk remains that participating farmers may become subject to labor deployments in connection with the cotton harvest and that equipment (namely tractors and tillers) financed under the credit line may potentially be used in cotton production.

34. **Management acknowledges some shortcomings in the preparation of the social assessment and the delay in implementing third-party social monitoring.** However, in Management's view, it is important to characterize these shortcomings properly in terms of their relationship to the alleged harm. In Management's view they did not cause or exacerbate the occurrence of child and forced labor. On the contrary, as elaborated above, the project supports moving away from cotton production and its associated contentious labor practices. Furthermore, Management intends to use the remaining lifespan of the project to bolster project support to address child and forced labor, including through the

implementation of third party monitoring¹² and the expansion of provisions to address forced labor alongside those for child labor.

Response to Specific Issues Raised in the Request

Environmental Assessment and Social Assessment

35. ***Management believes that RESP II is in compliance with OP 4.01 (Environmental Assessment).*** While there is no policy requirement for a “stand-alone” Social Assessment (SA) under OP 4.01, there is an obligation to assess as part of the Environmental Assessment (EA) the project’s potential social issues. In this case, a separate SA was prepared. Management agrees that the assessment was not sufficiently robust in its analysis of child and forced labor in the cotton sector. Since there was limited success in Management’s efforts to work with the Government to improve the SA, complementary sources of information, including, among others, reports by the Coalition Against Forced Labor in Uzbekistan, the Group of Human Rights Defenders and Journalists of Uzbekistan, and the Center of Social Research – “Tahlil,” along with briefings from UNICEF, were used to inform project design, specifically the provisions on child labor in the project activities. This broader analysis informed the mitigation measures and provisions included in the project and described below in paragraph 40.

Monitoring Compliance with the Project Legal Agreement

36. ***Management believes that there are no issues related to OP 13.60.*** OP 13.60 establishes the requirement for results-oriented monitoring and evaluation of Bank-supported operations and strategies, including independent evaluation by IEG, but does not include obligations at the project level.

37. ***The Bank team has monitored compliance of Borrower obligations under the Financing Agreement for RESP II.*** The RESP II team has regarded child labor as one of the major social issues during its implementation support missions and has accordingly focused on Borrower compliance with the child labor legal covenant. Each Bank implementation support mission has discussed the issue of child labor and the need to adhere to national child labor laws with the Ministry of Agriculture, Rural Restructuring Agency (RRA), and PFIs. Each implementation support mission monitors Borrower and PFI compliance with their obligation to check for child labor (paragraph 40 (iii)), and visits project sites across the regions to verify project performance and compliance with project provisions by credit line beneficiaries. In addition to regular Bank missions, separate monitoring and implementation support missions have been undertaken by the Bank’s social development specialists, including to project sites during the cotton harvest. To date, no child labor has been encountered by either the PFIs or the Bank missions.

¹² The third party monitoring will comprise monitoring of child and forced labor across the Bank’s portfolio.

38. ***The Bank team has continued its focus on child labor with the Additional Financing.*** The relevant covenant in the original project remains applicable to the Additional Financing. Forthcoming supervision missions will focus on the problem of forced labor alongside child labor. The RRA has commenced a dialogue with PFIs to expand the scope of mitigation measures and project provisions to include forced labor in addition to child labor.

Project Implementation Support

39. ***At the project level, RESP II supports the modernization and diversification of the agricultural sector away from cotton production, and seeks to address key concerns raised in the Request relating to child and forced labor.*** As described in para. 28 (i), RESP II supports high-value non-cotton production such as horticulture, livestock and agro-processing, and thus offers agricultural enterprises promising and cost-effective alternatives to the state-sponsored cotton industry. A survey of 70 credit line beneficiaries (10 from each project region in 2011) showed that, as a result of the project, the following impacts have been achieved: (a) 279 jobs created; (b) household incomes increased on average by 151 percent; (c) enterprise sales increased on average by 86 percent; (d) enterprise profits increased on average by 306 percent; (e) processing volume increased on average by 20 percent; (f) yield per ha increased on average by 32 percent; and (g) number of animals increased on average by 230 percent. In the survey, 87 percent of respondents indicated that their objectives¹³ had been fully achieved, while only 13 percent indicated that they were “somewhat” achieved.

40. ***RESP II contains a range of mitigation measures and binding provisions to avoid child labor in activities related to the project.*** To date, neither the PFIs nor Bank missions have found any child labor in any of the RESP II sub-projects. The original project’s design focused on the issue of child labor, rather than forced labor more generally. This was the main focus of international attention in 2008 when the project was prepared. Since then, international awareness regarding forced labor in Uzbekistan has grown. Going forward, the RESP II measures will be expanded to include provision on forced labor.

Component 1 – Rural Enterprise Finance

- (i) ***Mandatory credit line beneficiary training.*** This training informs credit line beneficiaries of their obligations under the project, including compliance with national child labor laws, and of the monitoring of that compliance by the PFIs. All project credit line beneficiaries have attended the training sessions before submitting their sub-loan applications. In the future, it has been agreed

¹³ The survey allowed beneficiary respondents to select multiple objectives for applying for loans from the credit line. Respondents reported the following objectives: to increase their incomes or profits of their company (69 percent); to reduce labor costs (27 percent); to expand their production/processing (24 percent); to increase family incomes (21 percent); to reduce product losses (17 percent); and to introduce improved technologies to their enterprise (16 percent).

with Government that the training will be expanded to include forced labor in addition to child labor.

- (ii) *Contractual lending requirement.* Since its launch, RESP II has required that all farmers seeking credit for farm investments comply with the national child labor laws and regulations, as a prerequisite for their eligibility for loans. If child labor is observed, the PFIs are required to first issue a warning and upon recurrence to disqualify the borrower from further borrowings. In addition, the farm's machinery/equipment would be confiscated. However, to date no such violations have been reported. One of the PFIs, Hamkorbank, also requires loan applicants to commit to not using forced adult labor as a prerequisite for receiving credit. In the future, it has been agreed with Government that the sub-loan agreements will be expanded to include forced labor in addition to child labor.
- (iii) *PFI Monitoring and Supervision.* PFIs conduct regular monitoring and full audits of sub-projects, further supplemented by the PIU, which visits sub-project sites within three to four months of disbursement to verify that funds have been used as intended. Beneficiaries are required to submit detailed financial reports on a quarterly basis. The periodicity of on-site supervision by the PFIs varies, ranging from every 15 days to only twice a year (in cases where the loan is not considered financially risky and the documentation received suggests no issues). Different PFIs follow different practices in this respect, but all PFIs report that they have not encountered cases of child labor. As PFIs bear the full financial risk under the project, they have a vested interest to conduct regular monitoring of the sub-projects.
- (iv) *Implementation Support.* World Bank missions supervise credit line activities twice a year, including site/field visits, in addition to reviewing quarterly reports prepared by the PIU on the credit line activities. Every Bank mission also meets with the management (usually Deputy Chairman of the Board level and head of Credit Department) and staff of the PFIs at their headquarters. Bank missions have visited sub-project sites spanning all project regions during missions. The Bank selects sites to be visited from the long list of all sub-project beneficiaries maintained by the PIU. The PIU then coordinates with the PFIs to contact the beneficiaries.

These visits, conducted by the Bank team and accompanied by PIU counterparts and PFI loan officers, verify that: (a) the sub-project site matches the project file, which includes a photo ID of the applicant and family members to aid identification, (b) project financing has been spent as intended, and (c) the sub-loan is performing satisfactorily. The Bank team also checks for the presence of child labor and monitors other social issues (e.g., the number of women or other vulnerable groups employed, environmental and sanitary issues, presence of newly employed staff, etc.).

Separately, the Bank’s social specialist has conducted missions, including during the cotton harvest, and has visited about 15 sub-project sites independently of those visited by regular Bank missions. To date, no child labor has been found in any RESP II sub-project by either PFIs or the Bank missions. Management recognizes that under any circumstances such measures can only provide assurances to a certain degree. The missions also informally met with UNICEF to discuss child labor issues.

Component 2 – Irrigation and Drainage

- (v) *Water Consumer Association (WCA) Support Unit (WSU) and WCA Training.* The project also includes training of trainers of WSU staff and a WCA training program to cover various aspects of WUA¹⁴ and irrigation system management. The topics in the training will be expanded to include awareness raising of child and forced labor laws.

Component 3 – Rural Training and Advisory Services

- (vi) *Farmer training.* The project supports outreach through extensive training programs carried out twice a year, during the summer and winter, in rural areas in the seven regions covered by the project. The focus areas for the training depend on farmers’ needs, which are assessed through a survey prior to delivery. In addition, all trainings have a module that raises awareness regarding child labor laws and also discusses other social and environmental issues. These trainings will be expanded to also cover laws on forced labor. To date, a total of 50,848 farmers and agri-business owners have received such training. These trainings are very critical because: (a) they build the rural population’s awareness and understanding of recently adopted legislation on child labor in the country, following many decades of state-organized forced labor that began in the Soviet period; and (b) greater awareness building is required as child labor can occur outside of the state-organized system due to other reasons (e.g., economic reasons).

41. ***Previously, the primary attention of the donor community, including the project, was on child rather than forced labor.*** However, Management recognizes the need to expand RESP II’s labor provisions to include adequate measures against all forms of forced labor and will also incorporate this aspect in future project monitoring.

Third Party Monitoring

42. ***RESP II aimed to support third-party social monitoring to check for, among other social development issues, child labor during the cotton harvesting season.*** Despite initial agreement with Government, there was no progress in its implementation.

¹⁴ Water Users Associations in Uzbekistan are called Water Consumer Associations.

43. Management is now in dialogue with the Government to ensure implementation of third party monitoring of RESP II and across the Bank portfolio. It has been proposed to Government that a recognized international consulting firm with appropriate experience be contracted to carry out such monitoring on a regular basis. This firm would undertake third party monitoring of Bank projects, including RESP II, under terms of reference agreed with the Bank. Third-party monitoring is expected to cover a broad set of social issues with a particular emphasis on child and forced labor.

Sector Dialogue with Government

44. ***Sectoral and Government-level measures have also been undertaken to address the issue.*** The Requesters are correct to note that project-level measures alone cannot completely prevent coercion. Management is aware of this limitation. For this reason, the Bank has been addressing the issues of child and forced labor at the sectoral and Government levels. As part of this, the CPS for FY2012-2015 encourages a gradual shift away from the extensive state controlled cotton system towards a more liberal and diversified agricultural sector. Close collaboration with international development partners to convince the Government to comply with its international obligations on child and forced labor also exhibits the Bank's commitment to this issue. The Bank's concerns regarding reports of child and forced labor in Uzbekistan were also discussed by Senior Bank Management with the Government in country and during the 2013 annual meetings.

45. As noted earlier, per UNICEF's mandate on child issues, UNICEF was designated by Government as the main channel of dialogue on the child labor issues, and the donors worked with UNICEF in this capacity. The Bank and other donors relied on UNICEF's information to inform their own understanding of the situation which, as discussed earlier, formed the basis for project design. The Bank's country management and task team engaged closely with UNICEF on this issue. Also as noted earlier, after the 2012 cotton harvest season, ILO was brought into the discussion by the Government in the role of monitoring child and forced labor, which resulted in the Government agreeing in July 2013 for the first time to allow ILO to monitor cotton harvesting activities for child and forced labor during the harvest season. On behalf of the Government, a National Coordination Committee (consisting of representatives from the Ministry of Labor and Social Protection, Trade Union, Chamber of Commerce, etc.) has been established to coordinate the monitoring process. At the end of the cotton harvest, the ILO will brief the Bank and other partners on its findings.

Bank Engagement with NGOs

46. Bank staff have engaged with a number of NGOs on the issues related to child and forced labor in Uzbekistan. In particular, staff corresponded and held meetings with two of the Requesters: the Human Rights Society of Uzbekistan (Ezgulik) and the Uzbek-German Forum for Human Rights. Bank staff also met and corresponded with other NGOs affiliated with the Requesters. In all these meetings, Bank staff have systematically conveyed Management's views on child and forced labor, emphasizing that: (a) the Bank does not condone child or forced labor in any form; (b) the Bank recognizes the importance and complexity of the forced labor situation in Uzbekistan;

and (c) the most effective way to address the issue is a holistic approach through policy dialogue, collaboration with other international organizations, and mitigation measures and binding provisions at the project level. Annex 4 provides a list of meetings and correspondence with NGOs.

Implementation Arrangements Going Forward

47. Management is committed to robust implementation support and monitoring of measures to address child and forced labor issues. Management will review key implementation arrangements and modify where appropriate, taking into account the feedback which will be provided by ILO's ongoing monitoring mission. This will be in addition to the following actions, described below.

48. ***Amendment of sub-loan agreements.*** Under RESP II, any new project beneficiaries using the credit line will be required to comply with the applicable laws and regulations on both forced and child labor. Specifically, the RESP II Rural Enterprise Investment Regulations; the subsidiary loan agreement between the Ministry of Finance, the RRA and PFIs; the project implementation plan; and the PFI sub-loan agreements with future credit line beneficiaries will be amended to add compliance with the applicable national and international laws and regulations on forced labor alongside those for child labor.

49. ***Introduction of a project level grievance redress mechanism.*** In addition to the third party social monitoring, a grievance redress mechanism will be added to the RESP II.

50. ***Expansion of training coverage.*** A module that raises awareness about forced and child labor laws and regulations will be added to the training programs for WCAs under Component 2 (b) on Strengthening WCAs and the Capacity to Train and strengthen WCAs. The farmer training module in Component 3 on Rural Training and Advisory Services will be revised and expanded to include forced labor laws and regulations.

Conclusion

51. ***Management has carefully reviewed the issues raised by the Requesters and does not agree with the allegations that non-compliance with Bank policy has caused the harm alleged in the Request. Specifically, Management notes that any harm that may have stemmed from the incidents cited in the Request was not caused or aggravated by the Project, nor has the Project supported these incidents.*** The difficult sector context presents many operational challenges to all concerned. In spite of this complex operating environment Management believes that the Bank has followed the policies and procedures applicable to the matters raised in the Request. Management concludes that the Requesters' rights or interests have not been nor will be directly and adversely affected by the project or by a failure of the Bank to implement its policies and procedures. On the contrary, it is Management's view that the project is contributing to the country's diversification away from cotton, the cultivation of which in many regions

of Uzbekistan is associated with severe adverse social impacts including those raised in the Request.

52. ***The Bank will continue to encourage the Government to adhere to national labor laws, while strengthening project level provisions against the use of forced and child labor.*** Given the significant environmental and social impact the cotton sector has on the country and its development, Management will continue to provide adequate support to the Government addressing many of the concerns related to its system of cotton production.

Annex 1
Claims and Responses

No.	Claim	Response
1.	<p><i>Government Organization of Land and Quota System</i></p> <p>The national Government sets the cotton production target each spring. This number is then broken down by region, and district hokims (governors) are responsible for making sure that the delivery quota is filled, including through the forced mobilization of farmers to meet a share of the Government imposed cotton quota.</p> <p>Despite the World Bank’s reference to “independent farmers” in the RESP II documents, all farms in Uzbekistan are tied to the state order system. There exists no farm in Uzbekistan that the World Bank could make loans to that is not tied to this system and its use of forced labor. This is because, to cultivate land in Uzbekistan, farmers sign leases (lasting between 40-60 years) with the government. The contracts specify the percentage of land on which cotton is to be grown and the annual cotton production quota. The regional <i>hokim</i> assigns land to farmers and establishes quotas for each and every farm, according to expected yield assessments conducted by the governmental agricultural agency <i>Uzpaxtasanoat</i>. [...] The quota system is implemented by the regional and district <i>hokims</i>, who report to the prime minister. [...] The regional <i>hokims</i> are responsible for ensuring that their region’s quota is delivered, including the forced mobilization of farmers to meet a share of the Government imposed cotton quota.</p> <p>The <i>hokimiyat</i> delivers quotas to farmers each year after receiving its orders from the central government. Farmers have to meet state-ordered cotton production quotas in order to retain their land leases, and therefore their livelihood. If a farmer fails to produce his assigned cotton quota, the regional <i>hokim</i> will assign the land to another farmer. Although it is illegal to sell cotton to anyone but the government-owned purchasing companies, farmers who surpass their quotas reportedly sell cotton to farmers who fail to meet theirs.</p>	<p><i>Management well understands the issues raised by the Requesters and agrees they are a matter of serious concern.</i> The Bank is aware of the Uzbek Government’s interventions in cotton and wheat production. Based on its own analysis, the Bank’s position is that the Government should reform and transition from a state-dominated to a market-based system for agriculture, specifically for the cotton sector given its high level of inefficiency, high fiscal cost and concerns about its environmental sustainability. The Bank’s 2005 Cotton Taxation study proposed abolishing the state-controlled compulsory cropping patterns and liberalizing input and output markets as pioneered under the original Rural Enterprise Support Project (RESP I).</p> <p>The Bank’s own analytic work suggests that the claim that all farms in Uzbekistan are tied to the Government’s cotton production and thus to forced labor is inaccurate. As described in the Bank’s 2013 Horticulture Policy Note, <i>dehkan</i> farms, numbering about 4.7 million in 2010,¹⁵ are a class of farms that are small and family-run, generally have no obligation to the Government’s cotton production quota, and decide what to produce and sell. Further, the Horticulture Policy Note also describes how the Government has been supporting the transition from cotton and wheat production into horticultural production. In 2011, more than 500 farms underwent such a transition and no longer produce cotton for the state-run system: 112 in Andijan province, 288 in Samarkand province, and 113 in Tashkent province. These farms converted from producing cotton and/or wheat to producing vegetables, melons, grapes and other higher-value horticultural products.</p> <p>The statement in the RESP II Project Appraisal Document mentioning “independent farmers” refers to the restructuring of state-owned collectives into individual private leasehold farms, or <i>dehkan</i> farms.</p>

¹⁵ State Statistics Committee of the Republic of Uzbekistan, 2010.

	<p>During the harvest, regional <i>hokims</i> closely monitor production rates. Many regional <i>hokims</i> are known to convene daily meetings to receive reports from all the farmers in the region. At these meetings, the regional <i>hokims</i> verbally and physically abuse farmers who are under-producing. Reports abound of farmers beaten and tortured for growing crops other than cotton on land the government dictates should be used for cotton or for failing to meet cotton growing quotas. In 2012, farmers around the country were required to fulfill quotas of 3,000 kg on average.</p>	
2.	<p><i>State-Sponsored Forced Labor of Children and Adults for Agricultural Field Work</i></p> <p>Despite national laws prohibiting forced labor and child labor., commitments to international conventions concerning forced labor and child labor, and its own statements, the Government continues to forcibly mobilize children and adults to work in the cotton fields.</p> <p><i>"In our school, children took part in the harvest. First were sent grades 7-9 after school. After some time they did not study, and went to the harvest directly from their houses. In the end, grades 4-5 were also sent (to pick cotton). Until the school holidays children were taken out to the fields." - School teacher, Kashkadarya, 2012.</i></p> <p>A clear chain of command ensures the mobilization of forced labor for the cotton harvest, with farmers having no control over the forced labor system. Taking orders from the Prime Minister, the regional <i>hokim</i> in turn controls deputies who have responsibilities for specific sectors such as education, health care and the military. In most districts, the <i>hokimiyat</i> functions as the headquarters for the mobilization of children and adults to harvest cotton. It includes the staff of the <i>hokimiyat</i>, the district prosecutor, the district police, and the director of the district departments of public services. After receiving its target for cotton picking, the director of each institution – school, hospital, military office, <i>etc.</i> – develops schedules and quotas for the staff.</p> <p><i>"We have a new district prosecutor. In the evening, after submission of the picked cotton, he invites the team leaders, who did not fulfill the plan. Three to four policemen are also present during the meeting. The first time, one can get away with curses and threats, but the second time he can order one's arrest. On</i></p>	<p><i>Management states that any harm that may have stemmed from the incidents cited in the Request was not caused or aggravated by the project, nor has the project supported these incidents. These allegations relate to the Government practice of labor deployment for cotton harvesting which is unrelated to and not supported by the project.</i> Management in no way condones or has ever condoned practices of forced labor of either adults or children and takes seriously the Requesters' reports—both past and current—of abuse suffered in connection with such practices in the cotton production system of Uzbekistan. As a result of its concerns, Management has tried to address these concerns with the tools and instruments it has at its disposal. This is described in Item 3 and includes interventions at three levels: continuous country dialogue and collaboration with international/multilateral agencies and donors, sector policy dialogue, and specific project-level provisions.</p>

<p><i>March 1, I spent one night in the cell of the district police station. Next morning I was released. This is done in order to keep us in fear.” – School administrator, 2012</i></p> <p>Each individual is assigned a daily quota. The individual quotas in 2012 ranged from 80 kilograms per day during the peak harvest to 30 kg per day, the amount that pickers were told was the minimum to cover the cost of food and transportation.</p> <p>The work day in the cotton fields typically starts at 4:30am and lasts for 10 to 12 hours. Adult workers are generally not paid for their labor in the cotton fields. For picking the daily quota of 60 kilograms, children and university students can be paid only 20 cents USD per day after the cost of food and transportation is deducted. Conditions for the men, women and children working in the cotton harvest were unsafe, unsanitary and unhygienic. Observers photographed tractors spraying agrochemicals in fields, immediately beside the people picking cotton. Accommodation lacked essential hygienic facilities and adequate potable water.</p> <p>Failure to meet the quota is not an option. Each province and region of Uzbekistan has an established infrastructure to enforce participation. Just like farmers, citizens who refuse to participate in the cotton harvest face punishment by the state, including the loss of employment; suspension, expulsion or other disciplinary action at school or work, loss of state welfare payments, fines, social ostracization, verbal abuse, public humiliation, and physical abuse. The government, not farmers, force children and adults to pick cotton. The directors of schools, hospitals and other government entities report directly to the <i>hokim</i> and face punishment, including dismissal from their post, for failing to deliver the state order of cotton. The directors therefore assign a foreman of each group sent to the cotton field to oversee the work and report at the end of the day to the <i>hokimiyat</i>, who also often visits farms to reinforce the pressure. During the 2012 cotton harvest, examples of the enforcement practices of the regional- and local-level authorities included:</p> <ul style="list-style-type: none"> • In Yangiyul city, Tashkent region, parents and students (ages 15-18) were obliged to sign permission slips to establish their ‘voluntary’ participation in the cotton harvest, under threat 	
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	<p>of not being allowed to graduate.</p> <ul style="list-style-type: none"> • In the Buka district of Tashkent region, the police and national security service (SNB) and prosecutor’s office visited school and college directors to ensure their support for mobilizing teachers and students (aged 15-18) to pick cotton. • In the Nizhnechirchiksky district, Tashkent region, students with illnesses were denied medical exemptions. • Nurses from several regions reported that they were threatened with the loss of their jobs for refusing to participate. • Staff of several medical clinics reported salary deductions for not meeting their daily quotas. • Students of the Tashkent National University of Economics were threatened with expulsion. • In the Chirchiq district, Tashkent region, students were threatened with expulsion and beaten by school staff, as coercion to meet their quotas. • Shoirra, a young mother in the Shahrisabz district, Kashkadarya region, reported that she had to pick cotton or lose child-care benefits, which are distributed by the <i>mahalla</i> committees. 	
<p>3.</p>	<p>Impacts Suffered in Our Communities</p> <p>Each year we suffer deaths, physical hardship, debts, deprivation of education for our children, and strained health care services so that the few government officials and their colleagues earn the income of cotton sold to domestic and international markets.</p> <p>At the height of the 2012 cotton harvest, 19-year-old Navruz Muysinov died. The young man decided to return home early from the cotton fields in Shakhrisabz district of Kashkadarya region on the 6th of October. He was stopped by the police, beaten and died thereafter. The results of the investigation into the cause of death remain unknown. In addition to Navruz, there were several tragic deaths. Igor Yachkevskiy, a 55-year old resident of Tashkent city, died of a heart attack while picking cotton in Okkurgon district, Tashkent region on the 17th of September. Umid, a third year student of the Bukhara Engineering Institute of High Technologies, in Bukhara region, died after he was hit by a tractor on his</p>	<p><i>Management has carefully reviewed the claims raised in the Request relating to the Bank’s support for RESP II and maintains that the harm described by the Requesters is not caused or aggravated by the Bank-supported RESP II.</i> The Requesters’ concerns of forced labor and child labor in cotton harvesting relate to Government practices in labor deployment for cotton harvesting which have to do with factors outside the scope of the project, and which are therefore beyond the reach of Bank safeguards and other policies.</p> <p>Management is aware of and concerned about reports of child and forced labor as part of the cotton harvest. RESP II was carefully designed to include a range of measures (e.g., loan covenants for participating farms and enterprises, monitoring and training) to address and exclude child labor at the project level. Management recognizes the need to expand RESP II’s labor provisions to include adequate measures against forced labor and will also incorporate this aspect in future project monitoring.</p> <p>The Bank has engaged in a three-pronged approach to address the issue of child and forced labor in Uzbekistan at the Government, sector, and project levels.</p>

<p>way from the field after dark on the 22nd of October. The authorities failed to report any information concerning these tragic deaths during the cotton harvest.</p> <p>Forced labor in Uzbekistan’s cotton sector is not the result of family poverty, but rigid state control of all aspects of the cotton industry, whereby the forced mobilization of children is organized and enforced by authorities, as channeled through the local administration and benefiting the Government. Under the state-order system of cotton production, the Government of Uzbekistan not only controls the land and enforces cotton production quotas, but also controls input markets, prices and cotton sales. Given the low purchase price for cotton set by the government, farmers are unable to afford to hire the labor necessary for cotton farming.</p> <p>While depleting rural communities of income and human resources, the state order cotton production system also provides government officials, particularly those with specific roles in the cotton industry, multiple avenues for extorting money from their less-powerful fellow citizens. Since Soviet times, the cotton and irrigation systems have served as patronage systems, insuring loyalty of regional and district authorities to the highly centralized national administration. At the regional and district level, authorities extort from citizens through unpaid wages, direct payments for unfulfilled quotas, and fines for insufficient contributions to the cotton harvest. In this climate, any investment in the agricultural system merely sustains the state-order system and forced labor which underpins it.</p> <p>In addition, the massive and nationwide forced labor of government employees strains the delivery of many public services, including essential medical care and education. Just in Tashkent, approximately 11,000 nurses and doctors from hospitals and clinics were sent to the fields during the 2012 cotton harvest. As in previous years so in 2012, both high school and university students had no access to education during the harvest. The school calendar for colleges and lyceums (high schools) and universities starts in September, but classes started in November. Teachers were required to falsify records indicating that lessons had been covered. Often grades depend on how well students picked cotton. Even where younger school children were not mobilized for the</p>	<p>As part of this, the CPS for FY2012-2015 encourages a gradual shift away from the extensive state controlled cotton system towards a more liberal and diversified agricultural sector. Close collaboration with international development partners to convince the Government to comply with its international obligations on child and forced labor also exhibits the Bank’s commitment to this issue. The Bank’s concerns regarding reports of child and forced labor in Uzbekistan have also been discussed by Senior Bank Management with the Government in country and during the 2013 annual meetings.</p> <p>The Bank collaborates with international development partners’ efforts to eliminate forced labor in Uzbekistan, which has contributed to the recent deployment of the ILO monitoring mission to the country (see below). UNICEF, ILO, UNDP, the EU, the US, the World Bank and other development partners have invested considerable efforts over the years to address the issue of child and forced labor in the country. To illustrate the frequency of these discussions, Annex 3 provides the list of meetings by the Bank Country Manager with other donor partners from January to September 2013 where the issue of child and forced labor was discussed.</p> <p>After the 2012 cotton harvest season, ILO was brought into discussion by the Government in the role of monitoring child and forced labor, which resulted in the Government agreeing in July 2013 for the first time to allow ILO to monitor cotton harvesting activities for child labor. On behalf of the Government, a National Coordination Committee (consisting of representatives from the Ministry of Labor and Social Protection, Trade Union, Chamber of Commerce, etc.) has been established to negotiate and oversee the monitoring process. In general, most of the cotton harvesting takes place from September through end-October.</p> <p>The ILO team undertook monitoring of the cotton harvest from September 11 to October 31, 2013. The ILO Information Note of November 4, 2013, indicates that monitoring was carried out in 806 sites, including farms, education institutions and buildings in the vicinity of farms. The ILO delegation found that “in general terms, the monitoring observed widespread awareness of national law and instructions not to use children under 18 years of age in the cotton harvest. Moreover, it would appear from the monitoring that there was no systematic recourse to forced labor. While the law and practice are increasingly being applied, gaps remain in practice and child labor still has taken place during the cotton harvest to a limited extent.” (See Annex 9)</p> <p>At the sector level, the Bank has been consistently advocating and supporting the diversification of agricultural production in Uzbekistan towards higher value-added activities and away from cotton production. The objective</p>
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<p>harvest, the state-sponsored mobilization of teachers, parents and older school children continued to negatively affect the learning process. As the result of an estimated 60% of school teachers being forced to pick cotton, primary school students received partial lessons for two and a half months and, while not in the fields themselves, teachers had to manage combined classes of 50 to 60 children, without additional payment. The impacts on our youth and next generation cannot be overstated.</p>	<p>of diversifying the agricultural sector and liberalizing it from state control has been promoted by the Bank for many years. In fact, the 2005 Cotton Taxation study provided a sequence of actions to reform the pricing, procurement and input supply system for cotton to allow the gradual transition from a costly state-controlled agricultural system to a market-based one while minimizing stress to stakeholders.</p> <p>As noted earlier, per UNICEF's mandate on child issues, UNICEF was designated by Government as the main channel of dialogue on the child labor issues, and the donors worked with UNICEF in this capacity. The Bank and other donors relied on UNICEF's information to inform their own understanding of the situation which, as discussed earlier, formed the basis for project design. The Bank's country management and task team engaged closely with UNICEF on this issue.</p> <p>An Interim Strategy Note for the period FY2007-08 (June 2006) stated that "an Agricultural Sector Review will continue to focus on the need for reforms in the cotton sector, with a particular emphasis on building alternative marketing and financing channels to replace the current state order system" (p. 18).¹⁶</p> <p>The RESP II Additional Financing also reflects the CPS priorities. In addition, it will support the formulation of a Horticulture Strategy (FY13),¹⁷ paving the way for a proposed Horticulture Development Project (FY14). As stated in the CPS, these activities will help "develop Uzbekistan's domestic market and encourage a gradual shift from the cotton state order system and public intervention towards a more liberal and diversified agricultural sector." (p. 20).</p> <p>The agricultural diversification efforts have shown results. Since 2008, the Government has been taking land out of cotton production in favor of higher-value production, such as horticulture development. Overall area planted to cotton in the country has declined from 1.43 million ha in 2007 to about 1.32 million ha in 2012, while cotton output has declined from about 1.17 million metric tons to about 982,000 metric tons during the same period.¹⁸</p> <p>In the seven regions covered by RESP II, cotton area has declined 11 percent, from about 854,000 ha in 2008 to about 757,000 in 2012, while cotton production declined by 3 percent. from about 2.1 million to 2.0 million metric tons</p>
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¹⁶ Due to overlapping programming, another donor produced the Agriculture Sector Review and at the Government's request, the Bank produced a Water Sector Planning Study instead.

¹⁷ The World Bank completed the "Horticulture Policy Note for Uzbekistan, Strengthening the Horticulture Value Chain" in July 2013.

¹⁸ Data from United States Department of Agriculture.

		<p>during the same period.</p> <p>As noted above, private farms specializing in horticulture are not subject to production quotas, and have the freedom to choose what they produce and how, thus enabling them to diversify away from cotton production, improve their incomes and mitigate contentious labor practices. Bank-sponsored projects, such as the RESP II and the proposed Horticulture Development Project, help the Government to implement the diversification policy and contribute to decreasing the amount of land under cotton production.</p> <p>At the project level, RESP II supports the modernization of the agricultural sector, away from cotton production, and seeks to address many of the concerns raised in the Request relating to child and forced labor. RESP II supports high-value non-cotton production such as horticulture, livestock and agro-processing, and thus offers promising and cost-effective alternatives to the state-sponsored cotton industry. To date 415 agribusinesses have received credit line financing for the procurement of agricultural machinery such as tractors and harvesters, livestock, poultry, agro-processing, orchards and vineyards, fish farming, greenhouses and vegetable farming, and other activities.</p> <p>The irrigation rehabilitation activities under RESP II aim at supporting the overall diversification away from cotton production, thereby helping to mitigate the adverse environmental and social impacts of cotton production. By increasing crop productivity, RESP II irrigation investments will help Government to continue taking land out of cotton production in favor of alternative crops, a trend observed since 2008. The rehabilitation of irrigation and drainage systems will improve water management on nearly 100,000 hectares of land on which wheat, cotton, barley, maize, potatoes, vegetables, cucurbits and alfalfa are grown. Notably, reducing soil salinity through improved irrigation practices and rehabilitation of related infrastructure allows a shift in cultivation from salt-tolerant crops like cotton to less salt-tolerant but more profitable horticultural crops.</p> <p>RESP II contains a range of measures to avoid child labor in activities related to the project, and proposes to encompass forced labor in the existing RESP II labor provisions.</p> <p>Component 1 – Rural Enterprise Finance</p> <p>(i) Mandatory credit line beneficiary training. This training informs credit line beneficiaries of their obligations under the project, including compliance with national child labor laws, and of the monitoring of that compliance by the PFIs. All project credit line beneficiaries have attended the training sessions before submitting their sub-loan applications. In the future, it has been agreed with Government that the training will be expanded to include forced labor in</p>
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		<p>addition to child labor.</p> <p>(ii) Contractual lending requirement. Since its launch, RESP II has required that all farmers seeking credit for farm investments comply with the national child labor laws and regulations, as a prerequisite for their eligibility for loans. If child labor is observed, the PFIs are required to first issue a warning and upon recurrence to disqualify the borrower from future borrowings. In addition, the farm's machinery/equipment would be confiscated. However, to date no such violations have been reported. One of the PFIs, Hamkorbank, also requires loan applicants to commit to not using forced labor as a prerequisite for receiving credit. In the future, it has been agreed with Government that the sub-loan agreements will be expanded to include forced labor in addition to child labor.</p> <p>(iii) PFI Monitoring and Supervision. PFIs have conducted regular monitoring and full audits of sub-projects, further supplemented by the PIU, which visits sub-project sites within three to four months of disbursement to verify that funds have been used as intended. Beneficiaries are required to submit detailed financial reports on a quarterly basis. The periodicity of on-site supervision by the PFIs varies, ranging from every 15 days to only twice a year (in cases where the loan is not considered financially risky and the documentation received suggests no issues). Different PFIs follow different practices in this respect, but all PFIs report that they have not encountered cases of child labor. As PFIs bear the full financial risk under the project, they have a vested interest to conduct regular monitoring of the sub-projects.</p> <p>(iv) Bank Implementation Support. World Bank missions have supervised credit line activities twice a year, including site/field visits, in addition to reviewing quarterly reports prepared by the PIU on the credit line activities. Every Bank mission also has met with the management (usually Deputy Chairman of the Board level and head of Credit Department) and staff of the PFIs at their headquarters. Bank missions have visited sub-project sites spanning all project regions during these missions. The Bank selected sites to be visited from the long list of all sub-project beneficiaries maintained by the PIU. The PIU then coordinated with the PFIs to contact the beneficiaries. The visits, conducted by the Bank team and accompanied by the PIU counterpart and PFI loan officer, verify that: (a) the sub-project site matches the project file, which includes pictures of the applicant and family members to aid identification; (b) project financing has been spent as intended, and (c) the sub-loan is performing satisfactorily. The Bank team also has checked for the presence of child labor and monitored other social</p>
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		<p>issues (e.g., the number of women or other vulnerable groups employed, environmental and sanitary issues, presence of newly employed staff, etc.).</p> <p>(v) Separately, the Bank’s social development specialists have conducted missions during the cotton harvest and have visited about 15 sub-project sites independently of those visited by regular Bank missions. To date, no child labor has been found in any RESP II sub-project by either PFIs or the Bank missions. Management recognizes that under any circumstances such measures can only provide assurances to a certain degree. The missions also informally met with UNICEF to discuss child labor issues.</p> <p>Component 2 – Irrigation and Drainage</p> <p>(vi) Water Consumer Association (WCA) Support Unit (WSU) and WCA Training. The project also includes training of trainers of WSU staff and a WCA training program to cover various aspects of WUA and irrigation system management. The topics in the training will be expanded to include awareness raising of child and forced labor laws.</p> <p>Component 3 – Rural Training and Advisory Services</p> <p>(vii) Farmer training. The project supports outreach through extensive training programs carried out twice a year, summer and winter, in rural areas in the seven regions covered by the project. The focus areas for the training depend on farmers’ needs, which are assessed through a survey prior to delivery. In addition, all trainings have a module that raises awareness regarding child labor laws and also discusses other social and environmental issues. These trainings will be expanded to also cover laws on forced labor. To date, a total of 50,848 farmers and agri-business owners have received such training. These trainings are very critical because: (a) they build the rural population’s awareness and understanding of recently adopted legislation on child labor in the country, following many decades of state-organized forced labor that began in the Soviet period; and (b) greater awareness building is required as child labor can occur outside of the state-organized system due to other reasons (e.g., economic reasons).</p> <p>Third-party monitoring. RESP II aimed to support third-party social monitoring to check for, among other social development issues, child labor during the cotton harvesting season. Despite initial agreement with Government, there was no progress in its implementation.</p> <p>Management is now in dialogue with the Government to ensure implementation of third party monitoring of RESP II and across the Bank portfolio. It has been proposed to Government that a recognized international consulting firm with appropriate experience be contracted to carry out such monitoring on a regular basis. This firm would undertake</p>
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	<p>third party monitoring of Bank projects, including RESP II, under terms of reference agreed with the Bank. Third-party monitoring is expected to cover a broad set of social issues with a particular emphasis on child and forced labor.</p> <p>As the credit line financing offered under RESP II is significantly more costly (11-20 percent interest rate) than the highly subsidized credits which the Government offers for cotton production (3 percent interest rate), it is unlikely that participating agricultural enterprises use project resources to support cotton production. Moreover, the Government's state cotton production system provides farmers access to all inputs at highly subsidized prices, including tractors and ancillary equipment (e.g., tillers, levelers, etc.) from the state-owned machine tractors parks, which gives farmers even less incentive to borrow at market rates to finance their own equipment for cotton production. When agricultural enterprises borrow through the project they have a strong incentive to avoid using child and forced labor so as to not put their investments at risk, as non-adherence to project provisions will lead to cancellation and repayment of their loans. In Management's view, the project creates a strong motivation for agricultural enterprises not to engage in cotton production and utilizes the tools described in the preceding paragraphs to avoid child labor. Management acknowledges that a residual risk remains that participating farmers may become subject to labor deployments in connection with the cotton harvest and that equipment financed under the credit line may potentially be used in cotton production.</p> <p>Management has agreed with Government to add explicit contractual provisions that require project beneficiaries to comply with national legislation against forced labor. Accurate and reliable information about labor conditions is often unavailable under the political conditions of Uzbekistan. This is particularly true for sensitive political matters, such as child and forced labor during cotton harvesting. The original project's design largely focused on the issue of child labor, rather than forced labor more generally. This was the main focus of international attention in 2008 when the project was prepared. Since then, international awareness regarding forced labor in Uzbekistan has grown. Management is deeply concerned about such practices and will not tolerate them in any form. Under RESP II, any new project beneficiaries using the credit line will be required to comply with the applicable laws and regulations on forced and child labor. Specifically, the RESP II Rural Enterprise Investment Regulations; the subsidiary loan agreement between the Ministry of Finance, the RRA and PFIs; the project implementation plan; and the PFI sub-loan agreements with future credit line beneficiaries will be amended to add compliance with the applicable national and international laws and regulations on forced labor alongside those for child labor.</p>
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<p>4.</p>	<p>The main World Bank policy that World Bank staff has violated in connection with the RESP II loan is Operational Policy 4.01 [OP 4.01] on Environmental Assessments[EA]. For both Category A and B projects, this policy requires an assessment of the potential negative and positive impacts on human populations, as well as measures to prevent, minimize, mitigate or compensate for adverse impacts.</p> <p>While the Bank does not have the responsibility to carry out the EA, it is responsible for ensuring that the EA “provide[s] an adequate basis for processing the project for Bank financing.” This would require an assessment with adequate scope and quality.</p> <p>The Social Assessment [SA] carried out in connection with the RESP II loan falls far short of OP 4.01’s standards and demonstrates that the Bank clearly failed to exercise its supervisory role in connection with this project. The widespread and systematic use of forced child labor in Uzbekistan went completely unacknowledged in the SA, which spoke only of “child labor” and there is a total lack of assessment of whether the Bank’s project, which funnels money directly into the agriculture sector, would contribute to this endemic problem. In fact, the SA contains only one paragraph discussing the problem of child labor in cotton production and this paragraph is full of internal contradictions and outright falsehoods.</p> <p><i>“Respondents stated that school children are not exploited for cotton production. Indeed, the recent work of UNICEF and the SA showed the lack of worst forms of child labor in rural Uzbekistan. There is little difference in the nature of child labor on the cotton plantations and on DF. Usually, 12 to 18 year old children are not used in FEs during weeding, cotton and guzapaia (cotton stems) picking. Their labor is used during the period of cotton picking when districts/provinces cannot fulfill their plan of cotton picking. Children do not participate in cleaning of the irrigation and drainage systems. In some provinces where there was a shortage of farm labor school children were picking cotton (grades 5 and above), and in other provinces there worked only high school children (pupils of 8-11 grades and college students). In some provinces, where there is excess farm labor (women), children were not involved at all. Women and schoolchildren</i></p>	<p><i>These allegations are inaccurate.</i> While there is no policy requirement for a stand-alone Social Assessment (SA) under OP 4.01, there is an obligation to assess as part of the Environmental Assessment (EA) the project’s potential social issues. In this case, a separate SA was prepared. Management agrees that it was not sufficiently robust in its analysis of child and forced labor in the cotton sector. Since there was limited success in Management’s efforts to work with the Government to improve the social assessment, complementary sources of information—including UNICEF briefings, reports by the Coalition Against Forced Labor in Uzbekistan, the Group of Human Rights Defenders and Journalists of Uzbekistan, and the Center of Social Research, “Tahlil” —were used to inform the project design, specifically the provisions on child labor in the project activities. This broader analysis informed the project’s mitigation measures.</p> <p>Several types of mitigation measures and binding provisions have been incorporated into the project: (a) contractual lending requirements that credit line beneficiaries comply with national legislation on child labor; (b) RESP II has sponsored trainings to farmers and credit line beneficiaries, which include a module on their obligation to comply with ILO conventions and national legislation against child labor as a condition for lending eligibility; and (c) PFI monitoring and supervision further supplemented by the PIU. See above Item 3 for more detail.</p> <p><i>Previously, the primary attention of the donor community, including the project, was on child rather than forced labor.</i> However, Management recognizes the need to expand RESP II’s labor provisions to include adequate measures against forced labor and will also incorporate this aspect in future project monitoring.</p> <p><i>Sectoral and Government-level measures have also been undertaken to address the issue.</i> The Requesters are correct to note that project-level measures alone cannot completely prevent coercion. Management is aware of this limitation. For this reason, the Bank has been acting to address the issues of child labor at the sectoral and Government levels. See Item 3 above for more detail.</p>
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	<i>believe that they can earn the most only when they pick cotton when each can earn more than \$7 per day and more than \$300 per month, which many families badly need.”</i>	
5.	<p>Of even more concern than the contradictions and errors in this paragraph is the fact that the SA has completely failed to note that the child labor violations taking place in Uzbekistan’s agriculture sector all constitute systematic, government orchestrated forced labor. Because of this glaring omission, the SA misrepresents the nature of the problem and thus prevents the Bank from taking the steps necessary to avoid contributing to the problem of child labor and forced labor in the country. This is evidenced by the fact that in multiple Bank documents from 2008 and 2012, and in conversations and correspondence with claimants’ civil society representatives, management has sought to demonstrate that it is avoiding contributing to the problem of child labor through training of farmers and contract provisions in loans to farmers and agribusinesses. Such trainings and contract provisions have absolutely no impact on the child labor problem in the country because, as demonstrated above and in the accompanying documents, farmers have no control over the system of forced labor and child labor. It is the government, not the farmers, that forces children and adults to work in the cotton fields and thus the Bank cannot expect to address the issue of forced labor through trainings or other engagement at the farm level. We believe this demonstrates that the Bank is also violating OP 13.60 on monitoring and evaluation as its monitoring procedure, directed at the farm or agribusiness rather than the state, are insufficient to determine whether its fund are supporting state-sponsored forced labor.</p>	<p><i>The Requesters’ reference to OP 13.60 is unclear.</i> OP 13.60 establishes the requirement for results oriented monitoring and evaluation of Bank supported operations and strategies, including independent evaluation by IEG, but does not include obligations at the project level.</p> <p><i>The Bank team has monitored compliance of Borrower obligations under the Financing Agreement for RESP II.</i> The RESP II team has regarded child labor as one of the major social issues during its implementation support missions and has accordingly focused on Borrower compliance with the child labor legal covenant. Each Bank implementation support mission has raised the issue of child labor and the need to adhere to national child labor laws with the Ministry of Agriculture, Rural Restructuring Agency (RRA), and PFIs. Each implementation support mission monitors Borrower and PFI compliance with their obligation to check for child labor (paragraph 40 (iii)), and visits project sites across the regions to verify project performance and compliance with project provisions by credit line beneficiaries. In addition to regular Bank missions, separate monitoring and implementation support missions have been undertaken by the Bank’s social development specialists, including to project sites during the cotton harvest. The missions also informally met with UNICEF to discuss child labor issues.</p> <p><i>The Bank team has continued its focus on child labor with the Additional Financing.</i> The relevant covenant in the original project remains applicable to the Additional Financing. Forthcoming supervision missions will focus on the problem of forced labor alongside child labor. The RRA has commenced a dialogue with PFIs to expand the scope of mitigation measures and project provisions to include forced labor in addition to child labor.</p> <p><i>Management has therefore been consistently addressing the issue through concrete provisions at the project level, in its sectoral strategy in Uzbekistan, and as part of its dialogue with Government and collaboration with other international development partners.</i></p>
6.	<p>We have complained to World Bank staff on multiple occasions both in person and in writing including:</p> <ul style="list-style-type: none"> • On 18 December 2010 Vasila Inoyatova of Ezgulik wrote an open letter to Philippe H. Le Houerou, the World Bank’s regional vice president, on the situation of children’s rights, child labor and the Bank’s activities in Uzbekistan. 	<p><i>Bank staff engaged with a number of NGOs on the issues related to child and forced labor in Uzbekistan.</i> In particular, staff corresponded and held meetings with two of the Requesters: the Human Rights Society of Uzbekistan, “Ezgulik,” and the Uzbek-German Forum for Human Rights. Bank staff also met and corresponded with other NGOs affiliated with the Requesters.</p> <p>The Bank’s first interaction with “Ezgulik” was in December 2010 when Management received an open letter to the Regional Vice President and an Independent Review</p>

	<ul style="list-style-type: none"> • On March 31, 2011 Vasila Inoyatova of Ezgulik and other civil society representatives met with Mrs. Mehrnaz Teymourian the Office Director for Central Asia and other World Bank staff in Washington, DC. • Ezgulik submitted to the World Bank on October 11, 2012 “The Independent Review of the World Bank’s Rural Enterprise Support Project – Phase 2” • On 1 September 2013 Vasila Inoyatova of Ezgulik wrote a letter to Shigeo Katsu, Vice-President of the World Bank, Europe and Central Asia Division • A written case study prepared by Ezgulik in partnership with Bank Information Center was submitted to Bank Management on April 24, 2013. • Staff from the Bank Information Center, representing both their organization and Ezgulik as authors of the joint case study, met with several individuals from Bank management on May 2, 2013. 	<p>of RESP-II prepared by Ezgulik. Bank staff then met with Ezgulik representatives twice (in February 2011 in Tashkent Country Office and in March 2011 in Washington, DC) to discuss and address the issues raised by Ezgulik.</p> <p>Management does not have a record of receiving “The Independent Review of the World Bank’s Rural Enterprise Support Project – Phase 2” in October 2012, as is stated in the Request. Management believes that the Request may have made an error in dates, because such a review was received in December 2010 (see paragraph above).</p> <p>Management also does not have a record of receiving a letter addressed to the Regional Vice President, Mr. Shigeo Katsu, in September 2013 and notes that Mr. Katsu was Regional Vice President in 2003-2009.</p> <p>Management received BIC’s Case Study on RESP-II in April 2013. Bank staff then met and exchanged correspondence with BIC in May 2013 as a follow-up to its case study.</p> <p>In addition to these meetings and correspondence, Bank staff also met with project beneficiaries and local NGOs during a project stakeholder workshop on March 17, 2008, which included participation of international partners (European Union, Food and Agriculture Organization, United Nations Development Programme, Asian Development Bank) as well as the following local NGOs: LOGOS, ARMON, Farmers Association, Rural Business Advisory Service Centers, Media - Ekologitseskiy Vestnik, and Ekoahbarotistikbol.</p>
<p>7.</p>	<p>Each time we have received an unsatisfactory response. The reasons we find the responses unsatisfactory include:</p> <ul style="list-style-type: none"> • Whenever we have raised the issue of state sponsored forced child labor Management responds with information about its education efforts with farmers and compliance requirements for farmers, refusing to acknowledge that it is not farmers who have control over, or are responsible for, the forced labor of children and adults in Uzbekistan. • Management has, on occasion, argued that forced child labor is not a genuine problem in the country and/or that the situation is improving, something which is proven 100% false by the facts on the ground, as acknowledged by the ILO, UNICEF, the EU, the US government, retailers' associations, and even Walmart. • Management has had difficulty determining who wrote the problematic assessment with different responses coming from different staff. 	<p><i>Bank staff have met with concerned NGOs repeatedly and have discussed the issue of concern and how the Bank seeks to address it.</i> In all such meetings since 2010, Bank staff have systematically conveyed Management’s views on child and forced labor, emphasizing that: (a) the Bank does not tolerate forced labor in any form, including child labor; (b) the Bank recognizes the importance and complexity of the forced labor situation in Uzbekistan; and (c) the most effective way to address the issue is a holistic approach through policy dialogue, collaboration with other international organizations, and mitigation measures and binding provisions at the project level.</p> <p>The Bank’s consistent message has been that it recognizes the importance and complexity of the child and forced labor situation in Uzbekistan. The reference to the improving situation was made when in 2012 the Government of Uzbekistan adopted a decree on additional measures to implement ILO conventions 29 and 182. According to reports by international NGOs, fewer children from primary and junior secondary school (grade nine and below) were observed in the fields in 2012.</p> <p>During the discussions with the Bank Information Center (BIC) about its case study in May 2013, there seemed to be</p>

<ul style="list-style-type: none"> • Management argues that the loans are aimed at diversifying agricultural production and reducing reliance on cotton and thus are not directed at the cotton industry. However, management has identified no policies or contractual measures in place to prevent its funds from being used for cotton production. • Management refuses to disclose which farms and agribusinesses are receiving the World Bank loans making it impossible to verify any of the claims made by management regarding these farms. • Additionally, instead of working with civil society to protect the children in project affected communities, Bank management staff has listed “[e]xternal NGOs may continue raising child labor issue with the Bank” as a risk associated with the project. This attitude towards NGOs demonstrates that management does not welcome constructive engagement from civil society with respect to this project. 	<p>some confusion about who carried out the Social Assessment for RESP II. Bank staff noted that the assessment was done by a professional private firm “Expert Fikri” which was contracted by the Government to do the assessment. The Bank clarified to BIC that <i>“the social assessment in any project is indeed the responsibility of the government who in turn contracts it out to a private firm. The Bank’s role is to see that the assessment has adequate scope and quality. We ensure the quality of the assessment by reviewing and providing input on the Terms of Reference, ensuring the process for recruitment of the firm complies with Bank procurement guidelines, reviewing draft outputs, etc.</i> (extract from an email from the Bank to BIC on May 6, 2013).</p> <p>As discussed in Item 3, farmers involved in cotton production can obtain subsidized financing on much more favorable terms compared to the market-based rates offered by the project. There is no reason why cotton producing farmers would turn to the project and reduce their profit through higher lending rates where the differential is a minimum of 8 percentage points.</p> <p>In addition, Government provides 100 percent financing to the cotton sector at low interest rates. There is no incentive for farmers to obtain a loan for cotton under the project at higher rates and sell harvested cotton back to the Government at the fixed state procurement price.</p> <p>PFI and Bank supervision, including during the harvesting season, monitors sub-projects to ensure that no child labor is being used for these sub-project activities.</p> <p>Pursuant to Paragraph 14 of the World Bank Policy on Access to Information <i>“The Bank has an obligation to protect information that it receives in confidence. Thus, the Bank does not provide access to information provided to it by a member country or a third party on the understanding of confidentiality, without the express permission of that member country or third party”</i>. Further, <i>“When a member country or a third party provides financial, business, proprietary, or other non-public information to the Bank with the understanding that it will not be disclosed, the Bank treats the information accordingly. This includes information, data, reports and analysis (including holdings, positions and performance information), deliberations, and any other work product generated as a result of or in response to the confidential information received from a member country or third party.”</i></p> <p>In line with Bank policy, the Bank cannot disclose the information requested, specifically the names of the RESP II credit line beneficiaries, without the respective consent of each of them.</p> <p>Management has engaged constructively with civil society as described above in Item 6 to address child labor issues. The Project Paper for the Additional Financing (p. 19)</p>
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	<p>presents as a stakeholder risk, “External NGOs may continue raising child labor issue with the Bank.” This was language mutually agreed with the Government so that the project could address this issue. However, Management does not believe that this statement constitutes evidence “that management does not welcome constructive engagement from civil society with respect to the project.” To the contrary, if NGOs and others in the international community did not raise concerns over coerced labor it would be far more difficult for the World Bank to address this issue, particularly to introduce binding provisions on this issue at the project level, and work accordingly with the Uzbek Government.</p>
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Annex 2
Summary of Uzbekistan’s International and National Legislation on Forced and Child Labor

International Legislation:

With regard to international legislation addressing the child and forced labor issue, the Republic of Uzbekistan ratified four ILO Conventions to date, namely the Convention on Minimum Age for Admission to Employment, the Convention on the Prohibition and Immediate Action for Elimination of the Worst Forms of Child Labor, the Convention on the Abolition of Forced Labor, and the Convention on Forced Labor. Moreover, the Republic of Uzbekistan ratified the International Covenant on Civil and Political Rights, which bans forced or compulsory labor. Said legislation essentially prohibits any form of child and forced labor, ensures fair employment conditions and aims at creating adequate working environments. In particular, by becoming a signatory to these international conventions, the Republic of Uzbekistan agreed to comply with the following provisions:

- **ILO Convention No. 138 on Minimum Age for Admission to Employment** was ratified on March 6, 2009. Pursuant to Article 1: “*Each Member for which this Convention is in force undertakes to pursue a national policy designed to ensure the effective abolition of child labor and to raise progressively the minimum age for admission to employment or work to a level consistent with the fullest physical and mental development of young persons.*” Article 2 provides that: “*Each Member which ratifies this Convention shall specify [omissis] a minimum age for admission to employment or work within its territory [omissis]*” (Paragraph 1). “*The minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years*” (Paragraph 3).
- **ILO Convention No. 182 on the Prohibition and Immediate Action for Elimination of the Worst Forms of Child Labor** was ratified on June 24, 2008. Article 2 establishes that: “*For the purposes of this Convention, the term ‘child’ shall apply to all persons under the age of 18.*” Article 3 provides that: “*[omissis] the term ‘the worst forms of child labor’ comprises: (a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict;*

(b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; (c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties; (d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.”

- **ILO Convention No. 105 on Abolition of Forced Labor** was ratified on December 15, 1997. Article 1 provides that: *“Each Member of the International Labor Organization which ratifies this Convention undertakes to suppress and not to make use of any form of forced or compulsory labor (a) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system; (b) as a method of mobilizing and using labor for purposes of economic development; (c) as a means of labor discipline;[omissis].”*
- **ILO Convention No. 29 on Forced Labor** was ratified on July 13, 1992. Article 2 provides that: *“For the purposes of this Convention the term forced or compulsory labor shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”*
- **International Covenant on Civil and Political Rights** was ratified on September 28, 1995. Article 3 provides that: *“No one shall be required to perform forced or compulsory labor”* (Paragraph 3a).

Domestic Legislation:

The Republic of Uzbekistan’s domestic legislation includes a number of provisions prohibiting forced and child labor. In particular, the Constitution, the Labor Code, the Criminal Code and some other local laws and decrees contribute to laying out a legal framework in such areas. Some of the most relevant excerpts of domestic legislation on forced and child labor are as follows:

- **Article 27 of the Constitution** (adopted on December 8, 1992, as subsequently amended) states that: *“any forced labor shall be prohibited, except as a form of punishment under the sentence of a court, or in some other instances specified by law.”*
- **Labor Code** (adopted on April 1, 1996, as subsequently amended). Article 7 provides that: *“[f]orced labor performed under the threat of any penalty is prohibited [omissis]”*. Article 77 provides that: *“employment may occur at the age of sixteen. For the purposes of preparing youth for work, students of secondary school, colleges and vocational school can be permitted to perform light work which shall not harm their health, moral development, disrupt their education, and shall be performed during their free time -- when they reach the age of fifteen with a written consent of a parent or persons replacing parents.”* Article 241 establishes that forms of employment in *“poor conditions, underground and other activities which may affect health, safety, moral [values] are prohibited for persons under eighteen years old.”* Furthermore, Article 241 sets forth that *“[f]or workers between the ages of sixteen and eighteen, hours of work are set at thirty-six hours a week, and for those aged between fifteen and sixteen years, no more than twenty-four hours a week are allowed.”* Article 243 sets forth that *“[c]ompensation for employees under the age of eighteen years at a reduced schedule of daily work is [equal] to the same amount paid to employees working full time.”* Finally, Article 245 prohibits

employment of anyone under the age of eighteen for night-time, overtime, and weekend work.

- **Criminal Code** (adopted in 1997, as subsequently amended). It defines the term “*exploitation of people*” as “*exploitation for the purposes of [omissis] forced labor or services, slavery or practices similar to slavery [omissis].*”
- **Law No. 3PY-239 “On the Guarantees of the Rights of the Child”** (adopted on November 23, 2007, as amended in 2009). Article 4 provides that the main objective of the state policy in connection with child protection shall be, *inter alia*, securing child rights and lawful interests, and promoting physical, mental, moral and spiritual development of children. In addition, Article 20 establishes that: “*For the purposes of preparing youth for work, students of secondary school, colleges, vocational school can be permitted to perform light work which shall not harm their health, moral development, disrupt their education, and shall be performed during their free time -- when they reach the age of fifteen with a written consent of a parent or persons replacing parents.*”
- **Collegial Decree of the Cabinet of Ministries on the National Action Plan of Implementation of ILO Conventions No. 138 and 182** (adopted in 2008) and **Collegial Decree of the Cabinet of Ministries on Additional Measures for Implementation in 2012-2013 of ILO Conventions No. 29 and 182** (adopted in 2012), which establish that the Ministry of Labor and Social Protection is ultimately in charge of monitoring and addressing any matter related to forced and child labor.

Annex 3

Indicative List of Bank Meetings with Donor Partners Relating to Forced and Child Labor

Uzbekistan: Agriculture, Education and Forced/Child Labor Policy Level Donor Coordination
Record of Contact by World Bank Country Manager for Uzbekistan during CY 2013

Date	Counterparts	Occasions/Topics
UNICEF/UN Resident Coordinator/UNDP Resident Representative/Other UN Agencies		
September 12, 2013	UNICEF Deputy Res. Rep.	Forced/Child Labor. ILO mission. Education Project (GPE)
September 12, 2013	UN Resident Coordinator Deputy UNDP Res. Rep.	Update on the ILO mission and other forced/child labor related issues. Joint visioning exercise (Vision 2030)
September 3, 2013	UN Resident Coordinator	[With WB Country Director] – Update on water energy issues, including agriculture
July 15, 2013	UNDP Deputy Res. Rep.	Update on joint economic work, Vision 2030, including discussion on agriculture
June 28, 2013	UNESCO Res. Rep.	Cultural Heritage program planning. Update on education and forced/child labor issues
June 26, 2013	UN Resident Coordinator	Update on general country situation. Information exchange on water energy situation, including agriculture and forced/child labor issues
June 25, 2013	UNDP, UNICEF, UNODC, UNFPA, UNAIDS, UNESCO, ADB, WHO	Update on general country situation. Information exchange on water energy situation, including agriculture. Security issues
June 25, 2013	UN Resident Coordinator, UNESCO Res. Rep.	Update on US State Department Human Trafficking Report (at reception)
June 24, 2013	UNICEF and other UN Agencies	UNDAF. Economic wellbeing and living standards issues, including agriculture
May 27, 2013	UNOCHA Regional Director UNDP, UNICEF, UNODC, UNFPA, UNAIDS, UNESCO, WHO	Coordination on human rights and forced/child labor
May 22, 2013	WHO Resident Representative	Coordination on health and human development programs
May 21, 2013	UNDP Poverty Analysis Team	Coordination on poverty programs, including rural programs
May 2, 2013	UN Resident Coordinator, UNESCO Res. Rep. other UN agencies	Update on general situation, including human rights situation (at UN Press Freedom Day)
April 22, 2013	UNDP, UNICEF, UNODC, UNFPA, UNAIDS, UNESCO, WHO	Update on general country situation. Information exchange on water energy situation, including agriculture. Security issues
April 18, 2013	UNDP Regional Director	Update on general country situation. Information exchange on water energy situation, including agriculture and human rights. Security issues
April 13, 2013	UNDP, UNICEF, UNODC,	Update on general country situation. Information

	UNFPA, UNAIDS, UNESCO, WHO	exchange on water energy situation, including agriculture and human rights. Security issues
April 10, 2013	UNDP	Human rights coordination
April 9, 2013	UNICEF Res. Rep.	[with WB SDV Sector Manager, Ms. Huybens] Forced labor/Child labor coordination
March 15, 2013	UN OCHA Regional Manager UNDP, UNICEF, UNODC, UNFPA, UNAIDS, UNESCO, WHO	Human rights coordination
January 31, 2013	UNDP, UNICEF, UNODC, UNFPA, UNAIDS, UNESCO, WHO	Update on general country situation. Information exchange on water energy situation, including agriculture and human rights
January 30, 2013	UN Resident Coordinator	Courtesy Call by newly arrived UNRC. Update on general country situation. Information exchange on water energy situation, including agriculture and human rights. Security issues
January 24, 2013	UNICEF, EU, GIZ, JICA and other donors	Discussion on Global Program for Education at delegation head level
Delegation of the European Union to Uzbekistan		
September 11, 2013	Deputy Chief of Mission	Information exchange on agriculture situation, forced/child labor and ILO mission (at reception)
September 3, 2013	Deputy Chief of Mission	[With WB Country Director] – Update on water energy issues, including agriculture
June 24, 2013	Ambassador	Update on water energy issues, including agriculture and forced/child labor issues
June 14, 2013	Political Advisor	Update on water energy issues, including agriculture and forced/child labor issues
May 10, 2013	Ambassador	Update on water energy issues, including agriculture (at reception)
April 29, 2013	Deputy Chief of Mission	Update on water energy issues, including agriculture and forced/child labor issues
April 8, 2013	Ambassador	Information exchange on country situation, including water-energy issues, agriculture and forced/child labor
April 8, 2013	[Via VC – EU HQs. Patricia Flor/Gunnar Wiegand]	[With WB Country Director via VC] Update on water energy issues
April 1, 2013	Ambassador	Information exchange on country situation, including water energy issues, agriculture and forced/child labor
January 25, 2013	Deputy Chief of Mission	Update on water energy issues, including agriculture
Embassy of the United States, Tashkent		
September 6, 2013	Political Advisor	Information exchange on cotton harvesting situation, child labor and ILO mission
September 3, 2013	Ambassador Political Advisor	[With WB Country Director] – Update on water energy issues, including agriculture

Uzbekistan

July 19, 2013	Ambassador	[With WB Chief of Staff and WB Country Director] – update on water energy issues, including agriculture
July 1, 2013	Political Advisor	Update on water energy issues, including agriculture (at reception)
June 25, 2013	Ambassador	Update on US State Department Human Trafficking Report (at reception)
June 14, 2013	Political Advisor	Update on water energy issues, including agriculture and forced/child labor issues
April 29, 2013	Political Advisor	Update on water energy issues, including agriculture and forced/child labor issues
April 3, 2013	Ambassador Political Advisor Professor Wolf	Water/agriculture issue (at lecture/conference)
April 1, 2013	Political Advisor	Update on water energy issues, including agriculture and forced/child labor issues
January 29, 2013	Political Advisor	Update on water energy issues, including agriculture
January 25, 2013	Political Advisor	Update on water energy issues, including agriculture

Annex 4
Bank Meetings/Correspondence with NGOs/CSOs on
Issues Relating to Forced and Child Labor, 2010-2013

Date	Occasion/Action	Topic/Additional Details
December 16, 2010	An article was published on Fergana.ru website titled “Uzbekistan: Ezgulik has asked the World Bank to correct its errors”. Ezgulik’s “Independent Review of the World Bank’s RESP II” was also made public online.	The article alleged that the letter and the report were sent to the WB’s ECA VP. No record has been found of this report or letter.
December 18, 2010	WB Country Office in Tashkent received an open letter to the then WB ECA VP from Ezgulik	
December 22, 2010	WB Country Manager for Uzbekistan sent a letter to Ezgulik acknowledging the receipt of their letter addressed to the then ECA VP.	This acknowledgement was published on Ezgulik’s website.
February 3, 2011	WB Country Manager for Uzbekistan and EXT Officer in Tashkent met with Ezgulik in the WB Tashkent office.	Issues raised in Ezgulik’s open letter to then ECA VP were discussed and addressed.
March 31, 2011	Country Unit staff met with Ezgulik, Uzbek-German Forum for Human Rights, and OSI in HQ Office in Washington D.C.	Issue discussed included: current situation with child labor in Uzbekistan, monitoring and supervision in Bank-funded RESP II.
October 31, 2011	Country Unit staff met with OSI in HQ office in Washington, D.C. .	
April 24, 2013	Email from BIC with its Case Study on “The Need for Child Impact Assessment” on RESPII and child labor use was received from BIC by email.	
May 2, 2013	Country Unit and Sector staff met with BIC representatives.	During the meeting the Bank provided clarifications about the project nature and explained measures the Bank has been undertaking to make sure child labor is not used in any of the Bank-supported projects.
May 6, 2013	Country Unit staff sent clarification to BIC regarding clarification on Social Assessment preparation for RESP II.	This clarification was requested during the meeting on May 6.
May 7, 2013	BIC contacted ECA Regional Safeguards Advisor by email.	BIC had questions related to application of safeguards in RESPII project.
May 13, 2013	On May 13, Regional Safeguards Advisor responded to BIC by email.	Clarifications were provided on application of OP4.01 to RESP, as well as on how the Social Assessment is done.

Annex 5
RESP II Credit Line Sub-projects, by Region

Project regions	Investments Financed																Total	
	Grain Harvesters and Tractors		Livestock		Poultry		Fishery		Orchards & vineyards		greenhouses & vegetable		Agro-processing, packaging & cold storage		others			
	#	amount	#	amount	#	amount	#	Amount	#	amount	#	amount	#	Amount	#	amount	#	USD amount
Andijan	71	3,794,120	26	2,208,419	6	443,739			11	113,583	1	23,937	8	332,223			123	6,916,019
Bukhara	35	3,496,943	3	227,254	1	300,000							2	149,579			41	4,173,776
Kashkadarya	35	3,176,643	8	629,291	2	336,026	1	161,015			1	25,877	4	631,750			51	4,960,603
Samarkand	39	2,869,284	6	408,140	1	194,081			3	303,679			5	633,100			54	4,408,284
Sirdarya	31	2,687,936	3	170,451			1	118,776			2	176,252					37	3,153,414
Tashkent	43	3,612,980	11	742,461	12	2,890,389			1	142,794			8	1,650,900	1	31,350	76	9,070,874
Fergana	21	2,031,376	6	232,767									6	863,619			33	3,127,762
Total numbers	275		63		22		2		15		4		33		1		415	35,810,732
Total credit amount		21,669,281		4,618,783		4,164,234		279,791		560,056		226,066		4,261,171		31,350		
Percentage		60.51%		12.90%		11.63%		0.78%		1.56%		0.63%		11.90%		0.09%		

Annex 6
Inter-Farm and On-Farm Irrigation and Drainage Systems to be
Rehabilitated under RESP II

List of Inter-farm Rehabilitation Works			
No	Oblast	Rayon	Sub-Project
1	Kashkadarya	Mirishkor	SC-5 – 15 км; SC-5-1 – 2,5 км; BC – 4,7 км.
2	Tashkent	Buka	Canal Savhozniy-2 (length 8,0 км)
3	Bukhara	Alat	Dengizkul– 15 км; T-14 – 12,2 км, T-7 - 7,3 км, T-7-4 - 11 км.
4	Andijan	Ulugnor	74-X – 12,5 км;
5	Andijan	Ulugnor	YAV-9-2a – 6,8 км;
6	Kashkadarya	Mirishkor	UR – 11
7	Samarkand	Pastdargam	Canal R-6 - 14 км.
8	Fergana	Yazyavan	Intake-9
			Sultonkhon – 3,5 км;
			4. Takalik-2 – 4,4 км.
9	Fergana	Yazyavan	X-86-1 – 2,6 км;
10	Fergana	Yazyavan	P-10 - 1,55км
			Machinery canal "Kora tepa" - 1,84 км.
11	Bukhara	Alat	Canal Baht-2,67км
12	Syrdarya	Bayavut	Inter-farm canal: Levaya Vetka
13	Tashkent	Buka	Uris aryk 14,54 км
14	Tashkent	Buka	Gijigen - 1,04км.
15	Samarkand	Pastdargam	KRC PK-257; PK-280; PK-297;
	Samarkand)	Pastdargam	Collector Avzikent (length 20 км);
16	Andijan	Ulugnor	35-X – 4,3 км;
17	Syrdarya	Bayavut	Usmon Yusupov - 2pcs, 3-Bayavut - 3pcs, Dehkonobod - 2pcs, S. Rashidov - 2pcs, 1-Bayavut - 1pc. (10 skv).
18	Samarkand	Pastdargam	2. R-5 canal (about 7,5 км);

RESP II Priority list of On-farm Rehabilitation Works		
No.	System and Their Location	
I	Yazyavan (Fergana)	
1	Qatortol-1 (WUA "Obi Hayot"	8
2	Navoiy-1 ("Navbahor" WUA)	
3	Oktepa concrete canal	
4	Yangiobod-6 canal	
5	On-farm distributing canal MHR-1basin	
6	X-86-2 concrete canal	
7	Ishtarhon-2 canal	
8	Ishtarhon-2 canal	
II	Ulugnor (Andijan)	
1	15-H ("Ulugnor" WUA)	5
2	122H-1-1 ("Mingchinor" WUA)	
3	GR84-3 ("Andijan" WUA)	
4	GR84-3-2 ("Andijan" WUA)	
5	GR84-3-2 ("Andijan" WUA)	
III	Bayaut (Syrdarya)	
1	Pumping station - 1 m ³ /s ("Qo'shquloq bulog'I" WUA)	7
2	Canal MK-1("Qo'shquloq bulog'I" WUA)	

RESP II Priority list of On-farm Rehabilitation Works		
No.	System and Their Location	
3	PR-2	
4	PR-3	
5	PR-3-1	
6	PR-4	
7	K-3	
IV	Pastdargom (Samarkand)	
1	Canal A.Navoiy ("Bakhor-bog'li suvchilari" WUA)	6
2	Canal "S.Rakhimov" ("Bakhor-bog'li suvchilari" WUA)	
3	Canal R-8 ("Qurilish ko'ksaroy suvchilari" WUA)	
4	Canal R-15a ("Qurilish ko'ksaroy suvchilari" WUA)	
5	Canal "Ipak yo'li" ("Pastdarg'omlik Ankhori suvchilari" WUA)	
6	Ilim-1 pumping station ("Honcharbog magistralmusaffo" WUA)	
V	Buka (Tashkent)	
1	Canal "R-3" ("Ko'k orol jasur suvchi" WUA)	4
2	Canal "R-3-1" ("Ko'k orol jasur suvchi" WUA)	
3	Canal "R-7" ("Ko'k orol jasur suvchi" WUA)	
4	Canal "R-8" ("Ko'k orol jasur suvchi" WUA)	
VI	Mirishkor (Kashkadarya)	
1	Collectors-53,5 km ("Elobod zarchashmasi" WUA)	7
2	Canal H-1 ("Pomuq Hayot Bulog'I" WUA)	
3	Canal 27-h ("Chandir" WUA)	
4	Canal 34-h-1 ("Mahtumquli" WUA)	
5	Canal 34-h-3 ("Mahtumquli" WUA)	
6	Canal "35-k-3" ("Holturaev Nabi" WUA)	
7	Canal "35-k-4" ("Holturaev Nabi" WUA)	
VII	Alat (Bukhara)	
1	Canal "Norkhosa" - 4 km ("Norkhosa" WUA)	1
	Total objects	38

Annex 7

List of Background Reports on Social Issues Reviewed during Preparation

Group of Human Rights Defenders and Journalists of Uzbekistan, Forced Child Labor in Uzbekistan's 2007 Cotton Harvest: Survey Results, Tashkent, 2008

Coalition Against Forced Child Labour in Uzbekistan Newsletter, March 17, 2008 (Number 1) - see below

Coalition Against Forced Child Labour in Uzbekistan Newsletter, March 29, 2008 (Number 2) - see below

Summary of the report Child labour in Uzbekistan. Save the children, Center for social research "Tahlil", 2001

[EJF: Cotton in Uzbekistan](#)

Uzbekistan's cotton farmers are made to suffer too. For despite producing a crop worth over US\$1billion, those forced to grow **cotton** receive little of the ...

www.ejfoundation.org/page142.html - 24k - [Cached](#) - [Similar pages](#)

[EJF: Trade in Uzbek Cotton](#)

As a result over 75% of **Uzbek cotton** - around 800000 tonnes - is sold on the world market every year, making **Uzbekistan** the second biggest **cotton** exporter ...

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About 61% of the USSR's total **cotton** production was from **Uzbekistan**, ... But because its land was mostly used for **cotton**, **Uzbekistan** produced few other ...

library.thinkquest.org/03oct/00107/agriculture.htm - 11k - [Cached](#) - [Similar pages](#)

[uzbekistan.neweurasia.net » Cotton Picking in Uzbekistan: Photos ...](#)

In modern **Uzbekistan cotton** picking is one of the main sources for filling the monetary reserves of the state, therefore strict state regulation. ...

uzbekistan.neweurasia.net/?p=162 - 49k - [Cached](#) - [Similar pages](#)

[Uzbekistan - Emerging Textiles - Textile Information](#)

5 May 2003 - Already a leading **cotton** grower, **Uzbekistan** rapidly became a major

... 2 July 2001 - **Uzbekistan's cotton** crop will be lower than earlier ...

www.emergingtextiles.com/?q=idx&s=uzbekistan - 18k - [Cached](#) - [Similar pages](#)

[Cotton Harvest, Uzbekistan - Picture - MSN Encarta](#)

Uzbekistan is a major center for **cotton** production. Here, a huge mound of freshly picked, unprocessed **cotton** has been delivered to a processing plant, ...

encarta.msn.com/media_461514135_761551989_-1_1/cotton_harvest_uzbekistan.html - 25k - [Cached](#) - [Similar pages](#)

[1st International Uzbek Cotton Fair 2005](#)

The first international **Uzbek cotton** fair will be held in Tashkent, **Uzbekistan** on 10-11 October, 2005 and is organized by the Government of **Uzbekistan** in ...
www.icac.org/meetings/uzbek_fair_2005/english.html - 34k - [Cached](#) - [Similar pages](#)

UZBEKISTAN: Call to Boycott Slave Children Cotton

A group of civil society activists has called for immediate boycott of **Uzbek cotton** produced by forced child labour.
ipsnews.net/news.asp?idnews=40679 - 64k - [Cached](#) - [Similar pages](#)

Global Voices Online » Uzbekistan: Tracing Uzbek cotton

Libertad writes about Tesco's initiative to boycott **Uzbek cotton** on the international market, because of the use of organized and forced child labor in ...
www.globalvoicesonline.org/2008/02/18/uzbekistan-tracing-uzbek-cotton/ - 88k - [Cached](#) - [Similar pages](#)

CAS: Actuarial principles of the cotton insurance in Uzbekistan

Actuarial principles of the **cotton** insurance in **Uzbekistan**. Shamsuddinov, Bakhodir. Non-Refereed Paper/Article ASTIN Colloquium International Actuarial ...
www.casact.org/dare/index.cfm?fuseaction=view&abstrID=5878 - 11k - [Cached](#) - [Similar pages](#)

**Annex 8.
Training Materials on Child Labor**

Slide 1



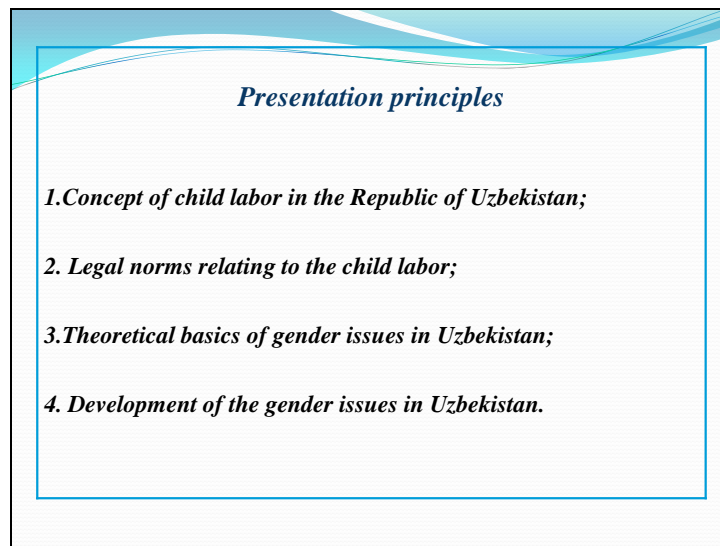
 Rural Enterprise Support Project, Phase II
In partnership with International Development Association 

**Ministry of Agriculture and Water Resources of the
Republic of Uzbekistan**
Rural Restructuring Agency

Child labor and gender issues

Tel: (+99871) 237-16-57
e-mail: resp@ks.uz

Slide 2



Presentation principles

- 1. Concept of child labor in the Republic of Uzbekistan;*
- 2. Legal norms relating to the child labor;*
- 3. Theoretical basics of gender issues in Uzbekistan;*
- 4. Development of the gender issues in Uzbekistan.*

Slide 3

International Labor Organization (ILO)

The Republic of Uzbekistan joined International Labor Organization in 1992. The Government of Uzbekistan ratified following conventions relating to the subject of discussion:

- Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value adopted in 1951 (2008);
- Convention No.2106 on the Elimination of All Forms of Racial Discrimination adopted in 1969 (1995);
- Convention No.138 on the Minimum Age for Admission to Employment or Work adopted in 1973 (2008);
- Convention No.182 on the Worst Forms of Child Labor adopted in 1999 (2008).

Slide 4

Concept of child labor in the Republic of Uzbekistan

With a view of implementing consistently the ratified conventions, further improvement in this regard the legislation and performing gradually the measures aimed at abolition of forced child labor, the Cabinet of Ministers of the Republic of Uzbekistan has adopted a Resolution “On further measures for implementation of Convention concerning the Abolition of Forced Labor” and Convention on the Worst Forms of Child Labor ratified in 2008 by the Republic of Uzbekistan”.

Slide 5

Norms regulating the child labor

The minimum age for admission to employment and work:

- Egypt — 12
- Philippines — 14
- Hong Kong — 15
- Peru:
 - agricultural sector — 14;
 - production sector — 15,
 - high sea fishery — 16,
 - sea and port navigation — 18

According to UN Convention:

- Light work — 12 – 13
- Hazardous work — 18
- Age for finishing compulsory schooling — 15

Slide 6

In Uzbekistan:

In our country a special procedure for employment of persons under the age of 18 years has been established.

This process shall be subject to Resolution **“On approval of the list of jobs with arduous working conditions where using the labor of persons under the age of 18 years is prohibited”** registered on June 29, 2009 officially by the Ministry of Justice of the Republic of Uzbekistan under No.1990.

Slide 7

Legal norms relating to the child labor


- ✓ In accordance with Resolution of Cabinet of Ministers of the Republic of Uzbekistan No.207 dated September 12, 2008 with a view to ensure execution of Conventions adopted by the Republic of Uzbekistan a National Action Plan has been approved.
- ✓ A Law of the Republic of Uzbekistan “On introduction of amendments and additions to the Code of Responsibility for Administrative Offences of the Republic of Uzbekistan in view of improving the legislation on protection of rights of under-ages” has been adopted in 2009.
- ✓ By Resolution No. 88/1 of Ministry of Labor and Social Protection and Ministry of Health of the Republic of Uzbekistan dated January 15, 2010 the Regulations on Requirements for non-admission of using the labor of under-ages were adopted.

Slide 8

*In accordance with **49-1-Article** of the Code of Responsibility for Administrative Offences of the Republic of Uzbekistan to the persons who violated requirements on non-admission of using the under-ages labor and/or used the under-ages labor in works where the harm could be inflicted to their health, safety or morality a fine in the amount of **one-fold to three-fold minimum monthly salary** shall be imposed. If this employment of the forced labor has been performed along with infringement of law, this is considered as aggravating circumstance and judgment shall be **more heavy**.*

Slide 9

Persons under the age of 18 years



Must not be involved for manual cotton-picking.

Extract from the “List of jobs with arduous working conditions where using the labor of persons under the age of 18 years is prohibited” adopted on June 26, 2009 by the Ministry of Labor and Social Protection and Ministry of Health of the Republic of Uzbekistan.


Slide 10

Theoretical basics of gender issues in Uzbekistan

Concept of United Nations organization

- Equal opportunities for society and everyone
- Stability of such opportunities across the generations
- Role of people in the social life and struggle for interests and progress in decision making


Slide 11



The “gender” word means actually (*in English “gender” means a social sex(type) of individual) the state of being male or female (man or woman)*) (typically used with reference to social and cultural differences rather than biological ones).

“Gender direction” – in terms of measures taken in the process of estimation, means *the influence* of women and men, including to all the areas and lines of the legal programs.

Slide 12



The indices providing a gender equity

- To use equally the private assets and resources;
- To have an opportunity for using the social resources;
- To have an opportunity for disposing of own labor and income;
- Freedom of movement and travel;
- Transparency of politics and entering into it;
- To have an opportunity for using and control intangible resources;
- Entering into legal statuses and legal structures.

Slide 13

**Harkback to the past:
Development of Women's movement**

France – 1791. *Olympe de Gouges developed a Declaration of Women and Citizens: <If the women has a right to mount the scaffold, she also has a right to mount the rostrum>.*

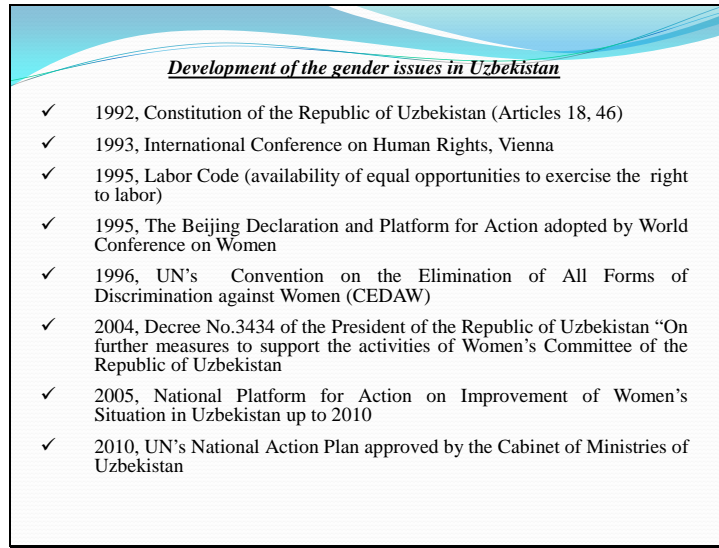
England – 1792. Mary Wollstonecraft – Protection of Women's rights : <*Яha How much time is needed to our future generations in order that the free generations of the slave women to show otherwise their talents and free blessed work!>*

As a result → the Women's movement demanded freedom in three lines: **economic independence, equal legal rights, equal right to education.**

Slide 14



Slide 15



Development of the gender issues in Uzbekistan

- ✓ 1992, Constitution of the Republic of Uzbekistan (Articles 18, 46)
- ✓ 1993, International Conference on Human Rights, Vienna
- ✓ 1995, Labor Code (availability of equal opportunities to exercise the right to labor)
- ✓ 1995, The Beijing Declaration and Platform for Action adopted by World Conference on Women
- ✓ 1996, UN's Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
- ✓ 2004, Decree No.3434 of the President of the Republic of Uzbekistan "On further measures to support the activities of Women's Committee of the Republic of Uzbekistan"
- ✓ 2005, National Platform for Action on Improvement of Women's Situation in Uzbekistan up to 2010
- ✓ 2010, UN's National Action Plan approved by the Cabinet of Ministries of Uzbekistan

Slide 16



Thank you for your attention!

Annex 9: ILO Information Note, Monitoring of Cotton Harvest in Uzbekistan, November 4, 2013

INFORMATION NOTE

Monitoring of Cotton Harvest in Uzbekistan

4 November 2013

The Uzbekistan Coordination Council on Child Labor met on 4 November in Tashkent, Uzbekistan with a participation of a high level ILO delegation to examine the results of the monitoring of the cotton harvest, which was concluded on 31 October 2013. The monitoring of child labor was carried out between 11 September and 31 October by 10 international experts working together with 40 monitors appointed from the Ministry of Labor, Federation of Trade Unions, the Chamber of Commerce and Industry of Uzbekistan (CCIU) and the Farmers' Association of Uzbekistan.

The monitoring was based on ILO principles and practice and it also involved training workshops and seminars throughout the country. An approach of capacity building, open communication, problem solving and mutual respect resulted in good preparation and collaboration throughout the monitoring period.

Monitoring was carried out in farms, education institutions and buildings in the vicinity of farms. During 806 site visits, 1592 documented interviews were conducted. The monitoring teams had unfettered access to cotton farms, educational institutions and all areas visited. The detailed results of the monitoring activity will be transmitted to the Committee of Experts of the ILO on the Application of Conventions and Recommendations (CEACR) for their consideration at the November – December 2013 session of the Committee.

In general terms, the monitoring observed wide spread awareness of national law and instructions not to allow the use of children under 18 years of age in the cotton harvest. Moreover, it would appear from the monitoring that there was no systematic recourse to forced child labor. While the law and practice are increasingly being applied, gaps remain in practice and child labor still has taken place during the cotton harvest to a limited extent. Where child labor was found, follow up action was taken to ensure that children were assisted and reintegrated into educational institutions. In some cases, those responsible were warned, reprimanded or fined.

Regarding the overall management of the recruitment and use of labor in the cotton harvest, technical support from the ILO can be utilized for comprehensive policy action. This concerns such questions as the campaign and recruitment of the labor force for the harvest season, the impact of mechanization on the labor market, the realization of fundamental rights of the workers, including the respect for the effective implementation of Convention 105.

The Government and social partners of Uzbekistan, in cooperation with the ILO, will continue to work to develop a country program which includes awareness raising and training on international labour standards, tripartite mechanisms to promote social dialogue, occupational safety and health, youth employment and supporting the transition from education to work.

Addendum to Management Response

Management is providing at the specific request of the Inspection Panel the below additional clarifications on (i) activities by RESP II and the Bank’s program to promote diversification; (ii) trends in production of non-cotton crops in the RESP II project regions; and (iii) additional measures adopted in RESP II to address child and forced labor.

A. RESP II, and the Bank’s program more generally, have aimed to promote diversification.

Since 1998, the Bank’s six successive country assistance strategies have been advocating for the agriculture sector to diversify away from cotton production and to move away from the state procurement system for cotton and wheat. The current Country Partnership Strategy, FY12-15, identified agricultural diversification as one of the country’s main development challenges, stating that agricultural production should be diversified towards higher value-added activities and away from cotton production in order to help private farmers move up the value chain (page 9, para. 22). The previous Country Assistance Strategy, FY08-11 (page 32, para. 84) highlighted the importance of moving away from the state procurement systems for cotton and wheat in order to reverse stagnating production and improve rural livelihoods. And the Country Assistance Strategy, FY02-04, which was extended to cover the period through FY07 and prevailed during preparation of RESP II, identified the state procurement system as the key constraint to overall sectoral growth (page 6, para. 13) as well as to improved irrigation efficiency, one of the four CAS objectives. This CAS identified the private dehkan farmers, producing fruits and vegetables, as the only source of dynamism in the sector, using this evidence to advocate for reforms away from state-controlled cotton production.

The RESP II aims to increase the productivity and financial and environmental sustainability of agriculture and profitability of agribusiness in the project area. Improving access to the project’s credit line is expected to assist beneficiaries to diversify their businesses, manage their risks more efficiently and enter into new, more profitable activities. The RESP II PAD’s component description (page 5, para 23) explicitly states that “the project will finance inter alia investments in agricultural machinery and food processing equipment, storage, packaging, provision of agricultural services, tree-crops, livestock, bee-keeping, fish farming, retail shops selling agricultural inputs and products, and other long-term investments.” As Table 1 shows, the credit line has financed investments that would support diversification.

Table 1
RESP II Credit Line Sub-projects, by Region

Project regions	Investments Financed																Total	
	Grain Harvesters and Tractors		Livestock		Poultry		Fishery		Orchards & vineyards		greenhouses & vegetable		Agro-processing, packaging & cold storage		others			
	#	amount	#	amount	#	amount	#	Amount	#	amount	#	amount	#	Amount	#	amount	#	USD amount
Andijan	71	3,794,120	26	2,208,419	6	443,739			11	113,583	1	23,937	8	332,223			123	6,916,019
Bukhara	35	3,496,943	3	227,254	1	300,000							2	149,579			41	4,173,776
Kashkadarya	35	3,176,643	8	629,291	2	336,026	1	161,015			1	25,877	4	631,750			51	4,960,603
Samarkand	39	2,869,284	6	408,140	1	194,081			3	303,679			5	633,100			54	4,408,284
Sirdarya	31	2,687,936	3	170,451			1	118,776			2	176,252					37	3,153,414
Tashkent	43	3,612,980	11	742,461	12	2,890,389			1	142,794			8	1,650,900	1	31,350	76	9,070,874
Fergana	21	2,031,376	6	232,767									6	863,619			33	3,127,762
Total numbers	275		63		22		2		15		4		33		1		415	35,810,732
Total credit amount	21,669,281		4,618,783		4,164,234		279,791		560,056		226,066		4,261,171		31,350			
Percentage	60.51%		12.90%		11.63%		0.78%		1.56%		0.63%		11.90%		0.09%			

RESP II is supporting diversification of the agriculture sector through private sector development in rural areas. Examples of the activities financed by the project include:

- (i) Orchards and Vineyards: 16 private farmers borrowed project funds for procurement of new varieties of orchard trees (apple, peaches and cherry) and grapes. These new varieties of trees were planted on the total area of 278 hectares. The traditional varieties of orchard trees have very low yields, at around 5 tons per hectare, while the new varieties yield 60-70 tons per hectare.
- (ii) Cold storages: 10 private farmers and 6 agro-service private companies borrowed project funds to invest in cold storage. The total cold storage capacity, financed by the project, for storing fruits and vegetables is 5,550 tons.
- (iii) Livestock and Ruminants: 63 private farmers borrowed project funds to procure cows, bulls and sheep for breeding and meat and milk production. In total 4,306 heads of animals were procured.
- (iv) Poultry development: 27 poultry investments were financed to develop egg and poultry meat production in the project areas. A total of 601,788 heads of poultry were procured and daily egg production is around 481,430.
- (v) Aquaculture development: 2 projects were financed to develop aquaculture in the project area. In total 13,680 tons of fry were procured under the project.

A survey of 70 sub-loan beneficiaries or 17% of total 415 sub-loan beneficiaries (10 from each project region) showed that, as a result of the project sub-loan, the following impact has been achieved: (a) creation of 279 jobs; (b) average increase in enterprise sales of 86%; (c) average increase in enterprise profits by 306%; (d) average increase in household incomes by 151%; (e) average increase in the processing volume of 20%; and (f) average increase in the number of heads of animals by 230%.

B. Production of non-cotton crops is increasing in the RESP II project regions.

The project covers seven regions of the country (Andijan, Bukhara, Kashkadarya, Samrkand, Syrdarya, Tashkent and Fergana). In these regions, between 2008 and 2012, fruit and vegetable area increased by about 21 percent (Table 2), while grain area increased by about 5 percent (Table 3). During the same period, cotton area decreased by about 11 percent (Table 4). The source of data is the Ministry of Agriculture and Water Resources and Rural Restructuring Agency.

Table 2: Fruit and Vegetable Area in RESP II Regions, 2008-12, hectares

№	Regions	Fruits and Vegetables. Hectares				
		2008	2009	2010	2011	2012
1	Andijan	27,200	27,500	28,700	29,100	29,499
2	Bukhara	10,300	10,700	11,100	11,500	11,681
3	Kashkadarya	11,300	13,400	14,400	15,000	15,604
4	Samarkand	27,800	27,200	29,300	30,500	30,098
5	Syrdarya	4,900	5,100	5,100	5,200	5,639
6	Tashkent	23,500	25,300	28,700	31,400	33,601
7	Fergana	38,500	43,500	44,200	45,700	46,797
Total		143,500	152,700	161,500	168,400	172,919

Table 3: Grain Area in RESP II Regions, 2008-12, hectares

№	Regions	Grain, hectares				
		2008	2009	2010	2011	2012
1	Andijan	74,000	81,700	80,200	80,300	80,200
2	Bukhara	61,000	65,600	65,705	65,600	65,600
3	Kashkadarya	205,000	220,194	208,000	140,462	208,000
4	Samarkand	152,000	156,400	156,000	107,000	159,100
5	Syrdarya	85,000	89,533	89,927	89,000	89,000
6	Tashkent	129,500	136,022	133,500	133,500	136,100
7	Fergana	105,500	111,700	111,200	111,200	111,700
Total		812,000	861,149	844,532	727,062	849,700

Table 3: Cotton Area in RESP II Regions, 2008-12, hectares

№	Regions	Cotton, hectares				
		2008	2009	2010	2011	2012
1	Andijan	109,900	102,700	100,400	99,600	93,400
2	Bukhara	126,369	110,100	110,400	109,600	109,600
3	Kashkadarya	175,800	171,300	168,200	160,400	160,400
4	Samarkand	103,400	99,200	99,400	99,200	91,500
5	Syrdarya	115,400	108,300	106,900	110,700	110,700
6	Tashkent	108,000	106,100	105,400	100,200	91,500
7	Fergana	115,300	106,000	103,700	103,600	100,100
Total		854,169	803,700	794,400	783,300	757,200

C. Additional measures in RESP II against forced labor.

As stated in our Management Response, the following measures are being undertaken to address forced adult labor in RESP II.

1. All existing provisions addressing child labor will be expanded to include forced labor.

The credit line project documents will include a clause requiring compliance with the applicable international and national laws and regulations on forced labor in addition to child labor, including in the Rural Enterprise Investment Regulations, Participating Financial Institutions (PFI) sub-loan agreements and Subsidiary Loan Agreements between Ministry of Finance, RRA and PFIs. The PFIs have agreed to these changes as documented in signed minutes. These amendments will come into force when the RESP II Credit Line Additional Financing becomes effective (Note: the original credit line is fully disbursed).

(i) Rural Enterprise Investment Regulations:

- (a) Paragraph 33 point (iv) will be amended as follows: "compliance with the relevant health and safety standards, and other laws and regulations (**including any applicable national and international law and regulation on forced and child labor**) in effect in the Republic of Uzbekistan;"
- (b) Paragraph 43 point (i) letter (a) will be amended as follows: "carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economical, financial, environmental and commercial practices, and the national labor legislation **as well as any applicable national and international law and regulation on forced and child labor**, to maintain adequate records and to provide, promptly as needed, the funds, facilities and other resources required for the purpose"
- (c) Paragraph 59 will be amended as follows: "Use of Child **and/or Forced** Labor. The PFIs and the RRA shall monitor use of child **and/or forced** labor during the monitoring visits to the sub-borrowers. Upon the first-time detection of the use of child **and/or forced** labor, a warning shall be issued to the sub-borrower. Subsequent use of child **and/or forced** labor shall disqualify the sub-borrower from further borrowing from the Credit Line.

(ii) PFI sub-loan agreements for the future credit line to beneficiaries of the RESP II Additional Financing will be amended in order to include a clause requiring compliance with any applicable national and international law and regulation on forced and child labor.

(iii) Subsidiary Loan Agreement between the Ministry of Finance, RRA and the PFIs:

- (a) Section 4.04: "Applications signed by PFI's authorized representative shall be accompanied with the corresponding set of documents and forms, confirming the eligibility of beneficiaries and targeted use of the Sub-Loan for investment and working capital, and/or leasing finance, fulfillment of the conditions in Financing Agreement (**including compliance with any applicable national and international law and regulation on forced and child labor**), compliance with Attachments Nos. 1-5 to the Regulations, and the fulfillment of the Association's procedures in accordance herewith."

- (b) Section 6.02: "When extending Sub-Loans for investment and working capital, and/or leasing financing to beneficiaries in accordance with provisions of Financing Agreement and the Regulation from its own funds, the PFI **shall**:
 - (A) Strictly comply with conditions in Financing Agreement and the Regulations;
 - (B) Submit information, reasonably requested by the Republic of Uzbekistan, RRA or the Association, regarding the implementation of Rural Enterprise Financing component as per the terms herein;
 - (C) Ensure that beneficiaries comply with any applicable national and international law and regulation on forced and child labor."

2. All credit line beneficiaries under the Credit Line component will be trained on national and international forced labor laws in addition to the training on child labor laws.

3. The training for Water Consumer Associations under the Irrigation and Drainage component are being expanded to include awareness raising on forced labor issues in addition to child labor issues.

4. Training for farmers and agribusiness owners under the Rural Training and Advisory Services component are being expanded to include prevention of forced labor in addition to child labor.

5. Third-party monitoring and grievance redress mechanisms under RESP II are being expanded to cover other projects in the Uzbekistan portfolio.

The discussion with the Government on Third-party monitoring (TPM) of social issues in general, with a particular focus on child and forced labor issues, for RESP II is well advanced.

Moreover, recognizing the seriousness of child and forced labor issues in the country, the additional implementation of the TPM in other projects in the portfolio and its integration in future Bank operations, following a risk-based approach, is now part of the plan and discussion with the Government are well advanced to move with the implementation. This additional coverage will be funded from the proceeds of one project under implementation. Grievance redress mechanisms will also be implemented and/or strengthened for relevant on-going projects and for future projects in Uzbekistan.

The Bank is currently in discussion with the government on the operational modalities for the TPM and GRM, which will be implemented by a recognized international consulting firm under terms of reference approved by the Bank. Agreement on the operational modalities is expected to be completed by the end of the year.

Draft terms of reference have been shared with the Government. The main elements of the TPM and GRM include awareness building of project beneficiaries about the TPM and GRM relating to social issues, with a particular focus on child and forced labor issues, periodic site visits and in-depth interviews with local stakeholders, and detailed reporting of the findings of the site visits.