

**Eimi Watanabe**  
**Chairperson**

**IPN REQUEST RQ 13/07**

**September 23, 2013**

## **NOTICE OF REGISTRATION**

### **Request for Inspection**

**Republic of Uzbekistan: Second Rural Enterprise Support Project (P109126) and  
Additional Financing for Second Rural Enterprise Support Project (P126962)**

#### **Receipt of Request**

On September 5, 2013, the Inspection Panel received a Request for Inspection (the “Request”) related to the Republic of Uzbekistan: Second Rural Enterprise Support Project and the Additional Financing for Second Rural Enterprise Support Project (hereinafter both referred to as “the Project”).

#### **The Requesters**

The Request was submitted by Ms. Inoyatova Vasila Akhmedjanovna, Chair of the Human Rights Society of Uzbekistan “Ezgulik”, Ms. Nadezhda Ataeva, President of the Association of Human Rights in Central Asia, and Ms. Umida Niyazova, Head of the Uzbek-German Forum for Human Rights, on their behalf and on behalf of the signatories to the Request who requested the Inspection Panel to keep their identities confidential (hereinafter “the Requesters”).

The Requesters state that they are “*farmers, children, university students, public-sector workers, private-sector workers and parents*” from Andijon Region, Bukhara Region, Fergana Region, Kashkadarya Region, Samarkand Region, Syrdarya Region, and Tashkent Region of Uzbekistan who have been adversely affected by the activities in the cotton sector, which they claim is supported by the Project. The Requesters allege that they have been forced to provide

labor during the cotton harvesting season, and that this has negatively impacted their health, safety and economic well-being as well as the education of their children.

### **The Project**

The Second Rural Enterprise Support Project was approved by the Board on June 12, 2008. On September 11, 2012 the Board approved the Additional Financing for the Second Rural Enterprise Support Project.

According to the Project Appraisal Document (PAD), the Project development objective is to “*increase the productivity and financial and environmental sustainability of agriculture and the profitability of agribusiness in the project area.*”<sup>1</sup> The PAD adds that the Project builds on the positive results of the first Rural Enterprise Support Project, including higher returns from cotton and wheat production, and will scale it up to a larger area through the provision of financial and capacity building support to farmers and agribusinesses in the Project area.<sup>2</sup> The Project includes four components: rural finance; irrigation and drainage; rural training and advisory services.

The Request for Inspection relates mainly to the ‘rural finance’ component of the Project, which aims “*to (i) enhance access to commercial financial services by the newly independent farmers and small/medium size rural enterprises, and (ii) reduce the risks associated with lending to the agriculture sector by providing assistance to the potential recipients on business planning and improving the sector-specific lending skills of the staff of the commercial lenders through training.*” The Additional Financing includes the scaling up of the credit line for the ‘rural finance’ component by an additional US\$40 million to be disbursed through participating financial intermediaries (PFIs). The Project Paper for the Additional Financing describes the component as follows: “*(i) provision through selected PFIs of investment and working capital sub-loans and lease financings to beneficiaries and (ii) provision of technical assistance for participating financial institutions, leasing companies and beneficiaries, including capacity building for PFIs and leasing companies and preparation of business plans for the beneficiaries.*”

The Financing Agreement for the Second Rural Enterprise Support Project requires the Government to ensure that the financial intermediaries base each sub-financing agreement on terms and conditions set in the “*Rural Enterprise Investment Guidelines.*” According to the Financing Agreement, the “*Rural Enterprise Investment Guidelines*” should include a provision requiring that the farmer or farmers’ association carries out its sub-project “*pursuant to the national legislation on child labor.*”<sup>3</sup>

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<sup>1</sup> The PAD defines the Project area as: Andijan (Ulugnor district), Bukhara (Alat district), Kashkadarya (Mirishkor district), Samarkand (Pastdargom district), Syrdarya (Bayavut), Tashkent (Buka district), and Fergana (Yazyavan district).

<sup>2</sup> The PAD states that the rationale for Bank involvement was based on the positive results observed by the United Nations Food and Agriculture Organization (FAO), which stated “*that, in 2007, returns from cotton and wheat production are higher for all RESP [the first Rural Enterprise Support Project] beneficiaries*”, p. 3 para. 11.

<sup>3</sup> Financing Agreement, Credit Number 4433-UZ, Second Rural Enterprise Support Project, between the Republic of Uzbekistan and International Development Association, Dated October 8, 2008. Schedule 2, Project Execution, Section I - Implementation Arrangements, Part D - Sub-financing, paras 2(f)(ii)(A).

At the time of the receipt of the Request, the Credit from the International Development Association (IDA) for the Second Rural Enterprise Support Project (44330-UZ) was 67.75% disbursed and the Additional Financing Credit (51520-UZ) was 0% disbursed. The Project is expected to close on December 31, 2016.

The Project's environmental category is "B". The Operational Policies triggered are Environmental Assessment (OP/BP 4.01), Projects on International Waterways (OP/BP 7.50), and Financial Intermediary Lending (OP/BP 8.30).

### **Concerns raised in the Request**

The Requesters describe at great length the cotton harvesting system, which they claim involves child labor and forced labor practices. They state that the Project, by not adequately identifying the risks associated with these issues in its Social Assessment and other documents, is contributing to the perpetuation of child labor and forced labor. The Requesters elaborate that Management has not identified "*policies or contractual measures to prevent its funds from being used for cotton production,*" and that this contributes to child labor and forced labor. In turn, they contend that this harms the broader community they represent. The Requesters state that they have asked for the list of farms and agribusinesses receiving Bank funds, but Management has refused to disclose it. They also state that the "*the Bank clearly failed to exercise its supervisory role in connection with this project.*"

The Requesters attach different supporting documents, one of which states that the "*orchestrated forced child labor in Uzbekistan has been widely condemned by the International Labour Organization (ILO), United Nations (UN) bodies, The European Union (EU), the United States (US), private companies, and a myriad of non-governmental organizations (NGOs).*" The document adds that "*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.*" It adds that Uzbekistan has national legislation prohibiting employment of children under the age of 16 and that it has ratified a number of ILO and UN Conventions,<sup>4</sup> which are "*completely ignored*" when it is time for the annual cotton harvest. It further adds that in 2012 the ILO Committee of Experts on the Application of Conventions and Recommendations noted, with respect to Convention 182, that the policy of forcing children to participate in the cotton harvest represents a serious threat to children's well-being.<sup>5</sup>

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<sup>4</sup> Uzbekistan has ratified ILO Convention 138 (on Minimum Age), ILO Convention 182 (on the Worst Forms of Child Labour), ILO Convention 29 (on Forced Labour), ILO Convention 105 (on the Abolition of Forced Labour), and United Nations Convention on the Rights of the Child.

<sup>5</sup> According to the document, the ILO Committee of Experts stated that UNICEF completed observation visits in 12 regions, finding that: "*(i) children aged 11–17 years old had been observed working full time in the cotton fields across the country; (ii) the mobilization of children had been organized by way of instructions passed through Khokimyats (local administration), whereby farmers are given quotas to meet and children are mobilized by means of the education system in order to help meet these quotas; (iii) in some instances, farmers had also made a private arrangement with schools to pick their cotton often in return for material resources or financial incentives for the school; (iv) children were predominantly supervised in the fields by teachers; (...) (ix) pesticides were used on the*

### *Requesters' Description of the Context*

The Requesters claim that despite the Bank's reference to "*independent farmers*" in Project documents, all farms in Uzbekistan are expected to produce cotton and hence, they benefit from forced labor during the harvesting season. The Requesters state that farmers sign agricultural leases with the Government and each spring they have to deliver cotton quotas set by the national and local authorities. They claim that there are numerous reports of farmers being "*beaten and tortured*" for growing crops other than cotton on land the Government assigns for cotton, or for failing to meet cotton growing quotas. They add that during the 2012 harvest, approximately 50% of each farm plot was dedicated to cotton. That same year, farmers around the country were required to fulfil an average quota of 3,000 kilograms.

The Requesters consider that forced labor and child labor is a result of the Government's control of the cotton industry. According to the Requesters, it is the authorities, not the farmers, who force children and adults to work in the cotton fields. They add that despite national laws prohibiting forced labor and child labor and commitments in international conventions concerning forced labor and child labor, the Government continues to forcibly mobilize children and adults to work in the cotton fields. The Requesters also add that the forced mobilization of children is organized and enforced at the level of the local administration.

The Requesters state that a workday 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.*" Children and university students can be paid only 20 cents USD per day (after the cost of food and transportation is deducted) for picking 60 kilograms. The individual quotas in 2012 during the peak harvest ranged from 80 kilograms per day to 30 kilograms per day (the minimum required to cover the cost of food and transportation for the pickers). The Requesters further allege that conditions for the men, women and children working in the cotton harvest are unsafe, unsanitary and unhygienic.

According to the Requesters, "*failure to meet the quota is not an option.*" Each province and region has an established infrastructure to enforce participation. The Requesters claim that just like with the farmers, citizens who refuse to participate in the cotton harvest face punishment (including the loss of employment; disciplinary action at school or work; loss of state welfare benefits; payments of fines; and verbal and physical abuses). The Requesters describe several examples of such enforcement conducted by the regional- and local-level authorities during the 2012 cotton harvest.<sup>6</sup> The Requesters relay reports indicating that school children from grades 4

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*cotton crop that children spent hours hand picking; (x) some children reported that they had not been allowed to seek medical attention even though they were sick; and (xi) that the only noticeable progress towards the eventual elimination of the use of children in cotton picking was observed in the Fergana region."*

<sup>6</sup> According to the Request, these included: i) parents and students (aged 15-18) forced to sign papers showing their 'voluntary' participation in the cotton harvest so that their children graduate; ii) police and national security service and prosecutor's office visiting a school and college directors to ensure their support for mobilizing teachers and students (aged 15-18) to pick cotton; iii) students with illnesses being denied medical exemptions; iv) nurses from several regions reported that they were threatened with the loss of their jobs for refusing to participate; v) staff of several medical clinics reported salary deductions for not meeting their daily quotas; vi) students of the Tashkent National University of Economics threatened with expulsion; vii) students were threatened with expulsion and

to 9 were sent to harvest cotton. They further report that directors of schools, hospitals and other government entities also face potential punishment, including dismissal from their post, if they fail to comply with the cotton harvesting requirements.

### ***Impact on the Provision of Public Services (Education and Health)***

The Requesters state that the perpetuation of forced labor is straining public service provision (including essential medical care and education). They claim that systemic forced labor hinders the quality and delivery of such services, which in turn has detrimental impacts for the wider population. They add that the impacts on the “*youth and next generation cannot be overstated.*” They claim that each year community members suffer from deaths, physical hardship, “*deprivation of education for children, and strained health care services.*” The Requesters provide examples of incidents leading to deaths, which they attribute to the enforced system of cotton harvesting. The Requesters state that in 2012, in Tashkent, approximately 11,000 nurses and doctors from hospitals and clinics and an estimated 60% of school teachers were sent to the fields during the cotton harvest.

They add that even if younger school children were not mobilized for the harvest, the mobilization of teachers, parents and older school children negatively affects the quality of education of younger children. It is reported that some primary school students received partial lessons for two and a half months due to few teachers remaining at school. Those teachers had to manage combined classes of 50 to 60 children without additional resources. The Requesters add that “*both high school and university students had no access to education during the harvest.*” The Requesters state that the quality of education also suffered from the falsification of class records and grades, awarding or punishing students according to their cotton harvesting efforts.

### ***Project Risk Assessment and Mitigation Measures***

The Requesters consider that there is a lack of serious consideration or analysis undertaken by the Bank by describing, in Project documents, the labor situation as one in which child labor is “*only sometimes used.*” They add that because of this glaring omission, the Social Assessment misrepresents the real risks and 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. The necessary steps, according to the Requesters, would go beyond the training of farmers, since the farmers have no say in the issue of forced labor (child or adult).

The Requesters claim that although the Project is designed to support “*newly independent farmers.*” by providing funds to the cotton sector, the Project contributes to the perpetuation of forced labor (both children and adults) in cotton farms. They add that this is in violation of their rights under national law and international conventions prohibiting forced labor. They suggest that the cotton and irrigation systems serve as patronage systems, ensuring loyalty of regional and district authorities to the national administration. The Requesters state that, in this climate,

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beaten by school staff, as coercion to meet their quotas; and, viii) a young mother reported that she had to pick cotton or lose child-care benefits.

any investment in the agricultural sector sustains the actual system itself and conceivably the forced labor and child labor practices underpinning it.

### **Prior Contact and Attempts to Resolve Concerns with World Bank**

The Requesters state they have complained to the Bank on six occasions; in person and in writing (some of the correspondence is attached to the Request). They list each of these instances. The Requesters state that they have received unsatisfactory responses. They claim that Management's unconstructive attitude towards NGOs demonstrates that it does not welcome engagement with civil society with respect to this project.

### **Registration of the Request**

The Panel notes that it has verified that the Request meets the basic requirements for registration. The Panel confirms that the Request was submitted by at least two people, in relation to a project supported by the World Bank. The Bank's financing for the Project has not yet reached 95% disbursement. The Requesters assert that they are affected by activities supported by the Bank, and the Request raises issues of harm which may plausibly result from Bank supported activities and from alleged actions or omissions by the Bank. The Request is not related to procurement issues, and it deals with a subject matter on which the Panel has not made a previous recommendation.

Furthermore, the Panel confirms that the Requesters have indicated that the issues related to their concerns were brought to the Bank's attention on different occasions prior to filing the Request. The Requesters further state that they do not believe adequate steps have been taken to address their concerns.

The Panel met with World Bank Management after the receipt of the Request to be briefed on the background of the Project and Management's efforts to resolve concerns raised by Project stakeholders. The Panel welcomes further elaboration of steps Management has already taken to address the concerns raised in this Request, and any steps Management intends to take in the future.

As provided in paragraph 17 of the IDA Resolution (the "Resolution") that established the Panel, the Chairperson of the Panel "*shall inform the Executive Directors and the President of the Bank promptly upon receiving a request for inspection*". With this notice, I am notifying you that I have, on September 23, 2013 which is also the date of this notice, registered this Request in the Inspection Panel Register. The Panel's registration implies no judgment whatsoever concerning the merits of a Request for Inspection.

As provided in paragraph 18 of the Resolution, and paragraphs 2 and 8 of the "*Conclusions of the Board's Second Review of the Inspection Panel*" (the "1999 Clarification"), Bank Management must provide the Panel, by October 23, 2013, a Response to the issues raised in the Request for Inspection. The subject matter that Management must deal with in the response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarification.

After receiving the Management Response, the Panel will, as outlined in the 1999 Clarification and as provided by paragraph 19 of the Resolution, “*determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.*”

All communications in connection with the Request will be sent to the representatives of the Requesters.

The Request has been assigned IPN Request Number RQ 13/07.

A handwritten signature in black ink, appearing to read "Eimi Watanabe". The signature is fluid and cursive, with the first name "Eimi" and the last name "Watanabe" clearly distinguishable.

Eimi Watanabe  
Chairperson

Mr. Jim Yong Kim, President  
International Development Association

The Executive Directors and Alternates  
International Development Association

Ms. Inoyatova Vasila Akhmedjanovna  
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