



December 17, 2015

Ms. Laura Tuck, Vice President for Sustainable Development  
Mr. Cyrill Muller, Vice President for Europe and Central Asia  
The World Bank  
1818 H St, NW  
Washington, DC 20433

Dear Ms. Tuck and Mr. Muller:

We write to follow up on our November 19 letter as the International Labour Organization has now submitted its report to the Bank on monitoring labor practices during the 2015 cotton harvest in Uzbekistan.

The ILO monitoring report reaffirms the existence of forced labor, stating that “the risk of forced labour under conditions of organized recruitment is real, and not merely theoretical”,<sup>1</sup> meaning the Uzbek government has not fulfilled its commitments to enforce laws prohibiting forced and child labor in the areas in which it is implementing Second Rural Enterprise Support Project (P109126) and Additional Financing for Second Rural Enterprise Support Project (P126962), South Karakalpakstan Water Resource Management Improvement Project (P127764), and the Horticulture Development Project (P133703). Given the Uzbek government’s violations of national laws, international laws and the World Bank’s own project agreements, we strongly urge the World Bank to suspend disbursements until the government demonstrates progress reforming the root causes of forced labor, its financial system that incentivizes officials to use coercion and repression of citizens who report violations. This must include meaningful progress on the ground, beyond government commitments.

The ILO report includes findings that present serious concerns about the lack of implementation of the Uzbek government’s commitments against forced labor. These findings include: (1) the practices of officials responsible for meeting cotton quotas did not change; (2) there were indicators of forced labor related to widespread organized recruitment of adults to pick cotton; and (3) public-sector workers in the education and health-care sectors were compelled to contribute labor or payments.<sup>2</sup> The only positive impacts for Uzbek citizens presented in the report relate to child labor, which was reduced already in 2013 as a result of concerted international pressure. The report concludes that “Robust further steps are required to remove the risk of forced labour.”<sup>3</sup>

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<sup>1</sup> International Labour Organization, “Third Party Monitoring of the use of child and forced labour during the Uzbekistan 2015 Cotton Harvest- An assessment submitted to the World Bank by the International Labour Office,” 20 November 2015.

<sup>2</sup> ILO, *Ibid*, Section: “Key Findings,” pages 2-3.

<sup>3</sup> ILO, *Ibid*, at ¶169

The ILO report also includes several indications that the methodology used may not have been sufficient to identify all the possible cases due to Uzbek citizens' fear of reporting violations. The report highlights that citizens did not speak candidly with monitors and did not have confidence in the feedback mechanism, and that "reports that the authorities obstruct, detain and threaten people who are gathering information on labour standards during the harvest do not provide a conducive environment in which to assess and investigate labour practices."<sup>4</sup> It notes the ILO received information from diverse sources is "worrying," "consistent enough to be accorded attention," and that concludes "forced labour is more widespread than the monitoring process alone suggests."<sup>5</sup> The report adds that education and health-care officials presented monitors with apparently inaccurate attendance records.

Furthermore, the ILO report does not address the Uzbek government's systematic use of coercion for economic gain. Although the Inspection Panel reported to Bank management two years ago that "both Requesters and Management point to government systems as the direct cause of the labor practices and alleged harm,"<sup>6</sup> the Uzbek government has not made progress in reforming its system. Rather, it continues to use financial and administrative coercion to enforce production quotas, and cotton income continues to disappear into the off-budget Selkhozfond.<sup>7</sup> The World Bank should employ its expertise to address the financial system for agriculture that incentivizes officials to use coercion and motivate the Uzbek government to reform.

The Uzbek government's continued use of forced labor violates its contractual commitment to the World Bank, and the root causes of forced labor remain unaddressed. Therefore, as we outlined in our November letter, we urge the Bank to suspend all disbursements of financing to the Uzbek government under the RESP II, Karakalpakstan and Horticulture projects until the government demonstrates progress reforming the root causes of forced labor. In this regard, we emphasize our recommendations to the Bank to engage the Uzbek government and provide it the incentive of resuming payments under these projects and potential future projects in the agricultural sector upon demonstrated progress on the following steps:

1. Instruct all government officials and citizens that act on behalf of the government to not use coercion to mobilize anyone to work, including farmers, children, students, public-sector workers, private-sector workers, pensioners, mothers and others receiving public welfare support, and the unemployed;
2. Initiate fair judicial processes that conform to international standards against government officials found to have forced citizens to pick cotton and hold accountable those found guilty with penalties that reflect the severity of the crime and serve as a deterrent for future crimes;
3. Allow independent journalists, human rights defenders, and other individuals and organizations to document and report concerns about the use of forced labor without fear of reprisals; and
4. Initiate a time-bound plan to reform root causes of forced labor in the agriculture sector, including:

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<sup>4</sup> ILO, *Ibid* at ¶160

<sup>5</sup> ILO, *Ibid* at ¶159 and ¶161.

<sup>6</sup> Inspection Panel, *Ibid* at ¶71

<sup>7</sup> Ilkhamov, Alisher and Muradov, Bakhodiy, "Uzbekistan's Cotton Sector: Financial Flows and Distribution of Resources," October 2014, <http://www.opensocietyfoundations.org/reports/uzbekistan-s-cotton-sector-financial-flows-and-distribution-resources>.

- a. Increase financial transparency in the agriculture sector, including by ensuring national budgets reviewed by the Oliy Majlis include expenditures and income in the agriculture sector, eliminating the Selkoyfond, ensuring taxes paid in the sector go to the national budget, and replacing the dual system of credit and banking operations with a transparent system of banking that provides farmers' access to cash and credit;
- b. Abolish mandatory production quotas and grant farmers autonomous management of agricultural land;
- c. Ensure the state-established procurement prices for cotton, wheat and silk reflect the costs of production, including costs of voluntary labor, and over time abolishing the state monopoly on cotton, wheat and silk purchasing;
- d. De-monopolize agricultural input suppliers; and
- e. Conduct a complete survey of the condition of agricultural land to create an updated inventory and use the results to guide the optimization of the tax system for participants in the chain of cotton production—cultivation, production, processing, and sale—to distribute the tax burden equitably along the chain.

We appreciate your attention to this matter and ongoing dialogue with your staff regarding forced labor and World Bank programming in Uzbekistan.

Sincerely,  
The Cotton Campaign

CC: World Bank Board of Executive Directors