

**World Bank Inspection Panel's Report and Recommendation  
Uzbekistan - Rural Enterprise Support Project Phase II and Additional Financing for the  
Second Rural Enterprise Support Project**

**January 23, 2015**

**U.S. Position**

The United States strongly supports the Inspection Panel and its role as an independent forum to provide accountability and recourse for people affected by Bank-funded projects. The Panel is a “*fact-finding body on behalf of the Board*,” and the United States looks to the Panel to establish whether the Bank has followed its operational policies and procedures in response to claims by people and communities that may have been adversely affected by a Bank-funded project.

The United States appreciates the Panel's scrutiny of Uzbekistan – Rural Enterprise Support Project Phase II and Additional Financing for the Second Rural Enterprise Support Project – because forced and child labor are serious issues that warrant the highest level of attention. When the Panel recommends not to investigate claims that it has determined raise “*significant issues of policy compliance*” and where “*a plausible link exist[s] between the Project and the alleged harms*,” however, the United States necessarily takes a close look at the basis upon which the Panel arrived at its recommendation.

**While the United States will not oppose the Panel's recommendation in this case, the United States would have preferred that the Panel defer its recommendation on a full investigation.** The United States notes the critical aspects of Management's action plan, such as independent third-party monitoring (TPM), have not yet taken effect. The success of such TPM relies on actions that are not entirely under Management's control, such as agreement between the Government of Uzbekistan (GoU) and the International Labor Organization (ILO) on what amounts to forced labor in the Uzbekistan context, the completion of a baseline survey, and the establishment of a funding mechanism to support the TPM beyond its first year. In addition, the strength of the feedback mechanism (FBM) proposed by Management is still untested, which is all the more concerning given fears of reprisal when reporting on labor conditions in Uzbekistan's cotton sector. While the United States hopes that these measures will be fully successful, the United States believes their implementation bears careful attention by Management.

**That said, the United States welcomes Management's proactive effort to put forward a serious action plan aimed at mitigating the risk of child and/or forced labor in Bank-funded projects in Uzbekistan's agricultural sector, and the positive commitments made by the GoU in this regard.** Going forward, the United States expects Management's action plan to be fully implemented, and the Board to be fully and regularly apprised of any and all progress and/or setbacks. The United States expects Management to continue to build on its positive engagement with the ILO, and to deepen its dialogue with civil society organizations on these labor concerns. The United States urges Management to pursue all available funding options for the implementation of independent TPM. The United States also would like to see further progress on the implementation, and not just design, of a credible project-level FBM. Moreover,

the United States would very much like to see continued agricultural policy dialogue between the Bank and the GoU. The United States would encourage Management to explore broadening this dialogue to include improving the transparency of public financial management. During 2015, the United States expects regular updates from Management on these dialogues, its engagement with civil society organizations, and its action plan, including during the Board discussions of Uzbekistan's Systematic Country Diagnostic and Country Partnership Framework and in Management's post-2015 harvest update. Beyond 2015, the United States expects periodic updates on whether the action plan is on track and evidencing positive results.

**This case highlights the need for the Board to consider modernizing and updating the Inspection Panel process itself.** The Panel is the oldest of the MDB accountability mechanisms, and is operating under rules established over two decades ago. While groundbreaking at the time, the Panel lacks critical features present in other MDB accountability mechanisms. Among these are: (1) a formal dispute resolution function, whereby the Panel oversees and guides an elective, level, and informed process for the requesters, the Bank, and the government borrower to work together towards an agreed solution; and (2) a role in monitoring remedial measures proposed by Management in response to an agreed solution or a Panel investigation. The United States thinks such features would benefit borrowers, Management, and requesters. With the ongoing safeguards review, which seeks to modernize and strengthen the safeguards system, now is also the time to modernize and strengthen the Inspection Panel.