

Uzbekistan – World Bank -- South Karakalpakstan Water Resources Management Improvement Project

June 12, 2014

U.S. Position

The United States welcomes the discussion of the South Karakalpakstan Water Resources Management Improvement Project (SKWRMIP) and the World Bank's engagement in Uzbekistan's agricultural sector. The United States recognizes the central role that agriculture plays in efforts to reduce poverty in Uzbekistan, particularly in poorer regions of the country such as Karakalpakstan. The proposed objectives of this project – better management of Karakalpakstan's water resources, crop diversification, and increased mechanization of the cotton harvest – are important components of socially and environmentally sustainable improvements in the agriculture sector. However, the project takes place in the context of a long and troubling history of forced and child labor in Uzbekistan's cotton sector, therefore requiring exceptional care and vigilance in implementation.

With regard to child and forced labor, the United States appreciates the Bank's frank identification and discussion of these risks in the project documentation given its past reluctance to address this issue more directly. The United States welcomes the improved coordination between the ILO and World Bank in country and encourages continued dialogue between the two institutions. The United States also notes the measures that the Bank will take to help mitigate these risks, such as the use of Third Party Monitoring (TPM) and a Feedback Mechanism (FBM). The United States has strongly advocated for greater use of third party monitoring and feedback mechanisms in Bank projects generally and welcomes their use in this project. The United States encourages Management to redouble its efforts to identify financing for the TPM from its development partners and expects continued cooperation with the International Labor Organization on its design and implementation. The United States strongly urges the authorities to cooperate fully with the Bank in the implementation of these measures. Any interference with independent, credible TPM or FBM – which are central to the success of this operation – is unacceptable and, in such an event, the United States would expect Bank management to invoke the remedies at its disposal under this loan.

Moreover, sustainable improvements in the sector will ultimately depend on the efforts by the Government of Uzbekistan to undertake reforms in the cotton and wheat sectors, including dismantling the quota system. Without progress on developing a more liberal, market-based agricultural sector in Uzbekistan, the United States remains uncertain that the Bank's interventions – even innovative approaches such as SKWRMIP and the related Horticulture Development Project – can deliver tangible and lasting improvements in the lives of the project beneficiaries.

Finally, given the risks present in this project, the United States would like to request that Management return to the Board in approximately six months to provide an update on efforts to mobilize resources for the TPM, on the outcomes of the 2014 cotton harvest and ILO cooperation, and on other developments in the implementation of the project.

The United States wishes to be recorded as abstaining based on these concerns.