



**Bankwatch
Network**

To: Board of Directors

European Bank for Reconstruction and Development

Subject: Urgent update on human rights violations related to Indorama projects, Uzbekistan

Dear members of the EBRD Board of Directors,

We are writing to provide additional and urgent information to our briefing of 7 December 2020 regarding the EBRD's Indorama Agro Working Capital Loan (EBRD 51011) and Indorama Agro Capex Loan (EBRD 50879).

In December 2020 and January 2021, Uzbek Forum's monitors spoke with employees of Indorama Agro and local officials in the Syrdarya and Kashkadarya regions. The individuals they interviewed raised serious concerns about human rights violations.

Confiscations of farmers' land, poor working conditions, gender discrimination, allegations of fraud and bribery, low pay, and reprisals and threats to staff for voicing their complaints and whistleblowing give cause for alarm.

We therefore urgently request that the EBRD considers these serious issues before making a decision on the approval of its loan to Indorama Agro.

Indorama employees interviewed by Uzbek Forum requested anonymity due to fear of reprisals, as many of them are still employed there. We have, however, included excerpts from the statements they gave to Uzbek Forum monitors.

Farmers' Land Confiscations

The following testimonies by farmers raise concerns relating to 'voluntary' land lease terminations and demonstrate the social and economic impact of the allocation of farmers' land to Indorama:

'I have been working as a farmer for 28 years. Every year, I delivered the cotton quota for the state. I used to get 22-23 kilograms of cotton per hectare. Despite this, without any reason, the hokimiyat handed over my land to Indorama. The district hokim, Khidirov, said that all 80 hectares of my land were given to Indorama. I refused to write an application [to surrender the land] because I was given it on lease for 49 years. Although I didn't write an application, the land was taken away from me anyway. They promised me a job as a brigade leader, but then they made me an ordinary worker for irrigation.'

'I wrote an application to be hired as a brigade leader but ended up as a common labourer and irrigator. My job is to water the fields, and I also do weeding. The salary is 1 million 200 thousand soums (USD 110). This money is only enough for ten days. We had cattle, but because we can't graze cattle now, we have to slaughter them and sell them, and so far we are living on what we have saved up. After the land was given to Indorama, my life drastically deteriorated. I had land, and we raised cattle. My children and grandchildren had enough milk and butter, and there was enough fodder for the cattle. Now my salary is not enough to buy enough milk, sour cream, and butter.'

'In 2018, I leased land from the state and started a farm. During the year, I used my own money to clear the land, ploughed it and prepared it for sowing grain. Suddenly, in the spring of 2019, hokim Mukhtor Khaitmurodov said he had transferred my land to "Indians".'

'I was a farmer and had leased the land from the state. In 2019, I was informed that my land was transferred to Indorama and that it was an order from the president. After that, five people in my family were left unemployed. Earlier this year, Indorama hired me for a salary of 1 million soums (USD 100), and it is woefully inadequate to live on. Indorama's management just ignored the majority of the complaints. Indorama's arrival in the district was a disaster for my family. I complained to the hokimiyat but was told that as it was a presidential order, no one can do anything about it.'

Working Conditions

Indorama employees complain of poor working conditions. Workers are forced to stay in the fields in all kinds of weather, including freezing cold in winter and scorching heat in summer. Indorama provides no shelter (*shipyans*) from the weather or a place for workers to rest. They report that they are forced to work over and above their contractual obligations with no extra pay. Moreover, Indorama employees complain that they have been retained on seasonal employment contracts even though they are employed year-round. This effectively means that they are not eligible for sick or holiday pay and have no security of employment. Despite raising these complaints with Indorama's management, the majority of the complaints have been ignored.

'This year there was machine picking of cotton. After the machines harvested, we were told to do the picking [manually]. We were picking the remaining cotton and Indorama took it away. They told all the workers to pick the cotton, but we were not paid anything separately for the cotton as other pickers. We had to pick cotton as Indorama workers.'

'Now it is cold and I am engaged in irrigation. It is hard work. Last year [2019] they gave me rubber boots and gloves. This year [2020] I have not received anything yet. I am waiting. The brigade leader said that if I demand time off, then I will not be taken to work for Indorama.'

'The main problem, as I said, is very low wages and hard work. They don't even give gloves and rubber boots on time and they wear out quickly. Indorama fires all the workers who are angry and who ask for a raise in wages, who write complaints.'

On 4 January 2020, *Ozodlik*, the Uzbek language edition of *Radio Free Europe/Radio Liberty*, published an article which included a letter written by 21 of Indorama's workers to the governor of the Syrdarya region requesting his help.¹ The letter states:

We would like to raise the following issues: to improve working conditions for the irrigators; to make a portable wagon for water pump workers; to allow picking the cotton stem leftovers for heating; to allow cattle to graze in the fields after harvesting grain; to allocate some land for planting; to increase the salary level because of a steadily growing volume of work and inflation; to return 40 employees sent on unpaid leave after the dam [Sardoba Dam] was broken; to organise a trade union.

*We also ask that you do not hold us responsible for the fall in yield in Indorama fields. Since we are simple workers performing agronomists' tasks, we use the agricultural technology and chemicals that Indorama provides. When we asked [them] to increase the payment, Indorama replied that "you delivered only five centners per hectare", which means that we cannot cover our costs, even if we work for ten years for free. Besides, we have suffered financially due to the collapse of the dam.*²

Environmental impacts

Farmers and employees report that cotton yields on farms operated by Indorama have fallen significantly in the last two years. They believe that this is due in part to the overuse of chemicals and pesticides coupled with a basic lack of understanding on the part of Indorama's management of the ecology of the land.

'Before Indorama got land in our area, the land yield was at least 20 centners of cotton per hectare. In 2019, the yield rate on Indorama land was 11 centners per hectare. This was explained by the fact that the company is new and that they do not have specialists who understand local conditions. In 2020, the yield was only 8 centners per hectare. Now they justify low yields through flooding. But yields also fell sharply on those lands that were not affected by the flood.'

'After all, Indorama doesn't know how to work on the land anyway. Yields have dropped to one centner per hectare.'

Intimidation, harassment and retaliation

Uzbek Forum has documented cases where Indorama employees have been fired or received threats for speaking out about labour rights violations. One recent case involves Roza Agaidarova who worked as a materials accountant in the company's warehouse. She claims she was fired after she discovered a shortage of chemicals worth approximately USD

¹ Ozodlik, 4 January 2020. *Investigation: involuntarily land acquisition and Uzbeks "exploited as slaves". Is Indorama Agro a "model investor?"* [Суриштирув: Ери тортиб олинган фермер ва "қулдек ишлатилаётган" ўзбеклар. Indorama Agro "намунали инвестор"ми?]. URL: <https://www.ozodlik.org/a/surishtiruv-indorama-agro-namunaviy-investormi/31032997.html>

² Uzbek Forum, 4 May 2020. *Sardoba dam collapse - another example of Uzbekistan's "old ways"*. URL: <https://www.uzbekforum.org/sardoba-dam-collapse-another-example-of-uzbekistans-old-ways/>

3 million and a violation of the reporting procedures. After informing the management, she came under pressure from them: she became the target of allegations of theft and received threats that she would be sued. Indorama Agro has since filed a lawsuit against her for allegedly stealing diesel and disclosing information about fraud in the company in an interview she gave to *Ozodlik*.³

Rural poverty

A local official in the Kasbi district confirmed to Uzbek Forum monitors that the number of unemployed people and those in need of social assistance had tripled in the last two years. According to the official, out of every family that relied on farm work, two or three members have lost their jobs. Many farmers lost their land when it was transferred to Indorama following apparently 'voluntary' land lease terminations. Indorama forbids the use of small plots of land for cultivation by the local community. Local people who annually rented a small plot of land from farmers to grow vegetables for food and sale have lost valuable income and sustenance as a result. Indorama also does not permit cattle to be grazed or the collection of cotton stalks for firewood. Combined with a loss of income, the official believes that the most vulnerable in the rural population are at risk of starvation. The official raised these problems with Indorama's management and was told that all working conditions were negotiated with the country's leadership in Tashkent.

'I grew grain. After delivering the quota, the surplus was left in the house. This year we grew grain for Indorama. They did not even give one kilogram to the workers. I worked from morning till evening in the field. I could not even gather guzapoya [cotton branches]. This year I was allowed to collect one cart of branches, but it is not enough because I have a big family. I have to bake bread, otherwise the children will go hungry.'

These complaints and allegations seriously undermine the EBRD's claim that 'the project helps the company achieve higher environmental standards and strengthen capacity around attaining positive outcomes around gender and economic inclusion'.⁴

We therefore strongly recommend that the EBRD suspends approval of the loan to Indorama Agro pending the following actions by the company to ensure the protection of labour rights and the environment:

- Meet with affected workers and farmers to hear, document and investigate complaints. We recommend the participation of the EBRD as well as a safe space for negotiation;
- Ensure an effective grievance mechanism to address and resolve complaints and allow monitoring by an independent party;
- Permit the establishment of an independent trade union if so desired by employees;

³ Ozodlik, 17 January 2020. *Investigation: involuntarily land acquisition and Uzbeks "exploited as slaves". Is Indorama Agro a "model investor?"* [Расследование: Фермеры, у которых изъняли земли, и «эксплуатируемые словно рабы» узбеки. Является ли Indorama Agro «образцовым инвестором?»]. URL: <https://rus.ozodlik.org/a/31044248.html>

⁴ Indorama Agro Working Capital Loan. URL: <https://www.ebrd.com/work-with-us/projects/psd/51011.html>

- Immediately withdraw lawsuits and desist from any retaliatory measures against employees or former employees;
- Scrutinise land acquisition agreements to establish the voluntariness of farmers' intention to give up their land to Indorama;
- Ensure compensation for farmers' lands in cases where land transfers were carried out involuntarily;
- Investigate cases of alleged fraud, gender discrimination and labour rights violations; make available the Gender Action Plan as required by the Environmental and Social Management Plan;
- Ensure that independent monitors have access to assess labour conditions and make their findings publicly available;
- Conduct a thorough assessment of the use of pesticides and the impact on health and the environment and make the information publicly available;
- Ensure that the Livelihood Restoration Plan meaningfully reflects the loss of income and employment in the rural community and provides adequate compensation.
- Provide reporting to EBRD about the actions taken and make the information publicly available.

Moreover, we call on the EBRD to use its influence to prevent any form of threat, intimidation, harassment, violence or discrimination by Indorama against current and former employees of Indorama Agro based on their right to raise concerns.

We would welcome the opportunity to discuss these matters in more detail and look forward to hearing from you at your earliest convenience.

Yours sincerely,

Nina Lesikhina
CEE Bankwatch

Lynn Schweisfurth
Uzbek Forum for Human Rights