

## **Indorama Agro Loans, Uzbekistan**

Briefing for EBRD  
December 2020

Uzbek Forum for Human Rights (formerly Uzbek-German Forum (UGF)) and CEE Bankwatch Network would like to draw attention to a number of concerns with regards to the proposed loans to Indorama Agro to support its capital expenditure and working capital needs: Indorama Agro Working Capital Loan (EBRD 51011)<sup>1</sup> and Indorama Agro Capex Loan (EBRD 50879)<sup>2</sup>. The project will support private sector investment in the cotton farming sector in Uzbekistan by promoting mechanised cotton harvesting and environmental and operational improvements.

The loans are expecting approval by the EBRD Board of Directors in January 2021. We would like to provide further context and recommendations to guide the implementation of the project and ensure all measures are taken to prevent human rights violations. In summary:

- COVID-19 related restrictions in Uzbekistan may have limited the opportunities for meaningful public consultations, and the alternate approach introduced by the company may have undermined the affected communities' engagement due to lack of accessible information and affordable mechanisms for providing feedback;
- The draft ESIA is characterised by significant gaps in assessment of the project's impact on water, soil, climate change and human health resulting particularly from the use of pesticides;
- Some of the pesticides suggested for use by the project in Uzbekistan are restricted for use in the EU due to the risks they pose to the environment and human health; the use of glyphosate, in particular, is seriously questioned by the international community due to its carcinogenic and endocrine-disrupting properties;
- While Indorama has made significant progress in eradicating the use of forced labour on its farms, the broader Uzbek context, including continued government involvement in cotton production, a lack of fair and independent recruitment channels and weak accountability systems, continues to present a high-risk environment for cotton

<sup>1</sup> EBRD. Indorama Agro Working Capital Loan. URL:  
<https://www.ebrd.com/work-with-us/projects/psd/51011.html>

<sup>2</sup> EBRD. Indorama Agro Capex Loan. URL:  
<https://www.ebrd.com/work-with-us/projects/psd/50879.html>

production, as documented by Uzbek Forum during the 2020 cotton harvest;

- Indorama was able to acquire 54,000 hectares of land from farmers through 'voluntary' terminations of land lease agreements. Farmers did not receive any compensation, either from the local authorities or from Indorama Agro; this questions the entire notion of 'voluntary' land acquisition in a situation where local officials wield disproportionate power over citizens with no land tenure security;
- The Livelihood Restoration Plan proposed by Indorama Agro to plant mulberry trees to support sericulture as a means of compensating for job losses in cotton farming does not take into account the nature of the sector, which remains entirely government-controlled and is also known to rely on the use of forced labour.

## **Information disclosure and stakeholder engagement**

In April 2020, the draft ESIA for the Indorama project was disclosed on the webpages of the EBRD and Indorama Agro in English and Uzbek languages. The disclosure package consisted of the ESIA Draft, NTS Draft, SEP Final, LPR Final, ESMP Draft and ESAP Draft. However, we would like to draw your attention to the fact that the finalised ESIA, ESMP and ESAP have not yet been published online, nor has a summary of the comments received during the public consultation process which closed on 30 July. We are therefore concerned that a lack of conclusive information prevents the public from providing input as part of the EBRD's decision-making process.

We acknowledge and appreciate the transparency of the company with regards to information disclosure. That said, we would like to highlight that the entire public consultation process on the ESIA for the Indorama project took place during the COVID-19 pandemic (which is ongoing). This raises concerns that restrictions imposed by the government for health and safety reasons may have limited opportunities for meaningful consultations.

Indorama developed and published the Interim Stakeholder Engagement Plan (i-SEP), which was designed to ensure continued stakeholder engagement during the pandemic. According to this plan, *'alternate approaches will focus on reaching affected stakeholders by means of paper leaflets and feedback forms as well as traditional media'*. We have studied the i-SEP and have concluded that the proposed approach could not ensure meaningful public participation for the following reasons:

- The paper leaflets developed by the company for the purpose of public consultation do not contain data that is sufficiently extensive and comprehensive on the environmental and social impact of the project to conclude that it is safe for affected people. In particular, the leaflet is lacking any quantitative data on the E&S impacts and

the mitigation measures, which makes it impossible to estimate their significance and effectiveness.

- The questions asked in the ESIA Feedback Form, which accompanies the leaflet, cannot be answered using only the data provided by the leaflet. Some examples of such questions include: '*Which document is being referred to in the ESIA Package?*'; '*What has not been addressed sufficiently or appropriately in the ESIA?*'; and '*What suggestions can be made to respond to this gap in the ESIA?*'. Apart from the risk of misleading stakeholders, it may create a sense of formality in taking public opinion on the ESIA into consideration.
- The draft ESIA was available exclusively in electronic format, which may have posed significant limitations to public access '*due to limited access to internet and smartphones in Uzbekistan*', as recognised in the i-SEP. According to Indorama's data, smartphone penetration in Uzbekistan stands at just over 30% and the number of internet users is estimated to be approximately 54% in 2020. In rural areas of Uzbekistan, these numbers may be even lower.
- Project information was provided only in written form (i.e. leaflet, ESIA package, feedback form), which could lead to the exclusion of some stakeholders with low levels of literacy. Moreover, the proposed ways to submit comments (via phone call, email or mail, comment boxes) could also be limiting for some stakeholder groups due to lack of internet access, cultural (i.e. gender-related rights) and financial limitations and/or security concerns.
- The alternate approach proposed in the i-SEP is based on the assumption that NGOs can be easily engaged in a public consultation process due to sufficient internet connectivity. However, the ability of civil society to meaningfully participate in stakeholder engagement is limited due to the existing restrictions on independent NGOs to register and operate free from government interference in Uzbekistan. Moreover, Uzbek civil society activists remain under-resourced, under-developed and often under attack from the authorities<sup>3</sup>. Thus, prioritising NGO involvement over broad citizen participation may undermine the entire stakeholder engagement process.
- Despite a very reasonable proposal from the company '*to assess to what extent vulnerable persons in the local affected communities have been able to participate in the consultation process and undertake further consultation with vulnerable persons as*

<sup>3</sup> Uzbek Forum for Human Rights. 2020. Tricks, threats and deception: registering and NGO in Uzbekistan. URL: <https://www.uzbekforum.org/tricks-threats-and-deception-registering-an-ngo-in-uzbekistan/>

*necessary*', there is no indication of how such assessments have been or would be made.

## **Gaps in the Environmental and Social Impact Assessment**

Moreover, an analysis of the available documents identified some information gaps confirmed by the authors of the draft ESIA. These gaps reduce the scope of the impact assessment, which is critical for decision-making on the risks facing the affected communities. Below, are some examples of data that are lacking in the draft ESIA:

- Assessment of the project's impact on quality and structure of deeper horizons and groundwater, including conducting a hydrogeological survey (page 186, para 6.2.3.2);
- Assessment of the risks for health and the environment associated with the use of pesticides, based on comparison of the exact and permissible concentrations, analysis of the short-term and long-term impact, cumulative effect, and up-to-date evidence of impact obtained from the verified sources of information (page 190, para 6.2.4.2);
- Assessment of potential for soil contamination from the project facilities (page 192, para 6.2.4.2);
- Accurate assessment of the adequacy of water supply for the project sites and the areas cultivated by the local population affected by the project (page 203, para 6.3.5);
- Assessment of feasibility of ground water supply for drinking water consumption (page 210, para 6.3.9.2);
- Assessment of project wastewater, including a volume of generated storm water runoff and domestic wastewater, and required facilities to manage it (page 210, para 6.3.9.2).

## **Climate change**

Cotton production significantly contributes to climate change, mainly through energy use (including fertiliser production) and overall soil degradation, which results in reduced sequestration capacity. According to the draft ESIA, '*Greenhouse gas emission assessment represented as a separate document in the Volume III of the ESIA documentation*' (page 257). However, this document was provided neither in Volume III, nor upon request.

## **Pesticides use**

According to the draft ESIA, Indorama Agro intends to apply a significant amount of pesticides directly on the cotton fields. The following is a summary of data provided in the draft ESIA regarding the impact of pesticides:

<b>Pesticide</b>	<b>Application</b>	<b>Risks for species</b>	<b>Risks for humans</b>
Glyphosate	2 - 4 l/ha (at least 3 times)	toxic to aquatic life	probably carcinogenic in humans, causing serious eye damage
Imidacloprid	80 g/ha (twice)	toxic to insects and mammals	moderately toxic
Cypermethrin + Chlorpyrifos	2 l/ha (once)	highly toxic to fish, bees and aquatic insects	moderately toxic through skin contact or ingestion, may cause irritation to the skin and eyes; moderately hazardous, may cause neurological effects, persistent developmental disorders, and autoimmune disorders
Propargite	2 l/ha (twice)	highly toxic to amphibians, fish and zooplankton	potential carcinogenic
Emamectin benzoate	350 g/ha (once)	no data provided	no data provided
Chlorantraniliprole	250 ml/ha (once)	causing impaired regulation, paralysis and ultimately death of sensitive species	no data provided
Mepiquat chloride	2 l/ha (as required)	no data provided	no data provided

We consider this information, provided as a part of an environmental and social impact assessment, to be incomplete and insufficient to adequately assess the risks of pesticide use. In particular, there is no data provided on the total volume of pesticides used for the project lifecycle; on the exact and permissible concentrations of the applied pesticides; or on the impact on water, soil, biodiversity or the health of affected communities and workers, including the long-term and cumulative effects.

Moreover, the use of glyphosate at such scale raises serious concerns in light of recent scientific literature confirming its carcinogenic, endocrine-

disrupting and genotoxic properties. Several epidemiological studies have linked exposure to glyphosate with non-Hodgkin's lymphoma, hairy cell leukaemia, multiple myeloma, DNA damage, parkinsonian syndromes, autism, etc.<sup>4 5 6</sup> In 2015, the World Health Organization's International Agency for Research on Cancer (IARC) classified glyphosate as '*probably carcinogenic to humans*', which means that there is sufficient evidence of carcinogenicity in experimental animals but limited evidence in humans.<sup>7</sup>

Although glyphosate is an authorised product in the EU and globally, many countries impose restrictions on its use in public spaces or have committed to do so in the near future. Italy and France have already introduced such restrictions, as have local authorities in Belgium, Canada, the UK, New Zealand, the USA, Spain and Australia. Moreover, there is a range of ongoing revisions of existing regulations due to newly received evidence of health risks or gaps in previously made risks assessments.<sup>8</sup> Despite the fact that glyphosate is currently approved for use in the European Union until the end of 2022, Germany and France announced that they will begin phasing it out.<sup>9</sup> In 2020, Luxemburg announced it would terminate the use of glyphosate in 2021.<sup>10</sup>

There is also an increasing social movement to stop the use of glyphosate, i.e. the European Citizens' Initiative to Ban glyphosate, which was initiated by Avaaz, Campact, Corporate Europe Observatory, Danmarks Naturfredningsforening, GLOBAL 2000 - Friends of the Earth Austria, Greenpeace, the Health and Environment Alliance (HEAL), Pesticide Action Network Europe, SumOfUs and WeMove.EU. In 2017, over one million citizens called on the European Commission '*to propose to Member States a ban on glyphosate*'.<sup>11</sup> Moreover, thousands of people have filed lawsuits

<sup>4</sup> Malkan, S. 2020. *Glyphosate Fact Sheet: Cancer and Other Health Concerns*. USRTK: 1 October 2020. URL:

<https://usrtk.org/pesticides/glyphosate-health-concerns/>

<sup>5</sup> PAN-International. 2016. Glyphosate. URL:

<http://pan-international.org/wp-content/uploads/Glyphosate-monograph.pdf>

<sup>6</sup> Gaberell, L. and Hoinkes, C. 2019. A Public Eye Report. Highly hazardous profits. How Syngenta makes billions by selling toxic pesticides. URL:

[https://www.publiceye.ch/fileadmin/doc/Pestizide/2019\\_PublicEye\\_Highly-hazardous-profits\\_Report.pdf](https://www.publiceye.ch/fileadmin/doc/Pestizide/2019_PublicEye_Highly-hazardous-profits_Report.pdf)

<sup>7</sup> WHO. 2015. IARC Monographs Volume 112: evaluation of five organophosphate insecticides and herbicides. URL:

<https://www.iarc.fr/wp-content/uploads/2018/07/MonographVolume112-1.pdf>

<sup>8</sup> Malkan. *Glyphosate Fact Sheet: Cancer and Other Health Concerns*.

<sup>9</sup> Hessler, U. 2020. *What's driving Europe's stance on glyphosate*. DW: 25 June 2020.

URL: <https://www.dw.com/en/whats-driving-europes-stance-on-glyphosate/a-53924882>

<sup>10</sup> The Luxembourg Government. 2020. Luxembourg, the first EU country to ban the use of glyphosate. URL:

[https://gouvernement.lu/en/actualites/toutes\\_actualites/communiqués/2020/01-janvier/16-interdiction-glyphosate.html#:~:text=The%20Grand%20Duchy%20of%20Luxembourg,in%20a%20number%20of%20herbicides.](https://gouvernement.lu/en/actualites/toutes_actualites/communiqués/2020/01-janvier/16-interdiction-glyphosate.html#:~:text=The%20Grand%20Duchy%20of%20Luxembourg,in%20a%20number%20of%20herbicides.)

<sup>11</sup> European Citizens' Initiative. 2017. Ban glyphosate and protect people and the environment from toxic pesticides. URL:

[https://europa.eu/citizens-initiative/initiatives/details/2017/000002\\_en](https://europa.eu/citizens-initiative/initiatives/details/2017/000002_en)

against the Monsanto Company (now Bayer) alleging that exposure to the glyphosate-based herbicide Roundup caused them or their loved ones to develop non-Hodgkin's lymphoma. In June 2020, the company announced that it would pay over USD 10 billion to resolve these claims.<sup>12</sup> In 2018<sup>13</sup> and 2019<sup>14</sup>, Monsanto was ordered to pay USD 2.2 billion to people that got cancer after using Roundup.

Apart from glyphosate, some other pesticides, including propargite<sup>15</sup> and chlorpyrifos,<sup>16</sup> are not approved for use in the EU mainly due to the risks they pose to the environment and human health. Imidacloprid<sup>17</sup> is approved only for use in permanent greenhouses, particularly due to its high risks for bees.

Such impacts of pesticides are already present in Uzbekistan: after the depletion of the Aral Sea, pesticide and fertiliser residues left on the dried surface are blown into the surrounding region in toxic dust storms. An investigation made by the Environmental Justice Foundation in 2005 discovered that in some areas of Uzbekistan around 50% of deaths were from respiratory illnesses such as pulmonary tuberculosis, obstructive lung disease and bronchial asthma. Moreover, cancer rates in these areas were abnormally high, with residents of the Karakalpakstan region, located close to the sea, suffering the most.<sup>18</sup>

A rough calculation of estimated pesticides use for the Indorama Agro projects based on land allocation (54,196 ha for the first phase of the project) shows that it will be over 1.5 million liters. This scale of chemical use requires a more precise and comprehensive assessment of its impact and the development of adequate and effective mitigation measures.

<sup>12</sup> Bayer. 2020. Bayer announces agreements to resolve major legacy Monsanto litigation. URL:

<https://media.bayer.com/baynews/baynews.nsf/id/Bayer-announces-agreements-to-resolve-major-legacy-Monsanto-litigation>

<sup>13</sup> Levin, S.. 2018. *Monsanto ordered to pay \$289m as jury rules weedkiller caused man's cancer*. The Guardian: 11 August 2018. URL:

<https://www.theguardian.com/business/2018/aug/10/monsanto-trial-cancer-dewayne-johnson-ruling>

<sup>14</sup> Ibid.

<sup>15</sup> EU Pesticides database: Propargite. URL:

<https://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=activesubstance.detail&language=EN&selectedID=1766>

<sup>16</sup> EU Pesticides database: Chlorpyrifos. URL:

<https://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=activesubstance.detail&language=EN&selectedID=1130>

<sup>17</sup> EU Pesticides database: Imidacloprid. URL:

<https://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=activesubstance.detail&language=EN&selectedID=1473>

<sup>18</sup> <https://ejfoundation.org/films/white-gold-the-true-cost-of-cotton>

## **Forced labour**

Indorama Agro states that *'a robust monitoring program was launched in 2019 that documented the absence of child or forced labour in the 2019 cotton harvest for Indorama Agro's direct and contracted farms'*. However, Uzbek Forum's findings of the 2019 harvest show<sup>19</sup> that continued government involvement in cotton production, a lack of fair and independent recruitment channels and weak accountability systems contributed to significant ongoing forced labour, including in the newly privatised cotton textile clusters, some of which are operated by Indorama.

Uzbek Forum is currently monitoring the 2020 harvest<sup>20</sup>, including Indorama farms. As of yet, no forced labour has been identified on Indorama farms in the Kasbi and Nishon districts, which suggests that the company has positively responded to recommendations made by Uzbek Forum and made significant efforts to prevent the use of forced labour.

Outside of Indorama's farms, however, it appears that the 2020 harvest still relies on the forced mobilisation of employees of state- and privately-owned enterprises to pick cotton or the extortion of employees to pay for replacement pickers. Without the capacity of Uzbek civil society to monitor and report on forced labour and working conditions and in the absence of independent trade unions, Uzbekistan remains a high-risk environment for forced labour in the cotton sector.

## **Land acquisition and contract farmers**

The acquisition of 1,068 farms by Indorama via voluntary termination of land lease agreements means that their former owners were not compensated for their loss. In the case of Indorama Agro, the LRP states (page 40) that: *'Farmers who willingly terminated their Land Lease Agreements were not eligible for any land compensation by the Hokimiyats for losses or damages (including loss of profit)'* and that *'The Company also did not pay any compensation to acquire land.'*

The use of the word 'voluntary' or 'willing' in relation to the termination of land leases is highly problematic in an environment where local officials wield disproportionate power over citizens with no land tenure security. In interviews with farmers<sup>21</sup>, Uzbek Forum found that land has been

<sup>19</sup> Uzbek Forum for Human Rights. 2020. Uzbekistan: fair recruitment, effective accountability needed to end forced labor as independent labor monitors harassed, arbitrarily detained. URL: <https://www.uzbekforum.org/uzbekistan-fair-recruitment-effective-accountability-needed-to-end-forced-labor-as-independent-labor-monitors-harassed-arbitrarily-detained/>

<sup>20</sup> Uzbek Forum for Human Rights. 2020. Cotton chronicle 2020. Interim findings on Uzbekistan's cotton harvest, October 2020. URL: [https://www.uzbekforum.org/wp-content/uploads/2020/10/Uzbekistan\\_Cotton\\_Harvest\\_2020.pdf](https://www.uzbekforum.org/wp-content/uploads/2020/10/Uzbekistan_Cotton_Harvest_2020.pdf)

<sup>21</sup> Uzbek Forum for Human Rights. 2020. Cotton clusters and the despair of Uzbek farmers: land confiscations, blank contracts and failed payments. URL:



transferred to clusters with no regard for the long-term leases of between 30 and 49 years that farmers had with *hokimiyats* (local administrations) and without compensation from the state for the unilateral termination of their land leases. In cases where farmers were able to reclaim the right to lease their land through the courts, the local *hokimiyat* refused to implement the court's decision, acting solely in the interests of the cluster. There is therefore a risk that farmers may view land acquisitions by Indorama as unfair. The LRP notes that there is a risk of future court action by farmers relating to land lease terminations.

Given that there is only one cotton cluster per district, farmers have no choice over which cluster they can sell their cotton to. This is true also of farmers contracted to produce for Indorama farms. Cluster operators are therefore in the powerful position of being able to dictate the price of cotton paid to farmers, agricultural inputs and production targets. The LRP states that some contract farmers had not been paid the premium of 8% on cotton income that they had been promised (page 61). It is essential that Indorama provides farmers with transparent contracts including realistic production targets and fair pricing for delivered cotton and inputs.

### **Livelihood restoration plan**

In the process of the modernisation and mechanisation of the cotton sector, job losses will be inevitable. Cotton picking, although arduous work, is a welcome supplementary income for many thousands in the rural population, particularly for women.

The LRP states: *'There are some constraints to planning to address the employment impacts because the land acquisition and reallocation process was government-led. The Project has little information on farms where the affected people might be identified as vulnerable. As well, there is a lack of details on farmers and their workers who terminated LLAs but did not accept work on the Project.'* This statement raises concerns as to how a sufficient LRP can be implemented without complete information.

The ESIA estimated that 4,337 permanent jobs and 9,070 seasonal jobs from the termination of LLAs for direct farming may have occurred. The LRP itself notes (page 58) that *'The lack of data on the impacted farm workers creates limitations for this LRP.'*

The LRP outlines plans to plant mulberry trees as part of the Community Asset Programme, with a view to improving local income by generating opportunities in silk cocoon production. Sericulture in Uzbekistan is still entirely controlled by the government, raising concerns that this programme may not provide the benefits to farmers and rural communities as intended. While the planting of mulberry trees to support the cultivation of silk cocoons is welcome, it is important to secure

<https://www.uzbekforum.org/cotton-clusters-and-the-despair-of-uzbek-farmers-land-confiscations-blank-contracts-and-failed-payments/>

assurances that silk farmers will be able to access a sufficient amount of leaves at fair prices, independently of government officials.

Uzbek Forum has in the past reported<sup>22</sup> on abusive practices in the silk sector, which depends highly on forced labour and exploits the vulnerability of farmers and the rural poor. Although the state intends to privatise the sector, it retains a total monopoly over the production of silk cocoons much in the same way it controlled the cotton sector by controlling the price of the cocoons, production targets and inputs. Again, the vulnerable position of farmers who rely on the goodwill of local administrations for land tenure means they have little or no choice but to refuse their cultivation, which involves intense manual labour and is often not commercially viable for farmers. In many cases, Uzbek Forum monitors found that the government underpays or fails to pay producers upon delivery of cocoons.

## Recommendations

1. Ensure independent monitoring and reporting of labour rights violations is conducted by independent monitors without interference by government officials;
2. Ensure transparency of the recruitment process at Indorama Agro, including for seasonal employment;
3. Ensure compliance of labour contracts and working conditions at Indorama Agro with ILO Decent Work standards;
4. Ensure that mitigation plans to offset loss of employment through modernisation address continued government involvement in other areas of the agriculture sector, including wheat and silk production, and the associated risk of government-imposed quotas, control over pricing and forced labour;
5. Ensure that all relevant information to develop an effective mitigation plan is secured from government officials to adapt mitigation to specific needs;
6. Ensure that mitigation plans adequately address the loss of female and seasonal employment;
7. Ensure that Indorama Agro makes its human rights policy available to all stakeholders on its website before commencement of the project;
8. Ensure that monitoring of community projects are conducted independently of government officials such as *mahallas* or *hokims* and that community members are able to voice concerns without fear of reprisals;

<sup>22</sup> Uzbek Forum for Human Rights. 2015. Report: silk loop for Uzbek farmers. URL: <https://www.uzbekforum.org/report-silk-loop-for-uzbek-farmers/>

9. Ensure contract farmers are given fair contracts which clearly stipulate the volume of cotton to be delivered and the price to be paid for it;
10. Ensure that payments to farmers are made promptly in accordance with agreed payment schedules contained in their contracts;
11. Ensure that provisions are made for civil society to participate in community-based monitoring of the project that is independent of government influence;
12. Ensure that farmers who are encouraged to cultivate silk cocoons are under no obligation to do so, will not suffer reprisals for refusing to do so, and, if they so choose, are able to negotiate the terms of their contracts for silk production;
13. Ensure an integrated and comprehensive environmental and social impact assessment of the project with particular focus on the risks of pesticides use, including its compliance with the best available practices;
14. Ensure information disclosure and meaningful public participation in a way that is accessible and affordable for the affected communities.

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