THE DEVELOPMENT, TESTING AND IMPLEMENTATION OF A SUSTAINABLE COTTON STANDARD SYSTEM

Based on Better Cotton Initiative’s (BCI) principles and its assurance methodology in the context of Uzbekistan

Project Report for the Project Consultative Council Meeting
February 28, 2019
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RECOMMENDATIONS FOR CONSIDERATION BY THE 2ND MEETING OF THE PROJECT CONSULTATIVE COUNCIL ON FEBRUARY 28, 2019:

IFC launched the Sustainable Cotton Supply Chain Development Project in Uzbekistan in 2017. The Project’s goal is to engage with the private sector for creating market-driven solutions which would facilitate the transformation of the cotton industry in Uzbekistan.

Through this Project IFC is aiming to achieve the following:

1) Create practical and scalable examples of profitable sustainable cotton production and harvesting without the use of forced labor;

2) Develop and test and a credible methodology for implementing a sustainable cotton standard system based on the Better Cotton Initiative (BCI) principles with the aim to have BCI approve Uzbekistan as a country in which it can license farms producing Better Cotton;

3) Develop and implement a traceability system which would allow industry stakeholders to source compliant cotton from fields to spinning mills;

4) Build up a dialogue with all industry stakeholders (the government, the private sector, and the NGOs) to ensure that solutions piloted under the IFC project will be scalable at the country level.

During the last 2 years, Uzbekistan has been undergoing significant changes on multiple fronts which allow the Project to have a larger transformational impact. For example, the Government of Uzbekistan’s strategy to transform and modernize the cotton industry through private sector involvement is being implemented with the planned move of over 500,000 ha to the private sector in 2019. There is also broad recognition that the Government of Uzbekistan has publicly committed to tackle forced labor, including allowing Uzbek media and human rights activists to cover the issue. Most recently, in February 2019 the Government of Uzbekistan has committed to intensify direct dialogue with the Cotton Campaign coalition to accelerate the progress of reform.

These are all encouraging steps in the right direction towards transforming the cotton sector, but every systemic change naturally takes time and requires a comprehensive approach at multiple levels, from the policy environment down to individual mindset change. Voluntary certification, such as offered by BCI, can play an important role in this process by supporting and recognizing the emerging private sector in the cotton industry as it adapts international best practices for environmental and social aspects of cotton production in Uzbekistan.

Based on hands-on work with and monitoring of 10 pilot farms in 2017 and 105 pilot farms in 2018, presented in detail in this report, IFC proposes the following topics for discussion at the Project Consultative Council on February 28, 2019:

1. A recommendation to formally invite BCI to engage more deeply with the project in Uzbekistan;

2. A recommendation to continue building the foundation for a credible and scalable system for Better Cotton in Uzbekistan that meets the requirements of the BCI principles and criteria, with cotton producers that operate outside of the government procurement plan since producers need to have autonomy to make decisions with respect to their operations.

3. Development of a roadmap to ensure the Better Cotton Standard System (BCSS) can be implemented in its entirety in Uzbekistan;
4. The plan for scaling up of climate-smart and environmentally sustainable agronomic cotton growing practices, successfully proven through the Project trial program in 2018, to other cotton producers;

5. Recommendations for the Project to enhance its Decent Work activities in the following ways:
   - Empowering workers and farmers to negotiate working conditions and resolve disputes;
   - Further strengthening capacity building and training activities focused on Decent Work practices which include temporary seasonal labor in addition to regular farm workers;
   - Introducing grievance mechanisms for complaints at the Project and farm levels and ensuring the appropriate training on how to use them.
BACKGROUND

Uzbekistan is the world’s sixth largest producer of cotton after China, India, the US, Pakistan and Brazil, producing around 1 mln MT of cotton per annum on around 1 mln ha of arable irrigated lands and it is the world’s fifth largest exporter of cotton after the US, India, Brazil and Australia.

25% of the total arable land in the country (around 1 mln ha out of 4.5 mln ha) is dedicated for cotton production on an annual basis.

Taking into account the need for crop rotation, another 1 mln ha is used to grow winter wheat, a crop which can be used in rotation with cotton. As wheat is harvested early, at the end of June-early July, this allows farmers to plant and harvest a second crop (mungbean) after wheat in the same year.

So, in total, around **50% of the arable land** is used for an annual production of around 1 mln tons of cotton fiber and 6 mln tons of wheat.

The government considers both crops to be highly important products for the country as cotton (fiber, yarn and textiles) accounts for **17% of export revenues** (around $1.8 bln in 2015) and wheat is important from the point of view of national food security.

For this reason, even after Uzbekistan became independent following the collapse of Soviet Union, the government of Uzbekistan continued to run the government planned, funded and managed system of cotton and wheat production.

As a result, due to limited investments in the modernization and technological upgrading of the industry, the productivity of the cotton crop deteriorated from an average 3 t/ha to around 2 t/ha while other countries, like Australia, have reached yield increases up to 6-8 t/ha of seed cotton.

Furthermore, due to outdated technologies and crop growing practices, the government has not succeeded in fully mechanizing its cotton harvest, which has resulted in the continued need to mobilize people in order to pick the cotton manually in 3-4 passes\(^1\) during the period of September – November each year.

As the mobilization of pickers was not organized on a voluntary basis, eight years ago the Responsible Sourcing Network initiated the **Company Pledge Against Forced Labor in the Cotton Sector of Uzbekistan** which has been signed by 311 brands and apparel companies to date. As a result, Uzbek cotton and cotton products have been losing their markets and currently this pledge is creating economic pressure on the government to transform and privatize cotton production.

The mission of IFC, a member of the World Bank Group, is to support economic growth in developing countries through sustainable private sector development.

In order to achieve systemic changes in the cotton industry of Uzbekistan, one of the crucial success factors is the proper involvement and capacity building of the private sector on how to operate in a market economy.

In 2016, IFC has therefore designed an advisory program on **Sustainable Cotton Supply Chain Development in Uzbekistan** which was launched in January 2017.

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\(^1\) A cotton picking “pass” is the harvesting of mature cotton bolls. Best practice foresees achieving maturity of 95% of the bolls at the same time and harvesting the cotton in one pass. In Uzbekistan cotton is being picked in several passes due to outdated crop growing techniques under which around 50% of cotton is harvested during the 1st pass, around 30% during the 2nd pass and the rest is harvested during the subsequent 3rd or 4th passes.
PROJECT GOAL AND OBJECTIVES

The Project goal is to engage with the private sector with the aim of creating market-driven solutions which would help facilitate the transformation of the cotton industry in Uzbekistan. Through this Project, IFC aims to achieve the following:

1. Create practical and scalable examples of profitable sustainable cotton production and harvesting without the use of forced labor;
2. Develop and test a credible methodology for implementing a sustainable cotton standard system based on the Better Cotton Initiative (BCI) principles (see Annex 6) in Uzbekistan. The aim is to have BCI approve Uzbekistan as a country in which it can license farms producing Better Cotton;
3. Develop and implement a traceability system which would allow industry stakeholders to trace and source compliant cotton from fields to spinning mills;
4. Build up a dialogue with all industry stakeholders (the government, the private sector, and the NGOs) to ensure that solutions piloted under the IFC project will be scalable at the country level.

Introducing Better Cotton licensing into Uzbekistan would allow the Uzbek cotton industry to differentiate cotton produced under international standards and to demonstrate the market benefits to other producers. BCI has provided IFC with the list of pre-requisites to BCI engagement before any formal in-country engagement plan could be envisaged, which are included below:

a. Transparency on the nature of the engagement, the results of monitoring ‘audits’, free access to journalists and/or NGOs who wish to visit /discuss/critique the program;
b. Independent 3rd party verification by a party, such as SGS, on all aspects of the program;
c. Multi-stakeholder participation including a reputable civil society organization as a social monitoring expert in the project areas;
d. Funding: All BCI and Implementing Partner expenses for the initial years of the program will be covered by sources other than BCI’s membership;
e. Full implementation of the BCI program: specifically including the prohibition of Child and Forced Labor, as well as the right to Freedom of Association for participating farmers and laborers;
f. Formal invitation from the government of Uzbekistan, including acceptance of the pre-requisites.

The BCI definition of Transparency is as follows:
1. Full public disclosure of nature/scope of projects;
2. Full public disclosure of objectives and results of the program, with independent verification;
3. Access to BCI field projects by stakeholders and/or journalists:
   1. to specific periods, e.g., planting or harvesting (so as not to disrupt farmers or managers unreasonably
   2. in number, e.g., a group of 7 (‘reasonable’ size constraint)
4. Access to workers / managers (using ‘reasonable’ constraint so as not to materially disrupt work priorities, or impose on their privacy); and

On December 19, 2017, IFC signed a cooperation agreement with the government of Uzbekistan, represented by the Ministry of Agriculture and Water Resources, the Ministry of Labor, Uzpakhtasanoat\(^2\) and the Federation of Trade Unions.

Under this Agreement the parties agreed to cooperate on the development and implementation of BCI compliant sustainable cotton production practices in Uzbekistan from December 2017 until December 2022.

\(^2\)Joint - Stock Company “Uzpakhtasanoat” is a state-owned company, organized and existing under the law of the Republic of Uzbekistan and engaged in the collection, processing and sale of cotton fiber. Until 2018, the company owned all of the cotton collection points, gins and terminals in Uzbekistan. See more at https://uzpaxta.uz/en
PROJECT RESULTS 2017

In 2017, with the support of an international cotton agronomist from the US, the IFC Project conducted a diagnostic of the cotton growing and harvesting practices and identified improvement opportunities aiming to improve the sustainability of the system, to increase crop yields and quality and to reduce the cost per ton.

The Project team, consisting of local and international specialists, developed and piloted the implementation of the sustainable cotton standards system with 10 pilot farms, organized into four producer units (PUs) in two regions, Fergana and Jizzakh.

These 10 pilot farms were chosen by the IFC team jointly with Uzpakhtasanoat. Through its partnership with the Federation of Trade Unions (FTUU), IFC has selected representatives at the national, province and district levels, who then provided support to the Project on the implementation of the Decent Work Principle (see Annex 7).

The Project has also tested BCI’s assurance methodology in Uzbekistan. This included a PU self-assessment, a second party check by an independent BCI consultant and a third-party verification by a BCI accredited company, Scientific Certification Systems (SCS) Global Services.

Based on the results of 2017, all of the PUs and farms were compliant with minimum BCI requirements (described on page 9) on the days audited.

Nevertheless, the third-party independent verifier recommended that additional monitoring for forced labor is done on the pilot farms during the entire cotton harvesting season:

“Due to the risk of forced labor occurring with workers hired through the Farmer’s Association or Mahalla, it is recommended for the program that additional monitoring by NGO partners of work teams at the project farms be carried out in addition to the BCI verification.

BCI verifications would be done on a specific day during the year. At that time, it would only be possible to interview 1 work team, whereas farms may employ as many as 4-5 different harvest work teams in a season.

Furthermore, monitoring reports have shown that forced labor may occur also for other types of work on the farm (e.g., weeding4). “

The Project initiated then in-depth dialogues and consultations with industry stakeholders, the government, the private sector, international NGOs and local activists as well as with various international organizations.

This activity was initiated to meet BCI’s prerequisite of multi-stakeholder participation in the Project. In autumn 2017, the Project also initiated a dialogue with some of the Cotton Campaign members, including Responsible Sourcing Network and Uzbek German Forum (UGF).

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3 https://www.scsglobalservices.com/
PROJECT RESULTS 2018

IFC operationalized the Project Consultative Council at an Inaugural Meeting on May 15th, 2018 with representatives of 35 organizations and cotton industry stakeholders (see Annex 1). The main role of the Council members is to provide guidance and feedback on the Project’s methodology and implementation (see the TOR for the Consultative Council in Annex 2).

At the inaugural meeting, three main topics were reviewed:

1) An overview of the Project (past and future activities)
2) The role of stakeholders in the Project (a review of the Terms of Reference for the Consultative Council members)
3) Methodologies for implementing the Project

The key outcomes communicated after the Council meeting were the following:

1) BCI will not start a project in Uzbekistan until the Consultative Council and the Cotton Campaign will have endorsed the Project’s implementation methodology and an Uzbek-specific assurance system of the Better Cotton Standard System version 2.0 (BCSS)
2) The need to establish a Decent Work Working Group (DWWG)

An overview of the minutes was circulated to the participants of the First Project Consultative Council Meeting and was made available to the public (Annex 3).

In 2018 the implementation of the Sustainable Cotton Standard System (SCSS) was scaled up to 105 pilot farms, with the new farms being added to the same four producer units.

Figure 1 shows the structure which was used to organize farmers into Producer Units (PUs) for the implementation of the SCSS.

*Figure 1. The SCSS System: Organizational Structure.*

![Organizational Structure Diagram]
The Project has worked with the pilot farms on implementing BCI Principles 1-3 and 5-7 listed below using training, coaching, and training-of-trainer methods:

- **Principle 1**: BCI farmers minimize the harmful impact of crop protection practices
- **Principle 2**: BCI farmers promote water stewardship
- **Principle 3**: BCI farmers care for the health of the soil
- **Principle 4**: BCI farmers enhance biodiversity and use land responsibly
- **Principle 5**: BCI farmers care for and preserve fiber quality
- **Principle 6**: BCI farmers promote Decent Work
- **Principle 7**: BCI farmers operate an effective management system

The scope of work and the implementation plan for Principle 4 are under development.

Figure 2, below, summarizes the Project’s training and educational activities related to the implementation of BCI’s principles that took place in 2017-2018.

*Figure 2. A summary of the results of the Project’s educational activities related to the implementation of BCI’s principles.*
Furthermore, the Project implemented a trial program with 9 pilot farms which joined the Project in 2017. The description of the trials and the expected outcomes are presented on the Figure 3.

Through its 2018 trial program with 9 pilot farms, the Project has verified the following improvement opportunities in cotton production, identified during the diagnostic in 2017:

1) Transiting to minimum tillage with a proper residue management system helps to reduce costs, increase yields and to improve soil fertility;

2) Improving the precision of planting helps to reduce expenses and to eliminate the need for thinning;

3) Improving nutrient management helps to boost yields;

4) Introducing an integrated pest management system helps to optimize costs and reduce yield losses due to diseases, insects and weeds;

5) With access to proper inputs 95% of cotton can be harvested by a combine in 1 pass.

Figure 3. The description of trials with 9 pilot farms.

<table>
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<tr>
<th>PRINCIPLE</th>
<th>TRIAL DESCRIPTION</th>
<th>OUTCOME</th>
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| Principle 1. Integrated Pest Management | Mechanizing weed management by using herbicide applications  
Planting delinted seeds with additional seed treatment against diseases | Reduced negative impact of mechanical de-weeding on soil and crop yields  
Improved crop health |
| Principle 2. Water Stewardship    | Improved irrigation management practices using soil sensors and water flow meters  | Increased cotton harvest per 1 liter of water  
Revert currently used intensive tillage techniques to conservational tillage |
| Principle 3. Soil Health          | Reduced tillage to improve soil structure                                          | Achieve 100% of cotton to be picked during the 1-st and 2-nd pickings  
Eliminated manual thinning and harvesting |
| Principle 5. Fiber quality        | Improved defoliation practices (using Drop) and boom sprayers                    |                                                                 |
| Principle 6. Decent Work          | Implement mechanical harvesting on the pilot farms in Jizzakh region  
Precision planting |                                                                 |

Taking into account the context of Uzbekistan, the Project has created additional resources for the implementation of Principle 6, Decent Work (see Annex 7).

If, in other countries, the implementation of this principle is done by the field facilitators trained on all 8 Principles, in case of Uzbekistan, IFC has decided to dedicate an additional team of specialists to implementing this component.

Selected representatives from the Federation of Trade Unions were trained and were engaged by the Project as Decent Work coordinators.

The Component was implemented in 6 steps as described below:
i. The team conducted a comparative analysis of national legislation, local recruiting, and labor and working condition practices against BCI’s principle on “Decent Work”. Based on the Project’s assessment, all BCI principles are reflected in Uzbekistan’s legislation.

ii. The Project conducted a gap analysis of the pilot farms against BCI’s principles. The team has reviewed the pilot farms’ existing documentations related to labor and HR management and has assessed them against BCI Decent Work requirements. Based on the gaps identified, the Project has designed 17 templates of the documents and policies on human resource management, recruitment and health and safety, which were implemented by the farms.

iii. Based on the Project’s gap analysis, the pilot farmers’ awareness of national legislation and Decent Work was very low. To address this issue, the team has designed training and educational materials and conducted extensive educational and training program for farmers, for their permanent and seasonal workers, and for cotton pickers.

iv. The Project team has delivered a Training-of-Trainers program to the 7 FTUU representatives who then trained and supported, with the PUs, farmers on the implementation of the 22 criteria of the Decent Work Principle.

v. The Project team conducted meetings and reached agreements with regional and district authorities on implementing “Decent Work” principles. Cooperation agreements have been signed with the district mayors, based on which the local authorities provided support to the Project on organizing venues for training sessions; on facilitating the participation of the project farms in the trainings by excusing them on an “as needed basis” from local meetings held by the mayor’s office and on forming brigades from the unemployed local population and creating lists of cotton pickers for cotton harvesting on the pilot farms.

vi. Training and awareness program. In total the team has delivered 213 trainings to 5,612 individuals as of the end of December 2018. The details about the training topics and the trained people are provided on the Figure 4.

Figure 4. A summary of the Project’s Decent Work Training Program.

- Farm HR management
- Informing farm workers about the recruitment and farm documentation
- Explaining the role of trade unions for farmers to them
- Training on labor protection and industrial safety

Overall, the total number of trainings conducted reached 18 with 438 participants, including farmers, agronomists, cotton gin coordinators, and FTU coordinators.

Training for permanent and seasonal workers
- 100 trainings
- Including trained permanent and seasonal workers: 1,044

Training for cotton pickers
- 95 trainings
- Total number of trained cotton pickers: 4,130
Activities related to organizing and ensuring the availability of voluntary cotton pickers on the pilot farms included the following:

- The Project has developed and implemented the following documentation related to contracting picker brigades: a civil law contract, a brigade contract and the procedures as well as a template of the minutes for the meetings to be held on electing cotton pickers’ team leaders.

- The Project team worked with the local authorities listed below to create lists of cotton pickers made up of unemployed people for cotton harvesting on Project farms. The following government representatives supported this work:
  1. The Deputy Mayor on Women’s Issues;
  2. The Chairman of the local committee;
  3. The Director of the employment promotion center;
  4. The Head of the regional tax inspection.

- “Decent Work” posters specifying the hotlines of the FTUU and the Ministry of Labor have been posted at each Project farm;

- Daily cross-check reviews of the cotton harvest on the Project farms were conducted based on the following 4 sources of information:
  5. The mayor reports;
  6. The regional FTUU coordinator’s reports;
  7. On-site reports (spot checks by the Project team);
  8. Farmer informational sheets (farmer interviews).

THE ASSURANCE METHODOLOGY IMPLEMENTED IN 2018 AND ITS RESULTS

In 2018, the Project implemented the standard BCI three-step assurance methodology on the 105 pilot farms which included an internal assurance system, a second party check by two individual consultants and a third-party verification by SCS, an international auditing firm.

In addition, and in accordance with the recommendations of SCS from 2017 which were discussed at the first Project Consultative Council in May 2018, the Project added an additional independent monitor. This fourth step was to provide more robust and unannounced monitoring on the ground during the harvesting season, as well as interviews after harvesting ended, to complement the standard BCI methodology.

For the fourth step, IFC contracted the Uzbek German Forum (UGF) to conduct this additional independent monitoring of the 105 pilot farms to determine their compliance with BCI’s Decent Work requirements, specifically, the requirement of the absence of forced labor.

In sum, the assurance methodology implemented in 2018 included the following activities:

1) Internal Assurance
   - On-farm learning workshops;
   - Field trials for assessing improvement practices;
   - Farmer internal assessment;
   - PU self-assessment online survey;
   - Monitoring during harvesting (reported in the Decent Work component)

2) Second Party Credibility Checks on all 105 pilot farms by external independent BCI consultants on an announced basis, July-September 2018;
3) Third Party Verification on 12 farms by an independent, accredited by BCI, third party verifier, SCS, on a semi-announced basis, during the weeks of October 22 and 29, 2018;

4) Independent NGO monitoring on all 105 pilot farms by UGF during the cotton harvesting season, on an unannounced basis, between mid-August and December 2018 to include post-harvest interviews.

**Internal assurance results**

Based on the results of the PU self-assessment online survey submitted to BCI in emulation mode, the pilot PUs obtained the performance band “Master Level” which qualified all of the PUs with their 105 pilot farms to proceed with the second party check.

**Second party check results**

The Project contracted 2 independent BCI consultants who conducted the second party check on all of the 105 pilot farms during the period of July-September 2018. Figure 5 explains when and how the second party check was conducted.

Furthermore, within the framework of the second party checks, the consultants met and interviewed service providers and the parties involved in the process during cotton production and harvest listed below to evaluate the compliance of the system with BCI’s requirements:

4. UzAgroKhimiya, to evaluate and discuss its services provided to farmers on crop protection and fertilizer application

5. The Water Users Association, to evaluate their services and the support provided to farmers on water measurements, irrigation water supply, irrigation plans, water quality, and on facilitating collaboration among farmers;

6. The Machine Tractor Parks, to evaluate their services provided to farmers, precision technology equipment types, and health and safety measures

7. Farmer Associations, to evaluate their services provided to farmers and how they represent farmers’ interests;

8. Agro Bank, to evaluate on what terms and conditions the banks provides state subsidized loans to farmers and how the labor payments are organized;

9. The Trade Union, to evaluate its role and support, and the services provided to farmer employees and seasonal workers.
Based on the results of the Second Party Check, 4 External Assessment Reports covering all PUs were submitted to BCI in an emulative mode.

Based on the results of the second party check, the PUs in Fergana were compliant (93%) or compliant with observation (6%) with 99% of BCI’s indicators in total and the PUs in Jizzakh were compliant (73-74%) or compliant with observation (23-25%) with 96-99% of BCI’s indicators in total.

Based on BCI’s assurance methodology, a PU would have to be compliant and/or compliant with observations with a minimum of 80% of BCI’s criteria to qualify to proceed with the next step, which is third party verification.

It is important to note that in 2018 BCI launched an enhanced updated version of the BCSS standard and the second-party consultants evaluated the compliance of the PUs with the core transition indicators which will come into force in 2019.

As illustrated on Figures 6-9 below, the PUs were largely not compliant with the core transition indicators but, in 2018, the implementation of the activities required under the transition indicators was not the focus of the Project.

The second-party consultants have also provided recommendations to the Project on further strengthening its capacity-building program and on further strengthening its continuous improvement plans.
Figures 6-9: The results of Second Party Check of the compliance of with the core of BCI indicators.

**Figure 6. Uchkuprik PU,**

![Graph showing the results of the Second Party Check for Uchkuprik PU.](image)

**Figure 7. Oltyaryk PU, Fergana region**

![Graph showing the results of the Second Party Check for Oltyaryk PU.](image)

**Figure 8. Dustlik PU, Jizzakh region**

![Graph showing the results of the Second Party Check for Dustlik PU.](image)

**Figure 9. Pakhtakor PU, Jizzakh region**

![Graph showing the results of the Second Party Check for Pakhtakor PU.](image)
Third party verification results

The assessment visits were conducted by Scientific Certification Systems (SCS) in the weeks of October 22 and 29, 2018 to evaluate compliance of the 4 Producer Units (PU), including a total of 12 farms, against the Better Cotton Initiative Production Principles and Criteria. In addition, visits to assess the Better Cotton chain of custody requirements were made to 4 gins (Oltyaryk; Kukandsay; Pakhtakor; Dustlik), 2 terminals (Fergana; Jizzakh) and 1 spinner (Fergana).

SCS conducted the third-party verification using the standard BCI methodology for medium sized farms with a few enhancements. This methodology foresees a group licensing of farms with a cotton acreage below 200 ha, organized in Producer Units (PUs) with up to 100 farms per 1 PU.

PU and Farm Sample Selection.

According to BCI program guidance, the typical sample for the 3rd party verification check is the square root of all PUs within a country. Because there are 4 PUs currently in Uzbekistan, the normal program guidance would require that 2 PUs would receive a 3rd party check.

The assessments in 2018 included 3rd party visits to all of the PUs in the Project as a conservative approach, following the program guidance to include 3 farms per PU.

Farms were selected to ensure balanced representation geographically and by size (ha). In addition, a key priority for farms was to identify those that were still in the process of harvesting.

Therefore, farms were selected based on a summary list of harvest status of the farms in the PU and the % completion of their quota, as well as on discussions with the PU.

The farms selected for the visit were not communicated to the PU until the opening meeting with the PU during the assessment. The farms were selected based on their size and harvesting status, and then discussed with the PU at the time of the opening meeting.

Generally, all of the PUs and the farms were accommodating to the visit, despite the fact that the farms had no prior knowledge of a visit before the onsite opening meeting at the PU.

The 12 farms audited by SCS were in the group of 105 pilot farms which were visited during the Second Party Check and monitored by UGF. The approach used by SCS on selecting farms to be visited by the verifiers is described on the Figure 10 below.

*Figure 10. The logic and methodology of selecting the farms which were visited by the verifiers.*
RECOMMENDATION:

Future assessments should continue to rely on a semi-unannounced approach of identifying the farms as close as possible to the actual time of the assessment, while ensuring that a representative sample of farms (e.g., by size, location) are selected.

Timing. The visits to cotton farms were conducted during the week of October 22nd in Fergana and the week of October 29th in Jizzakh. Although the cotton harvest was still ongoing, the farms were generally in the 2nd or 3rd round of picking. Farms in Fergana had mostly completed the 1st round of picking and had recently irrigated their cotton fields for the wheat crop, which had already been planted.

Multiple farms indicated that they were waiting for the field to dry before beginning additional harvest activities. In addition, during the week of the visit to Jizzakh, the region experienced rainy and wet conditions, and, therefore, there was no harvesting to observe. As a result, temporary harvest workers were generally not present on the fields during the assessment period.

RECOMMENDATION:

Future cotton assessments should occur during the 1st round of picking to ensure that temporary harvest workers are on the farm and available for interviews.

BCI Requirements – Applicability.

The BCI principles and criteria were updated in 2018, with many new indicators – considered as “transition” indicators to come into effect in 2019. For the purposes of the SCS assessment, all requirements were assessed, including core indicators, transition indicators, and improvement indicators. Improvement indicators are typically not assessed by 3rd party verification but were assessed in 2018 to provide a complete and thorough review against the BCI program.

RECOMMENDATION:

As the program develops in Uzbekistan it will eventually not be necessary for the verification of all indicators, but it will be possible to complete the verification against the normal scope of indicators. However, prior to acceptance of the BCI system, it may be advisable to conduct a more thorough assessment to allow relevant stakeholders to fully review supply chain performance against the BCI principles and criteria.

BCI Requirements – Systemic vs. Incidental Nonconformance Evaluation.

Five indicators were evaluated as Not Comply for all PUs – including

6. 6.4.2 (system to detect/remediate discrimination);
7. 6.20.1 (disciplinary policy);
8. 7.1.1. (continuous improvement plan);
9. 7.2.3. (training data); and,
10. 7.4.1. (risk assessment and corrective actions).

One additional indicator was evaluated as Not Comply at two PUs (7.2.4. -assessment of training practices).

For these six requirements, information based on interviews with farmers, PU staff, and workers indicated generally limited awareness of the requirements and measures in place to address the requirement.

However, the Project demonstrated efforts to address the requirements through their work with additional partners (e.g., the trade union, consultants) as well as other measures (e.g., the creation of documents or records).
While the non-conformity was assessed across all of the farms visited, these indicators were evaluated as *incidental* non-conformities (as opposed to systemic non-conformity) due to the fact that it did appear that the systems were in place as created by the Project but there were lapses in implementation to the point that the PU staff or farmers were not fully aware of the systems in place.

As a result of this approach, there were no systemic non-conformities reported in the SCS assessment. As per BCI program guidance, the distinction between incidental and systemic non-conformities is summarized on Figure 11 below (from the BCI Assurance Programme Document, January 2018).

*Figure 11. BCI’s assurance guidelines regarding incidental and systemic non-conformities*

<table>
<thead>
<tr>
<th>Incidental non-conformity is defined as:</th>
<th>Systematic non-conformity is defined as:</th>
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<td>• Non-conformity on a Core Indicator is observed as an isolated event, limited in temporal and spatial scale, and 2) Producer Unit has provided sufficient evidence that the Internal Management System (IMS) should prevent such practices</td>
<td>• Corroborative evidence demonstrates that a Core Indicator is not respected, and • Producer Unit cannot provide sufficient evidence that the Internal Management System (IMS) prevents such practices</td>
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**Consequences:**

*The Producer Unit has 6 months to implement corrective actions to prevent the identified non-conformity from re-occurring in future.*

*The BCI Secretariat is responsible for validating the implementation of corrective actions, either through the evaluation of submitted evidence, or by ensuring a follow up External Assessment is conducted the following season.*

*Failure to remediate the incidental non-conformity in the given timeline results in cancellation of the license.*

**Consequences:**

*The Producer Unit is denied a license. If the systematic non-conformity is identified during an active license period, the Producer Unit’s license is cancelled immediately.*

*In both cases, the Producer Unit may re-apply for licensing the following season and will be subject to a mandatory External Assessment.*

*For Larger Farms, there is no distinction between incidental and systemic non-conformities. Any non-conformity with a Core Indicator will lead to a license cancellation or denial for a Large Farm*
A summary of the performance of all four PUs reviewed for the 2018 assessment according to Better Cotton Principles is provided below.

As general evaluations indicate, the PUs showed the highest compliance with the principles of Crop Protection and Fiber Quality, and lowest compliance with the Soil Management indicators.

Figure 12. Sum of the assessment evaluations for all four PUs visited.

The summary includes both current core indicators as well as transition indicators. The transition indicators will not be formally evaluated in the Better Cotton Program until March 2019. Below are more details on the SCS assessment results on the Decent Work Principle in 2018.

SUMMARY.

Evidence was observed at the farms of many efforts related to implementing aspects of the Decent Work section. Most of the farms observed were using the documentation, such as the contract templates and the payroll records. In addition, the farms had posted signs to promote aspects of Decent Work and had made use of summary documents drafted by the labor union on aspects of Decent Work. The Labor Union representatives reported having conducted trainings with many harvest workers on the topic of Decent Work.
While no specific evidence was observed on the farms of forced labor, it was not possible to fully verify due to the later timing of the visit when few harvest workers were present. Human rights activists reported that, in 2018, forced labor continued in the regions where the Project farms are located and these discussions were corroborated by other sources.6

**Figure 13. The summary of the evaluation of four PUs.**

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**RECOMMENDATIONS.**

Many farms were found to be using relevant documentation provided by the Project, such as contracts or payroll documents. However, some minor lapses were observed that not all contracts were available, or records of working hours were not accurate (e.g., had been completed in advance before the actual date of the work).

Also, challenges remain in identifying the actual payment amounts for the seasonal/task-based workers whose payment is determined by task and number of hectares, and the form of payment could be made in cash, wheat, straw, or use of land. Therefore, continued implementation and training related use of contracts and other payroll documents appears to be warranted.

Although SCS has not observed the results of NGO monitoring activities on project farms, it continued to recommend that ongoing independent monitoring in addition to the standard assurance methodology takes place due to the continued risk of forced labor in the supply chain.

Finally, although the BCI program does not include specific indicators related to migrant worker housing, additional understanding of the housing conditions for seasonal cotton harvest workers could be considered. There were reports during the 2018 harvest of housing for migrant workers that may have been inadequate (e.g., in train cars in Dustlik and Jizzakh).

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Independent monitoring of Decent Work

For the fourth level of assurance assessment, IFC contracted the organization Uzbek German Forum (UGF) in August 2018. UGF was tasked with conducting independent and unannounced monitoring of the 105 pilot farms throughout the harvesting season to determine their compliance with BCI’s Decent Work requirements, specifically, the requirement of the absence of forced labor.

UGF’s second task was to provide recommendations to IFC on adjusting the methodology of the implementation of the sustainable cotton standard system in Uzbekistan based on their monitoring results with the 105 pilot farms.

UGF conducted independent monitoring of all 105 pilot farms from late August through mid-December 2018 to determine whether the farms were compliant with the core Decent Work requirement to use only voluntary labor.

The monitors, who were not publicly known, conducted at least two unannounced visits to each pilot farm, once during the first pass and at least once during the second and/or third passes, and interviewed farmers, farm workers, and seasonal pickers. They also conducted interviews with residents and employees of public and private sector organizations in the surrounding communities.

Monitors conducted follow-up visits and interviews as necessary to double check or corroborate information. The central objective of the monitoring was to determine whether forced labor was used at any stage on Project farms.

The analysis shows that the majority of Project farms (63 out of 105 or 60%) were compliant throughout the first pass, when cotton is most abundant, the earning potential is high, and the weather conditions are generally good. However, the incidence of forced labor rose sharply after the first pass.

Overall, the monitoring determined that, at the end of the cotton harvesting season, 86.7% (91 of 105) of the pilot farms were non-compliant, meaning that presence of systemic forced labor was observed on their fields at least once during the entire harvesting season. It is relevant to note that even one case of systemic forced labor is sufficient to disqualify a farm from BCI compliance. 12.4% (13 of 105) were fully compliant with BCI’s decent labor requirements during the entire season. One farm dropped out of the Project during the season.

Figure 14. Forced labor observed across all pilot farms by picking passes:
There were some important differences between the two Project regions, Jizzakh and Fergana. In Fergana, which is relatively populous, nearly all Project farms were compliant through the first pass—just one of 54 participating farms used systemic forced labor during the first pass. As the season progressed, however, only 11 of 54 participating Project farms remained fully compliant.

On the other hand, as a region with a relatively low population, Jizzakh received thousands of pickers from other regions from the beginning of the harvest. Some of these were voluntary pickers, some were hired as replacement pickers for people who were forced but chose to pay for replacements, and some were forcibly mobilized, usually by their employers.

Local officials allocated these pickers among the area farms, including the Project farms, rendering some Project farms non-compliant from the first pass. By the end of the season, voluntary labor had all but disappeared in Jizzakh and only forced pickers remained in the fields. Just two of 50 Project farms, both in Dustlik, avoided forced labor and were compliant.

As noted earlier, it is important to put these numbers in perspective to understand the magnitude of the forced labor observed since even one case of systemic forced labor is sufficient to disqualify a farm from BCI compliance. Notably, one labor brigade can also service multiple farms.

When the Project analyzed the data on one of the PUs in Fergana more in depth, the total number of workers, including permanent and seasonal workers, was 2,233, while the number of involuntarily mobilized pickers was approximately an additional 470 - or 17% of all cotton pickers involved on that PU during the season. The percentage was found to be higher in a similar analysis of a PU in Jizzakh where labor is scarce. In that PU, the voluntary workers numbered 835 while the involuntarily mobilized labor was around 1,790, or 68% of all cotton pickers involved during the season.

\[\text{Figure 15. Forced labor on Project farms by Producer Unit and picking pass:}\]

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6 The data collected by the Project in the course of implementing the Sustainable Cotton Standard System with the pilot farms.
In both Jizzakh and Fergana regions, voluntary pickers included:

1. Farm workers and members of their families who regularly perform seasonal work for the farm in exchange for use of plots of land, in-kind payments of grain, other food products, hay and fuel (cotton stalks), and money;
2. Local pickers, mainly women, who live near the farms and regularly pick cotton for money, sometimes mobilized or organized by their mahallas; these are among the most productive and motivated pickers; and
3. Unemployed people.

Some people, forcibly required to pick cotton by their employers and businesses (which were required to send their employees to the fields), paid for replacement pickers instead. Although the replacement pickers themselves worked voluntarily, UGF considered the presence of these replacement pickers as forced labor because the people who hired them suffered a penalty (having to pay for a replacement) for refusing to pick cotton. UGF has found that unemployed pickers preferred to be hired as replacement pickers because they received a daily replacement fee in addition to payment for the cotton picked. Replacement pickers were identified on 27 pilot farms.

In Jizzakh, involuntary pickers were generally employees of large enterprises, banks, public sector organizations not from the health and educational sectors, employees of businesses or replacements hired by them, and military conscripts. In Fergana, involuntary pickers were generally public sector employees including from the health and educational sectors, banks, and employees of businesses or replacement workers paid for by them.

In summary, only a small number of pilot farms used exclusively voluntary labor to pick cotton in 2018. Most farms in all Producer Units had a combination of voluntary and forced labor, with important differences between the PUs in Jizzakh and Fergana.

An analysis of the monitoring results shows that there were major structural impediments to implementing the Project without forced labor. They are:

1) **The quota system is a major driver of forced labor.** Regional and local officials are under immense pressure, including from the central government, to meet their harvest quotas. Officials who failed to meet their quotas faced serious

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7 In addition, monitors interviewed owners and employees of numerous small businesses in Dustlik and Pakhtakor who said they were required to provide a specific number of employees or pay for replacement workers at a cost of 20,000-25,000 soum per day per employee.
consequences, including dismissal. In turn, they pressure farmers to pick as quickly as possible and extort money and labor from organizations and businesses.

- **Recruitment practices for cotton picking remain problematic.** Monitoring results clearly documented that local officials interfered in labor assignments. Some farmers also appeared to lack enough knowledge or infrastructure to recruit sufficient pickers, especially late in the season. Other farmers did not have recruitment plans in place in mid-September, even though they planned to start harvesting soon. A few farmers indicated that they knew local authorities would assign them pickers.

**RECOMMENDATIONS TO THE PROJECT ON ITS IMPLEMENTATION METHODOLOGY**

The below recommendations from UGF’s 2018 monitoring of the Project farms suggest that the way forward includes changes to the Project design and assurance methodology that, taken together, can help Project farms better comply with BCI’s requirements.

1) **Select farms who can operate outside of the government quota system**

   It is impossible for the farms participating in the government production system, where decisions are made by officials and farmers are directly supervised by law enforcement, to be truly compliant with BCI’s requirements in their entirety and achieve BCI’s intent within the context of Uzbekistan’s local conditions.

   Given the activity of local authorities in organizing and allocating picking brigades among all farms, including Project farms, despite prior commitments from officials, preventing forced labor on Project farms will require that the Project farms not fall within the centrally-imposed quota system.

   Project farms should be removed from the pressures of the government system and steps should be taken to ensure that any contracts they enter into, whether with the government or with private entities, are fair, realistic, and negotiated.

2) **Enable the opportunity of all workers and farmers to form and join associations voluntarily as per the principles of Freedom of Association**

   First, Project farmers should be exempted from mandatory membership in the Farmer’s Council. The Farmers’ Council is ostensibly a farmers’ association that acts on behalf of its members but in reality the head of the Council is appointed by the government, not elected from the Council’s members. Membership in the Farmers’ Council is mandatory for farmers, and they must also pay dues.

   The Council is empowered to decide if farmers have not fulfilled their duties or have made inappropriate use of their land, including by not meeting their quotas for cotton or wheat. Farmers do not have recourse to appeal these decisions. If the Council decides that a farmer has not fulfilled his duties or has not used his land appropriately, it may exclude the farmer from the Council, a decision that also cannot be appealed.

   Since membership in the Council is mandatory, once a farmer has been excluded from the Council, the Council can make a recommendation to the hokimiat (district or provincial government) that his land be confiscated because he is no longer a member.
This scheme makes decisions about land confiscation less transparent and nearly impossible for farmers to appeal.

Second, ensuring compliance with BCI standards lies in empowering farmers to ensure they are able to fulfill the Project’s requirements. Increased autonomy for farmers and the protection of their rights will also help safeguard against their exploitation by private sector actors. Key elements include:

- Security of land tenure- farmers should not have their land (or possessions) repossessed punitively, arbitrarily, or without a fair process (see above, re: the role of the Farmers’ Council);
- Farmers should have the ability to negotiate contract amounts and market price for selling their cotton;
- Farmers should have the ability to recruit and hire labor, including temporary seasonal labor, without interference;
- Farmers have access to the necessary inputs at market prices;
- Farmers can make decisions about land use, and agricultural practices;
- Farmers have the freedom to decide if they want to work in the cluster system and with which cluster they want to work on the basis of transparency and competition.

All farm workers, including temporary harvest pickers, should also be enabled to form and join associations voluntarily. The BCSS Indicator 6.11 states that workers need to have the right to establish and join organizations of their own choosing, and to draw up their own constitutions and rules, elect representatives, formulate programs, and bargain collectively. Therefore, any association farm workers choose to formulate or join should be in a position to negotiate wages and working conditions on the workers’ behalf.

3) Introduce grievance mechanisms

Design and implement a Project-level grievance mechanism that can provide remedies and ensure the security of complainants as a matter of priority; ensure that any such mechanism is established and in place before Project activities begin, that training on this is included as a key Project activity, and that information on the system is included in all Project materials and is advertised in places of recruitment, worker housing, fields, and local administration offices. In addition, facilitate the establishment of farm-level grievance mechanisms for workers, including cotton pickers, to resolve disputes at the work location, and provide training on their use.

4) Strengthen the Decent Work component

Based on interviews with farmers as well as observations made during the monitoring, there was an emphasis on the formal implementation of the BCI Decent Work requirements such as the paperwork and union membership, without an understanding of why or how these systems function to protect labor rights. For example: in some cases neither the farmers nor the workers had read the contracts provided to them, just signed them.

The Project can further emphasize the implementation of Decent Work practices that create working conditions of dignity and safety for cotton production, including cotton picking. While all the Decent Work practices envisioned under BCI’s Principle 6...
should eventually be fully implemented, for example, those requiring safety practices as well as access to potable water, washing facilities and toilets, could make an immediate and significant impact for the cotton pickers and help farmers to attract voluntary labor. As noted in the third-party verification recommendations, the BCI program does not include specific indicators related to worker housing, but additional work can be done to improve housing conditions for cotton pickers, which may also help farmers attract voluntary pickers.

In the nine years since UGF has been monitoring forced labor and working conditions during the cotton harvest in Uzbekistan, hundreds of people have told them that they would voluntarily pick cotton if the pay and working and living conditions were better.

The Project should address:

- An insufficient understanding of forced labor and Decent Work among Project farmers;
- An insufficient understanding of the consequences of using forced labor among Project farmers—some clearly did not have control over the labor allocated to their farms, others appeared not to understand the consequences of using forced labor;
- A lack of independent, representative workers’ organizations that could help picking brigades collectively bargain for wages and better working conditions;
- A lack of independent, representative workers’ organizations that could help employees of public sector organizations and enterprises stand up against forced labor and refuse to be mobilized to pick cotton against their will without fear of penalty;
- A better understanding of how improving Decent Work practices and working conditions can benefit farmers. For example, providing safe, accessible toilets, appropriate housing conditions, good meals, and adequate drinking water, and ensuring transparent and timely payment practices would likely make it easier for farmers to attract and retain a sufficient voluntary and productive labor force.

The Project should also build up local expert capacity to support the Decent Work components through training of trainers. The Project could recruit local consultants and build up their capacity through training and mentoring by international agricultural unions, representatives of national unions with experience in agricultural sectors; international NGOs that focus on rights at work, and independent Decent Work specialists. It is important that the international trainers have experience in Decent Work practices in agricultural settings. The Project should develop a Decent Work package so that it would become a fixed part of the standard training:

- Ensure that the training components and Decent Work practices encompass temporary seasonal laborers (e.g. cotton pickers) in addition to regular farm workers;
- Build capacity of local consultants to conduct Decent Work training and provide regular support to farmers;
- Support research of Decent Work components to show farmers why they are necessary and how they can help farmers to promote implementation.
5) Develop a roadmap to ensure the Better Cotton Standard System (BCSS) can be implemented in its entirety and true to its intent within the context of Uzbekistan’s local conditions.

An immediate next step is for the Project to draft a roadmap to meet the preconditions for a BCI country program in Uzbekistan and ensuring a credible plan has been designed to develop such a program. The key steps are to:

1. Define the conditions which the Uzbek cotton sector would need to meet in order for Cotton Campaign members to confirm progress as sufficient for BCI to enter the country,

2. Develop an understanding of the infrastructure which BCI would require to have in place to establish the business model for BCI in Uzbekistan and before initiating activities related to licensing, and

3. Formulate a detailed plan for establishing a BCI country program in Uzbekistan, should other prerequisites be met.
NEXT STEPS

Based on hands-on work with and monitoring of 10 pilot farms in 2017 and 105 pilot farms in 2018, presented in detail in this report, IFC proposes the following topics for discussion at the Project Consultative Council on February 28, 2019:

4. A recommendation to formally invite BCI to engage more deeply and openly with the project in Uzbekistan;

5. To continue building the foundation for a credible and scalable system for Better Cotton in Uzbekistan that meets the requirements of the BCI principles and criteria with cotton producers that operate outside of the government procurement plan since producers need to have autonomy to make decisions with respect to their operations.

6. Develop a roadmap to ensure the Better Cotton Standard System (BCSS) can be implemented in its entirety and true to its intent within the context of Uzbekistan’s local conditions;

7. The scaling up of climate-smart and environmentally sustainable agronomic cotton growing practices, successfully proven through the Project trial program in 2018, to other cotton producers;

8. Recommendations for the Project to enhance its Decent Work activities in the following ways:
   - Empowering workers and farmers to negotiate working conditions and resolve disputes;
   - Further strengthening capacity building and training activities focused on Decent Work practices which include temporary seasonal labor in addition to regular farm workers;
   - Introducing grievance mechanisms for complaints at the Project and farm levels and ensuring the appropriate training on how to use them.
ANNEX 1. IFC PROJECT PARTNERS, MEMBERS OF THE PROJECT CONSULTATIVE COUNCIL:

**NGOs, local and international:**

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<tr>
<td>1</td>
<td>Responsible Sourcing Network (V)</td>
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<td>2</td>
<td>Uzbek-German Forum for Human Rights (O)</td>
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<td>3</td>
<td>Anti Slavery International (V)</td>
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<td>4</td>
<td>International Labor Rights Forum (ILRF) (V)</td>
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<td>Ulster University (O)</td>
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**Local Activists:**

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<tr>
<td>6</td>
<td>Malohat Eshonkulova (V)</td>
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<td>7</td>
<td>Azimbay Ataniyazov (V)</td>
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<td>Uktam Parдав (V)</td>
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**International Organizations:**

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<td>19</td>
<td>Coordination council of citizens self-governance (Mahalla) (O)</td>
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**Private Companies - Local and International:**

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ANNEX 2. CONSULTATIVE COUNCIL TERMS OF REFERENCE

Project on Sustainable Cotton Supply Chain Development in Uzbekistan
Consultative Council Terms of Reference for Voting Members

Project Background and Context

The Project goal is to increase the efficiency of cotton farming in Uzbekistan by developing and introducing best practices and a sustainable cotton production system which meets the requirements of international standards. The project will be implemented throughout 2017-2022.

During 2017-2018, International Finance Corporation (IFC) will implement a pilot program aimed at developing and testing the sustainable cotton production system based on the internationally recognized Better Cotton Standard System in two regions. After successful testing, the system will be replicated by the Project with more farmers and cotton producers in these two regions. The project will be implemented by IFC in partnership with the Ministry of Agriculture, LLP “Uzpahtasanoat”, Association “Uztextileprom”, the Ministry of Employment and Labor Relations, and the Federation of Trade Unions of Uzbekistan.

During 2019-2022, Project activities will focus on scaling up the sustainable cotton production system in the rest of the country and on achieving full institutionalization of the system at the national level. IFC will work with national partners to develop the expertise, systems and infrastructure necessary to ensure the sustainability of the system in the country. To roll out the project, IFC will also partner with the International Labor Organization and other international organizations interested in the development of the cotton sector in Uzbekistan.

Consultative Council

The Project Consultative Council is being established within the framework of the IFC Project on Sustainable Cotton Supply Chain Development in Uzbekistan. The agenda of each Council meeting, topics for discussion, and a list of decisions that will need to be made will be agreed upon in advance by IFC with the Project Consultative Council members.

The objectives of the Project Consultative Council meetings:

I. For IFC to inform the Council members about the progress of the Project;

II. To discuss, vote and agree upon key decisions needed to successfully fulfill the Project requirements – including achieving a consistent and sustainable voluntary workforce – on the Project farms;

III. To define sustainable strategies, methodologies, required activities, and a verification and approval system to implement and independently monitor the Project throughout production at farms, chain-of-custody, ginneries, terminals, and spinning companies; and the results of the Project implementation.

Consultative Council Role and Responsibilities

This Terms of Reference (TOR) for the IFC Project Consultative Council voting members lays out the roles and responsibilities of the members’ relationship with and participation in the Council, which includes understandings, responsibilities,
attendance and decision-making, and communications. By signing this TOR, it is expected that the voting Council members agree to and abide by the following terms:

**Understandings**

1) With the goal of the Project to develop, implement, and achieve a sustainable and ethical Uzbek cotton sector in mind, the Council members are expected to contribute to the discussions and decision-making in a constructive manner that furthers the Project’s activities toward achieving this end goal.

2) For the sake of efficiency and constructive discussion during the Council meetings, the members of the Council should discuss issues related only to the activities of the IFC Project. Issues that go beyond the territory and competence of the IFC Project shall not be discussed at the Council meetings.

3) The aim of the Project is to grow the number of farms included in the Project at a pace which will allow the implementing partners to meet the Project’s requirements. However, since meeting the Project’s standards demands new ways for working in Uzbekistan, it may take several seasons before a sustainable and ethical system will be in place and can be scaled up. The expectation is that the Council members will offer “constructive criticism” and recommendations on the Project implementation approaches and methodologies and on how to address the challenges identified and how to make improvements each season.

4) The Council discussions are to be kept confidential and off-the-record and should not be shared outside of the Council members’ organizations. The only information that can be made public outside of your organization is any message that will be agreed to by the Council members for public circulation (additional information below under Communications).

5) The participation of individuals in the Council as voting members or observers cannot be interpreted as an indication of their endorsement nor support (as individuals or their organizations) of the Project by IFC, the implementing partners, the Government of Uzbekistan, or any of the Council members.

6) The participation of private sector company representatives in the Council does not set the expectation that the companies will either purchase or source cotton from the project farms (even in cases where farms have been licensed as producing ‘Better Cotton’)

7) If certain Council members perform monitoring that includes Project farms, those individuals or organizations may independently release their monitoring findings publicly. However, the Council members and/or their monitors will provide to the Project management the concrete facts and findings which would allow the Project to address any non-conformities with the Project requirements identified and will provide their constructive recommendations on how these non-conformities could be addressed.

8) If a member is not contributing to the Council or the Project in a constructive manner and/or is not abiding by the TOR, a Council member or a Co-Chair can initiate a request to remove a member from the Council. The Consultative Council will then vote and a simple majority will decide if the member in question will be removed from the Council.

**Responsibilities**

**Leadership:** Provide institutional leadership, offer productive guidance, and encourage a productive environment for the Project to address and overcome challenging issues.
**Input:** Provide constructive input and feedback in a timely manner on the Project methodology, activity implementation, auditing, monitoring, and analysis of results.

**Oversight:** Provide oversight and accountability for the Project objectives, development, implementation, and evaluation. Ensure that the analysis of the outcomes leads to improvements each year.

**Attendance and decision-making**

The voting Council members will be expected to meet twice a year in person in Tashkent, Uzbekistan, to review and provide feedback on the Project documents, and to take part in working group/s that will have periodic calls and/or meetings throughout the year. Video conferencing may be available and acceptable for participation in one meeting a year. The Project runs through the end of 2022, however, the Council may decide to reduce its role before the end of the Project. To maintain as much consistency with the voting Council members as possible, it is encouraged that the same person representing an organization attend the calls and meetings. However, substitutions are allowed as long as the substitute is well briefed on the Council discussions. Only one representative from each organization will be in a role with voting capacity (a voting Council member) while a second representative could participate in a non-voting role or on a working group as an observer. Consistency of the participants is also encouraged with observers.

In cases when there is no consensus for decision making, the decisions will be made on the basis of simple majority rule. The co-chair from IFC will cast the tie-breaking vote. For Council members who cannot attend in person, a one-time acceptance per year of remote votes on decision-making issues communicated in written form 12 hours prior the start of a Council meeting will be allowed. Voting a second time “in absentia” is not permitted.

Project materials and a list of decision-making questions will be provided a week before the meeting. However, some unplanned questions that require a vote may come up during the in-person meeting for which the person in absentia will not be allowed to cast a vote, since all current Project decisions must be made prior to the close of the in-person meeting.

The Council members will be required to participate in the Council for a **minimum term of two years** from the time the TOR goes into effect. At the end of the two-year term, the Council members will have to leave the Council or agree in writing (email or any other written form is acceptable) to participate for another two years. If a member does not want to continue beyond a two-year commitment, that person may nominate a representative from the same organization. The new representative will have to sign a separate TOR. It is up to the Council member to ensure his/her replacement is fully briefed on the Project progress.

Invitation of new voting Council members are based on the recommendations of existing Council members and a decision by the Co-chairs.

**Communications**

All of the minutes of the meetings and the decisions will be summarized and circulated via email to the voting members of the Council, posted in a protected cloud-based folder accessible only to the voting Council members, or via a paper version to be sent by mail. Shared minutes, decisions, reports, and other documents are classified as confidential documents and can only be used by the Council members and the
organizations with which they are affiliated. Periodic statements and project updates for public use will be made available only after all of the voting Council members have had a chance to offer edits to the language. The Council members (voting and observing) cannot communicate about the Project to the media or anyone outside of their individual organizations except by using mutually agreed-upon public texts which have been circulated by the Co-chairs.

Chair and membership

Oksana Varodi, IFC, and Patricia Jurewicz, Responsible Sourcing Network (RSN) will Co-chair the Consultative Council. Consultative Council members with a voting capacity need to sign this TOR. Once the voting member and observer lists are determined, they will be circulated.

Agreement

By signing below, the party agrees to abide by the above Terms of Reference (TOR) for the Project on Sustainable Cotton Supply Chain Development in Uzbekistan and the decisions made by the Consultative Council. The signing of this TOR commits the party to be a voting member of the Consultative Council for the duration of his/her tenor on this Consultative Council.

________________________________
Signature
Date:

Name:
Title:
Department:
Organization:
ANNEX 3. OVERVIEW OF MINUTES FROM THE FIRST PROJECT CONSULTATIVE COUNCIL MEETING DATED MAY 15, 2018

Overview of Inaugural IFC Project Consultative Council Meeting
May 15, 2018

The Inaugural Project Consultative Council Meeting of the International Finance Corporation (IFC) Project on Sustainable Cotton Supply Chain Development in Uzbekistan took place in Tashkent and was attended by 61 stakeholders from government, business, and civil society. The goal of the six year IFC project is to increase the efficiency of cotton farming in Uzbekistan by developing and introducing best practices for a sustainable cotton production system which meets the decent work and environmental requirements of international standards.

The role of the Consultative Council is to support the project by giving input into sustainable strategies, methodologies, required activities, assessment verification, and approval systems for the Project farms. Based on the Project’s results, assessments, and the monitoring results of the project farms, the Consultative Council will give its recommendation to the Better Cotton Initiative (BCI) on the initiation of its new country start-up program in Uzbekistan. The Council will be comprised of voting and non-voting members.

At the inaugural meeting, co-chaired by Oksana Varodi (IFC) and Patricia Jurewicz (Responsible Sourcing Network, or RSN), three main topics were reviewed:

1) An overview of the Project (past and future activities)
2) The role of stakeholders in the Project (a review of the Terms of Reference for the Consultative Council members)
3) Methodologies of implementing the Project (questions for discussion)

The Project has three main phases that will occur between 2017 and 2022. During its first phase, the Project has identified best practices to be promoted and the stakeholders with whom to engage. Under its second phase, the Project has begun a pilot program on testing and validating the new cotton production and harvesting techniques and decent work practices. The third phase envisions scaling up in order to implement a country-wide sustainable cotton system with more accessible information available to farmers.

The meeting included a discussion about the proper representation of the voting members in the Consultative Council. The proposed breakdown of voting members includes four groups: the Government of Uzbekistan, the private sector, NGOs/activists, and international institutions. Since voting members had yet to be confirmed by having submitted signed Terms of References, none of the discussions at the meeting were voted on and finalized.

In addition to the role of Consultative Council, the co-chairs reviewed the roles of the Federation of Trade Unions in Uzbekistan (FTUU) and BCI. BCI will not start a project in Uzbekistan until the Consultative Council and the Cotton Campaign will have endorsed the Project’s implementation methodology and the Uzbek-specific assurance system of the Better Cotton Standard System version 2.0 (BCSS).

The co-chairs recommended the establishment of a Decent Work Working Group (DWWG), upon which the participants agreed. The DWWG would make recommendations for country-specific BCSS implementation methodologies, monitoring, and assurance mechanisms for Uzbekistan. The DWWG can recommend additional Project performance indicators and assurance mechanisms for Uzbekistan in order to address and prevent forced labor, in addition to the BCI requirements. A methodology to meet the decent work standards in Uzbekistan would include recruitment practices, procedures for organizing workers, voluntary work requirements, monitoring specifics and assessment recommendations, etc.

The co-chairs will follow up with the Council Meeting participants by providing them with meeting notes, copies of presentations, a finalized Terms of Reference, and outreach to join the DWWG. Follow up communications with the Consultative Council members and the DWWG members will occur via periodic conference calls and an online shared drive with the Council’s documents. Additional outreach to join the Council will be made to the international brands that were not able to travel to Uzbekistan in May. The next in-person Consultative Council meeting will be conducted in Tashkent, Uzbekistan after the completion of the 2018 harvest in December 2018 or January 2019.
ANNEX 4. A DESCRIPTION OF THE 2018 PROJECT TRIAL PROGRAM WITH 9 PILOT FARMS.

The 2018 trial program included the following 6 trials which were implemented with 9 of the pilot farms which participated in the Project in 2017:

<table>
<thead>
<tr>
<th>PRINCIPLE</th>
<th>TRIAL DESCRIPTION</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1. Integrated Pest</td>
<td>Mechanizing weed management by using herbicide applications</td>
<td>Reduced negative impact of mechanical de-weeding on soil and crop yields</td>
</tr>
<tr>
<td>Management</td>
<td>Planting delinted seeds with additional seed treatment against diseases</td>
<td>Improved crop health</td>
</tr>
<tr>
<td>Principle 2. Water Stewardship</td>
<td>Improved irrigation management practices using soil sensors and water flow meters</td>
<td>Increased cotton harvest per 1 liter of water</td>
</tr>
<tr>
<td>Principle 3. Soil Health</td>
<td>Reduced tillage to improve soil structure</td>
<td>Revert currently used intensive tillage techniques to conservational tillage</td>
</tr>
<tr>
<td>Principle 5. Fiber quality</td>
<td>Improved defoliation practices (using Drop and boom sprayers)</td>
<td>Achieve 100% of cotton to be picked during the 1-st and 2-nd pickings</td>
</tr>
<tr>
<td>Principle 6. Decent Work</td>
<td>Implement mechanical harvesting on all (59) Project farms in Jizzakh region</td>
<td>Eliminated manual thinning and harvest</td>
</tr>
<tr>
<td></td>
<td>Precision planting</td>
<td></td>
</tr>
</tbody>
</table>

A description of the issues identified and the targets for the better cotton improvement program:

**CURRENT STATUS AND TARGETS**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>CURRENT</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOIL</td>
<td>Low organic matter (1.4%), saline, poor drainage, loss of structure</td>
<td>Increased organic matter to 3%; no salinity; increased fertility</td>
</tr>
<tr>
<td>IRRIGATION</td>
<td>50-60% water losses Outdated infrastructure</td>
<td>Reduced water losses to 20% New irrigation technologies</td>
</tr>
<tr>
<td>DRAINAGE</td>
<td>46% is not functioning 83% of area is saline</td>
<td>Well functioning collector and drainage system Eliminated soil salinity</td>
</tr>
<tr>
<td>MECHANIZATION</td>
<td>Old machinery, labor intensive, high costs and low efficiency</td>
<td>New machines with latest precision and automation capabilities High efficiency</td>
</tr>
<tr>
<td>TECHNOLOGY AND SKILLS</td>
<td>Limited use of technology Low level of skills and knowledge</td>
<td>Use latest developments in science and technology to transform the sector</td>
</tr>
</tbody>
</table>
ANNEX 5. BCI PRINCIPLES

The Standard system is made up of six components that work together to support the creation, credibility, and uptake of Better Cotton.

1. **Production Principles and Criteria** – providing a global definition of Better Cotton through 6 key principles. This is the foundation that makes up what you would traditionally think of as a “sustainability standard”.

2. **Capacity Building** – Supporting and training farmers in growing Better Cotton, through working with experienced partners at field level. So we’ve taken the great standard, and actively engaged the industry to ensure adoption.

3. **Assurance Program** – Regular farm assessment and measurement of results, encouraging farmers to continuously improve. This is the backbone of the standard.

4. **Chain of Custody** – Connecting supply and demand in the Better Cotton supply chain. BCI as an organization was set up to actively engage with the supply chain, being responsible for managing the chain of custody rules.

5. **Claims** – Spreading the word about Better Cotton by communicating powerful data, information and stories from the field.

6. **Results and Impact** - Monitoring and evaluation mechanisms to measure progress/change, to ensure that Better Cotton delivers the intended impact. A critical component of the Production Principles and Criteria requires farmers to submit their annual harvest results to BCI. This enables BCI to measure and track the global impacts of the standard.

Together, these components provide confidence in the effectiveness of the system as a whole, this is what sets BCI apart as a scalable and credible sustainability initiative.

**PRINCIPLES AND CRITERIA DEFINE BETTER COTTON**

- Better Cotton is grown by farmers who...
  - **Crop Protection**...minimise the harmful impact of crop protection practices
  - **Biodiversity**...enhance biodiversity
  - **Water**...promote water stewardship
  - **Fiber Quality**...care for and preserve the quality of fibre
  - **Soil Health**...care for the health of the soil
  - **Decent Work**...promote decent work
  - **Management System**...operate an effective management system
ANNEX 6. DECENT WORK PRINCIPLE

Introduction to the Principle:

Decent Work is understood by BCI as the concept developed by the International Labor Organization (ILO), the UN specialized agency on work and employment, to describe work that provides opportunities for women and men to work productively in conditions of freedom, equity, security and human dignity. For the ILO and BCI, Decent Work encompasses four pillars: fundamental principles and rights at work and international labor standards; employment and income opportunities; social protection and social security; and social dialogue.

By using the concept of Decent Work as a means to describe how work contributes to equitable, inclusive and sustainable development, BCI has developed a broad-based and consistent approach to the diversity of contexts in which cotton is produced, from family smallholdings to large-scale farms.

Not all four pillars of the ILO’s Decent Work Agenda are ‘normative’ – that is, they do not necessarily give rise to standards. The most relevant component of the Decent Work Agenda to the BCI P&C is the respect of labor rights, expressed in international labor standards and in national labor legislation.

Gender in the Decent Work Agenda

Gender equality forms an intrinsic part of the ILO’s Decent Work Agenda and as such, is featured throughout Principle 6. The ILO promotes a holistic approach to gender equality that addresses the following:

2) Access to employment;
3) Access to social protection;
4) Access to social dialogue;
5) Access to principles and rights.

Even though this approach was developed with governments and other institutional actors in mind, the underlying principles of equal rights, opportunities and treatment remain relevant for those seeking to promote gender equality and Decent Work in the cotton industry.

International labor standards

BCI considers the ILO to be the international authority on labor matters. The ILO has developed a system of international labor standards, which primarily take the form of Conventions. In 1998, the ILO issued its Declaration on Fundamental Principles and Rights at Work, which identified eight of these Conventions as ‘fundamental’. These Conventions cover the four ‘core labor standards’: freedom of association and the right to collective bargaining; the elimination of forced labor; the abolition of child labor and the elimination of discrimination in respect of employment and occupation. The 1998 Declaration commits all 183 ILO Member States to respect and promote principles and rights in these four areas, whether or not they have ratified the relevant Conventions.

In determining the content of its Decent Work Principle, the BCI has referred to both other private voluntary standards relating to primary agriculture and, primarily, the ILO Conventions that form the basis for these voluntary standards. While the BCI Decent Work Criteria are worded in their own terms, references are given to the key international standards (ILO Conventions) that BCI follows.

National labor and occupation health and safety legislation

The fundamental premise that producing Better Cotton respects national law underpins all the
BCI P&C.

This is particularly relevant to the Decent Work Principle. Many, and in some cases all, of the areas covered in the Principle are regulated by national law in cotton producing countries. BCI therefore requires that all cotton producers abide by national labor and occupational health and safety legislation, unless that legislation sets standards below the referenced internationally recognized standards and conventions, in which case the international standards prevail.

This may, for instance, be the case in countries where agriculture is excluded from the scope of labor and occupational health and safety legislation. However, where national legislation sets more stringent requirements on a specific issue (compared to these standards), national legislation shall apply.

Applying the HCV approach in the context of expansion or new cotton farms must take place in a socially responsible way that respects the rights of local communities and indigenous people. Therefore, conducting stakeholder consultations and negotiating land and resource use rights through Free, Prior and Informed Consent (FPIC) is paramount. Finally, management practices adopted to help achieve other Criteria, such as IPM, pesticide choice (using the least disruptive option), soil fertility and erosion control, will all contribute to enhancing biodiversity both on and off the farm.

**Intent**

The sustainability of global cotton production encompasses not only environmental but also social considerations. For BCI, Better Cotton is ‘better’ only to the extent to which it generates improvements for farming communities and farm workers, as well as the environment.

BCI understands that downward economic pressures on cotton producers, particularly in developing countries, are a barrier to improving both the environmental and social performance of cotton farming. In seeking to support the development of skills and institutions – particularly Producer organizations – and facilitate access to information, BCI strives to change the circumstances that perpetuate and entrench unsustainable labor practices in many cotton producing regions, and enable investment in improvements for the community, environment and workforce.

The meaningful application of labor standards to global cotton cultivation is not straightforward. Within the sector, there are fluid boundaries between self-employment, family or community labor and waged labor. It is also important to note that agricultural waged workers do not form a homogeneous group of people. They may be full-time, seasonal, temporary, migrants, child laborers, indigenous workers, piece- rate workers or a combination of these. Moreover, the distinction between farmer and worker may be blurred, as many small farmers also work regularly for other farmers to supplement their income.

The numerical majority of cotton farmers worldwide are small-scale producers whose capacity to modify employment practices is closely linked to farm economics. That is why BCI has adopted the broad perspective of Decent Work, in order to position the promotion of labor rights within the broader context of BCI’s commitment to farm-level, needs-based capacity building. It also serves to explain why BCI has developed, in close consultation with stakeholders worldwide, a differential series of Decent Work Criteria, reflecting the different working realities of varying scales of cotton cultivation.

**See more at:** [https://bettercotton.org/about-better-cotton/better-cotton-standard-system/production-principles-and-criteria/](https://bettercotton.org/about-better-cotton/better-cotton-standard-system/production-principles-and-criteria/)