

## COMPLAINT AGAINST IFC'S PROJECT NO. 36008 – KAROT HYDRO (PAKISTAN)

### To:

Compliance Advisor / Ombudsman  
International Finance Corporation  
2121 Pennsylvania Avenue NW  
Washington, DC 20433 USA  
Fax: (+1) (202) 522-7400  
e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)

We, Mr. **Apolinar Z. Tolentino**, Jr., Asia Pacific Regional Representative of the **Building and Wood Workers International (“BWI”)**, and Mr. **Aslam Adil**, General Secretary of the **Pakistan Federation of Building and Wood Workers (“PFBWW”)**, lodge a complaint concerning **IFC’s project Karot Hydro (no. 36008)**, located on the banks of Jhelum River, in Pakistan.

This complaint is made on behalf of **Awami Labour Union, China Three Gorges Corporation Karot Power Company Private Limited** (an enterprise union affiliated with PFBWW).

We work in Malaysia and Pakistan and can be contacted at the following addresses:

BUILDING AND WOOD WORKERS INTERNATIONAL (BWI)	PAKISTAN FEDERATION OF BUILDING AND WOOD WORKERS (PFBWW)
No. 7, 1st floor UJS 10/1G 47620 Subang Jaya Selangor Darul Ehsan Malaysia Tel. no. +603 5638 33 67 Fax no. +603 5638 77 21 Email: <a href="mailto:apolinar.tolentino@bwint.org">apolinar.tolentino@bwint.org</a>	Union Plaza, 62/3, Bank Road G.P.O. Box 1709 Rawalpindi Cantt Pakistan Tel. no: +92 51 5520137 Fax no: +92 51 5517425 Email: <a href="mailto:aslamadilpfbww@yahoo.com">aslamadilpfbww@yahoo.com</a>

Representation documents for both of us and our organizations can be found as [ANNEX 1.1](#) and [1.2](#).

A list of the attached annexes can be found at the end of this complaint.

## Contents

Summary .....	2
1. Violations of the Performance Standards including interference with a workers' organization, and the inadequate reaction of IFC .....	3
A) Chronology of events.....	4
B) Karot's non-compliance with the Performance Standards, national law, and ILO Conventions nos. 87 and 98.....	8
C) Health and safety issues: Underlying problems exacerbated by pandemic.....	12
2. IFC's role in supervising implementation of the Performance Standards .....	14
Conclusion.....	15
List of Annexes .....	16

## Summary

This complaint concerns adverse impacts on around 3,000 project workers of Karot Hydro, including repeated and various violations of Performance Standard 2 on workers' organizations, health and safety, working conditions and terms of employment, grievance mechanisms, retrenchment, and concerns related to the use of security forces under Performance Standard 4.

Initiated in 2017 and intended to be finished in 2022, Karot Hydro involves the development of a large 720 MW run-of-the-river hydro-power plant, including a 95.5 m high dam and a 27 km long reservoir on the Jhelum River. Karot is majority owned by China Three Gorges South Asia Investment Limited (CSAIL), in turn established by China Three Gorges Corporation (CTGC).

At the time of signing the lease, Karot Hydro was the IFC's largest hydroelectric power project and represented the IFC's first major collaboration with the China Export Import Bank, China Development Bank, and Silk Road Fund.

At its peak, Karot Hydro has needed to employ around 3,500 workers, a number roughly equivalent to the entire population of the project area. The workers have been accommodated within the Project's premises, in facilities established for that purpose.

The complaint alleges that the project company –**Karot Power Company (PVT.) Limited** – has failed to comply with the project workers' rights to freedom of association, their rights to organise, and their rights to good faith collective bargaining. These rights are protected by the Punjab Industrial relations Act 2010 and by the IFC's Performance Standard 2, paragraphs 13 and 14:

The project company's failure to safeguard these fundamental rights has led to a number of adverse impacts on the project workers. These impacts include underpayment of wages allowances, bonuses and other benefits protected by national law, as well as serious failures to adequately protect the health and safety of the project workers.

These concerns have not been addressed to the satisfaction of the workers, and have only grown in light of the current covid-19 pandemic.

The union has been persistent in their efforts to persuade the project company to correct these management failures, however these attempts have not resolved the issues. Nor have recent discussions with the IFC project management team to ask for assistance to bring the project company into compliance with national laws and the IFC Performance Requirements regarding Labour and Working Conditions.

We trust that your good offices will be able to assist in this matter to by conducting a compliance investigation.

## 1. Violations of the Performance Standards including interference with a workers' organization, and the inadequate reaction of IFC

Guaranteed by its national trade union laws, Performance Standard 2 and ILO Conventions 87 and 98, workers of Karot project exercised their rights to form and join a union of their own choosing to collectively defend their interests. The Awami Labour Union was formed as early as 7<sup>th</sup> May 2017.

However, it took more than a year for the project union to register due to unnecessary administrative burdens that delayed the process. A first refusal by the Office of the Registrar of Trade Unions of Rawalpindi to register the union compelled it to request the intervention of the Labour Court, who upheld its demands on 29 May 2018 on the following grounds:

"I have concluded without any fear of rebuttal that ...[the] Registrar dismissed the application of the appellant arbitrarily and due to some misconception. Keeping in view the above discussion, I am of the view that decision of the learned Registrar Trade Union Rawalpindi division is totally against the law and natural justice" [emphasis added].

See ANNEX 3, p. 6, of the Rawalpindi Labour Court dated 29<sup>th</sup> May 2018.

On 9 June 2018 the Office of the Registrar of Trade Unions followed the Court's mandate and issued a certificate of registration for the Awami Labour Union, China Three Gorges Corporation Karot Power Company Private Limited.

This unusual difficulty in registering the union should have already alerted the IFC assigned project team to potential labour rights risks and prompted a reminder to its client of the obligations to respect the freedom of association, not interfere with union formation, and to maintain open channels for dialogue with workers. This evidently did not take place. Even in cases where national law restricts workers' organizations, PS2 upholds the importance of collective negotiation between the client and workers. In this instance it was clear at the time that the union had significant membership to be considered a genuine representative of the workers, and at the time there was no other union onsite. Despite the unnecessary delays (which in itself is contrary to international labour standards), the client could have engaged the union and workers on the serious labour issues on the project.

The Karot project management failed to set-up a Grievance Redress mechanism to meet with the union and negotiate the workers' demands, despite repeated reminders from the BWI. While there had been meetings which discussed the union's demands, respect for PS2 could have also created a Grievance Redress Committee to fulfill the requirement of a mechanism to "address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retribution".

Other World Bank Group institutions have acknowledged and acted on the need for flexibility in development financing. For example, the Tarbela IV hydropower project was financed by the World Bank prior to the adoption of the Environmental and Social Framework including a labour safeguard, however a Grievance Redress Committee was established and contributed to significant improvements in working conditions and opened dialogue between the workers' organization (also affiliated to PFBWW) and the project management.

In the course of securing the collective bargaining agent status, victimisation of union leaders and members occurred. As described in Annex 4, interference with the activities of workers and trade union representatives occurred in contravention of PS2. This interference notwithstanding, the union submitted more than a third of the membership to the Labour Department on 16 October 2018, fulfilling the requirements to be designated as the collective bargaining agent. Yet, the company has continually disputed its obligation to recognise the union.

#### A) Chronology of events

Following the registration of the Awami Labour Union with the Office of the Registrar of Trade Unions of Rawalpindi, many concerning anti-union actions were taken by Karot management to undermine workers' rightful claims.

In this grave situation, on 9 January 2019 BWI wrote to the IFC's Senior Country Officer for Pakistan, Mr. Moazzam Ahmed, to inform him that a range of workers' rights violations had repeatedly taken place and that no grievance redressal mechanism had been put in place, in violation of Performance Standard 2 paragraphs 13; 14 and 20.

This letter is attached as ANNEX 4:

The IFC has provided finance for the construction of the 720MW Karot Hydro Power Project in Rawalpindi District, under construction by China Three Gorges (CTG). The experience of workers on the site has so far been consistent with other similar projects, including noncompliance with minimum legal requirements, victimisation of union leaders, and Government intervention in the union registration process.

There remain a wide range of violations of labour law that need to be addressed. For example, workers have not been given appointment letters as required by the labour law, and workers have not been provided with transport facilities to and from work. Occupational safety and health measures are inappropriate to address the nature of the work, and workers are not being provided with sufficient medical facilities and treatment in the case of injuries. They are not being paid overtime at the legal rate of double the standard hourly rate, and they have not been registered with the EOBI pension scheme.

**Workers are not allowed to undertake legal trade union activities in either the project site area or in the residential area. Neither the General Secretary of the Union nor the President are allowed in the project area to address workers' issues.** In addition, a number of workers have been terminated and dismissed from service in violation of the requirements of the labour law.

The letter also detailed violations of the occupational health and safety requirements in PS2,<sup>1</sup> and raises concerns about “outstanding back pay and social security benefits and pension contributions.”<sup>2</sup>

On 5 February 2019, the IFC, in the person of Mr. Nadeem A. Siddiqui, informed the BWI it had monitored compliance with Performance Standard 2, communicated BWI’s concerns to the project company and approved the necessary corrective actions to be taken (ANNEX 5). No reference was made either to the corrective actions in detail nor even to the grievance redressal mechanism. The IFC also neglected to establish further communication with the BWI or the union to ensure adequate monitoring of PS2 implementation and the unspecified corrective actions. This was also an opportunity to use the good offices of the IFC, after being alerted to breaches of PS 2, to convene dialogue between the representative workers’ organization and the client. This would be in keeping with the foundational principle of PS 2 enumerated in the introduction.<sup>3</sup>

On 15 February 2019, after a letter from Mr. Zahoor Awan, General Secretary of the Pakistan Workers Federation (PWF) – the national trade union centre to which PFBWW is affiliated – representatives from PWF met with the IFC at their office in Islamabad. This step to facilitate dialogue and sound labour relations was only undertaken after additional trade union intervention with IFC. It was resolved that the legal issues would be raised with the Karot management and that bilateral meetings would be held on the workers’ rights issues. As agreed with the IFC, PWF issued a position paper highlighting the areas of concern within Karot Hydro (the exchange of emails can be found as ANNEX 6.1 and the Charter of Demands as ANNEX 6.2).

This position paper by Awami Labour Union described blatant violations of labour rights’ as a result of Karot’s lack of recognition of Awami Labour Union as the CBA, anti-union practices such as threats of contract termination and subjecting union leaders to fabricated judicial proceedings made by Karot management, and prohibiting union leadership from entering the premises. It also highlighted basic financial concerns such as fines being imposed on workers without a proper investigation, the refusal to implement a dues check-off system to pay union fees, the low wages on the project compared to similar projects in the country,<sup>4</sup> the absence of annual wage increments,

---

<sup>1</sup> Paragraph 9 notes that “[t]he client will provide workers with documented information that is clear and understandable, regarding their rights under national labor and employment law and any applicable collective agreements, including their rights related to hours of work, wages, overtime, compensation, and benefits upon beginning the working relationship.”

<sup>2</sup> Paragraph 19 notes that these must be paid no later than the date of employee termination.

<sup>3</sup> “For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient in the sustainability of a company. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize a project. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.”

<sup>4</sup> With reference to wages below comparable projects, we take note of the PS 2 definition of reasonable terms and conditions of employment in the absence of a collective bargaining agreement as being defined in reference to “(i) conditions established for work of the same character in the trade or industry concerned in the area/region where the work is carried out; (ii) collective agreement or other recognized negotiation between other organizations of employers and workers’ representatives in the trade or industry concerned”.

and no safe-driving and operating allowances being given and no transport allowance being paid.

After IFC's intermediation, meetings were held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, China Three Gorges Corporation (CTGC) and China Three Gorges South Asia Investment Limited (CSAIL) on 5 and 21 March 2019.

On 12 March 2019 the IFC further discussed the concerns deriving from Karot Hydro project with PWF in Washington DC.

On 31 March Zahoor Awan (PWF) sent an update email to the IFC regarding the meetings held on 5 and 21 March between the Awami Labour Union and Karot's management (which can be found as ANNEX 7). The email states:

"On 21st March, Mr. Aslam Adil and Mr. Rasheed went for meeting with Karot Hydro Power Project Management. The meeting started after introduction with each other. The management did not discussed any charter of demands rather they demanded to supply to the management the approved list of office bearers and complete list of union members. The Awami Labour Union explained that union was Registered after provision of all legal documents along with list of office bearers. The Awami Labour Union also informed them that the Registrar of trade unions has already officially informed the company with legal Registration certificate and list of union office bearers. They further told them that company is already threatening the members to resign from union which is an unfair labour practice on part of the management under the law. The management however replied that until the union will not provide the local workers as union members and Executive body, the company will be unable to discuss on workers demands with the union. The meeting ended with no conclusion as earlier stipulated in the two meetings held in IFC Islamabad Office".

Contrary to the cooperative setting that should have been expected, Karot's management intended to use the union to obtain information that would allow them to identify unionised workers and target them in anti-union behaviors such as those reported to the IFC as early as January 2019.

In his email, Mr. Zahoor Awan requested the presence of an IFC member at the next meeting, which was denied on the basis that "IFC's role is to facilitate direct communication between you and the company, and we trust that both parties will continue in good faith to work towards a mutually agreeable solution". This email can also be found in ANNEX 7.

On 29 April 2019 another meeting was held – in absence of any IFC representative – between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, CTGC and CSAIL in continuation of earlier meetings held on 5 and 21 March 2019. The minutes reflect how Karot acknowledged the existence of (most) violations giving rise to the union's claims:

"Senior Manager Social KPCL [Karot Project Company Limited] presented the management point of view on these demands. It was clarified that most of the Union demands are already under implementation by the Project. After detailed deliberations, 13 out of 19 points were settled/agreed by both parties. It was decided that remaining items (leftovers) will be discussed in the next meeting".

The minutes of the meeting held on 29<sup>th</sup> April 2019 in continuation of the meetings held on 5<sup>th</sup> and 21<sup>st</sup> March 2019 can be consulted as ANNEX 8.

On 7 July 2019, BWI wrote to the IFC requesting a meeting during an upcoming mission in August (ANNEX 9). Days later, PFBWW sent a follow-up letter to that of BWI to the IFC.

None of these letters received a reply from the IFC. Another opportunity was lost to ensure communication with the unions to avoid violations of PS 2.

On 9 August 2019, a meeting was held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, CTGC and CSAIL, the minutes of which can be consulted as ANNEX 10. Wages and very poor food quality were treated, but most of the outstanding issues were postponed to be dealt with until after the Eid holidays.

The stalling strategy of Karot's management towards persisting labour issues motivated a letter from BWI to the IFC, dated 20 August 2019, reiterating the need for IFC to bring its client into compliance with Performance Standard 2 (13), (14) and (20). These were some of the concerns (ANNEX 11):

"While a number of meetings have taken place with the management and there have been multiple commitments made to improve the situation, compliance with minimum labour law standards remains a major problem. More troubling is the fact that PFBWW organisers are unable to access the site at all, as they are stopped by military security, and even when meetings are arranged security procedures are so cumbersome that it takes hours to even meet. While there are no doubt legitimate security concerns, the same security concerns existed on the World Bank-funded Tarbela-IV site, and PFBWW union officials were able to access the site and meet with workers without difficulty. A solution to this issue can and must be found. (...)

[W]e return to our original request, made in January of this year. IFC's Performance Standard 2 requires the establishment of a Grievance Mechanism".

A conference-call was held on 30 August 2019 between BWI, PFBWW and IFC, with limited response from IFC.

On 30 September 2019, a meeting was held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, CTGC and CSAIL, the minutes of which can be found as ANNEX 12.

As can be seen, the General Secretary of the Awami Labour Union, Mr. Abdul Rasheed, was still mandated to request permission to access Karot's premises up to two days in advance (point 4) and fines were being imposed to workers without the fine policy having been translated to the local language (urdu) or being in accordance with local laws (point 5). These are only some of the workers' demands that were still pending two years after the Union's constitution in May 2017.

Most importantly, these demands had already been communicated to the IFC and the company in February 2019 and had been recognized and agreed upon by Karot's management in April 2019. This illustrates very well how meetings have been held for formal purposes such as being reported to the IFC as a gesture of cooperation and dialogue, when in reality they were a delaying tactic not followed by substantial improvements in working conditions. To the Union and the workers' despair, these practices are still ongoing.

Again, on 26 October 2019, PWF sent an email to the IFC informing of major delays by Karot management to resolve labour issues discussed with them in March and requesting IFC's intervention to speed up the process (ANNEX 13).

When the Awami Labour Union reiterated its need to continue with the collective bargaining process with Karot's management, it was informed of the registration of a new union – the "Social Hydro Union" on 2 September 2019, only a week after applying for

registration.<sup>5</sup> Further inquiries onsite and the swiftness of the registration process for this union (contrary to Awami Labour Union's very long process) underscored the pretension that it was in fact an illegitimate "yellow" union controlled by the project company, contrary to PS 2. The IFC Guidance Note on PS 2 explains that the term 'workers' organization' "excludes organizations that have not been freely chosen by the workers involved or that are under the influence or control of the employer or the state".

As can be seen in the letter sent by the Awami Labour Union to the Rawalpindi Trade Unions Registrar on 30 December 2019 (point no. 5 of [ANNEX 14](#)), none of the workers or office bearers at Karot Hydro were aware of the existence of this new union. Yet, it was not only brought into (formal) existence and also registered at an unusual speed and applying for Collective Bargaining Agent status. When applying for CBA itself, in October 2018, Awami Labour Union had to prove 1/3 of the project workforce was affiliated with it. In the case at hand, it is hard to see how an unknown union like Social Hydro Union could have managed to do that without the help of Karot's management.

It has been clear, ever since the creation of the company-controlled union, that Karot management has kept up negotiations with Awami Labour Union solely in a formal manner, with no real intention to improve its workers' conditions.

On 6 January 2020, in the face of IFC's inaction to bring its client into compliance with Performance Standard 2, BWI sent a letter to the IFC listing the still ongoing labour rights' violations at the Karot project (attached as [ANNEX 15.1](#)) together with a list of violations linked to relevant provisions of Pakistani law and the IFC Performance Standard 2 (attached as [ANNEX 15.2](#)). Some of the still **ongoing labour rights' violations included the undermining of rights to collective bargaining through the employer-dominated yellow union, the heavy military presence on-site as an anti-union measure, the hindrance of union office bearers' ability to enter the premises and the termination of up to 200 union members without justification by CTGC.**

In light of the above, a conference call was held on 23 January 2020 between BWI and IFC, where the latter provided very limited response to the blatant labour rights' violations that have been ongoing since the project started.

## B) Karot's non-compliance with the Performance Standards, national law, and ILO Conventions nos. 87 and 98

The IFC's financing of the Karot project is conditional on a series of obligations, including the Performance Standards, that need to be fulfilled by Karot through its direct and indirect management.

IFC's Performance Standard 2.13 indicates that:

"where national law recognizes workers' rights to form and to join workers' organizations of their choosing without interference and to bargain collectively, the client will comply with national law".

In turn, Performance Standard no. 2.14 states:

In either case described in paragraph 13 of this Performance Standard, and where national law is silent, the client will not discourage workers from electing worker representatives, forming or joining workers' organizations of their choosing, or from bargaining collectively, and will not discriminate

---

<sup>5</sup> The Awami Labour Union has tried to obtain Social Karot Hydro's registration documents and attach them to this complaint, however the Rawalpindi Trade Unions Registrar is not allowing any photocopy to be made.

or retaliate against workers who participate, or seek to participate, in such organizations and collective bargaining. The client will engage with such workers' representatives and workers' organizations, and provide them with information needed for meaningful negotiation in a timely manner. Workers' organizations are expected to fairly represent the workers in the workforce".

This also binds IFC's client to the laws of Pakistan and, especially, to the Punjab Industrial Relations Act of 2010, which grants workers the right to form unions, to be registered as the collective bargaining agent, and adhere to them in order to defend their interests.

The obligation imposed on the employer to allow workers to fully exercise their right to join and form union of their own choosing is accompanied by another obligation: the prohibition to interfere with formation of workers' organisations. The employer must refrain from undermining the creation, management and mission of workers' unions. Meanwhile, IFC must ensure this is so, in the same way that it monitors the fulfilment of any other of its clients' obligations contained in the loan agreement between them.

Karot is bound by the laws of Pakistan and by all international instruments ratified by that country. Namely, Punjab's Industrial Relations Act of 2010, ILO's Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and ILO's Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

By virtue of Pakistan's ratification of ILO's Conventions no .87 and no. 98 and the 1998 Declaration of Fundamental Rights and Principles at Work extending observance of the core conventions to all member countries, these are part of the national obligations that IFC's client must abide by. Performance Standard 2 has been drafted having them in mind, as IFC explicitly asserts,<sup>6</sup> bringing them at the core of the case at hand.

ILO jurisprudence is applicable in determining what constitutes an **interference** by the employer, as proscribed by Performance Standard 2.13. See **ILO's Committee for Freedom of Association Report No 384, from March 2018 (Case No 3227)**<sup>7</sup>:

"the Committee emphasizes that acts which are designed to promote the establishment of workers' organizations under the domination of employers or employers' organizations, shall be deemed to constitute acts of interference. The Committee has had occasions to examine examples of such interference and recalls that respect for the principles of freedom of association requires that the public authorities exercise great restraint in relation to intervention in the internal affairs of trade unions. It is even more important that employers exercise restraint in this regard. They should not, for example, do anything which might seem to favour one group within a union at the expense of another [see Digest, op. cit., para. 859]. Also, as regards allegations of anti-union tactics in the form of bribes offered to union members to encourage their withdrawal from the union and the presentation of statements of resignation to the workers, as well as the alleged efforts made to create puppet unions, the Committee considers such acts to be contrary to the principles of freedom of association and the right of workers' and employers' organizations to enjoy adequate protection against any acts of interference by each other or each other's agents in their establishment, functioning or administration" (§ 282).

This is a constant opinion of the Committee, as illustrated by Report No 331 from June 2003 (Case No 2185) and Report No 329 from November 2002 (Case No 2198), as well

---

<sup>6</sup> See footnote no. 2 of IFC's Overview of Performance Standards on Environmental and Social Sustainability (January 2012).

<sup>7</sup> Available at:

[https://www.ilo.org/dyn/normlex/en/f?p=1000:50002:0::NO:50002:P50002\\_COMPLAINT\\_TEXT\\_ID:3949802#C](https://www.ilo.org/dyn/normlex/en/f?p=1000:50002:0::NO:50002:P50002_COMPLAINT_TEXT_ID:3949802#C)

as by § 1194 of the Compilation of decisions of the Committee on Freedom of Association (2018)<sup>8</sup> and its myriad citations<sup>9</sup>.

The prohibition includes interfering with the management of a trade union as well as favoring a trade union over another or “interfering in favour of a trade union”<sup>10</sup>.

More specifically, the Compilation of decisions of the Committee on Freedom of Association (2018) lists the creation of yellow unions, puppet unions and, more generally, unions managed by the employer as a particular form of interference (see § 1195)<sup>11</sup>:

“The intervention by an employer to promote the establishment of a parallel trade union constitutes an act of interference by the employer in the functioning of a workers’ association, which is prohibited under Article 2 of Convention No. 98”.

These rulings apply very clearly to Karot management’s line of conduct:

- **They have interfered, via the local government, with the trade union’s registration process;**
- **They have orchestrated the creation of a union under their management, and**
- **They are using the puppet union as a way to undermine the labour of Awami Labour Union and stall the measures that need to be taken in order for Karot project’s workers to be able to enjoy their most basic labour rights.**

In doing the above, they have been in violation of Performance Standard 2.13 of the IFC since mid-2017.

Starting talks with Social Hydro Union after being in negotiations with Awami Labour Union for months and in parallel to such process also constitutes a clear example of **negotiating in bad faith**: it stalls any progress by Awami Labour Union and cannot entail meaningful positive changes for workers, since Social Hydro Union is ultimately managed by Karot and subordinated to its commercial interests. PS 2 instructs clients to “engage with such workers’ representatives and workers’ organizations, and provide them with information needed for meaningful negotiation in a timely manner.”

Good faith negotiations include “genuine and constructive negotiations”<sup>12</sup> where the parties make “every effort to reach an agreement”<sup>13</sup>. Karot’s management intends to use

---

<sup>8</sup> The Compilation of decisions of the Committee on Freedom of Association (2018) can be found here: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---normes/documents/publication/wcms\\_632659.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/publication/wcms_632659.pdf)

<sup>9</sup> Citations of § 1194 of the Compilation of decisions of the Committee on Freedom of Association (2018): “See the 2006 Digest, para. 858; 344th Report, Case No. 2468, para. 438; 346th Report, Case No. 1865, para. 788; 348th Report, Case No. 2388, para. 163; 358th Report, Case No. 2735, para. 611; 360th Report, Case No. 2775, para. 731; 363rd Report, Case No. 2780, para. 809 and Case No. 2850, para. 874; and 365th Report, Case No. 2829, para. 580 and Case No. 2815, para. 1274”.

<sup>10</sup> § 1190: “The Committee recalled the fundamental principle of workers being able to join organizations of their own choosing and of the enterprise not interfering in favour of a trade union. (See 340th Report, Case No. 2439, para. 362.)”.

<sup>11</sup> See also 364th Report, Case No. 2890, para. 1058.

<sup>12</sup> § 1328 of ILO’s 2018 Compilation of decisions of the Committee on Freedom of Association.

<sup>13</sup> § 1333 of ILO’s 2018 Compilation of decisions of the Committee on Freedom of Association: “While the question as to whether or not one party adopts an amenable or uncompromising attitude towards the other party is a matter for negotiation between the parties, both employers and trade unions should bargain in good faith making every effort to reach an agreement. (See the 2006 Digest, para. 938; 343rd Report, Case No. 2319, para. 1007; 344th Report, Case No.

Social Hydro Union to fabricate workers' demands tailored to its desired negotiation concessions, while is also effectively stalling any negotiation with the most representative union on site. However:

"Both employers and trade unions should bargain in good faith and make every effort to come to an agreement, and satisfactory labour relations depend primarily on the attitudes of the parties towards each other and on their mutual confidence".

§ 1329 of ILO's 2018 Compilation of decisions of the Committee on Freedom of Association.<sup>14</sup>

In this regard, see also **ILO's Committee for Freedom of Association Report No 386, from June 2018 (Case No 3289, Pakistan):**

"the Committee recalls that the principle that both employers and trade unions should negotiate in good faith and make efforts to reach an agreement means that any unjustified delay in the holding of negotiations should be avoided [see Compilation, op. cit., para. 1330]".

And yet, negotiations are practically on hold on the very basis that documentation from the yellow union is required to complete discussions.

Meanwhile, **trade union leaders face all kinds of barriers** in the name of safety to enter the premises (e.g. they are forced to give up to 48 hours prior notice to be authorized to enter the premises; once there, effectively reaching the meeting point can take several hours), preventing them from carrying out their duties and to correctly defend workers' rights and interests. The Guidance Note for PS 2 states that:

Clients should also provide access for representatives of workers' organizations to the workers they represent. Workers should be free to meet and discuss workplace issues on the premises during scheduled breaks, and before and after work. Furthermore, workers should be allowed to choose representatives to speak with management, inspect working conditions in an appropriate manner and in a way that does not disrupt productivity, and carry out other organizing activities.

Access to the workplace by trade union leaders in a timely fashion needs to be ensured in order to guarantee workers' right to organize (ILO's Committee for Freedom of Association Report No 329, from November 2002 (Case No 2192):

"for the right to organize to be meaningful, the relevant workers' organizations should be able to further and defend the interests of its members, by enjoying such facilities as may be necessary for the proper exercise of their functions as workers' representatives, including access to the workplace of trade union members".

An intimidating atmosphere created by the intensive presence of military forces described in part C is reinforced by the **anti-union threats** made by Karot management to union leaders and the **dismissal of union members without justification** or compensation which, yet again, come in open contradiction workers' labour rights:

"Coercing trade union members into leaving the trade union constitutes a serious violation of Conventions Nos. 87 and 98 that consecrate the right of workers to freely join the organization of their own choice and the principle of the adequate protection of this right"<sup>15</sup>.

---

*2467, para. 576, Case No. 2437, para. 1315; 350th Report, Case No. 2362, para. 429; and 355th Report, Case No. 2640, para. 1048.)"*

<sup>14</sup> See also the 2006 Digest, para. 936; 344th Report, Case No. 2467, para. 576, Case No. 2486, para. 1212, Case No. 2437, para. 1314; 346th Report, Case No. 2506, para. 1077; 349th Report, Case No. 2481, para. 78, Case No. 2486, para. 1238; 362nd Report, Case No. 2361, para. 1096; 364th Report, Case No. 2848, para. 427; and 375th Report, Case No. 3063, para. 134.

<sup>15</sup> See § 1198 and 1199 of ILO's 2018 Compilation of decisions of the Committee on Freedom of Association.

The lack of compensation and the manner of the dismissals raises further concerns related to the retrenchment requirements of PS2 in paragraphs 18-19, requiring a deliberate and fair process for collective dismissals and in any case of dismissal “The client should ensure that all workers receive notice of dismissal and severance payments mandated by law and collective agreements in a timely manner.”

Karot’s anti-union behavior is a clear violation of Performance Standard 2 (13) and (14) and the right to freedom of association, the right to organize and to collective bargaining as defined by ILO Conventions no. 87 and 98.

In turn, workers have been prevented from voicing their concerns to the project management, as **no grievance mechanism** has been put in place, despite Performance Standard 2, paragraph 20.

Karot’s failure to respect these fundamental rights has led to a number of adverse impacts on the project’s workers. These impacts include underpayment of wages, non-payment of bonuses, allowances and other benefits protected by national law and collective agreements, as well as serious failures to adequately protect the Health and Safety of the project workers. Meanwhile, the possibility to raise such concerns at project-level has been wilfully limited by Karot, via the lack of implementation of a grievance mechanism.

### C) Health and safety issues: Underlying problems exacerbated by pandemic

The IFC’s financing of the Karot project is also conditional on compliance with obligations on occupational safety and health detailed in Performance Standard 2, that need to be fulfilled by Karot through its direct and indirect management.

IFC’s Performance Standard 2.16 states that:

The client will provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client’s work areas, including physical, chemical, biological, and radiological hazards. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, so far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice, the client will address areas, including: the identification of potential hazards to workers, particularly those that may be life-threatening; provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; training of workers; documentation and reporting of occupational accidents, diseases, and incidents; and emergency prevention, preparedness and response arrangements.

The union has made a number of ongoing complaints with regard to safety that stand in violation of PS2. Some of these complaints relate to personal protective equipment (PPE):

- The PPE that was provided to workers is of very poor quality. This issue has been raised on a number of occasions to management but there has been no material progress. Boots have been issued that last for a period of only one to two months, however once these boots fall apart or become unsafe for the purpose workers are regularly denied new pairs for a period of months. As a result many workers have to work in unsafe conditions for long periods.
- The workers have also reported that whenever visiting delegations come to the site, PPE (including safety jackets, gloves, boots, helmets etc.) are distributed to a few workers so it appears to practice is institutionalised. This is not the case,

and there are many workers still forced to work in unsafe conditions due to the provision of poor PPE.

- This issue has been discussed many times by the union and company management, and management have consistently committed to improve the situation, however the union is unsatisfied with the extremely slow progress on these matters.

An additional set of concerns have arisen in relation to the covid-19 pandemic and the lack of appropriate safety measures. The Karot project has continued in spite of the pandemic and the lockdown across Pakistan, yet workers have not been adequately protected:

- There is no on-site testing available for covid-19, and there has been no additional offsite testing of workers.
- Poor quality masks have been provided for workers but there is no hand sanitiser available.
- Social distancing protocols have not been implemented, both in the work site and in worker accommodation, meaning that the risk of the pandemic spreading throughout the site is a major concern.
- Workers have been unable to leave the site, even in the case of the death of a close relative.

The health and safety concerns are exacerbated by the tight military controls imposed on the project, making workers feel isolated and making it harder for the union to monitor the situation on the ground on a day-to-day manner. **It is the position of the complainants that the freedom of association issues also exacerbate the OSH issues, and the two issues are best dealt with side-by-side.**

Security at the project site has been entrusted to the Pakistan army, which is heavily present. The ILO is equally clear on the **presence of military force** as a way to severely hinder collective bargaining rights (ILO's Committee for Freedom of Association Report No 386, from June 2018 (Case No 3289, Pakistan):

"the Committee recalls that the voluntary negotiation of collective agreements, and therefore the autonomy of the bargaining partners, is a fundamental aspect of the principles of freedom of association and that the intervention of the army in relation to labour disputes is not conducive to the climate free from violence, pressure or threats that is essential to the exercise of freedom of association [see Compilation of decisions of the Committee on Freedom of Association, sixth edition, 2018, paras 1313 and 929]. The Committee further wishes to emphasize that military presence during collective bargaining negotiations may have an intimidating effect on the parties and thereby a significant impact on the collective bargaining process as a whole, as well as on the content of any agreement concluded. In view of the above, the Committee expects the Government to take the necessary measures to ensure that in the future the military does not directly or indirectly participate in collective bargaining negotiations".

IFC Performance Standard 4 establishes:

13. The client will assess and document risks arising from the project's use of government security personnel deployed to provide security services. The client will seek to ensure that security personnel will act in a manner consistent with paragraph 12 above...

Paragraph 12 includes "appropriate conduct [of security forces] toward workers".

## 2. IFC's role in supervising implementation of the Performance Standards

In 2015, IFC issued its latest published reports on Karot Hydro. This was two years *before* the start of the works, five years ago. The project still lacked a Human Resources policy and developing procedures, as well as an Occupational Health and Safety plan (see [ANNEX 16](#)).

BWI and PFBWW's earliest request for IFC intervention takes us back to early 2018. Since then, many emails have been exchanged and reports issued by the former, yet the latter has failed to ensure that its client provides Karot Hydro's workers with the most basic labour rights, as mandated by Performance Standard 2.

In the monitoring and closing report on the Avianca case, the CAO notes several actions provided by IFC as evidence of improved efforts to uphold PS 2:

- a. capacity-building and training of [Environment and Social (E&S)] specialists on assessing and managing labor-related risks;
- b. developing internal and external guidance on managing labor issues;
- c. relying on the support of independent labor experts; and
- d. having regular interaction with Global Unions.

The behaviour of IFC in ignoring these communications and actors represent a failure to uphold these commitments to dialogue with global union federations such as the BWI, and a lack of progress on improving the handling of E&S issues – especially when raised by workers' organizations. The commitments also included more attention to contextual risk. Doing so could have better prepared IFC to deal with labour issues such as the delays in trade union registration and interference in workers' activities by project management. It is also worth recalling that these IFC commitments and changes under Avianca were cited in IFC's response to the CAO finding on BILT Paper, which similarly referred to IFC's failure to effectively consult the union. The documents attached to this claim prove that the IFC is well aware of the workers and union leaders' situation at Karot Hydro, and has been for well over a year. In addition to its own findings – to which these parties haven't had access to despite their request – in the context of regular project reviews, IFC has been receiving timely reports of the situation from BWI and PFBWW. To date, the number of workers employed is around 3,000 and yet, Karot's management is negotiating in bad faith, purposefully slowing down any rightful request from elected representatives from the Awami Labour Union, engaging in negotiations with an entity created by itself and representing its own interests; union leaders experience serious difficulties to access the premises and no grievance mechanism has been put in place. The deliberately slow and evasive response exhibited by project management and IFC compounds the chilling effect of these violations of PS 2 on workers' rights.

§22 of IFC's Policy on Environmental and Social Sustainability (January 2012) states:

"IFC will only finance investment activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time. Persistent delays in meeting these requirements can lead to loss of financial support from IFC".

IFC's Performance Standards are included within the financial agreement as a binding requirement. IFC's client has an obligation to guarantee that Performance Standard 2 will be a reality within the project, and IFC has a supervisory duty to control or ignite its

client's fulfilment of its contractual obligations in this regard, **in a reasonable period of time**, and take appropriate contractual action if that does not occur

This project is currently at its half-way point. If IFC is to sustainably and responsibly fund infrastructure development projects, it must ensure workers' rights are respected in the same manner as other contractual requirements including loan repayment.

## Conclusion

BWI, PFBWW and the project trade union have been persistent in their efforts to persuade Karot's management to correct these management failures, however these attempts have not resolved the issues. Nor have recent discussions with the IFC project management team to ask for assistance to bring the project company into compliance with national laws and the IFC Performance Standards' requirements regarding Labour and Working Conditions resulted in necessary action.

We trust that your good offices will be able to assist in this matter to ensure **immediate compliance with the Performance Standards and ILO Conventions on the Right to Freedom of Association, Right to Organise and Right to Collective Bargaining within IFC's project Karot Hydro (no. 36008).**

Respectfully yours,



**Mr. Apolinar Z. Tolentino, Jr.**  
Regional Representative  
BWI Asia Pacific



**Mr. Aslam Adil**  
General Secretary  
PFBWW

## List of attachments

- ANNEX 1** Letter of authorization from M. Yasin, President of Awami Labour Union, authorizing Mr. Aslam Adil, General Secretary of PFBWW, to file a complaint on behalf of the Union regarding IFC project no. 36008.
- Letter of authorization from M. Yasin, President of Awami Labour Union, authorizing Mr. Apolinar Tolentino, Regional Representative for BWI Asia Pacific, as co-complainant.
- ANNEX 2** Summary of Investment Information of Karot Project (2015), available at: <https://disclosures.ifc.org/#/projectDetail/SII/36008>
- ANNEX 3** Ruling of the Rawalpindi Labour Court dated 29<sup>th</sup> May 2018.
- ANNEX 4** Letter from BWI to the IFC's Senior Country Officer for Pakistan, dated 9<sup>th</sup> January 2019.
- ANNEX 5** Reply letter from the IFC to BWI, dated 5<sup>th</sup> February 2019.
- ANNEX 6.1** Email sent by PWF to the IFC raising workers' rights issues on 23<sup>rd</sup> February 2019, attaching Awami Labour Union's charter of demands.
- ANNEX 6.2** Charter of demands by Awami Labour Union on labour rights' violations happening at Karot Hydro.
- ANNEX 7** Update email from PWF to the IFC, dated 31<sup>st</sup> March 2019, regarding the meeting held on 21<sup>st</sup> March 2019 between Awami Labour Union, CTGC, CSAIL and Karot's management.
- ANNEX 8** Minutes of the meeting held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, China Three Gorges Corporation (CTGC) and China Three Gorges South Asia Investment Limited (CSAIL) on 29<sup>th</sup> April 2019.
- ANNEX 9** Letter from BWI to the IFC, dated 7<sup>th</sup> July 2019, requesting to hold a meeting in August.
- ANNEX 10** Minutes of the meeting held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, China Three Gorges Corporation (CTGC) and China Three Gorges South Asia Investment Limited (CSAIL) on 9<sup>th</sup> August 2019.
- ANNEX 11** Letter from BWI to the IFC, dated 20<sup>th</sup> August 2019, on breaches of Performance Standard 2 at Karot Hydro.
- ANNEX 12** Minutes of the meeting held between Awami Labor Union, Pakistan Workers Federation and relevant officials of Karot, China Three Gorges Corporation (CTGC) and China Three Gorges South Asia Investment Limited (CSAIL) on 30<sup>th</sup> September 2019.

- ANNEX 13** Email from PWF to the IFC informing of major delays in the redressal of workers' rights and requesting their intervention, dated 26<sup>th</sup> October 2019.
- ANNEX 14** Letter sent by Awami Labour Union to the Rawalpindi Trade Unions Registrar on 30<sup>th</sup> December, regarding Social Hydro Union.
- ANNEX 15.1** Letter from BWI to the IFC dated 6<sup>th</sup> January 2020, on the ongoing labour rights' violations happening within the project.
- ANNEX 15.2** Table relating actions or omissions by Karot's management to the violated labour rights' provisions, and record of all meetings held between Karot Hydro's interested parties.
- ANNEX 16** Karot Project Environmental & Social Review Summary (2015)  
<https://disclosures.ifc.org/#/projectDetail/ESRS/36008>