

April 2022

RISK ALERT

Muminjon Yuldashev, Madad Invest Bank and Associated Entities

AUTHOR: PROFESSOR KRISTIAN LASSLETT

Table of Contents

EXECUTIVE SUMMARY.....	3
NATURE OF RISK	6
Affiliate Legal Entities.....	8
2022 Update	12
DOMESTIC RISKS	14
Financial/Banking.....	14
Public Procurement	14
Cotton/Textiles/Apparel/Footwear	15
INTERNATIONAL RISKS.....	17
International Procurement	17
International Banking Relationships	19
Cotton, Textile, Apparel and Footwear Supply Chain.....	20
RIGHT OF REPLY	23
RECOMMENDATIONS.....	24
ABOUT RISK ALERTS	25
ABOUT UZINVESTIGATIONS	25



Image: Muminjon Yuldashev (Source: Facebook)¹

Subject of Risk Alert: Yuldashev Muminjon Shokirzhonovich (Yo'ldoshev Mo'minjon Shokirjonovich), Madad Invest Bank and associated entities.

Tied legal entities: Madad Invest Bank, Sroy Montaj Invest, Jo'ydam-Ta'mirchi, Baxodir Log'on Tekstil, Vodiy Shoes, Royal Thai Group, Royal Thai Branch.

Politically Exposed Person: Yes.

Risk areas: Financial systems, public procurement (national/international), cotton/textile/apparel supply chains.

Author of Risk Alert: Professor Kristian Lasslett, Ulster University.

Date of Risk Alert: Draft completed on 5 October 2021, final copy completed 22 February 2022.

¹ This photograph was uploaded onto the Facebook page for Deputy Muminjon Yuldashev on 26 July 2017. Available online at: facebook.com/deputatyuldashev/photos/277809436033996 (accessed 19 September 2021).

PART I

EXECUTIVE SUMMARY

Muminjon Yuldashev is a Ferghana businessman and politician. According to the World Bank he is also the founder of Quvasoy Tamir Qurilish LLC (now known as Stroy Montaj Invest). In 2019 the World Bank's Chief Suspension and Debarment Officer recommended that Mr Yuldashev, Quvasoy Tamir Qurilish, and any entity directly or indirectly controlled by Yuldashev, be ineligible for World Bank contracts for a minimum period of four years.

The World Bank's Vice President for Integrity alleges that Yuldashev 'engaged in a coercive practice by threatening a representative of a competing bidder in an attempt to get him to withdraw the competitor's bid for a construction contract under the Project'.² The Chief Suspension and Debarment Officer claims 'that Mr. Yuldashev conspired with public officials in connection with the coercive practice'.³

Based off World Bank findings this Risk Alert adopts the position that Muminjon Yuldashev and closely tied legal entities ought to be regarded as higher risk for any organisation under a regulatory or industry requirement to assess the integrity/risks of a partner/client/bidder.

Against this backdrop, the Risk Alert notes:

- ◆ Muminjon Yuldashev is a major shareholder and Chairman of the Board at Madad Invest Bank. Therefore, it is reasonable to conclude he exercises significant influence over this commercial bank.
- ◆ Muminjon Yuldashev is Deputy Director of Baxodir Log'on Tekstil which has been awarded rights over two cotton clusters according to a Cabinet of Ministers decree. Baxodir Log'on Tekstil is owned through an opaque offshore structure, therefore its beneficial owners cannot be identified. A professional biography recently published on the Diplomatic World Institute website, where Yuldashev is an honorary member, states he is the founder of this enterprise. Yuldashev's biography also states he is a co-founder of Vodiy Shoes. Two out of the three shareholders at Marhamat Vodiy Shoes and Namangan Vodiy Shoes have been sanctioned by the World Bank (the two shareholders are Quvasoy Tamir Qurilish and Jo'ydam-Ta'mirchi).
- ◆ The Asian Development Bank (ADB) cross debarred Muminjon Yuldashev beginning on 22 July 2019. On 23 December 2019, the ADB awarded Royal Dizayn Loyiha a contract valued at US\$1.15 million under Loan 3659. Royal Dizayn Loyiha is an

² World Bank (2019) 'Notice of Uncontested Sanctions Proceedings', *Sanctions Case No.585*, 8 July. Available online at: [https://www.worldbank.org/content/dam/documents/sanctions/office-of-suspension-and-debarment/2019/jul/Case%20585%20-%20Notice%20of%20Uncontested%20Proceeding%20\(7.8.2019\).pdf](https://www.worldbank.org/content/dam/documents/sanctions/office-of-suspension-and-debarment/2019/jul/Case%20585%20-%20Notice%20of%20Uncontested%20Proceeding%20(7.8.2019).pdf) (accessed 19 September 2021).

³ Ibid.

entity closely tied to Muminjon Yuldashev. A professional biography recently published on the Diplomatic World Institute website states Yuldashev is a founder of this enterprise.

- ◆ Quvasoy Tamir Qurilish LLC (now known as Stroy Montaj Invest) continues to be awarded major public contracts issued by the government of Uzbekistan.

In response to these initial findings of fact an ADB spokesperson noted:

- ◆ The ADB only recognises the World Bank's debarment of Muminjon Yuldashev as an individual, it does not recognise the World Bank's debarment of any legal entity owned or controlled by Muminjon Yuldashev.
- ◆ The matter regarding Royal Dizayn Loyiha has been referred to the ADB's Office of Anti-Corruption and Integrity.

No direct response was received from Muminjon Yuldashev to questions sent by UzInvestigations. However, a company within his business group made serious allegations in their reply to UzInvestigations' queries. The company alleges:

- ◆ Officials from the Ministry of Housing and Communal Services are rigging procurement, including international tenders, in favour of companies they own or are associated with.
- ◆ Tender rigging by public officials within the Ministry has led to a tenfold increase in project costs.
- ◆ Officials from Kommunhizmat Agency, within the Ministry of Housing and Communal Services, framed Quvasoy Tamir Qurilish LLC in order to remove a competitor from international tenders.

UzInvestigations also notes that Kommunhizmat was the executing agency for the ADB's Djizzak Sanitation System Development Project. A review by the ADB Office of Anti-Corruption and Integrity found that the executing agency was unable to provide 'key procurement documents', whilst there was also evidence of 'unauthorized changes in bidding documents' and 'incorrect evaluation and shortlisting procedures'.⁴

The company making the serious allegations regarding Ministry of Housing and Communal Services officials did not respond to further requests for information to verify its claims,

⁴ Office of Anti-Corruption and Integrity (2021) 'Proactive Integrity Review - Loan 3275-UZB: Djizzak Sanitation System Development Project', *Asian Development Bank*. Available online at: <https://www.adb.org/sites/default/files/project-documents/46135/46135-002-pir-en.pdf> (accessed 19 September 2021).

following an initial meeting between the author and company executives. There was perceived to be a significant risk of retribution by the state. Nonetheless, the company maintains it is a professional operator that wins contracts through competitive pricing and quality service.

Based off the initial finding of facts and subsequent responses to the right of reply requests, this Risk Alert makes the following recommendations:

- ◆ Cross-debarments approved by the ADB should incorporate *in full* the terms and conditions of the original debarment decision.
- ◆ The ADB Office of Anti-Corruption and Integrity's findings on its investigation into the ADB award to Royal Dizayn Loyiha (made after Yuldashev was cross-debarred), should be made public.
- ◆ Allegations against the Ministry of Housing and Communal Services, including Kommunnhizmat Agency, should be investigated by Uzbekistan's Anti-Corruption Agency.
- ◆ To strengthen the integrity of its procurement processes, the Government of Uzbekistan should apply international sanctions lists when evaluating public tenders.
- ◆ Companies entering into commercial relationships with Muminjon Yuldashev or closely affiliated entities should assess this relationship as being higher in risk and thus requiring enhanced levels of due diligence. In particular, any entity entering into, or holding, commercial relations with Madad Invest Bank should factor the World Bank findings into their risk analysis, and due diligence procedures. Brands looking to responsibly source textiles or footwear from Baxodir Log'on Tekstil/Vodiy Shoes should also consider World Bank findings in their due diligence analysis, including sanctions placed on Vodiy Shoes shareholders Quvasoy Tamir Qurilish and Jo'ydam-Ta'mirchi.

PART II

NATURE OF RISK

Muminjon Yuldashev is a Ferghana businessman and politician. He is Chairman and founder of Madad Invest Bank, which is a commercial bank licensed by the Central Bank of Uzbekistan. Yuldashev is also a member of the Uzbekistan Liberal Democratic Party and is a People's Deputy in Ferghana's Regional Council.⁵

An In August 2021 he was awarded the Order of Labour Glory by the President of Uzbekistan.⁶ In November 2021 he was made an honorary member of the Diplomatic World Institute.⁷



Image: April 2021, Yuldashev (first left) provides Uzbekistan's President Shavkat Mirziyoyev (second left) with a tour of a Baxodir Log'on cotton cluster factory. He holds a Madad Invest Bank writing pad where he is Chairman and a major shareholder, according to the bank's charter (source: Presidential Press Service).

⁵ People's Democratic Party of Uzbekistan (2021) *List of Deputies Elected to the Fergana Regional Council of People's Deputies*, 17 March. Available online at: <https://xdp.uz/local-deputies/2692> (accessed 19 September 2021).

⁶ President of the Republic of Uzbekistan (2021) 'On Awarding a Group of Civil Servants and Workers of Production and Socio-Economic Spheres on the Occasion of the Thirtieth Anniversary of Independence of the Republic of Uzbekistan', *Presidential Decree*, 25 August. Available online at: <https://president.uz/ru/lists/view/4569> (accessed 19 September 2021).

⁷ Diplomatic World Institute, 'Diplomatic World Team', available online: <https://www.diplomatic-world-institute.com/en-our-team/> (accessed 12 February 2022)

According to the World Bank he is the founder and owner of Quvasoy Tamir Qurilish LLC, which has the tax identification number 200124780.⁸ A search of Uzbekistan's unified register of legal entities using this tax number indicates that this company is now known by the name Stroy Montaj Invest.⁹ Its sole shareholder is Yo'ldashev Muxtorjon Shokirjonovich. This individual shares family names with Muminjon Yuldashev.

Quvasoy Tamir Qurilish has benefited from large contracts awarded through programs funded via international financial institution loans. According to a 2018 Asian Development Bank (ADB) fact sheet, for example, the second largest recipient of goods, works and related services contracts under ADB loan and grant schemes in Uzbekistan was Quvasoy Tamir Qurilish. It was awarded US\$41.75 million in contracts between 2013-2017.¹⁰ A closely associated entity, which has since been debarred by the World Bank, Juydam-Tamirchi (also spelt Jo'ydam-Ta'mirchi) was the largest recipient of ADB contracts in this period, with awards of US\$94.61 million.¹¹

Quvasoy Tamir Qurilish, Juydam-Tamirchi and Muminjon Yuldashev are listed as major shareholders in the Madad Invest Bank's Charter, a commercial bank headquartered in the Ferghana region of Uzbekistan (see Table 1, below).¹²

On 8 July 2019, Muminjon Yuldashev was debarred by the World Bank Group's Sanction Board in Sanctions Case No.585.¹³ The case relates to the World Bank funded Uzbekistan Syrdarya Water Supply Project. The World Bank's Vice President for Integrity alleges that Yuldashev 'engaged in a coercive practice by threatening a representative of a competing bidder in an attempt to get him to withdraw the competitor's bid for a construction contract under the Project'.¹⁴

The World Bank's Chief Suspension and Debarment Officer recommended that Mr Yuldashev, Quvasoy Tamir Qurilish, and any entity directly or indirectly controlled by

⁸ World Bank (2021) *Procurement - World Bank Listing of Ineligible Firms and Individuals*. Available online at: <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms> (accessed 19 September 2021).

⁹ Stroy Montaj Invest, *Company Extract, Reg No.234* (accessed 12 September 2021).

¹⁰ Asian Development Bank (2018) *Asian Development Bank Member Fact Sheet*. Available online at: <https://www.carecinstitute.org/wp-content/uploads/2018/12/2017-PUBL-Uzbekistan-Fact-Sheet.pdf> (accessed 19 September 2021).

¹¹ Ibid.

¹² Madad Invest Bank, *Charter*. Available online at: madadinvestbank.uz/storage/pages/ustav.doc (accessed 19 September 2021).

¹³ World Bank (2019) 'Notice of Uncontested Sanctions Proceedings', *Sanctions Case No.585*, 8 July. Available online at: [https://www.worldbank.org/content/dam/documents/sanctions/office-of-suspension-and-debarment/2019/jul/Case%20585%20-%20Notice%20of%20Uncontested%20Proceeding%20\(7.8.2019\).pdf](https://www.worldbank.org/content/dam/documents/sanctions/office-of-suspension-and-debarment/2019/jul/Case%20585%20-%20Notice%20of%20Uncontested%20Proceeding%20(7.8.2019).pdf) (accessed 19 September 2021).

¹⁴ Ibid.

Yuldashev, be ineligible for World Bank contracts for a minimum period of four years. His release from debarment after four years is conditioned on Yuldashev taking remedial measures to address the sanctionable practices.

In reaching this view, the Chief Suspension and Debarment Officer noted ‘that Mr. Yuldashev conspired with public officials in connection with the coercive practice’.¹⁵

No response to the allegations was received by the World Bank within 90 days of Mr Yuldashev being notified. As a consequence, the sanctions entered into force at the end of this period.

Further information on the World Bank allegations against Mr Yuldashev are set out in a separate Sanctions Case, No.454, taken against Quvasoy Tamir Qurilish LLC, which Yuldashev is said to be the founder and owner of.¹⁶

According to the World Bank Group, Quvasoy Tamir Qurilish and Juydam-Tamirchi ‘were found liable for participating in an arrangement to share information across their bids on the same Bank-financed contract. The Respondents were additionally found liable for misrepresenting information in their bids relating to the educational backgrounds of proposed staff’.¹⁷

As a result, both companies were debarred for a period of 4 years 9 months, with conditional release after that period upon meeting certain good governance stipulations.

In summary, the World Bank Group has made allegations that Muminjon Yuldashev and an entity he controls has been involved in the use of coercion, fraud, attempted procurement rigging, and conspiring with a public official. These allegations, which passed through a review process and consideration of the evidence, has led to his debarment and the debarment of Quvasoy Tamir Qurilish LLC by the World Bank Sanctions Board.

Affiliate Legal Entities

The below table sets out companies owned or tied to Muminjon Yuldashev. Only Muminjon Yuldashev, Quvasoy Tamir Qurilish LLC (now Story Montaj Invest) and Juydam-Tamirchi,

¹⁵ Ibid.

¹⁶ World Bank Group Board (2018) *Sanctions Board Decision No.112*, 13 June. Available online at: <https://www.worldbank.org/content/dam/documents/sanctions/sanctions-board/2018/nov/SanctionsBoardDecisionNo-112.pdf> (accessed 19 September 2021).

¹⁷ According to the ADB, Juydam-Tamirchi was the largest recipient of ADB loan-based contracts between 2013-2017, totalling US\$94.61 million: Asian Development Bank (2018) *Asian Development Bank Member Fact Sheet*. Available online at: <https://www.carecinstitute.org/wp-content/uploads/2018/12/2017-PUBL-Uzbekistan-Fact-Sheet.pdf> (accessed 19 September 2021).

are the subject of World Bank sanctions. There is no suggestion that any other company in this list has been involved directly or indirectly in inappropriate conduct.

Affiliate	Shareholders	Tie to Yuldashev Muminjon Shokirzhonovich	Sector	Notes
Madad Invest Bank	Quvasoy Tamir Qurilish (9.8%), Fergana-Vibropress-Tensil (8%), Juydam-Tamirchi (7.3%), Maxsus Plast Polimer (4.9%), Royal Dizayn Loyiha (3.6%), Royal Thai Group (15.4%), and Yuldashev Muminjon Shokirzhonovich (18.9%). ¹⁸	Chairman of the Supervisory Board ¹⁹ and major shareholder.	Financial	
Baxodir Log'on Tekstil	Royal Thai Branch (1.06%) and Royal Thai Group Co. Ltd. (98.94%). ²⁰	Deputy Director ²¹	Cotton/Textiles	US\$14.3 million charter capital
Royal Thai Branch	Royal Tray Group (may be misprint) ²²	Unclear due to misprint in company register.	Various	Shares registered address with Madad Invest Bank.
Stroy Montaj Invest	Yo'ldashev Muxtorjon Shokirjonovich (100%)	Cited as founder & owner by World Bank in 2019	Construction	Formerly known as Quvasoy Tamir Qurilish. Current shareholder

¹⁸ Madad Invest Bank, *Charter*. Available online at: madadinvestbank.uz/storage/pages/ustav.doc (accessed 19 September 2021).

¹⁹ Madad Invest Bank (2021) *Bank Management*. Available online at: <https://madadinvestbank.uz/page/pravlenie-banka> (accessed 19 September 2021).

²⁰ Baxodir Log'on Tekstil, *Company Extract, Reg No. 24434* (accessed 12 September 2021).

²¹ President of the Republic of Uzbekistan (2021) 'On Awarding a Group of Civil Servants and Workers of Production and Socio-Economic Spheres on the Occasion of the Thirtieth Anniversary of Independence of the Republic of Uzbekistan', 25 August. Available online at: <https://president.uz/ru/lists/view/4569?fbclid=IwAR2HChRg6ngTKWxdkE6xebILn3P3kqpGWAxZU8ZGh4bnvHJ--WVCsRQMapA> (accessed 19 September 2021).

²² There is no record online of any company by the name Royal Tray Group. This may be a misprint with the actual name being Royal Thai Group, which is a closely affiliated entity.

		sanctions document. ²³ Current shareholder a partner in Quvasoy Tamir Qurilish.		shares family names with Yuldashev.
City Group Uz	Royal Thai Group Co. Ltd. (98.62%) and Priority Group Oneing (1.38%).	Majority owned by closely tied entity.	Hospitality	
Fergana Oseana	Royal Thai Group (100%)	Majority owned by closely tied entity. Quvasoy Tamir Qurilish a previous shareholder.	Textile	US\$16.2 million charter capital. Previous shareholder Jo'ydam-Ta'mirchi and Quvasoy Tamir Qurilish.
Vodiy Sifatli Urug	Fergana Oseana (100%)	Majority owned by closely tied entity.	Cultivation of oilseeds	
So'x Namunasi	Fergana Oseana (100%)	Majority owned by closely tied entity.	Clothing manufacturer	
Fergana Lcglobal International	Fergana Oseana (50%) and LC Global Co. Ltd. (50%).	Jointly owned by closely tied entity.	Car manufacturer	
Vodiy Agrosanoat Lyuks	Fergana Oseana (100%)	Majority owned by closely tied entity.	Cotton growing	
Ferghana Rahshona Gold	Royal Thai Branch (100%)	Majority owned by closely tied entity.	Wholesale	
Royal Dizayn Loyiha	Royal Thai Branch (100%)	Majority owned by closely tied entity.	Consultancy	
Vodiy Shoes	Baxodir Log'on Tekstil (35.66%) and Jo'ydam-Ta'mirchi (64.34%).	Majority owned by closely tied entity.	Shoe production	

²³ See: World Bank (2021) *Procurement - World Bank Listing of Ineligible Firms and Individuals*. Available online at: <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms> (accessed 19 September 2021).

Marhamat Vodiy Shoes	Vodiy-Shoes (33.33%), Stroy Montaj Invest (33.3%), and Jo'ydam-Ta'mirchi (33.3%).	Majority owned by closely tied entities.	Shoe productionStroy Montaj Invest and Jo'ydam-Ta'mirchi have been blacklisted by the World Bank.	
Namangan Vodiy Shoes	Vodiy-Shoes (33.33%), Stroy Montaj Invest (33.3%), and Jo'ydam-Ta'mirchi (33.3%).	Majority owned by closely tied entities.	Shoe production	Stroy Montaj Invest and Jo'ydam-Ta'mirchi have been blacklisted by the World Bank.
Jo'ydam Ta'mirchi	Xinjiang International Trading (100%)	Featured in the World Bank sanctions case.	Construction	
Madad Invest	Quvasoy Tamir Qurilish (5%), Fergana-Vibropress- Tensil (20%), Jo'ydam -Ta'mirchi (40%), Maxsus Plast Polimer (2.50%) and Royal Thai Group (32.50%).	Majority owned by closely tied entities.	Construction	US\$6.1 million charter capital.
Quvasoy Tamir Qurilish G'isht	Yuldashev Shavkatjon Shokirjonovich (3%), Yuldashev Muminjon Shokirjonovich (22.50%), Ashurova Ranoxon Shokirovna (3%), Yuldashev Muxtorjon Shokirjonovich (3%), Yuldashev Savridin Shokirovich (3%), and Fergana-Vibropress-Tensil (62.50%).	Shareholder	Production of building materials.	
Logistika Trans Fergana	Yangi Avlod Qurilish Invest (16.67%), Stroy Montaj Invest (16.67%), Fergana-Oseana (16.67%), Fergana-Vibropress-Tensil (16.67%), Maxsus Plast Polimer (16.67%), and	Indirect shareholder	Transport/Logistics	

	Quvasoytamirqurlish G'isht (16.67%).			
Zomin Maxsus Plita	Xinjiang International Trading (2.34%), Jizzax Trest-21 (82.68%) and Stroy Montaj Invest (14.98%).	Minor shareholder a closely tied entity.	Manufacture of concrete construction.	
Zomin Sement	Royal Dizayn Loyiha (33.75%), Fergana-Vibropress-Tensil (10.09%), Mirzalar Metan Servis (48.49%) and Pakana Metan Servis (7.70%).	Shareholder a closely tied entity.	Cement Production	
Royal Thai Group	Unknown. The Thai company registry does not list the name of shareholders. Its financial statements declare \$30,927 in assets. ²⁴		Offshore entity	

Table 1: Entities associated with Muminjon Yuldashev, Stroy Montaj Invest and Jo'ydam-Ta'mirchi (source: Republic of Uzbekistan Unified Register of Legal Entities).

Yuldashev is a shareholder and Chairman of Madad Invest Bank. Both Juydam-Tamirchi and Quvasoy Tamir Qurilish LLC are shareholders, alongside the Thai registered company Royal Thai Group. The Royal Thai Group is also the principal shareholder of Baxodir Log'on Tekstil, where Yuldashev is a Deputy Director. Accordingly, it has been designated an entity which is closely affiliated with Yuldashev. The company register in Thailand does not list shareholder names. Mr Yuldashev did not respond to our request for further information on his relationship with the Royal Thai Group.

All other companies listed in this table are directly or indirectly owned by entities associated with Yuldashev.

2022 Update

During the editing of this report, Muminjon Yuldashev was made an Honorary Member of the Diplomatic World Institute. As part of his appointment a detailed biography on the Diplomatic World Institute website is provided which offers further information on Yuldashev's business interests.

²⁴ Royal Thai Group, *Registered No: 0205558001478*. Available online at: <https://datawarehouse.dbd.go.th/fin/balancesheet/5/0205558001478> (accessed 19 September 2021).

It states 'he has established more than twenty new enterprises ... textile factories like JV Boxodir Logon Tekstil LLC and JV Fergana-Oseana LLC have been created and put into operation in the form of a cluster, which are engaged in from the cultivation of cotton till the manufacture of high quality ready garments'.²⁵

It continues 'in corporation with German company "Desma" he [Yuldashev] created the factory "Vodiy Shoes" for the production of high-quality shoes ... [and] the design Institute "Royal Dizayn Loyiha", whose main activity is designing in the field of construction'.²⁶

Finally, the biography notes, 'together with foreign investors, Mr. Yuldashev established the Madad Invest Bank, licensed by the Central Bank of the Republic of Uzbekistan'.

²⁵ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

²⁶ Ibid

PART III

DOMESTIC RISKS

Financial/Banking

Madad Invest Bank is a joint-stock commercial bank founded in 2016. Under the law on *Countering the Legalization of Proceeds from Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction*,²⁷ the bank has a legal responsibility to perform anti-money laundering/counter-terrorism funding (AML/CTF) checks, and report suspicious activity.

According to the bank's charter Muminjon Yuldashev is a significant shareholder, as is Quvasoy Tamir Qurilish (now Stroy Montaj Invest) and Jo'ydam-Ta'mirchi. Yuldashev is also Chairman of the Supervisory Board.

The World Bank Group has placed sanctions on Yuldashev, Quvasoy Tamir Qurilish and Jo'ydam-Ta'mirchi, after it found all three were involved in serious misconduct relating to public tenders. Yuldashev, in particular, is accused of conspiring with a public official to engage in coercive practices against a rival bidder.

Given the close connections between Yuldashev, Quvasoy Tamir Qurilish, Jo'ydam-Ta'mirchi, and Madad Invest Bank, any regulated actor²⁸ considering, or holding, commercial relationships with Madad Invest Bank should take this evidence into account, and exercise enhanced levels of due diligence when reviewing the relationship.

Public Procurement

Although debarred by the World Bank and cross-debarred by other international financial institutions, Stroy Montaj Invest continues to work on public contracts awarded by the Government of Uzbekistan. The most recent contract published on the national procurement portal is for US\$1.97 million to construct a building for military unit 99951 in the Chinaz district of Tashkent. This agreement was published on 6 July 2021, it amends an earlier contract dated 9 May 2018.²⁹

²⁷ Republic of Uzbekistan (2004) *Law of the Republic of Uzbekistan, No.660-II*, 24 August. Available online at: <https://lex.uz/docs/284542> (accessed 19 September 2021).

²⁸ A regulated actor is an entity designated in law as having certain AML/CTF responsibilities.

²⁹ UzEx, *Lot Number 2277941*. Available online at: <https://dxarid.uzex.uz/ru/adver/lot2/2277941/> (accessed 19 September 2021).

Given that Stroy Montaj Invest has been debarred by the World Bank and cross-debarred by other international financial institutions (IFIs), Stroy Montaj Invest constitutes a high-risk entity. The government of Uzbekistan could mitigate this risk by observing international lists of ineligible entities and individuals, when conducting public procurement.

Cotton/Textiles/Apparel/Footwear

Baxodir Log'on Tekstil has been awarded two cotton clusters, including a 5,210-hectare cluster in Yozyovon district, and a 6,225-hectare cluster in Quva district.³⁰ Fergana Oseana is responsible for one 5,815-hectare cluster in the Fergana district.³¹

Muminjon Yuldashev is Deputy Director of Baxodir Log'on Tekstil. Its majority shareholder Royal Thai Group also owns Fergana Oseana, and is a major shareholder in Madad Invest Bank. In his professional biography published on the Diplomatic World Institute website, Yuldashev is said to be the founder of Baxodir Log'on Tekstil.³²

Having close ties to an individual sanctioned by the World Bank for serious misconduct is an indicator that detracts from the corporate integrity of these cotton/textile companies.³³

Another factor which detracts from their corporate integrity, is the opaque offshore ownership structure of each company. Previous research on Uzbekistan's cotton sector has suggested that companies with reduced corporate integrity are at a higher risk of engaging in other abusive practices.³⁴

There is prima facie evidence of this hypothesis with respect to Baxodir Log'on Tekstil. A cotton sector monitoring report produced by Uzbek Forum for Human Rights in 2020 presented serious allegations regarding their cotton cluster in Yozyovon district. The report states:

³⁰Cabinet of Ministers of the Republic of Uzbekistan (2020) 'On Measures to Organize the Cotton Harvest in 2020', *Cabinet of Ministers Decree, No.545*, 9 September. Available online at: <https://www.lex.uz/docs/-4988593> (accessed 19 September 2021).

³¹ Ibid.

³² 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

³³ Indicators of weak or poor corporate integrity include opaque legal structures; the use of secrecy jurisdictions; provision of false or misleading information; current/past legal or regulatory violations by beneficial owners and/or managers; non-human rights compliant or illegal business practices; ties to political exposed persons; and secured public contracts, assets, and other opportunities, without public tender, or cognate process.

³⁴ Lasslett, K. and Uzbek Forum for Human Rights (2020) *Out of the Cauldron, into the Fire? Risk and Privatisation of Uzbekistan's Cotton Sector*, June. Available online at: <https://d1fz6q6taiufku.cloudfront.net/uploads/2020/06/PB-issue2-v4.2.pdf> (accessed 19 September 2021).

48 of Yazavan district's 119 farmers wrote to the Prime Minister complaining that the Bahodir Logon Textile cluster had not paid them for the cotton they had grown in 2019. They claim that the cotton cluster withheld UZS 100,000 (approximately \$10 US) from each ton upon delivery for cleaning, and deducted 8% of the cotton's weight for moisture, which is considerably higher than the standard 3%. Furthermore, Bahodir Logon promised to pay an extra UZS 200 to cotton pickers but then reclaimed it from payments to farmers.³⁵

Moving now to look at the Vodiy Shoes group, it is part owned by Quvasoy Tamir Qurilish (now known as Stroy Montaj Invest), and Jo'ydam-Ta'mirchi. The Vodiy Shoes business group is also part-owned by an opaque offshore company, Royal Thai Group. In his professional biography published on the Diplomatic World Institute website, Yuldashev is said to be a co-founder of Vodiy Shoes.³⁶ Vodiy Shoes' close ties to sanctioned companies and a sanctioned individual is an indicator of reduced corporate integrity, which again raises its risk profile for committing other abusive practices.

A risk-based approach to compliance would support close attention being paid to the above companies by regulatory agencies and independent monitors in Uzbekistan.

³⁵ Uzbek Forum for Human Rights (2020) *Cotton Clusters and the Despair of Uzbek Farmers: Land Confiscations, Blank Contracts and Failed Payments*, 2 April. Available online at: <https://www.uzbekforum.org/cotton-clusters-and-the-despair-of-uzbek-farmers-land-confiscations-blank-contracts-and-failed-payments/> (accessed 19 September 2021).

³⁶ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

PART IV

INTERNATIONAL RISKS

International Procurement

It was noted above that Yuldashev and the entities he directly or indirectly controls have been added to the World Bank's list of ineligible individuals and firms. This list is observed by other IFIs through a cross-debarment process. However, there is an enduring risk that IFIs which have debarred Yuldashev and associated entities could still be entering into commercial relationships with entities in which Yuldashev has a direct or indirect interest. This risk exists, in part, because of the opaque ownership structures observed in closely tied entities.

For example, there is evidence that the ADB has recently awarded a large contract to a closely affiliated entity, Royal Dizayn Loyiha. The Asian Development Bank states that on 23 December 2019, Royal Dizayn Loyiha was awarded a contract valued at US\$1.15 million under Loan 3659 (Western Uzbekistan Water Supply System Development Project).³⁷

Royal Dizayn Loyiha is also cited as a contractor for the \$US96.95 million Djizzak Sanitation System Development Project, ADB Loan 3275. An ADB Environmental Monitoring Report for the Djizzak Sanitation System Development Project, dated January 2019 suggests 'bidding documents for the construction of sewers, networks and pumping stations [have been] developed by design firm "Royal Dizayn Loyiha" LLC'.³⁸ No record could be located on the ADB project page relating to the appointment of Royal Dizayn Loyiha.

Concerningly, a proactive integrity review published in 2021, conducted by the ADB's Office of Anti-Corruption and Integrity, states the project coordination unit was 'unable to provide key procurement documents and the latest progress reports'.³⁹ The office also found '(i) unauthorized changes in bidding documents, (ii) deficiencies in signing bid opening meeting records, letters of bid and bills of quantities, (iii) incorrect evaluation and shortlisting

³⁷ Asian Development Bank, 'Uzbekistan: Western Uzbekistan Water Supply System Development Project', *Asian Development Bank, Sovereign Project I 50259-002*. Available online at: <https://www.adb.org/projects/50259-002/main> (accessed 19 September 2021).

³⁸ Tillakhodjaeva, S. (2019) *Semi-Annual Environmental Monitoring Report - Uzbekistan: Djizzak Sanitation System Development Project*, January. Available online at: https://www.adb.org/sites/default/files/project-documents/46135/46135-002-emr-en_2.pdf (accessed 19 September 2021).

³⁹ Office of Anti-Corruption and Integrity (2021) 'Proactive Integrity Review - Loan 3275-UZB: Djizzak Sanitation System Development Project', *Asian Development Bank*. Available online at: <https://www.adb.org/sites/default/files/project-documents/46135/46135-002-pir-en.pdf> (accessed 19 September 2021).

procedures, (iv) awarding a contract beyond validity period, and (v) deficient performance security'.⁴⁰

According to the Unified Register of Legal Entities in Uzbekistan, Royal Dizayn Loyiha is owned by Royal Thai Branch.⁴¹ Royal Thai Branch shares a registered business address with Madad Invest Bank where Yuldashev is Chairman, and, according to the bank charter, a major shareholder. Royal Thai Branch in turn potentially appears to be owned by the Thai registered company Royal Thai Group (although it is spelt in the Uzbekistani register as the 'Royal Tray Group' – there is no record globally of any company by this name).

The Royal Thai Group is the majority owner of Baxodir Log'on Tekstil, while Royal Thai Branch has a small shareholding. Yuldashev is cited as Deputy Director of Baxodir Log'on Tekstil in a recent Presidential decree awarding him the Order of Labour Glory.⁴² He is also listed as a founder of Baxodir Log'on Tekstil in his professional biography published on the Diplomatic World Institute website, where Yuldashev is an honorary member.⁴³ Up until recently, Royal Dizayn Loyiha held a 11.3% shareholding in Baxodir Log'on Tekstil.

In addition, Royal Dizayn Loyiha and Royal Thai Group own 3.6% and 15.4% shareholdings in Madad Invest Bank, according to the bank's charter. The other shareholders include Quvasoy Tamir Qurilish (9.8%), Juydam-Tamirchi (7.3%), and Yuldashev Muminjon Shokirzhonovich (18.9%)⁴⁴.

Finally, in November 2021 a professional biography was published on the Diplomatic World Institute website where Yuldashev is an honorary member. It notably states he is a founder of Royal Dizayn Loyiha.⁴⁵

⁴⁰ Ibid.

⁴¹ Royal Dizayn Loyiha, Registration Number 633, Unified Register of Legal Entities, record accessed on 19 September 2021.

⁴² President of the Republic of Uzbekistan (2021) 'On Awarding a Group of Civil Servants and Workers of Production and Socio-Economic Spheres on the Occasion of the Thirtieth Anniversary of Independence of the Republic of Uzbekistan', *Presidential Decree*, 25 August. Available online at: <https://president.uz/ru/lists/view/4569> (accessed 19 September 2021).

⁴³ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

⁴⁴ Madad Invest Bank, *Charter*. Available online at: madadinvestbank.uz/storage/pages/ustav.doc (accessed 19 September 2021).

⁴⁵ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

As a closely related entity Royal Dizayn Loyiha ought to be subjected to enhanced due diligence by any institution that has debarred Yuldashev, to ascertain its beneficial owners and persons with significant control.

The ADB is under such an obligation, after having cross-debarred Yuldashev in 2019.⁴⁶ When this information was presented to the ADB, a spokesperson confirmed in response on 8 October 2021: ‘The facts presented would ordinarily be significant had Mr. Yuldashev been debarred by ADB as the debarment would extend to any firm that he has ownership or control over during the debarment period. However, Mr. Yuldashev was cross debarred by the ADB as a result of a World Bank investigation and, pursuant to the Agreement for the Mutual Enforcement of Debarment Decisions (AMEDD), in such cases ADB only debars the individuals or firms named in the debarment notice. In this case Mr. Yuldashev was named as an individual. RDL [Royal Dizayn Loyiha] is therefore not debarred’.

In other words, the ADB has adopted the position that while the World Bank debarred Yuldashev, and any entity he directly or indirectly controls, the ADB’s cross-debarment *only* includes Yuldashev, it does not extend to any company he directly or indirectly controls.

Given that debarred individuals would frequently operate commercially through legal entities rather than as sole traders, this approach to cross-debarment offers a significant loophole which debarred individuals can exploit to circumvent IFI sanctions lists. To close this loophole, the ADB should recognise debarment decisions in full. Additionally, IFIs such as the ADB when operating in high-risk sectors or regions, ought to require that enhanced due diligence be conducted when verifying beneficial ownership arrangements for procurement purposes.

International Banking Relationships

According to Madad Invest Bank’s Charter, three entities that are the subject of World Bank sanctions are shareholders, they include Quvasoy Tamir Qurilish (9.8%), Juydam-Tamirchi (7.3%), and Muminjon Yuldashev (18.9%).⁴⁷ Yuldashev is also Chairman of the Supervisory Board. Additionally, a fourth major shareholder, Royal Thai Group (15.4%), features an opaque offshore structure. These facts are indicators which reduce the corporate integrity profile of Madad Invest Bank, and thus constitute material facts which ought to be taken into account when entering into commercial relationships with Madad Invest Bank. For foreign banks considering a correspondent relationship, or currently in a correspondent relationship,

⁴⁶ Asian Development Bank, *Sanctions List*. Available online at: <https://lnadbg4.adb.org/oga0009p.nsf/sancALL1P?OpenView&StartKey=Y> (accessed 19 September 2021).

⁴⁷ Madad Invest Bank, *Charter*. Available online at: madadinvestbank.uz/storage/pages/ustav.doc (accessed 19 September 2021).

this would include attaching an elevated risk level to Madad Invest Bank and subjecting the relationship to enhanced levels of due diligence.

Cotton, Textile, Apparel and Footwear Supply Chain

Previous research has pointed to the elevated risk of labour abuses when companies responsible for cotton production exhibit weak or weaker corporate integrity. Key markers of integrity include corporate transparency, and the track record of senior management and beneficial owners. World Bank sanctioned individual Yuldashev is a senior manager at cotton/textile firm Baxodir Log'on Tekstil. The owner of Baxodir Log'on Tekstil, Royal Thai Group, is an opaque offshore entity, closely tied to Yuldashev. A professional biography recently published on the Diplomatic World Institute website states Yuldashev is a founder of Baxodir Log'on Tekstil.⁴⁸



Image: December 2020, Fergana Governor Khairullo Bozarov (second left) tours Baxodir Log'on Tekstil with Muminjon Yuldashev (third left) (source: Ferghana Regional Government).⁴⁹

⁴⁸ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

⁴⁹ Ferghana Regional Government (2020) 'Industrial Power will Increase in the Largest Region', 28 December. Available online at: <https://fergana.uz/site/view/news/2535> (accessed 19 September 2021).

Similarly, two of Marhamat Vodi Shoes' and Namangan Vodi Shoes' three shareholders have been sanctioned by the World Bank, while media reports indicate Yuldashev is a figure closely associated with the Vodi Shoes brand. A professional biography recently published on the Diplomatic World Institute website states Yuldashev is a founder of Vodi Shoes.⁵⁰



Image: December 2020, Fergana Governor Khairullo Bozarov (third left) tours Vodi Shoes with Muminjon Yuldashev (second right) (source: Ferghana Regional Government).⁵¹

Evidence collected by Uzbek Forum for Human Rights contain allegations that Baxodir Log'on Tekstil has engaged in abusive commercial practices with farmers producing cotton for their firm, under Uzbekistan's cotton cluster system.⁵² In this system cluster operators enjoy a monopoly over the cluster areas allocated to them by the government, and through

⁵⁰ 'Biography - Yuldashev Muminjon Shokirjonovich', Diplomatic World Institute, 2 November 2021, available at: <https://d6scj24zvfbbo.cloudfront.net/df24c5db010c1614ffbf5b5adba19fc1/200001197-876fc876ff/BIOGRAPHY.pdf?ph=b21076a610> (accessed 12 February 2022)

⁵¹ Ibid.

⁵² Uzbek Forum for Human Rights (2020) *Cotton Clusters and the Despair of Uzbek Farmers: Land Confiscations, Blank Contracts and Failed Payments*, 2 April. Available online at: <https://www.uzbekforum.org/cotton-clusters-and-the-despair-of-uzbek-farmers-land-confiscations-blank-contracts-and-failed-payments/> (accessed 19 September 2021).

this monopoly also enjoy unequal bargaining power vis-à-vis smallholder farmers cultivating cotton for the cluster (farmers are required to contract with the cluster operator for their district, they cannot sell cotton through an open market).

The indicators of reduced corporate integrity noted above are matters that should be taken into account and weighed into decision making processes by international brands committed to responsible sourcing.

PART V

RIGHT OF REPLY

Right of reply letters were sent to the ADB, Muminjon Yuldashev, and companies within his business group..

Initially Yuldashev offered to meet the author of this report. He did not respond to subsequent emails looking to secure a convenient time and date.

However, responses to right of reply requests were received from the ADB and one company which wishes to remain anonymous over fears of retribution by Uzbekistani government officials

The ADB spokesperson stated that the bank only recognised the debarment of Muminjon Yuldashev, it did not recognise the World Bank decision to debar legal entities he may directly or indirectly own. The spokesperson, however, confirmed that the matter had been referred to ADB's Office of Anti-Corruption and Integrity.

The company which expressed a wish to remain anonymous maintain they are a highly professional organisation that delivers quality service at an optimal price. They allege that Ministry of Housing and Communal Services officials are rigging tenders in favour of companies the officials own or are closely tied to. As part of this effort, they claim, competitor companies have experienced a campaign of persecution aimed at discrediting them.

The company also alleges: 'If you carefully study the conducted international tenders in recent years, a lot of crimes have been committed in the Ministry, the cost of projects has increased tenfold in order to award contracts to their companies'.

Following a meeting with company executives, requests for information verifying these claims were not responded to.

However, it should be noted that in the ADB Office of Anti-Corruption and Integrity review cited above, it was Kommunhizmat which served as the executing agency for Djizzak Sanitation System Development Project where 'key procurement documents' were not provided, and where the anti-corruption office documented improper practices such as 'unauthorized changes in bidding documents' and 'incorrect evaluation and shortlisting procedures'.

Given the seriousness of the allegations made regarding the Ministry of Housing and Communal Services, set against the findings of the ADB Office of Anti-Corruption and Integrity, this matter should be investigated by Uzbekistan's Anti-Corruption Agency.

PART VI

RECOMMENDATIONS

Based off the initial finding of facts and subsequent responses to the right of reply requests, this Risk Alert makes the following recommendations:

- ◆ Cross-debarments approved by the ADB should incorporate *in full* the terms and conditions of the original debarment decision.
- ◆ The ADB Office of Anti-Corruption and Integrity's findings on its investigation into the ADB award to Royal Dizayn Loyiha (made after Yuldashev was cross-debarred), should be made public.
- ◆ Allegations against the Ministry of Housing and Communal Services, including Kommunnhizmat Agency, should be investigated by Uzbekistan's Anti-Corruption Agency.
- ◆ To strengthen the integrity of its procurement processes, the Government of Uzbekistan should apply international sanctions lists when evaluating public tenders.
- ◆ Companies entering into commercial relationships with Muminjon Yuldashev or closely affiliated entities should assess this relationship as being higher in risk and thus requiring enhanced levels of due diligence. In particular, any entity entering into, or holding, commercial relations with Madad Invest Bank should factor the World Bank findings into their risk analysis, and due diligence procedures. Brands looking to responsibly source textiles or footwear from Baxodir Log'on Tekstil/Vodiy Shoes should also consider World Bank findings in their due diligence analysis, including sanctions placed on Vodiy Shoes shareholders Quvasoy Tamir Qurilish and Jo'ydam-Ta'mirchi.

ABOUT RISK ALERTS

Risk Alerts is a reporting series published by UzInvestigations. It aims to make available cutting-edge data-sets and analysis on commercial, financial and political risks in Uzbekistan.

This series recognises the challenges associated with conducting accurate, information-rich investigations in Uzbekistan, essential to effective risk-analysis and due-diligence. They include the dispersed and idiosyncratic interfaces through which market, corporate and political data is published, the absence of meaningful data on Uzbekistan in global due diligence databases, and the importance of informal flows of information only accessible on the ground. To meet these challenges UzInvestigations has developed a range of methods for centralising and cross-analysing data-sets, which we combine with journalistic and academic expertise, to produce data-rich insights into major business groups and power players in Uzbekistan.

This series will be of relevance to a wide range of professionals in the private, public and third sectors working in areas such as compliance, anti-money laundering, risk analysis, due diligence, and anti-corruption.

ABOUT UZINVESTIGATIONS

UzInvestigations is a civic research initiative administered by Ulster University in partnership with the Uzbek Forum for Human Rights. Drawing on data science, investigative methodologies, and digital analytics, UzInvestigations produces resources and analysis, which help forensically scrutinise corporate and government power in Uzbekistan.

UzInvestigation's Directors include Kristian Lasslett, Professor of Criminology at Ulster University, Umida Niyazova an award-winning Uzbek journalist and human rights activist and director of the Berlin-based NGO Uzbek Forum for Human Rights, and Dilmira Matyakubova an independent policy analyst and expert on post-Soviet Central Asia currently working on her PhD thesis at Ulster University in the United Kingdom.

Co-founder, Ulster University has been awarded research grants by the Open Society Foundation and the National Endowment for Democracy, which have supported the generation of data-sets and investigative tools which are employed in Uzinvestigation reporting. No UzInvestigation report has been commissioned by an outside body. All Investigation reporting is initiated, implemented and published, with full independence by UzInvestigations' Directors.